

**STATEMENT OF  
ACCOUNTS  
2010/11**

**SUBJECT TO AUDIT**

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# **EXPLANATORY FOREWORD**

## **Introduction**

Gwynedd Council's accounts for the year 2010/11 are set out on pages 7 to 83. The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS (International Financial Reporting Standards) basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

They consist of:-

- **Movement in Reserves Statement** – This statement shows the movement in year on the different reserves held by the Authority, analysed into ‘usable reserves’ and ‘unusable reserves’. The taxation position is reflected in the Movement in Reserves Statement.
- **Comprehensive Income and Expenditure Statement** - This is the Council’s main revenue account. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** - This sets out the financial position of the Council on 31 March 2011.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2010/11 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 this Foreword, the Accounting Policies and various notes to the accounts.

## REVENUE EXPENDITURE IN 2010/11

- The Comprehensive Income and Expenditure Statement on page 8 shows that the Council's gross revenue expenditure on 'Cost of Services' level is £813m during 2010/11, with the net position as £638m. If the Housing Revenue Account's exceptional cost for 2010/11 is disregarded, it leaves a gross expenditure of £339m and net expenditure of £164m.
- In the Comprehensive Income and Expenditure Statement, the expenditure and income is analysed per individual service based on the Best Value Accounting Code of Practice (BVACOP).
- Refer to Appendix A for a further detailed analysis of these Services.

	2010-11		
	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
<b>Cost of Services</b>	<b>813,334</b>	<b>(175,304)</b>	<b>638,030</b>
<b>Less Housing Revenue Account – Exceptional Costs*</b>	474,180	0	474,180
<b>Cost of Services less Housing Revenue Account Exceptional Costs</b>	<b>339,154</b>	<b>(175,304)</b>	<b>163,850</b>

## CAPITAL EXPENDITURE IN 2010/11

Capital expenditure for 2010/11 amounted to £40.1m. The following table gives an analysis of this expenditure and the way it was financed.

<b>SUMMARY OF CAPITAL EXPENDITURE AND FINANCING</b>		
<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
216	Human Resources	95
6,443	Education	7,993
0	Trunk Road Agency	74
74	Finance	47
2,761	Provider and Leisure	1,507
1,445	Economy and Community	2,232
35	Democracy and Legal	30
3,460	Customer Care	5,974
4,963	Housing and Social Services	2,912
5,673	Highways and Municipal	3,806
6,830	Regulatory	9,024
464	Strategic and Improvement	673
7,196	Housing Revenue Account	320
2,264	Gwynedd Consultancy	5,401
17	Corporate	1
<b>41,841</b>		<b>40,089</b>
	<b>FINANCED BY -</b>	
9,066	Borrowing	8,625
24,483	Grants and Contributions	28,963
1,189	Capital Receipts	2,723
7,103	Revenue and Other Funds	(222)
<b>41,841</b>		<b>40,089</b>

Revenue Expenditure Funded from Capital Under Statute of £5,076,216 is included in the above table. This has been charged to the Income and Expenditure Account in the year. Total expenditure on Non-current Assets was £35,029,632 as shown in Note 14 on pages 35 to 37.

The Council's Loan Debt on 31 March 2011 was £113.9m – a reduction of £18.2m (from £132.1m) during the year.

## PROVISIONS AND RESERVES

In addition to General Balances of £8.2m, the Council had other provisions (as defined) of £3.4m, specific reserves of £50.7m and school balances of £4.5m, totalling £66.8m. These are detailed in the Balance Sheet, Movement in Reserves Statement and in Note 9, 22, 23 and 24.

## GWYNEDD PENSION FUND

The Gwynedd Pension Fund Accounts (pages 74 to 83) show an increase during the year of £95.2m in the market value of the net assets of the Fund, to £1,024.5m. The book value of the net assets at 31 March 2011 was £828.2m (2010: £785.4m).

## **ACCOUNTING POLICIES**

The accounting policies adopted by the Council comply with all relevant recommended accounting practices and are fully explained in the Accounting Policies set out in Note 1 of the Accounts on page 11.

## **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.

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#### **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").

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 March 2011 and its income and expenditure for the year then ended.

**30 June 2011**

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

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Note	General Fund Balance	Earmarked General Fund Reserves	Total Reserves held by Schools	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance 31 March 2009</b>	<b>(9,234)</b>	<b>(38,277)</b>	<b>(3,710)</b>	<b>(1,932)</b>	<b>(6,288)</b>	<b>(490)</b>	<b>(59,931)</b>	<b>(244,615)</b>	<b>(304,546)</b>
<u>Movement in reserves during 2009/10</u>									
(Surplus)/Deficit on provision of services	(8,630)	0	0	10,719	0	0	2,089	0	2,089
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	138,988	138,988
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,630)</b>	<b>0</b>	<b>0</b>	<b>10,719</b>	<b>0</b>	<b>0</b>	<b>2,089</b>	<b>138,988</b>	<b>141,077</b>
Adjustments between accounting basis and funding basis under regulations	8 7,181	0	0	(10,751)	(322)	293	(3,599)	3,599	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,449)</b>	<b>0</b>	<b>0</b>	<b>(32)</b>	<b>(322)</b>	<b>293</b>	<b>(1,510)</b>	<b>142,587</b>	<b>141,077</b>
Transfers to/from Earmarked Reserves	9 2,426	(2,326)	(97)	(3)			0		0
<b>Increase/Decrease in 2009/10</b>	<b>977</b>	<b>(2,326)</b>	<b>(97)</b>	<b>(35)</b>	<b>(322)</b>	<b>293</b>	<b>(1,510)</b>	<b>142,587</b>	<b>141,077</b>
<b>Balance 31 March 2010 carried forward</b>	<b>(8,257)</b>	<b>(40,603)</b>	<b>(3,807)</b>	<b>(1,967)</b>	<b>(6,610)</b>	<b>(197)</b>	<b>(61,441)</b>	<b>(102,028)</b>	<b>(163,469)</b>
<u>Movement in reserves during 2010/11</u>									
(Surplus)/Deficit on provision of services	(61,426)	0	0	460,279	0	0	398,853	0	398,853
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(418,453)	(418,453)
<b>Total Comprehensive Income and Expenditure</b>	<b>(61,426)</b>	<b>0</b>	<b>0</b>	<b>460,279</b>	<b>0</b>	<b>0</b>	<b>398,853</b>	<b>(418,453)</b>	<b>(19,600)</b>
Adjustments between accounting basis and funding basis under regulations	8 50,725	0	0	(460,029)	1,412	(1,020)	(408,912)	408,912	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(10,701)</b>	<b>0</b>	<b>0</b>	<b>250</b>	<b>1,412</b>	<b>(1,020)</b>	<b>(10,059)</b>	<b>(9,541)</b>	<b>(19,600)</b>
Transfers to/from Earmarked Reserves	9 10,764	(10,075)	(679)	(10)			0	0	0
<b>Increase/Decrease in 2010/11</b>	<b>63</b>	<b>(10,075)</b>	<b>(679)</b>	<b>240</b>	<b>1,412</b>	<b>(1,020)</b>	<b>(10,059)</b>	<b>(9,541)</b>	<b>(19,600)</b>
<b>Balance 31 March 2011 carried forward</b>	<b>(8,194)</b>	<b>(50,678)</b>	<b>(4,486)</b>	<b>(1,727)</b>	<b>(5,198)</b>	<b>(1,217)</b>	<b>(71,500)</b>	<b>(111,569)</b>	<b>(183,069)</b>



# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – 2010-11

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009-10			Note	2010-11			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
17,928	(6,880)	11,048	Culture and Related Services	20,290	(7,190)	13,100	
24,950	(8,109)	16,841	Environmental Services	29,844	(12,088)	17,756	
8,701	(3,933)	4,768	Planning and Development Services	10,855	(5,154)	5,701	
109,419	(19,077)	90,342	Education and Children's Services - Education	111,350	(18,254)	93,096	
16,318	(2,837)	13,481	Education and Children's Services - Children's Social Care	18,041	(3,386)	14,655	
24,378	(7,662)	16,716	Highways and Transport	31,951	(13,223)	18,728	
41,072	(34,261)	6,811	Housing Services (Council Fund)	38,607	(34,348)	4,259	
56,896	(16,224)	40,672	Adult Social Care	57,170	(15,393)	41,777	
10,780	(9,392)	1,388	Central Services to the Public	11,745	(10,234)	1,511	
9,713	(5,078)	4,635	Corporate and Democratic Core	8,402	(2,826)	5,576	
168	0	168	Non Distributed Costs	9	(52,660)	(52,651)	
30,522	(20,502)	10,020	Housing Revenue Account	890	(548)	342	
0	0	0	Housing Revenue Account - Exceptional Costs*	474,180	0	474,180	
350,845	(133,955)	216,890	Cost of Services	813,334	(175,304)	638,030	
17,640	(287)	17,353	Other Operating Expenditure	10	17,844	(21)	17,823
30,306	(12,915)	17,391	Financing and Investment Income and Expenditure	11	27,538	(28,090)	(552)
	(249,545)	(249,545)	Taxation and non-specific grant income	12		(256,448)	(256,448)
398,791	(396,702)	2,089	(Surplus) / Deficit on Provision of Services	858,716	(459,863)	398,853	
		(10,369)	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets			(275,356)	
		(2)	(Surplus) / Deficit on revaluation of available for sale financial assets			0	
		149,359	Actuarial (Gains) / Losses on pension assets / liabilities			(143,097)	
		138,988	Other Comprehensive Income and Expenditure			(418,453)	
		141,077	Total Comprehensive Income and Expenditure			(19,600)	

\* Gwynedd Council's Housing Stock was transferred to Cartrefi Cymunedol Gwynedd on 12 April 2010.

## BALANCE SHEET – 31 MARCH 2011

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

<b>1 April 2009 £'000</b>	<b>31 March 2010 £'000</b>		<i>Note</i>	<b>31 March 2011 £'000</b>
538,175	548,020	Property, Plant and Equipment	14	353,391
1,031	1,031	Investment Property	15	298
120	109	Surplus Assets	14	107
3,089	1,156	Long Term Investments	16	585
2,063	2,567	Long Term Debtors	16	2,667
<b>544,478</b>	<b>552,883</b>	<b>Long Term Assets</b>		<b>357,048</b>
71,647	54,024	Short Term Investments	16	50,116
589	810	Assets Held for Sale	14, 20	2,052
1,163	1,175	Stock	17	1,251
32,595	36,863	Short Term Debtors	18	29,864
1,771	6,583	Cash and Cash Equivalents	19	19,172
<b>107,765</b>	<b>99,455</b>	<b>Current Assets</b>		<b>102,455</b>
(25,428)	(15,452)	Bank Overdraft	19	(15,554)
(1,468)	(6,444)	Short Term Borrowing	16	(5,608)
(40,149)	(44,064)	Short Term Creditors	21	(45,717)
(591)	(57)	Short Term Provisions	22	0
(7,228)	(6,062)	Capital and Revenue Grants Receipts in Advance	34	(1,829)
<b>(74,864)</b>	<b>(72,079)</b>	<b>Current Liabilities</b>		<b>(68,708)</b>
(3,166)	(3,273)	Long Term Provisions	22	(3,390)
(137,533)	(132,143)	Long Term Borrowing	16	(113,866)
(131,886)	(281,237)	Pension Liability	41	(90,421)
(248)	(137)	Finance Leases Liability	37	(49)
<b>(272,833)</b>	<b>(416,790)</b>	<b>Long Term Liabilities</b>		<b>(207,726)</b>
<b>304,546</b>	<b>163,469</b>	<b>Net Assets</b>		<b>183,069</b>
(59,931)	(61,441)	Usable Reserves	23	(71,500)
(244,615)	(102,028)	Unusable Reserves	24	(111,569)
<b>(304,546)</b>	<b>(163,469)</b>	<b>Total Reserves</b>		<b>(183,069)</b>

## CASH FLOW STATEMENT – 2010/11

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

<b>2009-10</b>	<i>Note</i>	<b>2010-11</b>
<b>£'000</b>		<b>£'000</b>
2,090 Net (Surplus) or Deficit on the Provision of Services		398,853
(42,493) Adjustments to net surplus or deficit on the provision of services for non-cash movements		(451,339)
(4,344) Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(4,595)
(44,747) Net cash flows from Operating Activities	25	(57,081)
21,551 Investing Activities	26	18,690
8,408 Financing Activities	27	25,904
(14,788) Net increase in cash and cash equivalents		(12,487)
(23,657) Cash and cash equivalents at the beginning of the reporting period		(8,869)
<b>(8,869) Cash and cash equivalents at the end of the reporting period</b>		<b>3,618</b>

# **NOTES TO THE ACCOUNTS**

## **NOTE 1 – ACCOUNTING POLICIES**

### **1.1 General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the *Best Value Accounting Code of Practice 2010/11*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

### **1.2 Accruals of Expenditure and Income**

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

### **1.3 Cash and Cash Equivalents**

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

### **1.4 Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **1.5 Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **1.6 Employee Benefits**

Where employees have accrued leave entitlement which has not been used by the end of the financial year, the Council makes an accrual for the estimated value of the leave which will be taken in the new financial year.

### **1.7 Events after the Balance Sheet date**

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material

effect, disclosure is made in the notes of the nature of the events and their estimated financial effect (where it is possible to estimate the cost).

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

### **1.8 Exceptional Items and Prior Period Adjustments**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **1.9 Financial Instruments**

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 Comprehensive Income and Expenditure Statement 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.

Where the Authority has short-term investments readily convertible into known amounts of cash and subject to insignificant risk of changes in value, these are classified as cash equivalents and included in

Cash and Cash Equivalents on the Balance Sheet. The investments included in this definition are short-term deposits with financial institutions which are immediately available at the Balance Sheet date.

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

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

Before these new requirements, where the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, the Council's policy was to recognise gains or losses over the lesser of the life of the replacement borrowing or a period of 10 years. The adjustment allowed by statute means that the net effect on the Council's balances is equivalent to the transfer under this policy.

#### **1.10 Foreign Currency Translation**

Cash transactions are translated to sterling on the existing rate on that particular day. Any differences in the exchange rate are taken into account in the Comprehensive Income and Expenditure Statement. Any foreign currency balance held is translated as per the rate on 31 March.

#### **1.11 Government Grants and Other Contributions**

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

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

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

#### **1.12 Inventories and Long Term Contracts**

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.

#### **1.13 Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

#### **1.14 Leases**

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

**The Authority as Lessee:**

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

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

**The Authority as Lessor:**

The Authority currently has no Finance Leases where the Authority is the lessor.

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

**1.15 Surplus Assets**

The Authority classifies Surplus Assets separately on the Balance Sheet. These assets are shown at their fair value based on existing use value.

**1.16 Overheads and 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.

The only unallocated residual costs 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.

**1.17 Long Term 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 Code 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 2010.

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

Investment Properties are shown at fair value.

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

Infrastructure and community assets are shown at historical cost.

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

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

Expenditure in year on new and existing assets is added annually, and then consideration is given as to whether this expenditure has increased the value of the asset. If there has been an increase, this is reflected through the Revaluation Reserve, if there is no increase it follows that there has been an impairment to the value of the asset (see below for the method for accounting for impairment). Specifically for assets categorised as Property (Land and Buildings) 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.

## Depreciation and Impairment

International Accounting Standard 36 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. In addition, the residual values and useful lives of assets are reviewed annually and adjusted where appropriate.

Any expenditure incurred on long term assets which does not generate an increase in the value of the asset, is charged to the Comprehensive Income and Expenditure Statement in the year as an impairment. The Code allows for the effect of the impairment to be adjusted through the Movement in Reserves Statement and the resulting adjustment is reflected in the Capital Adjustment Account.

The main element of IAS 16 is that buildings must be depreciated if they are not valued each year. In addition, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. A de-minimis threshold, below which assets are disregarded for componentisation purposes needs to be established, which is based on potential material impacts on the financial statements. (For the 2010/11 financial year this has been set at £1.28m which is 1% of the total value of the buildings). The level of apportionment to be considered for the non-land element of assets above the de-minimis threshold is

- a) plant and equipment and engineering services, and
- b) structure

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

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

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

- (i) Vehicles, Plant Furniture and Equipment are depreciated over their estimated useful life (3–10 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)
- (vi) Investment Properties, Assets under Construction and Assets Held for Sale are not depreciated

Depreciation is not charged in the year of acquisition.

With effect from 31<sup>st</sup> March 2008, the Welsh 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 2010/11 is shown below.

For capital expenditure incurred before 1st April 2008 or which in the future will be supported capital expenditure, the MRP policy will be based on the Capital Financing Requirement (CFR) at 4% of the opening balance less an adjustment ('A') (Option 1). "Adjustment A" was intended to achieve neutrality



between the CFR and the former Credit Ceiling which was used to calculate MRP prior to the introduction of the Prudential System on 1<sup>st</sup> April 2004.

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

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

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

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

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

#### **1.18 Provisions**

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

#### **1.19 Reserves**

Under the provisions of the Local Government Act 1988 the Council has one Council Fund which represents the general reserves of the Authority. There are also a number of revenue and capital reserves earmarked for specific purposes.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and employee benefits and do not represent usable resources for the Authority.

#### **1.20 Revenue Expenditure Funded from Capital Under Statute**

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

#### **1.21 Value Added Tax**

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

#### **1.22 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.

### **1.23 Pensions**

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

### **1.24 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.

### **1.25 Borrowing Costs**

The Authority does not capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset as permitted by the Code.

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

### **1.26 Interest in Companies and Other Entities**

In the Authority's accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **1.27 Current Assets Held for Sale**

In order for an asset to be recognised as Held for Sale, the asset must be available for immediate sale in its present condition, the sale must be highly probable and the asset must be actively marketed and the sale completed within one year from the date of classification. The asset is recognised at the lower of its carrying value (market value) less costs to sell on reclassification.

### **1.28 Capital Receipts**

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

All capital receipts 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.

## **NOTE 2 – TRANSITION TO IFRS (International Financial Reporting Standards)**

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS (International Financial Reporting Standards) basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements. There are notes following the tables explaining the main alterations to the Accounts.

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

	STATEMENT OF ACCOUNTS 2009-10			Restatement Adjustments in preparation for IFRS						RESTATEMENT 2009-10		
	Expenditure	Income	Net	Finance Leases	Operating Leases	Re-classification of Non-current Assets	Employee Benefits	Deferred Grants	Capital Grants	Expenditure	Income	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Culture and Related Services	17,929	(7,162)	10,767	(1)		2,310	(1)	282	0	17,928	(6,880)	11,048
Environmental Services	24,940	(9,107)	15,833	1		0	(2)	1,009	0	24,950	(8,109)	16,841
Planning and Development Services	8,701	(4,199)	4,502	0		0	(1)	267	0	8,701	(3,933)	4,768
Education and Children's Services - Education	108,251	(19,077)	89,174	(1)		0	728	441	0	109,419	(19,077)	90,342
Education and Children's Services - Children's Social Care	16,319	(2,851)	13,468	0		0	(1)	14	0	16,318	(2,837)	13,481
Highways and Transport	24,380	(9,209)	15,171	0		0	(2)	1,547	0	24,378	(7,662)	16,716
Housing Services (Council Fund)	41,073	(38,112)	2,961	0		0	(1)	3,851	0	41,072	(34,261)	6,811
Adult Social Care	56,901	(16,588)	40,313	0		0	(5)	363	0	56,896	(16,224)	40,672
Central Services to the Public	10,781	(9,393)	1,388	0		0	0	0	0	10,780	(9,392)	1,388
Corporate and Democratic Core	9,714	(5,095)	4,619	0		1	(3)	19	0	9,713	(5,078)	4,635
Non Distributed Costs	161	0	161	0		0	0	6	0	168	0	168
Housing Revenue Account	30,511	(21,022)	9,489	11		0	(1)	520	0	30,522	(20,502)	10,020
<b>Cost of Services</b>	<b>349,661</b>	<b>(141,815)</b>	<b>207,846</b>	<b>10</b>	<b>0</b>	<b>2,311</b>	<b>711</b>	<b>8,319</b>	<b>0</b>	<b>350,845</b>	<b>(133,955)</b>	<b>216,890</b>
<u>Other Operating Expenditure</u>												
Precepts and Levies			17,640									17,640
Gains/losses on the disposal of non-current assets			(287)									(287)
			225,199	10	0	2,311	711	8,319	0			234,243

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

	STATEMENT OF ACCOUNTS 2009-10			Restatement Adjustments in preparation for IFRS						RESTATEMENT 2009-10		
	Expenditure	Income	Net	Finance Leases	Operating Leases	Re-classification of Non-current Assets	Employee Benefits	Deferred Grants	Capital Grants	Expenditure	Income	Net
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Financing and Investment Income and Expenditure</u>												
Interest payable and similar charges			8,455	12								8,467
Interest and income from investments			(1,407)									(1,407)
Pensions interest cost and expected return on pensions assets			10,009									10,009
Changes in the fair value of investment properties			0									0
Gains/losses of Trading Units			159	5		0	(2)	160				322
			242,415	27	0	2,311	709	8,479	0			251,634
Surplus / Deficit of discontinued operations			0									
			242,415	27	0	2,311	709	8,479	0			251,634
<u>Taxation and non-specific grant income</u>												
Council Tax income			(56,546)									(56,546)
Non-domestic rates			(32,263)									(32,263)
Government Grants - Revenue			(136,546)									(136,546)
Government Grants - Capital			0						(24,190)			(24,190)
<b>Surplus / Deficit on Provision of Services</b>			<b>17,060</b>	<b>27</b>	<b>0</b>	<b>2,311</b>	<b>709</b>	<b>8,479</b>	<b>(24,190)</b>			<b>2,089</b>
Surplus / Deficit on Revaluation of Fixed Assets			(10,369)									(10,369)
Surplus / Deficit on revaluation of available for sale financial assets			(2)									(2)
Actuarial Gains / Losses on Pension Assets / Liabilities			149,359									149,359
Other Comprehensive Income and Expenditure			0									
<b>Total Comprehensive Income and Expenditure</b>			<b>156,048</b>	<b>27</b>	<b>0</b>	<b>2,311</b>	<b>709</b>	<b>8,479</b>	<b>(24,190)</b>			<b>141,077</b>

**BALANCE SHEET AT 31.03.10**

	Statement of Accounts 31.03.10 £'000	Re- classification of Assets £'000	Assets held for Sale £'000	Re- classification of Grants £'000	Re- classification of Leases £'000	Employee Benefits £'000	Long Term / Short Term £'000	Re- classification of Reserves £'000	Other Adjustments £'000	Restatement 31.03.10 £'000
<b>Property, Plant and Equipment</b>										
Council Dwellings	252,446	0	0	0	0	0	0	0	0	252,446
Other Land and Buildings	157,317	28	0	0	221	0	0	0	0	157,566
Infrastructure	122,974	0	0	0	0	0	0	0	0	122,974
Vehicles, Plant, Furniture and Equipment	12,920	0	0	0	657	0	0	0	0	13,577
Community Assets	645	65	0	0	0	0	0	0	0	710
Assets under construction	856	0	0	0	0	0	0	0	0	856
<b>Total Property, Plant and Equipment</b>	<b>547,158</b>	<b>93</b>	<b>0</b>	<b>0</b>	<b>878</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>548,129</b>
Investment Properties	1,244	(213)	0	0	0	0	0	0	0	1,031
Surplus assets held for sale	690	120	(810)	0	0	0	0	0	0	0
Long Term Investments	1,156	0	0	0	0	0	0	0	0	1,156
Long Term Debtors	2,567	0	0	0	0	0	0	0	0	2,567
<b>Total Long Term Assets</b>	<b>552,815</b>	<b>0</b>	<b>(810)</b>	<b>0</b>	<b>878</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>552,883</b>
<b>Current Assets</b>										
Assets held for sale	0	0	0	0	0	0	0	0	810	810
Stock	1,176	0	810	0	0	0	0	0	(810)	1,176
Short Term Debtors	37,088	0	0	0	0	0	0	0	(226)	36,862
Short Term Investments	39,024	0	0	0	0	0	0	0	15,000	54,024
Cash and Cash Equivalents	21,583	0	0	0	0	0	0	0	(15,000)	6,583
<b>Current Liabilities</b>										
Creditors	(45,709)	0	0	6,062	0	(4,686)	(111)	0	380	(44,064)
Short Term Provisions	0	0	0	0	0	0	(57)	0	0	(57)
Capital Grants Receipts in Advance	0	0	0	(6,062)	0	0	0	0	0	(6,062)
Unused Capital Grants	(197)	0	0	197	0	0	0	0	0	0
Short Term Borrowing	(6,444)	0	0	0	0	0	0	0	0	(6,444)
Donated Assets Account	0	0	0	0	0	0	0	0	0	0
Bank Overdraft	(15,452)	0	0	0	0	0	0	0	0	(15,452)
<b>Total Current Assets less Liabilities</b>	<b>583,884</b>	<b>0</b>	<b>0</b>	<b>197</b>	<b>878</b>	<b>(4,686)</b>	<b>(168)</b>	<b>0</b>	<b>154</b>	<b>580,259</b>

**BALANCE SHEET AT 31.03.10**

	Statement of Accounts 31.03.10 £'000	Re- classification of Assets £'000	Assets held for Sale £'000	Re- classification of Grants £'000	Re- classification of Leases £'000	Employee Benefits £'000	Long Term / Short Term £'000	Re- classification of Reserves £'000	Other Adjustments £'000	Restatement 31.03.10 £'000
<b>Long Term Liabilities</b>										
Long Term Creditors	0	0	0	0	0	0	0	0	0	0
Long Term Borrowing	(132,143)	0	0	0	0	0	0	0	0	(132,143)
Provisions	(3,176)	0	0	0	0	0	57	0	(154)	(3,273)
Deferred Government Grants	(140,797)	0	0	140,797	0	0	0	0	0	0
<b>Other Long Term Liabilities</b>										
Pension Liability	(281,237)	0	0	0	0	0	0	0	0	(281,237)
Finance Leases Liability	0	0	0	0	(248)	0	111	0	0	(137)
<b>Total Assets less Liabilities</b>	<b>26,531</b>	<b>0</b>	<b>0</b>	<b>140,994</b>	<b>630</b>	<b>(4,686)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>163,469</b>
<b>Unusable Reserves</b>										
Capital Adjustment Account	(234,417)	0	0	(140,797)	(406)	0	0	0	0	(375,620)
Financial Instruments Adjustment Account	1,124	0	0	0	0	0	0	0	0	1,124
Revaluation Reserve	(13,118)	0	0	0	(225)	0	0	0	0	(13,343)
Available for Sale Financial Instruments Reserve	(60)	0	0	0	0	0	0	0	0	(60)
Usable Capital Receipts Reserve	(6,610)	0	0	0	0	0	0	6,610	0	0
Deferred Capital Receipts	(52)	0	0	0	0	0	0	0	0	(52)
Pensions Reserve	281,237	0	0	0	0	0	0	0	0	281,237
Accumulated Absences Account	0	0	0	0	0	4,686	0	0	0	4,686
<b>Usable Reserves</b>										0
Usable Capital Receipts	0	0	0	0	0	0	0	(6,610)	0	(6,610)
Capital Grants Unapplied	0	0	0	(197)	0	0	0	0	0	(197)
Reserves held by Schools	(3,807)	0	0	0	0	0	0	0	0	(3,807)
Earmarked Reserves	(40,603)	0	0	0	0	0	0	0	0	(40,603)
General Fund	(8,257)	0	0	0	0	0	0	0	0	(8,257)
General Fund - Housing Revenue Account	(1,967)	0	0	0	0	0	0	0	0	(1,967)
	<b>(26,530)</b>	<b>0</b>	<b>0</b>	<b>(140,994)</b>	<b>(631)</b>	<b>4,686</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(163,469)</b>

**BALANCE SHEET AT 31.03.09**

	Statement of Accounts 31.03.09 £'000	Re- classification of Assets £'000	Assets held for Sale £'000	Re- classification of Grants £'000	Re- classification of Leases £'000	Employee Benefits £'000	Long Term / Short Term £'000	Re- classification of Reserves £'000	Other Adjustments £'000	Restatement 31.03.09 £'000
<b>Property, Plant and Equipment</b>										
Council Dwellings	252,301	0	0	0	0	0	0	0	0	252,301
Other Land and Buildings	148,597	28	0	0	225	0	0	0	0	148,850
Infrastructure	113,992	0	0	0	0	0	0	0	0	113,992
Vehicles, Plant, Furniture and Equipment	12,161	0	0	0	912	0	0	0	0	13,073
Community Assets	652	65	0	0	0	0	0	0	0	717
Assets under construction	9,242	0	0	0	0	0	0	0	0	9,242
<b>Total Property, Plant and Equipment</b>	<b>536,945</b>	<b>93</b>	<b>0</b>	<b>0</b>	<b>1,137</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>538,175</b>
Investment Properties	1,244	(213)	0	0	0	0	0	0	0	1,031
Surplus assets held for sale	589	120	(709)	0	0	0	0	0	0	0
Long Term Investments	3,090	0	0	0	0	0	0	0	0	3,090
Long Term Debtors	2,063	0	0	0	0	0	0	0	0	2,063
<b>Total Long Term Assets</b>	<b>543,931</b>	<b>0</b>	<b>(709)</b>	<b>0</b>	<b>1,137</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>544,359</b>
<b>Current Assets</b>										
Assets held for sale	0	0	0	0	0	0	0	0	709	709
Stock	1,162	0	709	0	0	0	0	0	(709)	1,162
Short Term Debtors	32,931	0	0	0	0	0	0	0	(336)	32,595
Short Term Investments	63,647	0	0	0	0	0	0	0	8,000	71,647
Cash and Cash Equivalents	9,771	0	0	0	0	0	0	0	(8,000)	1,771
<b>Current Liabilities</b>										
Creditors	(43,554)	0	0	7,228	0	(3,975)	(228)	0	380	(40,149)
Short Term Provisions	0	0	0	0	0	0	(591)	0	0	(591)
Capital Grants Receipts in Advance	0	0	0	(7,228)	0	0	0	0	0	(7,228)
Unused Capital Grants	(490)	0	0	490	0	0	0	0	0	0
Short Term Borrowing	(1,468)	0	0	0	0	0	0	0	0	(1,468)
Donated Assets Account	0	0	0	0	0	0	0	0	0	0
Bank Overdraft	(25,428)	0	0	0	0	0	0	0	0	(25,428)
<b>Total Current Assets less Liabilities</b>	<b>580,502</b>	<b>0</b>	<b>0</b>	<b>490</b>	<b>1,137</b>	<b>(3,975)</b>	<b>(819)</b>	<b>0</b>	<b>44</b>	<b>577,379</b>

**BALANCE SHEET AT 31.03.09**

	Statement of Accounts 31.03.09 £'000	Re- classification of Assets £'000	Assets held for Sale £'000	Re- classification of Grants £'000	Re- classification of Leases £'000	Employee Benefits £'000	Long Term / Short Term £'000	Re- classification of Reserves £'000	Other Adjustments £'000	Restatement 31.03.09 £'000
<b>Long Term Liabilities</b>										
Long Term Creditors	0	0	0	0	0	0	0	0	0	0
Long Term Borrowing	(137,533)	0	0	0	0	0	0	0	0	(137,533)
Provisions	(3,713)	0	0	0	0	0	591	0	(44)	(3,166)
Deferred Government Grants	(124,791)	0	0	124,791	0	0	0	0	0	0
<b>Other Long Term Liabilities</b>										
Pension Liability	(131,886)	0	0	0	0	0	0	0	0	(131,886)
Finance Leases Liability	0	0	0	0	(476)	0	228	0	0	(248)
<b>Total Assets less Liabilities</b>	<b>182,579</b>	<b>0</b>	<b>0</b>	<b>125,281</b>	<b>661</b>	<b>(3,975)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>304,546</b>
<b>Unusable Reserves</b>										
Capital Adjustment Account	(252,464)	0	0	(124,791)	(436)	0	0	0	0	(377,691)
Financial Instruments Adjustment Account	1,166	0	0	0	0	0	0	0	0	1,166
Revaluation Reserve	(3,601)	0	0	0	(225)	0	0	0	0	(3,826)
Available for Sale Financial Instruments Reserve	(58)	0	0	0	0	0	0	0	0	(58)
Usable Capital Receipts Reserve	(6,288)	0	0	0	0	0	0	6,288	0	0
Deferred Capital Receipts	(67)	0	0	0	0	0	0	0	0	(67)
Pensions Reserve	131,886	0	0	0	0	0	0	0	0	131,886
Accumulated Absences Account	0	0	0	0	0	3,975	0	0	0	3,975
<b>Usable Reserves</b>										0
Usable Capital Receipts	0	0	0	0	0	0	0	(6,288)	0	(6,288)
Capital Grants Unapplied	0	0	0	(490)	0	0	0	0	0	(490)
Reserves held by Schools	(3,710)	0	0	0	0	0	0	0	0	(3,710)
Earmarked Reserves	(38,277)	0	0	0	0	0	0	0	0	(38,277)
General Fund	(9,234)	0	0	0	0	0	0	0	0	(9,234)
General Fund - Housing Revenue Account	(1,932)	0	0	0	0	0	0	0	0	(1,932)
	<b>(182,579)</b>	<b>0</b>	<b>0</b>	<b>(125,281)</b>	<b>(661)</b>	<b>3,975</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(304,546)</b>



The main alterations to the Accounts as a result of adopting the IFRS-based Code are:

### **Short-term Accumulating Compensated Absences**

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

The changes made to the 2009/10 financial statement are shown in the “Employee Benefits” column of the Comprehensive Income and Expenditure Statement.

### **Leases**

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The changes made to the 2009/10 financial statement are shown in the “leases” columns of the Comprehensive Income and Expenditure Statement and Balance Sheet.

### **Government Grants**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- A grant was received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

The changes made to the 2009/10 financial statement are shown in the Balance Sheet.

### **NOTE 3 – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

For 2010/11 the only change in accounting standards that have been issued but have not yet been adopted relates to FRS 30 *Heritage Assets*.

#### **Heritage Assets**

The adoption of FRS 30 Heritage Assets by the Code will result in a change of accounting policy from 2011/12 onwards whereby heritage assets will be recognised as a separate class of assets for the first time in the 2011/12 financial statements.

The 2010/11 financial statements do not include any assets that are expected to be reclassified as heritage assets in 2011/12, and the Authority does not expect that the adoption of FRS 30 will have a significant effect on its financial statements.

### **NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Authority has had to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may subsequently differ from those estimates. The estimates and underlying assumptions are continually reviewed.

### **NOTE 5 – ASSUMPTIONS MADE ABOUT FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The following items in the Authority's Balance Sheet at 31 March 2011 may be considered to be a significant risk, with possibility of material adjustment in the forthcoming financial year.

- **Property, Plant and Equipment** – Assets are depreciated over useful lives in accordance with standard accounting practices. Any difference between the depreciation applied and actual deterioration to assets will naturally reflect in future spending patterns. Information relating to Property, Plant and Equipment is contained in Note 14.
- **Provisions** – Various separate provisions, the basis of which have been individually assessed, are contained within these accounts as detailed in Note 22.
- **Pensions Liability** – The Pension Liability position as contained within the accounts are based on a number of complex assessments and judgments as provided by Actuaries engaged by the Council. Further details are contained in Note 40 and 41.
- **Doubtful Debts Impairment / Provision** – A certain impairment level of doubtful debts is contained within the accounts and are based on a specific policy. Any departure between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Doubtful Debts impairments are contained within the figures for Short Term Debtors contained in Note 18.

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

### **Housing Revenue Account**

The Welsh Government has decided that all council housing stock in Wales should meet the Welsh Housing Quality Standard by 2012. Gwynedd Council did not have the resources to achieve the WHQS within the timescale and 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 was transferred to Cartrefi Cymunedol Gwynedd on 12 April 2010. The effect of the transfer is shown in the 'Housing Revenue Account – Exceptional Costs' line of the Comprehensive Income and Expenditure Statement, with the supporting detailed information shown on page 69 namely Note 1 of the Housing Revenue Account.

## **NOTE 7 – EVENTS AFTER THE BALANCE SHEET DATE**

After the balance sheet date, Gwynedd Council has been served with an application for Judicial Review of the Council's decision to set independent care home fees for the year 2011-12, the financial implications, if any is not yet known.

## **NOTE 8 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010-11	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Charges for depreciation and impairment of non current assets	(28,370)	(474,063)			502,433
Capital grants and contributions applied	29,859	123		(1,020)	(28,962)
Revenue expenditure funded from capital under statute	(4,756)	(320)			5,076
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(590)	21			569
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Statutory provision for the financing of capital investment	5,639	8			(5,647)
Voluntary provision for the financing of capital investment	541				(541)
Capital expenditure charged against the General Fund and HRA balances	(289)	84			205
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(164)		(1,232)		1,396
Use of the Capital Receipts Reserve to finance repayment of debt		14,117			(14,117)
Use of the Capital Receipts Reserve to finance new capital expenditure			2,723		(2,723)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(1)	1		
Principal repayment of debt			(80)		80
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	131				(131)
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 41)	30,302	(22)			(30,280)
Employer's pensions contributions and direct payments to pensioners payable in the year	17,417	23			(17,440)
<b>Adjustment primarily involving the Accumulated Absences Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,005	1			(1,006)
<b>Total Adjustments</b>	<b>50,725</b>	<b>(460,029)</b>	<b>1,412</b>	<b>(1,020)</b>	<b>408,912</b>

2009-10	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Charges for depreciation and impairment of non current assets	(21,677)	(13,479)			35,156
Capital grants and contributions applied	24,190			293	(24,483)
Revenue expenditure funded from capital under statute	(5,844)	(6)			5,850
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	287				(287)
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Statutory provision for the financing of capital investment	5,898	295			(6,193)
Voluntary provision for the financing of capital investment	317				(317)
Capital expenditure charged against the General Fund and HRA balances	4,921	2,183			(7,104)
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	50	(44)	(322)		316
Use of the Capital Receipts Reserve to finance new capital expenditure					
Use of the Capital Receipts Reserve to finance repayment of debt					
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					
Principal repayment of debt					
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	35	7			(42)
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 41)	(285)	294			(9)
Employer's pensions contributions and direct payments to pensioners payable in the year					
<b>Adjustment primarily involving the Accumulated Absences Account</b>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(711)				711
<b>Total Adjustments</b>	<b>7,181</b>	<b>(10,750)</b>	<b>(322)</b>	<b>293</b>	<b>3,598</b>

## NOTE 9 – TRANSFERS TO/FROM EARMARKED RESERVES

### School Balances

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

2010-11	Balance		Transfers		Balance
	31	between	in	out	31
	March	reserves			March
	2010				2011
	£'000	£'000	£'000	£'000	£'000
School Balances	3,807	0	1,176	(497)	4,486
<b>Total</b>	<b>3,807</b>	<b>0</b>	<b>1,176</b>	<b>(497)</b>	<b>4,486</b>

2009-10	Balance		Transfers		Balance
	1	between	in	out	31
	April	reserves			March
	2009				2010
	£'000	£'000	£'000	£'000	£'000
School Balances	3,710	(151)	965	(717)	3,807
<b>Total</b>	<b>3,710</b>	<b>(151)</b>	<b>965</b>	<b>(717)</b>	<b>3,807</b>

The note below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund in 2010/11.

## Earmarked Reserves

2010-11	Balance		Transfers		Balance
	31	between	in	out	31
	March	reserves			March
	2010				2011
	£'000	£'000	£'000	£'000	£'000
Renewals Reserves	1,573	(352)	2,273	(972)	2,522
Capital Reserves	9,902	(554)	5,872	(205)	15,015
Insurance Reserves	3,129	0	555	(317)	3,367
Services Fund	7,530	(597)	2,559	(2,837)	6,655
Objective 1 Fund	199	0	84	(10)	273
Convergence Programme Fund	0	680	500	0	1,180
Developments Reserve	435	0	40	(157)	318
Redundancy Costs to Realise Savings Reserve	2,396	0	1,107	(622)	2,881
Network Fund	450	0	9	(459)	0
Improving the Council Fund	694	0	0	(245)	449
Central Training	891	0	2	(259)	634
Communication Centre Reserve	1,054	0	0	(288)	766
Schools Service Reserves	270	0	358	(76)	552
Economy and Community Reserves	290	0	14	(17)	287
Highways and Municipal Reserves	1,451	352	337	0	2,140
Waste Developments Reserve	1,094	(37)	0	(217)	840
Gwynedd Consultancy Reserves	448	0	0	(263)	185
Regulatory Reserves	764	0	21	(9)	776
Trunk Road Management Reserve	400	0	0	(400)	0
Major Maintenance Work on County Roads Fund	0	0	200	0	200
Care - Other Reserves	53	0	9	0	62
Business Process Transformation Fund	3,658	(3,398)	0	0	260
Members' Working Group (Reserves)	1,034	(1,034)	0	0	0
Invest to Save Fund	0	1,034	0	0	1,034
Invest to Save Fund - Carbon Reduction Plan	2,500	0	0	(117)	2,383
Transformation Fund	0	3,335	1,104	(161)	4,278
Committed Revenue Grants Fund	0	0	267	0	267
Capital Reserve to realise savings	0	500	0	(14)	486
Contracts' Tendering Fund	0	0	341	(46)	295
Housing Water and Sewerage Services Fund	0	0	1,600	(20)	1,580
Housing Environmental Warranty	0	0	480	0	480
Various Other Reserves	389	71	153	(99)	514
<b>Total</b>	<b>40,604</b>	<b>0</b>	<b>17,885</b>	<b>(7,810)</b>	<b>50,679</b>

2009-10	Balance		Transfers		Balance
	1	between	in	out	31
	April	reserves			March
	2009				2010
	£'000	£'000	£'000	£'000	£'000
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
Services Fund	11,272	(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>	<b>38,279</b>	<b>151</b>	<b>13,354</b>	<b>(11,180)</b>	<b>40,604</b>

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 - Fund was created for additional capital or revenue costs which arise from the requirements to develop plans for Objective 1.



- (vi) Convergence Programme Fund – amounts reserved for the Councils’ proportional contribution in relation to capital and revenue plans under the Convergence Programme.
- (vii) The Development Reserve relates to specific projects already determined by the Council such as Affordable Housing and E-Government.
- (viii) Redundancy Costs to Realise Savings Reserve – provision for financing redundancy costs to realise budgetary savings.
- (ix) The Network Fund was established to finance the cost of developing the computer network for schools and other Council establishments.
- (x) ‘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.
- (xi) Central Training – relates to the management training development programme.
- (xii) Communication Centre Reserve – sums set-aside towards developing the new Communication Centre.
- (xiii) 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”.
- (xiv) 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.
- (xv) The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven expenditure – ‘equalisation accounts’ – and likely requirements from contracts.
- (xvi) The Waste Development Reserve is for relevant commitments and developments in the waste field including our commitment to the North Wales Waste Partnership.
- (xvii) 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.
- (xviii) 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.
- (xix) Trunk Road Management Reserve – includes a sum set aside to enable responding to any possible changes to employment arrangements.
- (xx) Major Maintenance Work on County Roads Fund – to support the cost of large maintenance work on county roads.
- (xxi) Care - Other Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- (xxii) Business Process Transformation Fund – A one-off fund to aid the business transformation process to realise savings for the Council.
- (xxiii) Members’ Working Group (Reserves) – Set aside for the one-off requirements of the Council.
- (xxiv) Invest to Save Fund – Provision for the investment in various plans to realise permanent financial savings.

- (xxv) 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.
- (xxvi) Transformation Fund – Provision for the change in the Councils’ internal procedures to be more effective and more efficient.
- (xxvii) Committed Revenue Grants Fund – includes revenue grants received and committed for future use.
- (xxviii) Capital Reserve to realise savings – Provision to support capital plans that will realise permanent financial revenue savings.
- (xxix) Contracts’ Tendering Fund – in response to uneven spending situations as a result of the tendering process for transport contracts.
- (xxx) Housing Water and Sewerage Services Fund – amounts reserved for requirements relating to sewerage procedures, water piping and sewage treatment work on old Council Housing Estates, which were not adopted by Welsh Water.
- (xxxi) Environmental Warranty – reserved for possible implications as a result of giving environmental warranties to Cartrefi Cymunedol Gwynedd, in connection with specific and special circumstances that relate to environmental plans on the land of old Council Housing Estates.
- (xxxii) Various Other Reserves – includes amounts set aside to meet a variety of other contingent liabilities.

#### **NOTE 10 – OTHER OPERATING EXPENDITURE**

<b>2009-10</b>	<b>2010-11</b>
<b>£'000</b>	<b>£'000</b>
1,333 <b>Community Councils Precepts</b>	1,391
<b>Levies</b>	
9,482 North Wales Police Authority	9,082
5,464 North Wales Fire Authority	5,573
1,147 Snowdonia National Park Authority	1,140
146 North West and North Wales Sea Fisheries Committee	0
68 Local Drainage Boards	68
16,307	15,863
(287) Gains/losses on the disposal of non-current assets	569
<b>17,353 Total</b>	<b>17,823</b>

**NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

<b>2009-10</b>		<b>2010-11</b>
<b>£'000</b>		<b>£'000</b>
8,467	Interest payable and similar charges	10,574
10,009	Pensions interest cost and expected return on pensions assets	6,779
(1,407)	Interest receivable and similar income	(18,179)
322	Gains/losses of Trading Units	274
<b>17,391</b>	<b>Total</b>	<b>(552)</b>

**NOTE 12 – TAXATION AND NON SPECIFIC GRANT INCOME**

<b>2009-10</b>		<b>2010-11</b>
<b>£'000</b>		<b>£'000</b>
(56,546)	Council tax income	(57,874)
(32,263)	Non domestic rates	(33,532)
(136,546)	Non-ringfenced government grants	(137,694)
(24,190)	Capital grants and contributions	(27,348)
<b>(249,545)</b>	<b>Total</b>	<b>(256,448)</b>

**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. A new statutory procedure of calculating the fees was introduced in October 2010, but, despite the costs being lower than expected, the account still showed a substantial loss, mainly as a result of the economic climate. The income target has been reduced for 2011/12 by reducing expenditure, with the intention of reducing it further during the year in an attempt to recover costs.

	<b>£'000</b>
Total charges income received (excluding VAT)	(487)
Total charges expenditure incurred	512
(Surplus) / Loss for 2010/11	25
(Surplus) / Loss for 2009/10	34
(Surplus) / Loss for 2008/09	15
<b>(Surplus) / Loss for the last three years</b>	<b>74</b>

## NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

### Movements on Balances

Movements in 2010/11:

	Operational Assets						Non Operational Assets			
	Council Dwellings	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Investment Properties	Assets under construction	Assets held for sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Value</b>										
Balance at 1.04.10	252,446	187,544	131,772	25,319	934	150	1,031	858	1,715	601,769
Adjust Opening Balance										0
Additions		6,576	15,979	2,745	7			9,723		35,030
Sales	(469,630)	(4,811)		(1,933)					(1,616)	(477,990)
Transfers		2,678	(5,093)		(157)		(733)	1,179	2,126	0
Revaluation	217,184	22,887			108					240,179
<b>Balance at 31.03.11</b>	<b>0</b>	<b>214,874</b>	<b>142,658</b>	<b>26,131</b>	<b>892</b>	<b>150</b>	<b>298</b>	<b>11,760</b>	<b>2,225</b>	<b>398,988</b>
<b>Depreciation</b>										
Balance at 1.04.10	0	7,757	8,800	11,741	20	0	0	2	118	28,438
Adjust Opening Balance										0
Depreciation in year	190	4,012	3,464	3,540		2				11,208
Sales		(204)		(1,004)					(108)	(1,316)
Transfers		19	(134)					67	48	0
Revaluation	(190)	(7,522)			(20)					(7,732)
<b>Balance at 31.03.11</b>	<b>0</b>	<b>4,062</b>	<b>12,130</b>	<b>14,277</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>69</b>	<b>58</b>	<b>30,598</b>
<b>Impairment</b>										
Balance at 1.04.10	0	22,329	0	0	204	41	0	0	787	23,361
Adjust Opening Balance										0
Impairment in year	469,539	21,058	11	672					60	491,340
Sales	(469,539)	(3,689)		(667)					(813)	(474,708)
Transfers		(106)			25				81	0
Revaluation		(27,451)								(27,451)
<b>Balance at 31.03.11</b>	<b>0</b>	<b>12,141</b>	<b>11</b>	<b>5</b>	<b>229</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>115</b>	<b>12,542</b>
<b>Net Book Value 31 March 2011</b>	<b>0</b>	<b>198,671</b>	<b>130,517</b>	<b>11,849</b>	<b>663</b>	<b>107</b>	<b>298</b>	<b>11,691</b>	<b>2,052</b>	<b>355,848</b>
<b>Net Book Value 31 March 2010</b>	<b>252,446</b>	<b>157,458</b>	<b>122,972</b>	<b>13,578</b>	<b>710</b>	<b>109</b>	<b>1,031</b>	<b>856</b>	<b>810</b>	<b>549,970</b>

Comparative Movements in 2009/10:

	Operational Assets						Non Operational Assets			
	Council Dwellings	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Investment Properties	Assets under construction	Assets held for sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Value</b>										
Balance at 1.04.09	252,300	167,508	119,411	21,007	805	120	1,031	9,244	648	572,074
Adjust Opening Balance		28	33	3						64
Additions	6,806	7,638	12,328	4,309	129	0	0	4,781		35,991
Sales	(347)	(349)	0	0	0	(35)	0	0	(649)	(1,380)
Transfers		11,423	0	(37)	0	65	0	(13,167)	1,716	0
Revaluation	(6,313)	1,296	0	37	0	0	0	0	0	(4,980)
<b>Balance at 31.03.10</b>	<b>252,446</b>	<b>187,544</b>	<b>131,772</b>	<b>25,319</b>	<b>934</b>	<b>150</b>	<b>1,031</b>	<b>858</b>	<b>1,715</b>	<b>601,769</b>
<b>Depreciation</b>										
Balance at 1.04.09	0	5,373	5,420	7,933	13	0	0	2	14	18,755
Adjust Opening Balance		51	3	22						76
Depreciation in year	6,307	2,885	3,377	3,786	7					16,362
Written off	(6,307)	(552)							104	(6,755)
<b>Balance at 31.03.10</b>	<b>0</b>	<b>7,757</b>	<b>8,800</b>	<b>11,741</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>118</b>	<b>28,438</b>
<b>Impairment</b>										
Balance at 1.04.09	0	13,284	0	0	75	0	0	0	45	13,404
Adjust Opening Balance										0
Impairment in year	6,806	11,080			129	41			726	18,782
Written off	(6,806)	(2,035)							16	(8,825)
<b>Balance at 31.03.10</b>	<b>0</b>	<b>22,329</b>	<b>0</b>	<b>0</b>	<b>204</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>787</b>	<b>23,361</b>
<b>Net Book Value 31 March 2010</b>	<b>252,446</b>	<b>157,458</b>	<b>122,972</b>	<b>13,578</b>	<b>710</b>	<b>109</b>	<b>1,031</b>	<b>856</b>	<b>810</b>	<b>549,970</b>
<b>Net Book Value 31 March 2009</b>	<b>252,300</b>	<b>148,851</b>	<b>113,991</b>	<b>13,074</b>	<b>717</b>	<b>120</b>	<b>1,031</b>	<b>9,242</b>	<b>589</b>	<b>539,915</b>

The Council's operational Land and Buildings were revalued on 1 April 2010 by the Council's Corporate Property Manager (M.R.I.C.S) in accordance with the policies noted in section 1.17 of Note 1 of the Accounting Policies. Refer to this note also for the basis of depreciation on various categories of assets.

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.

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

## Capital Commitments

Significant commitments under capital contracts at 31 March 2011 were as follows:

	<b>Contract Sum</b>	<b>Payments to date</b>	<b>Amount Outstanding</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Design and Construction of new Primary School Yr Hendre, Caernarfon	7,460	2,755	4,705
Maes Barcer Improvements, Caernarfon - Phases 4 & 5	2,297	1,278	1,019
Tywyn Coastal Defense	6,590	6,324	266

## NOTE 15 – INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<b>2009/10</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Rental income from investment property	106	10
Direct operating expenses arising from investment property	0	0
Net gain / (loss)	106	10

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	<b>2009/10</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance 1 April</b>	<b>1,031</b>	<b>1,031</b>
<u>Additions:</u>		
Purchases	0	0
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	(733)
Net gains/ losses from fair value adjustments	0	0
<u>Transfers:</u>		
to/from Inventories	0	0
to/from Property, Plant and Equipment	0	0
Other changes	0	0
<b>Balance 31 March</b>	<b>1,031</b>	<b>298</b>

## NOTE 16 – FINANCIAL INSTRUMENTS

	Long-term			Current		
	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000	1 April 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
<b>Investments</b>						
Loans and receivables	2,269	1,079	508	71,647	54,024	50,116
Available-for-sale financial assets	803	60	60			
Financial assets at fair value through profit and loss	17	17	17			
<b>Total Investments</b>	<b>3,089</b>	<b>1,156</b>	<b>585</b>	<b>71,647</b>	<b>54,024</b>	<b>50,116</b>
<b>Debtors</b>						
Loans and receivables	2,063	2,567	2,667	32,595	36,863	29,864
<b>Total Debtors</b>	<b>2,063</b>	<b>2,567</b>	<b>2,667</b>	<b>32,595</b>	<b>36,863</b>	<b>29,864</b>
<b>Borrowings</b>						
Financial liabilities at amortised cost	(137,533)	(132,143)	(113,866)	(1,468)	(6,444)	(5,608)
<b>Total Borrowings</b>	<b>(137,533)</b>	<b>(132,143)</b>	<b>(113,866)</b>	<b>(1,468)</b>	<b>(6,444)</b>	<b>(5,608)</b>
<b>Creditors</b>						
Financial liabilities at amortised cost				(47,377)	(50,126)	(47,546)
Financial liabilities carried at contract amounts						
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(47,377)</b>	<b>(50,126)</b>	<b>(47,546)</b>

### Investments

The following are included within the Council's investments:

#### Cwmni Gwastraff Môn Arfon

Cwmni Gwastraff Môn Arfon is still in the process of being wound up. The Council had a 50% shareholding in the company jointly owned with Isle of Anglesey County Council, but the activities have since been internalised. The Council still has a £60,000 investment in the company.

#### Heritable Bank

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 £2,013,705 from the administrators during 2009/10 and 2010/11 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 and 2010/11 were as follows:

July 2009 – 16.13%  
 December 2009 – 12.66%  
 March 2010 – 6.19%  
 July 2010 – 6.27%

October 2010 – 4.14%

January 2011 – 4.72%

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:

April 2011 – 6.25%

July 2011 – 5%

October 2011 – 5%

January 2012 – 5%

April 2012 – 5%

July 2012 – 5%

October 2012 – 3.65%

A payment of £251,335 was received in April 2011, namely the 6.25% expected in the table above. Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 6 October 2008.

The fair value of this deposit is included under short term investments in the tables above. The calculation of fair value resulted in an increase of £2,598 to the impairment of £1,027,511 that was calculated by 31 March 2010. Notional interest of £96,449 was calculated for 2010/11. A relevant proportion of the impairment (£367) and notional interest (£13,615) has been allocated to the Pension Fund. The impairment adjustment is included in Interest Payable and Similar Charges and the notional interest in Interest and Investment Income in the Comprehensive Income and Expenditure Statement.

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 2011.

#### Financial Instruments – Income, Expense, Gains and Losses

The income, expenses, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments consists of the following:

	Financial Liabilities measured at Amortised Cost	Financial Assets (loans and receivables)	Financial Liabilities measured at Amortised Cost	Financial Assets (loans and receivables)
	2010-2011	2010-2011	2009-2010	2009-2010
	£'000	£'000	£'000	£'000
Interest Payable	10,574		8,467	
<b>Total Expense in Surplus Deficit on the Provision of Services</b>	10,574	0	8,467	0
Interest Receivable		(18,179)		(1,407)
<b>Total Income in Surplus deficit on the Provision of Services</b>	0	(18,179)	0	(1,407)
<b>Net (Gain)/Loss for the year</b>	<b>10,574</b>	<b>(18,179)</b>	<b>8,467</b>	<b>(1,407)</b>



## Financial Instruments – Fair Values

The Authority's financial assets and liabilities are carried in the Balance Sheet at amortised cost. The Code requires the Fair value of these assets and liabilities to be disclosed for comparison purposes.

	Carrying Amount 31 March 2011	Fair Value 31 March 2011	Carrying Amount 31 March 2010	Fair Value 31 March 2010
	£'000	£'000	£'000	£'000
Financial Assets	49,832	50,116	53,775	54,023
Financial Liabilities	118,652	148,044	137,532	168,003

## NOTE 17 – INVENTORIES

2008-09 £'000	2009-10 £'000		2010-11 £'000
589	810	Assets held for sale	2,052
1,163	1,175	Stock and Work in Progress	1,251
<b>1,752</b>	<b>1,985</b>		<b>3,303</b>

## NOTE 18 – SHORT-TERM DEBTORS

	Debtors NET of impairment		
	31 March 2009 £'000	31 March 2010 £'000	31 March 2011 £'000
Welsh Government	8,636	8,824	9,144
Other Central Government Bodies	3,085	5,562	5,784
Other Local Authorities	3,573	2,155	2,575
National Health Service	2,727	1,807	1,904
Public Corporations and Trading	14	13	16
Council Tax	1,363	1,618	1,861
Other Entities and Individuals	13,197	16,884	8,580
<b>Total</b>	<b>32,595</b>	<b>36,863</b>	<b>29,864</b>

## NOTE 19 – CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	<b>31 March 2009 £'000</b>	<b>31 March 2010 £'000</b>	<b>31 March 2011 £'000</b>
Cash in hand	15	15	15
Bank current accounts	61	58	42
Call Accounts	1,695	2,510	14,115
Money Market Funds	0	4,000	5,000
	<b>1,771</b>	<b>6,583</b>	<b>19,172</b>
Bank overdraft	<b>(25,428)</b>	<b>(15,452)</b>	<b>(15,554)</b>
	<b>(23,657)</b>	<b>(8,869)</b>	<b>3,618</b>

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 (Note 16) and the call Accounts and Money Market Funds above represent money invested on behalf of the Pension Fund at the balance sheet date. As the Short Term Investments are made in the name of Gwynedd Council they are shown in full on the Balance Sheet. The Pension Fund element of the Short Term Investments and Cash Deposits was £10.0m (£8.9m at 31 March 2010).

## NOTE 20 – ASSETS HELD FOR SALE

	<b>Current 2009/10 £'000</b>	<b>Current 2010/11 £'000</b>
<b>Balance 1 April</b>	<b>589</b>	<b>810</b>
<u>Assets newly classified as held for sale:</u>		
Property, Plant and Equipment	0	0
Revaluation Losses	0	0
Revaluation Gains	0	0
Impairment Losses	(727)	(60)
<u>Assets declassified as held for sale:</u>		
Property, Plant and Equipment	0	0
Assets sold	(649)	(695)
Transfers from non-current to current	1,597	1,997
<b>Balance 31 March</b>	<b>810</b>	<b>2,052</b>

**NOTE 21 – SHORT-TERM CREDITORS**

	<b>31 March 2009 £'000</b>	<b>31 March 2010 £'000</b>	<b>31 March 2011 £'000</b>
Welsh Government	3,657	2,555	1,043
Other Central Government Bodies	1,026	1,537	945
Other Local Authorities	1,969	6,798	8,603
National Health Service	266	708	656
Public Corporations and Trading	48	331	480
Council Tax	1,182	1,213	947
Other Entities and Individuals	32,001	30,922	33,043
<b>Total</b>	<b>40,149</b>	<b>44,064</b>	<b>45,717</b>

**NOTE 22 – 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 in Note 9.

	<b>Balance at 31 March 2010 £'000</b>	<b>Addition / Reduction / Transfer £'000</b>	<b>Used during the year £'000</b>	<b>Balance at 31 March 2011 £'000</b>
<b><u>Short Term Provisions</u></b>				
Council Tax Refunds	(57)	0	57	0
	(57)	0	57	0
<b><u>Long Term Provisions</u></b>				
Social Services	(27)	0	0	(27)
Council Tax Refunds	(240)	(57)	0	(297)
Section 117 Mental Health Act	(117)	0	0	(117)
Pay Review	(1,935)	0	0	(1,935)
Waste Sites Provision	(800)	0	0	(800)
Other	(154)	(60)	0	(214)
	(3,273)	(117)	0	(3,390)
<b>Total</b>	<b>(3,330)</b>	<b>(117)</b>	<b>57</b>	<b>(3,390)</b>

**NOTE 23 – USABLE RESERVES**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 23.

## NOTE 24 – UNUSABLE RESERVES

<b>1 April 2009 £'000</b>	<b>31 March 2010 £'000</b>		<b>31 March 2011 £'000</b>
3,826	13,340	Revaluation Reserve	56,884
58	60	Available For Sale Financial Instruments Reserve	60
377,691	375,622	Capital Adjustment Account	149,676
(1,166)	(1,124)	Financial Instruments Adjustment Account	(993)
67	52	Deferred Capital Receipts Reserve	42
(131,886)	(281,237)	Pensions Reserve	(90,421)
(3,975)	(4,685)	Accumulated Absences Account	(3,679)
<b>244,615</b>	<b>102,028</b>	<b>Total Unusable Reserves</b>	<b>111,569</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>2009/10</b>		<b>2010/11</b>		
		<b>Council Dwellings</b>	<b>Other</b>	<b>Total</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
3,826	Balance 1 April	6,799	6,541	13,340
(37)	Opening Balance Adjustment			0
<b>3,789</b>	<b>Balance 1 April</b>	<b>6,799</b>	<b>6,541</b>	<b>13,340</b>
10,368	Upward revaluation of assets	217,374	57,982	275,356
(41)	Downward revaluation of assets and impairment losses	(224,077)	(6,194)	(230,271)
14,116	Surplus or deficit on revaluation of assets	96	58,329	58,425
(49)	Difference between fair value depreciation and historical cost depreciation	(5)	(1,213)	(1,218)
(727)	Accumulated gains on assets sold	(91)	(232)	(323)
(776)	Amount written off to the Capital Adjustment Account	(96)	(1,445)	(1,541)
<b>13,340</b>	<b>Balance 31 March</b>	<b>0</b>	<b>56,884</b>	<b>56,884</b>

## Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2009/10 £000	2010/11 £000
58 <b>Balance 1 April</b>	60
0 Upward revaluation of investments	0
0 Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
2 Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
<b>60 Balance 31 March</b>	<b>60</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £'000		2010/11 £'000
377,691	<b>Balance 1 April</b>	375,622
25	Opening Balance Adjustment	
16,006	Transfer of balance from Deferred Grants Account	
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(35,450)	Charges for depreciation and impairment of non-current assets	(272,161)
(5,850)	Revenue expenditure funded from capital under statute	(5,076)
(75)	Adjustment to non-current assets balances when selling	(1,642)
49	Transfer from Capital Revaluation Reserve	1,218
	<u>Capital financing applied in the year:</u>	
1,189	Capital Receipts	2,722
8,477	Amortisation of Government Grants Deferred	
	Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	28,963
6,193	Minimum Revenue Provision to finance capital	5,647
7,104	Capital expenditure charged in year against the General Fund	(205)
317	Capital receipts set aside / voluntary contributions	14,658
(54)	Other - repayment of loans to third parties	(70)
375,622	<b>Balance 31 March</b>	149,676

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax.

2009/10 £000		2010/11 £000
(1,166)	<b>Balance 1 April</b>	(1,124)
42	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	131
(1,124)	<b>Balance 31 March</b>	(993)

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
(131,886)	<b>Balance 1 April</b>	(281,237)
(149,359)	Actuarial gains or losses on pensions assets and liabilities	143,096
(18,647)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	30,280
18,655	Employer's pensions contributions and direct payments to pensioners payable in the year	17,440
<b>(281,237)</b>	<b>Balance 31 March</b>	<b>(90,421)</b>

## Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
67	<b>Balance 1 April</b>	52
(15)	Principal repayment of Right To Buy Mortgages	(10)
<b>52</b>	<b>Balance 31 March</b>	<b>42</b>

## Accumulated Absences Account

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

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
(3,975)	<b>Balance 1 April</b>	(4,685)
(710)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,006
<b>(4,685)</b>	<b>Balance 31 March</b>	<b>(3,679)</b>

## **NOTE 25 – CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

<b>2009-10</b>		<b>2010-11</b>
<b>£'000</b>		<b>£'000</b>
(1,985)	Interest received	(801)
7,765	Interest paid	6,792

## **NOTE 26 – CASH FLOW STATEMENT – INVESTING ACTIVITIES**

<b>2009-10</b>		<b>2010-11</b>
<b>£'000</b>		<b>£'000</b>
36,503	Purchase of property, plant and equipment, investment property and intangible assets	34,380
6,606	Other payments for investing activities	5,052
(1,555)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(15,429)
(18,018)	Proceeds from short-term and long-term investments	(4,512)
(1,985)	Other receipts for investing activities	(801)
<b>21,551</b>	<b>Net cash flows from investing activities</b>	<b>18,690</b>

## **NOTE 27 – CASH FLOW STATEMENT – FINANCING ACTIVITIES**

<b>2009-10</b>		<b>2010-11</b>
<b>£'000</b>		<b>£'000</b>
228	Cash payments for the reduction of the outstanding liability relating to Finance Leases	111
415	Repayments of short term and long term borrowing	19,001
7,765	Other payments for financing activities	6,792
<b>8,408</b>	<b>Net cash flows from financing activities</b>	<b>25,904</b>



## NOTE 28 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council's Board on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to Departments.

This reconciliation shows how the figures in the analysis of Departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement and shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Expenditure			Total	Income	Net
	Employees	Premises	Support Services	Expenditure		Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	3,066	304	1	3,371	(47)	3,324
Finance	5,454	1,234	2	6,690	(2,798)	3,892
Democracy and Legal	3,293	950	5	4,248	(967)	3,281
Customer Care	4,451	2,713	1	7,165	(695)	6,470
Strategic and Improvement	2,555	3,038	(2)	5,591	(3,100)	2,491
Education	71,329	26,996	37	98,362	(18,403)	79,959
Economy and Community	4,800	5,567	14	10,381	(6,645)	3,736
Highways and Municipal	16,707	19,645	13	36,365	(14,149)	22,216
Regulatory	6,397	7,996	224	14,617	(7,653)	6,964
Consultancy	3,560	(868)	687	3,379	(2,689)	690
Trunk Roads	0	141	0	141	(400)	(259)
Provider and Leisure	15,435	3,621	1	19,057	(3,233)	15,824
Housing and Social Services	14,083	46,485	2	60,570	(22,052)	38,518
	151,130	117,822	985	269,937	(82,831)	187,106
Housing Revenue Account	154	474,855	61	475,070	(548)	474,522
Corporate	380	6,897	5,507	12,784	(66,607)	(53,823)
Leadership Team	596	339	0	935	(83)	852
	152,260	599,913	6,553	758,726	(150,069)	608,657
<b>Items within net cost of services, not under departmental control:</b>						
Capital Charges	0	31,037	0	31,037	0	31,037
<b>Items under departmental control, not included in net cost of services:</b>						
Contributions to Reserves	(310)	(2,639)	0	(2,949)	0	(2,949)
Use of Reserves	0	0	0	0	1,285	1,285
	151,950	628,311	6,553	786,814	(148,784)	638,030
Precepts and Levies	0	17,254	0	17,254	0	17,254
Gains/losses of Trading Units	6,773	2,889	530	10,192	(9,918)	274
Gains/losses on the disposal of non-current assets	0	590	0	590	(21)	569
Interest payable and similar charges	0	10,574	0	10,574	0	10,574
Interest and income from investments	0	0	0	0	(18,179)	(18,179)
Pensions interest cost and expected return on pensions assets	0	0	6,779	6,779	0	6,779
<b>Net Operating Expenditure</b>	<b>158,723</b>	<b>659,618</b>	<b>13,862</b>	<b>832,203</b>	<b>(176,902)</b>	<b>655,301</b>
Council Tax	0	0	0	0	(57,874)	(57,874)
Net income Non-domestic rates	0	0	0	0	(33,532)	(33,532)
Government Grants - Revenue	0	0	0	0	(137,694)	(137,694)
Government Grants - Capital	0	0	0	0	(27,348)	(27,348)
<b>Surplus for the year</b>	<b>158,723</b>	<b>659,618</b>	<b>13,862</b>	<b>832,203</b>	<b>(433,350)</b>	<b>398,853</b>

2009/10	Expenditure			Total	Income	Net
	Employees	Premises	Support Services	Expenditure		Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	3,446	304	(112)	3,638	(41)	3,597
Finance	5,954	1,240	(173)	7,021	(2,709)	4,312
Democracy and Legal	3,257	971	(23)	4,205	(719)	3,486
Customer Care	4,475	3,502	2	7,979	(1,445)	6,534
Strategic and Improvement	3,025	2,988	(113)	5,900	(2,719)	3,181
Education	73,657	30,426	702	104,785	(25,391)	79,394
Economy and Community	4,756	4,579	(160)	9,175	(6,064)	3,111
Highways and Municipal	15,257	14,502	0	29,759	(6,425)	23,334
Regulatory	5,942	8,227	(12)	14,157	(7,418)	6,739
Consultancy	2,296	17	(382)	1,931	(1,242)	689
Trunk Roads	0	101	(160)	(59)	(116)	(175)
Provider and Leisure	20,477	(2,278)	(268)	17,931	(1,473)	16,458
Housing and Social Services	14,167	46,145	(402)	59,910	(23,215)	36,695
	156,709	110,724	(1,101)	266,332	(78,977)	187,355
Housing Revenue Account	3,984	25,430	174	29,588	(20,502)	9,086
Corporate	436	44,775	(3,208)	42,003	(46,951)	(4,948)
Leadership Team	695	67	44	806	(833)	(27)
	161,824	180,996	(4,091)	338,729	(147,263)	191,466
<b>Items within net cost of services, not under departmental control:</b>						
Capital Charges	0	25,143	0	25,143	0	25,143
<b>Items under departmental control, not included in net cost of services:</b>						
Contributions to Reserves	(377)	(1,788)	0	(2,165)	0	(2,165)
Use of Reserves	0	0	0	0	2,446	2,446
	161,447	204,351	(4,091)	361,707	(144,817)	216,890
Precepts and Levies	0	17,640	0	17,640	0	17,640
Gains/losses of Trading Units	7,969	3,387	720	12,076	(11,754)	322
Gains/losses on the disposal of non-current assets	0	1,149	0	1,149	(1,436)	(287)
Interest payable and similar charges	0	8,467	0	8,467	0	8,467
Interest and income from investments	0	0	0	0	(1,407)	(1,407)
Pensions interest cost and expected return on pensions assets	0	0	27,978	27,978	(17,969)	10,009
<b>Net Operating Expenditure</b>	<b>169,416</b>	<b>234,994</b>	<b>24,607</b>	<b>429,017</b>	<b>(177,383)</b>	<b>251,634</b>
Council Tax	0	0	0	0	(56,546)	(56,546)
Net income Non-domestic rates	0	0	0	0	(32,263)	(32,263)
Government Grants - Revenue	0	0	0	0	(136,546)	(136,546)
Government Grants - Capital	0	0	0	0	(24,190)	(24,190)
<b>Surplus for the year</b>	<b>169,416</b>	<b>234,994</b>	<b>24,607</b>	<b>429,017</b>	<b>(426,928)</b>	<b>2,089</b>

## NOTE 29 – TRADING OPERATIONS

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).

<b>2009/10</b>				<b>2010/11</b>
<b>(Profit) / Loss</b>		<b>Expenditure</b>	<b>Income</b>	<b>(Profit) / Loss</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Provider Services			
75	Catering	5,150	(5,044)	106
(49)	Building Cleaning	3,621	(3,535)	86
(5)	Home Care	137	(135)	2
				0
346	Gwynedd Training	469	(360)	109
(83)	Print Unit	499	(458)	41
(125)	Industrial Estates	309	(379)	(70)
<b>159</b>		<b>10,185</b>	<b>(9,911)</b>	<b>274</b>

## NOTE 30 – 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, with £32.03m income transactions recovered in 2010/11 (£32.58m in 2009/10).

## NOTE 31 – MEMBERS' ALLOWANCES

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

<b>2009-10</b>		<b>2010-11</b>
<b>£'000</b>		<b>£'000</b>
1,132	Allowances	1,129
58	Expenses	55
<b>1,190</b>		<b>1,184</b>

## NOTE 32 – OFFICERS' REMUNERATION

7A (1) (b) of the Accounts and Audit (Wales) (Amendment) Regulations 2010, require the Council to disclose the following information relating to employees appointed as Senior Officers, and whose salary is between £60,000 and £150,000. In compliance with the defined requirements, the pensionable pay and the employer's pension contributions are included below, but the employer's national insurance contributions are excluded. The remuneration paid to the Authority's senior employees is as follows:

2009-10				Chief Officers	2010-11			
Payments		Employer's Pension Contribution	Total		Payments		Employer's Pension Contribution	Total
Salary	Other				Salary	Other		
52,135	149	10,896	63,180	Head of Democracy and Legal	52,135	88	10,896	63,119
60,111	394	12,563	73,068	Head of Gwynedd Consultancy	60,111	960	12,563	73,634
60,280	280	12,599	73,159	Acting Head of Housing				
61,740	64	12,904	74,708	Head of Customer Care	65,169	101	13,620	78,890
61,740	24	12,904	74,668	Head of Regulatory	65,169	119	13,620	78,908
63,454	141	13,262	76,857	Head of Provider and Leisure	65,169	190	13,620	78,979
65,169	138	13,620	78,927	Head of Finance	65,169	298	13,621	79,088
63,454	277	13,262	76,993	Head of Strategic & Improvement	65,169	304	13,620	79,093
63,454	193	13,262	76,909	Head of Human Resources	65,169	489	13,620	79,278
61,740	290	12,904	74,934	Head of Economy & Community	65,169	638	13,620	79,427
65,169	135	13,620	78,924	Head of Highways and Municipal	69,153	250	14,453	83,856
71,157	168	14,872	86,197	Head of Social Services	72,200	107	15,090	87,397
68,685	87	14,355	83,127	Head of Education	72,200	153	15,090	87,443
83,121	0	17,372	100,493	Corporate Director	83,121		17,372	100,493
83,121	222	17,372	100,715	Corporate Director	83,121	242	17,372	100,735
83,121	454	17,373	100,948	Corporate Director	83,121	459	17,372	100,952
108,264	534	22,627	131,425	Chief Executive	108,264	971	22,627	131,862

The Authority's other employees receiving more than £60,000 remuneration for the year (excluding employer's pension and national insurance contributions), were paid the following amounts. The figures include termination benefits paid in 2 cases in 2009/10 and 3 cases in 2010/11. These posts would not appear below except for the termination benefits paid in the individual year.

Number of other employees who received more than £60,000:						
Number in 2009-10				Number in 2010-11		
Schools	Other	Total		Schools	Other	Total
5	2	7	£60,000 - 64,999	8	0	8
2	0	2	£65,000 - 69,999	3	0	3
1	0	1	£70,000 - 74,999	1	0	1
1	0	1	£75,000 - 79,999	1	1	2
0	0	0	£80,000 - 84,999	0	0	0
1	0	1	£85,000 - 89,999	0	0	0
0	0	0	£90,000 - 94,999	1	0	1
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	1	1	£110,000 - 114,999	0	0	0
0	0	0	£115,999 - 119,999	0	0	0

## NOTE 33 – EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

<b>2009-10</b>		<b>2010-11</b>
<b>£'000</b>		<b>£'000</b>
179	Fees relating to the Appointed Auditor duties	172
166	Fees relating to the Auditor General duties	147
100	Fees for grant claims and returns	94
<b>445</b>		<b>413</b>

## NOTE 34 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	<b>Note</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>			-
Outcome Agreement Grant (Non-ringfenced Government Grants)	12	1,331	1,307
Revenue Support Grant (Non-ringfenced Government Grants)	12	134,721	136,387
Deprivation Grant (Non-ringfenced Government Grants)	12	494	0
Capital Grants and Contributions (Capital Grants and Contributions)	12	24,190	27,224
Grant - Major Repairs Allowance (Capital Grants and Contributions)	12	0	124
<b>Total</b>		<b>160,736</b>	<b>165,042</b>
<b>Credited to Services</b>			
<b>Grants:</b>			
Sustainable Waste Management Grant		3,334	4,137
Supporting People Grant (SPG & SPRG)		3,928	4,001
Post 16 Grant (Education)		3,642	3,884
Foundation Phase Grant (Education)		2,239	3,053
Concessionary Fare Grant		1,829	2,047
		<b>14,972</b>	<b>17,122</b>
<b>Other Grants:</b>			
Children and Education Services Grants - Education		8,387	6,719
Planning and Development Services Grants		2,874	4,114
Adult Social Care Grants		3,590	3,138
Highways, Roads and Transport Services Grants		1,582	2,221
Environmental and Regulatory Services Grants		840	2,001
Housing Services (Council Fund) Grants		0	1,302
Cultural and Related Services Grants		1,126	1,145
Children and Education Services Grants - Children's Social Care		1,262	1,118
Central Services to the Public Grants		1,136	1,054
Corporate and Democratic Core Grants		122	234
		<b>20,919</b>	<b>23,046</b>

<b>Contributions:</b>		
Adult Social Care	2,331	2,203
Children and Education Services - Education	2,186	1,334
Housing Services (Council Fund)	2,913	681
Planning and Development Services	511	600
Central Services to the Public	347	472
Highways, Roads and Transport Services	148	110
Corporate and Democratic Core	28	97
Environmental and Regulatory Services	73	72
Children and Education Services - Children's Social Care	24	6
Cultural and Related Services	8	4
	<hr/> 8,569	<hr/> 5,579
<b>Total</b>	<hr/> <b>44,460</b>	<hr/> <b>45,747</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

	<b>Short Term 31 March 2011 £'000</b>
<b>Grants Received in Advance</b>	
<b>Revenue Grants : -</b>	
Education Grants	701
Economy and Community Grants	472
Housing Grants	342
Social Services Grants	55
Regulatory (Planning, Transport & Public Protection) Grants	41
Strategic and Improvement Grants	34
Provider and Leisure Grants	31
Customer Care Grants	6
Finance Grants	5
	<hr/> 1,687
<b>Capital Grants : -</b>	
Economy and Community Grants	47
Housing Grants	31
Provider and Leisure Grants	3
Education Grants	61
	<hr/> 142
<b>Total</b>	<hr/> <b>1,829</b>

## NOTE 35 – RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

## **Welsh & Central Government**

Welsh Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has within other parties (e.g. council tax bills, housing benefits). Grants received from Welsh and other Government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 34.

## **Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 31.

The Authority appoints members to some external charitable or voluntary bodies or they have disclosed a link to organisations, public bodies and authorities. Payments of £2,868,930 were made to such bodies as grants or contributions for services during 2010/11.

Members have declared an interest or relation (as defined) in companies or businesses which may have dealings with the Authority. A total of £3,240,844 was paid under this heading during 2010/11.

## **Officers**

A number of Senior Officers have declared an interest or relation (as defined) in companies, voluntary, charitable, or public bodies which receive payments from the Authority. A total of £3,191,518 was paid during 2010/11.

## **Other Public Bodies**

The Authority is an administering authority for the Pension Fund. Details of transactions with the Pension Fund are shown in Note 41 on pages 59 to 64 and the Pension Fund Accounts on pages 74 to 83.

A total of £619,731 was paid to Welsh Joint Education Committee (WJEC) for services to schools during 2010/11.

## **Entities Controlled or Significantly Influenced by the Authority**

Cwmni Cynnal Cyf. was established in 1996 to provide education support services under contract to maintained schools and the local education authorities as well as school inspection services to Estyn. The company is limited by guarantee and the Council's liability is limited to £1. The income of the company can only be applied towards promotion of its objectives. Copies of the financial statements are available from Cwmni Cynnal Cyf., Plas Llanwnda, Caernarfon, Gwynedd LL55 1SH. A total of £2,970,573 was paid to Cwmni Cynnal during 2010/11 for services to schools.

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 2011/12.



## NOTE 36 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
549,970	Non-current Assets	355,848
77	Long Term Investments	77
648	Long Term Debtors - Capital	578
0	Government Grants Deferred	0
(13,340)	Revaluation Fund	(56,884)
(375,622)	Capital Adjustment Account	(149,676)
530	Financial Instruments Adjustment Account (relating to Non-current Assets)	530
<b>162,263</b>	<b>Capital Financing Requirement 31 March</b>	<b>150,473</b>

The movement in the year is explained as follows:

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
<b>158,579</b>	<b>Capital Financing Requirement 1 April</b>	<b>162,263</b>
1,968	Adjustment to opening balance	1
	In year Capital Investment -	
6,806	Council Dwellings	0
7,638	Land and Buildings	6,576
12,329	Infrastructure	15,979
4,309	Vehicles, Plant and Equipment	2,745
128	Community Assets	7
4,781	Assets under construction	9,723
5,850	Funded from capital under statute	5,076
700	Loans to third parties	0
(1,189)	Capital Receipts used	(2,723)
(24,483)	Government Grants and other contributions	(28,963)
(7,103)	Capital expenditure charged to revenue	205
(7,681)	Revenue Provision (MRP)	(5,647)
	Additional voluntary set aside :	
0	Capital Receipts	(14,118)
(369)	Voluntary Revenue Contribution	(651)
<b>162,263</b>	<b>Capital Financing Requirement 31 March</b>	<b>150,473</b>

## NOTE 37 – LEASES

### Authority as Lessee

#### Finance Leases

The Council has a number of vehicles and equipment under finance leases. The assets acquired under these leases are carried as Vehicles and Equipment in the Balance Sheet at the following net amounts:

<b>31 March 2010 £'000</b>		<b>31 March 2011 £'000</b>
645	Vehicles, Plant, Furniture and Equipment	395
<b>645</b>		<b>395</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

<b>31 March 2010 £'000</b>		<b>31 March 2011 £'000</b>
	Finance Lease liabilities (net present value of minimum lease payments):	
111	current	88
137	non-current	49
11	Finance costs payable in future years	5
<b>259</b>	<b>Minimum lease payments</b>	<b>142</b>

The minimum lease payments will be payable over the following periods:

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2010 £'000</b>	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>	<b>31 March 2011 £'000</b>
No later than one year	117	90	111	88
Later than one year and not later than five years	142	52	137	49
	<b>259</b>	<b>142</b>	<b>248</b>	<b>137</b>

## Operating Leases

	<b>31 March 2010 £'000</b>	<b>31 March 2011 £'000</b>
No later than one year	134	113
Later than one year and not later than five years	242	131
Later than five years	0	2
	<b>376</b>	<b>246</b>

## Authority as Lessor

### Finance Leases

Gwynedd Council have no Finance Leases where the Authority is the Lessor.

## Operating Leases

The Authority leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	<b>31 March 2010 £'000</b>	<b>31 March 2011 £'000</b>
No later than one year	601	561
Later than one year and not later than five years	1,295	1,117
Later than five years	2,457	2,304
	<b>4,353</b>	<b>3,982</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## NOTE 38 – IMPAIRMENT LOSSES

Note 14 and 15 show the movement by class of assets for impairment losses and reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

During 2010/11, the Authority has recognised an impairment loss of £473,860,040 in relation to the Housing Stock Transfer (see Note 1 to the Housing Revenue Account).

## NOTE 39 – TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in various Council Services in 2010/11, incurring liabilities of £388,668.67 (£647,478.76 in 2009/10).

## NOTE 40 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

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

In 2010/11 the Council paid £5.95m (£5.90m in 2009/10) in respect of teachers' pension costs, which represented 13.85% (13.87% in 2009/10) of teachers' pensionable pay. In addition the Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms for the teachers' scheme. In 2010/11 these amounted to £0.96m (£1.21m in 2009/10) representing 2.27% (2.85% in 2009/10) of teachers' pensionable pay. These costs are accounted for on a defined benefits basis and are included in Note 41.

## NOTE 41 – PENSION COSTS

As part of the terms and conditions of employment of its officers and other employees, the Authority makes contributions towards the cost of post employment 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 post employment schemes:

- a) **the Local Government Pension Scheme** administered locally by Gwynedd Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- b) **Arrangements for the award of post retirement benefits upon early retirement.** This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

## Transactions Relating to Post-employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge it is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	31 March	31 March	31 March	31 March	31 March	31 March
	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000
<b>Cost of Services</b>						
Current Service Cost	8,474	15,592	0	0	8,474	15,592
Past Service Costs	30	(47,646)	0	(2,963)	30	(50,609)
Settlements and Curtailments	134	(2,042)	0	0	134	(2,042)
<b>Financing and Investment Income and Expenditure</b>						
Interest Cost	24,956	31,301	3,022	2,816	27,978	34,117
Expected Return on Scheme Assets	(16,725)	(25,648)	(1,244)	(1,690)	(17,969)	(19,213)
<b>Total Post Employment Benefit Charged to the Surplus or Defecit on the Provision of Services</b>	16,869	(28,443)	1,778	(1,837)	18,647	(30,280)
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>						
Actuarial Gains and Losses	145,056	(139,844)	4,303	(6,215)	149,359	(146,059)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>	161,925	(168,287)	6,081	(8,052)	168,006	(176,339)
Reversal of net charges made to the Surplus or Defecit for the Provision of Post Employment Benefits in accordance with the Code	(143,269)	185,727	(6,081)	8,052	(149,350)	193,779
<b>Actual amount charged against council tax for pensions in the year</b>						
Employers' Contributions to the Scheme	<b>18,656</b>	<b>17,440</b>	<b>0</b>	<b>0</b>	<b>18,656</b>	<b>17,440</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £72,292,857.

## Assets and liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Gwynedd Council Pension Scheme 31 March		Gwynedd Closed Fund Pension Scheme 31 March		Total 31 March	
	2010	2011	2010	2011	2010	2011
	£'000	£'000	£'000	£'000	£'000	£'000
<b>1 April</b>	(359,854)	(617,490)	(45,757)	(55,407)	(405,611)	(672,897)
Current Service Cost	(8,474)	(15,592)	-	-	(8,474)	(15,592)
Interest Cost	(24,957)	(31,301)	(3,022)	(2,816)	(27,979)	(34,117)
Contributions by scheme participants	(4,908)	(4,702)	-	-	(4,908)	(4,702)
Actuarial (Losses)/Gains	(228,974)	186,990	(10,600)	6,688	(239,574)	193,678
Past Service Costs	(30)	47,646	-	2,963	(30)	50,609
Losses on Curtailments	(134)	(143)	-	-	(134)	(143)
Liabilities extinguished on Settlements	-	14,926				
Estimated Unfunded Benefits Paid	830	943	748	784	1,578	1,727
Estimated Benefits Paid	9,011	11,595	3,224	3,170	12,235	14,765
<b>31 March</b>	<b>(617,490)</b>	<b>(407,128)</b>	<b>(55,407)</b>	<b>(44,618)</b>	<b>(672,897)</b>	<b>(466,672)</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	
	2010	2011	2010	2011	2010	2011
	£'000	£'000	£'000	£'000	£'000	£'000
<b>1 April</b>	251,001	364,463	20,729	25,046	271,730	389,509
Expected Return on Assets	16,725	25,648	1,244	1,690	17,969	27,338
Contributions by Members	4,908	4,702	-	-	4,908	4,702
Contributions by the Employer	16,921	15,768	-	-	16,921	15,768
Contributions in respect of Unfunded Benefits	830	943	748	784	1,578	1,727
Actuarial Gains and Losses	83,919	(48,011)	6,297	(473)	90,216	(48,484)
Assets distributed on Settlements	-	(12,741)				(12,741)
Unfunded Benefits Paid	(830)	(943)	(748)	(784)	(1,578)	(1,727)
Benefits Paid	(9,011)	(11,595)	(3,224)	(3,170)	(12,235)	(14,765)
<b>31 March</b>	<b>364,463</b>	<b>338,234</b>	<b>25,046</b>	<b>23,093</b>	<b>389,509</b>	<b>361,327</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 actual return on scheme assets in the year was a loss of £30,863,988 (2009/10: loss of £108,184,868).

### Scheme History

	<b>Gwynedd Council Pension Scheme 31 March</b>		<b>Gwynedd Closed Fund Pension Scheme 31 March</b>		<b>Total 31 March</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair Value of Assets	364,463	338,233	25,046	23,093	389,509	361,326
Present Value of Liabilities	(617,490)	(407,128)	(55,407)	(44,619)	(672,897)	(451,747)
<b>Deficit in the Scheme</b>	<b>(253,027)</b>	<b>(68,895)</b>	<b>(30,361)</b>	<b>(21,526)</b>	<b>(283,388)</b>	<b>(90,421)</b>

	<b>Gwynedd Council Pension Scheme 31 March</b>			<b>Gwynedd Closed Fund Pension Scheme 31 March</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair Value of Assets	272,947	303,674	251,001	32,906	26,136	20,729
Present Value of Liabilities	(362,293)	(360,943)	(359,854)	(52,547)	(48,606)	(45,757)
<b>Deficit in the Scheme</b>	<b>(89,346)</b>	<b>(57,269)</b>	<b>(108,853)</b>	<b>(19,641)</b>	<b>(22,470)</b>	<b>(25,028)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £90.42m 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:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e before payments become due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £15.5m.

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Gwynedd Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Gwynedd Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2010. The principal assumptions used by the actuary are as follows:-

	31 March 2010	31 March 2011
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity	7.8%	7.5%
Bonds	5.0%	4.9%
Property	5.8%	5.5%
Cash	4.8%	4.6%
<b>Mortality assumptions</b>		
Longevity at 65 for current pensioners		
Men	20.8 years	20.5 years
Women	24.1 years	23.0 years
Longevity at 65 for future pensioners		
Men	22.3 years	23.3 years
Women	25.7 years	25.6 years
Rate of Inflation	3.8%	2.8%
Rate of increase in Salaries	5.3%	5.1%
Rate of increase in Pensions	3.8%	2.8%
Rate for discounting scheme liabilities	5.5%	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	75%	75%

The fund's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2011
	%	%
Equities	77	76
Bonds	15	13
Property	6	9
Cash	2	2
<b>Total</b>	<b>100</b>	<b>100</b>



## History of Experienced Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	Gwynedd Council Pension Scheme					Gwynedd Closed Fund Pension Scheme				
	31 March					31 March				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
	%	%	%	%	%	%	%	%	%	%
Differences between the expected and actual return on assets	0.1	0.2	-34.7	23.0	14.2	0.1	-17.6	-38.2	25.1	-2.0
Experience gains and losses on liabilities	-0.1	-12.1	-0.2	0.1	-30.3	0.6	0.7	0.4	-0.7	-6.8

In 2009/10 there was a variance of £2,151m between the deficit in the Scheme based on the Actuarial figures in comparison with the Liability related to the defined benefit pension schemes in the Balance Sheet, as the Actuary's report is based on estimates and due to timing issues. The variance of £2,098m in 2010/11 has been treated as Actuarial Gains and Losses on Pension Assets and Liabilities and therefore have been included in the Liability related to the defined benefit pension schemes in the Balance Sheet.

## NOTE 42 – CONTINGENT LIABILITIES

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

The Authority has made a provision within the accounts in recognition of the capping and aftercare costs for a waste disposal site. It is possible that the actual final cost may differ from the current estimated future cost.

The housing stock was transferred to Carterfi Cymunedol Gwynedd Cyf. on 12 April 2010. Whilst the project implementation costs has been reimbursed, there will be financial implications arising from the housing stock transfer, with the historic deficits in the pension fund relating to staff that transferred to Carterfi Cymunedol Gwynedd Cyf. remaining with the Council, however the Housing Revenue Account balances has also remained with the Council.

## NOTE 43 – TRUSTS

The Council acts as sole trustee for 170 bequests such as school prize funds and comforts and improvements to numerous Council Establishments. The total balance on these funds at 31 March 2011 was £558,675. These are invested to provide income.

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

## NOTE 44 – 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 16. The Authority does not expect any losses from non-performance by any counterparties other than Heritable Bank in relation to deposits.

The Council monitors credit ratings monthly and is alerted to changes by its treasury management consultants. Appropriate action is taken following any changes in accordance with the Annual Investment Strategy. Following improvement in the conditions in the financial sector the counterparty list for 2010/11 was extended to include 19 overseas banks in addition to the 8 banks with access to the Government's Credit Guarantee Scheme. The credit limit for overseas banks was set at £5m each whilst the credit limit for UK banks was increased from £15m to £20m. 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 2011/12. 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 and bike 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. Only one of these loans is now outstanding and the payment record is excellent.

One short term business loan was made during 2009/10 and repayments have been made in accordance with the agreement. The company has made arrangements to repay the outstanding balance of the loan in 2011/12, earlier than required by the original loan agreement.

The Council will be launching a Business Loan Fund for small and medium sized businesses within Gwynedd in 2010/11. The interest rate charged on such loans will be commensurate with the higher credit risk involved in these types of loans.

### **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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement would rise.
- Investments at fixed rates – the fair value of the assets would fall.

Interest rates remained at very low levels in 2010/11 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 generally 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 2011/12.

**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.

# HOUSING REVENUE ACCOUNT 2010/11

## STATEMENT OF INCOME AND EXPENDITURE

2009/10		2010/11
£'000	EXPENDITURE	£'000
6,807	Repairs and Maintenance	355
3,596	Supervision and Management	131
216	Rents, taxes and other charges	2
6,027	Subsidy Payable	197
	Depreciation and impairment of non-current assets –	
13,486	Note 6	203
292	Provision for bad debts	(1)
	Exceptional Item – Note 1	474,180
<u>30,424</u>	<b>Total Expenditure</b>	<u>475,067</u>
	<b>INCOME</b>	
(19,665)	Dwelling rents – Note 3	(381)
(406)	Other rents – Note 3	(16)
(255)	Service charges	(3)
(176)	Contribution to Expenditure	(148)
<u>(20,502)</u>	<b>Total Income</b>	<u>(548)</u>
<b>9,922</b>	<b>Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement</b>	<b>474,519</b>
98	HRA Share of Corporate and Democratic Core	3
<u>10,020</u>	<b>Net Cost of HRA Services</b>	<u>474,522</u>
	Loss or (gain) on sale of HRA non-current assets	(21)
779	Interest payable and similar charges	3,231
(80)	Interest and investment income	(17,329)
(4,100)	Capital grants and contributions receivable	(124)
<u>6,619</u>	<b>Deficit / (Surplus ) for the year</b>	<u>460,279</u>

<b>STATEMENT OF THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT</b>
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<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
<b>1,932</b>	<b>Balance on the HRA on 31.03.2010</b>	<b>1,967</b>
(6,619)	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	(460,279)
<u>6,651</u>	Adjustments between accounting basis and funding basis under statute – Note 7	<u>460,029</u>
32	Net increase or (decrease) before transfer to or from reserves	(250)
<u>3</u>	Transfer (to) or from reserves	<u>10</u>
<u>35</u>	Increase or (decrease) in year on the HRA	<u>(240)</u>
<b><u>1,967</u></b>	<b>Balance on the HRA on 31.03.2011</b>	<b><u>1,727</u></b>

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

### **NOTE 1 – EXCEPTIONAL ITEM (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 did not have the resources to achieve the WHQS within the timescale and 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 was transferred to Cartrefi Cymunedol Gwynedd on 12 April 2010.

The net cost of the stock transfer, setting up the RSL and other related issues (£7.331m) was payable to the Council by Cartrefi Cymunedol Gwynedd under the transfer agreement. This figure included a contribution of £1.6m towards the future costs of maintaining sewerage systems that were not transferred.

<b>AMOUNTS PAYABLE BY CARTREFI CYMUNEDOL GWYNEDD TO THE COUNCIL</b>	
	<b>£'000</b>
Setting up and transfer costs	4,886
Related Assets	1,600
Incidental Assets (including vehicles, tools, stock etc.)	434
Rent Arrears	356
Other assets	172
Less prepaid rents	(117)
	<b>7,331</b>

The above transaction have been included in the Council's accounts but they have no direct effect on the net cost of HRA services. This is confined to the impairment of all non-current assets transferred or sold to Cartrefi Cymunedol Gwynedd and the amortisation of all deferred charges relating to the HRA – see 'exceptional item' as detailed in the table below.

<b>EXCEPTIONAL ITEM</b>	
	<b>£'000</b>
Impairment of non-current assets	473,860
Amortisation of deferred charges	320
	<b>474,180</b>

The value of non-current assets transferred to Cartrefi Cymunedol Gwynedd is stated at £473.860m. This has been increased by £217.374m from the figure stated in the 2009-10 balance sheet because of the 'VAT Shelter' arrangement. This is a technical adjustment which will enable Cartrefi Cymunedol Gwynedd to recover VAT on the capital expenditure required to bring the houses to WHQS standard.

Also, as a result of the stock transfer, the proportion of PWLB debt relevant to the HRA (£14.118m) has been repaid and this, together with 'breakage costs' of £3.212 was financed by the Welsh Assembly Government. These transactions have been included in the HRA Statement of Accounts.

### **NOTE 2 – HOUSING STOCK**

The Council was responsible for managing 6,371 dwellings at 31 March 2010. The 56 'private sector leases' were transferred to the General Fund on 1 April, 1 house was sold and the rest of the stock was transferred to Cartrefi Cymunedol Gwynedd on 12 April.

<b>COUNCIL HOUSING STOCK</b>		
<b>31 March 2010</b>		<b>11 April 2010</b>
<b>Number</b>		<b>Number</b>
4,150	Houses	4,149
1,247	Flats	1,247
794	Bungalows	794
115	Sheltered Units	115
9	Flats above shops	9
56	Houses leased from private sector	
<b>6,371</b>	<b>Total</b>	<b>6,314</b>

### **NOTE 3 - RENTS**

This is the total rent income for houses, shops on housing estates and garages due for the year after after deducting void losses.

### **NOTE 4 – RENT ARREARS**

On 11 April 2010, the level of rent arrears was £875,648 including £379,213 relating to former tenants. When the stock was transferred, these were sold to Cartrefi Cymunedol Gwynedd for £356,180 (see Note 1) and the remaining balance (£530,867) was written off against the bad debt provision.

### **NOTE 5 - CAPITAL**

The capital expenditure incurred during the year and the financing is shown in the table below:-

<b>CAPITAL EXPENDITURE AND FINANCING</b>		
<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
7,916	Capital Expenditure	320
4,100	Major Repairs Allowance	124
913	Capital Receipts	112
2,183	Housing Revenue Account	84
<b>7,196</b>	<b>Total</b>	<b>320</b>

Capital receipts amounted to £183,385 during the year, £89,023 from the one house sold, £9,984 from mortgage repayments and £84,378 being the capitalised element of the receipt from Cartrefi Cymunedol Gwynedd in respect of the assets transfer (see Note 1).

### **NOTE 6 – DEPRECIATION**

A depreciation charge of £203,381 is shown against the Net Cost of Services, calculated according to good practice, £190,181 relating to houses and £13,200 to vehicles, plant and equipment.

### **NOTE 7 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE**

The following represent the difference between the accounting basis of the Income and Expenditure Account and the funding basis for the Housing Revenue Account under the Local Government and Housing Act 1989.

**ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND  
FUNDING BASIS UNDER STATUTE**

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
	Depreciation and impairment of non-	
13,475	current assets	474,063
(4,100)	Capital grants and contributions applied	(124)
	Revenue expenditure funded from capital	
6	under statute	320
	Gain/loss on disposal/sale of non-current	
	assets	(21)
	Statutory provision for the financing of	
(290)	capital investment	(8)
	Capital expenditure charged against	
(2,183)	HRA balances	(84)
	Use of capital receipts to finance	
(7)	repayment of debt	(14,118)
	Contribution from the Capital Receipts	
45	Reserve	2
(294)	Adjustments to the Pensions Reserve	
	Adjustments involving the Accumulated	
(1)	Absence Account	(1)
<hr/> 6,651	<b>Total</b>	<hr/> 460,029



# THE WELSH CHURCH FUND

2009-10		2010-11	
£'000		£'000	£'000
521.0	<b>Amount of Fund at 1st April</b>		515.4
(2.7)	Change in market value of investments on the Market		0
	<b>Add - Income during the year</b>		
15.7	Interest on Investments	13.9	
0	Profit on Sale of Investments	0.1	
0.6	Rents and Annuities	0.6	
16.3			14.6
	<b>Less - Expenditure during the year</b>		
(5.3)	Loss on sale of investments	(0.8)	
(13.9)	Grants and expenses	(14.7)	
			(15.5)
515.4	<b>Amount of Fund at 31st March</b>		514.5
	<b>Represented by the Following Assets:-</b>		
26.1	Land and Buildings		26.1
434.7	Investments at Market Value		432.2
23.5	Debtors		14.0
687.0	Cash in Hand		694.6
1,171.3			1,166.9
(627.6)	<b>Less - Proportion owing to Anglesey and Conwy Councils</b>		(624.4)
543.7			542.5
(48.9)	<b>Less - Creditors</b>		(45.9)
20.6	<b>Add - Proportion owing from Anglesey and Conwy Councils</b>		17.9
515.4	<b>Total</b>		514.5

## 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.

<b>FMG MORGAN TRUST FUND</b>
------------------------------

2009-10 £'000		2010-11 £'000
128.4	<b>Amount of Fund at 1st April</b>	131.2
	<b>Add</b> – Income during the year	
6.6	Interest on Assets	4.9
	<b>Less</b> – Expenditure during the year	
(3.8)	Grants	(1.3)
131.2	<b>Amount of Fund at 31st March</b>	134.8
	<b>Assets</b>	
24.5	Investments	24.5
106.7	Cash in Hand	110.3
131.2		134.8

#### 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 2011 was £169,057 (£150,982 at 31 March 2010).
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 2010/11

2010 £'000	Pension Fund Accounts for the Year Ended 31 March	2011 £'000
	<b>Contributions -</b>	
13,813	Employees - Staff	14,287
35	- Members	36
45,388	Employers - Staff	46,033
121	- Members	125
0	- Deficit Funding	4
0	- Augmentation	0
60	Interest on Deferred Contributions	49
2	Income from Divorce Calculations	1
0	Interest on Late Payments of Contributions	0
5,447	Transfers from Other Schemes	1,440
279	Purchase of Additional Service, etc.	194
<b>65,145</b>	<b>Total Contributions Received</b>	<b>62,169</b>
	<b>Benefits Payable -</b>	
(26,029)	Pensions	(27,177)
(6,658)	Lump Sums	(8,842)
(0)	Sickness Grants	(0)
(437)	Death Benefits	(945)
(14)	Withdrawals	(26)
(4,645)	Transfers to Other Schemes	(2,635)
(907)	Administrative Expenses (Note 9)	(1,061)
<b>(38,690)</b>	<b>Total Benefits Paid</b>	<b>(40,686)</b>
<b>26,455</b>	<b>Net Additions from Dealings with Members</b>	<b>21,483</b>

  

2010 £'000	Net Returns / (Losses) on Investments as at 31 March	2011 £'000
5,105	Investment Income (Note 5)	6,378
242,615	Change in the Market Value of Investments	70,545
(2,777)	Investment Management Expenses (Note 10)	(3,247)
<b>244,943</b>	<b>Net Returns/(Losses) on Investments</b>	<b>73,676</b>

  

2010 £'000	Net Increase / (Decrease) in the Fund During the Year	2011 £'000
26,455	Net Additions from Dealings with Members	21,483
244,943	Net Returns on Investment	73,676
<b>271,398</b>	<b>Net Increase/(Decrease) in the Fund During the Year</b>	<b>95,159</b>

  

2010 £'000	Net Assets of the Fund	2011 £'000
657,992	At 1 <sup>st</sup> April	929,390
271,398	Net Increase/(Decrease) in the Fund During the Year	95,159
<b>929,390</b>	<b>At 31 March</b>	<b>1,024,549</b>

2010 £'000	Net Assets Statement as at 31 March	2011 £'000
	<b>Investments at Market Value (Note 4)</b>	
	<b>Fixed Interest:</b>	
0	UK Public Sector Quoted	0
0	UK Other Quoted	0
129,351	Absolute Return	141,937
	<b>Index Linked:</b>	
0	UK Index Linked	0
	<b>Equities:</b>	
18,069	UK Quoted	15,152
0	UK Unquoted	0
125,891	Overseas Quoted	141,266
311	Overseas Unquoted	569
35,026	Private Equity	50,967
	<b>Pooled Investment Vehicles:</b>	
234,198	UK Unit Trusts Quoted	264,246
1	UK Ventures Unquoted	1
135,913	Overseas Unit Trusts	132,270
0	Overseas Managed Funds	0
154,130	Global Unit Trusts (including the UK)	166,179
71,089	Property Unit Trusts	88,990
	<b>Derivative Contracts:</b>	
3,508	Derivative Asset	3,453
(3,506)	Derivative Liability	(3,625)
	<b>Other:</b>	
13,439	Cash and Temporary Investments	19,411
136,167	Debtors - Sales of Investments Awaiting Settlement	640
7,471	Sundry Debtors (Note 11)	5,403
(130,769)	Creditors - Purchases of Investments Awaiting Settlement	(404)
(899)	Sundry Creditors (Note 12)	(1,906)
<b>929,390</b>	<b>Net Assets as at 31 March</b>	<b>1,024,549</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 2010 and the next valuation will be as at 31 March 2013) 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. The Actuarial present value of promised retirement benefits is shown in Note 3.

# **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  
Tywyn Town Council  
Llanllyfni Community Council  
Towyn and Kinnel Bay Town Council  
Abergele Town Council  
Colwyn Bay Town Council  
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 (until December 2010)  
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  
Cartrefi Cymunedol Gwynedd

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 2011. Foreign investments and foreign currency held at 31 March 2011 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 2011. Derivatives have been valued at their fair value on 31 March 2011. 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 2010 (previously 31 March 2007), 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)*	5.3%
Price Inflation / Pension Increases	3.3%

\* 1% for 2010/11 and 2011/12, returning to 5.3% after that.

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 2010 actuarial valuation shows the same level of solvency of the Fund as at the previous valuation. At the valuation date the market value of the Fund's assets was £930 million and the liabilities were valued at £1,114 million. The valuation showed that the Fund's liabilities exceeded its assets by £160 million, and that the funding level was 84%.

The actuarial present value of promised retirement benefits at 31 March 2011 were £1,197,000 (£1,289,000 at 31 March 2010). This value is the defined benefit obligation under IAS19 and has been calculated using the actuarial valuation at 31 March 2010 and the assumptions used to prepare IAS 19 and FRS17 reports for the individual employers in the Pension Fund. The assumptions are shown in Note 41 of the Notes to the Core Financial Statements.

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

The market value of the assets at 31 March 2011 are given below:-

	Total £'000	BlackRock %	Capital %	Fidelity %	Lothbury %	Partners %	UBS %	Insight %	*Gwy %	Total %
<b>Fixed Interest</b>										
Absolute Return	141,937	-	-	-	-	-	-	100.00	-	100.00
<b>Equities:</b>										
UK Quoted	15,152	-	100.00	-	-	-	-	-	-	100.00
Overseas Quoted	141,266	-	100.00	-	-	-	-	-	-	100.00
Overseas Unquoted	569	-	100.00	-	-	-	-	-	-	100.00
Private Equity	50,967	-	-	-	-	100.00	-	-	-	100.00
<b>Pooled Investment Vehicles:</b>										
UK Unit Trusts Quoted	264,246	100.00	-	-	-	-	-	-	-	100.00
UK Ventures Unquoted	1	-	-	-	-	-	100.00	-	-	100.00
Overseas Unit Trusts	132,270	56.30	24.41	19.29	-	-	-	-	-	100.00
Global Unit Trusts (including the UK)	166,179	-	-	100.00	-	-	-	-	-	100.00
<b>Property Unit Trusts</b>	88,990	6.73	-	-	21.03	-	72.24	-	-	100.00
<b>Derivative Contracts</b>						-		-	-	
Derivative Asset	3,453	-	-	-	-	-	100.00	-	-	100.00
Derivative Liability	(3,625)	-	-	-	-	-	(100.00)	-	-	100.00
<b>Cash &amp; Net Working Capital</b>	23,144	-	31.99	-	-	-	12.35	0.01	55.65	100.00
<b>Total</b>	<b>1,024,549</b>	<b>33.64</b>	<b>19.20</b>	<b>18.71</b>	<b>1.83</b>	<b>4.97</b>	<b>6.54</b>	<b>13.85</b>	<b>1.26</b>	<b>100.00</b>

\* Gwy - Gwynedd

#### NOTE 5 - INVESTMENT INCOME

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

2009/10 £'000		2010/11 £'000
432	UK Equities	605
2,554	Overseas Equities	3,115
15	Private Equity	113
2,036	Property Unit Trusts	2,578
369	Interest on Cash Deposits	153
(301)	Less Tax on Income	(186)
<b>5,105</b>	<b>Total</b>	<b>6,378</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. There was a further reduction of £13,248 in the impairment in 2010/11. This impairment has been included in the interest on cash deposits shown above. Further information is included in Note 16 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:-

2009/10		2010/11
£'000		£'000
22,361	Gwynedd Council	20,766
34,164	Scheduled Bodies	35,897
3,023	Admitted Bodies	4,007
88	Employers with no Contributors	0
0	Closed Fund*	9
<b>59,636</b>	<b>Total</b>	<b>60,679</b>

\*Closed Fund – These are contributions received from Theatr Harlech and Theatr Gwynedd during the year. They were admitted bodies but they are now all closed funds.

## NOTE 7 - BENEFITS PAYABLE

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

2009/10		2010/11
£'000		£'000
8,491	Gwynedd Council	9,266
11,976	Scheduled Bodies	15,020
847	Admitted Bodies	1,101
514	Employers with no Contributors	583
11,296	Closed Fund	10,994
<b>33,124</b>	<b>Total</b>	<b>36,964</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:-

2009/10		2010/11
£'000		£'000
820	Administration & Processing*	950
61	Actuarial Fees	85
25	Audit Fees	25
1	Professional Fees	1
<u>907</u>	<b>Total</b>	<u>1,061</u>

\*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 2010/11 was £906,391 (2009/10: £783,870).

## NOTE 10 - INVESTMENT MANAGEMENT EXPENSES

The investment management expenses are as follows:-

2009/10		2010/11
£'000		£'000
225	BlackRock	197
581	Capital International	610
300	Fidelity*	426
0	Insight**	599
140	Legal & General***	25
806	Partners Group	938
549	UBS Global Asset Management	344
1	JPMorgan	1
40	The Northern Trust Company	40
122	Hymans Robertson	54
13	The WM Company	13
<u>2,777</u>	<b>Total</b>	<u>3,247</u>

\* Fidelity commenced their brief in June 2009.

\*\* Insight commenced their brief in April 2010.

\*\*\* Legal and General ended their brief in May 2010.

## NOTE 11 - SUNDRY DEBTORS

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

2009/10		2010/11
£'000		£'000
5,464	Contributions Receivable	873
695	Internal Debtors	171
288	Debtor Invoices	3,331
551	Net Dividend Income	790
470	UK Tax	236
3	VAT	2
<b>7,471</b>	<b>Total</b>	<b>5,403</b>

## NOTE 12 - SUNDRY CREDITORS

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

2009/10		2009/10
£'000		£'000
107	Internal Creditors	1,017
297	Investment Fees	417
0	Legal Fees	6
15	Audit Fees	15
0	UK Tax	140
3	Contributions Payable	2
477	Benefits Due	309
<b>899</b>	<b>Total</b>	<b>1,906</b>

## NOTE 13 - PURCHASES AND SALES OF INVESTMENTS

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

	<b>Purchases (Book Value) 2010/11 £'000</b>	<b>Market Value of Sales 2010/11 £'000</b>
UK Equities	115,888	225,205
Overseas Equities	94,692	110,476
Global Equities (including UK)	633	374
Private Equity	10,315	1,986
British Government Securities	-	-
Fixed Interest Absolute Return Securities	6,001	-
Other UK Fixed Interest Securities	-	-
Index Linked Securities	-	-
Property Unit Trusts	17,793	3,000
Derivatives	27,455	27,761
Cash and Short Term Investments	148,250	148,264
<b>Total</b>	<b>421,027</b>	<b>517,066</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 £361,671 (2009/10: £330,676). 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 2011 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 2010	2,160	578	251	2,989
Contributions Received	287	1	14	302
Interest/change in market value of asset.	149	18	21	188
Transfer Values	-	-	-	-
Life Assurance Premiums	(0)	(0)	-	(0)
Retirement Benefits	(149)	(51)	(69)	(269)
Leavers (transfers and withdrawals)	(24)	-	(6)	(30)
Death Benefits	(9)	-	-	(9)
Refunds	(1)	-	-	(1)
Contributions Received, but not yet used to purchase benefits	(1)	-	-	(1)
<b>Value of Fund at 31 March 2011</b>	<b>2,412</b>	<b>546</b>	<b>211</b>	<b>3,169</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 £906,391 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 2010/11, the Fund received interest of £103,483 from Gwynedd Council.

Three 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. In every case these bodies were employers participating in 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 Caroline Roberts on 01286 679128.

#### **NOTE 17 - FUNDING STRATEGY STATEMENT**

In March 2011, Gwynedd Council published a Funding Strategy Statement as approved by the Pensions Committee. Copies can be obtained by contacting Mrs Caroline Roberts on 01286 679128.

#### **NOTE 18 - PENSION FUND ANNUAL REPORT FOR 2010/11**

This is an additional detailed report that is produced on the Pension Fund. Copies can be obtained by contacting Mrs Caroline Roberts on 01286 679128.

#### **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 Caroline Roberts on 01286 679128.

#### **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.

**INCOME & EXPENDITURE ACCOUNT 2010/11**  
**ANALYSIS OF SERVICE EXPENDITURE**

**APPENDIX A**

**Cultural and Related Services**

*Division of Service*

	<b>Total Expenditure £'000</b>	<b>Total Income £'000</b>	<b>Net Expenditure £'000</b>
Culture and Heritage	1,906	(507)	1,399
Recreation and Sport	12,336	(5,335)	7,001
Open Spaces	2,193	(867)	1,326
Tourism	1,111	(281)	830
Library Service	2,744	(200)	2,544
	<b>20,290</b>	<b>(7,190)</b>	<b>13,100</b>

**Environmental and Regulatory Services**

*Division of Service*

Cemetery, Cremation and Mortuary Services	1,049	(710)	339
Coast Protection	738	(70)	668
Community Safety (Crime Reduction)	1,016	(774)	242
Community Safety (CCTV)	367	(84)	283
Community Safety (Safety Services)	79	(79)	0
Flood Defence and Land Drainage	220	(43)	177
Agricultural and Fisheries Services	122	(202)	(80)
Regulatory Service	4,400	(2,474)	1,926
Street Cleansing (not chargeable to Highways)	3,033	(248)	2,785
Waste Collection	2,318	(107)	2,211
Waste Disposal	9,285	(2,186)	7,099
Trade Waste	2,085	(1,794)	291
Recycling	5,054	(3,317)	1,737
Waste Minimisation	78	0	78
Climate Change Costs (Optional)	0	0	0
	<b>29,844</b>	<b>(12,088)</b>	<b>17,756</b>

**Planning and Development Services**

*Division of Service*

Building Control	934	(504)	430
Development Control	1,581	(579)	1,002
Planning Policy	624	(53)	571
Environmental Initiatives	1,395	(501)	894
Economic Development	3,704	(2,245)	1,459
Community Development	1,639	(863)	776
Economic Research	6	0	6
Business Support	972	(409)	563
	<b>10,855</b>	<b>(5,154)</b>	<b>5,701</b>

**Children's and Education Services - Education**

*Division of Service*

Early Years	0	0	0
Primary Schools	51,490	(7,139)	44,351
Secondary Schools	48,201	(8,059)	40,142
Special Schools	6,462	(1,449)	5,013
Services to Young People	1,816	(249)	1,567
Other School-Related Education Functions	3,381	(1,358)	2,023
	<b>111,350</b>	<b>(18,254)</b>	<b>93,096</b>

**Children's and Education Services - Children's Social Care**

*Division of Service*

Service Strategy - Children	4,550	(427)	4,123
Children Looked After	8,761	(465)	8,296
Family Support Services	1,543	(228)	1,315
Youth Justice	1,115	(812)	303
Asylum Seekers	0	0	0
Other Children's and Families' Services	1,977	(1,393)	584
Children's and Young People's Safety	95	(61)	34
	<b>18,041</b>	<b>(3,386)</b>	<b>14,655</b>

	<b>Total Expenditure £'000</b>	<b>Total Income £'000</b>	<b>Net Expenditure £'000</b>
<b>Highways, Roads and Transport Services</b>			
<i>Division of Service</i>			
Transport Planning, Policy and Strategy	1,250	(422)	828
Structural Maintenance	9,752	(3,442)	6,310
Capital Charges relating to Construction Projects	4,192	(1,774)	2,418
Environment, Safety and Routine Maintenance	4,109	(1,499)	2,610
Street Lighting (including energy costs)	2,180	(332)	1,848
Winter Service	2,023	(282)	1,741
Traffic Management and Road Safety	1,088	(226)	862
Parking Services	2,066	(1,898)	168
Public Transport	5,291	(3,348)	1,943
Airports, Harbours and Toll Facilities	0	0	0
	<b>31,951</b>	<b>(13,223)</b>	<b>18,728</b>
<b>Housing Services (Council Fund)</b>			
<i>Division of Service</i>			
Housing Strategy	386	(633)	(247)
Enabling	91	0	91
Housing Advice	0	0	0
Housing Advances	0	0	0
Private Sector Housing Renewal	3,632	(1,454)	2,178
Licensing of Private Sector Landlords	501	(54)	447
Homelessness	1,819	(586)	1,233
Housing Benefits Payments	26,852	(26,791)	61
Housing Benefits Administration	1,185	(797)	388
Contribution to the HRA re items shared by the whole community	0	0	0
Other Council Property	131	(30)	101
Supporting People	4,010	(4,003)	7
Other Welfare Services	0	0	0
	<b>38,607</b>	<b>(34,348)</b>	<b>4,259</b>
<b>Adult Social Care</b>			
<i>Division of Service</i>			
Service Strategy - Older People	306	(5)	301
Older People (aged 65 or over) including Older Mentally Ill	33,109	(10,677)	22,432
Adults aged under 65 with a Physical Disability or Sensory Impairment	4,277	(429)	3,848
Adults aged under 65 with Learning Disabilities	14,302	(2,869)	11,433
Adults aged under 65 with Mental Health Needs	3,951	(652)	3,299
Other Adult Services	1,225	(761)	464
	<b>57,170</b>	<b>(15,393)</b>	<b>41,777</b>
<b>Central Services to the Public</b>			
<i>Division of Service</i>			
Local Tax Collection	10,164	(9,486)	678
Registration of Births, Deaths and Marriages	382	(170)	212
Elections	507	(299)	208
Emergency Planning	158	0	158
Local Land Charges	113	(117)	(4)
General Grants, Bequests and Donations	0	0	0
Coroners' Court Services	421	(162)	259
Other Court Services	0	0	0
	<b>11,745</b>	<b>(10,234)</b>	<b>1,511</b>
<b>Corporate and Democratic Core</b>			
<i>Division of Service</i>			
Democratic Representation and Management	2,827	(58)	2,769
Corporate Management	5,575	(2,768)	2,807
	<b>8,402</b>	<b>(2,826)</b>	<b>5,576</b>
<b>Non Distributed Costs</b>			
<i>Division of Service</i>			
Non Distributed Costs	9	(52,660)	(52,651)
	<b>9</b>	<b>(52,660)</b>	<b>(52,651)</b>
<b>Housing Revenue Account</b>			
Housing Revenue Account	890	(548)	342
Housing Revenue Account - Exceptional Costs	474,180	0	474,180
	<b>475,070</b>	<b>(548)</b>	<b>474,522</b>
<b>COST OF SERVICES</b>			
	<b>813,334</b>	<b>(175,304)</b>	<b>638,030</b>