

Statement of Accounts

2008/09

Finance Department

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EXPLANATORY FOREWORD

Introduction

Gwynedd Council's accounts for the year 2008/09 are set out on pages 24 to 82. They consist of:-

- **Income and Expenditure Account** - This is the Council's main revenue account, covering income and expenditure on all services together with details of how those services are financed.
- **Statement of the Movement on the General Fund Balance** - This provides a reconciliation between the Income and Expenditure Account and the accounting entries required by statute.
- **Statement of Total Recognised Gains and Losses** – This enables authorities to recognise gains and losses in the Balance Sheet that are not debited or credited to the Income and Expenditure Account.
- **The Balance Sheet** - This sets out the financial position of the Council on 31 March 2009.
- **The Cash Flow Statement** - this statement summarises the flow of cash to and from the Council during 2008/09 for revenue and capital purposes.
- **The Housing Revenue Account** - This gives details of income and expenditure on Council housing.
- **The Welsh Church Fund and FMG Morgan Trust Fund Accounts.**
- **The Gwynedd Pension Fund Accounts and Balance Sheet.**

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

Group Accounts have been prepared in the past which consolidated 50% of Cwmni Gwastraff Môn Arfon's financial position, to the Council's financial position, as if it were a subsidiary company. Under the applied interpretation given to the related requirements, it is no longer considered necessary to produce Group Accounts. Following a change in legislation, the Council, in conjunction with the other shareholder, the Isle of Anglesey County Council, decided to close the company down and to undertake the work in-house. Details of the company can be found in Note 43 'Interests in Companies'.

REVENUE EXPENDITURE IN 2008/09

The Income and Expenditure Account (page 24) shows that the Council's gross revenue expenditure on its own services was £336m, but taking income received towards services and other various items into account, the net cost of the Council's operations during 2008/09 was £227m. Of this £85m (37%) was spent on Education, £38m (17%) on Adult Social Care, £16m (7%) on Highways, Roads and Transportation, £15m (7%) on Environmental Services, £13m (6%) on Children's Social Services and £10m (4%) on Culture and Associated Services.

Gwynedd's income to finance this expenditure came from the Council Tax (£45m - 21%), a share of National Non-Domestic Rates (£31m - 15%), and General Government Grants (£134m - 64%).

A comparison of budgeted income and expenditure with the actuals for 2008/09 is as follows-

	Estimate £'m	Actual £'m
Net Expenditure on Operations	213.01	227.49
Transferred to Balances	(3.55)	(1.35)
Other Net Movements	0	(16.10)
Surplus / (Deficit) for the year	<u>(3.55)</u>	<u>(17.45)</u>
Balance to be met from Grants & Local Taxation	209.46	210.04
Financed by -		
Council Tax Income	(44.31)	(44.89)
Share of National Non-Domestic Rates	(31.46)	(31.46)
Revenue Support Grant	(133.69)	(133.69)
	<u>0.00</u>	<u>0.00</u>

This position is after allowing for sums which Services will carry forward from 2008/09 to use in 2009/10.

During 2008/09 the global financial situation developed unprecedented problems and interest rates in Britain reached an unprecedented low. Due to this situation, the authority revised its Treasury Management Policy and reviewed other areas of financial risk. Further details of these actions can be seen in Note 45 of the Notes to the Core Financial Statements.

The authority has a deposit of £4m with Heritable Bank which is a UK registered bank under Scots Law. The company was placed in administration on 7 October 2008. Assumptions have been made regarding this deposit and the calculation of the fair value resulted in an impairment loss of £1,260,396, a share of which has been charged to the Pension Fund and the Housing Revenue Account resulting in a charge to the Council Fund of £1,035,037, of which £644,621 relates to the principal amount and £390,416 is the notionally calculated lost interest over the next four years. Full details are included in Note 23 of the Notes to the Core Financial Statements.

CAPITAL EXPENDITURE IN 2008/09

Capital expenditure for 2008/09 amounted to £52.8m. The following table gives an analysis of this expenditure and the way it was financed.

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING		
2007/08		2008/09
£'000		£'000
	Resources Directorate	
248	Central Services	518
25	Administration and Public Protection	22
2,878	Customer Care Support	2,641
	Environment Directorate	
6,212	Planning and Transportation	16,102
7,165	Highways and Municipal	7,730
3,338	Consultancy	110
	Development Directorate	
3,924	Schools	7,871
796	Lifelong Learning	949
2,172	Economy and Regeneration	3,030
0	Children and Families Services	771
	Care Directorate	
6,430	Housing Revenue Account	6,911
4,914	Housing	5,129
20	Social Services	182
304	Provider Services	680
	Chief Executive	
0	Chief Executive	130
	Corporate	
37	Corporate	22
<u>38,463</u>		<u>52,798</u>
0	Joint Venture Assets – Composting Facility on Anglesey	986
<u>38,463</u>		<u>53,784</u>
	FINANCED BY -	
9,196	Borrowing	8,290
20,979	Grants and Contributions	35,276
1,280	Capital Receipts	974
7,008	Revenue and Other Funds	8,258
<u>38,463</u>		<u>52,798</u>
0	Joint Venture Grants	986
<u>38,463</u>		<u>53,784</u>

Revenue Expenditure Funded from Capital Under Statute of £5,814,671 is included in the above table. This has been charged to the Income and Expenditure Account in the year. Total expenditure on Fixed Assets was £47,968,660 as shown in Note 19 on Page 36.

The Council's Loan Debt on 31 March 2009 was £137.9m – a reduction of £11.3m (from £149.2m) during the year. The reduction in external borrowing was due to a one-off repayment of £10m and scheduled loan repayments.

PROVISIONS AND RESERVES

In addition to General Balances of £9.2m the Council had other provisions of £3.7m and specific reserves of £42.0m, totalling £54.9m. These are detailed in the Balance Sheet, in Note 29 and Note 41.

GWYNEDD PENSION FUND

The Gwynedd Pension Fund Accounts (pages 73 to 82) show a decrease during the year of £134.6m in the market value of the net assets of the Fund, to £658.2m. The book value of the net assets at 31st March 2009 was £741.0m (2008: £716.0m).

ACCOUNTING POLICIES

The accounting policies adopted by the Council comply with all relevant recommended accounting practices and are fully explained in the Statement of Accounting Policies set out on pages 18 to 23.

FURTHER INFORMATION

Further information relating to the accounts is available from:

William E Jones
Senior Finance Manager
01286 679406

or

Caroline Roberts
Finance Manager - Resources and Corporate
01286 679133

Finance Department
Gwynedd Council
Council Offices
Caernarfon
Gwynedd
LL55 1SH

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

GWYNEDD COUNCIL

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

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

28 September 2009

Chair Audit Committee

THE HEAD OF FINANCE'S RESPONSIBILITIES

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

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 fairly the financial position of Gwynedd Council at 31st March 2009 and its income and expenditure for the year then ended.

16 September 2009

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

ANNUAL GOVERNANCE STATEMENT

This statement meets the requirement to produce a Statement of Internal Control pursuant to Regulation 4 of the Accounts and Audit (Wales) Regulation 2005.

Part 1: SCOPE OF RESPONSIBILITY

Gwynedd Council 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. Gwynedd Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Gwynedd Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk and adequate and effective financial management.

Part 2: THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, 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 ongoing process designed to identify and prioritise the risks to the achievement of Gwynedd Council'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 Gwynedd Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

Part 3: THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise Gwynedd Council's governance framework arrangements are as follows:

Identify and communicate the authority's vision

- 'Gwynedd Together' – a strategic partnership of key agencies across the County – have developed the Gwynedd Community Strategy for the period between 2008 – 2012. The document outlines a clear direction and robust guidelines in order to improve the quality of life in Gwynedd on the basis of agreed priorities which will strengthen co-operation across organisations within the county. The Community Strategy's six themes are:

1. Sustainable Development;
 2. Equal Opportunities;
 3. Social Inclusion;
 4. The Welsh Language;
 5. Listening and Hearing;
 6. Partnership and Co-operation.
- The Council has four objectives which have been established as a statement of commitment in supporting the six themes within the Community Strategy. These objectives support the Council's aim, which is to "Improve Gwynedd":
 1. Sustainable community;
 2. Improving the Council in order to Improve Gwynedd;
 3. Fairness and opportunities for people and communities in need;
 4. Focus on residents.
 - As part of the Wales Programme for Improvement, the Council prepares an annual Improvement Plan. The Improvement Plan outlines the Council's main objectives for the following year, including the way in which the Council will respond to the main priorities. The plan is an important link between the Community Strategy and the Council's service business plans, and its indicators and plans for improvements at business unit levels.
 - The Council has prepared a strategic plan for the period between 2008/09 – 2010/11, the aim is to prepare a plan that outlines a clear direction for the period for the Council's main activities, within the context of realising the County's long term priorities.

Review the authority's vision and its implications for the governance arrangements

- The possibility of failing to influence the issues and bodies that drive changes within the county is a matter of high risk. The Council with its partners has therefore developed a Partnership Assessment Framework that offers a simple, quick and cost-effective method for assessing partnership working. It allows a swift appraisal in order to recognise areas of difficulties. Also, guidelines have been produced on the partnership between the Council and its Partners, in order to ensure effective communication, influence and joint-planning.
- Under the Wales Programme for Improvement, the Council and the Wales Audit Office are responsible for preparing an annual Joint Risk Assessment. The result of the risk assessment should be based on the evidence of the main risks that affect the Council to achieve its objectives.
- The authority's business risk assessment and management arrangements form a key component of the Council's business planning cycle, "Cyflawni". The risk assessments are undertaken by every business unit within the authority in accordance with the Risk Management Strategy.

- The Strategic and Improvement Department's mission statement is "to develop, establish and support a culture and robust systems for performance and project management in order to support the principle of continuous improvement and making the best use of resources".
- In February 2009 the need to discover £15m of savings over the three years from 2009/10 was reported to the Board. It is now expected that at least £16m of savings will be needed over the three years from 2010/11. These savings are expected to be found through a new process that will be more strategic, offer members more choices and be more inclusive with staff, members and citizens than previous arrangements.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and best use of resources

- Local performance indicators are developed as a result of the Council's business risk assessments. Each indicator is shown as being a key indicator either at Unit, Service or Three-Year Strategic Plan level. The Corporate Improvement Plan lists the Council's main key corporate indicators.
- Once business unit indicators have been determined and targets set, the indicators are then the subject of challenge by the Strategic and Improvement Department and elected members. Part of this challenge process is to identify actions for each area of low performance, and challenge targets that appear to be unduly low when compared with previous years' performance. The Council's Three-Year Plan identifies the areas that should be the focus of substantial improvements.
- The Strategy Priority Leader informs the Leadership Group of progress against the strategic priorities every 2 months, and reports on the progress to the Main Scrutiny Committee and Council Board every 6 months. Lower level indicators and improvement matters are monitored by officers in accordance with the Council's quarterly corporate monitoring arrangements, and progress reported to the relevant Scrutiny Committee every 6 months.

Define and document the responsibilities, with clear delegation arrangements for effective communication

- The Council has nominated the Head of Democracy and Legal as the Monitoring Officer pursuant to Section 5 of the Local Government and Housing Act 1989, and the Head of Finance as the Chief Financial Officer pursuant to Section 151 of the Local Government Act 1972. The Council's Constitution contains protocols for the discharge of the functions of the Monitoring Officer and Chief Financial Officer.
- The Council has adopted a management structure that includes a Chief Executive (who is also the Head of Paid Service) and three Corporate Directors. Together, they form the Council's Corporate Leadership Team. The members of the Corporate Leadership Team together with the Monitoring Officer and the Head of Finance form the Council's Management Group.
- The Constitution contains details of the schemes for delegating power to committees, members and officers together with a distribution of functions that are not the responsibility of the Council Board.
- The Constitution includes a protocol on Member's Duties and Responsibilities. The protocol details on the purpose and responsibilities of members,

chairperson, vice-chairperson, portfolio leader, senior leaders and the Council leader.

- Gwynedd Council has developed its Members Allowance Scheme on the basis of the Local Authorities (Allowances for Members) (Wales) Regulations 2007.
- Gwynedd Council has established a Standards Committee to safeguard standards of conduct and propriety in all the Council's transactions.
- The Overview and Scrutiny Strategy was published in order to ensure that the Council's members and officers jointly understand good practice in the area of scrutiny, together with the methods that will be used to stride ahead with the scrutiny function at Gwynedd Council.

Develop and communicate codes of conduct for members and staff

- The Council has adopted "The Code of Conduct (Qualifying Local Government Employees) (Wales) Order 2001" as its code of conduct for all staff.
- The Code of Conduct for the Council's elected members is lead by the Members Conduct Order (Principles) (Wales) 2001. The Order identifies the principles that should govern the conduct of local authority members in Wales; the principles are:
 - ❑ Selflessness,
 - ❑ Integrity,
 - ❑ Rectitude and decency,
 - ❑ Duty to uphold the law,
 - ❑ Stewardship,
 - ❑ Objectivity when making decisions,
 - ❑ Equality and respect,
 - ❑ Openness,
 - ❑ Accountability,
 - ❑ Leadership.
- The Members Code of Conduct includes specific parts on interests and the register of interests for members. The declaration of interest for staff is retained centrally by the Monitoring Officer. Staff are expected to present their declaration of interest in writing in the first instance to the Chief Officer and then sent to the Monitoring Officer.

Review and update processes and controls required to manage risks

- Every committee report that requires an executive decision is presented to the 3 statutory officers for comments.
- Audit and Risk Management Services within the Finance Department has developed a Risk Management Policy and Strategy for the whole authority. The policy and strategy have been approved by the Corporate Leadership Team, with the objective of ensuring that the management of risks has been formally embedded in all aspects of the Authority's work. This is a continuous process to ensure all managers receive training on identifying risks and opportunities. Identifying risks and developing implementation plans are a part of the Authority's "Cyflawni" business cycle.

- Managers are expected to manage the risks that are relevant to their area of work. This has been incorporated into the Risk Management Strategy. It is expected that job descriptions contain specific reference to certain risks, in particular to those in the areas of Health and Safety and Equality.
- The 2008-11 Internal Audit Strategy sets out clearly the intention to provide a service which undertakes risk based audits, and the reliance placed on the corporate risk management arrangements when planning Internal Audit work.

Function of the audit committee

- The Council has established an audit committee to discharge the following functions:-
 1. Promoting internal audit, establishing a timetable to conduct review control, develop an anti-fraud culture and review financial operation;
 2. To focus the Council's audit resources by agreeing on audit plans and monitoring the provision of audit;
 3. To monitor audit performance by ensuring that officers' work is on schedule, that audit reports are produced promptly and that they are responded to in the same manner, monitoring the completion of the accounts and ensuring action on audit recommendations;
 4. Considering observations and concerns about individual services, on the basis of reports by Council officers or the Wales Audit Office on behalf of the Auditor General for Wales.
 5. To approve the Council's statement of account under the Accounts and Audit (Wales) Regulations 2005, along with any accompanying documents.
- The Internal Audit service is provided in accordance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The Code states that Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. A 3-year Audit Strategy was adopted in March 2008, with an annual audit plan prepared on the basis of this strategy.
- In accordance with the requirements of the CIPFA Code of Practice, the Senior Manager, Audit and Risk prepares an annual report that summarises the results of internal audit work during the year on the overall system of internal control within the authority.

Ensuring compliance with relevant laws, regulations, internal policies and that expenditure is lawful

- The Council's internal and external auditors are expected to report to relevant officers on any failure to comply with either policy or legislation, and to report to the Audit Committee in accordance with its Terms of Reference. The heads of department receive a copy of every relevant internal audit report, and the result of follow-up work on recommendations is reported to the Audit Committee with a view to maximising the impact of audit work.

- Gwynedd Council has prepared a Corporate Health, Safety and Welfare Policy in accordance with the Health and Safety in the Workplace Act 1974. The policy states that the Council recognises and accepts, as far as is reasonably practicable, its duties as an employer towards its workers and others that may be affected by its activities. The aim of Gwynedd Council is to attain the highest standard in managing health, safety and welfare.

Whistle blowing and receiving complaints from the public

- The Council has adopted a Whistleblowing Policy and Arrangements, a scheme which gives staff a safe and reliable method for reporting honestly any concerns regarding illegal, fraudulent or corrupt behaviour, financial malpractice, endangering the public or the environment, abuse of clients, etc. During May 2009 cards that promoted awareness of the whistle blowing arrangements were distributed to all Council staff.
- The Council has introduced a standard procedure across the Council to deal with complaints. The Council is of the opinion that the procedure is easy to use; it investigates thoroughly to every complaint, guarantees a quick response and proposes the chance to take the matter further if individuals are not happy with the response. Further, the complaints procedure is in accordance with statutory requirements within the departments e.g. Social Service arrangements in relation to Children Act 1989 and Care in the Community Act 1990. A "Complaints Form" is available to record the complaint.

Identify and develop the needs of members and senior officers

- The Council has devised a training matrix for staff, and has identified 6 training categories: Corporate Management Team, Head, Managers, Field Leaders, Supervisors, Staff and direct workers. Specific features were used to identify the appropriate training category for staff. A training programme has been developed for every category.
- Induction arrangements for members following the local elections were reported to the Corporate Management Team in April 2008. Examples of training offered were the code of conduct, introduction to planning, scrutiny, the role of local government, corporate governance as well as training organised by the Welsh Local Government Association.
- The Training Manager had developed a strategy that sets out the Council's vision for developing and training members for the next few years. The Council approved the implementation of the strategy in its meeting in May 2009.

Establishing clear channels of communication with the community and other stakeholders, ensuring accountability and open consultation

- There is a protocol within the constitution for relations between members and officers with the purpose of guiding members and officers of the Council in their relations with one another. The protocol seeks to offer guidance on some of the issues which most commonly arise, as well as to promote greater clarity and certainty.
- Gwynedd Together holds an annual meeting for the people of Gwynedd to receive feedback on the work undertaken and to contribute towards the next steps to be taken by the partnership.

Incorporating good governance arrangements in respect of partnerships and reflecting these in the governance arrangements

- The Council has developed a Partnership Assessment Framework that's based on 6 partnership principles identified by the Department of Communities and Local Government (UK Government) as blocks towards building a successful partnership:
 - Acknowledge and accept the need for partnership;
 - Develop a clear purpose to the partnership;
 - Ensure commitment and ownership;
 - Develop and maintain trust;
 - Construct clear and robust partnership arrangements;
 - Monitor, measure and learn.

Arrangements for ensuring adequate and effective financial management

- The Financial Procedure Rules form part of Gwynedd Council's constitution and sets out a framework for managing the Council's financial affairs. They rules were reviewed in May 2009.
- It is the duty of the Council Board, subject to such directions as may from time to time be given by the Council, to regulate, supervise and control the whole of the finances and accounts of the Council and all its departments and to co-ordinate financial and accounting arrangements.
- It is the duty of the Audit Committee to monitor and review the accounts and financial management of the Council and all its services with regard to financial propriety by reviewing financial operations, promoting internal control and developing an anti-fraud culture.
- It is the duty of the Main Scrutiny Committee to monitor and review the accounts and financial management of the Council and all its departments regarding reviewing the Council Board's decisions, development of relevant policies, monitoring the financial position of the Council and promoting value for money.
- The Head of Finance is the officer responsible for the administration of financial affairs as required by Section 151 of the Local Government Act 1972.
- In addition to the responsibility under Section 151 of the Local Government Act 1972, the Head of Finance also has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. These further statutory duties arise from:
 - The Local Government Finance Act 1988
 - The Local Government and Housing Act 1989
 - The Accounts and Audit (Wales) Regulations 2005
 - The Local Government Act 2003

- The Head of Finance is responsible for:
 - The proper administration of the Council's financial affairs;
 - Setting and monitoring compliance with financial management standards;
 - Reporting on the robustness of estimates, and also the adequacy of the proposed financial and controlled reserves for the purposes of making budgetary calculations.
- In accordance with Section 114 of the Local Government Act 1988, the Head of Finance shall report to the Full Council, the Council Board and external auditor if it appears to him that the Council, a committee of the Council, a joint committee on which the Council is represented, or one of its officers:
 - Has made, or is about to make, a decision which involves incurring unlawful expenditure;
 - Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council;
 - Is about to make an unlawful entry in the Council's accounts.
- No report will be presented to the Council Board (or to the Full Council, Human Resources Committee, or other committee with executive powers) unless it has first been submitted to the Head of Finance for comments on financial propriety or financial implications of recommendations. Before issuing financial information to outside bodies and individuals, officers or members shall consult with the Head of Finance or relevant finance manager to ensure accuracy. The Head of Finance must be consulted personally where relevant finance manager deems that the information is commercially sensitive.
- Each head of department shall ensure that sound principles of internal check are applied in his or her department to the satisfaction of the Head of Finance. In particular:
 - The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums shall be separated as completely as possible from the duty of collecting or disbursing them;
 - Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

Part 4: EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

Gwynedd Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority, who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The review described herein was undertaken by reviewing the findings of the Council's internal and external auditors and through discussions with key officers

within the authority. The process that has been applied to maintain and review the effectiveness of the system of internal control includes:

- The budgeting arrangements ensure that budgetary allocation reflects the "business" needs of the Council, and ensure it is clear that ownership of budgets rests with managers. This process is an intrinsic part of the business planning process.
- The Appointed Auditor's audit on the National Strategic Indicators highlights that the Council has arrangements for the collection and validation of performance information, but they need further strengthening. It was also noted, that a performance management framework is in place but needs to be more fully embedded throughout the Council.
- In their audit of the Improvement Plan, the Wales Audit Office concluded that the Improvement Plan had been delivered appropriately and represents a balanced picture of performance during the 2007-08 year.
- The Appointed Auditor's analysis, based on the 22 National Strategic Indicators that are subject to the statutory audit, highlights the need for additional work in the following areas:
 - There are still weakness in the data quality and this led to one indicator being qualified,
 - The central process to validate and check the performance information needs to be developed,
 - The Council needs to ensure that its arrangements for setting targets are consistent across the organisation and those arrangements deliver targets that are realistic but challenging. For three Social Services National Strategic Indicators, targets for 2008/09 were reduced to a less challenging level than in 2007/08 based on the achievement in actual performance in 2007/08 and other factors, in order to achieve a balance between realism and ambition.
- No reports have been presented to the Council, the Council Board, the Human Resources Committee, the Pensions Committee nor, in the case of individual properties, to the Area Committees nor to individual members without having first been presented to the three statutory officers for comment on any matter regarding policy, legality, propriety and financial obligations of any recommendations.
- The Resource and Corporate Scrutiny Committee established a working group in November 2008, with the brief of reviewing the Scrutiny and Overview Strategy. The work group output was plan a Scrutiny and Overview Strategy for the 2009/12 period.
- A series of meetings between the Council's managers, the Corporate Management Team and elected members produces an annual identification of the main issues that are facing the departments which are incorporated in the Three-Year Strategy Plan.
- The Resource and Corporate Scrutiny Committee established a working group in May 2008 to scrutinize the Procurement Strategy. The brief was to challenge and agree the direction for the strategy, the framework for the service strategic reviews, competitive policy and collaborative policy. The output of the working group was the development of the Procurement Strategy for the 2008/11 period.

- The Wales Audit Office undertakes an annual review of the Council's Internal Audit service. In its latest review the external auditors concluded that the Internal Audit service have achieved the required professional standards, and therefore that the work of the service could be depended upon.
- The Audit and Risk Manager reported that Gwynedd Council, in his opinion, has a sound framework of control to provide reasonable assurance regarding the effective and efficient achievement of the Council's objectives, as the steps taken by the Council during the financial year to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory.
- There are regular meetings of the Audit Committee. The Committee closely supervises Internal Audit's completion of the audit plan and its success in conducting follow-up audits in areas where internal control failings have been identified. The Committee calls managers and heads of department to account where there has been a failure to implement expected improvements to internal controls.
- The Council continues to develop its Communications Strategy. Various meetings are also undertaken by Management Teams at several levels in all departments in order to ensure that the authority's objectives are communicated to staff through appropriate channels.
- Following a review of the Partnership Assessment Framework by the Gwynedd Together Partnership Board, a revision of the framework during 2009/10 is proposed.
- The Council was eager to receive opinion of the residents of Council houses regarding transferring the housing stock to Gwynedd Community Homes. For this purpose a secret poll was conducted in March 2009.
- The Council was subject to 7 reviews by the Ombudsman following allegations of maladministration.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Part 5: SIGNIFICANT GOVERNANCE ISSUES

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

- The Council does not have one document that encompass the code of corporate governance, however issues that are expected to be found in such a code are incorporated in other documents, for example the Constitution, Procurement Strategy, Members Development and Training Strategy and so on.
- The Three-Year Plan identifies the importance of effective communication with the public, with this in view the Council has committed to conduct a citizen panel as well as an opinion survey amongst the public in order to improve the Council's decisions.
- It became apparent during the year that there is a need to conduct regular reviews of the Three-Year Plan, instead of conducting an annual review

- According to the Joint Review of the Social Services, the Council face substantial challenges to improve its Social Services; its many good intention after the last joint review in 2001 had not been delivered. The report identifies 6 priorities that need to be implemented.
- A number of external bodies have conducted reviews on the Council's arrangements. The relevant departments will give attention to the issues identified.
- The Council changed its structure in April 2009 with regards to managers and corporate support. Purpose of this restructuring was to simplify and highlight the corporate role of the Services. The Council will embedded these changes across the departments during 2009/10.
- The Council approved changes to the scrutiny arrangements in its annual meeting in May 2009. The purpose of the changes was to change the role of the Main Scrutiny Committee, ensure that members have ownership over decisions and emphasize the right to summon cases before the committee. The new arrangements will be embedded and incorporated within the Scrutiny Committees during 2009/10.
- The Council has identified in its Three-Year Plan the importance of developing the Council so that it is better lead. A programme for developing leaders will be developed in order to identify and nurture future leaders within the Council managers, as well as creating strategic focus by developing the roles of middle managers.
- The Council is committed to working within the standards of the Supporting and Developing Members Charter, and in accordance with the requirements the Council Board approved the Strategy for Developing and Training Members in its meeting held in May 2009. The strategy for the leaders (members of the Board and the leaders of the political parties) will be implemented during 2009/10, and the remainder of the members during 2010/11.
- Changes to the process for deciding on planning applications are proposed, with a reduction in the number of planning committees. The purpose of the change is to ensure consistency and improve the process of deciding on planning applications, as well as reducing the local connection between the members and those making the planning application. A report on the proposed arrangements is expected to be presented to the Main Scrutiny Committee during 2009/10.

Part 6: OPINION

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Date

Date

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL

The accounts have been prepared in accordance with the latest Code of Practice on Local Authority Accounting in the UK, issued in 2008 by the Chartered Institute of Public Finance and Accountancy (CIPFA) ("The Code") which includes the Best Value Accounting Code of Practice (BVACOP) and the Statement of Recommended Practice (SORP), and also with guidance notes issued by CIPFA on the application of Financial Reporting Standards (FRS's).

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

2. FIXED ASSETS

The Council's assets as recorded on the Property Services database are revalued at least every 5 years (with Council Dwellings being revalued annually). This is in accordance with the SORP and the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The last complete revaluation was effective from 1st April 2005.

Expenditure in year on new and existing assets is added annually, and then consideration is given as to whether this expenditure has increased the value of the asset. If there has been an increase, this is reflected through the Revaluation Reserve, if there is no increase it follows that there has been an impairment to the value of the asset (see 4 below for the method for accounting for impairment). Specifically for assets categorised as Land and Buildings and Community Assets where expenditure of over £100,000 has been incurred on a single asset, the Council's Corporate Property Manager (M.R.I.C.S.) reviews the assets and revalues any one as appropriate.

Operational assets are shown at Existing Use Value (EUV) or Depreciated Replacement Cost (DRC) for specialised properties.

Council Dwellings have been valued on the Existing Use Value for Social Housing basis (EUV-SH), in accordance with the requirements of the LG SORP. The methodology used by the Council to determine the EUV-SH requires the calculation of an adjustment factor which is applied to the vacant possession value of the property to reflect the fact that Council Dwellings have a 'social housing' sitting tenant. Adjustment factors for each region in England are contained in guidance issued by the Office of the Deputy Prime Minister in July 2005. The Welsh Assembly Government has not issued similar guidance. The Council's Valuer has therefore calculated an adjustment factor which was intended to reflect local market factors.

Non-operational assets are shown at the lower of net current replacement cost and net realisable value (normally Market Value).

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

Infrastructure and community assets are predominantly shown at historical cost or existing use value where appropriate.

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

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

3. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

4. BASIS OF CHARGES FOR CAPITAL

Financial Reporting Standard 11 states that assets must be reviewed each year in order to recognise any impairment or reduction in value due to the consumption of economic benefits. Any expenditure incurred on fixed assets which does not generate an increase in the value of the asset, is charged to the Income and Expenditure Account in the year as an impairment. The SORP allows for the effect of the impairment to be adjusted through the Statement of Movement and the resulting adjustment is reflected in the Capital Adjustment Account. The main element of FRS 15 is that buildings must be depreciated if they are not valued each year. In addition, it is a requirement that the main elements of a single asset, which have different economic lives, must be depreciated separately.

Depreciation is charged on the balance sheet value of assets to write them off as follows:

- (i) Vehicles, Plant Furniture and Equipment are depreciated over their estimated useful life (3–10 years)
- (ii) Infrastructure is depreciated over 40 years
- (iii) Revenue Expenditure funded from Capital under Statute is written down in the period in which it arises
- (iv) Land is not depreciated
- (v) Buildings are depreciated over their estimated useful lives (various)

With effect from 31st March 2008, the Welsh Assembly Government introduced the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 [the "Amendment Regulations"]. These Regulations introduced certain amendments to those introduced in 2003 [the "Original Regulations"] as part of the implementation of the Prudential Borrowing regime. Amongst the changes introduced is the requirement for an Annual Minimum Revenue Provision (MRP) Policy Statement.

The Original Regulations set out a statutory basis and a complex formula for the calculation of MRP. The Amendment Regulations only require a charge that is 'prudent', and authorities are permitted more discretion in terms of the charge levied, albeit within certain parameters. The Annual MRP Statement for 2008/09 is shown below –

For capital expenditure incurred before 1st April 2008 or which in the future will be supported capital expenditure, the MRP policy will be based on the

Capital Financing Requirement (CFR) at 4% of the opening balance less an adjustment ('A') (Option 1). "Adjustment A" was intended to achieve neutrality between the CFR and the former Credit Ceiling which was used to calculate MRP prior to the introduction of the Prudential System on 1st April 2004.

From 1st April 2008, for all unsupported borrowing, exercised under the Prudential Code, the MRP policy will be based on the Asset Life Method (Option 3). The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge will be delayed until the asset is operational.

Estimated asset life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

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

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

5. CAPITAL RECEIPTS

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

In the case of Housing Revenue Account properties, it is no longer necessary to set aside a percentage of the receipts. However the Council has decided to continue with the former arrangement where 75% of the receipts were set aside to be used to meet repayment of external borrowings. The remaining 25% are held in the Usable Capital Receipts Reserve until such time as they are used to finance additional capital expenditure. Receipts from the sale of Housing Revenue Account land are 100% usable.

All other capital receipts which belong to the Council Fund are 100% usable and set aside is no longer necessary.

6. GOVERNMENT GRANTS

Revenue grants are matched with the expenditure to which they relate and are credited to the Income and Expenditure Account for the relevant period.

Capital grants and contributions are credited to the Governments Grant Deferred Account when used to finance expenditure and released to the relevant Service

Heads in the Income and Expenditure Account over the useful life of the asset to match the depreciation of the assets to which they relate.

Government grants and other contributions are accounted for on an accruals basis.

7. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Thus the term financial instrument covers both financial assets and financial liabilities.

In accordance with the new requirements the Council's financial assets and liabilities have been reviewed in order to categorise them and determine their treatment. The financial instruments identified as a result of this review were:

Financial liabilities

- Trade payables and other payables (creditors).
- Long term borrowings including deferred premiums and discounts on early settlement of such loans.
- Financial guarantees.

Financial assets

- Bank deposits
- Trade receivables (debtors)
- Loans receivable
- Investments

The Council values its financial liabilities at amortised cost using the effective interest rate method. The interest charged to the Income and Expenditure Account is calculated using the effective interest rate. As the Council's long term borrowing is all at fixed rates the interest charged is the amount accrued in the year.

Gains or losses arising on the repurchase or early settlement of borrowing are treated as extinguishment of the financial liability unless strict conditions are met when the transaction may be treated as a modification of the existing loan terms and any gain or loss adjusts the carrying amount of the loan debt received.

The majority of the Council's financial assets are classified as loans and receivables and as such are valued at amortised cost using the effective interest rate method. The Council had two investments which have been treated as available-for-sale financial assets and restated to fair value.

One of these was redeemed during 2008/09 and the second is due to be redeemed during 2009/10.

Short duration payables and receivables with no stated interest rate are measured at original invoice amount. This includes all trade payables and trade receivables.

The Local Authorities (Capital Financing and Accounting) (Wales) (Amendment) Regulations 2007 allow the effect of the restatement of financial instruments to be adjusted through the Statement of Movements and the resulting adjustments are shown in the Financial Instrument Adjustment Account and the Available-for-sale Financial Instruments Reserve on the Balance Sheet.

Before these new requirements, where the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, the Council's policy was to recognise gains or losses over the lesser of the life of the replacement borrowing or a period

of 10 years. The adjustment allowed by statute means that the net effect on the Council's balances is equivalent to the transfer under this policy.

8. DEBTORS AND CREDITORS

The Council's Accounts are maintained on an accruals basis in accordance with the Code of Accounting Practice. That is, sums due to, or from, the Council during the year are included whether or not the cash has actually been received or paid in the year.

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

9. STOCKS AND WORK IN PROGRESS

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

10. COSTS OF SUPPORT SERVICES

Charges for services provided by the Central Support Departments are derived from a combination of pre-determined fixed charges, actual recorded staff time, transaction logging and pre-determined formulae. Office accommodation costs are allocated on a floor space basis.

The only unallocated residual costs, a total of £1.274m in 2008/09 (£1.304m in 2007/08), are those of corporate management and support service costs which the Code of Practice specifies should not be allocated. The allocation complies with the Best Value Accounting Code of Practice.

11. PROVISIONS

The Council sets aside provisions for specific obligations which are likely or certain to be incurred but the amount of which cannot yet be determined accurately. Provisions are also made for doubtful debts. Known uncollectible debts are written off against the relevant service. Further details can be found in Note 29.

12. RESERVES

Under the provisions of the Local Government Act 1988 the Council has one Council Fund which represents the general reserves of the Authority. The revenue reserves of the Housing Revenue Account are shown separately as they are ring-fenced and may not be used for any other purpose. There are also a number of revenue and capital reserves earmarked for specific purposes which are detailed in Note 41.

13. PENSIONS

Financial Reporting Standard (FRS) 17 governs how the long term liabilities which exist in relation to pensions costs should be reported. Local councils in Wales and England are required to produce their financial statements in accordance with FRS17. Further details can be found in Note 31.

14. ALLOCATION OF INTEREST RECEIVED

The Authority invests surplus funds for periods varying from overnight to two years and the interest is credited to the Council Fund, Housing Revenue Account, Gwynedd Pension Fund, Welsh Church Fund and other trust funds based on the level of their daily balances and the rate of interest earned.

15. INTEREST PAYABLE

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

16. LEASES

Payments under operating leases are accounted for in the services revenue accounts on an accruals basis.

17. VALUE ADDED TAX (VAT)

Only in a situation when VAT is irrecoverable, will VAT be included in capital and revenue expenditure.

18. INTEREST IN COMPANIES AND OTHER ENTITIES

The Council's investments in companies and other entities are shown in the Balance Sheet at original cost unless they are treated as Available-for-sale Financial Instruments when they are revalued in accordance with accounting policy note 7 above. Further details are given under Note 23 'Investments'.

When the Council has an interest in a related entity or receives benefits from it but is also exposed to inherent risks, then the Council decides, with regard to materiality, whether there is a need to prepare Group Accounts in accordance with the Code. In deciding on the accounting method in respect of its investment in the entity, the Council considers how much influence and control it has over that entity.

INCOME AND EXPENDITURE ACCOUNT 2008/09

31 March 2008		Gross	31 March 2009	
Net		Expenditure	Income	Net
Expenditure		£'000	£'000	Expenditure
£'000		£'000	£'000	£'000
9,913	Culture and Related Services	16,281	(6,157)	10,124
15,561	Environmental and Regulatory Services	23,209	(8,021)	15,188
4,890	Planning and Development Services	8,219	(3,382)	4,837
81,301	Children's and Education Services – Education	101,945	(16,994)	84,951
13,427	Children's and Education Services – Children Social Care	16,122	(2,625)	13,497
15,925	Highways and Transport Services	21,700	(6,100)	15,600
2,669	Housing Council Fund	35,620	(31,961)	3,659
37,378	Adult Social Care	53,149	(15,329)	37,820
1,463	Central Services to the Public	10,383	(8,923)	1,460
243	Court Services	437	(162)	275
4,352	Corporate and Democratic Core	10,987	(6,986)	4,001
196	Non Distributed Costs	3,967	0	3,967
1,239	Exceptional Items (Note 17)	0	0	0
188,557	Net cost of Council Fund Services	302,019	(106,640)	195,379
3,730	Housing Revenue Account	33,674	(19,409)	14,265
192,287	Net cost of services	335,693	(126,049)	209,644
849	Losses/(Profits) on the disposal of Fixed Assets			(201)
395	Net Loss of Trading Units (Note 11)			107
7,634	Precepts and Levies (Note 12)			7,919
10,714	Interest payable and similar charges			9,791
(4,929)	Interest and Investment Income			(3,872)
72	Pensions Interest Cost and expected return on pensions assets (Note 31)			4,102
207,022	Net expenditure on operations			227,490
(43,036)	Council Tax (Note 13)			(44,885)
(28,679)	Net income from National Non-domestic Rates (Note 14)			(31,463)
(132,774)	General Government Grants (Note 15)			(133,689)
2,533	Deficit for the year			17,453

Due to the changes to the Statement of Recommended Practice (SORP) within the Code of Practice and the need to restate the corresponding position for 2007/08 in accordance with the requirements, it will appear that the position originally reported for 2007/08 has changed. Refer to Note 1 'Prior Period Adjustments' for details of the changes.

A more detailed analysis of the expenditure and income by service division is shown in Appendix A on pages 85 - 87.

STATEMENT OF THE MOVEMENT ON THE COUNCIL FUND BALANCE

31 March 2008 £'000		31 March 2009 £'000
2,533	Deficit for the Year on the Income and Expenditure Account	17,453
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Council Fund Balance for the Year	
		(34,572
(21,915)	Depreciation and Impairment of Fixed Assets)
7,543	Government Grants Deferred Amortisation	7,917
(6,133)	Revenue Expenditure Funded from Capital under Statute	(5,815)
(849)	Net Profit/(Loss) on Sale of Fixed Assets	201
(1,474)	Finance Costs	322
(53)	Transfer from Capital Receipts	(101)
	Net Charges made for Retirement Benefits in Accordance with FRS17	(17,744
(13,617))
		(49,792
(36,498))
	Amounts not included in the Income and Expenditure Account but Required to be included by Statute when determining the Movement on the Council Fund Balance for the Year	
5,534	Minimum Revenue Provision for Capital Financing	5,865
7,008	Capital Expenditure charged in-year to the Council Fund Balance	8,258
16,773	Employer's Contribution payable to the Gwynedd Pension Fund and Retirement Benefits Payable Direct to Pensioners	17,855
29,315		31,978
	Transfers to or from the Council Fund Balance that are required to be taken into account when determining the Movement on the Council Fund Balance for the Year	
34	Housing Revenue Account Balance	287
153	Voluntary Revenue Provision for Capital Financing	278
1,751	Net Transfer to/from Earmarked Reserves	1,148
1,938		1,713
(5,245)	Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be Debited/(Credited) to the Council Fund Balance for the Year	(16,101)
(2,712)	(Increase)/Decrease in Council's Fund for the year	1,352
(8,244)	Council Fund Balance Brought Forward – Council Fund	(10,574)
(3,339)	Council Fund Balance Brought Forward – Schools	(3,721)
(11,583)		(14,295)
(2,330)	(Increase)/Decrease for the year – Council Fund	1,341
(382)	(Increase)/Decrease for the year – Schools	11
(2,712)		1,352
(10,574)	Council Fund Balance Carried Forward – Council Fund	(9,233)
(3,721)	Council Fund Balance Carried Forward – Schools	(3,710)
(14,295)		(12,943)

The Council Fund Balance shows whether the Council has over- or under-spent against the Council Tax that it raised for the year, taking into account the use or reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the deficit on the Income and Expenditure Account and the (Increase)/Reduction in the Council Fund Balance for the year.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

31 March 2008 £'000		31 March 2009 £'000
2,533	(Surplus) / Deficit on the Income and Expenditure Account	17,453
(10,194)	(Surplus) / Deficit arising from the Revaluation of Fixed Assets	3,617
(1,361)	(Surplus) / Deficit arising from the Revaluation of Available for Sale Financial Assets	100
0	Realisation of Previous Unrealised Gain	1,203
(27,043)	Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities	57,616
15	(Gains) / Losses on Financial Instruments – adjustment of prior year balance.	0
(36,050)	Total Recognised (Gains) / Loss for the Year	79,989

BALANCE SHEET - 31 MARCH 2009

31 March 2008		31 March 2009	
£'000		£'000	£'000
	Tangible Fixed Assets		
	Operational Assets (Note 19)		
271,025	Council Dwellings (Note 19)	252,300	
151,632	Other Land and Buildings (Note 19)	148,598	
94,167	Infrastructure (Note 19)	113,991	
11,452	Vehicles, Plant, Furniture and Equipment (Note 19)	12,161	527,050
476	Community Assets (Note 19)		652
	Non Operational Assets (Note 19)		
1,244	Investment Properties (Note 19)	1,244	
2,363	Assets Under Construction (Note 19)	9,242	
0	Surplus Assets, held for disposal	589	11,075
2,253	Long Term Investments (Note 23)		3,090
648	Long Term Debtors (Note 25)		2,063
535,260	Total Long Term Assets		543,932
	Current Assets		
1,151	Stock and Work in progress	1,163	
38,537	Debtors (Note 25)	32,979	
78,541	Investments (Note 23)	63,647	
73	Cash in hand (Note 24)	9,771	
	Current Liabilities		
(51,593)	Creditors (Note 26)	(43,602)	
	Capital Grants Unapplied (Note 27)	(490)	
	Borrowing repayable on demand or within 12 months (Note 28)	(1,468)	
(14,229)	Bank Overdraft (Note 24)	(25,428)	36,572
586,195	Total Assets less Current Liabilities		580,504
	Borrowing repayable within a period in excess of 12 months (Note 28)	(137,533)	
(148,619)	Provisions (Note 29)	(3,713)	
(4,179)	Government grants deferred (Note 30)	(124,791)	
(96,447)	Liability related to defined benefit pension schemes (Note 31)	(131,886)	(397,923)
(74,382)	Total Assets less Liabilities		182,579
262,568	Capital Adjustment Account (Note 34)		252,464
270,066	Financial Instrument Adjustment Account (Note 35)		(1,167)
(1,489)	Revaluation Reserve (Note 37)		3,601
9,249	Available-for-sale Financial Instruments Reserve (Note 36)		58
1,361	Usable Capital Receipts Reserve (Note 38)		6,288
4,600	Deferred Capital Receipts (Note 39)		67
92	Pensions Reserve (Note 31)		(131,886)
(74,382)	School Balances (Note 40)		3,710
3,721	Earmarked Reserves (Note 41)		38,279
37,131	Revenue Balances		
10,574	Council Fund	9,233	
1,645	Housing Revenue Account	1,932	11,165
262,568	Total Net Worth		182,579

The short term investments figure of £63.6m and the cash in hand figure of £9.8m above include amounts invested on behalf of the pension fund which total £23.4m. Detailed information is shown in Note 24 on page 41 of these statements.

CASH FLOW STATEMENT – 2008/09

2007/08 £'000	REVENUE ACTIVITIES	2008/09 £'000	2008/09 £'000
(11,753)	REVENUE ACTIVITIES		(11,928)
	SERVICING OF FINANCE		
	Cash Outflows		
9,174	Interest paid	8,474	
	Cash Inflows		
(4,856)	Interest Received	(4,305)	4,169
<u>(7,435)</u>			<u>(7,759)</u>
	CAPITAL ACTIVITIES		
	Cash Outflows		
32,622	Purchase of Fixed Assets	46,096	
6,113	Payment of Grants and Contributions	5,815	
291	New Long Term Loans	461	
<u>39,026</u>		<u>52,372</u>	
	Cash Inflows		
(2,407)	Sale of Fixed Assets	(3,640)	
(273)	Repayments by Long Term Debtors	(342)	
0	Repayment of Investment	(130)	
(20,961)	Capital Grants Received (Note 48)	(37,971)	10,289
<u>7,950</u>	Net cash inflow / outflow before financing		<u>2,530</u>
	MANAGEMENT OF LIQUID RESOURCES		
(4,994)	Net Decrease in Short Term Investments		(12,192)
<u>2,956</u>			<u>(9,662)</u>
	FINANCING		
	Cash Outflows		
3,300	Repayments of amounts borrowed		27,363
	Cash Inflows		
(3,650)	New Loans Raised		(16,200)
<u>2,606</u>	Net Decrease in Cash (Note 49)		<u>1,501</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 1 – PRIOR YEAR ADJUSTMENTS

A number of adjustments have been made to correct 2007/08 figures and ensure comparability with the corrected 2008/09 disclosures. General Government grants are now shown as a separate heading and schools delegated balances are shown as part of the Council Fund Balance. A summary of the changes is shown in the tables below:-

Income and Expenditure Account	2007/08 Accounts	Re-Statement	Comparative figures in 2008/09 Accounts
	£'000	£'000	£'000
Corporate and Democratic Core	2,213		
Other Services	187,771	2,303	187,771
Other Activities	14,735		14,735
Net Expenditure on Operations	204,719	2,303	207,022
Council Tax	(43,036)		(43,036)
Net Income from Non-Domestic Rates	(28,679)		(28,679)
General Government Grants	(130,471)	(2,303)	(132,774)
Deficit for the year	2,533	0	2,533

Statement of Movements on General Fund Balance	2007/08 Accounts	Re-Statement	Comparative figures in 2008/09 Accounts
	£'000	£'000	£'000
Deficit for the year on the Income and Expenditure Account	2,533		2,533
Net Transfer to/ from Earmarked Reserves	2,133	(382)	1,751
Other Movements on the Statement of Movements	(6,996)		(6,996)
Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be Credited to the Council Fund Balance for the Year	(4,863)	(382)	(5,245)
Increase in the Council fund Balance for the Year	(2,330)	(382)	(2,712)

NOTE 2 - EXPENDITURE UNDER SECTION 137, LOCAL GOVERNMENT ACT 1972

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £372,676 in 2008/09, (£377,412 in 2007/08) mainly on donations to voluntary bodies working in the local area.

NOTE 3 - AGENCY SERVICES

The Council carries out certain work on an agency basis, and also administers the North Wales Trunk Road Agency.

The principal areas of work are trunk road improvements and maintenance on behalf of the National Assembly for Wales, with £26.76m income transactions recovered in 2008/09 (£26.54m in 2007/08).

NOTE 4 - EXPENDITURE ON PUBLICITY

In accordance with Section 5 of the Local Government Act 1986, local authorities must keep a separate account of expenditure on publicity defined as being any communication, in whatever form, addressed to the public at large or to a section of the public. Net expenditure by the Council on publicity in 2008/09 amounted to £824,595. This includes all the expenditure on advertising for all purposes. This compares with £835,400 in 2007/08.

NOTE 5 - INCOME UNDER THE GOODS AND SERVICES ACT 1970

No income was received under this heading during 2008/09 or 2007/08.

NOTE 6 - LEASES

In the past the Council's general policy was to acquire some vehicles and equipment through leasing. Since 2004/05 the cost of leasing has been compared with the cost of borrowing in order to ensure best value for the council when acquiring assets. Changes following introduction of the Prudential Code allow the Council to borrow more than the basic level when there is a sufficient reason to do so.

The capital value of assets acquired during the year under leases was nil (nil in 2007/08) and the total lease payments for the year amounted to £460,126 (£535,635 in 2007/08). The total outstanding obligation under leases at 31 March 2009 was £467,025 (£817,586 at 31 March 2008).

	Vehicles, Plant and Equipment	Total
	31.03.09	31.03.09
	£'000	£'000
Payments due on Operating Leases in 2009/10	2009/10	2009/10
On leases expiring in 2009/10	0	0
On leases expiring between 2010/11 and 2013/14	217	217
On leases expiring during or after 2014/15	15	15
Total	232	232

NOTE 7 - MINIMUM REVENUE PROVISION

The Minimum Revenue Provision (which is the sum which the authority must set

aside from revenue to provide for the repayment of debt) has been calculated as follows for 2008/09:-

2007/08		2008/09
£000		£000
340	Housing Revenue Account (2% x Housing Capital Financing Requirement on 1 st April 2008)	313
5,436	Other Services (4% x Other Services Capital Financing Requirement on 1 st April 2008)	5,588
<hr/> 5,776		<hr/> 5,901
(242)	Adjustment due to Commutation of Improvement Grants	(36)
<hr/> 5,534	Minimum Revenue Provision	<hr/> 5,865
(15,389)	Effected by Depreciation	(16,037)
9,855	Required Appropriation from Capital Adjustment Account	10,172
<hr/> (5,534)		<hr/> (5,865)

NOTE 8 - MEMBERS ALLOWANCES

The following amounts were paid as allowances to members during 2008/09:-

2007/08		2008/09
£		£
1,053,833	Allowances	1,050,776

NOTE 9 - PAYMENTS TO EMPLOYEES

The Accounts and Audit Regulations Wales 2005 require the Council to disclose the number of employees who's remuneration (as defined) for the year was in excess of £60,000. This information is shown in the table below.

Number of employees who received more than £60,000:		
Number in 2007/08		Number in 2008/09
14	£60,000 - 69,999	18
4	£70,000 - 79,999	2
4	£80,000 - 89,999	5
-	£90,000 - 99,999	-
1	£100,000 - 109,999	1

NOTE 10 - TRANSACTIONS WITH RELATED PARTIES

The CIPFA Code of Practice requires the disclosure of material transactions with related parties which are not disclosed elsewhere in the accounts.

This information is already included in the statement of accounts under different headings as follows:-

- (i) Details of transactions with the Pension Fund.
Note 31 on pages 46 to 51 and the Pension Fund Accounts on pages 73 - 82.
- (ii) Details of transactions with subsidiary and associated companies.
Note 43 on page 59.
A total of £2,939,622 was paid to Cwmni Cynnal during 2008/09 for services to schools, £51,971 was payable to the company and £1,767 was due from the company at the end of the year.
£1,183,580 was received from CGMA Cyf.
A total of £554,852 was paid to WJEC for services to schools during 2008/09.
- (iii) Significant Government Grants.
Income and Expenditure Account on page 24, Note 15 on page 35, Note 48 on page 64.
- (iv) Other Local Authorities and Precepting Bodies.
Note 12 on page 33, Note 13 on page 33 and Notes 25 and 26 on pages 42 and 43.
- (v) Members and Chief Officers.
Notes 8 and 9 on page 31.

The Council appoints members to some external charitable or voluntary bodies or they have disclosed a link to organisations. Payments of £1,402,664 were made to such bodies as grants or contributions for services during 2008/09.

Members have declared an interest in contracts or businesses which may have dealings with the Council. A total of £730,770 was paid under this heading during 2008/09.

A number of Chief Officers have declared an interest in companies or public bodies which receive payments from the Council. A total of £794,465 was paid to such bodies during 2008/09.

NOTE 11 – TRADING UNITS

The Council operates a number of services on a commercial basis including some which were previously subject to the compulsory competitive tendering regime. A breakdown of the actual expenditure, income and net position is shown (and which is irrespective of any planned loss or profit position).

(Profit) / Loss 2007/08 £'000	Unit	Expenditure £'000	Income £'000	(Profit) / Loss 2008/09 £'000
	Provider Services			
(138)	Catering	6,252	(6,221)	31
(76)	Building			
	Cleaning	4,616	(4,749)	(133)
1	Home Care	147	(145)	2
478	Gwynedd Training	1,316	(883)	433
(90)	Print Unit	519	(629)	(110)
220	Industrial Estates	542	(658)	(116)
395	Total	13,392	(13,285)	107

NOTE 12 - PRECEPTS

Details of the precepts and levies paid during the year are given below:-

PRECEPTS AND LEVIES PAID IN THE YEAR		
2007/08		2008/09
£'000		£'000
5,148	North Wales Fire Authority	5,312
	Snowdonia National Park	
1,118	Authority	1,135
1,171	Community Councils	1,265
134	North West and North Wales	142
	Sea Fisheries Committee	
<u>63</u>	Local Drainage Boards	<u>65</u>
<u>7,634</u>	Total	<u>7,919</u>

NOTE 13 - COUNCIL TAX

The Council determines its expenditure requirement for the year and converts it to a Band D Council Tax by dividing this sum by a calculation of the number of properties in each Council Tax band converted into the equivalent number of properties in Band D (The Council Tax Base). The Police Authority's requirement is then added to this amount to establish the County's Council Tax.

The Council Tax Base for 2008/09 was calculated as follows:-

CALCULATION OF THE COUNCIL TAX BASE FOR 2008/09			
Valuation Bands	Number of properties following discounts	Statutory multiplier	Equivalent No. Band D properties
A*	15	5/9	8.06
A	7,128	6/9	4,751.89
B	13,057	7/9	10,155.77
C	10,472	8/9	9,308.26
D	9,077	1	9,077.25
E	7,163	11/9	8,754.17
F	3,483	13/9	5,031.49
G	1,114	15/9	1,855.83
H	160	18/9	319.00
I	43	21/9	100.33
		Total	<u>49,362.05</u>
		Council Tax base after allowing for losses on collection	48,379.37

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

2007/08		2008/09
£'000		£'000
51,752	Council Tax raised	54,068
	Less sum payable to the North	
(8,602)	Wales Police Authority	(9,007)
(112)	Less Provision for bad debts	(187)
(9)	Transitional Relief	8
7	Transitional Relief Grant	3
<u>43,036</u>		<u>44,885</u>

NOTE 14 - NATIONAL NON-DOMESTIC RATES

National Non-Domestic Rates are managed by the Government but local authorities are responsible for their collection and for paying them to a central pool run by the National Assembly for Wales. They subsequently allocate amounts from the pool to Local Authorities, on a population basis.

The Government sets the National Non-Domestic rate for the year (46.6p in 2008/09) which is then multiplied by the rateable value of the property. Subject to the effects of transitional arrangements and some other reductions, this is the amount payable by the ratepayer.

At the end of the 2008/09 financial year there were 6,941 properties on the local valuation list in Gwynedd, representing a rateable value of £72,207,085.

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

2007/08		2008/09
£'000		£'000
27,014	National Non-domestic Rate raised	28,273
(329)	Less Cost of Collection allowance	(334)
(116)	Less provision for Bad Debts	(304)
<u>(26,569)</u>	Less sum paid to the National Pool	<u>(27,635)</u>
0		0
<u>(28,679)</u>	Receipts from the National Pool	<u>(31,463)</u>
<u>(28,679)</u>	Net Income from Non Domestic Rates	<u>(31,463)</u>

NOTE 15 – GENERAL GOVERNMENT GRANTS

Details of general government grants can be seen below:-

2007/08		2008/09
£'000		£'000
130,471	Revenue Support Grant	131,857
1,344	Performance Incentive Grant	1,338
494	Deprivation Grant	494
465	LABGI Grant	0
<u>132,774</u>		<u>133,689</u>

NOTE 16 – THE BUILDING CONTROL INCOME AND EXPENDITURE ACCOUNT

This account shows the expenditure and income which relate to the building regulations checking and supervision function, including consideration of any enforcement action but not the service of notices under the provisions of the Building Act 1984.

The account is expected to break-even over a three year rolling period, and this requirement is reviewed annually. There was loss of £90,222 over the last three years, with the overspend in 2006/07 responsible for most of the loss. A shortfall of income, due to the economic situation, caused the loss of £14,887 in 2008/09.

	£
Total Charges Income received (excluding VAT)	(518,540)
Total Charges Expenditure incurred	<u>533,427</u>
(Surplus)/Loss for 2008/09	14,887
(Surplus)/Loss for 2007/08	3,791
(Surplus)/Loss for 2006/07	<u>71,544</u>
(Surplus)/Loss for the last three years	<u><u>90,222</u></u>

NOTE 17 – EXCEPTIONAL ITEMS

The Exceptional Item relates to provision for equal pay costs in 2007/08.

NOTE 18 – AUDIT FEES

Fees were payable to the Wales Audit Office for the 2008/09 audit as shown below:-

2007/08		2008/09
£		£
260,822	Standard Audit Fees	255,670
80,490	Statutory Inspection Fees	83,300
127,612	Fees for grant claims and returns	161,648
<u>(14,738)</u>	Other Fees	<u>4,150</u>
<u>454,186</u>		<u>504,768</u>

Included in the Other Fees for 2007/08 is a repayment of £14,738 as the Wales Audit Office invoice included a fee for auditing the Pension Fund. The Pension Fund was invoiced directly in 2008/09 and therefore there is no recharge in the 2008/09 figures above.

NOTE 19 - FIXED ASSETS

The table below shows the movement on the various categories of fixed assets during 2008/09:-

	FIXED ASSET TRANSACTIONS 2008/09								Total
	Operational Assets				Non Operational Assets				
	Council Dwell-ings	Land and Buildings	Infra-structure	Vehicles, Plant and Equipment	Community Assets	Invest-ment Properties	Assets under Con-struction	Surplus Assets	
Value	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31.03.08	277,697	154,460	96,787	14,714	483	1,244	2,363	0	547,748
Adjust									
Opening Balance		(1,447)	(55)	707			55	740	0
Additions	6,594	7,998	22,681	3,620	252	0	6,824	0	47,969
Impairment	(11,372)	(7,049)			(69)			(45)	(18,535)
Sales	(1,024)							(2,338)	(3,362)
Revaluation	(6,147)	298						2,232	(3,617)
Balance at 31.03.09	265,748	154,260	119,413	19,041	666	1,244	9,242	589	570,204
Depreciation									
Balance at 31.03.08	6,672	2,828	2,620	3,262	7	0	0	0	15,389
Charge	6,776	2,834	2,802	3,618	7	0	0		16,037
Balance at 31.03.09	13,448	5,662	5,422	6,880	14	0	0	0	31,426
Net Book Value									
At 31.03.08	271,025	151,632	94,167	11,452	476	1,244	2,363	0	532,359
At 31.03.09	252,300	148,598	113,991	12,161	652	1,244	9,242	589	538,777

The Council's operational Land and Buildings were revalued on 1st April 2005 by the Council's Corporate Property Manager (M.R.I.C.S) in accordance with the policies noted in Note 2 of the Statement of Accounting Policies which appears at the beginning of the Statement of Accounts.

The sources of finance for the assets acquired during the year are shown with the

information on capital expenditure in the explanatory foreword.

See Note 4 Statement of Accounting Policies for the basis of depreciation on various categories of assets.

An analysis of fixed assets is given in the following table:-

ANALYSIS OF THE NUMBER OF FIXED ASSETS ON THE ASSET REGISTER	
	31 March 2009
Council Dwellings	6,324
Schools (excluding Church Schools)	110
Social Services Homes and Centres	27
Offices and Public Halls	23
Depots / Stores	17
Leisure Centres and Swimming Pools	20
Youth and Social Clubs	15
Off-street Car Parks	31
Libraries	16
Industrial Estates	20
Shops	16
Crematorium	1
Cemeteries	1
Archives	1
Museums	4
Public Halls	3
Hostel	2
Various other buildings and sites	61
Vehicles	301
Highways (Kilometres)	2,908
Bridges	744
Community Assets	6
Smallholdings (Hectares)	1,267

14 Church Schools are used in the education service and are not shown in the table above as they are not owned by the Council. The Council is responsible for their repair and maintenance but the amounts are not significant.

NOTE 20 - COMMITMENTS UNDER CAPITAL CONTRACTS

Significant commitments under capital contracts at 31 March 2009 were as follows:-

	Contract Sum £'000	Payments To date £'000	Amount Outstanding £'000
Maes Barcer Improvements, Caernarfon – Phases 4 a 5	2,297	101	2,196
Part 1- 4 , EMI Unit and Refurbishment, Bryn Blodau, Llan Ffestiniog	1,421	94	1,327
Glan y Môr School, Pwllheli – Phase 2	2,406	1,124	1,282
A499 Aberdesach to Llanaelhaearn Road Improvements	13,654	12,467	1,187
Insulation Upgrade and Repair Work, Ffordd Mela, Pwllheli - Phase 2	817	43	774
Improvements to Council Dwellings - Rhiwlas and Deiniolen	961	204	757
Building of new Cae Top School, Bangor	3,980	3,479	501
Improvements to Council Dwellings - Dol Elen, Groeslon and Maes Tryfan	621	161	460
Adaptations and Re-roofing Glan y Mor School, Pwllheli	958	515	443
Re-build Sports Hall, Tywyn	584	155	429
Insulation Upgrade and Repair Work, Ffordd Mela, Pwllheli – Phase 1	817	414	403
Gwynedd Council Heating Contract 2009/10 – Phase 5/1	400	29	371
East Blaenau Ffestiniog Group Repair Scheme – Phase 5/1	336	21	315
Refurbishment of Bangor Library	462	155	307

NOTE 21 - ANALYSIS OF NET ASSETS EMPLOYED

ANALYSIS OF THE NET ASSETS EMPLOYED			
31 March 2008			31 March 2009
£'000			£'000
87,071	Council Fund		13,460
175,497	Housing Revenue Account		169,119
<u>262,568</u>	Total		<u>182,579</u>

NOTE 22 – FINANCIAL INSTRUMENTS

Information on the different categories of the Council's financial instruments, as defined, at the end of the year is shown below.

ANALYSIS OF THE COUNCIL'S FINANCIAL INSTRUMENTS	
31 March 2008	31 March 2009
£'000	£'000
117,854	100,959
	Available for Sale Financial
2,237	Assets
	Financial Assets at Fair Value
16	through Profit and Loss
(201,885)	Financial Liabilities at
	Amortised Cost
<u>(81,778)</u>	<u>(182,603)</u>
Total	(80,824)

Because the prescribed analysis shown above does not correspond to the Balance Sheet analysis format, the table below details the appropriate heading under which the related items are included.

ANALYSIS OF THE COUNCIL'S FINANCIAL INSTRUMENTS	
31 March 2008	31 March 2009
£'000	£'000
2,253	Long Term Investments (Note 23)
648	Long Term Debtors (Note 25)
38,537	Short Term Debtors (Note 25)
	Short Term Investments (Note 23)
78,541	Creditors (Note 26)
(51,593)	Short Term Borrowing (Note 28)
(1,545)	Long Term Borrowing (Note 28)
<u>(148,619)</u>	<u>(137,533)</u>
<u>(81,778)</u>	<u>(80,824)</u>
Total	Total

NOTE 23 - INVESTMENTS

INVESTMENTS		
31 March 2008		31 March 2009
£'000		£'000
Long Term Investments		
2,086	Cwmni Gwastraff Môn-Arfon Association of District Councils	803
150	Debenture	0
0	Financial Markets	2,270
1	Company Stock	1
16	Government Stock	16
<u>2,253</u>	Total Long Term	<u>3,090</u>
Short Term Investments		
77,065	Financial Markets	62,603
1,476	Interest Accrual	1,044
<u>78,541</u>	Short Term Total	<u>63,647</u>

The investment in Cwmni Gwastraff Môn-Arfon represents a 50% shareholding in a local waste disposal company owned jointly with the Isle of Anglesey County Council. The Company is in the process of being wound up and further related details are given in Note 41 on page 58. However, the holding as detailed above reflects the actual position as at 31 March 2009.

Short term investments are included in the accounts at original cost plus interest receivable to the end of the financial year. The fair value of short term investments at the end of the financial year is assessed as follows:

SHORT TERM INVESTMENTS		
	Cost	Fair Value
	£'000	£'000
Callable Deposits	5,000	5,058
Fixed Term Deposits	<u>61,000</u>	<u>60,896</u>
	<u>66,000</u>	<u>65,954</u>

The authority has a deposit of £4m with Heritable Bank which is a UK registered bank under Scots Law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 09, outlined that the return to creditors was projected to be 80p in the £ by end 2013, with the first dividend payment of 15p in the £ due in the summer of 2009. The Council has therefore decided to recognise an impairment based on it recovering 80p in the £.

It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore, in calculating the impairment the Council has made the following assumptions regarding timing of recoveries:

July 2009 – 15%
 July 2010 – 30%
 July 2011 – 15%
 July 2012 – 10%
 July 2013 – 10%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

The fair value of this deposit is included under short term investments in the tables above. The calculation of fair value resulted in an impairment of £1,260,396, (namely the potential loss of £784,974 and £475,422 notional interest not earned) of which £47,265 was charged to the Housing Revenue Account, £178,094 to the Pension Fund and the remaining £1,035,037 to the Council Fund (namely a potential loss of £644,621 and notional interest of £390,416). The impairment is included in Interest Payable and Similar Charges in the Income and Expenditure Account.

Of course, the actual loss by 2013 could be more or less than the potential loss estimated above. If the economic situation improves and property values in particular increase, there could be no loss at all. However, the impairment has been estimated in accordance with the agreed interpretation of the position at 31 March 2009.

NOTE 24 – CASH IN HAND AND BANK OVERDRAFT

The following table shows a summary of the Council's position in relation to cash in hand, bank overdraft and short-term investments.

CASH AND SHORT TERM INVESTMENTS			
31 March			31 March
2008			2009
£'000			£'000
78,541	Short Term Investments (<i>Note 23</i>)		63,647
73	Cash Deposits and Imprest Balances		9,771
<u>(14,229)</u>	Bank Overdraft		<u>(25,428)</u>
<u>64,385</u>	Net position		<u>47,990</u>

In order to maximise the returns from Short Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts and therefore a proportion of the above Short Term Investments and Cash Deposits represent money invested on behalf of the Pension Fund at the balance sheet date. As the Short Term Investments are made in the name of Gwynedd Council they are shown in full on the Balance Sheet. The above table shows the net position for Gwynedd Council at

the Balance Sheet date. The Pension Fund element of the Short Term Investments and Cash Deposits was £23.4m (£11.9m at 31 March 2008).

NOTE 25 – DEBTORS

An analysis of the Council's debtors is given below:-

DEBTORS DUE WITHIN ONE YEAR		
31 March		31 March
2008		2009
£'000		£'000
21,689	Government Departments	15,412
5,346	Other Public Authorities	4,853
368	Other Public Body	2,674
1,783	Council Tax Payers	1,940
842	National Non-Domestic Rate Payers	1,143
1,092	Council Tenants	1,095
13	Mortgagors	21
10,130	Other Miscellaneous Debtors	8,650
370	2009/10 payments made in 2008/09	131
781	2008/09 income received in April & May 2009	952
<u>42,414</u>		<u>36,871</u>
(3,877)	Less: Bad Debts Provision (Note 29)	(3,892)
<u>38,537</u>	Net Debtors	<u>32,979</u>

DEBTORS FALLING DUE AFTER ONE YEAR		
31 March		31 March
2008		2009
£'000		£'000
0	Government Departments	1,321
505	Car and Bike Loans to employees	666
23	Mortgages - General	22
66	- Former Tenants	38
32	Barcud (Gwynedd Council element)	0
10	Gwynedd Archaeological Trust	5
12	Others	11
<u>648</u>	Total	<u>2,063</u>

NOTE 26 – CREDITORS

Details of the Council's creditors can be found below:-

ANALYSIS OF THE COUNCIL'S CREDITORS

31 March 2008 £'000		31 March 2009 £'000
20,752	Government Departments	11,549
4,752	Other Public Authorities	2,504
224	Other Public Agencies	503
1,401	Council Tax Payers	1,562
(138)	Non-Domestic Rate Payers	48
11,457	Other Miscellaneous Creditors	15,363
126	Rent Income received in advance	121
598	Other Receipts in advance	439
	April and May payments for goods	
12,421	received or work done before 31 March 2009	11,513
51,593		43,602

The 2007/08 accounts included a creditor balance relating to Mortgages. This was incorrectly stated and should have been netted off the debtor figure shown in those accounts. This has been corrected in the comparators shown above as well as in the debtors note, giving a prior year debtors figure of £13,000 rather than the debtor of £141,000 and a creditor of £128,000 shown in the 2007/08 accounts.

NOTE 27 – CAPITAL GRANTS UNAPPLIED

At the balance sheet date there were a number of capital grants which had been received and had not been used to finance capital expenditure at that date. A sum of £490,000 is shown as capital grants unapplied as there is an agreement to use these grants to finance expenditure in 2009/10.

NOTE 28 - LOANS

ANALYSIS OF THE AUTHORITY'S LOANS			
Source of Loan	Range of Interest payable %	Outstanding	
		31.3.2008 £'000	31.3.2009 £'000
Public Works Loans Board	3.75 - 10.625	149,194	121,740
Barclays Bank		0	16,200
		<u>149,194</u>	<u>137,940</u>
The maturity profile of the loans is as follows			
Within a year		575	407
Between 1 - 2 years		541	5,389
Between 2 - 5 years		17,827	24,302
Between 5 -10 years		10,038	5,775
Over 10 years		120,213	102,067
Total		<u>149,194</u>	<u>137,940</u>
Add: Accrued interest payable at 31 March		970	1,061
Less : Amount due within one year shown in short -term loans		(1,545)	(1,468)
Total Long term borrowing		<u>148,619</u>	<u>137,533</u>

The amount due within one year shown in short-term loans in 2007/08 has been restated following a change in the requirements to show accrued interest as short term rather than in the period when the loan itself was repayable. The short-term loans element in the 2007/08 accounts was £575,000. This has been increased by the £970,000 accrued interest payable as shown above to give a revised figure of £1,545,000.

Loans are included in the accounts on the basis of original cost and accrued interest payable at the end of the financial year. The fair value of loans at the end of the year by reference to the 'premature repayment' rates on that day is assessed as follows:

BORROWING		
	Cost £'000	Fair Value £'000
PWLB Loans - Maturity	119,637	156,816
PWLB Loans - Annuity	664	811
PWLB Loans - EIP	<u>1,439</u>	<u>1,770</u>
	121,740	159,397
Barclays Bank Loan - LOBO	<u>16,200</u>	<u>17,375</u>
	<u>137,940</u>	<u>176,772</u>

NOTE 29 - PROVISIONS

The Council sets aside provisions for specific obligations, the amount or timing of which cannot be determined accurately. It is not possible under accounting conventions to make provisions for uneven patterns of expenditure. However, earmarked reserves may be established and these are disclosed on pages 56 to 58 in Note 41.

MOVEMENT ON PROVISION ACCOUNTS				
	Balance at 31 March 2008	Additions / (Reductions) / Transfers	Used during the year	Balance at 31 March 2009
	£'000	£'000	£'000	£'000
Bad Debts				
Housing	498	111	(58)	551
Non-Domestic Rates	410	305	(233)	482
Council Tax	577	187	(187)	577
Debtors	2,392	351	(461)	2,282
Sub-total Bad Debts Provision	3,877	954	(939)	3,892
Other				
Claims against former Authorities	481	0	0	481
Social Services	27	0	0	27
Council Tax refunds	408	0	0	408
Provision for Equal Pay Requirements	2,400	0	(466)	1,934
Section 117 Mental Health Act	117	0	0	117
Waste Provision	746	0	0	746
Sub Total Other Provisions	4,179	0	(466)	3,713
Total	8,056	954	(1,405)	7,605

NOTE 30 – GOVERNMENT GRANTS DEFERRED

The balance on this account represents the value of capital grants and contributions which have been applied to finance the acquisition or enhancements of fixed assets held in the asset register, or revenue expenditure funded from capital under statute. The balance on this account is released to revenue in line with depreciation. All grants relating to revenue expenditure funded from capital under statute are released in the year.

GOVERNMENT GRANTS DEFERRED		
2007/08	2008/09	
£'000	£'000	
83,011	Balance at 1 April	96,447
20,979	Grants applied	36,262
	Grants and contributions written-off	
(2,660)	- against depreciation	(3,084)
(4,883)	- on revenue expenditure funded from capital under statute	(4,834)
<u>96,447</u>	Balance at 31 March	<u>124,791</u>

NOTE 31 – PENSION COSTS

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments. These need to be disclosed at the time that employees earn their future entitlement. Gwynedd Council participates in two different pension schemes, both of which give defined benefits to members related to pay and service namely the Local Government Pension Scheme and the Teachers Pension Scheme.

- a) **the Local Government Pension Scheme** for civilian employees, administered 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) **the Teachers' Pension Scheme** - This is administered by the Department of Education on the basis of a "notional fund". For the purpose of Financial Reporting Standard 17, the Teachers' Pension Scheme is considered to be a defined benefit scheme where the Scheme's assets and liabilities cannot be attributed to employers on a reasonable and consistent basis.

Under the 2008 SORP, the Council has adopted the amendment to FRS17, Retirement Benefits. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The difference in the valuation at 31 March 2008 is considered immaterial (£0.79m or 0.1% of the Fund's total net assets), and comparative figures have, therefore not been restated.

a) The Local Government Pension Scheme

The authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge it is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure. The following transactions have been made in the Income and Expenditure Account during the year:

	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000
Net Cost of Services						
Current Service Cost	(13,271)	(9,662)	0	0	(13,271)	(9,662)
Past Service Cost	(161)	(3,913)	0	0	(161)	(3,913)
Curtailment and Settlement	(113)	(67)	0	0	(113)	(67)
Net Operating Expenditure						
Interest Cost	(19,770)	(25,212)	(2,731)	(3,219)	(22,501)	(28,431)
Expected Return on Assets in the Scheme	19,966	22,295	2,463	2,034	22,429	24,329
Amounts to be met from Council Tax						
Movement on Pensions Reserve	(3,424)	(1,296)	268	1,185	(3,156)	(111)
Actual amount charged against council tax for pensions in the year						
Employers' Contributions to the Scheme	(16,773)	(17,855)	0	0	(16,773)	(17,855)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £57,615,878 (2007/08: gain of £27,042,510) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £68,126,606.

Assets and liabilities in relation to retirement benefits.

Reconciliation of present value of the scheme liabilities:

	Gwynedd Council Pension Scheme 31 March		Gwynedd Closed Fund Pension Scheme 31 March		Total 31 March	
	2008	2009	2008	2009	2008	2009
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	(362,293)	(360,943)	(52,547)	(48,606)	(414,840)	(409,549)
Current Service Cost	(13,271)	(9,662)	-	-	(13,271)	(9,662)
Interest Cost	(19,770)	(25,213)	(2,731)	(3,219)	(22,501)	(28,432)
Contributions by Members	(4,259)	(4,708)	-	-	(4,259)	(4,708)
Actuarial Gains	28,879	35,355	2,687	2,090	31,566	37,445
Past Service Costs	(161)	(3,913)	-	-	(161)	(3,913)
Losses on Curtailments	(113)	(67)	-	-	(113)	(67)
Estimated Unfunded Benefits Paid	747	808	736	739	1,483	1,547
Estimated Benefits Paid	9,298	8,489	3,249	3,239	12,547	11,728
31 March	(360,943)	(359,854)	(48,606)	(45,757)	(409,549)	(405,611)

Reconciliation of fair value of the scheme assets:

	Gwynedd Council Pension Scheme 31 March		Gwynedd Closed Fund Pension Scheme 31 March		Total 31 March	
	2008	2009	2008	2009	2008	2009
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	272,947	303,674	35,881	29,846	308,828	333,520
Expected Return on Assets	19,966	22,295	2,463	2,034	22,429	24,329
Contributions by Members	4,259	4,708	-	-	4,259	4,708
Contributions by the Employer	15,075	15,962	-	-	15,075	15,962
Contributions in respect of Unfunded Benefits	747	808	736	739	1,483	1,547
Actuarial Gains and Losses	725	(87,149)	(5,249)	(7,912)	(4,524)	(95,061)
Unfunded Benefits Paid	(747)	(808)	(736)	(739)	(1,483)	(1,547)
Benefits Paid	(9,298)	(8,489)	(3,249)	(3,239)	(12,547)	(11,728)
31 March	303,674	251,001	29,846	20,729	333,520	271,730

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actuarial loss on scheme assets in the year was £69,938,011 (2007/08: loss of £16,316,101).

Scheme History

	Gwynedd Council Pension Scheme 31 March		Gwynedd Closed Fund Pension Scheme 31 March		Total 31 March	
	2008	2009	2008	2009	2008	2009
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets	309,031	257,445	26,136	16,280	335,167	273,725
Present Value of Liabilities	(360,943)	(359,854)	(48,606)	(45,757)	(409,549)	(405,611)
Deficit in the Scheme	(51,912)	(102,409)	(22,470)	(29,477)	(74,382)	(131,886)

	Gwynedd Council Pension Scheme 31 March			Gwynedd Closed Fund Pension Scheme 31 March		
	2005	2006	2007	2005	2006	2007
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets	193,697	249,151	277,282	31,244	34,602	32,906
Present Value of Liabilities	(288,130)	(356,980)	(362,293)	(53,207)	(55,751)	(52,547)
Deficit in the Scheme	(94,433)	(107,829)	(85,011)	(21,963)	(21,149)	(19,641)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £133.88m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy, because the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2010 is £16.5m.

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, salary levels, etc. The Gwynedd Pension Scheme has been assessed by Hymans Robertson, an independent firm of actuaries. The date of the most recent full actuarial valuation was 31 March 2007. The main assumptions used in their calculations have been:-

	31 March 2008	31 March 2009
Long-term expected rate of return on assets in the scheme:		
Equity	7.7%	7.0%
Bonds	5.7%	5.4%
Property	5.7%	4.9%
Cash	4.8%	4.0%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	19.6 years	19.6 years
Women	22.5 years	22.5 years
Longevity at 65 for future pensioners		
Men	20.7 years	20.7 years
Women	23.6 years	23.6 years
Rate of Inflation	3.6%	3.1%
Rate of increase in Salaries	5.1%	4.6%
Rate of increase in Pensions	3.6%	3.1%
Rate for discounting scheme liabilities	6.9%	6.9%
Take-up option to convert annual pension into retirement lump sum		50%

The proportions of the total assets held by the Fund are as follows:

	31 March 2008	31 March 2009
	%	%
Equities	75	73
Bonds	14	14
Property	9	8
Cash	2	5
Total	100.0	100.0

History of experience gains and losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	Gwynedd Council Pension Scheme					Gwynedd Closed Fund Pension Scheme				
	31 March					31 March				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
	%	%	%	%	%	%	%	%	%	%
Differences between the expected and actual return on assets	3.3	13.6	0.1	0.2	-34.7	3.5	14.5	0.1	-17.6	-38.2
Experience gains and losses on liabilities	-0.5	-0.1	-0.1	-12.1	-0.2	-1.4	-1.8	0.6	0.7	0.4

b) Teachers' Pension Scheme

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2008/09 the Council paid £5.86m (£5.75m in 2007/08) in respect of teachers pension costs, which represented 13.85% (13.66% in 2007/08) of teacher's pensionable pay. In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2008/09 these amounted to £0.93m (£0.95m in 2007/08) representing 2.24% (2.25% in 2007/08) of teacher's pensionable pay.

The accounts are Financial Reporting Standard 17 'Retirement Benefits' (FRS 17) compliant. This also includes the Housing Revenue Account.

NOTE 32 - CAPITAL FINANCING REQUIREMENT

The CIPFA Prudential Code of Practice, first applied to the 2004/05 financial year, required the Council to adopt Prudential Indicators which demonstrate that the Council's Capital programme is affordable, prudent and sustainable. One of these indicators is the Capital Financing Requirement. This indicator reflects the underlying need to borrow for a capital purpose. When capital expenditure is not resourced immediately this will result in a net increase to the capital financing requirement. This will be the case whether or not external borrowing actually occurs.

2007/08		2008/09
£'000		£'000
532,359	Fixed Assets	538,777
2,253	Long Term Investments	820
(96,447)	Government Grants Deferred	(124,791)
(9,249)	Revaluation Reserve	(3,601)
(270,066)	Capital Adjustment Account	(252,464)
(1,595)	Financial Instruments Adjustment Account (relating to fixed assets)	(162)
<u>157,255</u>	Capital Financing Requirement at 31 March	<u>158,579</u>

The movement in the year is explained as follows:

2007/08		2008/09
£'000		£'000
154,792	Opening Capital Financing Requirement	157,255
0	Adjustment to opening balance	3
38,463	In year Capital Investment	53,784
(1,280)	Capital Receipts used	(974)
(20,979)	Government grants and other contributions	(36,262)
(7,008)	Capital Expenditure charged to Revenue	(8,258)
(5,534)	Revenue Provision (MRP)	(5,865)
	Additional voluntary set aside:	
(1,046)	Capital Receipts	(826)
(153)	Voluntary Revenue Contribution	(278)
<u>157,255</u>	Closing Capital Financing Requirement	<u>158,579</u>

NOTE 33 – MOVEMENT IN RESERVES

		Balance at 1 April 2008 £'000	Transfer / Contribution to Reserves £'000	Transfer / Contribution from Reserves £'000	Balance at 31 March 2009 £'000
	Note				
Capital Adjustment Account	34	270,066	1,800	(19,402)	252,464
Financial Instrument Adjustment Account	35	(1,489)	322	0	(1,167)
Revaluation Reserve	37	9,249	0	(5,648)	3,601
Available-for-sale Financial Instruments Reserve	36	1,361	0	(1,303)	58
Usable Capital Receipts Reserve	38	4,600	3,640	(1,952)	6,288
Deferred Capital Receipts	39	92		(25)	67
Pensions Reserve	31	(74,382)	0	(57,504)	(131,886)
School Reserves	40	3,721	730	(741)	3,710
Earmarked Reserves	41	37,131	12,931	(11,783)	38,279
Revenue Balances					
Council Fund		10,574	0	(1,341)	9,233
Housing Revenue Account		1,645	287		1,932
Total		<u>262,568</u>	<u>19,710</u>	<u>(99,699)</u>	<u>182,579</u>

NOTE 34 - CAPITAL ADJUSTMENT ACCOUNT

MOVEMENTS ON THE CAPITAL ADJUSTMENT ACCOUNT		2008/09
2007/08		9
£'000		£'000
277,873	Balance at 1 April	270,066
	Transfers from the Council Fund	
	- Minimum Revenue Provision	
(9,612)	Adjustment	(10,135)
(242)	- Commutation Adjustment	(36)
	- Financing Fixed Assets –	8,258
7,008	Revenue	
7,543	- Deferred Grants	7,917
	- Voluntary Revenue	278
153	Contribution	
(6,527)	- Impairment	(18,535)
	- Revenue Expenditure Funded	
(6,133)	from Capital under Statute	(5,815)
1,046	Capital Receipts set-aside	826
	Use of Capital Receipts for	974
1,280	financing	
0	Depreciation Adjustment	198
0	Revaluation on sale adjustment	1,832
(3)	Decrease - Long Term Debtors	(2)
(3,075)	- Sales	(3,362)
755	- Additions	0
270,066	Balance at 31 March	252,464

NOTE 35 – FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

MOVEMENTS ON THE FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT		2008/09
2007/08		£'000
£'000		£'000
(15)	Balance at 1 April	(1,489)
34	Debtors	14
	Premiums / (Discounts) on early	
(1,508)	repayment of debt	308
(1,489)	Balance at 31 March	(1,167)

NOTE 36 – AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE

MOVEMENTS ON THE AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE	
2007/08	2008/09
£'000	£'000
1,594 Balance on 1 April	1,361
Movements during the year	
(233) Investments	(1,303)
1,361 Balance at 31 March 2009	58

NOTE 37 – REVALUATION RESERVE

MOVEMENTS ON THE REVALUATION RESERVE			
	Council Fund	Housing Revenue A/c	Total
	£'000	£'000	£'000
Balance at 1 April 2008	2,945	6,304	9,249
Increase/(Decrease) in Asset values	697	(6,147)	(5,450)
Depreciation Adjustment	(41)	(157)	(198)
Balance at 31 March 2009	3,601	0	3,601

NOTE 38 - USABLE CAPITAL RECEIPTS RESERVE

These are capital receipts which have not yet been used to incur additional capital expenditure but are partly committed. (See Note 5 in the Statement of Accounting Policies).

ANALYSIS OF USABLE CAPITAL RECEIPTS			
	Housing Revenue Account	Other Services	Total
	£'000	£'000	£'000
Balance at 1 April 2008	638	3,962	4,600
2008/09 receipts	1,247	2,393	3,640
Right to Buy Administration	(48)	0	(48)
Set-aside	(826)	0	(826)
Transferred		(104)	(104)
Amounts used during 2008/09	(583)	(391)	(974)
Balance at 31 March 2009	428	5,860	6,288

NOTE 39 - DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form part of the mortgages heading under long term debtors.

NOTE 40 - SCHOOL BALANCES

This sum is represented by the element of balances released under the delegation of budgets directly to schools which remained unspent at the end of the financial year:-

31 March 2008 £'000		31 March 2009 £'000
3,896	Individual School Balances	3,907
<u>(175)</u>	Schools overdrawn	<u>(197)</u>
<u>3,721</u>		<u>3,710</u>

NOTE 41 - SPECIFIC RESERVES

Details are given below of the Council's main specific reserves.

- (i) The Renewals Reserve is used by the Provider Services, Gwynedd Training, Highways and Municipal and the Print Room to replace vehicles and equipment as required.
- (ii) The Capital Reserve represents resources already committed to finance part of the Council's Capital Programme.
- (iii) Gwynedd Council does not insure all risks with external insurers but instead it has established an internal reserve to meet those uninsured risks. The balance on the Insurance Reserve represents Gwynedd and the former Gwynedd County Council's (pre 1996) insurance funds.
- (iv) The Services Fund represents the element of slippages and underspend that service departments have the right to carry forward for use in the subsequent financial year, other relevant specific budgets and one-off budgets that extend over more than one year.
- (v) Objective 1 - during 1999/00 a fund was created for additional capital or revenue costs which are likely to arise from the requirements to develop plans for Objective 1.
- (vi) The Development Reserve relates to specific projects already determined by the Council such as Affordable Housing and E-Government, and the Strategic Financing Reserve for providing budgetary flexibility in the future.
- (vii) The Network Fund was established to finance the cost of developing the computer network for schools and other Council establishments.

- (viii) 'Improving the Council' Fund – a sum set aside to support schemes that could achieve efficiency improvements, improve service performance, and to strengthen corporate capacity to support change management and improvement.
- (ix) Specific Risks Fund – a sum set aside to protect the Council from specific financial and budgetary risks in the future.
- (x) Central Training – relates to the management training development programme.
- (xi) Communication Centre Reserve – sums set-aside towards developing the new Communication Centre.
- (xii) Schools Service Reserves – includes sums set aside to respond to related financial problems with “Integration” requirements, changeable demands in “Out of County” – Special Educational Needs”, and “Early Retirement and Redundancy” matters and the “Schools Loans Scheme”.
- (xiii) The Economy and Regeneration Reserves include a number of balances relating to schemes operating on a partnership basis mainly, where the scheme balances must be accounted for separately.
- (xiv) Life Long Learning Service – includes various balances such as renewing Leisure Centre equipment and renewing Maritime facilities and equipment.
- (xv) The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven expenditure – ‘equalisation accounts’ – and likely requirements from contracts.
- (xvi) The Waste Development Reserve is for relevant commitments and developments in the waste field.
- (xvii) Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure due to coastal protection works and possible employment requirements resulting from changes in the consultancy service’s work programme.
- (xviii) Environment Policy & Performance Reserves – relevant to specific requirements regarding the Unitary Development Plan, Green Transport Development Plan and Environmental Stewardship.
- (xix) Planning and Transportation Reserves – include a number of balances relating to schemes operating mainly on a partnership basis, and where the scheme balances must be accounted for separately.
- (xx) Trunk Road Management Reserve – includes a sum set aside to enable responding to any possible changes to employment arrangements.
- (xxi) The Social Services Reserve - reserve established to meet the requirement of the Corporate Parent Panel.
- (xxii) Care - Other Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.

(xxiii) Various Other Reserves – includes amounts set aside to meet a variety of other contingent liabilities.

	Balance at 1 April 2008	Transfer Between Reserves	Transfer / Contribution To Reserves	Transfer / Contribution From Reserves	Balance at 31 March 2009
	£'000	£'000	£'000	£'000	£'000
Renewals Reserves	2,811		1,781	(1,659)	2,933
Capital Reserves	8,018	(65)	693	(285)	8,361
Insurance Reserves	3,928		874	(563)	4,239
Services Fund	9,658	2,178	5,066	(5,530)	11,372
Objective 1 Fund	545			(218)	327
Developments Reserve	419		40	(39)	420
Strategic Financing Reserve	962	22	1,275	(436)	1,823
Network Fund	427		32		459
Improving the Council Fund	848	(47)	34	(492)	343
Specific Risks Fund	1,330	(1,330)			0
Central Training	1,182		12	(78)	1,116
Communication Centre Reserve	1,717			(392)	1,325
Schools Service Reserves	732	58	417	(699)	508
Economy and Regeneration Reserves	224		84	(102)	206
Lifelong Learning Reserves	160		169	(6)	323
Highways and Municipal Reserves	1,453		286	(68)	1,671
Waste Developments Reserve	0		1184	(816)	368
Consultancy Reserves	372		62		434
Policy and Performance (Environment) Reserves	217		398	(3)	612
Planning and Transportation Reserves	278		9	(58)	229
Trunk Road Management Reserve	400		200		600
Social Services Reserve	31			(15)	16
Care - Other Reserves	943	(776)	9	(5)	171
Various Other Reserves	476	(40)	306	(319)	423
Total	37,131	0	12,931	(11,783)	38,279

The net movement on Insurance Reserves above includes a contribution to the reserves of £77,280 and a contribution from reserves of £57,377 which relate to the Housing Revenue Account.

NOTE 42 - CONTINGENT LIABILITIES

The Authority has made a provision within the accounts in respect of equal pay claims. The provision reflects the best estimate of potential costs.

The Authority has made a provision within the accounts in recognition of the capping and aftercare costs for a waste disposal site. The final cost for the project is still being established.

Gwynedd Council's housing tenants have voted to transfer the housing stock to a Registered Social Landlord (RSL). This is expected to happen on 1 April 2010. Whilst the project will be cost-neutral, there will be financial implications arising from the housing stock transfer, with the Council losing economies of scale in the centre and facing the cost of historic deficits in the pension fund relating to staff transferring to the RSL. This should be balanced by the Housing Revenue Account balances which will remain with the Council.

NOTE 43 – INTERESTS IN COMPANIES

The Council has a 50% interest in two companies. In each case the other member is the Isle of Anglesey County Council.

Cwmni Gwastraff Môn-Arfon Cyf.

Cwmni Gwastraff Môn-Arfon Cyf. was established as a Local Authority Waste Disposal Company in 1994. The Company operated two waste management sites in Anglesey and Gwynedd which were leased from the Local Authorities. A significant element of the Company's activities related to contracts with the two Local Authorities.

Following a change in legislation, the two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff were transferred to the Council in January 2008. The remaining assets and liabilities will be divided between the two Councils when the Company is wound up. The Company's final accounts have not yet been completed but the investment on the Balance Sheet has been re-valued to its true value when the final distribution of assets takes place. During 2008/09 £1,183,580 was received as part of the settlement and the final payment is expected during 2009/10 (See note 23 on page 40)

Cwmni Cynnal Cyf.

Cwmni Cynnal Cyf. was established in 1996 to provide education support services under contract to maintained schools and the local education authorities as well as school inspection services to Estyn. The Company is limited by guarantee and the Council's liability is limited to £1. The income of the Company can only be applied towards promotion of its objectives. The level of trading with the Council is included in Note 10 to the Core Financial Statements. Copies of the financial statements are available from Cwmni Cynnal Cyf., Plas Llanwnda, Caernarfon, Gwynedd LL55 1SH.

NOTE 44 - TRUSTS

The Council acts as sole trustee for 169 bequests such as school prize funds and comforts and improvements to the Care Directorate's Establishments. The total balance on these funds at 31 March 2009 was £671,503. These are invested to provide income.

The two largest funds are shown in separate statements on pages 71 and 72.

NOTE 45 – DISCLOSURE OF NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks:

Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.

Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.

Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The overall management of significant risks arising from Financial Instruments is underpinned by the Council's Treasury Management Strategy Statement and Annual Investment Strategy which is approved by Full Council in accordance with the Code of Practice for managing Treasury Management in the Public Services published by CIPFA.

This document provides written principles for overall risk management as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Financial Regulations apply to all the transactions undertaken by staff within the Council and they prescribe procedures and controls to ensure that any potential risks the Council is exposed to are minimised.

Credit Risk

Credit Risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers (debtors on the Balance Sheet).

In accordance with the Treasury Management Strategy, and consistent with previous years' strategy, deposits were not made with banks and financial institutions unless, having been rated independently, they had attained a minimum score of A-. In addition credit limits were set for each counterparty. No credit limits were exceeded during the financial year and the authority deposited in accordance within its Treasury Management Strategy. However, the authority had a deposit of £4m with Heritable Bank which was placed in administration on 7 October 2008. This deposit has been valued in accordance with the available information as detailed in Note 23. The other deposits held at the end of 2008/09 have been repaid in accordance with the redemption dates with only 4 remaining to be repaid on dates after June 2009. Only one of these is with a counterparty which is not on the revised counterparty list, the amount is £5m and is due for repayment on 30 July 2009. The authority does not expect any losses from non-performance by any counterparties other than Heritable Bank in relation to deposits.

The Council monitored credit ratings daily and was alerted to changes by its treasury management consultants. Appropriate action was taken following any changes in accordance with the Annual Investment Strategy. During 2008/09 the authority appointed new Treasury Management Consultants and the counterparty list was reduced to the 8 banks with access to the Government's Credit Guarantee Scheme. The credit limit for each of these banks was set at £15m.

In addition, the ability to invest in money market funds which have a credit rating equivalent to 'AAA' was included. These limits are also in the Treasury Management Strategy for 2009/10.

An Annual Treasury Report is produced on investment activity.

The Council has prescribed collection procedures for amounts owed by its customers and appropriate provisions are made for potential bad debts. The bad debt provisions have been reviewed in the context of the current financial climate.

The Council also has a number of longer term debtors including car loans to employees and mortgages to members of the public. The car loans are considered to be low risk due to the ability to deduct repayments of car loans from employees' salaries, reciprocal arrangements with other local authorities for any staff transferring with outstanding car loans, insurance for loans unpaid due to death in service and normal debt recovery procedures for any employees who leave local government employment. The mortgages are low risk due to the first charge held by the Council on mortgaged properties.

A small number and value of long term loans to local companies and organisations were inherited by the Council from former councils and these have good payment records.

Due to the current financial climate the Council is considering methods of helping local businesses and individuals, including potential financial support. This could impact on the credit risks faced by the Council.

Liquidity Risk

Liquidity Risk is low as the Council has ready access to the Public Works Loans Board (PWLB). Therefore, there is no risk that it will be unable to raise finance to meet its commitments under financial instruments. However, there is a risk that the Council will need to renew a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 30% of loans are repayable within two years and to continuously assess the market rates and forecasts in order to replace maturing loans or reschedule existing loans at the most beneficial time. In order to achieve this, the Council uses external treasury management advisors with expertise in the field.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk – The Council faces potential risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For example, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account would rise.
- borrowings at fixed rates – the fair value of the borrowings liabilities would fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account would rise.
- Investments at fixed rates – the fair value of the assets would fall.

During 2008/09 interest rates hit an unprecedented low and this has had an impact on the authority reflected in reduced income from investments.

The Council has a number of strategies for managing interest rate risk. The Council policy is to borrow at fixed rates from the PWLB thus obtaining certainty as to interest payable over the period of the loans. The Council, in conjunction with its treasury advisors, continually monitors the prevailing interest rates and the market forecasts. If there was a significant risk of a sharp rise in long and short term rates, then the portfolio position would be re-appraised with the likely action that fixed rate funding would be drawn whilst interest rates were still relatively cheap. If there was a significant risk of a sharp fall in long and short term rates then long term borrowings would be postponed, and any appropriate re-scheduling from fixed rate funding into short rate funding would be undertaken.

Price Risk – The Council does not normally invest in equity shares but does have shares in a Local Authority Waste Disposal Company (LAWDC). The company is currently being wound up and has therefore been classified as an ‘available for sale asset’ and is shown at fair value in the Balance Sheet. A partial settlement payment for the fair value of the shares was received in 2008/09 and the balance is expected in 2009/10.

The Council also had a Debenture with the Association of District Councils relating to a property and which was repaid during 2008/09.

Foreign Exchange Risk – The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

NOTE 46 – DATE OF AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The Financial Statements were authorised for issue by Dafydd L. Edwards, Head of Finance on 16 September 2009.

NOTE 47 - RECONCILIATION TO THE STATEMENT OF THE MOVEMENT ON COUNCIL FUND BALANCE (CASH FLOW)

2007/08 £'000		2008/09 £'000
2,533	(Surplus) / Deficit for the Year on the Income and Expenditure Account	17,453
	Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be Debited/(Credited) to the Council Fund Balance for the Year	(16,101)
<u>(4,863)</u>		<u>)</u>
(2,330)	Surplus for the year on the Statement of the movement on the Council Fund Balances	1,352
	Add : net surplus on the Housing Revenue Account	(287)
<u>(34)</u>		<u>)</u>
(2,364)		1,065
	Non Cash Transactions	
	Add/ (Deduct) -	
(32,332)	Net contributions to reserves	56,356
(5,535)	Minimum Revenue Provision	(5,865)
2,035	Net decrease in provisions	466
233	Receipt of Fixed Assets from Cwmni Gwastraff	0
1,489	Financial Instrument Adjustments	(322)
0	Right to buy administration from capital receipts	48
		(57,504)
<u>30,270</u>	Pension Commitments	<u>)</u>
(6,204)		(5,756)
	Items on an accruals basis	
121	Add increase/(decrease) in stocks	12
6,019	Add increase/(decrease) in revenue debtors	(941)
	Add increase/(decrease) in debtor for interest receivable	(432)
0	Prepayments relating to premiums on early repayment of debt	0
(2)	Discounts deferred on early prepayment of debt	0
91	Less net (increase)/decrease in revenue creditors	7,894
<u>(299)</u>		<u>)</u>
(274)		777
	Items classified in another part of the cash flow statement	
(4,318)	Add net interest paid	(4,169)
(7,161)	Capital financing from revenue	(8,536)
		<u>)</u>
<u>(11,753)</u>	Total	<u>(11,928)</u>

NOTE 48 – GRANTS

ANALYSIS OF GRANTS ON THE CASH FLOW STATEMENT			
2007/08		2008/09	
£'000		£'000	£'000
	Revenue Grants :-		
2,211	Resources Grants	1,494	
74	Chief Executive Grants	82	
2,311	Corporate Grants	165,210	
16,302	Environment Grants	21,084	
8,351	Care Grants	7,878	
1	Education Mandatory Grants	0	
1,020	Education GEST Grants	907	
14,630	Other Development Grants	15,725	
	Housing and Council Tax Benefit		
28,764	Grant	30,197	
130,471	Revenue Support Grant	131,857	
28,679	Share of Non-Domestic Rates	<u>31,463</u>	405,89
232,814			7
	Capital Grants :-		
18,060	National Assembly Grants	34,901	
431	Welsh Development Agency Grants	604	
	European Regional Development		
1,384	Fund Grants	409	
1,086	Other Grants	<u>2,057</u>	37,971
20,961			
			<u>443,86</u>
253,775	Total		<u>8</u>

NOTE 49 - MOVEMENT IN CASH AND CASH EQUIVALENTS

INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS – 2008/09			
	Balance on 1 April 2008 £'000	Balance on 31 March 2009 £'000	Movements during year £'000
Cash overdrawn	(14,229)	(25,428)	(11,199)
Cash in hand	73	9,771	9,698
Decrease in Cash and Cash equivalent			<u>(1,501)</u>

HOUSING REVENUE ACCOUNT 2008/09

2007/08 £'000	INCOME	2008/09 £'000
(17,751)	Dwelling rents	(18,438)
(414)	Other rents	(395)
(140)	Service charges	(158)
(18,305)	Total Income	(18,991)
	EXPENDITURE	
5,955	Repairs and Maintenance	6,185
3,363	Supervision and Management	2,805
192	Rents, taxes and other charges	200
127	Provision for bad debts	86
5,633	Subsidy Payable	5,762
6,915	Depreciation of fixed assets	18,468
(315)	Deferred Grants	(418)
21,870	Total Expenditure	33,088
3,565	Net Cost of HRA Services – Income and Expenditure Account	14,097
165	HRA Share of Corporate and Democratic Core	168
3,730	Net Cost of HRA Services	14,265
1,000	Interest payable and similar charges	923
159	Premiums and discounts on borrowing	(178)
(143)	Interest on investments	
4,746	Deficit / (Surplus) for the year	15,010

STATEMENT OF THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE	
---	--

2007/08 £'000		2008/09 £'000
4,746	Deficit for the year on Income and Expenditure	15,010
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the HRA Balance for the Year	
(6,908)	Depreciation and Impairment of Fixed Assets	(18,461)
315	Deferred Government Grants Amortisation	418
(7)	Revenue Expenditure Funded from Capital under Statute	(7)
(152)	Finance Costs	33
(53)	Transfer from Capital Receipts	(48)
(463)	Net Charges made for Retirement Benefits in Accordance with FRS17	(338)
(7,268)		(18,403)
	Amounts not included in the HRA Revenue Account but required to be included by Statute when determining the Movement on the HRA Balance for the Year	
340	Minimum Revenue Provision for Capital Financing	313
1,600	Capital Expenditure charged in-year to the HRA	2,203
529	Retirement Benefits Payable Direct to Pensioners	570
2,469		3,086
	Transfers to or from the Council Fund Balance that are required to be taken into account when determining the Movement on the HRA Balance for the Year	
19	Net Transfer to/from Earmarked Reserves	20
19		20
(4,780)	Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be debited/(credited) to the HRA Balance for the Year	(15,297)
(34)	(Increase) / Reduction in HRA Balance for the Year	(287)
(1,611)	HRA Balance Brought Forward	(1,645)
(1,645)	HRA Balance Carried Forward	(1,932)

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – HOUSING STOCK

The Council was responsible for managing 6,382 dwellings by the end of 2008/09. The stock was made up as follows: -

COUNCIL HOUSING STOCK		
31 March 2008 Number		31 March 2009 Number
4,171	Houses	4,158
1,250	Flats	1,248
794	Bungalows	794
115	Sheltered Units	115
9	Flats above shops	9
36	Houses leased from private sector	58
<hr/> 6,375	Total	<hr/> 6,382

NOTE 2 – DWELLING RENTS

This is the total rent income due for the year after allowance is made for voids etc. During the year 2.58% of income was lost due to properties being vacant compared with 1.85% in 2007/08. The average weekly rent in 2008/09 was £57.61 compared with £54.22 in 2007/08.

NOTE 3 – OTHER RENTS

This figure includes rents for shops on housing estates and also garages, after deducting void losses for garages.

NOTE 4 – RENT ARREARS

At the end of 2008/09, rent arrears, as a proportion of gross rent income, was 5.06%, which amounted to £990,818. This compares with £953,379 (5.13%) at the end of 2007/08. During 2008/09, bad debts amounting to £57,893 were written off and a further provision of £86,040 was made towards bad debts.

NOTE 5 – IMPAIRMENT OF INVESTMENT

The Housing Revenue Account (HRA) has cash balances which are held within the Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis and the Council pays interest over to the HRA based on the Fund's daily balances over the year. During the year the Council invested £4m with the Heritable Bank but the bank went into administration in October 2008. £47,265 of the impairment on this investment has been charged to the HRA and is included in Interest Payable and Similar Charges. Further information is included in Note 23 of the Notes to the Core Financial Statements

NOTE 6 - CAPITAL

Housing Revenue Account capital expenditure is shown in the table below:-

CAPITAL EXPENDITURE		
2007/08		2008/09
£'000		£'000
5,904	Council Houses	6,594
0	Other Properties	84
339	Plants, Vehicle and Equipment	226
180	Infrastructure	0
7	Revenue Expenditure financed from Capital by Statue	7
<hr/>		<hr/>
6,430	Total	6,911

Financed as follows:

CAPITAL EXPENDITURE – FINANCING		
2007/08		2008/09
£'000		£'000
4,100	Major Repairs Allowance	4,100
671	Capital Receipts	582
1,600	Housing Revenue Account	2,203
59	Other sources	26
<hr/>		<hr/>
6,430	Total	6,911

Capital receipts amounted to £1,199,007, acquired from the sale of land, houses and other property. This compares to £1,596,709 in 2007/08. The decrease is due to a reduction in the value and number of houses sold under the 'right to buy' scheme. See details in the table below:-

CAPITAL RECEIPTS		
2007/08		2008/09
£'000		£'000
835	On 1 April	638
	Movement in year	
1,596	Receipts	1,247
(53)	Right to Buy Administration Cost	(48)
(1,046)	Set-aside	(826)
(671)	Applied	(583)
<hr/>		<hr/>
661	On 31 March	428

NOTE 7 – DEPRECIATION

The depreciation and impairment of £18.050m which is shown under the Net Cost of HRA Services, was calculated in accordance with proper practices, as follows:

DEPRECIATION AND IMPAIRMENT	
2007/08	2008/09
£'000	£'000
	DEPRECIATION
	Operational Assets
6,672	Dwellings 6,776
236	Other 313
	IMPAIRMENT
0	Housing 11,372
7	Revenue Expenditure Funded from Capital under Statute 7
6,915	18,468
(315)	(418)
6,600	18,050

In accordance with the Council's accounting policy, Council houses are revalued each year. Due to the general financial situation housing prices have fallen significantly during the last year. Because of this there is an impairment cost of £11.372m on Council houses. The capital charges, including impairment are adjusted through the Statement of Movements and therefore this cost does not impact on the Housing Revenue Account balances at the end of the year.

NOTE 8 – CONTRIBUTION TO / FROM THE PENSION RESERVE

The Net Cost of HRA Services includes pensions in accordance with FRS17 guidelines as detailed in the table below. Full details of FRS 17 pension costs can be seen in Note 31 on pages 46 to 51.

	31 March 2008 £'000	31 March 2009 £'000
Net Expenditure on Services		
Current Service Cost	(463)	(338)
Past Service Cost	10	10
Total charged to the Account		
Movement in the Pension Reserve	(66)	(232)
Actual amount charged against the Account for pensions in the year		
Employer Contributions to the Scheme	(529)	(570)

Pension interest cost and return on pensions assets are included in the pension costs of the Authority but are not readily apportionable to the Housing Revenue Account.

NOTE 9 – HOUSING STOCK TRANSFER

The Welsh Assembly Government has decided that all council housing stock in Wales should meet the Welsh Housing Quality Standard by 2012. Gwynedd Council does not have the resources to achieve the WHQS. Gwynedd Council's housing tenants have voted to transfer the housing stock to a Registered Social Landlord (RSL), which has been established specifically for this purpose. It is expected that the housing stock will be transferred on 1 April 2010.

THE WELSH CHURCH FUND

2007/08		2008/09	
£'000		£'000	£'000
530.8	Amount of Fund at 1st April		530.2
	Change in market value of investments on the Market		0.4
	Add Income during the year		
29.8	Interest on Investments	28.0	
1.8	Profit on Sale of Investments	1.3	
0.6	Rents and Annuities	0.6	
32.2			29.9
	Less - Expenditure during the year		
(2.8)	Loss on sale of investments	(8.5)	
(30.0)	Grants and expenses	(31.0)	
530.2	Amount of Fund at 31st March		521.0
	Represented by the Following Assets:-		
26.1	Land and Buildings		26.1
481.4	Investments at Market Value		443.0
142.2	Debtors		226.9
564.3	Cash in Hand		501.8
1,214.0			1,197.8
	Less - Proportion owing to Anglesey and Conwy Councils		
(657.2)			(648.0)
556.8			549.8
(63.0)	Less - Creditors		(63.3)
36.4	Add - Proportion owing from Anglesey and Conwy Councils		34.5
530.2	Total		521.0

NOTES TO THE ACCOUNTS

1. The Scheme for the administration of the Fund provides that the income be applied for charitable purposes - educational, recreational and social, at the discretion of the Council.
2. The Charities Act 1993 requires that an independent examination of the statement of accounts of the Welsh Church Fund be carried out annually. This examination will be carried out by the Wales Audit Office. The audit certificate on pages 83 and 84 does not represent a report under the provisions of the Charities Act 1993.

FMG MORGAN TRUST FUND

2007/08		2008/09
£'000		£'000
126.3	Amount of Fund at 1st April	129.2
	Add – Income during the year	
9.4	Interest on Assets	7.6
	Less – Expenditure during the year	
(6.5)	Grants	(8.4)
129.2	Amount of Fund at 31st March	128.4
	Assets	
24.5	Investments	24.5
104.7	Cash in Hand	103.9
129.2		128.4

NOTES TO THE ACCOUNTS

1. This Fund was set up from the residuary estate of the late Mrs. Florence Merthyr Guest Morgan. The income from the Fund was to be applied to aid residents of certain areas of Llŷn for specified purposes.
2. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2009 was £132,510 (£171,182 at 31 March 2008).
3. The FMG Morgan Trust Fund is outside the provisions of the Charities Act 1993. No independent examination or audit is therefore required in respect of this trust fund.

GWYNEDD PENSION FUND ACCOUNTS 2008/09

2008	Pension Fund Accounts	2009
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£'000	for the Year Ended 31 March	£'000
	Contributions -	
11,943	Employees - Staff	13,223
32	- Members	31
41,668	Employers - Staff	44,154
106	- Members	106
0	- Lump Sum	0
98	- Deficit Funding	1,871
132	- Augmentation	57
65	Interest on Deferred Contributions	70
4	Interest on Late Payments of Contributions	1
3,161	Transfers from Other Schemes	2,559
235	Purchase of Additional Service, etc.	258
57,444	Total Contributions Received	62,330
	Benefits Payable -	
(22,492)	Pensions	(24,149)
(5,709)	Lump Sums	(6,572)
(0)	Sickness Grants	(0)
(564)	Death Benefits	(1,051)
(15)	Withdrawals	(19)
(1)	Other	(0)
(1,602)	Transfers to Other Schemes	(1,509)
(884)	Administrative Expenses (Note 11)	(1,075)
(31,267)	Total Benefits Paid	(34,375)
26,177	Net Additions from Dealings with Members	27,955

2008 £'000	Return on Investments as at 31 March	2009 £'000
13,927	Investment Income (Note 9)	6,841
(56,005)	Change in the Market Value of Investments	(167,317)
(3,509)	Investment Management Expenses (Note 12)	(2,232)
(45,587)	Net Returns on Investments	(162,708)

2008 £'000	Net Decrease in the Fund During the Year	2009 £'000
26,177	Net Additions from Dealings with Members	27,955
(45,587)	Net Returns on Investment	(162,708)
(19,410)	Net Decrease in the Fund During the Year	(134,753)

2008 £'000	Net Assets of the Fund	2009 £'000
812,155	At 1 st April	792,745
(19,410)	Net Decrease in the Fund During the Year	(134,753)
792,745	At 31 March	657,992

2008 £'000	Net Assets Statement as at 31 March	2009 £'000
	Investments at Market Value (Note 4)	
	Fixed Interest:	
26,760	UK Public Sector Quoted	10,677
37,315	UK Other Quoted	50,375
	Index Linked:	
39,568	UK Index Linked	32,439
	Equities:	
86,942	UK Quoted	8,967
436	UK Unquoted	0
113,749	Overseas Quoted	84,211
481	Overseas Unquoted	1,088
25,688	Private Equity	32,102
	Pooled Investment Vehicles:	
176,028	UK Unit Trusts - Quoted	170,505
3	UK Ventures	2
102,064	Overseas Unit Trusts	169,545
79,065	Overseas Managed Funds	6,953
67,500	Property Unit Trusts	52,771
	Derivative Contracts:	
0	Derivative Asset	4,015
0	Derivative Liability	(4,168)
	Other:	
17,476	Cash and Temporary Investments	33,517
16,524	Debtors - Sales of Investments Awaiting	519
6,466	Settlement	6,182
(2,566)	Sundry Debtors (Note 11)	(869)
(754)	Creditors - Purchases of Investments Awaiting	(839)
	Settlement	
	Sundry Creditors (Note 12)	
792,745	Net Assets at 31 March	657,992

The Financial Statements do not take into account the fund's liabilities to pay pensions and other benefits to all the present contributors to the fund after the scheme year end, but rather summarise the transactions and net assets of the scheme. The liabilities of the fund are taken into account in the periodic actuarial valuations of the fund (the most recently as at 31 March 2007 and the next valuation will be as at 31 March 2010) and are reflected in the levels of employers' contributions determined at the valuation, so that the fund will again be able to meet 100% of future liabilities.

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE 1 – GENERAL

The Gwynedd Pension Fund is a statutory fund which is maintained for the purpose of providing pensions for its contributors. Membership of the Fund is available for all local government employees, including staff in schools and Further Education bodies other than teachers, as well as employees from other admitted bodies. Employing bodies who join the scheme are either “scheduled bodies”, being local authorities or other public bodies automatically entitled to join, or “admitted bodies” who may be allowed to join by the administering authority, or, external providers who choose to join the scheme under an outsourcing agreement under Local Government Pension Scheme (Amendment etc.) Regulations 1999 (as amended). The scheduled and admitted bodies contributing to the fund are listed below:-

Scheduled Bodies

Gwynedd Council
Isle of Anglesey County Council
Conwy County Borough Council
North Wales Police Authority
Caernarfon Town Council
Menai Bridge Town Council
Bangor City Council
Llangefni Town Council
Beaumaris Town Council
Holyhead Town Council
Llandudno Town Council
Coleg Meirion Dwyfor
Coleg Menai
Snowdonia National Park
Coleg Llandrillo
Emrys ap Iwan School
Eirias High School
Bryn Eilian School
Pen y Bryn School
Towyn Community Council
Llanllyfni Community Council
Tywyn and Kinmel Bay Town Council
Abergele Town Council
Colwyn Bay Town Council
Blaenau Ffestiniog Town Council

Admitted Bodies

North Wales Society for the Blind
Holyhead Joint Burial Committee
Coleg Harlech WEA
Careers Wales North West
Cwmni Cynnal
Cwmni'r Fran Wen
Theatr Harlech
Theatr Gwynedd (until October 2008)
Conwy Voluntary Services
Medrwn Môn
Mantell Gwynedd
Ynys Môn Citizens Advice Bureau
Menter Môn
Conwy Citizens Advice Bureau
CAIS
Eden Foods
Cartrefi Conwy

Employees contribute a fixed percentage of their pay. Employing authorities make a contribution of an amount to keep the Fund solvent. This amount is determined by a triennial actuarial valuation of the Fund. (refer Note 3).

Any money not for the time being required to meet payments out of the Fund must be invested. The objective in investing Fund monies is to maximise the return on the money entrusted to the Fund, thus limiting the amount the employing authorities need to contribute to it.

NOTE 2 - ACCOUNTING POLICIES

The accounts have been prepared to meet the requirements of the Local Government Pension Scheme Regulations 1997, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended) and to meet the requirements of the Statements of Recommended Practice Number 1 of the Accounting Standards Committee of Professional accounting bodies of the United Kingdom. They follow the recommendations of the Statement of Recommended Practice "The Financial Reports of Pension Schemes (as revised in May 2007). These revised guidelines change the basis on which investment assets are valued to that of a bid-price rather than a mid-price basis. The difference in the valuation at 31 March 2008 is considered immaterial (£0.79m or 0.1% of the Fund's total net assets), and comparative figures have, therefore, not been restated.

Contributions, investment income, and benefits have been included in the accounts on an accruals basis where these amounts have been determined on the closure of the accounts. Transfers to and from other schemes are on a receipts and payments basis.

Securities have been valued at the closing bid-market price on 31 March 2009. Foreign investments and foreign currency held at 31 March 2009 have been valued at the prevailing exchange rate at close of business that day. Unitised Securities and all other investments have been valued at the closing bid-price or the latest single market price on the 31 March 2009. Derivatives have been valued at their fair value on 31 March 2009. By holding derivatives the scheme's objective is to decrease risk in the portfolio. The forward foreign exchange contracts held within the portfolio are used to hedge against foreign currency movements.

NOTE 3 - ACTUARIAL POSITION

The most recent actuarial valuation of the Fund was undertaken as at 31 March 2007 (previously 31 March 2004), and it requires full solvency of the Fund.

The actuarial method used in the valuation was the "Projected Unit Method" and the main financial assumptions were as follows:-

	% per annum
Investment Returns	
Equities	6.25%
Bonds	4.75%
75% Equities / 25% Bonds	5.9%
Pay Increases (excl. increments)	4.7%
Price Inflation / Pension Increases	3.2%

The key funding objective of the Fund is to build up sufficient assets to provide adequate security for members' benefits as they accrue. When the value of the Fund's assets match the value of its liabilities the Fund is said to be 100% funded.

The 31 March 2007 actuarial valuation shows, in common with the other local authority pension funds, a decline in the solvency of the Fund. At the valuation date the market value of the Fund's assets were £814 million and the liabilities were valued at £974 million. The valuation showed that the Fund's liabilities exceeded its assets by £160 million, and that the funding level was 84%.

NOTE 4 - MARKET VALUE OF THE ASSETS

The market value of the assets at 31 March 2009 are given below:-

	Total £'000	BGI %	UBS %	Capital %	Partners %	L&G %	Gwynedd %	Total %
Fixed Interest:								
UK Public Sector	10,677	100.00	-	-	-	-	-	100.00
UK Other	50,375	100.00	-	-	-	-	-	100.00
Index Linked:								
UK Index Linked	32,439	100.00	-	-	-	-	-	100.00
Equities:								
UK Quoted	8,967	-	-	100.00	-	-	-	100.00
UK Unquoted	-	-	-	-	-	-	-	100.00
Overseas Quoted	84,211	-	-	100.00	-	-	-	100.00
Overseas Unquoted	1,088	-	-	100.00	-	-	-	100.00
Private Equity	32,102	-	-	-	100.00	-	-	100.00
Pooled Investment Vehicles:								
UK Unit Trusts – Quoted	170,505	52.70	-	-	-	47.30	-	100.00
UK Ventures	2	-	100.00	-	-	-	-	100.00
Overseas Unit Trusts	169,545	23.91	-	6.97	-	69.12	-	100.00
Overseas Managed Funds	6,953	-	100.00	-	-	-	-	100.00
Property Unit Trusts	52,771	-	100.00	-	-	-	-	100.00
Derivative Contracts:								
Derivative Asset	4,015	-	100.00	-	-	-	-	100.00
Derivative Liability	(4,168)	-	100.00	-	-	-	-	100.00
Cash & Net Working Capital	38,510	0.00	8.08	16.72	-	-	75.20	100.00
Total	657,992	34.02	9.53	17.10	4.88	30.07	4.40	100.00

NOTE 5 - INVESTMENT INCOME

Analysis of Investments Income as set out in the Net Assets Statement is given below:-

2007/08 £'000		2008/09 £'000
8,046	UK Equities	629
3,247	Overseas Equities	3,085
122	Private Equity	185
572	British Government Securities	27
2,117	Property Unit Trusts	1,997
814	Interest on Cash Deposits	1,032
(991)	Less Tax on Income	(114)
13,927	Total	6,841

The Gwynedd Pension Fund has three bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During the year the Council invested £4m with the Heritable Bank but the bank went into administration in October 2008. Further information is included in Note 23 of the Notes to the Core Financial Statements, but the impairment charged to the Pension Fund was £178,094. This impairment has been included in the interest on cash deposits shown above.

NOTE 6 - CONTRIBUTIONS RECEIVABLE

An analysis of the total contributions receivable from the different bodies is given below:-

2007/08		2008/09
£'000		£'000
19,474	Gwynedd Council	21,093
32,427	Scheduled Bodies	34,008
2,313	Admitted Bodies	4,351
0	Closed Fund*	248
54,214	Total	59,700

*Closed Fund – These are contributions received from Cwmni Gwastraff Mon-Arfon and Theatr Gwynedd during the year. They were admitted bodies but they are now both closed funds.

NOTE 7 - BENEFITS PAYABLE

An analysis of the total benefits payable to the different bodies is given below:-

2007/08		2008/09
£'000		£'000
5,995	Gwynedd Council	6,211
10,391	Scheduled Bodies	12,764
498	Admitted Bodies	762
481	Employers with no Contributors	514
11,400	Closed Fund	11,522
28,765	Total	31,773

NOTE 8 - TAXATION

Following the 1997 Budget, the fund is now unable to reclaim Advance Corporation Tax, although any UK tax on dividends paid by foreign companies can still be reclaimed. Thus investment incomes in the accounts are shown net of UK tax.

The fund is exempt from the United States of America withholding tax on dividends from investments in the US and recovers withholding tax deducted in some European Countries.

NOTE 9 - ADMINISTRATIVE EXPENSES

Administrative expenses are as follows:-

2007/08		2008/09
£'000		£'000
788	Administration & Processing*	1,011
81	Actuarial Fees	44
15	Audit Fees	20
884	Total	1,075

*An apportionment of the salaries and other expenses of Council staff engaged in administering the pension scheme and pension investments has been made to the fund.

Charges for services provided by Gwynedd Council are derived from a combination of pre-determined fixed charges, actual recorded staff time, transaction logging and pre-determined formulae. Office accommodation costs are allocated on a floor space basis.

The administration expenses paid over to Gwynedd Council in 2008/09 was £951,737 (2007/08: £738,881).

NOTE 10 - INVESTMENT MANAGEMENT EXPENSES

The investment management expenses are as follows:-

2007/08		2008/09
£'000		£'000
206	Barclays Global Investors	88
831	UBS Global Asset Management	412
882	Capital International	483
9	Legal & General*	238
1,433	Partners Group	881
80	The Northern Trust Company	51
10	JPMorgan	2
11	The WM Company	13
47	Hymans Robertson	64
3,509	Total	2,232

*Legal & General commenced their brief in March 2008.

NOTE 11 - SUNDRY DEBTORS

The following provision has been made in the accounts for debtors:-

2007/08		2008/09
£'000		£'000
3,653	Contributions Receivable	4,396
264	Internal Debtors	542
141	Debtor Invoices	270
2,217	Net Dividend Income	535
138	UK Tax	437
53	VAT	2
6,466	Total	6,182

NOTE 12 - SUNDRY CREDITORS

The following provision has been made in the accounts for creditors:-

2007/08		2008/09
£'000		£'000
86	Internal Creditors	276
412	Investment Fees	214
0	Audit Fees	20
159	UK Tax	97
33	Contributions Payable	3
64	Benefits Due	229
754	Total	839

NOTE 13 - PURCHASES AND SALES OF INVESTMENTS

The total amount of purchases and sales of investments is set out below:-

	Book Value of Purchases 2008/09	Market Value of Sales 2008/09
	£'000	£'000
UK Equities	115,888	128,475
Overseas Equities	242,607	191,841
Private Equity	11,052	3,318
British Government Securities	28,278	51,366
Other UK Fixed Interest Securities	47,946	48,472
Index Linked Securities	986	7,043
Property Unit Trusts	8,000	-
Derivatives	4,015	-
Cash and Short Term Investments	23,805	23,805
Total	478,562	454,320

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £616,276 (2007/08: £635,489). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled funds. The amount of indirect costs is not separately provided to the scheme.

NOTE 14 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

There are 3 Additional Voluntary Contribution Funds. They are held with Clerical Medical, The Equitable Life Assurance Society and Standard Life. The assets of these investments are held separately from the main Fund. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in the year.

The market value of the fund as at 31 March 2009 is stated below:

	Clerical Medical	Equitable Life	Standard Life	AVC Total
	£'000	£'000	£'000	£'000
Value of Fund 31 March 2008	1,908	592	222	2,722
Contributions Received	260	0	18	278
Interest and bonuses/change in market value of asset.	(250)	1	(28)	(277)
Transfer Values	34	-	-	34
Life Assurance Premiums	(1)	(0)	-	(1)
Retirement Benefits	(101)	(6)	-	(107)
Leavers (transfers and withdrawals)	(72)	-	-	(72)
Value of Fund at 31 March 2009	1,778	587	212	2,577

These amounts are not included in the Pension Fund Accounts in accordance with Regulation 5 (2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

NOTE 15 - RELATED PARTIES

During the year the Gwynedd Pension Fund paid administration expenses of £951,737 to Gwynedd Council (see Note 9 Administrative Expenses).

The Gwynedd Pension Fund has three bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year. In 2008/09, the Fund received interest of £477,863 from Gwynedd Council.

All members of the Pensions Committee have declared an interest in bodies which have dealings with the Fund. Two Chief Officers have also declared an interest in bodies which have dealings with the Fund.

NOTE 16 - STATEMENT OF INVESTMENT PRINCIPLES

In November 2004, Gwynedd Council published a revised Statement of Investment Principles as approved by the Pensions Committee. Copies can be obtained by contacting Mrs Marina Parry Owen on 01286 679617.

NOTE 17 - FUNDING STRATEGY STATEMENT

In February 2008, Gwynedd Council published a Funding Strategy Statement as approved by the Pensions Committee. Copies can be obtained by contacting Mrs Marina Parry Owen on 01286 679617.

NOTE 18 - PENSION FUND ANNUAL REPORT FOR 2008/09

This is an additional detailed report that is produced on the Pension Fund. Copies can be obtained by contacting Mrs Marina Parry Owen on 01286 679617.

NOTE 19 – GOVERNANCE STATEMENTS

In October 2008, Gwynedd Council published its Governance Policy Statement and its Governance Compliance Statement, as approved by the Pensions Committee. Copies can be obtained by contacting Mrs Marina Parry Owen on 01286 679617.

NOTE 20 – COMMUNICATION POLICY STATEMENT

In March 2006, Gwynedd Council published its Communication Policy Statement, as approved by the Pensions Committee. Copies can be obtained by contacting Mr. Gareth Jones on 01286 679612.

Independent auditor's report to the Members of Gwynedd Council

I have audited the accounting statements and related notes of:

- Gwynedd Council; and
- Gwynedd Pension Fund

for the year ended 31 March 2009 under the Public Audit (Wales) Act 2004. Gwynedd Council's accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance. Gwynedd Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Gwynedd Council in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 46 of the *Statement of the responsibilities of the auditors appointed by the Auditor General for Wales and his inspectors, and of the bodies that they audit and inspect (2008)* prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

The responsible financial officer's responsibilities for preparing the statement of accounts, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the local government body and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

I review whether the **Governance Statement** reflects compliance with '**Delivering Good Governance in Local Government: Framework**' published by CIPFA/SOLACE in June 2007.

I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Governance Statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the local government body in the preparation of the accounting statements and of whether the accounting policies are appropriate to the local government body's and pension fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion on the accounting statements of Gwynedd Council

In my opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of Gwynedd Council as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the accounting statements of Gwynedd Pension Fund

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice, the financial transactions of Gwynedd Pension Fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

My conclusion on Gwynedd Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Relationship Manager's Annual Letter.

Certificate of completion

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

The audit cannot be formally concluded and an audit certificate issued until enquiries arising from a matter raised by a member of the public has been formally completed. I am satisfied that the amount, which is the subject of the enquiries, will not have a material effect on the statement of accounts.

Appointed Auditor: Anthony Barrett
Address: Wales Audit Office
Unit 4, Evolution
Lakeside Business Village
St David's Park
Ewloe
CH5 3XP

Signature:

Date:

29 September 2009