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# **EXPLANATORY FOREWORD**

## **Introduction**

Gwynedd Council's accounts for the year 2009/10 are set out on pages 24 to 84. 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 2010.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2009/10 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 39 'Interests in Companies'.

## REVENUE EXPENDITURE IN 2009/10

The Income and Expenditure Account (page 24) shows that the Council's gross revenue expenditure on its own services was £350m, but taking income received towards services and other various items into account, the net cost of the Council's operations during 2009/10 was £242m. Of this £89m (37%) was spent on Education, £40m (17%) on Adult Social Care, £16m (7%) on Environmental Services, £15m (6%) on Highways, Roads and Transportation, £13m (5%) on Children's Social Services and £11m (4%) on Culture and Associated Services.

Gwynedd's income to finance this expenditure came from the Council Tax (£56m - 25%), a share of National Non-Domestic Rates (£32m - 14%), and General Government Grants (£137m - 61%).

A comparison of budgeted income and expenditure with the actuals for 2009-10 is as follows-

	<b>Estimate</b>	<b>Actual</b>
	<b>£'m</b>	<b>£'m</b>
Net Expenditure on Operations		242.42
	227.60	
Transferred from Balances	(3.12)	(0.73)
Other Net Movements	0	(16.33)
Surplus / (Deficit) for the year	<u>(3.12)</u>	<u>(17.06)</u>
Balance to be met from Grants & Local Taxation	224.48	225.36
Financed by -		
Council Tax Income	(55.67)	(56.55)
Share of National Non-Domestic Rates	(32.26)	(32.26)
General Government Grants	(136.55)	(136.55)
	<u>0.00</u>	<u>0.00</u>

This position is after allowing for sums which Services will carry forward from 2009/10 to use in 2010/11.

During 2008/09 the global financial situation developed unprecedented problems, interest rates in Britain reached an unprecedented low and this continued in 2009/10. 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 41 of the Notes to the Core Financial Statements.

## CAPITAL EXPENDITURE IN 2009/10

Capital expenditure for 2009/10 amounted to £41.8m. The following table gives an analysis of this expenditure and the way it was financed.

<b>2008/09</b>	<b>SUMMARY OF CAPITAL EXPENDITURE AND FINANCING</b>		<b>2009/10</b>
<b>£'000</b>			<b>£'000</b>
418	Human Resources		216
100	Finance		74
8,034	Education		6,443
2,861	Customer Care		3,460
16,102	Regulatory		6,830
7,730	Highways and Municipal		5,673
90	Gwynedd Consultancy		2,264
3,354	Economy and Community		1,445
953	Social Services		616
5,093	Housing		4,347
6,911	Housing Revenue Account		7,196
922	Provider and Leisure		2,761
186	Strategic and Improvement		464
22	Democracy and Legal		35
22	Corporate		17
52,798			41,841
986	Joint Venture Assets – Composting Facility on Anglesey		0
53,784			41,841
<b>FINANCED BY -</b>			
8,290	Borrowing		9,066
35,276	Grants and Contributions		24,483
974	Capital Receipts		1,189
8,258	Revenue and Other Funds		7,103
52,798			41,841
986	Joint Venture Grants		0
53,784			41,841

Revenue Expenditure Funded from Capital Under Statute of £5,849,986 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 £35,991,315 as shown in Note 15 on Page 37.

The Council's Loan Debt on 31 March 2010 was £137.5m – a reduction of £0.4m (from £137.9m) during the year.

## **PROVISIONS AND RESERVES**

In addition to General Balances of £8.2m, the Council had other provisions (as defined) of £3.2m, specific reserves of £40.6m and school balances of £3.8m, totalling £55.8m. These are detailed in the Balance Sheet, and in Notes 25, 36 and 37.

## **GWYNEDD PENSION FUND**

The Gwynedd Pension Fund Accounts (pages 74 to 84) show an increase during the year of £271.3m in the market value of the net assets of the Fund, to £929.3m. The book value of the net assets at 31<sup>st</sup> March 2010 was £785.4m (2009: £741.0m).

## **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 19 to 23.

## **FURTHER INFORMATION**

Further information relating to the accounts is available from:

William E Jones  
Senior Finance Manager  
01286 679406

or

Ffion Madog Evans  
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.

**27 September 2010**

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**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.

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#### **RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE**

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Council at 31<sup>st</sup> March 2010 and its income and expenditure for the year then ended.

**16 September 2010**

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**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 2010 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 – has 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 strategy targets attention on seven intervention areas:

1. Innovative Public Services
2. Climate Change
3. Economy and Skills
4. Housing
5. Environmental Assets
6. Demographic Change
7. Society, Language and Culture

In addition, there are six principles which are core to the strategy, These are Sustainable Development, Equal Opportunities, Social Inclusion, the Welsh Language, Listening and Hearing, Partnership and Co-operation.

- The Council's objectives and the transformation programmes within the Council's Three-Year Plan support the work and vision of the Community Strategy. The aim of the Council is to seek "The Best for the People of Gwynedd Today and Tomorrow".
- During 2008, the Council published a strategic plan for the period 2008/09 to 2010/11. The aim of this Three-Year Plan was to prepare a plan that would set a clear direction for the Council's main activities during that period, and on the basis of a risk assessment of the matters to which the Council needs to respond, within the context of longer term priorities for the County.
- In accordance with the requirements of the Wales Programme for Improvement, the Council reviews the plan on an annual basis and sets out the ways that the main priorities will be responded to. 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.

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

- During 2009, a second review of the Council's priorities was conducted and key factors were identified by staff, members and the public that needed to be considered as part of the Three-Year Plan: continuing financial constraints on councils; the need to improve consultation with the public; the need to ensure that we are consistently finding the most pioneering means of delivering services and thus the need to transform the Council. Consideration was given to what kind of Council Gwynedd needed to be within the next years and it was agreed that programmes should be included to take the Council forward.
- A Financial Strategy for the following year is presented to the Council each February.

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

- 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".
- 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 a Three-Year Plan level. The Corporate Improvement Plan lists the Council's main key corporate indicators.



- The business planning process starts with a business risk assessment by every business unit within the authority. As part of this process, it is required of all units to consider performance compared with previous years, as well as performance compared with other local authorities (where such information is available).
- Once business unit indicators have been determined and targets set, the indicators are the subject of challenge by the Strategic and Improvement Department and elected members. Part of this challenge process is to recognise action processes 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.

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

- The Council has adopted a management structure that includes a Chief Executive (who is also the Head of Paid Service) and 3 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 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 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 members' duties and responsibilities. The protocol contains 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.
- In the Annual Meeting of the Council on 13 May 2010, the Members' Allowances scheme was amended to reflect the report by the Independent Remuneration Panel for Wales.
- 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**

- In its meeting on 22 October 2009, the following were adopted as the new values of the Council:

- Serving
- Positive
- Working as a team
- Value for Money
- Respect
- 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 interests for staff is retained centrally by the Monitoring Officer. Staff are expected to present their declaration of interests 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.

- 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.
- 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 Financial Procedure Rules form part of Gwynedd Council's constitution and set out a framework for managing the Council's financial affairs. They are regularly reviewed.

### **Function of the audit committee**

- In 2009/10 the Council had an Audit Committee discharging 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 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.
- The Authority continues to implement the Member Training and Development Strategy adopted by the Council in May 2009.

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

- There is a member and officer relations protocol within the Constitution 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, and 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 2009 Governance Statement reported the intention to revise the Partnership Assessment Framework. However, during the year it was decided that efforts

should be concentrated instead on rationalising partnership arrangements within the county. There are two parts to this:-

1. Developing and implementing a joint planning approach so that the planning work of the Council (Three-Year Plan), the Community Strategy and the other main strategies and partnerships are undertaken jointly. This means sharing assessments and change drivers, joint engagement with citizens and joint consultation. The aim of this is to make better use of public resources.
2. To rationalise the structure of Gwynedd Together by moving towards merging the Gwynedd Local Services Board and the Gwynedd Together Partnership Board.

### **Arrangements for ensuring adequate and effective financial management**

- The Financial Procedure Rules form part of Gwynedd Council's constitution and set out a framework for managing the Council's financial affairs. The 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 shall 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 the 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:

- There are arrangements in place to scrutinise the activities of 'Gwynedd Together'. A report on the performance of 'Gwynedd Together' was presented to the Principal Scrutiny Committee in November 2009, and was subject to detailed scrutiny by the committee. It is also noted that individual projects within different intervention areas had also been the subject of scrutiny by various committees within the Council.

- The appointment of a Consultation Manager to the Communications Unit during 2009/10 is seen as a significant step in strengthening engagement with the public.
- In his review of the Council's Improvement Plan, the Wales Audit Office's Appointed Auditor reported that the Council's plan was produced and published on time and complied with the guidance in Circular 28/2005. However, it was reported that some matters required attention.
- There are effective arrangements in place for reviewing the Three-Year Plan. There are clear advantages to planning further ahead, as it provides an element of stability for the Council's most important plans, but the Council also recognises the need to be aware of significant changes in the areas of policy, performance, research, planning and politics. Since publishing the original Three-Year Plan, it is obvious that a number of matters have arisen that demand the Council's response. Amongst those are the recession and the savings agenda.
- In order to further strengthen the governance and implementation arrangements, the main issues of the Three-Year Plan now sit under the following 6 Strategic Programmes:
  - Transforming the Council
  - Economy and Regeneration
  - Environment and Infrastructure
  - Children and Young People
  - Value for Money
  - Vulnerable People
- Each of these strategic programmes has its own Programme Board in order to ensure implementation, with robust arrangements in place for each of the main issues, reporting to the Programme Board. Members as well as officers sit on the Programme Boards in order to enhance the democratic arrangements.
- In presenting the Financial Strategy to the Council in February 2010, the Corporate Director noted that he was confident, despite the uncertain financial circumstances which we face, "that the steps which the Council has already taken to plan for the situation will pay dividends and we will be able to face the challenge confident that this forward planning will enable us to navigate a path through the turbulent waters".
- The Wales Audit Office's Appointed Auditor reported that he had tested the National Strategic Indicators (NSIs) that the Council is reporting in its Improvement Plan. The Auditor concluded that there were adequate arrangements in place to support the compilation and collation of the 2008-09 NSIs across all services other than education and social services. All adult social service indicators were qualified as a result of weaknesses in the underlying collection and validation processes. In addition, a number of other indicators were amended following audit.
- 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 Council reviewed its Scrutiny and Overview Strategy during 2009. A Scrutiny and Overview Strategy for the 2009/12 period was produced, and although the

Council is satisfied that the arrangements are effective, a further review of the arrangements is being undertaken in June 2010.

- Research was undertaken on the Council's Values during 2009. The research showed that the Council's previous values were not widely known and therefore were not of any real use. In order to ensure that the new values are emphasised they are used as a footer of correspondence on the Council's intranet site and on publications.
- As a result of a governance review, in the Annual Meeting of the Council on 13 May 2010, the duties of the Audit Committee were expanded to include (vi) Consider the reports of the Public Services Ombudsman for Wales under Section 16 of the Public Services Ombudsman (Wales) Act 2005 and decide how to act; (vii) Receive an annual report on complaints under the Council's complaints procedure.
- The Wales Audit Office undertake 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.
- The Senior Manager, Audit and Risk 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 to account where there has been a failure to implement expected improvements to internal controls.
- The project to transfer the Council's housing stock to Gwynedd Community Homes was successful, with the transfer occurring on 12 April 2010.
- The effectiveness of the arrangements for dealing with partnerships has been the subject of review during 2009/10. This means the joint planning of work in addition to adopting the principle of merging the Gwynedd Local Services Board and the Gwynedd Together Partnership Board.
- The Council was subject to 2 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 governance issues that need to be addressed:

- A number of external bodies have conducted reviews on the Council's arrangements. The relevant departments will give attention to the issues identified.
- Programme Management procedures have been introduced in order to ensure the effective implementation of steps that need to be achieved in order to complete the tasks identified in the Three-Year Plan, together with other key actions. As a result, the successful implementation of the Programme Management regime is in itself a significant governance issue.
- The main issues in the revised Three-Year Plan, which will receive attention during 2010/11 in accordance with the Programme Management regime, include the following governance issues:

### **Changing Culture**

- We will have introduced a mentoring and coaching framework
- We will have implemented enterprises for celebrating success within and outside the Council
- We will have promoted staff behaviour which is in keeping with the new values.
- We will have created a suitable environment in order to facilitate innovation, venturing, meaningful risk taking and continuous learning.
- We will have evaluated the progress of the Internal Communication Strategy

### **Self-assessment of the Council**

- We will have completed a Self-assessment of the leadership, engagement and governance procedures of the Council and drawn up an Improvement Action Plan

### **Corporate Governance**

- We will have presented a framework to enable the council to deliver on its duties in line with good practice governance arrangements

### **Financial Strategy**

- We will have reviewed and improved the quality of the financial Strategy for the period 2011/12 – 2013/14
- We will have completed a review of the Council's Asset Plan

### **Savings Programme**

- We will be implementing the £16 million savings programme and preparing for the 2011/12 savings

**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.

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**HARRY THOMAS  
GWYNEDD COUNCIL CHIEF EXECUTIVE**

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**Councillor DYFED WYN EDWARDS  
LEADER OF GWYNEDD COUNCIL**

**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 2009 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 1<sup>st</sup> 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 31<sup>st</sup> 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 2009/10 is shown below –

For capital expenditure incurred before 1<sup>st</sup> 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 1<sup>st</sup> April 2004.

From 1<sup>st</sup> 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.

All capital receipts which belong to the Council Fund and the Housing Revenue Account are 100% usable and set aside is no longer necessary. The receipts are held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure.

There was a change to this policy during 2009/10. The original policy continued to set aside 75% of the HRA receipts in order to meet repayment of external borrowing. However, due to the anticipated transfer of the housing stock to a Registered Social Landlord (subsequently Cartrefi Cymunedol Gwynedd Cyf.) and a forecasted increase in the HRA capital programme for 2009/10, the original policy was amended in order to release all the HRA capital receipts received in the year to fund the capital programme.

## **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 2010/11.

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

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 £1.429m in 2009/10 (£1.274m in 2008/09), 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 uncollectable debts are written off against the relevant service. Further details can be found in Note 25.

## **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 Notes 36 and 37.

## **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 27.

## **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 19 '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 2009/10

31 March 2009		Gross	31 March 2010	Net
Net		Expenditure	Income	Expenditure
Expenditure		£'000	£'000	£'000
£'000		£'000	£'000	£'000
10,124	Culture and Related Services	17,929	(7,162)	10,767
15,188	Environmental and Regulatory			
	Services	24,940	(9,107)	15,833
4,837	Planning and Development			
	Services	8,701	(4,199)	4,502
84,951	Education	108,251	(19,077)	89,174
13,497	Children's Social Care	16,319	(2,851)	13,468
15,600	Highways and Transport Services	24,380	(9,209)	15,171
3,659	Housing Council Fund	41,073	(38,112)	2,961
37,820	Adult Social Care	56,901	(16,588)	40,313
1,735	Central Services to the Public	10,781	(9,393)	1,388
	Corporate and Democratic			
4,001	Core	9,714	(5,095)	4,619
3,967	Non Distributed Costs	161	0	161
195,379	<b>Net cost of Council Fund Services</b>	319,150	(120,793)	198,357
14,265	Housing Revenue Account	30,511	(21,022)	9,489
209,644	<b>Net cost of services</b>	349,661	(141,815)	207,846
(201)	Losses/(Profits) on the disposal of Fixed Assets			(287)
107	Net Loss of Trading Units (Note 8)			159
16,926	Precepts and Levies (Note 9)			17,640
9,791	Interest payable and similar charges			8,455
(3,872)	Interest and Investment Income			(1,407)
4,102	Pensions Interest Cost and expected return on pensions assets (Note 27)			10,009
236,497	<b>Net expenditure on operations</b>			242,415
(53,892)	Council Tax (Note 10)			(56,546)
(31,463)	Net income from National Non-domestic Rates (Note 11)			(32,263)
(133,689)	General Government Grants (Note 12)			(136,546)
17,453	<b>Deficit for the year</b>			17,060

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 2008/09 in accordance with the requirements, it will appear that the position originally reported for 2008/09 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 87 - 89.



**STATEMENT OF THE MOVEMENT ON THE COUNCIL FUND BALANCE**

31 March 2009 £'000		31 March 2010 £'000
17,453	Deficit for the Year on the Income and Expenditure Account	17,060
	<b>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</b>	
(34,572)	Depreciation and Impairment of Fixed Assets	(34,897)
7,917	Government Grants Deferred Amortisation	8,477
(5,815)	Revenue Expenditure Funded from Capital under Statute	(5,850)
201	Net Profit/(Loss) on Sale of Fixed Assets	287
322	Finance Costs	43
(17,744)	Net Charges made for Retirement Benefits in Accordance with FRS17	(18,647)
(49,691)		(50,587)
	<b>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</b>	
5,865	Minimum Revenue Provision for Capital Financing	5,964
8,258	Capital Expenditure charged in-year to the Council Fund Balance	7,104
17,855	Employer's Contribution payable to the Gwynedd Pension Fund and Retirement Benefits Payable Direct to Pensioners	18,656
(101)	Transfer from Capital Receipts	5
31,877		31,729
	<b>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</b>	
287	Housing Revenue Account Balance	35
278	Voluntary Revenue Provision for Capital Financing	317
1,148	Net Transfer to/from Earmarked Reserves	2,175
1,713		2,527
<b>(16,101)</b>	<b>Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be Debited/(Credited) to the Council Fund Balance for the Year</b>	<b>(16,331)</b>
<b>1,352</b>	(Increase)/Decrease in Council's Fund for the year	<b>729</b>
(10,574)	Council Fund Balance Brought Forward – Council Fund	(9,234)
(3,721)	Council Fund Balance Brought Forward – Schools	(3,710)
<b>(14,295)</b>		<b>(12,944)</b>
1,341	(Increase)/Decrease for the year – Council Fund	977
11	(Increase)/Decrease for the year – Schools	(248)
<b>1,352</b>		<b>729</b>
0	Transfer between Earmarked Reserves - Schools	151
<b>0</b>		<b>151</b>
(9,233)	Council Fund Balance Carried Forward – Council Fund	(8,257)
(3,710)	Council Fund Balance Carried Forward – Schools	(3,807)
<b>(12,943)</b>		<b>(12,064)</b>

The Council Fund Balance shows whether the Council has overspent or underspent 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 2009 £'000		31 March 2010 £'000
17,453	(Surplus) / Deficit on the Income and Expenditure Account	17,060
3,617	(Surplus) / Deficit arising from the Revaluation of Fixed Assets	(10,369)
100	(Surplus) / Deficit arising from the Revaluation of Available for Sale Financial Assets	(2)
1,203	Realisation of Previous Unrealised Gain	0
57,616	Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities	149,359
<b><u>79,989</u></b>	<b>Total Recognised (Gains) / Losses for the Year</b>	<b><u>156,048</u></b>

## BALANCE SHEET - 31 MARCH 2010

31 March 2009		31 March 2010	
£'000		£'000	£'000
	<b>Tangible Fixed Assets</b>		
	<b>Operational Assets</b> (Note 15)		
252,300	Council Dwellings (Note 15)	252,446	
148,598	Other Land and Buildings (Note 15)	157,317	
113,991	Infrastructure (Note 15)	122,974	
12,161	Vehicles, Plant, Furniture and Equipment (Note 15)	12,920	545,657
652	Community Assets (Note 15)		645
	<b>Non Operational Assets</b> (Note 15)		
1,244	Investment Properties (Note 15)	1,244	
9,242	Assets Under Construction (Note 15)	856	
589	Surplus Assets, held for disposal (Note 15)	690	2,790
3,090	Long Term Investments (Note 19)		1,156
2,063	Long Term Debtors (Note 21)		2,567
543,930	<b>Total Long Term Assets</b>		552,815
	<b>Current Assets</b>		
1,163	Stock and Work in progress	1,175	
32,931	Debtors (Note 21)	37,088	
63,647	Short Term Investments (Note 19)	39,024	
9,771	Cash in hand (Note 20)	21,583	
	<b>Current Liabilities</b>		
(43,554)	Creditors (Note 22)	(45,709)	
(490)	Capital Grants Unapplied (Note 23)	(197)	
(1,468)	Borrowing repayable on demand or within 12 months (Note 24)	(6,443)	
(25,428)	Bank Overdraft (Note 20)	(15,452)	31,069
580,502	<b>Total Assets less Current Liabilities</b>		583,884
	Borrowing repayable within a period in excess of 12 months (Note 24)	(132,143)	
(137,533)	Provisions (Note 25)	(3,176)	
(3,713)	Government grants deferred (Note 26)	(140,797)	
(124,791)	Liability related to defined benefit pension schemes (Note 27)		(557,353)
(131,886)		(281,237)	
182,579	<b>Total Assets less Liabilities</b>		26,531
	<b>Revenue Balances</b>		
252,464	Capital Adjustment Account (Note 30)		234,417
(1,167)	Financial Instrument Adjustment Account (Note 31)		(1,124)
3,601	Revaluation Reserve (Note 33)		13,118
58	Available-for-sale Financial Instruments Reserve (Note 32)		60
6,288	Usable Capital Receipts Reserve (Note 34)		6,610
67	Deferred Capital Receipts (Note 35)		52
(131,886)	Pensions Reserve (Note 27)		(281,237)
3,710	School Balances (Note 36)		3,807
38,279	Earmarked Reserves (Note 37)		40,604
9,233	Council Fund	8,257	
1,932	Housing Revenue Account	1,967	10,225
182,579	<b>Total Net Worth</b>		26,531

The short term investments figure of £39m and the cash in hand figure of £21.6m above include amounts invested on behalf of the Pension Fund which total £8.9m. It follows that the related net total for the Council is £51.7m. Detailed information is shown in Note 20 on page 42 of these statements.

## CASH FLOW STATEMENT – 2009/10

2008/09 £'000	REVENUE ACTIVITIES	2009/10 £'000	2009/10 £'000
(11,928)	<b>REVENUE ACTIVITIES</b> (Note 44)		(22,135)
	<b>SERVICING OF FINANCE</b>		
	<b>Cash Outflows</b>		
8,474	Interest paid	7,765	
	<b>Cash Inflows</b>		
(4,305)	Interest Received	(1,985)	5,780
<u>(7,759)</u>			<u>(16,355)</u>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash Outflows</b>		
46,096	Purchase of Fixed Assets	36,503	
5,815	Payment of Grants and Contributions	5,850	
461	New Long Term Loans	360	
<u>52,372</u>		<u>42,713</u>	
	<b>Cash Inflows</b>		
(3,640)	Sale of Fixed Assets	(1,555)	
(342)	Repayments by Long Term Debtors	396	
(130)	Repayment of Investment	0	
(37,971)	Capital Grants Received (Note 45)	(22,384)	
			<u>19,170</u>
2,530	Net cash inflow / outflow before financing		2,815
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
<u>(12,192)</u>	Net Decrease in Short Term Investments		<u>(25,018)</u>
<u>(9,662)</u>			<u>(22,203)</u>
	<b>FINANCING</b>		
	<b>Cash Outflows</b>		
27,363	Repayments of amounts borrowed		415
	<b>Cash Inflows</b>		
<u>(16,200)</u>	New Loans Raised		<u>0</u>
<u>1,501</u>	<b>Net (Increase)/Decrease in Cash</b> (Note 46)		<u>(21,788)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### NOTE 1 – PRIOR YEAR ADJUSTMENTS

The Council has adopted the new SORP requirements, and therefore have restated the related 2008/09 figures to ensure comparability with the corrected 2009/10 disclosures. An adjustment has been made to the 2009/10 Council Tax figure following a change to the code of practice. The North Wales Police Authority Precept is now shown under 'Precepts and Levies' rather than 'Council Tax'. The impact of the adjustment is as follows:-

Income and Expenditure Account	2008/09 Accounts £'000	Re- Statement £'000	Comparative Figures in 2009/10 Accounts £'000
Precepts and Levies	7,919	9,007	16,926
Council Tax	(44,885)	(9,007)	(53,892)
<b>Deficit for the year</b>	<b>17,453</b>	<b>0</b>	<b>17,453</b>

Due to changes in the reporting requirements, the treatment of National Non-domestic Rates in our Balance Sheet has changed, and it is now regarded as part of our general debtor position to the National Assembly (as opposed to previously being included within individual creditors, debtors and bad debt provision).

Balance Sheet	2008/09 Accounts £'000	Re- statement £'000	Comparative Figures in 2009/10 Accounts £'000
<b>Debtors</b>			
Government Departments	15,413	613	16,026
National Non-domestic Rates	1,143	(1,143)	0
Less: Bad debt provision	(482)	482	0
<b>Creditors</b>			
National Non-domestic Rate	(48)	48	0
	<u>16,026</u>	<u>0</u>	<u>16,026</u>

## NOTE 2 - 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 £32.58m income transactions recovered in 2009/10 (£26.76m in 2008/09).

## NOTE 3 - 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 the 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 2008/09) and the total lease payments for the year amounted to £367,570 (£460,126 in 2008/09). The total outstanding obligation under leases at 31 March 2010 was £235,096 (£467,025 at 31 March 2009).

	<b>Vehicles, Plant and Equipment 31.03.10 £'000</b>	<b>Total 31.03.10 £'000</b>
<b>Payments due on Operating Leases in 2010/11</b>		
On leases expiring in 2010/11	0	0
On leases expiring between 2011/12 and 2014/15	<b>109</b>	<b>109</b>
On leases expiring during or after 2015/16	0	0
<b>Total</b>	<b>109</b>	<b>109</b>

#### NOTE 4 - 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 2009/10:

<b>2008/09</b>		<b>2009/10</b>
<b>£000</b>		<b>£000</b>
313	Housing Revenue Account (2% x Housing Capital Financing Requirement on 1 <sup>st</sup> April 2009)	290
5,588	Other Services (4% x Other Services Capital Financing Requirement on 1 <sup>st</sup> April 2009)	5,674
<hr/>		<hr/>
5,901		5,964
(36)	Adjustment due to Commutation of Improvement Grants	0
<hr/>		<hr/>
<b>5,865</b>	<b>Minimum Revenue Provision</b>	<b>5,964</b>
(16,037)	Effected by Depreciation	(16,103)
10,172	Required Appropriation from Capital Adjustment Account	10,139
<hr/>		<hr/>
<b>(5,865)</b>		<b>(5,964)</b>

#### NOTE 5 - MEMBERS ALLOWANCES

The following amounts were paid as allowances to members during 2009/10:-

<b>2008/09</b>		<b>2009/10</b>
<b>£</b>		<b>£</b>
1,050,776	Allowances	1,131,935

#### NOTE 6 - PAYMENTS TO EMPLOYEES

**6(a)** The number of employees (excluding Senior Officers included in the table (b) below) whose remuneration (as defined) that was over £60,000 for the year is included in the table below:-

**Number of employees who received more than £60,000:**

Number in 2008/09				Number in 2009/10		
Schools	Other	Total		Schools	Other	Total
3	1	4	£60,000 - 64,999	5	1	6
2	0	2	£65,000 - 69,999	2	0	2
2	0	2	£70,000 - 74,999	1	0	1
0	0	0	£75,000 - 79,999	1	0	1
1	0	1	£80,000 - 84,999	0	0	0
0	0	0	£85,000 - 89,999	1	0	1
0	0	0	£90,000 - 94,999	0	0	0
0	0	0	£95,000 - 99,999	0	0	0
0	0	0	£100,000 - 104,999	0	0	0
0	0	0	£105,000 - 109,999	0	0	0
0	0	0	£110,000 - 114,999	0	1	1

Remuneration relates to all amounts paid or receivable by an employee, including payments on the termination of employment, and other expenses and benefits chargeable to tax.

**6(b)** 7A (1) (b) of the Accounts and Audit (Wales) (Amendment) Regulations 2010, require the Council to disclose the following information relating to the employees appointed as Senior Officers, and whose salary is between £60,000 and £150,000. The pension contribution is the full contribution paid by the employer.

2008/09				Senior Officers	2009/10			
Salary	Other Payments	Pension Contribution	Total		Salary	Other Payments	Pension Contribution	Total
56,411	292	11,790	68,493	Head of Lifelong Learning				
56,850	120	11,882	68,852	Head of Regulatory	61,740	24	12,904	74,668
57,111	118	11,936	69,165	Acting Head of Housing Head of Economy &	60,280	280	12,599	73,159
58,311	328	12,187	70,826	Community	61,740	290	12,904	74,934
58,447	175	12,343	70,965	Head of Customer Care Head of Gwynedd	61,740	64	12,904	74,708
60,111	169	12,563	72,843	Consultancy	60,111	394	12,563	73,068
61,740	112	12,904	74,756	Head of Provider & Leisure	63,454	141	13,262	76,857
61,740	118	12,904	74,762	Head of Children & Families Services Head of Strategic &				
61,740	278	12,904	74,922	Improvement	63,454	277	13,262	76,993
61,740	298	12,904	74,942	Head of Human Resources Head of Democracy &	63,454	193	13,262	76,909
65,169	93	13,621	78,883	Legal	52,135*	149	10,896	63,180
65,169	97	13,620	78,886	Head of Highways & Municipal	65,169	135	13,620	78,924
65,169	116	13,620	78,905	Head of Finance	65,169	138	13,620	78,927
65,169	237	13,620	79,026	Head of Education	68,685	87	14,355	83,127
66,369	189	13,871	80,429	Head of Social Services	71,157	168	14,872	86,197
83,121	0	17,372	100,493	Corporate Director	83,121	0	17,372	100,493
83,121	212	17,372	100,705	Corporate Director	83,121	222	17,372	100,715
83,121	386	17,372	100,879	Corporate Director				
83,121	397	17,372	100,890	Corporate Director	83,121	454	17,373	100,948
108,264	267	22,627	131,158	Chief Executive	108,264	534	22,627	131,425

\* Works part time



## NOTE 7 - 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 27 on pages 47 to 52 and the Pension Fund Accounts on pages 74 to 84.
- (ii) Details of transactions with subsidiary and associated companies.  
Note 39 on page 60.  
A total of £3,088,501 was paid to Cwmni Cynnal during 2009/10 for services to schools, £136,485 was payable to the company and £2,469 was due from the company at the end of the year.  
£800,000 was received from CGMA Cyf.  
A total of £588,250 was paid to Welsh Joint Education Committee (WJEC) for services to schools during 2009/10.
- (iii) Significant Government Grants.  
Income and Expenditure Account on page 24, Note 12 on page 36, Note 45 on page 65.
- (iv) Other Local Authorities and Precepting Bodies.  
Note 9 on page 34, Note 10 on page 34 and Notes 21 and 22 on pages 43 and 44.
- (v) Members and Senior Officers.  
Notes 5 and 6b on pages 31 and 32.

The Council appoints members to some external charitable or voluntary bodies or they have disclosed a link to organisations. Payments of £2,540,446 were made to such bodies as grants or contributions for services during 2009/10.

Members have declared an interest or relation (as defined) in contracts or businesses which may have dealings with the Council. A total of £6,663,900 was paid under this heading during 2009/10.

A number of Senior Officers have declared an interest or relation (as defined) in companies or public bodies which receive payments from the Council. A total of £1,742,896 was paid to such bodies during 2009/10.

## NOTE 8 – 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 2008/09 £'000	Unit	Expenditure £'000	Income £'000	(Profit) / Loss 2009/10 £'000
	Provider Services			
31	Catering	5,214	(5,139)	75
	Building			
(133)	Cleaning	4,029	(4,078)	(49)
2	Home Care	133	(138)	(5)
433	Gwynedd Training	1,271	(925)	346
(110)	Print Unit	486	(569)	(83)
(116)	Industrial Estates	693	(818)	(125)
107	<b>Total</b>	11,826	(11,667)	159

**NOTE 9 - PRECEPTS**

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

<b>PRECEPTS AND LEVIES PAID IN THE YEAR</b>			
<b>2008/09</b>			<b>2009/10</b>
<b>£'000</b>			<b>£'000</b>
9,007	North Wales Police Authority		9,482
5,312	North Wales Fire Authority		5,464
	Snowdonia National Park		
1,135	Authority		1,147
1,265	Community Councils		1,333
142	North West and North Wales		
	Sea Fisheries Committee		146
65	Local Drainage Boards		68
<u>16,926</u>	<b>Total</b>		<u>17,640</u>

**NOTE 10 - 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 2009/10 was calculated as follows:-

<b>CALCULATION OF THE COUNCIL TAX BASE FOR 2009/10</b>			
<b>Valuation Bands</b>	<b>Number of properties following discounts</b>	<b>Statutory multiplier</b>	<b>Equivalent No. Band D properties</b>
A*	15	5/9	8.06
A	7,130	6/9	4,753.10
B	13,112	7/9	10,197.90
C	10,463	8/9	9,300.70
D	9,063	1	9,062.86
E	7,174	11/9	8,767.92
F	3,509	13/9	5,068.56
G	1,142	15/9	1,902.50
H	159	18/9	317.50
I	48	21/9	110.83
		<b>Total</b>	<u>49,489.93</u>
	<b>Council Tax base after allowing for losses on collection</b>		48,500.13

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

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
54,068	Council Tax raised	56,845
(187)	<b>Less</b> Provision for bad debts	(310)
8	Transitional Relief	11
3	Transitional Relief Grant	0
<u>53,892</u>		<u>56,546</u>

#### **NOTE 11 - 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 (48.9p in 2009/10) 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 2009/10 financial year there were 6,954 properties on the local valuation list in Gwynedd, representing a rateable value of £72,868,971.

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

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
28,273	National Non-domestic Rate raised	28,436
(334)	<b>Less</b> Cost of Collection allowance	(337)
(304)	<b>Less</b> provision for Bad Debts	(407)
<u>(27,635)</u>	<b>Less</b> sum paid to the National Pool	<u>(27,692)</u>
0		0
<u>(31,463)</u>	Receipts from the National Pool	<u>(32,263)</u>
<u>(31,463)</u>	<b>Net Income from Non Domestic Rates</b>	<u>(32,263)</u>

## NOTE 12 – GENERAL GOVERNMENT GRANTS

Details of general government grants can be seen below:-

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
131,857	Revenue Support Grant	134,721
1,338	Performance Incentive Grant	1,331
494	Deprivation Grant	494
<u>133,689</u>		<u>136,546</u>

## NOTE 13 – 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. The service increased its fees in 2009/10, but despite this the account is still in deficit. The main reason for the loss over the past two years is a reduction in income, which comes as a result of the economic climate.

	<b>£</b>
Total Charges Income received (excluding VAT)	(495,914)
Total Charges Expenditure incurred	<u>529,902</u>
(Surplus)/Loss for 2009/10	33,988
(Surplus)/Loss for 2008/09	14,887
(Surplus)/Loss for 2007/08	<u>3,791</u>
<b>(Surplus)/Loss for the last three years</b>	<u><b>52,666</b></u>

## NOTE 14 – AUDIT FEES

Fees were payable to the Wales Audit Office for the 2009/10 audit as shown below:-

<b>2008/09</b>		<b>2009/10</b>
<b>£</b>		<b>£</b>
175,710	Fees relating to the duties of the Appointed Auditor	179,365
163,260	Fees relating to the duties of the Auditor General	165,555
161,648	Fees for grant claims and returns	99,700
4,150	Other Fees	<u>0</u>
<u>504,768</u>		<u>444,620</u>

## NOTE 15 - FIXED ASSETS

The table below shows the movement on the various categories of fixed assets during 2009/10:-

	FIXED ASSET TRANSACTIONS 2009/10								
	Operational Assets					Non Operational Assets			Total
	Council Dwell- Ings	Land and Buildings	Infra- Structure	Vehicles, Plant and Equipment	Comm- unity Assets	Invest- ment Properties	Assets under Con- struction	Surplus Assets	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Value</b>									
<b>Balance at 31.03.09</b>	252,300	167,255	119,411	19,041	740	1,244	9,244	648	569,883
Adjust									
Opening Balance	0	28	33	3	0	0	0	0	64
Additions	6,806	7,638	12,328	4,309	129	0	4,781	0	35,991
Sales	(347)	(349)	0	0	0	0	0	(684)	(1,380)
Revaluation	(6,313)	833	0	0	0	0	0	500	(4,980)
Transfer	0	12,036	0	0	0	0	(13,167)	1,131	0
<b>Balance at 31.03.10</b>	<b>252,446</b>	<b>187,441</b>	<b>131,772</b>	<b>23,353</b>	<b>869</b>	<b>1,244</b>	<b>858</b>	<b>1,595</b>	<b>599,578</b>
<b>Depreciation and Impairment</b>									
<b>Balance at 31.03.09</b>	0	18,657	5,420	6,880	88	0	2	59	31,106
Adjust									
Opening Balance	0	51	3	22	0	0	0	0	76
Depn in year	6,307	2,882	3,375	3,531	7	0	0	0	16,102
Impairment in year	6,806	11,121	0	0	129	0	0	726	18,782
Written off	(13,113)	(2,587)	0	0	0	0	0	120	(15,580)
<b>Balance at 31.03.10</b>	<b>0</b>	<b>30,124</b>	<b>8,798</b>	<b>10,433</b>	<b>224</b>	<b>0</b>	<b>2</b>	<b>905</b>	<b>50,486</b>
<b>Net Book Value</b>									
<b>At 31.03.09</b>	<b>252,300</b>	<b>148,598</b>	<b>113,991</b>	<b>12,161</b>	<b>652</b>	<b>1,244</b>	<b>9,242</b>	<b>589</b>	<b>538,777</b>
<b>At 31.03.10</b>	<b>252,446</b>	<b>157,317</b>	<b>122,974</b>	<b>12,920</b>	<b>645</b>	<b>1,244</b>	<b>856</b>	<b>690</b>	<b>549,092</b>

The opening balance adjustment is due to the transfer of the Council's Assets to the new Fixed Assets System.

The Council's operational Land and Buildings were revalued on 1<sup>st</sup> 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:-

<b>ANALYSIS OF THE NUMBER OF FIXED ASSETS ON THE ASSET REGISTER</b>	
	<b>31 March 2010</b>
Council Dwellings	6,315
Schools (excluding Church Schools)	111
Social Services Homes and Centres	27
Offices and Public Halls	22
Depots / Stores	19
Leisure Centres and Swimming Pools	20
Youth and Social Clubs	15
Off-street Car Parks	32
Libraries	16
Industrial Estates	19
Shops	16
Crematorium	1
Cemeteries	1
Archives	1
Museums	4
Public Halls	3
Hostel	2
Various other buildings and sites	56
Vehicles	369
Highways (Kilometres)	2,915
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 16 - COMMITMENTS UNDER CAPITAL CONTRACTS**

Significant commitments under capital contracts at 31 March 2010 were as follows:-

	<b>Contract Sum £'000</b>	<b>Payments To date £'000</b>	<b>Amount Outstanding £'000</b>
Coastal Protection Scheme, Tywyn	6,146	1,476	4,670
Maes Barcer Improvements, Caernarfon – Phases 4 a 5	2,297	1,226	1,071
Plas Hedd Day Care Centre, Maesgeirchen, Bangor	755	61	694
Alterations and a New Extension, Pentreuchaf School	704	78	626
Insulation Upgrade and Repair Work, Ffordd Mela, Pwllheli - Phase 2	817	278	539
Adaptations and Re-roofing Glan y Mor School, Pwllheli	957	575	382
Improvements to Council Dwellings – Tan y Bryn, Bangor	569	268	301

## NOTE 17 - ANALYSIS OF NET ASSETS EMPLOYED

<b>ANALYSIS OF THE NET ASSETS EMPLOYED</b>		
<b>31 March 2009</b>		<b>31 March 2010</b>
<b>£'000</b>		<b>£'000</b>
13,460	Council Fund	(142,500)
169,119	Housing Revenue Account	169,031
<u>182,579</u>	<b>Total</b>	<u>26,531</u>

## NOTE 18 – FINANCIAL INSTRUMENTS

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

<b>ANALYSIS OF THE COUNCIL'S FINANCIAL INSTRUMENTS</b>		
<b>31 March 2009</b>		<b>31 March 2010</b>
<b>£'000</b>		<b>£'000</b>
100,911	Loans and Receivables	79,758
	Available for Sale Financial Assets	60
803	Financial Assets at Fair Value through Profit and Loss	17
(182,555)	Financial Liabilities at Amortised Cost	(184,295)
<u>(80,824)</u>	<b>Total</b>	<u>(104,460)</u>

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 2009		31 March 2010
£'000		£'000
3,090	Long Term Investments (Note 19)	1,156
2,063	Long Term Debtors (Note 21)	2,567
32,931	Short Term Debtors (Note 21)	37,088
63,647	Short Term Investments (Note 19)	39,024
(43,554)	Creditors (Note 22)	(45,709)
(1,468)	Short Term Borrowing (Note 24)	(6,443)
(137,533)	Long Term Borrowing (Note 24)	(132,143)
(80,824)	<b>Total</b>	(104,460)

### NOTE 19 - INVESTMENTS

INVESTMENTS		
31 March 2009		31 March 2010
£'000		£'000
<b>Long Term Investments</b>		
803	Cwmni Gwastraff Môn-Arfon	60
2,270	Financial Markets	1,079
1	Company Stock	1
16	Government Stock	16
3,090	<b>Long Term Total</b>	1,156
<b>Short Term Investments</b>		
62,603	Financial Markets	38,775
1,044	Interest Accrual	249
63,647	<b>Short Term Total</b>	39,024

The investment in Cwmni Gwastraff Môn-Arfon represents a 50% shareholding in a local waste disposal company jointly owned with the Isle of Anglesey County Council. The relevant activities have been internalised and the company is being wound up, further related details are given in Note 37 on page 57. However, the holding as detailed above reflects the actual position as at 31 March 2010.



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:

<b>SHORT TERM INVESTMENTS</b>		
	Cost <b>£'000</b>	Fair Value <b>£'000</b>
Callable Deposits	0	0
Fixed Term Deposits	38,775	40,103
	<u>38,775</u>	<u>40,103</u>

The authority has a deposit of £4m with Heritable Bank which is a UK registered bank under Scottish 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 2009, 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. This was the basis for closing the 2008/09 accounts. So far the Council has received a return of £1,405,712 from the administrators during 2009/10 and the administrators now expect a return of 85p per £ by the end of 2012. Based on this information, the impairment in the accounts is based on recovering 85p in the £.

The payments received during 2009/10 were as follows:

July 2009 – 16.13%  
 December 2009 – 12.66%  
 March 2010 – 6.19%

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

June 2010 – 5%  
 September 2010 – 5%  
 December 2010 – 5%  
 March 2011 – 5%  
 June 2011 – 5%  
 September 2011 – 5%  
 December 2011 – 5%  
 March 2012 – 5%  
 June 2012 – 5%  
 September 2012 – 5%

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 a reduction of £232,885 to the impairment of £1,260,396 that was made in the 2008/09 accounts (namely the potential loss of £784,974 and £475,422 notional interest not earned). The original

impairment has been further adjusted in the 2009/10 accounts to reflect a net allocation of (£54,814) to the Pension Fund and (£291,974) to the Council Fund. The adjusted impairment is included in Interest and Investment Income in the Income and Expenditure Account.

Of course, the actual loss by 2012 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 2010.

**NOTE 20 – 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.

<b>CASH AND SHORT TERM INVESTMENTS</b>		
<b>31 March 2009</b>		<b>31 March 2010</b>
<b>£'000</b>		<b>£'000</b>
63,647	Short Term Investments ( <i>Note 19</i> )	39,024
9,771	Cash Deposits and Imprest Balances	21,583
<u>(25,428)</u>	Bank Overdraft	<u>(15,452)</u>
<u>47,990</u>	Net Position	<u>45,155</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 £8.9m (£23.4m at 31 March 2009).

## NOTE 21 – DEBTORS

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

<b>DEBTORS DUE WITHIN ONE YEAR</b>		
<b>31 March 2009</b>		<b>31 March 2010</b>
<b>£'000</b>		<b>£'00</b>
16,026	Government Departments	18,288
		3,16
4,853	Other Public Authorities	
		1,56
2,674	Other Public Agencies	
		2,25
1,940	Council Tax Payers	
1,095	Council Tenants	976
21	Mortgagors	19
8,649	Other Miscellaneous Debtors	13,015
131	2010/11 payments made in 2009/10	123
952	2009/10 income received in April & May 2010	1,14
<u>36,341</u>		<u>40,553</u>
(3,410)	<b>Less: Bad Debts Provision (Note 25)</b>	(3,465)
<u>32,931</u>	<b>Net Debtors</b>	<u>37,088</u>

<b>DEBTORS FALLING DUE AFTER ONE YEAR</b>		
<b>31 March 2009</b>		<b>31 March 2010</b>
<b>£'000</b>		<b>£'000</b>
1,321	Government Departments	0
666	Car and Bike Loans to employees	727
22	Mortgages - General	23
38	- Former Tenants	26
5	Gwynedd Archaeological Trust	0
0	Welcome Furniture	648
11	Others	1,143
<u>2,063</u>	<b>Total</b>	<u>2,567</u>

**NOTE 22 – CREDITORS**

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

<b>ANALYSIS OF THE COUNCIL'S CREDITORS</b>		
<b>31 March 2009 £'000</b>		<b>31 March 2010 £'000</b>
11,549	Government Departments	9,148
2,504	Other Public Authorities	7,546
503	Other Public Agencies	341
1,562	Council Tax Payers	1,592
15,363	Other Miscellaneous Creditors	12,289
121	Rent Income received in advance	108
439	Other Receipts in advance	436
11,513	April and May payments for goods received or work done before 31 March 2010	14,24
<u>43,554</u>		<u>45,709</u>

**NOTE 23 – 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 £196,844 is shown as capital grants unapplied as there is an agreement to use these grants to finance expenditure in 2010/11.

	<b>31 March 2009 £'000</b>	<b>Amount Received 2009/10 £'000</b>	<b>Applied to finance capital £'000</b>	<b>31 March 2010 £'000</b>
Major Repairs Allowance	-	4,100	(4,100)	-
Other Grants and Contributions	490	20,090	(20,383)	197
	<u>490</u>	<u>24,190</u>	<u>(24,483)</u>	<u>197</u>

## ANALYSIS OF THE AUTHORITY'S LOANS

Source of Loan	Range of Interest payable %	Outstanding	
		31.3.2009 £'000	31.3.2010 £'000
Public Works Loans Board	3.75 - 10.625	121,740	121,332
Barclays Bank		16,200	16,200
		<u>137,940</u>	<u>137,532</u>
<b>The maturity profile of the loans is as follows</b>			
Within a year		407	5,389
Between 1 - 2 years		5,389	5,417
Between 2 - 5 years		24,302	20,009
Between 5 -10 years		5,775	6,862
Over 10 years		102,067	99,855
Total		<u>137,940</u>	<u>137,532</u>
<b>Add: Accrued interest payable at 31 March</b>		1,061	1,054
<b>Less : Amount due within one year shown in short -term loans</b>		(1,468)	(6,443)
<b>Total Long term borrowing</b>		<u>137,533</u>	<u>132,143</u>

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	119,636	148,875
PWLB Loans - Annuity	508	610
PWLB Loans - EIP	1,188	1,416
	<u>121,332</u>	<u>150,901</u>
Barclays Bank Loan - LOBO	16,200	17,102
	<u>137,532</u>	<u>168,003</u>

## NOTE 25 - 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 57 to 59 in Note 37.

<b>MOVEMENT ON PROVISION ACCOUNTS</b>				
	<b>Balance at 31 March 2009</b>	<b>Addition/ (Reductions) / Transfers</b>	<b>Used during the year</b>	<b>Balance at 31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Bad Debts</b>				
Housing - Rents	551	292	(60)	783
Council Tax	577	310	(249)	638
Debtors	2,282	496	(734)	2,044
<b>Subtotal Bad Debts Provision</b>	<b>3,410</b>	<b>1,098</b>	<b>(1,043)</b>	<b>3,465</b>
<b>Other</b>				
Claims against former Authorities	480	315	(795)	0
Social services	27	0	0	27
Council Tax Refunds	408	0	(111)	297
Provision for Equal Pay Requirements	1,935	0	0	1,935
Section 117 Mental Health Act	117	0	0	117
Waste Provision	746	54	0	800
<b>Subtotal Other Provisions</b>	<b>3,713</b>	<b>369</b>	<b>(906)</b>	<b>3,176</b>
<b>Total</b>	<b>7,123</b>	<b>1,467</b>	<b>(1,949)</b>	<b>6,641</b>

## NOTE 26 – 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		
2008/0		2009/10
£'00		£'000
96,447	<b>Balance at 1 April</b>	124,791
36,262	Grants applied	24,483
	Grants and contributions written-off	
(3,084)	- against depreciation	(3,584)
(4,834)	- on revenue expenditure funded from capital under statute	(4,893)
<u>124,791</u>	<b>Balance at 31 March</b>	<u>140,797</u>

## NOTE 27 – 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.

## 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:

	<b>Gwynedd Council Pension Scheme</b>		<b>Gwynedd Closed Fund Pension Scheme</b>		<b>Total</b>	
	<b>31 March 2009</b>	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Cost of Services</b>						
Current Service Cost	(9,662)	(8,474)	0	0	(9,662)	(8,474)
Past Service Cost	(3,913)	(30)	0	0	(3,913)	(30)
Curtailement and Settlement	(67)	(134)	0	0	(67)	(134)
<b>Net Operating Expenditure</b>						
Interest Cost	(25,212)	(24,956)	(3,219)	(3,022)	(28,431)	(27,978)
Expected Return on Assets in the Scheme	22,295	16,725	2,034	1,244	24,329	17,969
<b>Amounts to be met from Council Tax</b>						
Movement on Pensions Reserve	(1,296)	(1,787)	1,185	1,778	(111)	(9)
<b>Actual amount charged against council tax for pensions in the year</b>						
Employers' Contributions to the Scheme	(17,855)	(18,656)	0	0	(17,855)	(18,656)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £149,358,895 (2008/09: losses of £57,615,878) 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 £217,486,501.



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	
	2009	2010	2009	2010	2009	2010
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	(360,943)	(359,854)	(48,606)	(45,757)	(409,549)	(405,611)
Current Service Cost	(9,662)	(8,474)	-	-	(9,662)	(8,474)
Interest Cost	(25,213)	(24,957)	(3,219)	(3,022)	(28,432)	(27,979)
Contributions by Members	(4,708)	(4,908)	-	-	(4,708)	(4,908)
Actuarial Gains	35,355	(228,974)	2,090	(10,600)	37,445	(239,574)
Past Service Costs	(3,913)	(30)	-	-	(3,913)	(30)
Losses on Curtailments	(67)	(134)	-	-	(67)	(134)
Estimated Unfunded Benefits Paid	808	830	739	748	1,547	1,578
Estimated Benefits Paid	8,489	9,011	3,239	3,224	11,728	12,235
<b>31 March</b>	<b>(359,854)</b>	<b>(617,490)</b>	<b>(45,757)</b>	<b>(55,407)</b>	<b>(405,611)</b>	<b>(672,897)</b>

Reconciliation of fair value of the scheme assets:

	Gwynedd Council Pension Scheme 31 March		Gwynedd Closed Fund Pension Scheme 31 March		Total 31 March	
	2009	2010	2009	2010	2009	2010
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	303,674	251,001	29,846	20,729	333,520	271,730
Expected Return on Assets	22,295	16,725	2,034	1,244	24,329	17,969
Contributions by Members	4,708	4,908	-	-	4,708	4,908
Contributions by the Employer	15,962	16,921	-	-	15,962	16,921
Contributions in respect of Unfunded Benefits	808	830	739	748	1,547	1,578
Actuarial Gains and Losses	(87,149)	83,919	(7,912)	6,297	(95,061)	90,216
Unfunded Benefits Paid	(808)	(830)	(739)	(748)	(1,547)	(1,578)
Benefits Paid	(8,489)	(9,011)	(3,239)	(3,224)	(11,728)	(12,235)
<b>31 March</b>	<b>251,001</b>	<b>364,463</b>	<b>20,729</b>	<b>25,046</b>	<b>271,730</b>	<b>389,509</b>

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 £108,184,868 (2008/09: loss of £69,938,011).

#### Scheme History

	Gwynedd Council Pension Scheme 31 March		Gwynedd Closed Fund Pension Scheme 31 March		Total 31 March	
	2009	2010	2009	2010	2009	2010
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets	251,001	364,463	20,729	25,046	271,730	389,509
Present Value of Liabilities	(359,854)	(617,490)	(45,757)	(55,407)	(405,611)	(672,897)
<b>Deficit in the Scheme</b>	<b>(108,853)</b>	<b>(253,027)</b>	<b>(25,028)</b>	<b>(30,361)</b>	<b>(133,881)</b>	<b>(283,388)</b>

	Gwynedd Council Pension Scheme 31 March			Gwynedd Closed Fund Pension Scheme 31 March		
	2006	2007	2008	2006	2007	2008
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets	249,151	277,282	309,031	34,602	32,906	26,136
Present Value of Liabilities	(356,980)	(362,293)	(360,943)	(55,751)	(52,547)	(48,606)
<b>Deficit in the Scheme</b>	<b>(107,829)</b>	<b>(85,011)</b>	<b>(51,912)</b>	<b>(21,149)</b>	<b>(19,641)</b>	<b>(22,470)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total deficit of £283.39m 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 2011 is £16.8m.

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:-

	<b>31 March 2009</b>	<b>31 March 2010</b>
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity	7.0%	7.8%
Bonds	5.4%	5.0%
Property	4.9%	5.8%
Cash	4.0%	4.8%
<b>Mortality assumptions</b>		
Longevity at 65 for current pensioners		
Men	19.6 years	20.8 years
Women	22.5 years	24.1 years
Longevity at 65 for future pensioners		
Men	20.7 years	22.3 years
Women	23.6 years	25.7 years
Rate of Inflation	3.1%	3.8%
Rate of increase in Salaries	4.6%	5.3%
Rate of increase in Pensions	3.1%	3.8%
Rate for discounting scheme liabilities	6.9%	5.5%
Take-up option to convert annual pension into retirement lump sum		
for pre-April 2008 service	50%	50%
for post-April 2008 service	50%	75%

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

	<b>31 March 2009</b>	<b>31 March 2010</b>
	<b>%</b>	<b>%</b>
Equities	73	77
Bonds	14	15
Property	8	6
Cash	5	2
<b>Total</b>	100	100

## History of experienced gains and losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	Gwynedd Council Pension Scheme					Gwynedd Closed Fund Pension Scheme				
	31 March					31 March				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
	%	%	%	%	%	%	%	%	%	%
Differences between the expected and actual return on assets	13.6	0.1	0.2	-	23.0	14.5	0.1	-17.6	-38.2	25.
Experience gains and losses on liabilities	-0.1	-0.1	-12.1	-0.2	0.1	-1.8	0.6	0.7	0.4	-0.7

Reconciliation of the deficit in the scheme (Actuarial figures) with the Liability related to defined benefit pension schemes in the Balance Sheet:

	<b>31 March 2010 £'000</b>
Deficit in the Scheme – Actuarial figures	(283,388)
Effect of any other amounts not recognised in the Balance Sheet *	2,151
Liability related to defined benefit pension schemes in the Balance Sheet	(281,237)

\* The Actuary's report is based on estimates. The difference between the estimated and actual figures is £2,151m.

### 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 2009/10 the Council paid £5.90m (£5.86m in 2008/09) in respect of teachers' pension costs, which represented 13.87% (13.85% in 2008/09) of teachers' 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 2009/10 these amounted to £1.21m (£0.93m in 2008/09) representing 2.85% (2.24% in 2008/09) of teachers' pensionable pay.

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

## NOTE 28 - 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.

<b>2008/0</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
538,777	Fixed Assets	549,092
820	Long Term Investments	77
0	Long Term Debtors – loans to third parties	648
(124,791)	Government Grants Deferred	(140,797)
(3,601)	Revaluation Reserve	(13,118)
(252,464)	Capital Adjustment Account	(234,417)
(162)	Financial Instruments Adjustment Account (relating to fixed assets)	530
<u>158,579</u>	<b>Capital Financing Requirement at 31 March</b>	<u>162,015</u>

The movement in the year is explained as follows:

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
157,255	<b>Opening Capital Financing Requirement</b>	158,579
3	Adjustment to opening balance	3
	In year Capital Investment -	
47,969	Fixed Assets	35,991
5,815	Funded from capital under statute	5,850
0	Loans to third parties.	700
(974)	Capital Receipts used	(1,189)
(36,262)	Government grants and other contributions	(24,483)
(8,258)	Capital Expenditure charged to Revenue	(7,103)
(5,865)	Revenue Provision (MRP)	(5,964)
	Additional voluntary set aside:	
(826)	Capital Receipts	0
(278)	Voluntary Revenue Contribution	(369)
<u>158,579</u>	<b>Closing Capital Financing Requirement</b>	<u>162,015</u>

**NOTE 29 – MOVEMENT IN RESERVES**

	<b>Note</b>	<b>Balance at 1 April 2009 £'000</b>	<b>Transfer / Contribution to Reserves £'000</b>	<b>Transfer / Contribution from Reserves £'000</b>	<b>Balance at 31 March 2010 £'000</b>
Capital Adjustment Account	30	252,464	1,136	(12,086)	241,514
Financial Instrument Adjustment Account	31	(1,167)	43	0	(1,124)
Revaluation Reserve	33	3,601	10,368	(7,948)	6,021
Available-for-sale Financial Instruments Reserve	32	58	2	0	60
Usable Capital Receipts Reserve	34	6,288	1,510	(1,188)	6,610
Deferred Capital Receipts	35	67	0	(15)	52
Pensions Reserve	27	(131,886)	0	(149,351)	(281,237)
School Reserves	36	3,710	965	(868)	3,807
Earmarked Reserves	37	38,279	13,504	(11,179)	40,604
<b>Revenue Balances</b>					
Council Fund		9,234	0	(977)	8,257
Housing Revenue Account		1,932	35	0	1,967
<b>Total</b>		<u>182,580</u>	<u>27,563</u>	<u>(183,612)</u>	<u>26,531</u>

**NOTE 30 - CAPITAL ADJUSTMENT ACCOUNT**

<b>MOVEMENTS ON THE CAPITAL ADJUSTMENT ACCOUNT</b>		
<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
<b>270,066</b>	<b>Opening Balance</b>	<b>252,464</b>
	0 Opening balance adjustment	25
(1,528)	Amounts written off fixed asset balances for disposal	(75)
198	Transfer from Revaluation Reserve	47
1,103	Reserved capital receipts/voluntary contributions	317
974	Capital financing – capital receipts	1,189
(2)	Other – repayment of loans to third parties	(54)
	<b>Transfers from Movement in Council Fund Balance:</b>	
(34,572)	Depreciation and impairment of fixed assets	(35,191)
7,917	Government grants deferred amortisation	8,477
(5,815)	Revenue Expenditure funded from capital under statute	(5,850)
8,258	Capital expenditure charged to the Council Fund	7,104
5,865	Minimum Revenue provision	5,964
<b>252,464</b>	<b>Closing Balance</b>	<b>234,417</b>

The opening balance adjustment is due to the transfer of the Council's Assets to the new Fixed Assets System.

**NOTE 31 – FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT**

<b>MOVEMENTS ON THE FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT</b>		
<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
<b>(1,489)</b>	<b>Balance at 1 April</b>	<b>(1,167)</b>
14	Debtors	(6)
308	Premiums / (Discounts) on early repayment of debt	49
<b>(1,167)</b>	<b>Balance at 31 March</b>	<b>(1,124)</b>

**NOTE 32 – AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE**

<b>MOVEMENTS ON THE AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE</b>			
<b>2008/09</b>		<b>2009/1</b>	
<b>£'000</b>		<b>£'000</b>	
<b>1,361</b>	<b>Balance on 1 April</b>	<b>58</b>	
<b>Movements during the year</b>			
(1,303)	Investments	2	
<u><b>58</b></u>	<b>Balance at 31 March 2010</b>	<u><b>60</b></u>	

**NOTE 33 – REVALUATION RESERVE**

<b>MOVEMENTS ON THE REVALUATION RESERVE</b>			
	<b>Council Fund</b>	<b>Housing Revenue Account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2009</b>	3,601	0	3,601
Adjustment to the opening balance	(36)	0	(36)
Increase/(Decrease) in Asset values due to:			
Impairment	(41)	0	(41)
Sales	(727)	(0)	(727)
Revaluation	3,568	6,800	10,368
Depreciation Adjustment	(47)	0	(47)
<b>Balance at 31 March 2010</b>	<u><b>6,318</b></u>	<u><b>6,800</b></u>	<u><b>13,118</b></u>

The opening balance adjustment is due to the transfer of the Council's Assets to the new Fixed Assets System.

**NOTE 34 - 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).

<b>ANALYSIS OF USABLE CAPITAL RECEIPTS</b>			
	<b>Housing Revenue Account</b>	<b>Other Services</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2009</b>	428	5,860	6,288
2009/10 receipts	530	1,026	1,556
Right to Buy Administration	(45)	0	(45)
Set-aside	0	0	0
Amounts used during 2009/10	(913)	(276)	(1,189)
<b>Balance at 31 March 2010</b>	<u><b>0</b></u>	<u><b>6,610</b></u>	<u><b>6,610</b></u>

**NOTE 35 - 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 36 - 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:-

<b>31 March 2009</b>		<b>31 March 2010</b>
<b>£'000</b>		<b>£'000</b>
3,907	Individual School Balances	4,044
(197)	Schools overdrawn	(237)
<u>3,71</u>		<u>3,807</u>

	<b>Balance at 1 April 2009</b>	<b>Transfer Between Reserves</b>	<b>Transfer/ Contribution To Reserves</b>	<b>Transfer/ Contribution From Reserves</b>	<b>Balance at 31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
School Balances	3,710	(151)	965	(717)	3,807
<b>Total</b>	<u>3,710</u>	<u>(151)</u>	<u>965</u>	<u>(717)</u>	<u>3,807</u>

**NOTE 37 - EARMARKED RESERVES**

	<b>Balance at 1 April 2009</b>	<b>Transfer Between Reserves</b>	<b>Transfer / Contribution To Reserves</b>	<b>Transfer / Contribution From Reserves</b>	<b>Balance at 31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Renewals Reserves	3,258	(1,600)	2,335	(2,420)	1,573
Capital Reserves	8,361	0	1,784	(243)	9,902
Insurance Reserves	4,239	(1,500)	901	(511)	3,129
	11,27				
Services Fund		(3,726)	3,267	(3,283)	7,530
Objective 1 Fund	327	0	0	(128)	199
Developments Reserve	420	11	40	(36)	435
Strategic Financing Reserve	1,823	149	1,637	(1,213)	2,396
Network Fund	459	0	0	(9)	450
Improving the Council Fund	344	772	121	(543)	694
Central Training	1,116	0	0	(225)	891
Communication Centre Reserve	1,325	0	0	(271)	1,054
Schools Service Reserves	508	151	150	(539)	270
Economy and Community Reserves	205	0	120	(35)	290
Highways and Municipal Reserves	1,671	9	200	(429)	1,451
Waste Developments Reserve	367	0	1,546	(819)	1,094
Gwynedd Consultancy Reserves	434	0	14	0	448
Regulatory Reserves	799	9	30	(74)	764
Trunk Road Management Reserve	600	0	0	(200)	400
Social Services Reserve	17	0	0	(17)	0
Care - Other Reserves	171	(152)	34	0	53
Business Transformation Fund	100	2,500	1,092	(34)	3,658
Members' Working Group (Reserves)	0	1,034	0	0	1,034
Invest to Save Fund - Carbon Reduction Plan	0	2,500	0	0	2,500
Various Other Reserves	463	(6)	83	(151)	389
<b>Total</b>	<u>38,279</u>	<u>151</u>	<u>13,354</u>	<u>(11,180)</u>	<u>40,604</u>

The net movement on Insurance Reserves above includes a contribution from reserves of £9,554 which relates to the Housing Revenue Account.

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

- (i) The Renewals Reserve is used by the Provider and Leisure Services, Highways and Municipal, Economy and Community 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 also includes an element relating to the relevant insurance requirements of the former Gwynedd County Council (pre 1996) .
- (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) Central Training – relates to the management training development programme.
- (x) Communication Centre Reserve – sums set-aside towards developing the new Communication Centre.
- (xi) 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", "Supporting Schools" and the "Schools Loans Scheme".
- (xii) The Economy and Community Reserves include a number of balances relating to schemes operating on a partnership basis mainly, where the scheme balances must be accounted for separately.

- (xiii) The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven expenditure – 'equalisation accounts' – and likely requirements from contracts.
- (xiv) The Waste Development Reserve is for relevant commitments and developments in the waste field including our commitment to the North Wales Waste Partnership.
- (xv) Gwynedd 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.
- (xvi) Regulatory 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, together with specific requirements regarding the Unitary Development Plan.
- (xvii) Trunk Road Management Reserve – includes a sum set aside to enable responding to any possible changes to employment arrangements.
- (xviii) The Social Services Reserve - reserve established to meet the requirement of the Corporate Parent Panel.
- (xix) Care - Other Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- (xx) Business Transformation Fund – A one-off fund to aid the business transformation process to realise savings for the Council.
- (xxi) Members' Working Group (Reserves) – Set aside for the one-off requirements of the Council.
- (xxii) Invest to Save Fund – Carbon Reduction Plan – Partly funding the Carbon Reduction Plan program of works to reduce carbon emissions whilst generating monetary revenue savings.
- (xxiii) Various Other Reserves – includes amounts set aside to meet a variety of other contingent liabilities.

## **NOTE 38 - 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. It is possible that the actual final cost may differ from the current estimated future cost.

Following the vote to transfer the housing stock to Carterfi Cymunedol Gwynedd Cyf. (being a Registered Social Landlord), the transfer was actioned on 12 April 2010. Whilst the project implementation costs will be reimbursed, there will be financial implications arising from the housing stock transfer, with the historic deficits in the pension fund relating to staff transferring to the RSL remaining with the Council, however the Housing Revenue Account balances will remain with the Council.

## **NOTE 39 – 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, £800,000 was received during 2009/10 and the final payment of £60,000 is expected during 2010/11 (See note 19 on pages 40 to 42)

### **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 7 to the Core Financial Statements. Copies of the financial statements are available from Cwmni Cynnal Cyf., Plas Llanwnda, Caernarfon, Gwynedd LL55 1SH.

## **NOTE 40 - TRUSTS**

The Council acts as sole trustee for 169 bequests such as school prize funds and comforts and improvements to numerous Council Establishments. The total balance on these funds at 31 March 2010 was £780,158. These are invested to provide income.

The two largest funds are shown in separate statements on pages 72 and 73.

## **NOTE 41 – 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 19. 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 monthly 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 2010/11.

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, specific arrangements for unpaid loans 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 including possible financial support. This could of course 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.

Interest rates remained at an unprecedented low in 2009/10 and this has had an impact on the authority reflected in the level of income received from investments.

In terms of borrowing 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 relevant activities have been internalised and the company is 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 2009/10 and the balance is expected in 2010/11.

**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 42 – POST BALANCE SHEET EVENTS**

The following are considered under this category (and in some cases are referred to separately in the body of the accounts).

### 1. Gwynedd Training

Following a decision by the Welsh Assembly Government to review the Training Provider arrangements in Wales, agreement was reached in North West Wales that Gwynedd Training and Anglesey Training would amalgamate with, and transfer to Coleg Menai on 1 August, 2010.

As a result, assets, being in the main related equipment and furniture will be purchased by Coleg Menai. This will not involve any transfer or sale of land and buildings' assets.

The total gross revenue expenditure for Gwynedd Training for 2009-10 was £1.273million, and the gross income for the year was £0.925million.

### 2. Housing Stock

The transfer of Gwynedd Housing Stock to Cartrefi Cymunedol Gwynedd Cyf. (being a Registered Social Landlord) on 12 April 2010.

As a consequence, all of the Council Dwellings have been transferred (value at 31<sup>st</sup> March 2010 being £252million) and assets including rental debtors, stocks and vehicles will be purchased by CCG. Public Works Loans Board loans relating to the HRA worth £14million will be paid off by the Treasury via the Welsh Assembly Government.

The Housing Revenue Account activity for 2009/10 was £21million, and the Account's balances as at 31 March, 2010 stood at £1.967million. The Council will cease to operate a Housing Revenue Account following the conclusion of all remaining transactions during 2010/11, any remaining Account balances will be retained by the Council, although will not be available to attribute to other activities until 1 April, 2012 at the earliest.

### 3. Pension

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Gwynedd Pension Fund by around 6-8%. This estimate is based on an employer with a "typical" membership profile. For Gwynedd Council this is a reduction of between £40 - £54 million.

**NOTE 43 – DATE OF AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS**

The Financial Statements were authorised for issue by Dafydd L. Edwards, Head of Finance on 30 June 2010.

**NOTE 44 - RECONCILIATION TO THE STATEMENT OF THE MOVEMENT ON COUNCIL FUND BALANCE (CASH FLOW)**

2008/09 £'000		2009/10 £'000
17,453	<b>(Surplus) / Deficit for the Year on the Income and Expenditure Account</b>	17,060
	Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be Debited/(Credited) to the Council Fund Balance for the Year	
<u>(16,101)</u>		<u>(16,331)</u>
1,352	<b>Surplus for the year on the Statement of the movement on the Council Fund Balances</b>	729
	Add : net surplus on the Housing Revenue Account	
<u>(287)</u>		<u>(35)</u>
1,065		694
	<b>Non Cash Transactions</b>	
	Add/ (Deduct) -	
56,356	Net contributions to reserves	147,178
(5,865)	Minimum Revenue Provision	(5,964)
466	Net (increase)/decrease in provisions	(208)
(322)	Financial Instrument Adjustments	(43)
48	Right to buy administration from capital receipts	45
		(149,351)
<u>(57,504)</u>	Pension Commitments	<u>          </u>
(5,756)		(7,649)
	<b>Items on an accruals basis</b>	
12	Add increase/(decrease) in stocks	12
(989)	Add increase/(decrease) in revenue debtors	3,445
(432)	Add increase/(decrease) in debtor for interest receivable	(796)
		(3,946)
<u>7,942</u>	Less net (increase)/decrease in revenue creditors	<u>          </u>
777		(8,934)
	<b>Items classified in another part of the cash flow statement</b>	
		(5,780)
(4,169)	Add net interest paid	(7,421)
(8,536)	Capital financing from revenue	
<u>(11,928)</u>	<b>Total</b>	<u>(22,135)</u>



**NOTE 45 – GRANTS**

<b>ANALYSIS OF GRANTS ON THE CASH FLOW STATEMENT</b>			
<b>2008/09</b>		<b>2009/10</b>	
<b>£'000</b>		<b>£'00</b>	<b>£'000</b>
	<b>Revenue Grants :-</b>		
		4,82	
1,576	Resources Group Grants		
165,210	Corporate Grants	168,810	
21,08			
	Environment Group Grants	38,449	
7,878	Care Group Grants	8,704	
907	Education GEST Grants	991	
15,72			
	Other Development Group Grants	15,297	
30,19	Housing and Council Tax Benefit Grant	32,418	
131,857	Revenue Support Grant	134,721	
31,46			
	Share of Non-Domestic Rates	<u>32,263</u>	
<u>405,897</u>			436,479
	<b>Capital Grants :-</b>		
37,29			
	Government Grants	21,712	
70	Other Public Authority Grants	32	
584	Other Public Agency Grants	543	
25	Other Grants	<u>97</u>	
<u>37,97</u>			<u>22,38</u>
<u><b>443,868</b></u>	<b>Total</b>		<u><b>458,863</b></u>

**NOTE 46 - MOVEMENT IN CASH AND CASH EQUIVALENTS**

<b>INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS – 2009/10</b>			
	<b>Balance on 1 April</b>	<b>Balance on 31 M a r c h</b>	<b>Movements during</b>
	<b>2009</b>	<b>2010</b>	<b>year</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash overdrawn	(25,428)	(15,452)	9,976
Cash in hand	9,771	21,583	11,812
<b>Increase/(Decrease) in Cash and Cash equivalent</b>			<u><b>21,788</b></u>

## HOUSING REVENUE ACCOUNT 2009/10

2008/09 £'000	INCOME	2009/10 £'000
(18,438)	Dwelling rents	(19,665)
(395)	Other rents	(406)
(158)	Service charges	(255)
0	Contribution to Expenditure	(176)
(418)	Deferred Grants	(520)
<u>(19,409)</u>	<b>Total Income</b>	<u>(21,022)</u>
	<b>EXPENDITURE</b>	
6,185	Repairs and Maintenance	6,811
2,805	Supervision and Management	3,597
200	Rents, taxes and other charges	216
86	Provision for bad debts	292
5,762	Subsidy Payable	6,027
18,468	Depreciation of fixed assets	13,463
0	Amortisation of deferred payments and intangible assets	7
<u>33,506</u>	<b>Total Expenditure</b>	<u>30,413</u>
<b>14,097</b>	<b>Net Cost of HRA Services – Income and Expenditure Account</b>	<b>9,391</b>
168	HRA Share of Corporate and Democratic Core	98
<b>14,265</b>	<b>Net Cost of HRA Services</b>	<b>9,489</b>
923	Interest payable and similar charges	779
(178)	Premiums and discounts on borrowing	(80)
<u>15,010</u>	<b>Deficit / (Surplus ) for the year</b>	<u>10,188</u>

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

2008/09 £'000		2009/10 £'000
15,010	<b>Deficit for the year on Income and Expenditure</b>	10,188
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the HRA Balance for the Year</b>	
(18,461)	Depreciation and Impairment of Fixed Assets	(13,463)
418	Deferred Government Grants Amortisation	520
(7)	Revenue Expenditure Funded from Capital under Statute	(6)
33	Finance Costs	7
(48)	Transfer from Capital Receipts	(45)
(338)	Net Charges made for Retirement Benefits in Accordance with FRS17	(300)
(18,403)		(13,287)
	<b>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</b>	
313	Minimum Revenue Provision for Capital Financing	290
2,203	Capital Expenditure charged in-year to the HRA	2,183
570	Retirement Benefits Payable Direct to Pensioners	594
3,086		3,067
	<b>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</b>	
20	Net Transfer to/from Earmarked Reserves	(3)
20		(3)
(15,297)	<b>Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be debited/(credited) to the HRA Balance for the Year</b>	(10,223)
(287)	<b>(Increase) / Reduction in HRA Balance for the Year</b>	(35)
(1,645)	HRA Balance Brought Forward	(1,932)
(1,932)	<b>HRA Balance Carried Forward</b>	(1,967)

## **NOTES TO THE HOUSING REVENUE ACCOUNT**

### **NOTE 1 – HOUSING STOCK**

The Council was responsible for managing 6,371 dwellings by the end of 2009/10. The stock was made up as follows: -

<b>COUNCIL HOUSING STOCK</b>		
<b>31 March 2009</b>		<b>31 March 2010</b>
<b>Number</b>		<b>Number</b>
4,158	Houses	4,150
1,248	Flats	1,247
794	Bungalows	794
115	Sheltered Units	115
9	Flats above shops	9
58	Houses leased from private sector	56
<hr/>		<hr/>
6,382	<b>Total</b>	6,371

### **NOTE 2 – DWELLING RENTS**

This is the total rent income due for the year after allowance is made for voids etc. During the year 2.71% of income was lost due to properties being vacant compared with 2.14% in 2008/09. The average weekly rent in 2009/10 was £60.65 compared with £57.61 in 2008/09.

### **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 2009/10, rent arrears, as a proportion of gross rent income, was 4.47%, which amounted to £925,075. This compares with £990,818 (5.06%) at the end of 2008/09. During 2009/10, bad debts amounting to £59,555 were written off and a further provision of £291,707 was made towards bad debts.

### **NOTE 5 – IMPAIRMENT OF INVESTMENT**

A charge was made to the HRA in 2008-09 in respect of the impairment adjustments related to a Heritable Bank investment. This was subsequently reversed in the 2009-10 accounts and therefore the HRA has not been affected by the net impairment adjustments on the investment.

**NOTE 6 - CAPITAL**

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

<b>CAPITAL EXPENDITURE</b>		
<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
6,594	Council Houses	6,806
84	Other Properties	38
226	Plants, Vehicle and Equipment	346
0	Infrastructure	0
7	Revenue Expenditure financed from Capital by Statute	6
<hr/>		<hr/>
6,911	<b>Total</b>	7,196

Financed as follows:

<b>CAPITAL EXPENDITURE – FINANCING</b>		
<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
4,100	Major Repairs Allowance	4,100
582	Capital Receipts	913
2,203	Housing Revenue Account	2,183
26	Other sources	0
<hr/>		<hr/>
6,911	<b>Total</b>	7,196

Capital receipts amounted to £485,087, acquired from the sale of land, houses and other property. This compares to £1,199,007 in 2008/09. 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:-

<b>CAPITAL RECEIPTS</b>		
<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
638	<b>On 1 April</b>	428
	<b>Movement in year</b>	
1,024	Council Houses	347
48	HRA Land	113
175	Other HRA Receipts	70
(48)	Right to Buy Administration Cost	(45)
(826)	Set-aside	0
(583)	Applied	(913)
<hr/>		<hr/>
428	<b>On 31 March</b>	0

## NOTE 7 – DEPRECIATION

A depreciation and impairment of £12.949m shown under the Net Cost of HRA Services, and calculated in accordance with proper practices was observed, as well as amortisation of Deferred Government Grants of 0.52m, as follows:

<b>DEPRECIATION AND IMPAIRMENT</b>	
<b>2008/09</b>	<b>2009/10</b>
<b>£'000</b>	<b>£'000</b>
	<b>DEPRECIATION</b>
	<b>Operational Assets</b>
6,776	Dwellings 6,307
313	Other 350
	<b>IMPAIRMENT</b>
11,372	Housing 6,806
	Other 0
7	<b>Revenue Expenditure Funded from Capital under Statute</b> 6
<b>18,468</b>	<b>13,469</b>
(418)	(520)
<b>18,050</b>	<b>12,949</b>

In accordance with the Council's accounting policy, Council houses are revalued each year. Because of this there is an impairment cost of £6.806m 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.

	<b>31 March</b>	<b>31 March</b>
	<b>2009</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net Expenditure on Services</b>		
Current Service Cost	(338)	(303)
Past Service Cost	10	10
<b>Total charged to the Account</b>		
Movement in the Pension Reserve	(232)	(301)
<b>Actual amount charged against the Account for pensions in the year</b>		
Employer Contributions to the Scheme	(570)	(594)

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. The housing stock transferred to Cartrefi Cymunedol Gwynedd on 12 April 2010.

## THE WELSH CHURCH FUND

2008/09 £'000		2009/10 £'000	£'000
530.2	<b>Amount of Fund at 1st April</b>		521.0
0.4	Change in market value of investments on the Market		(2.7)
	<b>Add</b> Income during the year		
28.0	Interest on Investments	15.7	
1.3	Profit on Sale of Investments	0	
0.6	Rents and Annuities	0.6	
29.9			16.3
	<b>Less</b> - Expenditure during the year		
(8.5)	Loss on sale of investments	(5.3)	
(31.0)	Grants and expenses	(13.9)	
			(19.2)
521.0	<b>Amount of Fund at 31st March</b>		515.4
	<b>Represented by the Following Assets:-</b>		
26.1	Land and Buildings		26.1
443.0	Investments at Market Value		434.7
226.9	Debtors		23.5
501.8	Cash in Hand		687.0
1,197.8			1,171.3
	<b>Less</b> - Proportion owing to Anglesey and Conwy Councils		(627.6)
(648.0)			
549.8			543.7
(63.3)	<b>Less</b> - Creditors		(48.9)
	<b>Add</b> - Proportion owing from Anglesey and Conwy Councils		20.6
34.5			
521.0	<b>Total</b>		515.4

### 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.



## FMG MORGAN TRUST FUND

2008/09		2009/10
£'000		£'000
129.2	<b>Amount of Fund at 1st April</b>	128.4
7.6	<b>Add</b> – Income during the year Interest on Assets	6.6
(8.4)	<b>Less</b> – Expenditure during the year Grants	(3.8)
128.4	<b>Amount of Fund at 31st March</b>	131.2
	<b>Assets</b>	
24.5	Investments	24.5
103.9	Cash in Hand	106.7
128.4		131.2

### 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 2010 was £150,982 (£132,510 at 31 March 2009).
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 2009/10**

<b>2009 £'000</b>	<b>Pension Fund Accounts for the Year Ended 31 March</b>	<b>2010 £'000</b>
	<b>Contributions -</b>	
13,223	Employees - Staff	13,813
31	- Members	35
44,154	Employers - Staff	45,388
106	- Members	121
1,871	- Deficit Funding	0
57	- Augmentation	0
70	Interest on Deferred Contributions	60
0	Income from Divorce Calculations	2
1	Interest on Late Payments of Contributions	0
2,559	Transfers from Other Schemes	5,447
258	Purchase of Additional Service, etc.	279
<b>62,330</b>	<b>Total Contributions Received</b>	<b>65,145</b>
	<b>Benefits Payable -</b>	
(24,149)	Pensions	(26,029)
(6,572)	Lump Sums	(6,658)
(0)	Sickness Grants	(0)
(1,051)	Death Benefits	(437)
(19)	Withdrawals	(14)
(1,509)	Transfers to Other Schemes	(4,645)
(1,075)	Administrative Expenses (Note 9)	(907)
<b>(34,375)</b>	<b>Total Benefits Paid</b>	<b>(38,690)</b>
<b>27,955</b>	<b>Net Additions from Dealings with Members of the Fund</b>	<b>26,455</b>
<b>2009 £'000</b>	<b>Return on Investments as at 31 March</b>	<b>2010 £'000</b>
6,841	Investment Income (Note 5)	5,105
(167,317)	Change in the Market Value of Investments	242,615
(2,232)	Investment Management Expenses (Note 10)	(2,777)
<b>(162,708)</b>	<b>Net Returns on Investments</b>	<b>244,943</b>
<b>2009 £'000</b>	<b>Net Increase/(Decrease) in the Fund During the Year</b>	<b>2010 £'000</b>
27,955	Net Additions from Dealings with Members	26,455
(162,708)	Net Returns on Investment	244,943
<b>(134,753)</b>	<b>Net Increase/(Decrease) in the Fund During the Year</b>	<b>271,398</b>
<b>2009 £'000</b>	<b>Net Assets of the Fund</b>	<b>2010 £'000</b>
792,745	At 1 <sup>st</sup> April	657,992
(134,753)	Net (Decrease)/Increase in the Fund During the Year	271,398
<b>657,992</b>	<b>At 31 March</b>	<b>929,390</b>

<b>2009 £'000</b>	<b>Net Assets Statement as at 31 March</b>	<b>2010 £'000</b>
	<b>Investments at Market Value (Note 4)</b>	
	<b>Fixed Interest:</b>	
10,677	UK Public Sector Quoted	0
50,375	UK Other Quoted	0
0	Absolute Return	129,351
	<b>Index Linked:</b>	
32,439	UK Index Linked	0
	<b>Equities:</b>	
8,967	UK Quoted	18,069
0	UK Unquoted	0
84,211	Overseas Quoted	125,891
1,088	Overseas Unquoted	311
32,102	Private Equity	35,026
	<b>Pooled Investment Vehicles:</b>	
170,505	UK Unit Trusts - Quoted	234,198
2	UK Ventures	1
169,545	Overseas Unit Trusts	135,913
6,953	Overseas Managed Funds	0
0	Global Unit Trusts (including the UK)	154,130
52,771	Property Unit Trusts	71,089
	<b>Derivative Contracts:</b>	
4,015	Derivative Asset	3,508
(4,168)	Derivative Liability	(3,506)
	<b>Other:</b>	
33,517	Cash and Temporary Investments	13,439
519	Debtors - Sales of Investments Awaiting	136,167
6,182	Settlement	7,471
(869)	Sundry Debtors (Note 11)	(130,769)
(839)	Creditors - Purchases of Investments Awaiting	(899)
	Settlement	
	Sundry Creditors (Note 12)	
<b>657,992</b>	<b>Net Assets at 31 March</b>	<b>929,390</b>

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).

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 2010. Foreign investments and foreign currency held at 31 March 2010 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 2010. Derivatives have been valued at their fair value on 31 March 2010. 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:-

	<b>% per annum</b>
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%.

### Post Balance Sheet Events

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Gwynedd Pension Fund by around 6-8%. This estimate is based on an employer with a "typical" membership profile. This change will be reflected in the actuary's assumptions when the next actuarial valuation is held on the 31st March 2010, the findings of which will become effective on 1st April 2011.

#### NOTE 4 - MARKET VALUE OF THE ASSETS

The market value of the assets at 31 March 2010 are given below:-

	Total £'000	Black Rock %	Capital %	Fidelity %	KBC %	L&G %	Partners %	UBS %	Insight %	*Gwy %	Total %
<b>Fixed Interest</b>											
Absolute Return	129,351	-	-	-	-	-	-	-	100.00	-	100.00
<b>Equities:</b>											
UK Quoted	18,069	-	100.00	-	-	-	-	-	-	-	100.00
Overseas Quoted	125,891	-	100.00	-	-	-	-	-	-	-	100.00
Overseas Unquoted	311	-	100.00	-	-	-	-	-	-	-	100.00
Private Equity	35,026	-	-	-	-	-	100.00	-	-	-	100.00
<b>Pooled Investment Vehicles:</b>											
UK Unit Trusts Quoted	234,198	51.05	-	-	-	48.95	-	-	-	-	100.00
UK Ventures Unquoted	1	-	-	-	-	-	-	100.00	-	-	100.00
Overseas Unit Trusts	135,913	35.51	26.28	16.84	-	21.37	-	-	-	-	100.00
Global Unit Trusts (including the UK)	154,130	-	-	100.00	-	-	-	-	-	-	100.00
<b>Property Unit Trusts</b>	71,089	-	-	-	16.36	-	-	83.64	-	-	100.00
<b>Derivative Contracts</b>	-	-	-	-	-	-	-	-	-	-	-
Derivative Asset	3,508	-	-	-	-	-	-	100.00	-	-	100.00
Derivative Liability	(3,506)	-	-	-	-	-	-	(100.00)	-	-	100.00
<b>Cash &amp; Net Working Capital</b>	25,409	534.97	11.60	-	-	-	-	11.86	(511.63)	53.20	100.00
<b>Total</b>	<b>929,390</b>	<b>32.69</b>	<b>19.68</b>	<b>19.05</b>	<b>1.25</b>	<b>15.4</b>	<b>3.77</b>	<b>6.72</b>	<b>-0.07</b>	<b>1.45</b>	<b>100.00</b>

\* Gwy - Gwynedd

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#### NOTE 5 - INVESTMENT INCOME

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

2008/09 £'000		2009/10 £'000
629	UK Equities	432
3,085	Overseas Equities	2,55
185	Private Equity	15
27	British Government Securities	0
1,997	Property Unit Trusts	2,03
1,032	Interest on Cash Deposits	369
(114)	Less Tax on Income	(301)
<b>6,841</b>	<b>Total</b>	<b>5,105</b>

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.

The Council has a deposit of £4m with Heritable Bank but the bank went into administration in October 2008. The impairment on this investment to the Pension Fund was £178,094 in 2008/09 and in 2009/10 there was a reduction in this impairment of £54,814. This impairment has been included in the interest on cash deposits shown above. Further information is included in Note 19 of the Notes to the Core Financial Statements.

#### **NOTE 6 - CONTRIBUTIONS RECEIVABLE**

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

<b>2008/09</b>		<b>2009/10</b>	
<b>£'000</b>		<b>£'000</b>	
21,09	Gwynedd Council	22,361	
34,00	Scheduled Bodies	34,164	
4,351	Admitted Bodies	3,023	
0	Employers with no Contributors	88	
248	Closed Fund*	0	
<b>59,700</b>	<b>Total</b>	<b>59,636</b>	

\*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:-

<b>2008/09</b>		<b>2009/10</b>	
<b>£'000</b>		<b>£'000</b>	
6,211	Gwynedd Council	8,491	
12,764	Scheduled Bodies	11,976	
762	Admitted Bodies	847	
514	Employers with no Contributors	514	
11,522	Closed Fund	11,296	
<b>31,773</b>	<b>Total</b>	<b>33,124</b>	

#### **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:-

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
1,011	Administration & Processing*	820
44	Actuarial Fees	61
20	Audit Fees	25
0	Professional Fees	1
<b>1,075</b>	<b>Total</b>	<b>907</b>

\*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 2009/10 was £783,870 (2008/09: £951,737).

## NOTE 10 - INVESTMENT MANAGEMENT EXPENSES

The investment management expenses are as follows:-

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
88	BlackRock	225
483	Capital International	581
-	Fidelity*	300
238	Legal & General	140
881	Partners Group	806
412	UBS Global Asset Management	549
2	JPMorgan	1
51	The Northern Trust Company	40
64	Hymans Robertson	122
13	The WM Company	13
<b>2,232</b>	<b>Total</b>	<b>2,777</b>

\* Fidelity commenced their brief in June 2009.



#### NOTE 11 - SUNDRY DEBTORS

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

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
4,396	Contributions Receivable	5,464
542	Internal Debtors	695
270	Debtor Invoices	288
535	Net Dividend Income	551
437	UK Tax	470
2	VAT	3
<b>6,182</b>	<b>Total</b>	<b>7,471</b>

#### NOTE 12 - SUNDRY CREDITORS

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

<b>2008/09</b>		<b>2009/10</b>
<b>£'000</b>		<b>£'000</b>
276	Internal Creditors	107
214	Investment Fees	297
20	Audit Fees	15
97	UK Tax	0
3	Contributions Payable	3
229	Benefits Due	477
<b>839</b>	<b>Total</b>	<b>899</b>

## NOTE 13 - PURCHASES AND SALES OF INVESTMENTS

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

	<b>Book Value of Purchases 2009/10 £'000</b>	<b>Market Value of Sales 2009/10 £'000</b>
UK Equities	26,266	43,653
Overseas Equities	186,966	281,667
Global Equities (including UK)	121,674	3,700
Private Equity	5,040	1,123
British Government Securities	22,433	33,105
Fixed Interest Absolute Return Securities	130,000	-
Other UK Fixed Interest Securities	21,976	85,218
Index Linked Securities	8,969	44,724
Property Unit Trusts	16,422	2,900
Derivatives	31,877	31,853
Cash and Short Term Investments	10,727	10,727
<b>Total</b>	<b>582,350</b>	<b>538,670</b>

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 £330,676 (2008/09: £616,276). 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 2010 is stated below:

	<b>Clerical Medical £'000</b>	<b>Equitable Life £'000</b>	<b>Standard Life £'000</b>	<b>AVC Total £'000</b>
Value of Fund 31 March 2009	1,778	588	212	2,578
Contributions Received	287	0	18	305
Interest/change in market value of asset.	460	40	21	521
Transfer Values	-	-	-	-
Life Assurance Premiums	0	(1)	-	(1)
Retirement Benefits	(260)	(49)	-	(309)
Leavers (transfers and withdrawals)	(104)	-	-	(104)
Refunds	(1)	-	-	(1)
Contributions Received, but not yet used to purchase benefits	(0)	-	-	(0)
<b>Value of Fund at 31 March 2010</b>	<b>2,160</b>	<b>578</b>	<b>251</b>	<b>2,989</b>

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 £783,870 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 2009/10, the Fund received interest of £392,410 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 July 2010, 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 2010, 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 2010 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 the *Statement of Responsibilities* 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 2009 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009:

- 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 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of Gwynedd Council as at 31 March 2010 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 give a true and fair view, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of Gwynedd Pension Fund during the year ended 31 March 2010 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.

### **Emphasis of Matter**

In forming my opinion on the financial statements, which is not qualified, I have considered the adequacy of the disclosures made in the net asset statement and note 13 concerning private equity investments carried at their fair value of £35 million. Because of the inherent uncertainty associated with the valuation of such investments, arising from the absence of a liquid market, the fair value of these investments may differ from their realisable values. The difference could be material.

### **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 2010 will be reported separately in the published Annual Audit 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 Practice issued by the Auditor General for Wales.

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

**Signature:**

**Date:** September 2010

**INCOME & EXPENDITURE ACCOUNT 2009/10  
ANALYSIS OF SERVICE EXPENDITURE**

**APPENDIX A**

	Total Expenditure £'000	Total Income £'000	Net Expenditure £'000
<b>Cultural and Related Services</b>			
<i>Division of Service</i>			
Culture and Heritage	2,167	(849)	1,318
Recreation and Sport	10,628	(5,573)	5,055
Open Spaces	1,491	(291)	1,200
Tourism	904	(256)	648
Library Service	2,739	(193)	2,546
	<u>17,929</u>	<u>(7,162)</u>	<u>10,767</u>
<b>Environmental and Regulatory Services</b>			
<i>Division of Service</i>			
Cemetery, Cremation and Mortuary Services	1,027	(669)	358
Coast Protection	443	(66)	377
Community Safety (Crime Reduction)	1,038	(804)	234
Community Safety (CCTV)	338	(107)	231
Community Safety (Safety Services)	37	(37)	0
Flood Defence and Land Drainage	188	(36)	152
Agricultural and Fisheries Services	143	(203)	(60)
Regulatory Service	4,039	(711)	3,328
Street Cleansing (not chargeable to Highways)	3,244	(332)	2,912
Waste Collection	3,052	(38)	3,014
Waste Disposal	3,900	(764)	3,136
Trade Waste	1,847	(1,648)	199
Recycling	5,592	(3,640)	1,952
Waste Minimisation	52	(52)	0
	<u>24,940</u>	<u>(9,107)</u>	<u>15,833</u>
<b>Planning and Development Services</b>			
<i>Division of Service</i>			
Building Control	914	(506)	408
Development Control	1,459	(561)	898
Planning Policy	358	(21)	337
Environmental Initiatives	1,113	(508)	605
Economic Development	3,552	(1,760)	1,792
Community Development	1,305	(843)	462
	<u>8,701</u>	<u>(4,199)</u>	<u>4,502</u>
<b>Children's and Education Services - Education</b>			
<i>Division of Service</i>			
Nursery Schools	0	0	0
Primary Schools	49,917	(8,130)	41,787
Secondary Schools	49,429	(8,520)	40,909
Special Schools	4,242	(1,214)	3,028
Non-Schools Funding	4,663	(1,213)	3,450
	<u>108,251</u>	<u>(19,077)</u>	<u>89,174</u>

	Total Expenditure £'000	Total Income £'000	Net Expenditure £'000
<b>Children's and Education Services - Children's Social Care</b>			
<i>Division of Service</i>			
Service Strategy - Children	66	0	66
Children's Services - Commissioning and Social Work	3,944	(471)	3,473
Children Looked After	7,041	(25)	7,016
Family Support Services	1,723	(269)	1,454
Youth Justice	1,013	(782)	231
Asylum Seekers	0	0	0
Other Children's and Families' Services	2,532	(1,304)	1,228
	<u>16,319</u>	<u>(2,851)</u>	<u>13,468</u>

## Highways, Roads and Transport Services

<i>Division of Service</i>			
Transport Planning, Policy and Strategy	1,342	(431)	911
Structural Maintenance	5,721	(317)	5,404
Capital Costs relating to Construction Projects	3,155	(2,013)	1,142
Environment, Safety and Routine Maintenance	2,796	(296)	2,500
Street Lighting (including energy costs)	1,662	(5)	1,657
Winter Maintenance	2,218	(6)	2,212
Traffic Management and Road Safety	1,109	(333)	776
Parking Services	1,264	(2,200)	(936)
Public Transport	5,113	(3,608)	1,505
Airports, Harbours and Toll Facilities	0	0	0
Management and Support Services	0	0	0
	<u>24,380</u>	<u>(9,209)</u>	<u>15,171</u>

## Housing Services (Council Fund)

<i>Division of Service</i>			
Housing Strategy	3,156	(2,914)	242
Enabling	0	0	0
Housing Advice	0	0	0
Housing Advances	0	0	0
Private Sector Housing Renewal	5,157	(4,061)	1,096
Licensing of Private Sector Landlords	396	(29)	367
Homelessness	1,155	(543)	612
Housing Benefits Payments	25,422	(25,855)	(433)
Housing Benefits Administration	1,635	(867)	768
Contribution to the HRA re items shared by the whole community	0	0	0
Other Council Property	89	(28)	61
Supporting People	4,063	(3,815)	248
Other Welfare Services	0	0	0
	<u>41,073</u>	<u>(38,112)</u>	<u>2,961</u>

## Adult Social Care

<i>Division of Service</i>			
Service Strategy - Older People	259	(12)	247
Older People (aged 65 or over) including Older Mentally II	33,361	(11,182)	22,179
Adults aged under 65 with a Physical Disability or Sensory Impairment	4,432	(1,008)	3,424
Adults aged under 65 with Learning Disabilities	13,709	(2,906)	10,803
Adults aged under 65 with Mental Health Needs	3,992	(754)	3,238
Other Adult Services	1,148	(726)	422
	<u>56,901</u>	<u>(16,588)</u>	<u>40,313</u>



	<b>Total Expenditure £'000</b>	<b>Total Income £'000</b>	<b>Net Expenditure £'000</b>
<b>Central Services to the Public</b>			
<i>Division of Service</i>			
Local Tax Collection	9,325	(8,746)	579
Registration of Births, Deaths and Marriages	387	(151)	236
Elections	344	(163)	181
Emergency Planning	147	0	147
Local Land Charges	173	(182)	(9)
General Grants, Bequests and Donations	0	0	0
Coroners' Court Services	405	(151)	254
Other Court Services	0	0	0
	<u>10,781</u>	<u>(9,393)</u>	<u>1,388</u>
<b>Corporate and Democratic Core</b>			
<i>Division of Service</i>			
Democratic Representation and Management	2,643	(48)	2,595
Corporate Management	7,071	(5,047)	2,024
	<u>9,714</u>	<u>(5,095)</u>	<u>4,619</u>
<b>Non Distributed Costs</b>			
<i>Division of Service</i>			
Non Distributed Costs	161	0	161
	<u>161</u>	<u>0</u>	<u>161</u>
<b>Exceptional Items</b>			
<i>Division of Service</i>			
Provision	0	0	0
<b>NET COST OF COUNCIL FUND SERVICES</b>	<u>319,150</u>	<u>(120,793)</u>	<u>198,357</u>
<b>Housing Revenue Account</b>	30,511	(21,022)	9,489
<b>NET COST OF SERVICES</b>	<u>349,661</u>	<u>(141,815)</u>	<u>207,846</u>