INDEX

EXPLANATORY FOREWORD

Introduction

Gwynedd Council's accounts for the year 2011/12 are set out on pages 9 to 109.

The Accounts 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** - Sets out the financial position of the Council on 31 March 2012.

- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2011/12 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 2011/12

- The Comprehensive Income and Expenditure Statement on page 10 shows that the Council's gross revenue expenditure on 'Cost of Services' level is £332m during 2011/12, with the net position as £207m.

- The financial out-turn position for 2011/12 was reported to Cabinet at its meeting on 12 June 2012, the members of the Cabinet approved the carry forward of service underspends of £384k for the year, the transfer of £655k to earmarked reserves and the drawing of £142k from General Balances.

TABLE 1 – Budget and Actual Comparison Summary (Net)

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

	Budget £'000	Actual £'000	Variance £'000
Net Expenditure on Operations	229,347	228,996	(351)
Departmental Carry Forward at year end	0	384	384
	229,347	229,380	33
Financed by -			
Council Tax Income	(61,320)	(61,353)	(33)
Share of National Non-Domestic Rate	(28,327)	(28,327)	0
General Government Grants	(139,700)	(139,700)	0
	0	0	0

- The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement on page 10 and 11 details the actual analysis in movements for the year.

TABLE 2 – Transposition movement between budget and actual Comparison Summary format (Table 1) to Income and Expenditure format reflecting Departmental Management Structure.

Department	Performance Report	Transposition Adjustment	Income & Expenditure Statement
	£'000	£'000	£'000
Human Resources	226	(1)	225
Finance	1,079	(2)	1,077
Democracy and Legal	621	0	621
Customer Care	2,478	57	2,535
Strategic and Improvement	715	43	758
Education	87,746	400	88,146
Economy and Community	6,444	(477)	5,967
Highways and Municipal	28,309	(1,109)	27,200
Regulatory (Planning, Transport and Public Protection)	11,510	(73)	11,437
Gwynedd Consultancy	452	(31)	421
North Wales Trunk Road Agency	(47)	(6)	(53)
Provider and Leisure	4,825	(171)	4,654
Housing and Social Services	59,738	(98)	59,640
Corporate Leadership Team	(77)	0	(77)
Housing Revenue Account	0	0	0
Corporate	4,476	335	4,811
Reserves	(6)	0	(6)
Insurance	0	0	0
Cost of Services	208,489	(1,133)	207,356
Other (Contains Centralised and Corporate Adjustment)	20,891	1,133	22,024
Total	229,380	0	229,380

- Full standard Income and Expenditure format analysis is contained on page 10.

- Full analysis of amounts reported for resource allocation decisions is contained within Note 30, page 57.

- Service Reporting Code of Practice (SeRCOP) Analysis is contained within Appendix A.

- **Non Distributed Costs**

  The Non Distributed Costs heading within the Costs of Services in the Comprehensive Income and Expenditure Statement has been split to highlight an Exceptional Item in 2010/11. The Exceptional Item relates to the pension adjustment resulting from the consumer price index rather than the retail price index being used as the basis for the public sector pension increases.

- **Material Items of Income and Expense**

  The accounts include certain movements within Provisions, Repayment of Landfill Tax and the cost of Termination Benefits that are considered to be material in the year. Further related information are contained within the main body of the accounts.

- **Housing Revenue Account**

  It was decided by the Welsh Assembly Government that all council housing stock in Wales should meet the Welsh Housing Quality Standard (WHQS). Gwynedd Council did not have the resources to achieve the WHQS within the necessary timescale, therefore Gwynedd Council's housing stock was transferred 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. Details can be found in the Housing Revenue Account section of the Accounts.

- **Impact of Current Economic Climate**

  Since 2008/09 there have been unprecedented problems in the global financial situation. Due to this situation, the Authority has amended all its financial plans accordingly, and kept a prudent level of balances and reserves.

CAPITAL EXPENDITURE IN 2011/12

Capital expenditure for 2011/12 amounted to £36m. The following table gives an analysis of this expenditure and the way it was financed.

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

2010/11 £'000		2011/12 £'000
95	Human Resources	259
7,993	Education	8,422
74	Trunk Road Agency	215
47	Finance	0
1,507	Provider and Leisure	378
2,232	Economy and Community	3,206
30	Democracy and Legal	0
5,974	Customer Care	4,345
2,912	Housing and Social Services	2,955
3,806	Highways and Municipal	7,409
9,024	Regulatory	8,284
673	Strategic and Improvement	80
320	Council Houses	21
5,401	Gwynedd Consultancy	392
1	Corporate	1
40,089		**35,967**
	FINANCED BY -	
8,625	Borrowing	8,897
28,963	Grants and Contributions	16,108
2,723	Capital Receipts	2,789
(222)	Revenue and Other Funds	8,173
40,089		**35,967**

- Revenue Expenditure Funded from Capital Under Statute of £4,679,840 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 £31,286,900 as shown in Note 15 on pages 36 to 38.

- The Council's Loan Debt on 31 March 2012 was £112.6m – a reduction of £1.3m (from £113.9m) during the year. Repayments of £1.3m were made in accordance with the terms of individual loans. It was not necessary to take out any new borrowing as the cash flow position was sufficient to fund capital expenditure.

Provisions and Reserves

In addition to General Balances of £8.0m, the Council had other provisions (as defined) of £4.0m, earmarked reserves of £51.1m and school balances of £4.4m, totalling £67.5m. These are detailed in the Balance Sheet, Movement in Reserves Statement and in Notes 10, 24, 25 and 26.

Pension Fund

The Council's share of the assets and liabilities of the Gwynedd Pension Fund (as an employer organisation within the Gwynedd Pension Fund) is a net liability, and has been calculated in accordance with International Accounting Standard 19. The Balance Sheet contains an assessment by the Council's Actuary, being Hymans, of the Council's share of the Pension Fund liability. The net liability has increased by £37,732,000 to £128,153,000 in 2011/12, refer to Note 44 for further information.

The net pension liability is a position taken at one point in time. Market prices can move up as well as down in the short term and it is therefore not possible to quantify the long term effect this movement in market prices will have on the Pension Fund.

Gwynedd Pension Fund

The Gwynedd Pension Fund Accounts (pages 81 to 109) show an increase during the year of £25.9m in the market value of the net assets of the Fund, to £1,049.7m. The book value of the net assets at 31 March 2012 was £890.1m (2011: £828.2m).

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 13.

Changes in Accounting Policies and to the Statement of Accounts

The Statements of Accounts are prepared in accordance with CIPFA's *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12*. Changes in the Code has resulted in the adoption of new accounting policies and changes to disclosure requirements. The main changes to the 2011/12 Accounts are detailed below:

• **Heritage Assets** – The adoption of FRS 30 *Heritage Assets* by the Code has resulted in a change of accounting policy, with heritage assets now being recognised as a separate class of assets in the financial statements. Both the 1 April 2010 and the 31 March 2011 Balance Sheets and the 2010/11 Movement in Reserves Statement have been restated to include heritage assets of £93,065. Refer to Note 2 for further information.

• **Exit Packages** – The Code has introduced a new disclosure requirement relating to the number and cost of exit packages. Refer to Note 42 for further information.

FURTHER INFORMATION

The Statement of Accounts is available on Gwynedd Council's website www.gwynedd.gov.uk.

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.

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.

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 2012 and its income and expenditure for the year then ended.

28 June 2012

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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**
Balance 31 March 2010 carried forward		**(8,257)**	**(40,603)**	**(3,807)**	**(1,967)**	**(6,610)**	**(197)**	**(61,441)**	**(102,028)**	**(163,469)**
Adjust Opening Balance		0	0	0	0	0	0	**0**	**(93)**	**(93)**
Restatement of opening balance		**(8,257)**	**(40,603)**	**(3,807)**	**(1,967)**	**(6,610)**	**(197)**	**(61,441)**	**(102,121)**	**(163,562)**
Movement in reserves during 2010/11										
(Surplus)/Deficit on provision of services		(67,302)	0	0	235,772	0	0	**168,470**	**0**	**168,470**
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	**0**	**(188,181)**	**(188,181)**
Total Comprehensive Income and Expenditure		(67,302)	0	0	235,772	0	0	**168,470**	**(188,181)**	**(19,711)**
Adjustments between accounting basis and funding basis under regulations	*9*	56,490	0	0	(235,522)	1,412	(1,020)	**(178,640)**	**178,640**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		(10,812)	0	0	250	1,412	(1,020)	**(10,170)**	**(9,541)**	**(19,711)**
Transfers to/from Earmarked Reserves	*10*	10,875	(10,186)	(679)	(10)	0	0	**0**	**0**	**0**
Increase/Decrease in 2010/11		63	(10,186)	(679)	240	1,412	(1,020)	**(10,170)**	**(9,541)**	**(19,711)**
Balance 31 March 2011 carried forward		**(8,194)**	**(50,789)**	**(4,486)**	**(1,727)**	**(5,198)**	**(1,217)**	**(71,611)**	**(111,662)**	**(183,273)**
Movement in reserves during 2011/12										
(Surplus)/Deficit on provision of services		(14,409)	0	0	0	0	0	**(14,409)**	**0**	**(14,409)**
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	**0**	**46,762**	**46,762**
Total Comprehensive Income and Expenditure		(14,409)	0	0	0	0	0	**(14,409)**	**46,762**	**32,353**
Adjustments between accounting basis and funding basis under regulations	*9*	14,336	0	0	0	1,547	(1,211)	**14,672**	**(14,672)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		(73)	0	0	0	1,547	(1,211)	**263**	**32,090**	**32,353**
Transfers to/from Earmarked Reserves	*10*	216	(264)	48	0	0	0	**0**	**0**	**0**
Increase/Decrease in 2011/12		143	(264)	48	0	1,547	(1,211)	**263**	**32,090**	**32,353**
Balance 31 March 2012 carried forward		(8,051)	(51,053)	(4,438)	(1,727)	(3,651)	(2,428)	**(71,348)**	**(79,572)**	**(150,920)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – 2011/12

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.

2010-11					2011-12		
Gross Expenditure	Gross Income	Net Expenditure		*Note*	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
19,535	(7,190)	12,345	Culture and Related Services		17,270	(7,536)	9,734
29,627	(12,088)	17,539	Environmental and Regulatory Services		29,018	(9,729)	19,289
10,847	(5,154)	5,693	Planning Services		10,599	(5,875)	4,724
107,909	(18,254)	89,655	Education and Children's Services – Education		109,746	(20,193)	89,553
18,005	(3,386)	14,619	Education and Children's Services - Children's Social Care		18,804	(3,205)	15,599
31,951	(13,223)	18,728	Highways and Transport		30,306	(12,905)	17,401
38,584	(34,348)	4,236	Housing Services (Council Fund)		38,999	(34,893)	4,106
56,507	(15,393)	41,114	Adult Social Care		55,186	(14,591)	40,595
11,745	(10,234)	1,511	Central Services to the Public		11,821	(10,517)	1,304
7,701	(2,826)	4,875	Corporate and Democratic Core		9,897	(5,074)	4,823
(50,757)	0	(50,757)	Non Distributed Costs - Exceptional Item*		0	0	0
9	(1,903)	(1,894)	Non Distributed Costs		67	161	228
1,210	(548)	662	Housing Revenue Account		0	0	0
466,727	(217,374)	249,353	Housing Revenue Account - Exceptional Costs**		0	0	0
749,600	**(341,921)**	**407,679**	**Cost of Services**		**331,713**	**(124,357)**	**207,356**
18,669	(21)	18,648	Other Operating Expenditure	*11*	18,588	(401)	18,187
27,506	(28,090)	(584)	Financing and Investment Income and Expenditure	*12*	15,875	(10,255)	5,620
0	(257,273)	(257,273)	Taxation and non-specific grant income	*13*	0	(245,572)	(245,572)
795,775	**(627,305)**	**168,470**	**(Surplus) / Deficit on Provision of Services**		**366,176**	**(380,585)**	**(14,409)**
		(45,084)	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets	*26*			4,862
		0	(Surplus) / Deficit on revaluation of available for sale financial assets				0
		(143,097)	Actuarial (Gains) / Losses on pension assets / liabilities	*44*			41,900
		(188,181)	**Other Comprehensive Income and Expenditure**				**46,762**
		(19,711)	**Total Comprehensive Income and Expenditure**				**32,353**

* In 2010/11, this is the pension adjustment relating to the consumer price index rather than the retail price index being used as the new basis for the public sector pension increases.

** In 2010/11, Gwynedd Council's Housing Stock was transferred to Cartrefi Cymunedol Gwynedd on 12 April 2010.

BALANCE SHEET – 31 MARCH 2012

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'.

1 April 2010	**31 March 2011**		*Note*	**31 March 2012**
£'000	**£'000**			**£'000**
548,020	353,391	Property, Plant and Equipment	*15*	362,284
93	93	Heritage Assets	*16*	93
1,031	298	Investment Property	*17*	298
109	107	Surplus Assets	*15*	84
1,156	585	Long Term Investments	*18*	296
2,248	4,555	Long Term Debtors	*18*	3,898
552,657	**359,029**	**Long Term Assets**		**366,953**
54,024	50,116	Short Term Investments	*18*	35,875
810	2,052	Assets Held for Sale	*22*	1,607
1,175	1,251	Stock	*19*	1,380
37,182	27,976	Short Term Debtors	*20*	31,200
6,583	19,172	Cash and Cash Equivalents	*21*	17,687
99,774	**100,567**	**Current Assets**		**87,749**
(15,452)	(15,554)	Bank Overdraft	*21*	(6,904)
(6,444)	(5,608)	Short Term Borrowing	*18*	(2,050)
(43,767)	(45,355)	Short Term Creditors	*23*	(45,534)
(57)	0	Short Term Provisions	*24*	(34)
(6,062)	(1,829)	Capital and Revenue Grants Receipts in Advance	*36*	(3,629)
(71,782)	**(68,346)**	**Current Liabilities**		**(58,151)**
(297)	(251)	Long Term Creditors	*18*	(202)
(3,273)	(3,390)	Long Term Provisions	*24*	(3,949)
(132,143)	(113,866)	Long Term Borrowing	*18*	(113,000)
(281,237)	(90,421)	Pension Liability	*44*	(128,153)
(137)	(49)	Finance Leases Liability	*39*	(29)
0	0	Capital and Revenue Grants Receipts in Advance	*36*	(298)
(417,087)	**(207,977)**	**Long Term Liabilities**		**(245,631)**
163,562	**183,273**	**Net Assets**		**150,920**
(61,441)	(71,611)	Usable Reserves	*25*	(71,348)
(102,121)	(111,662)	Unusable Reserves	*26*	(79,572)
(163,562)	**(183,273)**	**Total Reserves**		**(150,920)**

CASH FLOW STATEMENT – 2011/12

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.

2010-11 £'000		***Note***	**2011-12 £'000**
168,470	Net (Surplus) or Deficit on the Provision of Services		(14,409)
(220,956)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	*27a*	(18,579)
(4,595)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	*27b*	(4,115)
(57,081)	Net cash flows from Operating Activities	*27c*	(37,103)
18,689	Investing Activities	*28*	19,265
25,905	Financing Activities	*29*	10,673
(12,487)	Net increase in cash and cash equivalents		(7,165)
(8,869)	Cash and cash equivalents at the beginning of the reporting period	*21*	3,618
3,618	**Cash and cash equivalents at the end of the reporting period**	*21*	**10,783**

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12* and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the 2005 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.

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet where such balances are considered material.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

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 Corporate and Democratic Core

The Corporate and Democratic Core heading include items relating to the Democratic Representation and Management and Corporate Management. The Democratic Representation and Management include corporate policy making and member activities while the Corporate Management includes costs that relate to the general running of the Authority.

1.7 Employee Benefits

1.7.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. A provision is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The provision is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The provision is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

1.7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.7.3 Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions.
- The Local Government Pensions Scheme, administered by the Gwynedd Pension Fund at Gwynedd Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees when they worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

1.7.4 The Local Government Pension Scheme

All other staff, subject to certain qualifying criteria, are entitled to become members of the Local Government Pension Scheme. The pension costs charged to the Authority's accounts in respect of this group of employees is determined by the fund administrators and represents a fixed proportion of employees' contributions to this funded pension scheme.

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.8% calculated as a weighted average of 'spot yields' on AA rated corporate bonds.

The assets of the Gwynedd Pension Fund attributable to the Authority are included in the balance sheet at their fair value as determined by the Fund's actuary.

The change in the net pensions liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

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

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.7.5 Discretionary Benefits

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

1.8 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.

1.9 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 the 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.

1.10 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 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.

1.11 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.

1.12 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.

1.13 Heritage Assets

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council. Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held by the Authority principally for their contribution to knowledge or culture. The Council has identified the following categories of heritage assets:

- Pictures and Paintings
- Civic Regalia
- Library Collections/Archives
- Museums and Art Gallery Collections
- Historic Buildings and Scheduled Monuments
- Parks and Local Nature Reserves

The Council employed an external valuer (Bonhams) in March 2012 to provide estimated valuations of its civic regalia and paintings and pictures. The market value of which is £93,065 and this will be recognised as a gain in the Revaluation Reserve. Any item over the de-minimus threshold of £10,000 is shown separately in the accounts; all other items are grouped under general civic regalia and paintings and pictures. The Council owns two paintings above the de-minimus threshold. (For consistency, the Council has applied the same de-minimus levels for valuation purposes to Heritage Assets as its other long term assets – see policy 1.19)

The majority of the pictures and paintings are kept in the Council's galleries, with the remainder at various Council establishments. There is no specific corporate policy on acquisition, preservation, management and disposal of pictures and paintings beyond the general requirements as contained within the Financial Procedure Rules of the Council's Constitution.

The Council considers that heritage assets held by the Council will have indeterminate life and high residual value; hence, the Council does not consider it appropriate to charge depreciation for the assets. Heritage assets recognised in the accounts will be assessed annually for any impairment.

Gwynedd's Archives, Libraries and Museums maintain heritage artefacts and archive records in its collections and archives. The Council has three museums - Gwynedd Museum in Bangor, Lloyd George Museum in Llanystumdwy and Quakers Heritage Centre in Dolgellau. The Council owns two archives, Caernarfon Record Office and Meirionnydd Record Office in Dolgellau as well as 17 libraries. Gwynedd Museum Service has an acquisition and disposal, and conservation policy in respect of heritage artefacts and archive records.

Conclusive cost or valuation information is not always readily available for the vast majority of items held in the artefacts and archives collection, and even if valuations could be obtained the costs would be onerous compared to the additional benefits derived due to the number of assets held and the lack of comparable market values. Attempting to value heritage assets acquired historically raises a number of further conceptual concerns. Valuation of heritage assets is complicated by the nature of many such assets. They are rarely sold and often have a value enhanced above the intrinsic due to, for example –

- their association with a person, event or collection;
- a limited number of buyers;
- no homogeneous population of assets on the market;
- imperfect information about the items for sale.

In contrast with many commercial assets, therefore, there is seldom an active market to provide indicative values of similar objects. This makes materially accurate valuations almost impossible to achieve for many heritage assets. While it may be possible to assign a cost to items purchased within a financial year, historic cost quickly becomes obsolete and meaningless, not only because of general price movement where markets for similar items do not exist, but also because of changing opinions about attribution. The last significant artefacts bought by the Council were the 'Newborough Archive 12th to 20th Centuries' collection in 2002 and a wallet belonging to David Lloyd George in 1999.

The Council owns numerous listed buildings that are classed as Land and Buildings. As these are operational assets of the Council, the decision was made not to reclassify them as Heritage Assets. The Council are responsible for the maintenance of monuments and structures. Some monuments have been valued but are below the de-minimus threshold for recognition in the accounts, and other monuments and structures were not valued as the Council is of opinion that there is no real market value for the asset. Obtaining this information would involve a disproportionate cost in comparison to the benefits to the users of the Council Statement of Accounts – this exemption is permitted by the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12*.

Some Parks and Local Nature Reserves, as well as Bird Sanctuaries, Forests and Coastlines are already provided for in the accounts as Community Assets. However, most of these assets fall below the de-minimus value for recognition. The decision was made to retain the classification of these assets as Community Assets. Community Assets are defined as assets that the Council intends to hold in perpetuity and where there are restrictions on their disposals.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1.19 Long Term Assets

The Council's assets as recorded on the Property Services database are revalued at least every 5 years. 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 1st 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.

Impairment and Depreciation

Impairment

An impairment is the consumption of economic benefit that is specific to an asset. In line with International Accounting Standard 36 the Council reviews its assets 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.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Depreciation

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 2011/12 financial year this has been set at £1.64m which is 1% of the total value of the buildings). The apportionment to be considered for the non-land element of assets above the de-minimus 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 31st 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 2011/12 is shown below -

For capital expenditure incurred before 1st April 2008 or which in the future will be supported capital expenditure, the MRP policy will be based on the Capital Financing Requirement (CFR) at 4% of the opening balance less an adjustment ('A') (Option 1). "Adjustment A" was intended to achieve neutrality between the CFR and the former Credit Ceiling which was used to calculate MRP prior to the introduction of the Prudential System on 1st April 2004.

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

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

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

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

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

1.20 Non Distributed Costs

The majority of central support services are allocated to the service divisions in accordance with the Service Reporting Code of Practice (SeRCOP) 2011-12. The items that are excluded from this treatment are defined as Non Distributed Costs and the two main areas are:-

- Retirement Benefits Costs (past service costs, settlements and curtailments)
- The costs of unused share of IT Facilities and other assets

In 2010-11, there is an exceptional item under Non Distributed Costs which results from the consumer price index rather than the retail price index being used as the basis for the public sector pension increases.

1.21 Provisions

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

1.22 Reserves

Under the provisions of the Local Government Act 1988 the Council has one General 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.

1.23 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.

1.24 Value Added Tax

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

1.25 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.

1.26 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.

1.27 Allocation of Interest Received

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

1.28 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.

1.29 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.

1.30 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, 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.

1.31 Disposals
When an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure as part of the gain or loss on disposal (i.e netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

All capital receipts that belong to the Council's Fund 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.

1.33 Accounting for the costs of the Carbon Reduction Commitment Scheme
The authority is subject to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. Authorities participating in the scheme are required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. Gwynedd Council was below the relevant threshold in respect of 2011/12.

1.34 Cost Relating to Unequal Pay Claims
A provision is contained within the Authority's Accounts in respect of the cost of Equal Pay Claims and reflects the best estimate of potential cost as at 31 March 2012.

1.35 Landfill Allowance Schemes

The Landfill Allowances Scheme operates under the Landfill Allowances Scheme (Wales) Regulations 2004. Local Authorities are allocated annual target figures for the maximum amount of biodegradable municipal waste that can be sent to landfill. For each tonne of biodegradable municipal waste sent to landfill in excess of the target a Local Authority may be liable to a penalty of £200 per tonne. It is not a "cap and trade" scheme since landfill allowances are not tradable in Wales. For this reason, landfill allowances are not recognised as assets on the Balance Sheet.

NOTE 2 – HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Authority.

For 2011/12 the Authority is required to recognise heritage assets at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the Property, Plant and Equipment classification in the Balance Sheet, or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Authority's accounting policies for recognition and measurement of heritage assets are set out in Policy 1.13.

The Authority has shown separately an additional £93,065 of heritage assets that were not previously recognised in the Balance Sheet. This increase has also been reflected in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have been restated in the 2011/12 Statement of Accounts to apply the new policy.

Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010	Restated Opening Balances as at 1 April 2010	Restatement 1 April 2010
	£'000	£'000	£'000
Property, Plant and Equipment	548,020	548,020	0
Heritage Assets	0	93	93
Long-term Assets	**552,564**	**552,657**	**93**
Total Net Assets	**163,469**	**163,562**	**93**
Unusable Reserves	(102,028)	(102,121)	(93)
Net Worth	**(163,469)**	**(163,562)**	**(93)**

Effect on Balance Sheet 31 March 2011

	As previously stated 31 March 2011	As restated 31 March 2011	Restatement 2011
	£'000	£'000	£'000
Property, Plant and Equipment	353,391	353,391	0
Heritage Assets	0	93	93
Long-term Assets	**357,189**	**357,282**	**93**
Total Net Assets	**183,180**	**183,273**	**93**
Unusable Reserves	(111,569)	(111,662)	(93)
Net Worth	**(183,180)**	**(183,273)**	**(93)**

The corresponding restatement of the relevant lines in the Movement in Reserves Statement, as at 31 March 2011, is also shown in the Accounts.

Effect on Movement in Reserves Statement 2010/11

	As previously stated 31 March 2011	As restated 31 March 2011	Restatement 2011
	£'000	£'000	£'000
Balance 31 March 2010	**(163,469)**	**(163,469)**	**0**
Adjustment	0	(93)	(93)
Re-statement of Opening Balance	**(163,469)**	**(163,562)**	**(93)**
Re-stated Balance 1 April 2011	**(183,180)**	**(183,273)**	**(93)**

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

There are two prior period adjustments relating to the 2010/11 accounts. Firstly, the adjustment required following the change of accounting policy relating to heritage assets. Both the 1 April 2010 and the 31 March 2011 Balance Sheets have been restated to reflect the amendment, together with the 2010/11 Movement in Reserves Statement. Refer to Note 2 above for further information.

Secondly, a prior period adjustment has been made in respect of the 2010/11 accounts relating to the classification between long and short term debtors. The 31 March 2011 Balance Sheet has been restated to reflect the amendment. The following table provides information on the adjustment.

Effect on Balance Sheet 31 March 2011

	As previously stated 31 March 2011 £'000	As restated 31 March 2011 £'000	Restatement 2011 £'000
Debtors			
Long Term Debtors	2,808	4,555	1,747
Short Term Debtors	29,723	27,976	(1,747)
Total Long and Short Term Debtors	**32,531**	**32,531**	**0**

NOTE 4 – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2011/12 the only change in accounting standards that have been issued but have not yet been adopted relates to IFRS 7 *Financial Instruments: Disclosures (transfers of financial assets)* and is required to be implemented from 1 April 2012.

Financial Instruments: Disclosures

The two main categories of disclosures required by IFRS 7 are:

1. information about the significance of financial instruments.
2. information about the nature and extent of risks arising from financial instruments

The Authority does not expect that the adoption of IFRS 7 Financial Instruments: Disclosures will have a significant effect on its financial statements.

NOTE 5 – 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 6 – 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 2012 may be considered to be a significant risk, with the 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 15.

- **Provisions** – Various separate provisions, the basis of which have been individually assessed, are contained within these accounts as detailed in Note 24.

- **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 43 and 44.

- **Doubtful Debts Impairment / Provision** – A certain impairment level of doubtful debts is contained within the accounts and is 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 20.

NOTE 7 – MATERIAL ITEMS OF INCOME AND EXPENSE
(Not disclosed on the face of the Comprehensive Income and Expenditure Statement)

Related items include certain movements within Provisions, Repayment of Landfill Tax and the cost of Termination Benefits within the year. Further related information are contained within the main body of the accounts.

NOTE 8 – EVENTS AFTER THE BALANCE SHEET DATE

There are no known post balance sheet events.

NOTE 9 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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.

2011-12 **ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**	Usable Reserves				
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(17,133)	0	0	0	17,133
Capital grants and contributions applied	17,319	0	0	(1,211)	(16,108)
Revenue expenditure funded from capital under statute	(4,680)	0	0	0	4,680
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	401	0	0	0	(401)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	5,797	0	0	0	(5,797)
Voluntary provision for the financing of capital investment	631	0	0	0	(631)
Capital expenditure charged against the General Fund and HRA balances	8,172	0	0	0	(8,172)
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	63	0	(1,330)	0	1,267
Use of the Capital Receipts Reserve to finance repayment of debt	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,489	0	(3,489)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0
Principal repayment of debt	0	0	(612)	0	612
Adjustment primarily involving the Financial Instruments Adjustment Account:					
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	(21)	0	0	0	21
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 44)	(13,445)	0	0	0	13,445
Employer's pensions contributions and direct payments to pensioners payable in the year	17,613	0	0	0	(17,613)
Adjustment primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(381)	0	0	0	381
Total Adjustments	**14,336**	**0**	**1,547**	**(1,211)**	**(14,672)**

2010-11 **ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**	**Usable Reserves**				
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(22,606)	(466,930)	0	0	489,536
Capital grants and contributions applied	29,860	122	0	(1,020)	(28,962)
Revenue expenditure funded from capital under statute	(4,756)	(320)	0	0	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	0	0	569
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	5,639	8	0	0	(5,647)
Voluntary provision for the financing of capital investment	541	0	0	0	(541)
Capital expenditure charged against the General Fund and HRA balances	(289)	84	0	0	205
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(164)	0	(1,232)	0	1,396
Use of the Capital Receipts Reserve to finance repayment of debt	0	14,118	0	0	(14,118)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	217,374	2,723	0	(220,097)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	(1)	1	0	0
Principal repayment of debt	0	0	(80)	0	80
Adjustment primarily involving the Financial Instruments Adjustment Account:					
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	0	0	0	(131)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 44)	30,302	(22)	0	0	(30,280)
Employer's pensions contributions and direct payments to pensioners payable in the year	17,417	23	0	0	(17,440)
Adjustment primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,005	1	0	0	(1,006)
Total Adjustments	**56,490**	**(235,522)**	**1,412**	**(1,020)**	**178,640**

NOTE 10 – 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:

2011-12	Balance 31 March 2011 £'000	Transfers between reserves £'000	in £'000	out £'000	Balance 31 March 2012 £'000
School Balances	4,486	(54)	761	(755)	4,438
Total	**4,486**	**(54)**	**761**	**(755)**	**4,438**

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 expenditure in 2011/12.

Earmarked Reserves

2011-12	Balance	Transfers			Balance
	31 March 2011	between reserves	in	out	31 March 2012
	£'000	£'000	£'000	£'000	£'000
Renewals Reserves	2,522	0	2,597	(3,555)	1,564
Capital Reserves	15,015	395	1,008	(1,270)	15,148
Insurance Reserves	3,367	0	522	(392)	3,497
Services Fund	6,655	(857)	1,798	(969)	6,627
Objective 1 Fund	273	0	0	0	273
Convergence Programme Fund	1,180	0	500	(165)	1,515
Development Reserve	318	(1)	0	(5)	312
Redundancy Costs to Realise Savings Reserve	2,881	0	0	(774)	2,107
Improving the Council Fund	449	(449)	0	0	0
Central Training	634	0	0	(141)	493
Communication Centre Reserve	766	0	0	(242)	524
Schools Service Reserves	552	203	510	(321)	944
Economy and Community Reserves	287	(5)	65	(62)	285
Highways and Municipal Reserves	2,140	0	179	(80)	2,239
Waste Developments Reserve	840	(795)	795	(274)	566
Gwynedd Consultancy Reserves	185	0	0	0	185
Regulatory Reserves	776	0	36	(8)	804
Major Maintenance Work on County Roads Fund	200	0	261	(200)	261
Care - Other Reserves	62	0	41	0	103
Business Process Transformation Fund	260	0	0	(16)	244
Invest to Save Fund	1,034	464	69	(82)	1,485
Invest to Save Fund - Carbon Reduction Plan	2,383	0	0	(285)	2,098
Transforming Fund	4,278	(10)	1,195	(471)	4,992
Committed Revenue Grants Fund	267	0	5	(58)	214
Capital Reserve to realise savings	486	(277)	0	0	209
Contracts Tendering Fund	295	0	0	0	295
Housing Water and Sewerage Services Fund	1,580	0	0	(122)	1,458
Housing Environmental Warranty	480	0	0	0	480
Savings Programme Reserve	0	918	0	0	918
Information Technology Reserve	0	291	83	0	374
Various Other Reserves	625	177	113	(76)	839
Total	**50,790**	**54**	**9,777**	**(9,568)**	**51,053**

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) 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.

(x) Central Training – relates to the management training development programme.

(xi) Communication Centre Reserve – sums set-aside towards developing the Communication Centre.

(xii) Schools Service Reserves – includes sums set aside to respond to related financial problems with 'Integration' requirements, changeable demands in 'Out of County – Special Educational Needs', 'Supporting Schools' and the 'Schools Loans Scheme'.

(xiii) 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.

(xiv) The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven expenditure – 'equalisation accounts' – and likely requirements from contracts.

(xv) The Waste Development Reserve is for relevant commitments and developments in the waste field including our commitment to the North Wales Waste Partnership.

(xvi) 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.

(xvii) 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 relating to the Unitary Development Plan.

(xviii) Major Maintenance Work on County Roads Fund – to support the cost of large maintenance work on county roads.

(xix) Other Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.

(xx) Business Process Transformation Fund – A one-off fund to aid the business transformation process to realise savings for the Council.

(xxi) Invest to Save Fund – Provision for the investment in various plans to realise permanent financial savings.

(xxii) Invest to Save Fund – Carbon Reduction Plan – Partly funding the Carbon Reduction Plan programme of works to reduce carbon emissions whilst generating monetary revenue savings.

(xxiii) Transforming Fund – Provision for the change in the Council's internal procedures to be more effective and more efficient.

(xxiv) Committed Revenue Grants Fund – includes revenue grants received and committed for future use.

(xxv) Capital Reserve to realise savings – Provision to support capital plans that will realise permanent financial revenue savings.

(xxvi) Contracts Tendering Fund – in response to uneven spending situations as a result of the tendering process for transport contracts.

(xxvii) 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.

(xxviii) Housing 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.

(xxix) Savings Programme Reserve – strategic financing provision to assist and give the Council some flexibility with regards to the essential savings programme in the future.

(xxx) Information Technology Reserve – renewals fund in order to respond to future uneven expenditure patterns.

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

NOTE 11 – OTHER OPERATING EXPENDITURE

2010-11 £'000		**2011-12 £'000**
1,391	**Community Councils Precepts**	1,441
	Levies	
9,907	North Wales Police Authority	10,380
5,573	North Wales Fire Authority	5,589
1,140	Snowdonia National Park Authority	1,110
68	Local Drainage Boards	68
16,688		17,147
569	Gains/losses on the disposal of non-current assets	(401)
18,648	**Total**	**18,187**

NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010-11 £'000		2011-12 £'000
10,574	Interest payable and similar charges	6,747
6,779	Pensions Interest Cost and Expected Return on Pensions Assets	(218)
(18,179)	Interest receivable and similar income*	(900)
242	Gains/losses of Trading Units *(Note 31)*	(9)
(584)	**Total**	**5,620**

* In 2010/11, as a result of the stock transfer, the proportion of PWLB debt relevant to the Housing Revenue Account has been repaid.

NOTE 13 – TAXATION AND NON SPECIFIC GRANT INCOME

2010-11 £'000		*Note*	2011-12 £'000
(58,700)	Council Tax Income	*13a*	(61,353)
(33,531)	Non Domestic Rates	*13b*	(28,327)
(137,694)	Non-ringfenced government grants		(141,003)
(27,348)	Capital Grants and Contributions		(14,889)
(257,273)	**Total**		**(245,572)**

NOTE 13a - COUNCIL TAX

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

The Council Tax Base for 2011/12 was calculated as follows:-

CALCULATION OF THE COUNCIL TAX BASE FOR 2011/12			
Valuation Bands	**Number of Properties following discounts**	**Statutory Multiplier**	**Equivalent Band D properties**
A*	13	5/9	6.94
A	7,304	6/9	4,869.01
B	13,265	7/9	10,317.29
C	10,502	8/9	9,335.37
D	9,190	1	9,190.07
E	7,240	11/9	8,849.01
F	3,539	13/9	5,111.89
G	1,169	15/9	1,947.92
H	164	18/9	327.50
I	55	21/9	127.75
		Total	50,082.75
	Council Tax base after allowing for losses on collection		49,581.92

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

2010/11 £'000		2011/12 £'000
59,051	Council Tax raised	61,756
(354)	**Less** Provision for bad debts	(404)
3	Transitional Relief	1
58,700		61,353

NOTE 13b - NATIONAL NON-DOMESTIC RATES

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

The Government sets the National Non-Domestic rate for the year (42.8p in 2011/12) which is then multiplied by the rateable value of the property. Subject to the effects of transitional arrangements and some other reductions, this is the amount payable by the ratepayer.

At the end of the 2011/12 financial year there were 6,983 properties on the local valuation list in Gwynedd, representing a rateable value of £98,615,617.

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

2010/11 £'000		2011/12 £'000
(32,204)	National Non-domestic Rate raised	(32,314)
378	Cost of Collection allowance	363
350	Provision for Bad Debts	225
31,476	Sum paid to the National Pool	31,726
0		0
(33,531)	Receipts from the National Pool	(28,327)
(33,531)	**Net Income from Non Domestic Rates**	(28,327)

NOTE 14 – 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. This is the first full year under the new procedure and it appears that the fees calculation is nearly adequate to recover the costs. The loss for the three year period has reduced by £11,000 compared to last year.

Cuts within the service have enabled a reduction in the fee for 2012/13, which it is intended will be more competitive, and as a result, generate enough income to recover the costs and some of the loss over the three year period.

	£'000
2011/12	
Total charges income received (excluding VAT)	(495)
Total charges expenditure incurred	499
(Surplus) / Deficit for 2011/12	4
(Surplus) / Deficit for **2010/11**	25
(Surplus) / Deficit for **2009/10**	34
(Surplus) / Deficit for the last three years	**63**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2011/12:

	Council Dwellings	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Value								
Balance at 1.04.11	0	214,874	142,658	26,131	892	150	11,760	396,465
Additions	0	6,220	9,767	5,246	15	0	10,015	31,263
Sales	0	(418)	0	(154)	0	0	0	(572)
Transfers	0	13,521	18	0	64	0	(13,603)	0
Revaluation	0	202	0	0	0	0	283	485
Balance at 31.03.12	**0**	**234,399**	**152,443**	**31,223**	**971**	**150**	**8,455**	**427,641**
Depreciation								
Balance at 1.04.11	0	4,062	12,130	14,277	0	2	69	30,540
Depreciation in year	0	3,896	3,978	3,320	0	1	0	11,195
Sales	0	(23)	0	(120)	0	0	0	(143)
Transfers	0	62	0	0	5	0	(67)	0
Revaluation	0	(85)	0	0	0	0	0	(85)
Balance at 31.03.12	**0**	**7,912**	**16,108**	**17,477**	**5**	**3**	**2**	**41,507**
Impairment								
Balance at 1.04.11	0	12,141	11	5	229	41	0	12,427
Impairment in year - to Revaluation Reserve	0	5,529	0	0	0	22	0	5,551
Impairment in year - to Services	0	5,799	52	63	0	0	0	5,914
Sales	0	(7)	0	0	0	0	0	(7)
Transfers	0	(1)	0	0	1	0	0	0
Revaluation	0	(119)	0	0	0	0	0	(119)
Balance at 31.03.12	**0**	**23,342**	**63**	**68**	**230**	**63**	**0**	**23,766**
Net Book Value 31 March 2012	**0**	**203,145**	**136,272**	**13,678**	**736**	**84**	**8,453**	**362,368**
Net Book Value 31 March 2011	**0**	**198,671**	**130,517**	**11,849**	**663**	**107**	**11,691**	**353,498**

Comparative Movements in 2010/11:

	Council Dwellings	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Value								
Balance at 1.04.10	252,446	187,544	131,772	25,319	934	150	858	599,023
Additions	0	6,576	15,979	2,745	7	0	227,097	252,404
Sales	(252,446)	(4,811)	0	(1,933)	0	0	(217,374)	(476,564)
Transfers	0	2,678	(5,093)	0	(157)	0	1,179	(1,393)
Revaluation	0	22,887	0	0	108	0	0	22,995
Balance at 31.03.11	**0**	**214,874**	**142,658**	**26,131**	**892**	**150**	**11,760**	**396,465**
Depreciation								
Balance at 1.04.10	0	7,757	8,800	11,741	20	0	2	28,320
Depreciation in year	190	4,012	3,464	3,540	0	2	0	11,208
Sales	0	(204)	0	(1,004)	0	0	0	(1,208)
Transfers	0	19	(134)	0	0	0	67	(48)
Revaluation	(190)	(7,522)	0	0	(20)	0	0	(7,732)
Balance at 31.03.11	**0**	**4,062**	**12,130**	**14,277**	**0**	**2**	**69**	**30,540**
Impairment								
Balance at 1.04.10	0	22,329	0	0	204	41	0	22,574
Impairment in year	252,165	21,058	11	672	0	0	217,374	491,280
Sales	(252,165)	(3,689)	0	(667)	0	0	(217,374)	(473,895)
Transfers	0	(106)	0	0	25	0	0	(81)
Revaluation	0	(27,451)	0	0	0	0	0	(27,451)
Balance at 31.03.11	**0**	**12,141**	**11**	**5**	**229**	**41**	**0**	**12,427**
Net Book Value 31 March 2011	**0**	**198,671**	**130,517**	**11,849**	**663**	**107**	**11,691**	**353,498**
Net Book Value 31 March 2010	**252,446**	**157,458**	**122,972**	**13,578**	**710**	**109**	**856**	**548,129**

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 1.19 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 2012 were as follows:

	Contract Sum	Payments to date	Amount Outstanding
	£'000	£'000	£'000
Physical Regeneration - Blaenau Ffestiniog	1,952	467	1,485
Bangor Crematorium - emissions equipment	478	56	422
Blaenau Ffestiniog Renewal Area Improvements - Phase 7/2	300	95	205

NOTE 16 – HERITAGE ASSETS

	Specific Paintings	General Art Collections	Civic Regalia	Total
	£'000	£'000	£'000	£'000
Value				
Balance at 1.04.10	0	0	0	0
Adjust Opening Balance	62	14	17	93
Additions	0	0	0	0
Sales	0	0	0	0
Revaluation	0	0	0	0
Depreciation	0	0	0	0
Impairment	0	0	0	0
Balance at 31.03.11	**62**	**14**	**17**	**93**
Balance at 1.04.11	62	14	17	93
Adjust Opening Balance	0	0	0	0
Additions	0	0	0	0
Sales	0	0	0	0
Revaluation	0	0	0	0
Depreciation	0	0	0	0
Impairment	0	0	0	0
Balance at 31.03.12	**62**	**14**	**17**	**93**

The Council employed an external valuer (Bonhams) in March 2012 to provide estimates of its civic regalia and paintings & pictures. It is not practical to provide valuations prior to 1 April 2010, as the value of the assets is not considered worthy of the additional cost. The valuations are based on the current market value, which will be subject to an annual review. The Council considers that these heritage assets have an indeterminate life and high residual value; hence, the Council does not consider it appropriate to charge depreciation for the assets. Heritage assets recognised in the accounts will be assessed annually for any impairment.

NOTE 17 – 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:

	2010/11 £'000	2011/12 £'000
Rental income from investment property	10	8
Direct operating expenses arising from investment property	0	0
Net gain / (loss)	10	8

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:

	2010/11 £'000	2011/12 £'000
Balance 1 April	**1,031**	**298**
Additions:		
Purchases	0	0
Construction	0	0
Subsequent expenditure	0	0
Disposals	(733)	0
Net gains/ losses from fair value adjustments	0	0
Transfers:		0
to/from Inventories	0	0
to/from Property, Plant and Equipment	0	0
Other changes	0	0
Balance 31 March	**298**	**298**

NOTE 18 – FINANCIAL INSTRUMENTS

(a) Financial Instruments - Classifications

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2011/12 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain.

The definition of 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 entity'.*

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, service concession arrangements (including finance leases), and investment transactions are also classified as financial instruments.

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's loan portfolio at year end consisted of PWLB and market debt. Under the 2011/12 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

The Council also had other deferred liability commitments, including finance leases.

Financial Assets
A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the Code of Practice are:

- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit or Loss.

The Council's portfolio of investments consists of fixed term deposits, money market funds and call/notice accounts. Term deposits and call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Trade Receivables (i.e. Trade Debtors) are classified as Loans and Receivables. These have been measured at cost on the Balance Sheet.

Balances in Money Market Funds and call accounts at 31st March 2012 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

The Council has five small investments required to be measured at Fair Value through Profit or Loss which are not material in value.

Transaction Costs
Measurement at amortised cost permits transaction costs relating to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach in 2011/12.

(b) Financial Instruments - Balances
The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Long Term		**Short Term**	
	31 March 2011	**31 March 2012**	**31 March 2011**	**31 March 2012**
	£'000	**£'000**	**£'000**	**£'000**
Borrowing	(113,866)	(113,000)	(5,608)	(2,050)
Trade payables	(251)	(500)	(47,184)	(49,163)
Other deferred liabilities – finance leases	(49)	(29)	(88)	(20)
Total Financial Liabilities	**(114,166)**	**(113,529)**	**(52,880)**	**(51,233)**
Loans and receivables	508	219	50,116	35,875
Available for sale	60	60	0	0
Fair value through Profit and Loss	17	17	0	0
Trade Receivables	4,555	3,898	27,976	31,200
Total Financial Assets	**5,140**	**4,194**	**78,092**	**67,075**

The following table reflects the composition of borrowing recorded on the Balance Sheet:

	Long Term		Short Term	
	31 March 2011	31 March 2012	31 March 2011	31 March 2012
	£'000	£'000	£'000	£'000
Borrowing				
Nominal amount	113,866	113,000	4,787	1,341
Accrued interest	0	0	821	709
Total Amortised Cost	**113,866**	**113,000**	**5,608**	**2,050**

The following tables reflect the composition of investments recorded on the Balance Sheet:

Short Term	31 March 2011			31 March 2012		
	Nominal	Accrued Interest	Fair Value	Nominal	Accrued Interest	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000
Loans and receivables	49,832	284	50,116	35,559	316	35,875
Available for sale	0	0	0	0	0	0
Fair value through Profit and Loss	0	0	0	0	0	0
Total	**49,832**	**284**	**50,116**	**35,559**	**316**	**35,875**

Long Term	31 March 2011			31 March 2012		
	Nominal	Accrued Interest	Fair Value	Nominal	Accrued Interest	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000
Loans and receivables	508	0	508	219	0	219
Available for sale	60	0	60	60	0	60
Fair value through Profit and Loss	17	0	17	17	0	17
Total	**585**	**0**	**585**	**296**	**0**	**296**

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'. This includes accrued interest on long term liabilities and investments that are payable or receivable in 2011/12.

Soft Loans – Balances

Local authorities are allowed to make loans for policy reasons rather than as financial instruments and these loans may be interest-free or at rates below prevailing market rates. Where loans are advanced at below market rates, they are classed as 'Soft Loans'.

The fair values of such a soft loan are less than the amount of the cash lent. The fair value of a loan at nil interest rate or below the prevailing market rate is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The sum by which the amount lent exceeds the fair value of the loan is charged to the Income and Expenditure Account. The 2011/12 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2011/12 Gwynedd Council identified the following 'soft loans':

- Deferred Payments on charges due from people under care (amount outstanding at 31.03.12 = £2,464,628)
- Car and Bike Loans to employees (amount outstanding at 31.03.12 = £761,623)

It has been determined that the few "soft" loans that the Council has require no separate disclosure, as they are de-minimus.

(c) Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Fair Value Through Profit & Loss	Total 2011/12
	£'000	£'000	£'000	£'000	£'000
Interest expense	6,819	0	0	0	6,819
Losses on de-recognition	0	0	0	0	0
Impairment losses	0	(91)	0	0	(91)
Interest payable and similar charges	**6,819**	**(91)**	**0**	**0**	**6,728**
Interest income	0	(895)	0	0	(895)
Interest and investment income	**0**	**(895)**	**0**	**0**	**(895)**
Gains on revaluation			0	0	0
Losses on revaluation			0	0	0
Amounts recycled to I&E Account after impairment			0	0	0
Surplus arising on revaluation of financial assets			**0**	**0**	**0**
Net gain / (loss) for the year	**6,819**	**(986)**	**0**	**0**	**5,833**

(d) Financial Instruments - Fair Values

For each class of financial assets and financial liabilities, an authority is required to disclose the fair value of that class of assets and liabilities in such a way that a comparison with the carrying amount is possible.

The Council's long term loans are carried in the Balance Sheet at amortised cost. Investments consist of loans and receivables, available for sale, and fair value through profit and loss investments. Loans and receivables are carried on the Balance Sheet at amortised cost, whereas the other two categories of investment are carried at fair value. The portion of debt and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term liabilities or short term investments. This also includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The 2011/12 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2011 and 31 March 2012 consisted of loans from the Public Works Loan Board (PWLB) and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans, the Council wrote to the lender. In the absence of any response from the lender, the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date.

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with Banks and Building Societies, call/notice account deposits and Money Market Fund (MMF) investments. The maturity dates of these investments were all within 12 months of the Balance Sheet date. One of these investments has been impaired.

During 2008/09 the Council made 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 £2,728,753 from the administrators up to 31 March 2012 and the administrators now expect a return of 88p per £ by the middle of 2013. Based on this information, the impairment in the accounts is now based on recovering 88p in the £ (31 March 2011 basis was 85p in the £).

The percentages received to date are as follows:

Date	%
July 2009	16.13
December 2009	12.66
March 2010	6.19
July 2010	6.27
October 2010	4.14
January 2011	4.72
April 2011	6.25
July 2011	4.05
October 2011	4.18
January 2012	3.32
Total at 31 March 2012	**67.91**

It is anticipated that there will be further repayments and that the final sale of assets will take place after the position has been finalised during 2013. Therefore, in calculating the impairment the Council has made the following assumptions regarding timing of subsequent recoveries:

Date	%
April 2012	3.79
July 2012	3.50
October 2012	3.50
January 2013	3.50
April 2013	5.81
Total	**20.10**

A payment of £152,312 was received in April 2012, namely the 3.79% 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 appropriate part of the fair value of this deposit according to the expected date of receipt is included under short term investments and long term investments in the tables above. The calculation of fair value resulted in a decrease of £105,426 to the impairment of £1,030,109 that was calculated by 31 March 2011. An associated reduction in the notional interest of £48,509 was calculated. A relevant proportion of the decrease in impairment (£14,897) and notional interest (£6,854) has been allocated to the Pension Fund. Both adjustments are included within Investment Income in the Comprehensive Income and Expenditure Statement.

Of course, the actual loss by mid 2013 could be more or less than the potential loss estimated above and possibly significantly less, as the official estimates of administrators of companies in difficulty are notably conservative. However, the impairment has been estimated in accordance with the agreed interpretation of the position at 31 March 2012.

In the case of short term instruments and deferred liabilities (such as finance leases) the authority deems the carrying amount to be a reasonable approximation of the fair value.

Carrying Amount 31 March 2011 £'000	Fair Value 31 March 2011 £'000		Carrying Amount 31 March 2012 £'000	Fair Value 31 March 2012 £'000
		Financial Liabilities:		
119,474	148,044	Borrowing	115,050	165,565
47,435	47,435	Trade payables	49,663	49,663
166,909	**195,479**	**Total Financial Liabilities**	**164,713**	**215,228**
		Financial Assets:		
50,340	50,624	Loans and receivables	35,778	36,094
77	77	Investments	77	77
32,531	32,531	Trade Receivables	35,098	35,098
82,948	**83,232**	**Total Financial Assets**	**70,953**	**71,269**

Financial Liabilities
The fair value of long-term liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Financial Assets
In the case of long term investments the authority deems the carrying amount to be a reasonable approximation of the fair value.

(e) Financial Instruments - Risks
The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Welsh Government's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest possible rate of return based on the commensurate levels of security and liquidity.

The main risks covered are:

Credit Risk: The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party.

Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.

Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

Loans and Receivables

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds and Banks and Building Societies of sufficiently high credit quality as set out in the Treasury Management Strategy. A limit of £20m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £40m in total can be invested for a period longer than one year. The Council has had one historical experience of counterparty default namely the deposit with Heritable Bank. Full details are given in paragraph (d) above.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of credit indicators. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2011-12, approved by Full Council on 1st March 2011. The 2011/12 Treasury Strategy can be found on the Authority's website.

As conditions in the financial sector had begun to show signs of gradual improvement in the second half of 2009/10, albeit with substantial intervention by government authorities, the Authority decided it would be appropriate to diversify the counterparty list in 2011/12, through the inclusion of comparable non-UK Banks for investments. The sovereign states whose banks were included were Australia, Canada, Finland, France, Germany, Netherlands, Switzerland and the US. These countries, and the Banks within them, were selected after analysis and careful monitoring of credit ratings, Credit Default Swaps, GDP, net debt as a percentage of GDP, sovereign support mechanisms / potential support from a well-resourced parent institution, and share prices. During the year, deposits with European Banks (excluding UK) were subsequently suspended as a result of market conditions and the Eurozone debt crisis.

Until November 2011 the *minimum* credit rating criteria for new investments in 2011/12 was a long term rating of A+/A1/A+ (Fitch/Moody's/S&P). Following downgrades to a number of systemically important financial institutions in Autumn 2011, a lower minimum credit rating criteria of A-/A3/A- (Fitch/Moody's/S&P) was adopted by the authority once the revised Treasury Strategy was approved by Full Council on 15th December 2011.

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2012, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

Counterparty	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31.03.2012?	Balance Invested as at 31 March 2012					Total
	YES / NO	YES / NO	Up to 1 month	≥ 1 month and < 3 months	≥ 3 months and < 6 months	≥ 6 months and < 12 months	≥ 12 months and < 24 months	
			£'000	£'000	£'000	£'000	£'000	£'000
Banks - UK	YES	YES	20,000	0	5,000	0	0	**25,000**
Local Authorities - UK	YES	YES	0	5,000	0	0	0	**5,000**
Building Societies - UK	YES	YES	0	5,000	0	0	0	**5,000**
Call Accounts	YES	YES	17,630					**17,630**
Total			**37,630**	**10,000**	**5,000**	**0**	**0**	**52,630**

The above analysis shows that all deposits prevailing as at 31/03/2012 met the Council's credit rating criteria decided upon for the period from 15/12/2011 to 31/03/2012.

The above analysis excludes the carrying value (after impairment) of the Council's Heritable Bank investment (estimated at £778,365 and which is dealt with in part (d) above).

Trade Receivables
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.

The Council has launched a Business Loan Fund for small and medium sized businesses within Gwynedd. The interest rates charged on such loans being commensurate with the higher credit risk involved in these types of loans.

Liquidity Risk
The Council has access to borrowing facilities via the Public Works Loan Board, commercial banks, bond issues, medium term notes, tax increment financing, the European Investment Bank, and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates.

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The maturity analysis of the nominal value of the Council's debt at 31st March 2012 was as follows:

	Years	31 March 2011 £'000	% of total debt portfolio	31 March 2012 £'000	% of total debt portfolio
Short Term Borrowing	**Less than 1 year**	**4,787**	**4.03**	**1,341**	**1.17**
Long Term Borrowing	Over 1 but not over 2	1,256	1.06	17,403	15.22
	Over 2 but not over 5	18,310	15.43	3,020	2.64
	Over 5 but not over 10	7,377	6.22	6,970	6.10
	Over 10 but not over 15	13,829	11.65	16,933	14.81
	Over 15 but not over 20	6,728	5.67	6,728	5.88
	Over 20 but not over 25	23,549	19.85	20,897	18.28
	Over 25 but not over 30	13,255	11.17	13,697	11.98
	Over 30 but not over 35	2,209	1.86	0	0.00
	Over 35 but not over 40	0	0.00	0	0.00
	Over 40 but not over 45	1,767	1.49	17,985	15.73
	Over 45	25,586	21.56	9,367	8.19
Total Long Term Borrowing		**113,866**	**95.97**	**113,000**	**98.83**
Total Borrowing		**118,653**	**100.00**	**114,341**	**100.00**

Loans and other long term liabilities outstanding (nominal value):	31 March 2011 £'000	31 March 2012 £'000
Public Works Loans Board	102,453	97,666
Market Debt	16,200	16,200
Salix Energy Efficiency Loan Scheme	0	475
Deferred Liabilities	49	29
Total	**118,702**	**114,370**

Market Risk

Interest Rate Risk: The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 50% on external debt that can be subject to variable interest rates. At 31 March 2012, 100% of the debt portfolio was held in fixed rate instruments, and 0% in variable rate instruments.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	95
Impact on Surplus or Deficit on the Provision of Services	**95**
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	**0**
Decrease in fair value of fixed rate borrowings / liabilities*	23,542

*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

- *Price Risk:* The Council does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments). The Council 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 remains. This process cannot be fully completed until specific and related tax invoices are resolved with Her Majesty's Revenue & Customs.

- *Foreign Exchange Risk:* The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

NOTE 19 – INVENTORIES

2010-11 £'000		2011-12 £'000
2,052	Assets held for sale	1,607
1,251	Stock and Work in Progress	1,380
3,303		**2,987**

NOTE 20 – SHORT-TERM DEBTORS

	Debtors NET of impairment		
	1 April 2010 £'000	**31 March 2011 £'000**	**31 March 2012 £'000**
Welsh Government	8,824	9,144	12,283
Other Central Government Bodies	5,562	5,784	4,564
Other Local Authorities	2,155	2,575	2,906
National Health Service	1,807	1,904	2,190
Public Corporations and Trading	13	16	4
Council Tax	1,618	1,861	1,893
Other Entities and Individuals	17,203	6,692	7,360
Total	**37,182**	**27,976**	**31,200**

NOTE 21 – CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the authority's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet date:

	31 March 2011 £'000	31 March 2012 £'000
Cash in hand	15	15
Bank Current Accounts	42	42
Call Accounts	14,115	17,630
Money Market Funds	5,000	0
	19,172	17,687
Bank Overdraft	(15,554)	(6,904)
	3,618	**10,783**

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 £3.4m (£10.0m at 31 March 2011).

NOTE 22 – ASSETS HELD FOR SALE

	Current 2010/11 £'000	Current 2011/12 £'000
Balance 1 April	**810**	**2,052**
Assets newly classified as held for sale:		
Property, Plant and Equipment	0	0
Expenditure in year	0	23
Revaluation Losses	0	0
Revaluation Gains	0	0
Impairment Losses	(60)	(23)
Assets declassified as held for sale:		
Property, Plant and Equipment	0	0
Assets sold	(695)	(445)
Transfers from non-current to current	1,997	0
Balance 31 March	**2,052**	**1,607**

NOTE 23 – SHORT-TERM CREDITORS

	31 March 2011 £'000	31 March 2012 £'000
Welsh Government	1,043	3,603
Other Central Government Bodies	834	3,082
Other Local Authorities	8,603	2,180
National Health Service	656	462
Public Corporations and Trading	480	138
Council Tax	947	1,031
Other Entities and Individuals	32,792	35,038
Total	**45,355**	**45,534**

NOTE 24 – PROVISIONS

The Council sets aside provisions for specific obligations, the amount or timing of which cannot be determined accurately. It is not permitted, under accounting conventions, to make provisions for uneven patterns of expenditure. However, earmarked reserves may be established and these are disclosed in Note 10.

The detail below are analysed into short term provisions (within 12 months) and long term provisions (over 12 months). However, the provision level on all related items is reviewed periodically.

	Balance at 31 March 2011 £'000	Addition / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2012 £'000
Short Term Provisions				
Other	0	(34)	0	(34)
	0	(34)	0	(34)
Long Term Provisions				
Social Services	(27)	0	27	0
Council Tax Property Transfers	(297)	0	47	(250)
Section 117 Mental Health Act	(117)	0	117	0
Pay Review	(1,935)	(253)	0	(2,188)
Waste Site Provision	(800)	0	0	(800)
Third Party Provisions	0	(535)	0	(535)
Other	(214)	(72)	110	(176)
	(3,390)	(860)	301	(3,949)
Total	**(3,390)**	**(894)**	**301**	**(3,983)**

Council Tax Property Transfers' Provision - Provision relating to the implications of properties transferring from Council Tax to National Non-Domestic Rates.

Equal Pay Provision – provision relating to the equal pay claims against the Council.

Waste Site Provision – relates to the capping and aftercare requirements of one of the Council's waste disposal sites.

Third Party Provision – relating to cases of third party claims against the Council.

Other Provisions – All the other provisions relate to other minor issues.

NOTE 25 – USABLE RESERVES

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

NOTE 26 – UNUSABLE RESERVES

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000
13,433	56,977	Revaluation Reserve	50,736
60	60	Available For Sale Financial Instruments Reserve	60
375,622	149,676	Capital Adjustment Account	161,996
(1,124)	(993)	Financial Instruments Adjustment Account	(1,015)
52	42	Deferred Capital Receipts Reserve	8
(281,237)	(90,421)	Pensions Reserve	(128,153)
(4,685)	(3,679)	Accumulated Absences Account	(4,060)
102,121	**111,662**	**Total Unusable Reserves**	**79,572**

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.

2010/11 £'000		2011/12 £'000
13,340	Balance 1 April	56,977
93	Opening Balance Adjustment	0
13,433	**Restatement of Opening Balance**	**56,977**
57,982	Upward revaluation of assets	689
(12,898)	Downward revaluation of assets and impairment losses	(5,551)
45,084	Surplus or deficit on revaluation of assets	4,862
(1,218)	Difference between fair value depreciation and historical cost depreciation	(1,062)
(322)	Accumulated gains on assets sold	(317)
(1,540)	Amount written off to the Capital Adjustment Account	(1,379)
56,977	**Balance 31 March**	**50,736**

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.

2010/11 £000		2011/12 £000
60	**Balance 1 April**	60
0	Upward revaluation of investments	0
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
60	**Balance 31 March**	**60**

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

2010/11 £'000		2011/12 £'000
375,622	**Balance 1 April**	**149,676**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(489,534)	Charges for depreciation and impairment of non-current assets	(17,132)
(5,076)	Revenue Expenditure funded from Capital under Statute	(4,680)
(1,642)	Adjustment to non-current assets balances when selling	(549)
1,218	Transfer from Capital Revaluation Reserve	1,062
	Capital financing applied in the year:	
220,096	Capital Receipts	3,489
0	Amortisation of Government Grants Deferred	0
28,962	Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	16,108
5,647	Statutory provision for the financing of capital investment	5,797
(205)	Capital expenditure charged in year against the General Fund	8,172
14,658	Capital receipts set aside / voluntary contributions	631
(70)	Other - repayment of loans to third parties	(578)
149,676	**Balance 31 March**	**161,996**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years.

There is a requirement for all premiums and discounts arising from loan extinguishments from 1 April 2006 to be charged to Income and Expenditure in full. Where transactions meet the definition of a modification any premiums or discounts are added to the carrying value of the loan and are then amortised to the Comprehensive Income and Expenditure Statement over the life of the new loan. A modification exists where the terms of the new debt are not “substantially different” from those of the old debt.

In the case of premiums and discounts relating to transactions occurring prior to 1 April 2006, these are classified between those that are overhanging and those that are not overhanging. Overhanging premiums and discounts are those that cannot be associated with a continuing loan. These were written off in full as an adjustment to the General Fund Balances Brought Forward at 1 April 2007.

In the case of overhanging premiums or discounts, or those relating to loan extinguishments, Statutory Provisions exist to override the provisions of the Code of Practice. The charges are reversed out in the Movement in Reserves Statement and premiums and discounts are amortised to Revenue over a period of years. Where premiums and discounts are not overhanging or are linked to transactions meeting criteria of a loan modification the statutory provisions relating to the General Fund do not apply.

Premiums amortised under statutory provisions can be charged to the General Fund over either the remaining life of the original loan or the life of the replacement loan, whichever is the greater period. Discounts must be credited to the General Fund over 10 years or the life of the original loan, whichever is the shorter period.

The transactions reflected in the FIAA for 2011/12 are as follows:

2010/11 £000		2011/12 £000
(1,124)	**Balance 1 April**	(993)
73	Proportion of premiums incurred in previous years charged to General Fund and Housing Revenue Account balances in accordance with statute	45
58	Deferred credit for receipt of charges due from people under care	(67)
(993)	**Balance 31 March**	**(1,015)**

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.

2010/11 £000		2011/12 £000
52	**Balance 1 April**	42
0	Adjust Opening Balance	(26)
(10)	Principal repayment of Right To Buy Mortgages	(8)
42	**Balance 31 March**	**8**

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.

2010/11 £000		2011/12 £000
(281,237)	**Balance 1 April**	(90,421)
143,096	Actuarial Gains or Losses on Pensions Assets and Liabilities	(41,900)
30,280	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	(13,445)
17,440	Employer's pensions contributions and direct payments to pensioners payable in the year	17,613
(90,421)	**Balance 31 March**	**(128,153)**

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.

2010/11 £000		2011/12 £000
(4,685)	**Balance 1 April**	(3,679)
1,006	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	(381)
(3,679)	**Balance 31 March**	**(4,060)**

NOTE 27a – CASH FLOW STATEMENT : ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2010-11 £'000		2011-12 £'000
(11,208)	Depreciation	(11,196)
(478,443)	Impairment and downward valuations	(5,938)
2,058	(Increase)/Decrease in Creditors	(1,700)
(6,396)	Increase/(Decrease) in Debtors	2,490
76	(Increase)/Decrease in Stock	129
47,720	Pension Liability	4,168
(1,965)	Carrying amount of non-current assets sold	(867)
227,202	Other non-cash items charged to net surplus/deficit on the provision of services	(5,665)
(220,956)		**(18,579)**

NOTE 27b – CASH FLOW STATEMENT : ADJUST FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITES

2010-11 £'000		2011-12 £'000
1,396	Proceeds from sale of property, plant, equipment, investment property and intangible assets	1,267
(5,991)	Interest received and paid	(5,382)
(4,595)		**(4,115)**

NOTE 27c – CASH FLOW STATEMENT : OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010-11 £'000		2011-12 £'000
(801)	Interest received	(867)
6,792	Interest paid	6,249

NOTE 28 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2010-11 £'000		2011-12 £'000
34,380	Purchase of property, plant and equipment, investment property and intangible assets	31,838
5,052	Other payments for investing activities	4,774
(15,429)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,917)
(4,513)	Proceeds from short-term and long-term investments	(14,563)
(801)	Other receipts for investing activities	(867)
18,689	**Net cash flows from investing activities**	**19,265**

NOTE 29 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2010-11 £'000		2011-12 £'000
111	Cash payments for the reduction of the outstanding liability relating to Finance Leases	88
19,002	Repayments of short term and long term borrowing	4,336
6,792	Other payments for financing activities	6,249
25,905	**Net cash flows from financing activities**	**10,673**

NOTE 30 – 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 Service Reporting 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.

2011/12	Expenditure			Total	Income		Total	Net
AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS	**Employees**	**Premises**	**Support Services**	**Expenditure**	**Fee Income and other**	**Government Grant Income**	**Income**	**Expenditure**
	£'000	**£'000**	**£'000**	**£'000**			**£'000**	**£'000**
Human Resources	3,187	315	1	3,503	(101)	0	(101)	3,402
Finance	5,162	1,151	1	6,314	(1,703)	(988)	(2,691)	3,623
Democracy and Legal	3,265	917	2	4,184	(704)	(248)	(952)	3,232
Customer Care	4,783	3,054	1	7,838	(1,358)	(8)	(1,366)	6,472
Strategic and Improvement	2,666	3,768	2	6,436	(909)	(2,952)	(3,861)	2,575
Education	71,818	28,375	89	100,282	(7,567)	(13,386)	(20,953)	79,329
Economy and Community	4,881	5,917	15	10,813	(3,715)	(3,061)	(6,776)	4,037
Highways and Municipal	16,382	19,689	51	36,122	(8,947)	(4,756)	(13,703)	22,419
Regulatory	6,365	8,483	217	15,065	(4,532)	(3,484)	(8,016)	7,049
Consultancy	2,842	1,072	(379)	3,535	(3,258)	0	(3,258)	277
Trunk Roads	0	0	(424)	(424)	0	0	0	(424)
Provider and Leisure	20,273	(1,393)	1	18,881	(2,600)	(817)	(3,417)	15,464
Housing and Social Services	13,697	46,305	5	60,007	(3,605)	(16,258)	(19,863)	40,144
Total items within departmental control	155,321	117,653	(418)	272,556	(38,999)	(45,958)	(84,957)	187,599
Housing Revenue Account	0	0	0	0	0	0	0	0
Corporate	1,668	(19,698)	59,386	41,356	(3,139)	(37,926)	(41,065)	291
Corporate Leadership Team	645	239	0	884	(32)	(35)	(67)	817
	157,634	98,194	58,968	314,796	(42,170)	(83,919)	(126,089)	188,707
Items within net cost of services, not under departmental control:								
Capital Charges	0	19,782	0	19,782	0	0	0	19,782
Items under departmental control, not included in net cost of services:								0
Contributions to Reserves	(316)	(2,549)	0	(2,865)	0	0	0	(2,865)
Use of Reserves	0	0	0	0	1,732	0	1,732	1,732
	157,318	115,427	58,968	331,713	(40,438)	(83,919)	(124,357)	207,356
Precepts and Levies	0	18,588	0	18,588	0	0	0	18,588
Gains/losses of Trading Units	6,499	2,482	365	9,346	(9,355)	0	(9,355)	(9)
Gains/losses on the disposal of non-current assets	0	0	0	0	(401)	0	(401)	(401)
Interest payable and similar charges	0	6,747	0	6,747	0	0	0	6,747
Interest and income from investments	0	0	0	0	(900)	0	(900)	(900)
Pensions interest cost and expected return on pensions assets	0	0	(218)	(218)	0	0	0	(218)
Net Operating Expenditure	**163,817**	**143,244**	**59,115**	**366,176**	**(51,094)**	**(83,919)**	**(135,013)**	**231,163**
Council Tax	0	0	0	0	(61,353)	0	(61,353)	(61,353)
Net income Non-domestic rates	0	0	0	0	0	(28,327)	(28,327)	(28,327)
Government Grants - Revenue	0	0	0	0	0	(141,003)	(141,003)	(141,003)
Grants and Contributions - Capital	0	0	0	0	(792)	(14,097)	(14,889)	(14,889)
(Surplus)/ Deficit on the Provision of Services	**163,817**	**143,244**	**59,115**	**366,176**	**(113,239)**	**(267,346)**	**(380,585)**	**(14,409)**

2010/11		Expenditure		Total	Income	Net
AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS	**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	467,722	61	467,937	(217,922)	250,015
Corporate	380	6,787	5,507	12,674	(66,607)	(53,933)
Corporate Leadership Team	596	339	0	935	(83)	852
	152,260	592,670	6,553	751,483	(367,443)	384,040
Items within net cost of services, not under departmental control:						
Capital Charges	0	25,303	0	25,303	0	25,303
Items under departmental control, not included in net cost of services:						
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	615,334	6,553	773,837	(366,158)	407,679
Precepts and Levies	0	18,079	0	18,079	0	18,079
Gains/losses of Trading Units	6,773	2,857	530	10,160	(9,918)	242
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
Net Operating Expenditure	**158,723**	**647,434**	**13,862**	**820,019**	**(394,276)**	**425,743**
Council Tax	0	0	0	0	(58,700)	(58,700)
Net income Non-domestic rates	0	0	0	0	(33,531)	(33,531)
Government Grants - Revenue	0	0	0	0	(137,694)	(137,694)
Grants and Contributions - Capital	0	0	0	0	(27,348)	(27,348)
Surplus for the year	**158,723**	**647,434**	**13,862**	**820,019**	**(651,549)**	**168,470**

Amended figures from 2010/11 Statement of Accounts

NOTE 31 – 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 is irrespective of any planned deficit or surplus position).

2010/11 (Surplus) / Deficit £'000		Expenditure £'000	Income £'000	2011/12 (Surplus) / Deficit £'000
	Provider Services			
106	*Catering*	4,975	(4,946)	29
86	*Building Cleaning*	3,434	(3,395)	39
2	*Home Care*	238	(243)	(5)
109	Gwynedd Training*	15	0	15
41	Print Unit	454	(406)	48
(102)	Industrial Estates	229	(364)	(135)
242		**9,345**	**(9,354)**	**(9)**

*Gwynedd Training transferred to Coleg Menai on 1 August 2010.

NOTE 32 – 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 £36.37m income transactions recovered in 2011/12 (£32.03m in 2010/11).

NOTE 33 – MEMBERS' ALLOWANCES

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

2010-11 £'000		2011-12 £'000
1,129	Allowances	1,131
55	Expenses	58
1,184		**1,189**

NOTE 34 – 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:

2010-11				Chief Officers	2011-12			
Payments		Employer's			Payments		Employer's	
Salary	Other	Pension Contribution	Total		Salary	Other	Pension Contribution	Total
52,135	88	10,896	63,119	Head of Democracy and Legal	52,135	32	11,157	63,324
60,111	960	12,563	73,634	Head of Gwynedd Consultancy	60,111	252	12,864	73,227
65,169	119	13,620	78,908	Head of Regulatory	64,919	48	13,893	78,860
65,169	190	13,620	78,979	Head of Provider and Leisure	65,169	21	13,946	79,136
65,169	638	13,620	79,427	Head of Economy & Community	65,169	88	13,946	79,203
65,169	489	13,620	79,278	Head of Human Resources	65,169	99	13,946	79,214
65,169	304	13,620	79,093	Head of Strategic & Improvement	65,169	120	13,946	79,235
65,169	101	13,620	78,890	Head of Customer Care	65,169	122	13,946	79,237
65,169	299	13,620	79,088	Head of Finance	65,169	153	13,946	79,268
69,153	250	14,453	83,856	Head of Highways and Municipal	68,452	76	14,649	83,177
72,200	107	15,090	87,397	Head of Social Services	71,923	66	15,392	87,381
72,200	153	15,090	87,443	Head of Education	72,200	13	15,451	87,664
83,121	0	17,372	100,493	Corporate Director	83,121	0	17,788	100,909
83,121	242	17,372	100,735	Corporate Director	83,121	311	17,788	101,220
83,121	459	17,372	100,952	Corporate Director	83,121	658	17,788	101,567
108,264	971	22,627	131,862	Chief Executive	108,264	173	23,169	131,606

Other Authority 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 4 cases in 2011/12 and 3 cases in 2010/11 and. These posts would not appear below except for the termination benefits paid in the individual year.

Number of other Council employees who received more than £60,000 and includes remuneration and termination benefits where appropriate:

Number in 2010-11				Number in 2011-12		
Schools	Other	Total		Schools	Other	Total
8	0	8	£60,000 - 64,999	6	1	7
3	0	3	£65,000 - 69,999	5	0	5
1	0	1	£70,000 - 74,999	0	0	0
1	1	2	£75,000 - 79,999	2	2	4
0	0	0	£80,000 - 84,999	0	0	0
0	0	0	£85,000 - 89,999	0	1	1
1	0	1	£90,000 - 94,999	1	1	2

NOTE 35 – EXTERNAL AUDIT COSTS

The Authority has incurred the following costs relating to external audit.

2010-11 £'000		2011-12 £'000
208	Fees for External Audit Services	314
94	Fees for grant claims and returns	111
302		**425**

NOTE 36 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	Note	2010/11 £'000	2011/12 £'000
Credited to Taxation and Non Specific Grant Income			
Outcome Agreement Grant (Non-ringfenced Government Grants)	*13*	1,307	1,303
Revenue Support Grant (Non-ringfenced Government Grants)	*13*	136,387	139,700
Capital Grants and Contributions (Capital Grants and Contributions)	*13*	27,224	14,889
Grant - Major Repairs Allowance (Capital Grants and Contributions)	*13*	124	0
Total		**165,042**	**155,892**
Credited to Services			
Grants:			
Sustainable Waste Management Grant		4,137	4,020
Supporting People Grant (SPG & SPRG)		4,001	3,344
Post 16 Grant (Education)		3,884	4,075
Foundation Phase Grant (Education)		3,053	3,693
Convergence Grant - Physical Regeneration in North Wales		0	2,224
Local Tax Collection Grant		8,590	8,901
Housing Benefit Administration Grant		26,791	28,174
Concessionary Fare Grant		2,047	2,187
		52,503	56,618
Other Grants:			
Children and Education Services Grants - Education		6,719	6,072
Planning and Development Services Grants		4,114	3,380
Adult Social Care Grants		3,138	2,423
Highways, Roads and Transport Services Grants		2,221	6,042
Environmental and Regulatory Services Grants		2,001	3,676
Housing Services (Council Fund) Grants		1,302	1,118
Cultural and Related Services Grants		1,145	1,131
Children and Education Services Grants - Children's Social Care		1,118	1,890
Central Services to the Public Grants		1,054	1,341
Corporate and Democratic Core Grants		234	131
		23,046	27,204
Contributions:			
Adult Social Care		2,203	2,459

Children and Education Services - Education	1,334	1,675
Housing Services (Council Fund)	681	612
Planning and Development Services	600	926
Central Services to the Public	472	25
Highways, Roads and Transport Services	110	81
Corporate and Democratic Core	97	148
Environmental and Regulatory Services	72	205
Children and Education Services - Children's Social Care	6	1,040
Cultural and Related Services	4	54
	5,579	7,225
Total	**81,128**	**91,047**

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 could require the monies or property to be returned to the giver. The balances at the year end are as follows:

Grants Received in Advance	**31 March 2011 £'000**	**31 March 2012 £'000**
<u>Long Term</u>		
Revenue Grants	0	0
Capital Grants : -		
Regulatory (Planning, Transport & Public Protection) Grants	0	298
Total Long Term	**0**	**298**
<u>Short Term</u>		
Revenue Grants : -		
Education Grants	701	1,578
Economy and Community Grants	472	978
Housing Grants	342	738
Social Services Grants	55	41
Regulatory (Planning, Transport & Public Protection) Grants	41	36
Strategic and Improvement Grants	34	31
Provider and Leisure Grants	31	31
Customer Care Grants	6	2
Consultancy Grants	0	59
Finance Grants	5	0
	1,687	3,494
Capital Grants : -		
Economy and Community Grants	47	47
Housing Grants	31	86
Provider and Leisure Grants	3	3
Education Grants	61	0
	142	136
Total Short Term	**1,829**	**3,629**
Total	**1,829**	**3,927**

NOTE 37 – 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 30 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 36.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 33.

The Authority appoints members to some external charitable or voluntary bodies or they have disclosed a link to organisations, public bodies and authorities. A breakdown of the payments and balances at 31 March 2012 made to these bodies under this heading during 2011/12 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£6,612,086	£891,865	(£1,460,520)

Members have declared an interest or relationship (as defined) in companies or businesses which may have dealings with the Authority. A breakdown of the payments and balances at 31 March 2012 made to these companies under this heading during 2011/12 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£6,685,365	£365,357	(£3,402)

Officers

A number of Senior Officers have declared an interest or relationship (as defined) in companies, voluntary, charitable, or public bodies which receive payments from the Authority. A breakdown of the payments and balances at 31 March 2012 made to these bodies under this heading during 2011/12 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£2,667,126	£89,185	(£75,574)

Other Public Bodies

The Authority is the administering authority for the Pension Fund. Details of transactions with the Pension Fund are shown in Note 44 on pages 70 to 75 and the Pension Fund Accounts on pages 81 to 109.

A total of £664,202 was paid to Welsh Joint Education Committee (WJEC) for services to schools during 2011/12.

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. Payments and balances at 31 March 2012 to Cwmni Cynnal during 2011/12 for services to schools are as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£2,889,490	£80,422	(£29,380)

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 remains outstanding.

NOTE 38 – 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.

2010/11 £'000		2011/12 £'000
355,848	Non-current Assets	364,366
77	Long Term Investments	77
578	Long Term Debtors – Capital	0
(56,884)	Revaluation Reserve	(50,736)
(149,676)	Capital Adjustment Account	(161,996)
530	Financial Instruments Adjustment Account (relating to Non-current Assets)	530
150,473	**Capital Financing Requirement 31 March**	**152,241**

The movement in the year is explained as follows:

2010/11 £'000		2011/12 £'000
162,263	**Capital Financing Requirement 1 April**	**150,473**
	In year Capital Investment -	
6,576	Land and Buildings	6,220
15,979	Infrastructure	9,767
2,745	Vehicles, Plant and Equipment	5,246
7	Community Assets	15
227,096	Assets under construction	10,015
0	Assets held for sale	23
5,076	Funded from capital under statute	4,679
(220,096)	Capital Receipts used	(3,489)
(28,962)	Government Grants and other contributions	(16,108)
205	Capital expenditure charged to revenue	(8,172)
(5,647)	Statutory provision for the financing of capital investment	(5,797)
	Additional voluntary set aside :	
(14,118)	Capital Receipts	0
(651)	Voluntary Revenue Contribution	(631)
150,473	**Capital Financing Requirement 31 March**	**152,241**

NOTE 39 – 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:

31 March 2011 £'000		31 March 2012 £'000
395	Vehicles, Plant, Furniture and Equipment	234
395		**234**

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:

31 March 2011 £'000		31 March 2012 £'000
	Finance Lease Liabilities (net present value of minimum lease payments):	
88	Current	20
49	non-current	29
5	Finance costs payable in future years	2
142	Minimum lease payments	**51**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £'000	**31 March 2012 £'000**	**31 March 2011 £'000**	**31 March 2012 £'000**
No later than one year	90	22	88	20
Later than one year and not later than five years	52	29	49	29
	142	**51**	**137**	**49**

In 2011/12, minimum lease payments were made by the Authority of £90,240 (2010/11 - £117,370) in respect of those assets held as a finance lease.

Operating Leases

	31 March 2011 £'000	31 March 2012 £'000
No later than one year	258	240
Later than one year and not later than five years	132	52
Later than five years	1	0
	391	**292**

The expenditure charged to the services within the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2010-11 £'000	2011-12 £'000
Minimum lease payments	597	492
Contingent rents	0	0
	597	**492**

Authority as Lessor

Finance Leases

Gwynedd Council has 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:

	31 March 2011 £'000	31 March 2012 £'000
No later than one year	561	459
Later than one year and not later than five years	1,117	885
Later than five years	2,304	2,251
	3,982	**3,595**

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. In 2011/12 £892,890 minimum lease payments were receivable by the Authority (£882,560 in 2010/11).

NOTE 40 – IMPAIRMENT LOSSES

Notes 15 and 17 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.

NOTE 41 – TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in various Council Services in 2011/12. The termination (redundancy) payments made totalled £636,906.87 (£388,668.67 in 2010/11).

NOTE 42 – EXIT PACKAGES

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The cost in the table below reflects the related cost to the employer rather than the actual cost of the payments to the individuals.

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band £'000**	
£	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**	**2010/11**	**2011/12**
0 - 20,000	15	48	0	0	15	48	**101**	**277**
20,001 - 40,000	2	11	0	0	2	11	**65**	**330**
40,001 - 60,000	3	6	0	0	3	6	**154**	**294**
60,001 - 80,000	2	2	0	0	2	2	**149**	**137**
80,001 - 100,000	1	1	0	0	1	1	**89**	**82**
100,001 - 150,000	1	0	0	0	1	0	**147**	**0**
Total	**24**	**68**	**0**	**0**	**24**	**68**	**705**	**1,120**

NOTE 43 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Government's Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the 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 for 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 2011/12 the Council paid £5.95m (£5.95m in 2010/11) in respect of teachers' pension costs, which represented 13.84% (13.85% in 2010/11) 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 2011/12 these amounted to £0.96m (£0.96m in 2010/11) representing 2.29% (2.27% in 2010/11) of teachers' pensionable pay. These costs are accounted for on a defined benefits basis and are included in Note 44.

NOTE 44 – 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 2011 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000
Cost of Services						
Current Service Cost	15,592	13,434	0	0	15,592	13,434
Past Service Costs*	(47,646)	68	(2,963)	0	(50,609)	68
Settlements and Curtailments	(2,042)	161	0	0	(2,042)	161
Financing and Investment Income and Expenditure						
Interest Cost	31,301	22,500	2,816	2,349	34,117	24,849
Expected Return on Scheme Assets	(25,648)	(23,578)	(1,690)	(1,489)	(27,338)	(25,067)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(28,443)	12,585	(1,837)	860	(30,280)	13,445
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account						
Actuarial Gains and Losses	(136,882)	37,883	(6,215)	4,017	(143,097)	41,900
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	(165,325)	50,468	(8,052)	4,877	(173,377)	55,345
Reversal of net charges made to the Surplus or Deficit for the Provision of Post Employment Benefits in accordance with the Code	182,765	(32,855)	8,052	(4,877)	190,817	(37,732)
Actual amount charged against council tax for pensions in the year						
Employers' Contributions to the Scheme	**17,440**	**17,613**	**0**	**0**	**17,440**	**17,613**

* In 2010/11, the change in past service costs includes (£47,794,000) for Gwynedd Council Pension Scheme due to the change in the index for pension increases from the Retail Price Index to the Consumer Price Index. The total change of (£2,963,000) for the Gwynedd Closed Fund Pension Scheme is due to this change.

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £114,175,060 (£72,292,857 to 31 March 2011).

Assets and liabilities in Relation to Post-employment Benefits

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

	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	31 March		31 March		31 March	
	2011	2012	2011	2012	2011	2012
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	(617,490)	(407,128)	(55,407)	(44,618)	(672,897)	(451,746)
Current Service Cost	(15,592)	(13,434)	0	0	(15,592)	(13,434)
Interest Cost	(31,301)	(22,500)	(2,816)	(2,350)	(34,117)	(24,850)
Contributions by scheme participants	(4,702)	(4,602)	0	0	(4,702)	(4,602)
Actuarial (Losses)/Gains	186,990	(14,047)	6,688	(2,516)	193,678	(16,563)
Past Service Costs	47,646	(68)	2,963	0	50,609	(68)
Losses on Curtailments	(143)	(161)	0	0	(143)	(161)
Liabilities extinguished on Settlements	14,926	0	0	0	14,926	0
Estimated Unfunded Benefits Paid	943	983	784	798	1,727	1,781
Estimated Benefits Paid	11,595	13,314	3,170	3,080	14,765	16,394
31 March	**(407,128)**	**(447,643)**	**(44,618)**	**(45,606)**	**(451,746)**	**(493,249)**

Reconciliation of fair value of the scheme assets:

	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	31 March		31 March		31 March	
	2011	2012	2011	2012	2011	2012
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	364,463	338,234	25,046	23,093	389,509	361,327
Expected Return on Assets	25,648	23,577	1,690	1,488	27,338	25,065
Contributions by Members	4,702	4,602	0	0	4,702	4,602
Contributions by the Employer	15,768	15,815	0	0	15,768	15,815
Contributions in respect of Unfunded Benefits	943	983	784	798	1,727	1,781
Actuarial Gains and Losses	(48,011)	(23,818)	(473)	(1,501)	(48,484)	(25,319)
Assets distributed on Settlements	(12,741)	0	0	0	(12,741)	0
Unfunded Benefits Paid	(943)	(983)	(784)	(798)	(1,727)	(1,781)
Benefits Paid	(11,595)	(13,314)	(3,170)	(3,080)	(14,765)	(16,394)
31 March	**338,234**	**345,096**	**23,093**	**20,000**	**361,327**	**365,096**

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 gain of £215,654 (2010/11: loss of £30,863,988).

Scheme History

	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	31 March		31 March		31 March	
	2011	2012	2011	2012	2011	2012
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets	338,233	345,096	23,093	20,000	361,326	365,096
Present Value of Liabilities	(407,128)	(447,643)	(44,619)	(45,606)	(451,747)	(493,249)
Deficit in the Scheme	**(68,895)**	**(102,547)**	**(21,526)**	**(25,606)**	**(90,421)**	**(128,153)**

	Gwynedd Council Pension Scheme			Gwynedd Closed Fund Pension Scheme		
	31 March			31 March		
	2008	2009	2010	2008	2009	2010
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets	303,674	251,001	364,463	26,136	20,729	25,046
Present Value of Liabilities	(360,943)	(359,854)	(617,490)	(48,606)	(45,757)	(55,407)
Deficit in the Scheme	**(57,269)**	**(108,853)**	**(253,027)**	**(22,470)**	**(25,028)**	**(30,361)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £128.15m 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 Pension 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 2013 is £16.1m.

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 2011	**31 March 2012**
	%	%
Rate of Inflation	2.8	2.5
Rate of increase in Salaries	5.1	4.8
Rate of increase in Pensions	2.8	2.5
Expected return on assets	6.9	5.6
Discount rate	5.5	4.8
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
Long-term expected rate of return on assets in the scheme:		
Equity	7.5	6.2
Bonds	4.9	3.3
Property	5.5	4.4
Cash	4.6	3.5
Mortality assumptions	**Years**	**Years**
Longevity at 65 for current pensioners		
Men	20.5	20.5
Women	23.0	23.0
Longevity at 65 for future pensioners		
Men	23.3	23.3
Women	25.6	25.6

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

	31 March 2011	31 March 2012
	%	%
Equities	76	78
Bonds	13	13
Property	9	8
Cash	2	1
Total	100	100

History of Experienced Gains and Losses

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

	Gwynedd Council Pension Scheme					Gwynedd Closed Fund Pension Scheme				
	31 March					31 March				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
	%	%	%	%	%	%	%	%	%	%
Differences between the expected and actual return on assets	0.2	-34.7	-23.0	14.2	6.9	-17.6	-38.2	25.1	-2.0	-7.5
Experience gains and losses on liabilities	12.1	0.2	0.1	-30.3	1.0	0.7	0.4	-0.7	-6.8	2.7

As the Actuary's report is based on estimates and due to timing issues, there is a variance of £18,000 in 2011/12 between the deficit in the Scheme based on the Actuarial figures in comparison with the Liability related to the defined benefit pension schemes in the Balance Sheet. This variance has been treated as Actuarial Gains and Losses on Pension Assets and Liabilities and therefore has been included in the Liability related to the defined benefit pension schemes in the Balance Sheet.

NOTE 45 – 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.

The position below relates to circumstances involving 3 specific contingent liabilities:

- Position in respect of Equal Pay Claims – A provision is contained within the Authority's Accounts and reflects the best estimate of potential cost as at 31 March 2012. The actual final position and liability will depend on the outcome of the outstanding claims.
- The capping and aftercare requirements for an Authority waste disposal site – A provision is included within the accounts, however it is possible given the possible future development in environmental technology that the actual final cost may differ from the current estimated future cost.

- The previous housing stock was transferred to Cartrefi Cymunedol Gwynedd Cyf. on 12 April 2010 with the full project implementation costs being recovered and the balance on the previous Housing Revenue Account transferring to the Council. Any future related financial implications arising from the housing stock transfer such as the pension deficits of staff transferred will remain with the Council.

NOTE 46 – 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 2012 was £566,160. (£558,675 at 31 March 2011). These are invested to provide income.

The two largest funds are shown in separate statements on pages 79 and 80.

HOUSING REVENUE ACCOUNT 2011/12

STATEMENT OF INCOME AND EXPENDITURE

2010-11 £'000		2011-12 £'000
	EXPENDITURE	
355	Repairs and Maintenance	0
131	Supervision and Management	0
2	Rents, taxes and other charges	0
197	Subsidy Payable	0
523	Depreciation and impairment of non-current assets	0
(1)	Provision for bad debts	0
466,727	Exceptional item	0
467,934	**Total Expenditure**	**0**
	INCOME	
(381)	Dwelling Rents	0
(16)	Other rents	0
(3)	Service charges	0
(148)	Contribution to expenditure	0
(217,374)	Exceptional item	0
(217,922)	**Total Income**	**0**
250,012	**Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement**	**0**
3	HRA Share of Corporate and Democratic Core	0
250,015	**Net Cost of HRA Services**	**0**
(21)	Loss / (Gain) on sale of HRA non-current assets	0
3,231	Interest payable and similar charges	0
(17,329)	Interest and investment income	0
(124)	Capital grants and contributions receivable	0
235,772	**Deficit / (Surplus) for the year**	**0**

STATEMENT OF THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT

2010-11 £'000		2011-12 £'000
1,967	**Balance on the HRA 1 April**	**1,727**
(235,772)	Surplus / (Deficit) for the year on the HRA Income and Expenditure Statement	0
235,522	Adjustments between accounting basis and funding basis under statute	0
(250)	Net increase / (decrease) before transfer (to) / from reserves	0
10	Transfer (to) / from reserves	0
(240)	Increase / (decrease) in year on the HRA	0
1,727	**Balance on the HRA 31 March**	**1,727**

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – GENERAL

It was decided by the Welsh Assembly Government that all council housing stock in Wales should meet the Welsh Housing Quality Standard (WHQS). Gwynedd Council did not have the resources to achieve the WHQS within the necessary timescale, therefore Gwynedd Council's housing stock was transferred 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. There is no income or expenditure relating to the Housing Revenue Account in 2011-12.

NOTE 2 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

2010-11 £'000		2011-12 £'000
466,930	Depreciation and impairment of non-current assets	0
(122)	Capital grants and contributions applied	0
320	Revenue expenditure funded from capital under statute	0
(21)	Gain / loss on disposal / sale of non-current assets	0
(8)	Statutory provision for the financing of capital investment	0
(84)	Capital expenditure charged against HRA balances	0
(14,118)	Use of capital receipts to finance repayment of debt	0
(217,374)	Use of capital receipts to finance capital expenditure	0
1	Contribution from the Capital Receipts Reserve	0
(1)	Adjustments to the Pensions Reserve	0
(1)	Adjustments involving the Accumulated Absence Account	0
235,522		**0**

THE WELSH CHURCH FUND

2010-2011 £'000		2011-2012 £'000	2011-2012 £'000
515	**Amount of Fund at 1st April**		515
	Add - Income during the year :-		
14	Interest on Investments	17	
0	Profit on Sale of Investments	0	
1	Rents and Annuities	0	
15			17
	Less - Expenditure during the year :-		
(1)	Loss on sale of investments	(5)	
(15)	Grants and expenses	(13)	
0	Other	(2)	
			(20)
515	**Amount of Fund at 31st March**		512
	Represented by the following Assets :-		
26	Land and Buildings		26
432	Investments at Market Value		421
14	Debtors		10
695	Cash in Hand		704
1,167			1,161
(624)	**Less -** Proportion owing to Anglesey and Conwy Councils		(621)
543			540
(46)	**Less -** Creditors		(50)
18	**Add -** Proportion owing from Anglesey and Conwy Councils		22
515	**Total**		512

NOTES TO THE ACCOUNTS

1. The Scheme for the administration of the Fund provides that the income be applied for charitable purposes - educational, recreational and social, at the discretion of the Council.

2. The Charities Act 1993 requires that an independent examination of the statement of accounts of the Welsh Church Fund be carried out annually.

FMG MORGAN TRUST FUND

2010-2011 £'000		2011-2012 £'000
131	**Amount of Fund at 1st April**	135
	Add - Income during the year	
5	Interest on Assets	7
	Less - Expenditure during the year	
(1)	Grants	(1)
135	**Amount of Fund at 31st March**	141
	Assets	
25	Investments	25
110	Cash in Hand	116
135		141

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 2012 was £164,158.07 (£169,057 at 31 March 2011).

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 ACCOUNT

31 March 2011 £'000		Notes	31 March 2012 £'000
	Dealings with members, employers and others directly involved in the fund		
60,679	Contributions Receivable	*7*	61,525
49	Interest on Deferred Contributions		48
1	Income from Divorce Calculations		1
0	Interest on Late Payment of Contributions		0
1,440	Transfers in from other pension schemes	*8*	3,099
62,169	**Total contributions received**		**64,673**
(38,320)	Benefits Payable	*9*	(40,541)
(2,661)	Payments to and on account of leavers	*10*	(1,035)
(1,061)	Administrative Expenses	*11*	(1,011)
(42,042)	**Total benefits paid**		**(42,587)**
20,127	**Net additions from dealings with members**		**22,086**
	Returns on Investments		
6,931	Investment income	*12*	9,054
(186)	Taxes on income	*13*	(291)
70,763	Profit and (losses) on disposal of investments and changes in the market value of investments		(1,396)
(3,247)	Investment management expenses	*14*	(3,560)
74,261	**Net returns on investments**		**3,807**
	Net assets of the Fund		
929,390	At 1st April		1,023,778
20,127	Net additions from dealings with members		22,086
74,261	Net returns on investments		3,807
1,023,778			**1,049,671**

NET ASSETS STATEMENT – 2011/12

31 March 2011 £'000		Notes	31 March 2012 £'000
1,005,886	Investment assets	*15*	1,036,066
10,029	Cash deposits	*15*	17,624
1,015,915			**1,053,690**
(4,029)	Investment liabilities	*15*	(10,274)
15,012	Current assets	*20*	9,496
(3,120)	Current liabilities	*21*	(3,241)
1,023,778			**1,049,671**

The Financial Statements do not take into account the Fund's liability 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 19.

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE 1 – DESCRIPTION OF FUND

The Gwynedd Pension Fund ("the fund") is part of the Local Government Pension Scheme and is administered by Gwynedd Council. The council is the reporting entity for this pension fund. The following description of the fund is a summary only. For more detail, reference should be made to the Gwynedd Pension Fund Annual Report 2011/12 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The fund is governed by the Superannuation Act 1972. The fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended);
- the LGPS (Administration) Regulations 2008 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme administered by Gwynedd Council to provide pensions and other benefits for pensionable employees of Gwynedd Council, two other local authorities and other scheduled, resolution and admission bodies within the old Gwynedd County Council area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The fund is overseen by the Pensions Committee, which is a committee of Gwynedd Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Gwynedd Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Resolution bodies, which are city, town and parish councils. They have the power to decide if their employees can join the LGPS and pass a resolution accordingly.
- Admission bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 57 employer organisations within Gwynedd Pension Fund including the council itself, as detailed below:

Gwynedd Pension Fund	**31 March 2011**	**31 March 2012**
Number of employers with active members	40	40
Number of employees in scheme		
Gwynedd Council	5,092	5,020
Other employers	9,162	9,281
Total	**14,254**	**14,301**
Number of pensioners		
Gwynedd Council	1,395	1,534
Other employers	5,168	5,393
Total	**6,563**	**6,927**
Deferred pensioners		
Gwynedd Council	2,929	3,089
Other employers	4,631	4,660
Total	**7,560**	**7,749**

The following bodies are active employers within the Pension Fund:

Scheduled Bodies	
Gwynedd Council	Snowdonia National Park
Conwy County Borough Council	Bryn Eilian School
Isle of Anglesey County Council	Emrys ap Iwan School
North Wales Police Authority	Pen y Bryn School
Coleg Llandrillo	Eirias High School
Coleg Menai	
Resolution Bodies	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	
Admission Bodies	
Coleg Harlech WEA	North Wales Society for the Blind
CAIS	Conwy Voluntary Services
Conwy Citizens Advice Bureau	Careers Wales North West
Ynys Môn Citizens Advice Bureau	Mantell Gwynedd
Cwmni Cynnal	Medrwn Môn
Cwmni'r Fran Wen	Menter Môn
Holyhead Joint Burial Committee	
Community Admission Bodies	
Cartrefi Conwy	Cartrefi Cymunedol Gwynedd
Transferee Admission Body	
Eden Foods	

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2012. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2010. Currently, employer contribution rates range from 5.1% to 29.1% of pensionable pay.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Gwynedd Pension Fund scheme handbook available from Gwynedd Council's Pensions Section.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer price index. This change took effect from 1 April 2011.

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2011/12 financial year and its position at year-end as at 31 March 2012. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – revenue recognition

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10).

Individual transfers in and out are accounted for on a receipts and payments basis, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds including property
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Movement in the net market value of investments.
Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable
Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation
The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Administrative expenses
All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

g) Investment management expenses
All investment management expenses are accounted for an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition the fund has negotiated with the following managers that an element of their fee be performance related:

Capital International – Global Equity
Fidelity – Global Equity

No performance-related fees were paid to the managers in 2011/12 (£0 in 2010/11).

The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund.

Net assets statement

h) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities
Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments
The fair value of investments for which market quotations are not readily available is determined as follows:
- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with IFRS guidelines. It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

iv) Limited partnerships
Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles
Pooled investments vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under IAS26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement. (Note 19).

n) Additional voluntary contributions

Gwynedd Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. There are three AVC funds. They are held with Clerical Medical, The Equitable Life Assurance Society and Standard Life. 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 year.

AVC's are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted private securities at 31 March 2012 was £59 million (£51 million at 31 March 2011).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the council 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 materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The net pension liability would change if the assumptions used were changed. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability, an increase in assumed earnings inflation would increase the value of liabilities and an increase in assumed life expectancy would increase the liability.
Debtors	At 31 March 2012, the fund had a balance of sundry debtors of £6.4m. A review of significant balances suggested that it was not appropriate to make any impairment of the debts.	If collection rates were to deteriorate, it would be necessary to reconsider this decision.
Private equity	Private equity investments are valued at fair value in accordance with IFRS accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £59 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE BALANCE SHEET DATE

Since 31 March 2012, there has been a marked decline in the global stock markets which would impact upon the market value of the fund's investments were they to be valued as at the date these accounts were authorised. This change is deemed to be a non-adjusting post-balance-sheet event.

A decision has been made to terminate the investment management agreement with Capital International and to transfer the assets to Veritas Asset Management in 2011/12. This change is deemed to be a non-adjusting post-balance-sheet event.

There have been no events since 31 March 2012, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

NOTE 7 – CONTRIBUTIONS RECEIVABLE

By category

2010/11		2011/12
£'000		£'000
46,162	Employers	47,301
14,517	Employees/Members	14,224
60,679		**61,525**

By authority

2010/11 £'000		2011/12 £'000
35,770	Scheduled bodies	36,573
20,766	Gwynedd Council	20,700
2,170	Admission bodies	2,209
1,652	Community admission body	1,778
186	Transferee admission body	64
126	Resolution Body	147
9	Closed fund*	54
60,679		**61,525**

* Closed fund – These are contributions received from Theatr Harlech, Theatr Gwynedd and North Wales Magistrates Court Committee. They were admitted bodies but they are now closed funds.

NOTE 8 – TRANSFERS IN FROM OTHER PENSION FUNDS

2010/11 £'000		2011/12 £'000
1,440	Individual transfers	3,099
1,440		**3,099**

NOTE 9 - BENEFITS PAYABLE

By category

2010/11 £'000		2011/12 £'000
27,177	Pensions	29,785
10,198	Commutation and lump sum retirement benefits	10,013
945	Lump sum death benefits	743
38,320		**40,541**

By authority

2010/11 £'000		2011/12 £'000
15,707	Scheduled bodies	16,925
9,707	Gwynedd Council	10,137
649	Admission bodies	1,103
534	Community admission body	660
16	Transferee admission body	34
10,994	Closed Fund	10,945
130	Resolution Body	54
583	Employers with no contributors	683
38,320		**40,541**

NOTE 10 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2010/11 £'000		2011/12 £'000
18	Refunds to members leaving service	3
8	Payments for members joining state scheme	6
2,635	Individual transfers	1,026
2,661		**1,035**

NOTE 11 – ADMINISTRATIVE EXPENSES

2010/11 £'000		2011/12 £'000
397	Direct employee costs	393
159	Other direct costs	162
320	Support services including IT	332
75	Pension fund committee	50
25	External audit fees	25
85	Actuarial fees	49
1,061		**1,011**

Administrative expenses include amounts charged to the Pension Fund by Gwynedd Council for staff costs, support services and accommodation. Further details are given in Note 23 below.

NOTE 12 – INVESTMENT INCOME

2010/11 £'000		2011/12 £'000
605	UK equities	768
3,115	Overseas equities	2,951
113	Private equity	1,239
2,945	Pooled property investments	3,899
153	Interest on cash deposits	197
6,931		**9,054**

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, which went into administration in October 2008. The impairment on this investment to the Pension Fund was £178,094 in 2008/09 and there was a reduction in this impairment of £54,814 in 2009/10 and £13,248 in 2010/11. A further reduction of £14,897 was made in 2011/12. This amount has been included in the interest on cash deposits figure for the relevant year in the above table. Further information is included in Note 26 below.

NOTE 13 – TAXES ON INCOME

2010/11 £'000		2011/12 £'000
186	Withholding tax – equities	291
186		**291**

NOTE 14 – INVESTMENT MANAGEMENT EXPENSES

2010/11 £'000		2011/12 £'000
3,139	Management fees	3,381
41	Custody fees	47
13	Performance monitoring service	14
54	Investment consultancy fees	118
3,247		**3,560**

NOTE 15 – INVESTMENTS

2010/11 £'000		2011/12 £'000
	Investment assets	
141,937	Absolute return	150,723
156,986	Equities	153,058
562,696	Pooled investments	577,137
89,207	Pooled property investments	92,685
50,967	Private Equity	58,645
	Derivative contracts:	
3,453	Forward currency contracts	3,534
640	Amounts receivable for sales	284
1,005,886		**1,036,066**
10,029	Cash deposits	17,624
1,015,915	**Total investment assets**	**1,053,690**
	Investment liabilities	
	Derivative contracts:	
(3,625)	Forward currency contracts	(3,518)
(404)	Amounts payable for purchases	(6,756)
(4,029)	**Total investment liabilities**	**(10,274)**
1,011,886	**Net investment assets**	**1,043,415**

Note 15a – Analysis of investments (excluding derivative contracts)

2010/11		2011/12
£'000		£'000
	Equities	
	UK	
15,152	Quoted	14,999
0	Unquoted	0
	Overseas	
141,265	Quoted	136,758
569	Unquoted	1,302
	Pooled funds	
	UK	
264,246	Unit trusts	187,377
1	Ventures - unquoted	1
	Global (including UK)	
141,937	Fixed income	150,723
166,179	Unit trusts	179,653
	Overseas	
132,270	Unit trusts	210,104
89,207	**Property unit trusts**	92,685
50,967	**Private equity**	58,645
1,001,793		**1,032,247**

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has a passive currency programme in place managed by the global custodian. The fund hedges a proportion of the Euro within the portfolio managed by UBS.

Settlement	Currency bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
		000		000	£'000	£'000
Up to three months	EUR	4,220	GBP	3,518	3,518	
Up to three months	GBP	3,534				(3,534)
					3,518	**(3,534)**
Net forward foreign currency contracts at 31 March 2012						**(16)**
Prior year comparative						
Open forward foreign currency contracts at 31 March 2011					**3,453**	**(3,625)**
Net forward foreign currency contracts at 31 March 2011						**(172)**

Investments analysed by fund manager

Market Value at 31 March 2011 £'000	%		Market Value at 31 March 2012 £'000	%
344,697	34.1	BlackRock	346,858	33.3
196,683	19.4	Capital International	190,046	18.2
191,692	19.0	Fidelity	206,287	19.8
141,941	14.0	Insight	150,519	14.4
18,712	1.9	Lothbury	20,099	1.9
50,967	5.0	Partners Group	58,645	5.6
0	0.0	Threadneedle	10,601	1.0
67,194	6.6	UBS	60,361	5.8
1,021,268	**100.0**		**1,046,502**	**100.0**

The following investments represent more than 5% of the net assets of the scheme

Market value 31 March 2011 £'000	% of total fund	Security	Market value 31 March 2012 £'000	% of total fund
264,246	25.79	BlackRock Asset Management Aquila Life UK Equity Index Fund	187,377	17.85
166,179	16.22	Fidelity Institutional Select Global Equity	179,653	17.12
141,937	13.85	Insight LDI Solution Bonds Plus	150,516	14.34

Note 15b – Stock lending

The Statement of Investment Principles (SIP) states that stock lending will be permitted subject to specific approval. Currently the fund does not undertake any stock lending.

NOTE 16 – FINANCIAL INSTRUMENTS

Note 16a – Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

As at 31 March 2011				As at 31 March 2012		
Designated as fair value through profit and loss	**Loans and receivables**	**Financial liabilities at amortised cost**		**Designated as fair value through profit and loss**	**Loans and receivables**	**Financial liabilities as amortised cost**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial assets			
141,937			Fixed interest securities	150,723		
156,987			Equities	153,058		
562,697			Pooled investments	577,137		
89,207			Pooled property investments	92,685		
50,967			Private equity	58,645		
3,453			Derivative contracts	3,534		
	19,411		Cash		20,710	
	6,269		Debtors		6,693	
1,005,248	**25,680**	**0**		**1,035,782**	**27,403**	**0**
			Financial liabilities			
(3,625)			Derivative contracts	(3,518)		
		(3,525)	Creditors			(9,996)
(3,625)	**0**	**(3,525)**		**(3,518)**	**0**	**(9,996)**
1,001,623	**25,680**	**(3,525)**		**1,032,264**	**27,403**	**(9,996)**

Note 16b – Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

Carrying value	**Fair value**		**Carrying value**	**Fair value**
£'000	**£'000**		**£'000**	**£'000**
		Financial assets		
808,509	1,005,248	Fair value through profit and loss	876,237	1,035,781
25,698	25,680	Loans and receivables	27,405	27,404
834,207	**1,030,928**	**Total financial assets**	**903,642**	**1,063,185**
		Financial liabilities		
(3,453)	(3,625)	Fair value through profit and loss	(3,534)	(3,518)
(3,525)	(3,525)	Financial liabilities at amortised cost	(10,006)	(9,996)
(6,978)	**(7,150)**	**Total financial liabilities**	**(13,540)**	**(13,514)**
827,229	**1,023,778**	**Net financial assets**	**890,102**	**1,049,671**

The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 16c – Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments could include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Gwynedd Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate. The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	**Using observable inputs**	**With significant unobservable inputs**	
Value at 31 March 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets at fair value through profit and loss	972,299	4,837	58,645	1,035,781
Loans and receivables	27,404	0	0	27,404
Total financial assets	**999,703**	**4,837**	**58,645**	**1,063,185**
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(3,518)	0	(3,518)
Financial liabilities at amortised cost	(9,996)	0	0	(9,996)
Total financial liabilities	**(9,996)**	**(3,518)**	**0**	**(13,514)**
Net financial assets	**989,707**	**1,319**	**58,645**	**1,049,671**

Values at 31 March 2011	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	950,258	4,023	50,967	1,005,248
Loans and receivables	25,680	0	0	25,680
Total financial assets	**975,938**	**4,023**	**50,967**	**1,030,928**
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(3,625)	0	(3,625)
Financial liabilities at amortised cost	(3,525)	0	0	(3,525)
Total financial liabilities	**(3,525)**	**(3,625)**	**0**	**(7,150)**
Net financial assets	**972,413**	**398**	**50,967**	**1,023,778**

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pensions committee. The Pension Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to pay pensions. The Funding Strategy Statement produced by the Administering Authority in conjunction with the Fund's Actuaries, states how solvency and risk will be managed in relation to liabilities. The Administering Authority has produced this Funding Strategy Statement having taken an overall view of the level of risk inherent in the investment policy set out in the Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Investment Regulations) and the funding policy set out in this Statement. The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk for its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

- the exposure of the fund to market risk is monitored through a risk factor analysis to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

Other price risk – sensitivity analysis

Following analysis of the observed historical volatility of asset class returns in consultation with the fund's investment analytics advisors potential price changes have been determined for the various classes of assets held by the fund. The rates to be applied to the fund's asset categories are as follows:

Asset type	Potential market movement (+/-) 31 March 2012 %	31 March 2011 %
Equities	14.97	19.92
Fixed Income	1.80	7.32
Alternatives (Private Equity)	11.61	16.00
Property	4.29	11.97
Cash	0.50	0.70

The potential volatilities disclosed above are consistent with a one-standard deviation movement in the change of value of the assets over the latest three years. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the market price of the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2012 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Equities	730,195	14.97	839,504	620,884
Fixed Income	150,723	1.80	153,436	148,010
Alternatives (Private Equity)	58,645	11.61	65,454	51,836
Property	92,685	4.29	96,661	88,708
Cash	17,624	0.50	17,712	17,536
Total assets available to pay benefits	**1,049,872**		**1,172,767**	**926,974**

Asset type	Value as at 31 March 2011 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Equities	719,684	19.92	863,044	576,322
Fixed Income	141,937	7.32	152,327	131,547
Alternatives (Private Equity)	50,967	16.00	59,123	42,813
Property	89,207	11.97	99,885	78,529
Cash	10,029	0.70	10,099	9,959
Total assets available to pay benefits	**1,011,824**		**1,184,478**	**839,170**

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is routinely monitored in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2012 and 31 March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2012 £'000	As at 31 March 2011 £'000
Cash and cash equivalents	3,086	9,382
Cash balances	17,624	10,029
Fixed interest securities	150,724	141,937
Total	**171,434**	**161,348**

Interest rate risk sensitivity analysis

The council recognises that interest rates can vary and can affect both income to the fund and the value of net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Carrying amount as at 31 March 2012	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	3,086	31	(31)
Cash balances	17,624	176	(176)
Fixed interest securities	150,724	528	(528)
Total change in assets available	**171,434**	**735**	**(735)**

Asset type	Carrying amount as at 31 March 2011	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	9,382	94	(94)
Cash balances	10,029	100	(100)
Fixed interest securities	141,937	440	(440)
Total change in assets available	**161,348**	**634**	**(634)**

A change of 1% in interest rate does not have a direct impact on fixed interest securities but does have a partial impact as calculated in the tables above.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds assets denominated in currencies other than £UK.

The fund has made commitments to private equity in foreign currency, (€100million and $7million). These commitments are being drawn down on request from the investment manager over a number of years. The current commitments still outstanding are shown in note 24. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the fund is fully funded. The fund has been funding the commitments since 2005 and therefore the liability is balanced out over a long period.

The fund's currency rate risk has been calculated based on the volatility of the currencies which would affect the value of the investments and any cash held in those currencies.

The following table summarises the fund's currency exposure as at 31 March 2012 and as at the previous period end:

Currency exposure - asset type	**As at 31 March 2012 £'000**	**As at 31 March 2011 £'000**
Overseas and Global Equities	526,356	440,110
Global Fixed Income	150,723	141,937
Overseas Alternatives (Private Equity)	58,645	50,967
Overseas Currency	14	0
Total overseas assets	**735,738**	**633,014**

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the fund investment analytics advisors, the likely volatility associated with foreign exchange rate movements has been calculated with reference to the historic volatility of the currencies and their relative amounts in the fund's investments.

An 8.1% fluctuation in the currency is considered reasonable based on the fund investment analytics advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period to 31 March 2012. The equivalent rate for the year ended 31 March 2011 was 11.9%. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following tables show analyses of the fund's exposure to individual foreign currencies as at 31 March 2012 and as at the previous year end:

Currency exposure - by currency	**Value at 31 March 2012 £'000**	**Change %**	**Value on increase £'000**	**Value on decrease £'000**
Australian Dollar	2,210	10.49	2,442	1,978
Brazilian Real	167	12.83	189	146
Canadian Dollar	6,198	9.63	6,794	5,601
Danish Krone	729	8.31	790	669
EURO	78,049	8.36	84,574	71,524
Hong Kong Dollar	4,517	9.60	4,951	4,084
Japanese Yen	29,015	13.29	32,873	25,158
Norwegian Krone	1,973	10.52	2,180	1,765
Swedish Krone	1,328	10.22	1,463	1,192
Swiss Franc	7,293	10.25	8,041	6,546
US Dollar	143,996	9.75	158,039	129,952
Pooled Investments				
Global Basket	330,377	6.55	352,007	308,746
Europe Basket	48,156	5.42	50,765	45,548
Asia Pacific ex Japan Basket	30,319	7.19	32,498	28,140
Emerging Basket	51,411	7.89	55,467	47,354
Total change in assets available	**735,738**	**7.79**	**793,073**	**678,403**

Currency exposure - by currency	Value at 31 March 2011 £'000	Change %	Value on increase £'000	Value on decrease £'000
Australian Dollar	2,937	15.37	3,389	2,486
Brazilian Real	449	12.87	506	391
Canadian Dollar	6,376	10.94	7,073	5,678
EURO	76,234	13.87	86,805	65,663
Hong Kong Dollar	1,632	12.38	1,834	1,430
Japanese Yen	35,722	19.20	42,580	28,864
Norwegian Krone	995	11.03	1,105	885
Singapore Dollar	659	10.97	731	586
Swedish Krone	638	13.40	724	553
Swiss Franc	7,248	16.48	8,442	6,053
US Dollar	110,985	12.39	124,731	97,238
Pooled Investments				
Global Basket	308,115	9.64	337,830	278,403
Europe Basket	27,192	8.84	29,597	24,787
Asia Pacific ex Japan Basket	12,573	10.65	13,912	11,234
Emerging Basket	41,259	10.70	45,674	36,845
Total change in assets available	**633,014**	**11.36**	**704,933**	**561,096**

Currency Exposure - by asset type	Carrying amount as at 31 March 2012	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas and Global Equities	526,356	567,374	485,338
Global Fixed Income	150,723	162,469	138,978
Overseas Alternatives (Private Equity)	58,645	63,215	54,075
Overseas Currency	14	15	13
Total change in assets available	**735,738**	**793,073**	**678,404**

Currency Exposure - by asset type	Carrying amount as at 31 March 2011	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas and Global Equities	440,110	490,112	390,107
Global Fixed Income	141,937	158,063	125,811
Overseas Alternatives (Private Equity)	50,967	56,758	45,177
Total change in assets available	**633,014**	**704,933**	**561,095**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The benchmark for the concentration of the funds held with investment managers is as follows.

Investment Manager	Percentage of Portfolio
BlackRock	32%
Capital International	19%
Fidelity	19%
Insight	15%
Partners Group	5%
UBS	7%

All investments held by investment managers are held in the name of the Pension Fund so, if the investment manager fails, the Fund's investments are not classed amongst their assets.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

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. As the Short Term Investments are made in the name of Gwynedd Council they are shown in full on the Council's Balance Sheet. The Pension Fund element of the Short Term Investments and Cash Deposits at 31 March 2012 was £3.4m (£10m at 31 March 2011).

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. The council has also set limits as to the maximum percentage of deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency. The council believes it has managed its exposure to credit risk, and has had only one experience of default or uncollectable deposits when Heritable Bank went into administration in 2008. Full details can be seen in Note 26.

Employers in the fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so the Administering Authority monitors membership movements on an annual basis.

New employers to the fund will need to agree to the provision of a bond or obtain a guarantee to save the risk of future financial loss to the fund in the event of not being able to meet its pension liability on cessation. As shown in Note 25 below two employers have provided bonds. Any future liabilities falling on the fund as a result of cessation are borne by the whole fund and spread across all employers. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a recent legal judgement, which potentially indicates that employers with no contributing members cannot be charged contributions under the LGPS Administration Regulations. This ruling, however, does not affect the ability to collect contributions following a cessation valuation under Regulation 38(2). The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 38 of the LGPS (Administration) Regulations 2008 between triennial valuations.

c) Liquidity risk
Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payment costs; and also cash to meet investment commitments.

The Administering Authority has a comprehensive cash flow management system that seeks to ensure that cash is available if needed. In addition, current contributions received from contributing employers and members far exceed the benefits being paid. Surplus cash is invested and cannot be paid back to employers. The Fund's Actuaries establish the contributions that should be paid in order that all future liabilities can be met.

There is no limit on the amount that the Pension Fund bank account can hold. The amounts held in this account should meet the normal liquidity needs of the fund. Any temporary surplus is invested by the Administering Authority in accordance with the Treasury Management Strategy Statement to provide additional income to the Pension Fund. Surplus cash is invested in accordance with the Statement of Investment Principles.

The fund also has access to an overdraft facility through the Administering Authority's group bank account arrangements. This facility would only be used to meet short-term timing differences on pension payments. As these borrowings are of a limited short term nature, the fund's exposure to credit risk is considered negligible.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2012 the value of illiquid assets was £58.6m, which represented 5.6% of the total fund assets (31 March 2011: £51.5m, which represented 5% of the total fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

All financial liabilities at 31 March 2012 are due within one year as was the case at 31 March 2011.

Refinancing risk
The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

NOTE 18 – FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2010. The next valuation will take place at 31 March 2013.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund (and the share of the fund attributable to individual employers)
- to ensure that sufficient funds are available to meet all pension liabilities as they fall due for payment
- not to restrain unnecessarily the investment strategy of the fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk
- to help employers recognise and manage pension liabilities as they accrue
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so

- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but in some cases a longer period can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2010 actuarial valuation, the fund was assessed as 84% funded (84% at the March 2007 valuation). This corresponded to a deficit of £183m (2007 valuation: £160m) at that time.

Contribution increases were phased in as follows:

- Bodies with tax raising powers are subject to a maximum increase of 0.5% per annum. Should the contribution rate decrease in future these bodies would also be subject to a maximum decrease of 0.5%.
- Employers with a contribution rate increase of 0.5% or less at the 2010 valuation moved to the new rate immediately. As the increases were over 3% in some cases there was an option to phase the increase in over a period of 6 years with an increase of at least 0.5% per annum until the full increase is achieved, subject to the Administering Authority's overall satisfaction relating to the security of the fund.
- Best Value Admission Bodies are not eligible for phasing in of contribution rises.

The common contribution rate for the whole fund based on the funding level at 31 March 2010 is 17.1% for future service and a further 5.0% to fund the past service deficit, giving a total rate of 22.1%. The common contribution rate is a theoretical figure – an average across the whole fund. Individual employer's rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2010 actuarial valuation report and the funding strategy statement on the fund's website.

The valuation of the fund has been undertaken using the projected unit method for the fund as a whole and employers who continue to admit new entrants to the fund and the attained age method for employers who no longer admit new entrants to the fund. The salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principle assumptions were:

Financial assumptions

	% per annum
Investment returns	
Equities	6.25
Bonds	4.75
75% Equities / 25% Bonds	5.9
Pay increases (excluding increments) *	5.3
Price inflation / Pension increases	3.3

* 1% per annum for 2010/11 and 2011/12 reverting to 5.3% thereafter.

Mortality assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Mortality assumption at age 65	**Male**	**Female**
Current pensioners	20.5	23.0
Future pensioners (assumed current age 45)	23.3	25.6

Historic mortality assumptions

The life expectancy assumptions that were adopted for the 31 March 2010 valuation are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the fund. These curves are based on actual data supplied by the Administering Authority. The allowances for future life expectancy are:

Longevity assumptions	**31 March 2010**
Longevity - baseline	VitaCurves
Longevity - improvements	Medium cohort with 1% minimum improvements from 2007

Commutation assumption

Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 50% of HMRC limits for service up to 31 March 2008 and 75% of HMRC limits for service from 1 April 2008.

NOTE 19 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18) and has also used them to provide the IAS19 and FRS 17 reports for individual employers in the fund. The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2012 was £1,342m (£1,197m at 31 March 2011). All the retirement benefits are vested. The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2010 triennial funding valuation (see Note 18) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

Assumptions used

Assumption	**31 March 2012** %	**31 March 2011** %
Inflation/ pension increase rate	2.5	2.8
Salary increase rate	4.8*	5.1**
Discount rate	4.8	5.5

* Salary increases are 1% p.a. nominal for the three years to 31 March 2015 reverting to the long term rate thereafter

** Salary increases are 1% p.a. nominal for the period to 31 March 2012, reverting to the long term rate thereafter.

NOTE 20 – CURRENT ASSETS

2010/11 £'000		2011/12 £'000
760	Contributions due - employees	1,096
2,479	Contributions due – employers	3,575
13	Transfer values receivable (joiners)	0
2,378	Sundry Debtors	1,739
5,630	**Total Debtors**	**6,410**
9,382	Cash	3,086
15,012	**Total**	**9,496**

Analysis of debtors

2010/11 £'000		2011/12 £'000
1,943	Administering Authority	1,902
568	Central government bodies	709
1,669	Other local authorities	2,566
3	NHS bodies	3
1,447	Other entities and individuals	1,230
5,630	**Total**	**6,410**

NOTE 21 – CURRENT LIABILITIES

2010/11 £'000		2011/12 £'000
1,459	Sundry creditors	1,431
0	Transfer values payable (leavers)	0
1,661	Benefits payable	1,810
3,120	**Total**	**3,241**

Analysis of creditors

2010/11 £'000		2011/12 £'000
1,017	Administering Authority	887
14	Central government bodies	14
1	Other local authorities	0
2,088	Other entities and individuals	2.340
3,120	**Total**	**3,241**

NOTE 22 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

The market value of the funds is stated below:

	Market value at 31 March 2012 £'000	Market value at 31 March 2011 £'000
Clerical Medical	2,380	2,412
Equitable Life	454	546
Standard Life	215	211
Total	**3,049**	**3,169**

AVC contributions were paid directly to the three managers as follows:

	2011 / 2012 £'000	2010 / 2011 £'000
Clerical Medical	343	287
Equitable Life	0	1
Standard Life	13	14
Total	**356**	**302**

NOTE 23 - RELATED PARTY TRANSACTIONS

Gwynedd Council

The Gwynedd Pension Fund is administered by Gwynedd Council. Consequently there is a strong relationship between the council and the pension fund.

The council incurred costs of £891,420 (£906,391 in 2010/11) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also one of the largest employers of members of the pension fund and contributed £16.02m to the fund in 2011/12 (£16m in 2010/11). At the end of the year the council owed £1,902,000 to the fund (see Note 20) which was primarily in respect of contributions for March 2012 and the fund owed £887,000 to the council (see Note 21) which was primarily in respect of recharges from the council.

The Gwynedd Pension Fund has three bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During 2011/12, the fund received interest of £156,562 (£103,483 in 2010/11) from Gwynedd Council.

Governance

There was 1 member of the pensions committee who was in receipt of pension benefits from the Gwynedd Pension Fund during 2011/12 (Committee member T Edwards). In addition, committee members T Edwards, J G Jones and T Jones are active members of the pension fund.

Two senior managers of Gwynedd Council who hold key positions in the financial management of the Gwynedd Pension Fund are active members of the Pension Fund (D O Williams and D L Edwards).

Five members of the pensions committee and two chief officers of Gwynedd Council have declared an interest in bodies which have dealings with the fund. In all cases these bodies are employers which are part of the fund.

NOTE 24 - COMMITMENTS UNDER INVESTMENT CONTRACTS

Outstanding capital commitments (investments) at 31 March were as follows:

	Total commitment	Commitment at 31 March 2012	Commitment at 31 March 2011
	€'000	€'000	€'000
P.G. Direct 2006	20,000	1,384	2,036
P.G. Global Value 2006	50,000	5,832	12,663
P.G. Secondary 2008	15,000	2,680	4,901
P.G. Global Value 2011	15,000	11,345	15,000
Total Euros	**100,000**	**21,241**	**34,600**
	$'000	**$'000**	**$'000**
P.G. Emerging Markets 2011	**7,000**	**5,971**	**7,000**

These commitments relate to outstanding call payments on unquoted limited partnership funds held in the private equity part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of the original commitment.

NOTE 25 – CONTINGENT ASSETS

Two admitted body employers in the Gwynedd Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

NOTE 26 – IMPAIRMENT LOSSES

a) Impairment for bad and doubtful debts

As explained in Note 5 there has not been any impairment for bad and doubtful debts.

b) Impairment of Icelandic bank deposit

During 2008/09 the Council made a deposit of £4m with Heritable Bank which is a UK registered bank under Scottish Law. The pension fund's share of that investment was £565,200.

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 £2,728,753 from the administrators up to 31 March 2012 and the administrators now expect a return of 88p per £ by the middle of 2013. Based on this information, the impairment in the accounts is based on recovering 88p in the £.

The percentages received to date are as follows:

Date	%
July 2009	16.13
December 2009	12.66
March 2010	6.19
July 2010	6.27
October 2010	4.14
January 2011	4.72
April 2011	6.25
July 2011	4.05
October 2011	4.18
January 2012	3.32
Total at 31 March 2012	**67.91**

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 2013. Therefore, in calculating the impairment the Council has made the following assumptions regarding timing of subsequent recoveries:

Date	%
April 2012	3.79
July 2012	3.50
October 2012	3.50
January 2013	3.50
April 2013	5.81
Total	**20.10**

A payment of £152,298 was received in April 2012, namely the 3.79% 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.

Of course, the actual loss by mid 2013 could be more or less than the potential loss estimated above. However, the impairment has been estimated in accordance with the agreed interpretation of the position at 31 March 2012.

NOTE 27 - PENSION FUND PUBLICATIONS

A separate Annual Report is produced for the Pension Fund. This document includes the accounts for the fund along with more information regarding the administration and investment activities. It includes the following documents:

Statement of Investment Principles
Funding Strategy Statement
Governance Policy and Governance Compliance Statement
Communications Policy Statement

Copies can be obtained from the Pension Fund website www.gwyneddpensionfund.org.uk on the investment page or by contacting Mrs Caroline Roberts on 01286 679128.