

**STATEMENT OF
ACCOUNTS
2012/13
(subject to audit)**

INDEX

	Page
Explanatory Foreword	2 - 7
Statement of Responsibilities	8
Movement in Reserves Statement	9
Comprehensive Income and Expenditure Statement	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Accounts	13 – 89
Gwynedd Pension Fund Accounts and Notes	90 -120
Appendix A – Analysis of the Income and Expenditure Account	121 – 122
Appendix B – Welsh Church Fund	123
Appendix C – FMG Morgan Trust Fund	124

EXPLANATORY FOREWORD

Introduction

Gwynedd Council's accounts for the year 2012/13 are presented here on pages 9 to 120.

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 2013.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2012/13 for revenue and capital purposes.
- **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 2012/13

- The Comprehensive Income and Expenditure Statement on page 10 shows that the Council's gross revenue expenditure on 'Cost of Services' level was £349m during 2012/13, with the net position as £212m.
- The financial out-turn position for 2012/13 was reported to the Cabinet at its meeting on 11 June 2013. The members of the Cabinet approved the carry forward of net service underspends of £64k for the year, the net transfer of £178k to earmarked reserves and there was no movement on the General Balances.

TABLE I – Budget and Actual Comparison Summary (Net)

Table I 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	231,493	231,377	(116)
Departmental Carry Forward at year end	0	64	64
	231,493	231,441	(52)
Financed by -			
Council Tax Income	(63,426)	(63,374)	52
Share of National Non-Domestic Rate	(32,801)	(32,801)	0
General Government Grants	(135,266)	(135,266)	0
	0	0	0

- The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement on page 9 and 10 detail the actual analysis in movements for the year.

TABLE 2 – Transposition movement between ‘Budget and Actual Comparison Summary (Net)’ (Table 1) to the Income and Expenditure format reflecting Departmental Management Structure.

Department	Performance Report £'000	Transposition Adjustment £'000	Income & Expenditure Statement £'000
Human Resources	182	(1)	181
Finance	1,244	(1)	1,243
Democracy and Legal	873	0	873
Customer Care	2,457	(1)	2,456
Strategic and Improvement	666	0	666
Education	87,389	1,328	88,717
Economy and Community	6,150	287	6,437
Highways and Municipal	26,747	(88)	26,659
Regulatory (Planning, Transport and Public Protection)	11,301	(189)	11,112
Gwynedd Consultancy	1,432	(140)	1,292
North Wales Trunk Road Agency	(70)	(22)	(92)
Provider and Leisure	5,778	(105)	5,673
Housing and Social Services	62,607	(55)	62,552
Corporate Management Team	52	0	52
Corporate	4,180	(185)	3,995
Reserves	513	0	513
Cost of Services	211,501	828	212,329
Other (Contains Centralised and Corporate Adjustment)	19,940	(828)	19,112
Total	231,441	0	231,441

* Adjustments in the transposition column relate to the net contribution to and from reserves and the required adjustments relating to insurance.

- 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 67.
- Service Reporting Code of Practice (SeRCOP) Analysis is contained within Appendix A.
- **Material Items of Income and Expense**

Related items include movements within certain Provisions (Note 24), increases and decreases in specific grants (Note 35) including Revenue Support Grant, 14 – 19 Pathways, 21st Century Schools and Supporting People Grant. The revenue implications of the technical impairment (£2m) relating to capital expenditure that is included within ‘Highways and Transport’ in the Comprehensive Income and Expenditure Statement. As well as, a reduction in the Expected Return on Scheme Assets (Note 12 and 42) due to the change in IAS19 with the expected return on assets using a discount rate that is lower than previous years estimates.

- **Exceptional Item (Provision for restoration of landfill sites)**

Every local authority that operates, or has operated, a landfill site has a legal obligation for the restoration, aftercare and monitoring of these sites for at least 30 years after closure and capping. Following the publication of technical guidance that provides clarification of the requirement for authorities to recognise a full provision for this work and to account for this on a consistent basis, the 2011/12 figures in the 2012/13 accounts have been restated to reflect these changes, the figures have been treated as an 'Exceptional Item' in the Comprehensive Income and Expenditure Statement because of the one-off nature of the adjustment to the 2011/12 figures (see Note 3 Prior Period Adjustments for further information).

The exceptional item in the Comprehensive Income and Expenditure Statement (2011/12) recognises the impairment that relates to the above obligation, on the basis that no economic benefits / service potential will accrue to the authority as most of the landfill sites are now closed. However the impact upon of this impairment upon the taxation requirement is neutral.

- **Impact of Current Economic Climate**

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

CAPITAL EXPENDITURE IN 2012/13

Capital expenditure for 2012/13 amounted to £40m. The following table gives an analysis of this expenditure and the way it was financed.

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING		
2011/12		2012/13
£'000		£'000
259	Human Resources	74
8,422	Education	6,275
215	North & Mid Wales Trunk Road Agency	0
0	Finance	16
378	Provider and Leisure	276
3,206	Economy and Community	5,502
0	Democracy and Legal	0
4,345	Customer Care	6,966
2,955	Housing and Social Services	3,802
6,544	Highways and Municipal	6,753
8,284	Regulatory	10,611
80	Strategic and Improvement	4
21	Council Houses	24
392	Gwynedd Consultancy	28
1	Corporate	0
35,102		40,331
	FINANCED BY -	
8,707	Borrowing	10,914
16,108	Grants and Contributions	21,148
2,789	Capital Receipts	2,344
7,498	Revenue and Other Funds	5,925
35,102		40,331

- Revenue Expenditure Funded from Capital Under Statute of £8,429,940 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 £31,900,950 as shown in Note 15 and 22 on pages 44 to 46 and 59.
- The Council's Loan Debt on 31 March 2013 was £95.8m – a reduction of £17.2m (from £113.0m) during the year. Repayments of £1.1m were made in accordance with the terms of individual loans.

Provisions and Reserves

In addition to General Balances of £8.0m, the Council had other provisions (as defined) of £13.1m, earmarked reserves of £49.9m and school balances of £3.8m, totalling £74.8m. These are detailed in the Balance Sheet, Movement in Reserves Statement and in Notes 10 and 24.

Pension Fund

The Council (as an employer) has a net liability from its share of the assets and liabilities of the Gwynedd Pension Fund, which has been calculated in accordance with International Accounting Standard 19. The Balance Sheet contains an assessment by the Fund's Actuary, Hymans, of the Council's share of the Pension Fund liability. This net liability has increased by £40,026,000 to £168,179,000 in 2012/13. Refer to Note 42 for further information.

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

Gwynedd Pension Fund

The Gwynedd Pension Fund Accounts (pages 90 to 120) show an increase during the year of £143.9m in the market value of the net assets of the Fund, to £1,193.6m. The book value of the net assets at 31 March 2013 was £940.3m (2012: £890.1m).

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 I of the Accounts on page 13.

Changes in Accounting Policies and to the Statement of Accounts

There were no new policies introduced as part of the *Code of Practice on Local Authority Accounting in the United Kingdom* for 2012/13.

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 2013 and its income and expenditure for the year then ended.

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

27 June 2013

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 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	(4,567)	0	0	0	0	0	(4,567)	0	(4,567)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	46,762	46,762
Total Comprehensive Income and Expenditure	(4,567)	0	0	0	0	0	(4,567)	46,762	42,195
Adjustments between accounting basis and funding basis under regulations	9 4,494	0	0	0	1,547	(1,211)	4,830	(4,830)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(73)	0	0	0	1,547	(1,211)	263	41,932	42,195
Transfers to/from Earmarked Reserves	216	(264)	48	0	0	0	0	0	0
(Increase)/Decrease in 2011/12	143	(264)	48	0	1,547	(1,211)	263	41,932	42,195
Balance 31 March 2012 carried forward	(8,051)	(51,053)	(4,438)	(1,727)	(3,651)	(2,428)	(71,348)	(69,730)	(141,078)
Movement in reserves during 2012/13									
(Surplus)/Deficit on provision of services	(8,185)	0	0	0	0	0	(8,185)	0	(8,185)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	46,412	46,412
Total Comprehensive Income and Expenditure	(8,185)	0	0	0	0	0	(8,185)	46,412	38,227
Adjustments between accounting basis and funding basis under regulations	9 9,969	0	0	0	1,411	538	11,918	(11,918)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,784	0	0	0	1,411	538	3,733	34,494	38,227
Transfers to/from Earmarked Reserves	10 (1,784)	1,159	625	0	0	0	0	0	0
(Increase)/Decrease in 2012/13	0	1,159	625	0	1,411	538	3,733	34,494	38,227
Balance 31 March 2013 carried forward	(8,051)	(49,894)	(3,813)	(1,727)	(2,240)	(1,890)	(67,615)	(35,236)	(102,851)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – 2012/13

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.

2011-12			2012-13			
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
17,342	(7,588)	9,754	Culture and Related Services	16,454	(7,117)	9,337
29,114	(9,954)	19,160	Environmental and Regulatory Services	27,911	(9,668)	18,243
10,011	0	10,011	Environmental and Regulatory Services - Exceptional Item *	0	0	0
10,911	(6,313)	4,598	Planning Services	14,164	(8,908)	5,256
109,916	(20,321)	89,595	Education and Children's Services - Education	116,792	(26,539)	90,253
18,826	(3,225)	15,601	Education and Children's Services - Children's Social Care	18,062	(2,432)	15,630
30,368	(12,960)	17,408	Highways and Transport	32,257	(14,054)	18,203
39,131	(35,031)	4,100	Housing Services (Council Fund)	43,205	(37,537)	5,668
55,481	(14,883)	40,598	Adult Social Care	58,472	(15,348)	43,124
11,841	(10,536)	1,305	Central Services to the Public	12,215	(10,655)	1,560
9,990	(5,158)	4,832	Corporate and Democratic Core	8,974	(4,114)	4,860
228	0	228	Non Distributed Costs	195	0	195
343,159	(125,969)	217,190	Cost of Services	348,701	(136,372)	212,329
18,588	(401)	18,187	Other Operating Expenditure	11 18,882	(42)	18,840
6,529	(901)	5,628	Financing and Investment Income and Expenditure **	12 9,857	(682)	9,175
0	(245,572)	(245,572)	Taxation and non-specific grant income	13 0	(248,529)	(248,529)
368,276	(372,843)	(4,567)	(Surplus) / Deficit on Provision of Services	377,440	(385,625)	(8,185)
		4,862	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets	26		5,461
		0	(Surplus) / Deficit on revaluation of available for sale financial assets			0
		41,900	Actuarial (Gains) / Losses on pension assets / liabilities	42		40,951
		46,762	Other Comprehensive Income and Expenditure			46,412
		42,195	Total Comprehensive Income and Expenditure			38,227

* The Authority is required to provide for the restoration of its landfill sites, involving a retrospective adjustment to the 2011/12 accounts and not in 2012/13, in recognition of the impairment relating to this obligation. (See also Prior Period Adjustments Note 3 for further details).

** Reflects required adjustment relating to the Expected Return on Assets as detailed in Note 12.

BALANCE SHEET – 31 MARCH 2013

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'.

31 March 2012		Note	31 March 2013
£'000			£'000
363,633	Property, Plant and Equipment	15	368,877
93	Heritage Assets	16	93
298	Investment Property	17	824
84	Surplus Assets	15	734
296	Long Term Investments	18	77
3,898	Long Term Debtors	18	4,191
368,302	Long Term Assets		374,796
35,883	Short Term Investments	18	35,629
1,607	Assets Held for Sale	22	2,905
1,380	Stock	19	1,257
28,699	Short Term Debtors	20	44,872
17,687	Cash and Cash Equivalents	21	13,091
85,256	Current Assets		97,754
(6,904)	Bank Overdraft	21	(11,787)
(2,050)	Short Term Borrowing	18	(18,131)
(43,041)	Short Term Creditors	23	(58,777)
(34)	Short Term Provisions	24	(27)
(3,629)	Capital and Revenue Grants Receipts in Advance	35	(2,523)
(55,658)	Current Liabilities		(91,245)
(202)	Long Term Creditors	18	(151)
(15,140)	Long Term Provisions	24	(13,059)
(113,000)	Long Term Borrowing	18	(95,811)
(128,153)	Pension Liability	42	(168,179)
(29)	Finance Leases Liability	38	(15)
(298)	Capital and Revenue Grants Receipts in Advance	35	(1,239)
(256,822)	Long Term Liabilities		(278,454)
141,078	Net Assets		102,851
(71,348)	Usable Reserves	25	(67,615)
(69,730)	Unusable Reserves	26	(35,236)
(141,078)	Total Reserves		(102,851)

CASH FLOW STATEMENT – 2012/13

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.

2011-12 £'000		Note	2012-13 £'000
(4,567)	Net (Surplus) or Deficit on the Provision of Services		(8,185)
(28,421)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27a	(23,593)
(4,123)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27b	(4,341)
(37,111)	Net cash flows from Operating Activities	27c	(36,119)
19,273	Investing Activities	28	38,479
10,673	Financing Activities	29	7,119
(7,165)	Net increase in cash and cash equivalents		9,479
3,618	Cash and cash equivalents at the beginning of the reporting period	21	10,783
10,783	Cash and cash equivalents at the end of the reporting period	21	1,304

NOTES TO THE ACCOUNTS

NOTE I – ACCOUNTING POLICIES

I.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. 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 2012/13* and the Service Reporting Code of Practice 2012/13, 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.

I.2 Accruals of Expenditure and Income

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

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

I.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.

I.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. Gwynedd Council have no contingent assets.

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 includes 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 the Capita Teachers' Pensions on behalf of the Westminster Government's Department for Education
- The Local Government Pensions Scheme, administered by the Gwynedd Pension Fund at Gwynedd Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees when they worked for the 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 The Teachers' Pensions Scheme 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 4.5% 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 the discount rate in accordance with the latest version of IAS19 – 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* 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. 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. 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.

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. 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 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 is 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 current *Code of Practice on Local Authority Accounting in the United Kingdom*.

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 from the basis of 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 Service Reporting Code of Practice (SeRCOP) 2012-13.

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-minimus 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-minimus 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 2012/13 financial year this has been set at £1.63m 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.

The Local Authorities (Capital Finance and Accounting)(Wales)(Amendment) Regulations 2008 (SI 2008/588 (W.59)) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Welsh Ministers and local authorities are required to “have regard” to such Guidance under section 21(1B) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB This does not preclude other prudent methods.

MRP in 2012/13: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Council chooses).

The MRP Statement will be submitted to Council before the start of the 2012/13 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

The Council will apply Option 1 in respect of supported capital expenditure funded from borrowing, and Option 3 in respect of unsupported capital expenditure funded from borrowing.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

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) 2012-13. 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

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. The accounts reflect actual expenditure and income relating to the year in question irrespective of whether the payments or receipts have actually been paid or received in the year.

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 2012/13.

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 2013.

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. Gwynedd Council was within its landfill allowance in 2012-13.

1.36 PFI Schemes

PFI Schemes are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. Prosiect GwyrAD is a PFI scheme and construction commenced in 2012-13 with the plant becoming operational on 1st October 2013. It is a treatment plant for treating source segregated food waste using Anaerobic Digestion (AD) technology. This will assist the Authority to meet its recycling targets and to work within its allowances for landfilling of Biodegradable Municipal Waste (BMW).

1.37 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet, the assets that it controls and the liabilities it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Authority and other venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts only for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of interests in the joint venture and income that it earns from the venture.

1.38 Recognition of Revenue from Non-Exchange Transactions

Assets and revenue arising from non exchange transactions are recognised in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, except where interpreted or adapted to fit the public sector are detailed in the Code and/or IPSAS 23, "Revenue from Non-Exchange Transactions (Taxes and Transfers)".

Taxation Transactions

Assets and revenue arising from taxation transactions are recognised in the period in which the taxable event occurs, provided that the assets satisfy the definition of an asset and meet the criteria for recognition as an asset.

Non-taxation Transactions

Assets and revenue arising from transfer transactions are recognised in the period in which the transfer arrangement becomes binding. Services in-kind are not recognised. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the Authority recognises a liability until the condition is fulfilled.

Basis of Measurement of Major Classes of Revenue from Non-Exchange Transactions

Taxation Revenue is measured at the nominal value of cash, and cash equivalents.

Assets and revenue recognised as a consequence of a transfer are measured at the fair value of the assets recognised as at the date of recognition:

- Monetary assets are measured at their nominal value unless the time value of money is material, in which case present value is used, calculated using a discount rate that reflects the risk inherent in holding the asset; and
- Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession. Receivables are recognised when a binding transfer arrangement is in place but cash or other assets have not been received.

NOTE 2 – CHANGE IN ACCOUNTING POLICY

No new policies were introduced in the *Code of Practice on Local Authority Accounting in the United Kingdom* for 2012/13.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

Due to specific circumstances, adjustment and / or restatement of certain figures within our accounts is required for periods prior to 2012/13. Detailed below are two matters that relate to the 2011/12 accounts that require the following adjustments:

(a) **Provision for the aftercare of Landfill Sites**

Following consultation with Wales Audit Office, direction was given to account for the position for Landfill Sites aftercare in the following manner. Local Authorities in Wales need to recognise obligations relating to the restoration, aftercare and monitoring of landfill sites on a consistent basis. The 31 March 2012 Balance Sheet has been restated to reflect this requirement, together with the 2011/12 Movement in Reserves Statement and Comprehensive Income and Expenditure Statement. This authority has three landfill sites, all of which are covered by this requirement – Cilgwyn Site in Carmel, Ffridd Rasmus Site in Harlech and Llwyn Isaf Site in Clynnog.

The tables below reflect the prior period adjustments that have been made to the 2011/12 main Statements of Accounts and the relevant Notes to the Accounts.

Effect of the landfill sites' adjustments on the Movement in Reserves Statement 2011/12

As previously stated 2011-12					As restated 2011-12			
General Fund Balance	Total Useable reserves	Unusable reserves	Total Authority Reserves		General Fund Balance	Total Useable reserves	Unusable reserves	Total Authority Reserves
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(8,194)	(71,611)	(111,662)	(183,273)	Balance 31 March 2011 carried forward	(8,194)	(71,611)	(111,662)	(183,273)
(14,409)	(14,409)	0	(14,409)	(Surplus)/Deficit on provision of services	(4,567)	(4,567)	0	(4,567)
(14,409)	(14,409)	46,762	32,353	Total Comprehensive Income and Expenditure	(4,567)	(4,567)	46,762	42,195
14,336	14,672	(14,672)	0	Adjustments between accounting basis and funding basis under regulation	4,494	4,830	(4,830)	0
(73)	263	32,090	32,353	Net (Increase)/Decrease before Transfer to Earmarked Reserves	(73)	263	41,932	42,195
143	263	32,090	32,353	(Increase)/Decrease in 2011/12	143	263	41,932	42,195
(8,051)	(71,348)	(79,572)	(150,920)	Balance 31 March 2012 carried forward	(8,051)	(71,348)	(69,730)	(141,078)

Effect of the landfill sites' adjustments on the Comprehensive Income and Expenditure Statement 2011/12

	Restatement Adjustment 2011-12		
	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Environmental and Regulatory Services	(169)	0	(169)
Environmental and Regulatory Services – Exceptional Item	10,011		10,011
Cost of Services	9,842	0	9,842
(Surplus)/Deficit on Provision of Services	9,842	0	9,842
Total Comprehensive Income and Expenditure			9,842

Effect of the landfill sites' adjustments on the Balance Sheet 31 March 2012

	As previously stated 31 March 2012	Restatement 2012			As restated 31 March 2012
		a	b	c	
	£'000	£'000	£'000	£'000	£'000
Property, Plant and Equipment	362,284	11,840	(10,011)	(480)	363,633
Long Term Assets	366,953				368,302
Long Term Provisions	(3,949)	(11,840)	0	649	(15,140)
Long Term Liabilities	(245,631)				(256,822)
Net Assets	150,920	0	(10,011)	169	141,078
Unusable Reserves	(79,572)	0	10,011	(169)	(69,730)
Total Reserves	(150,920)	0	10,011	(169)	(141,078)

- a** The £11.84million above represents the additional capitalisation of the obligation relating to the restoration and monitoring costs of landfill sites for the next 30 years.
- b** The £10.01million represents the impairment of the majority of the capitalised costs in (a) above on the basis that no economic benefits/service potential will accrue to the authority as most of the landfill sites are now closed. However the impact of this impairment upon taxation requirements of this impairment is neutral.
- c** The £169k relates to the reversal and restatement of the in-year 2011/12 transactions relating to actual capital and revenue expenditure on restoration and monitoring costs.

Effect of the landfill sites' adjustments on the Cash Flow Statement 31 March 2012

	As previously stated 31 March 2012	Restatement 2012	As restated 31 March 2012
	£'000	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	(14,409)	9,842	(4,567)
Impairment and downward revaluations (Note 27a)	(5,937)	(9,882)	(15,819)
Other non-cash items charged to net surplus/ deficit on the provision of services (Note 27a)	(5,667)	40	(5,627)
Adjustments for items included in the net surplus or deficit on the provision of services for non-cash movements	(18,579)	(9,842)	(28,421)

Effect of the landfill sites' adjustments on Note 9 – adjustments between Accounting Basis and Funding Basis Under Regulations

General Fund Balance	Movement in Unusable Reserves		General Fund Balance	Movement in Unusable Reserves
£'000	£'000		£'000	£'000
(17,133)	17,133	Charges for depreciation and impairment of non current assets	(27,016)	27,016
631	(631)	Revenue provision for the financing of unsupported capital investment	1,347	(1,347)
8,172	(8,172)	Capital expenditure charged against the General Fund	7,497	(7,497)
14,336	(14,672)	Total Adjustments	4,494	(4,830)

Effect of the landfill sites' adjustments on Note 15 – Property, Plant and Equipment

2011/12			2011/12	
As previously stated			As restated	
£'000	£'000		£'000	£'000
Land and Buildings	Assets Under Construction		Land and Buildings	Assets Under Construction
0	0	Value: Adjustment to Opening Balance	11,840	0
6,220	10,015	Value: Additions	5,835	9,535
13,521	(13,603)	Value: Transfers	11,692	(11,774)
202	283	Value: Revaluation	459	283
234,399	8,455	Value: Balance at 31.03.12	244,282	9,804
0	0	Impairment: Adjustment to Opening Balance	10,011	0
5,799	0	Impairment in year – to Services	5,414	0
(119)	0	Impairment: Revaluation	138	0
23,342	0	Impairment: Balance at 31.03.12	33,225	0
203,145	8,453	Net Book Value 31 March 2012	203,145	9,802

Effect of the landfill sites' adjustments on Note 24 – Provisions

2011/12 As previously stated £'000	Long Term Provisions	2011/12 As restated £'000
(800)	Waste Site Provision	(11,991)
(3,983)	Total	(15,174)

Effect of the landfill sites' adjustments on Note 26 – Unusable Reserves

2011/12 As previously stated £'000	Capital Adjustment Account	2011/12 As restated £'000
149,676	Balance 1 April	149,676
(17,133)	Charges for depreciation and impairment of non-current assets	(27,016)
8,172	Capital expenditure charged in year against the General fund	7,497
631	Capital receipts set aside/Revenue provision for the financing of unsupported capital investment	1,347
161,996	Balance 31 March	152,154

Effect of the landfill sites' adjustments on Note 37 – Capital Expenditure and Capital Financing

2011/12 As previously stated £'000		2011/12 As restated £'000
364,366	Non-current Assets	365,715
(161,996)	Capital Adjustment Account	(152,154)
152,241	Capital Financing Requirement 31 March	163,432
150,473	Capital Financing Requirement 1 April	150,473
0	Adjustment to Opening Balance: Capitalisation of contribution to landfill aftercare provision	11,840
6,220	In year Capital Investment – Land and Buildings	5,835
10,015	In year Capital Investment – Assets Under Construction	9,535
0	Capitalisation of contribution to aftercare provision of landfill in year	257
(8,172)	Capital Expenditure charged to revenue	(7,498)
(631)	Revenue provision for the financing of unsupported capital investment	(1,346)
152,241	Capital Financing Requirement 31 March	163,432

(b) Trading Operations

Following the review and reconsideration of 'Trading Operations', as defined within the related requirements of the accounts, consequently 'Trading Operations' as defined, are not considered to exist within our services, resulting in the need for a prior year adjustment.

Originally in 2011/12 'Trading Operations' appeared in Note 12 (Financing and Investment Income and Expenditure) under '(Gains)/Losses of Trading Units', but now appear against the related service in the Comprehensive Income and Expenditure Statement, as they are not regarded as real trading operations. Consequently, a note for Trading Operations is no longer required within our accounts.

Effect of the trading operations' adjustments on Note 12 – Financing and Investment Income and Expenditure

2011-12 As previously stated £'000		2011-12 As restated £'000
(14)	(Gains)/Losses of Trading Units	0
5,614	Total	5,628

Effect of the trading operations' adjustments on the Trading Operations' Note

2011/12 (Gains) / Losses as previously stated £'000		2011/12 (Gains) / Losses as restated £'000
	Provider Services	
21	<i>Catering – External</i>	0
42	<i>Building Cleaning - External</i>	0
(5)	<i>Home Care – External</i>	0
15	Gwynedd Training	0
48	Print Unit	0
(135)	Industrial Estates	0
(14)		0

Effect of the trading operations' adjustments on the Comprehensive Income and Expenditure Statement 2011/12

The adjustment to the Comprehensive Income and Expenditure Statement is as follows:

	Restatement Adjustment 2011-12		
	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Cultural and Related Services	72	(52)	20
Environmental and Regulatory Services	275	(225)	50
Planning Services	312	(438)	(126)
Education and Children's Services - Education	154	(128)	26
Education and Children's Services - Children's Social Care	22	(20)	2
Highways and Transport	62	(55)	7
Housing Services (Council Fund)	132	(138)	(6)
Adult Social Care	295	(292)	3
Central Services to the Public	20	(19)	1
Corporate and Democratic Core	93	(84)	9
Cost of Services	1,437	(1,451)	(14)
Financing and Investment Income and Expenditure	(2,289)	2,303	14
(Surplus)/Deficit on Provision of Service	(852)	852	0

Effect of the trading operations' adjustments on Note 30 – Amounts Reported for Resource Allocation Decisions 2011/12

The Amounts Reported for Resource Allocation Decisions Note agree to the Comprehensive Income and Expenditure Statement above, stating the information on income and expenditure in a format that reflects the Departmental Management Structure. The following table includes an adjustment for the provision for the aftercare of Landfill Sites and the restatement of Trading Operations as follows:

As previously stated 2011-12								As restated 2011-12							
Expenditure			Total	Income		Total	Net	Expenditure			Total	Income		Total	Net
Employees	Other	Support Services	Expenditure	Fees and other	Government Grants and Contributions	Income	Expenditure	Employees	Other	Support Services	Expenditure	Fees and other	Government Grants and Contributions	Income	Expenditure
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
3,265	917	2	4,184	(853)	(99)	(952)	3,232	3,426	1,156	2	4,584	(1,260)	(99)	(1,359)	3,225
4,881	5,917	15	10,813	(3,715)	(3,061)	(6,776)	4,037	4,981	5,877	15	10,873	(4,079)	(3,061)	(7,140)	3,733
16,382	19,689	51	36,122	(8,947)	(4,756)	(13,703)	22,419	16,377	19,398	51	35,826	(8,947)	(4,756)	(13,703)	22,123
25,075	(6,332)	1	18,744	(2,600)	(817)	(3,417)	15,327	26,507	(7,052)	1	19,456	(3,280)	(817)	(4,097)	15,359
160,123	112,714	(418)	272,419	(49,573)	(35,384)	(84,957)	187,462	161,811	111,902	(418)	273,295	(51,024)	(35,384)	(86,408)	186,887
1,686	(19,785)	59,747	41,648	(3,300)	(37,926)	(41,226)	422	1,684	(19,770)	59,911	41,825	(3,300)	(37,926)	(41,226)	599
162,454	93,168	59,329	314,951	(52,905)	(73,345)	(126,250)	188,701	164,140	92,371	59,493	316,004	(54,356)	(73,345)	(127,701)	188,303
Total items within Departmental Control and Central Support Services															
Items within net cost of services, not under departmental control:															
0	19,804	0	19,804	0	0	0	19,804	0	30,034	0	30,034	0	0	0	30,034
Items under departmental control, not included in net cost of services:															
(325)	(2,550)	0	(2,875)	0	0	0	(2,875)	(329)	(2,550)	0	(2,879)	0	0	0	(2,879)
162,129	110,422	59,329	331,880	(51,173)	(73,345)	(124,518)	207,362	163,811	119,855	59,493	343,159	(52,624)	(73,345)	(125,969)	217,190
Net Cost of Services															
Financing and Investment Income and Expenditure															
0	0	0	0	(901)	0	(901)	(901)	0	0	(218)	(218)	0	0	0	(218)
0	0	(218)	(218)	0	0	0	(218)	0	0	0	0	(901)	0	(901)	(901)
1,688	437	164	2,289	(2,303)	0	(2,303)	(14)	0	0	0	0	0	0	0	0
Taxation and non-specific grant income															
0	0	0	0	0	(28,327)	(28,327)	(28,327)	0	0	0	0	(28,327)	0	(28,327)	(28,327)
163,817	136,194	59,275	359,286	(116,923)	(256,772)	(373,695)	(14,409)	163,811	145,190	59,275	368,276	(144,398)	(228,445)	(372,843)	(4,567)
(Surplus)/Deficit on the Provision of Services															

Effect of the landfill sites' adjustments and the trading operations' adjustments on the Comprehensive Income and Expenditure Statement 2011/12

The revised Comprehensive Income and Expenditure Statement for 2011/12 following the adjustments related to the provision for the aftercare of Landfill Sites and the restatement of Trading Operations is as follows:

As previously stated 2011-12				As restated 2011-12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
17,270	(7,536)	9,734	Cultural and Related Services	17,342	(7,588)	9,754
29,008	(9,729)	19,279	Environmental and Regulatory Services	29,114	(9,954)	19,160
0	0	0	Exceptional Item – Environmental and Regulatory Services	10,011	0	10,011
10,599	(5,875)	4,724	Planning Services	10,911	(6,313)	4,598
109,762	(20,193)	89,569	Education and Children's Services - Education	109,916	(20,321)	89,595
18,804	(3,205)	15,599	Education and Children's Services - Children's Social Care	18,826	(3,225)	15,601
30,306	(12,905)	17,401	Highways and Transport	30,368	(12,960)	17,408
38,999	(34,893)	4,106	Housing Services (Council Fund)	39,131	(35,031)	4,100
55,186	(14,591)	40,595	Adult Social Care	55,481	(14,883)	40,598
11,821	(10,517)	1,304	Central Services to the Public	11,841	(10,536)	1,305
9,897	(5,074)	4,823	Corporate and Democratic Core	9,990	(5,158)	4,832
331,880	(124,518)	207,362	Cost of Services	343,159	(125,969)	217,190
8,818	(3,204)	5,614	Financing and Investment Income and Expenditure	6,529	(901)	5,628
359,286	(373,695)	(14,409)	(Surplus)/Deficit on Provision of Services	368,276	(372,843)	(4,567)
		32,353	Total Comprehensive Income and Expenditure			42,195

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

The Code of Practice on Local Council Accounting in the United Kingdom 2012/13 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2013. The changes are as follows:

IAS 1 – Presentation of Financial Statements - Other Comprehensive Income

The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. This is a presentational issue only which will not impact on any of the reported amounts in the Comprehensive Income and Expenditure Statement.

IAS 12 – Deferred Tax: Recovery of Underlying Assets

This change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts.

IAS 19 – Employee Benefits

The change in accounting policy introduces new classes of components of defined benefit cost to be recognised in the financial statements (i.e. net interest on the net defined benefit liability (asset) and remeasurements of the net defined benefit liability (asset)), and new definitions or recognition criteria for service costs, and new recognition criteria for termination benefits. For 2012/13 effect of the change would lead to £2.9m increased expenditure in the ‘Surplus or Deficit on provision of service’, in the Comprehensive Income and Expenditure Statement.

IFRS 7 – Financial Instruments Disclosures - Offsetting Financial Assets and Liabilities

The change in accounting policy is in relation to the offsetting of financial assets and liabilities. It is not likely that this change will have a material affect the Statement of Accounts.

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 judgements, estimates and associated assumptions applied are based on historical experience and other factors, other factors being historical and actual future projections and assumptions that are considered to be relevant.

All available and related information is sourced and applied in assessing and determining the position, which is particularly critical when considering such matters as earmarked reserves, provisions and contingent liability. 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 certain 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 2013 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 be naturally reflected 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 and include Equal Pay, Landfill Sites and our insurance liability exposure.
- **Pensions Liability** – The Pension Liability position as contained within the accounts is based on a number of complex assessments and judgments as provided by Actuaries engaged by the Council. Further details are contained in Note 41 and 42.
- **Doubtful Debts Impairment** – 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 be naturally reflected 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 movements within certain Provisions (Note 24), increases and decreases in specific grants (Note 35) including Revenue Support Grant, 14 – 19 Pathways, 21st Century Schools and Supporting People Grant. The revenue implications of the technical impairment (£2m) relating to capital expenditure that is included within 'Highways and Transport' in the Comprehensive Income and Expenditure Statement. As well as, a reduction in the Expected Return on Scheme Assets (Note 12 and 42) due to the change in IAS19 with the expected return on assets using a discount rate that is lower than previous years estimates.

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.

2012-13	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS					
Adjustments primarily involving the Capital Adjustment Account:					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Charges for depreciation and impairment of non current assets	(18,167)	0	0	0	18,167
Capital grants and contributions applied	20,610	0	0	538	(21,148)
Revenue expenditure funded from capital under statute	(8,430)	0	0	0	8,430
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	42	0	0	0	(42)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Statutory provision for the financing of capital investment	5,692	0	0	0	(5,692)
Voluntary provision for the financing of capital investment	730	0	0	0	(730)
Capital expenditure charged against the General Fund and HRA balances	7,574	0	0	0	(7,574)
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	78	0	(932)	0	854
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	2,345	0	(2,345)
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	(2)	0	2
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	56	0	0	0	(56)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 42)	(17,214)	0	0	0	17,214
Employer's pensions contributions and direct payments to pensioners payable in the year	18,139	0	0	0	(18,139)
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	859	0	0	0	(859)
Total Adjustments	9,969	0	1,411	538	(11,918)

2011-12	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS					
Adjustments primarily involving the Capital Adjustment Account:					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Charges for depreciation and impairment of non current assets	(27,016)	0	0	0	27,016
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)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Revenue provision for the financing of supported capital investment	5,797	0	0	0	(5,797)
Revenue provision for the financing of unsupported capital investment	1,347	0	0	0	(1,347)
Capital expenditure charged against the General Fund	7,497	0	0	0	(7,497)
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 new capital expenditure	0	0	0	0	0
Use of the Capital Receipts Reserve to finance repayment of debt	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
Adjustments 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 42)	(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)
Adjustments 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	4,494	0	1,547	(1,211)	(4,830)

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:

2012-13	Balance		Transfers		Balance
	31 March 2012 £'000	between reserves £'000	in £'000	out £'000	31 March 2013 £'000
School Balances	4,438	(112)	637	(1,150)	3,813
Total	4,438	(112)	637	(1,150)	3,813

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 2012/13.

Earmarked Reserves

2012-13	Balance		Transfers		Balance
	31	between	in	out	31
	March	reserves			March
	2012				2013
	£'000	£'000	£'000	£'000	£'000
Renewals Reserves	1,564	0	2,508	(2,356)	1,716
Capital Reserves	15,148	(155)	2,717	(3,424)	14,286
Insurance Reserves	3,497	0	508	(561)	3,444
Services Fund	6,627	(585)	918	(1,873)	5,087
Objective I Fund	273	(273)	0	0	0
Convergence Programme Fund	1,515	273	0	(186)	1,602
Development Reserve	312	(100)	0	0	212
Redundancy Costs to Realise Savings Reserve	2,107	0	0	(172)	1,935
Central Training	493	0	0	(157)	336
Communication Centre Reserve	524	0	0	(246)	278
Schools Service Reserves	944	517	353	(610)	1,204
Economy and Community Reserves	285	0	27	(199)	113
Highways and Municipal Reserves	2,239	0	0	(453)	1,786
Waste Developments Reserve	566	0	0	(140)	426
Gwynedd Consultancy Reserves	185	0	105	0	290
Regulatory Reserves	804	0	22	(35)	791
Major Maintenance Work on County Roads Fund	261	0	0	(261)	0
Care - Other Reserves	103	0	27	(3)	127
Business Process Transformation Fund	244	0	0	0	244
Invest to Save Fund	1,485	14	130	(132)	1,497
Invest to Save Fund - Carbon Reduction Plan	2,098	0	0	(577)	1,521
Transforming Fund	4,992	(96)	3,285	(1,076)	7,105
Committed Revenue Grants Fund	214	0	4	(50)	168
Capital Reserve to Realise Savings	209	0	0	0	209
Contracts Tendering Fund	295	0	141	(33)	403
Housing Water and Sewerage Services Fund	1,458	0	0	(121)	1,337
Housing Environmental Warranty	480	0	0	0	480
Savings Programme Reserve	918	0	14	0	932
Information Technology Reserve	374	0	0	(1)	373
Restoration Fund	0	367	133	0	500
Preparatory Work for European Grant Funding Schemes	0	150	0	0	150
Various Other Reserves	839	0	516	(13)	1,342
Total	51,053	112	11,408	(12,679)	49,894

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 I - Fund was created for additional capital or revenue costs which arise from the requirements to develop plans for Objective I.
- (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) Central Training – relates to the management training development programme.
- (x) Communication Centre Reserve – sums set aside towards developing the Communication Centre.
- (xi) Schools Service Reserves – includes sums set aside to respond to related financial problems with ‘Integration’ requirements, changeable demands in ‘Out of County – Special Educational Needs’, ‘Supporting Schools’ and the ‘Schools Loans Scheme’.
- (xii) The Economy and Community Reserves include a number of balances relating to schemes operating on a partnership basis mainly, where the scheme balances must be accounted for separately.
- (xiii) The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven expenditure – ‘equalisation accounts’ – and likely requirements from contracts.
- (xiv) The Waste Development Reserve is for relevant commitments and developments in the waste field including our commitment to the North Wales Waste Partnership.
- (xv) Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure due to coastal protection works and possible employment requirements resulting from changes in the Consultancy Service’s work programme.
- (xvi) Regulatory Reserves – include a number of balances relating to schemes operating mainly on a partnership basis, and where the scheme balances must be accounted for separately, together with specific requirements relating to the Unitary Development Plan.
- (xvii) Major Maintenance Work on County Roads Fund – to support the cost of large maintenance work on county roads.
- (xviii) Other Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- (xix) Business Process Transformation Fund – A one-off fund to aid the business transformation process to realise savings for the Council.
- (xx) Invest to Save Fund – Provision for the investment in various plans to realise permanent financial savings, and further includes the requirements and resources of the Improving the Council Fund.
- (xxi) 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.

- (xxii) Transforming Fund – Provision for the change in the Council’s internal procedures to be more effective and more efficient.
- (xxiii) Committed Revenue Grants Fund – includes revenue grants received and committed for future use.
- (xxiv) Capital Reserve to realise savings – Provision to support capital plans that will realise permanent financial revenue savings.
- (xxv) Contracts Tendering Fund – in response to uneven spending situations as a result of the tendering process for transport contracts.
- (xxvi) 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.
- (xxvii) 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.
- (xxviii) Savings Programme Reserve – strategic financing provision to assist and give the Council some flexibility with regards to the essential savings programme in the future.
- (xxix) Information Technology Reserve – renewals fund in order to respond to future uneven expenditure patterns.
- (xxx) Restoration Fund – provision towards the cost of the restoration work following the flood damage in November 2012, to roads, bridges, etc.
- (xxxi) Preparatory Work for European Grant Funding Schemes – provision towards the cost of preparing business cases to attract European funding sources and grants.
- (xxxii) Various Other Reserves – includes amounts set aside to meet a variety of other contingent liabilities.

NOTE 11 – OTHER OPERATING EXPENDITURE

2011-12 £'000		2012-13 £'000
1,441	Community Councils Precepts Levies	1,479
10,380	North Wales Police Authority	10,652
5,589	North Wales Fire Authority	5,526
1,110	Snowdonia National Park Authority	1,157
68	Local Drainage Boards	68
17,147		17,403
(401)	Gains/losses on the disposal of non-current assets	(42)
18,187	Total	18,840

NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011-12		2012-13
£'000		£'000
6,747	Interest payable and similar charges	6,746
	Pensions Interest Cost and Expected Return on Pensions	
(218)	Assets *	3,111
(901)	Interest receivable and similar income	(682)
5,628	Total	9,175

* reduction in the Expected Return on Scheme Assets due to the change in IAS19 with the expected return on assets using a discount rate that is lower than previous years estimates.

NOTE 13 – TAXATION AND NON SPECIFIC GRANT INCOME

2011-12		Note	2012-13
£'000			£'000
(61,353)	Council Tax Income	13a	(63,374)
(28,327)	Non Domestic Rates	13b	(32,801)
(141,003)	Non-ringfenced government grants		(136,566)
(14,889)	Capital Grants and Contributions		(15,788)
(245,572)	Total		(248,529)

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 2012/13 was calculated as follows:-

CALCULATION OF THE COUNCIL TAX BASE FOR 2012/13			
Valuation Bands	Number of Properties following discounts	Statutory Multiplier	Equivalent Band D properties
A*	11	5/9	6.11
A	7,274	6/9	4,849.49
B	13,280	7/9	10,329.15
C	10,582	8/9	9,405.81
D	9,236	1	9,235.82
E	7,251	11/9	8,861.84
F	3,540	13/9	5,112.61
G	1,136	15/9	1,892.50
H	164	18/9	328.50
I	53	21/9	123.08
Total			50,144.91
Council Tax base after allowing for losses on collection			49,643.46

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

2011/12		2012/13
£'000		£'000
61,756	Council Tax raised	63,706
(404)	Less Provision for bad debts	(332)
1	Transitional Relief	0
61,353		63,374

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 (45.2p in 2012/13) 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 2012/13 financial year there were 7,068 properties on the local valuation list in Gwynedd, representing a rateable value of £98,779,891.

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

2011/12		2012/13
£'000		£'000
(32,314)	National Non-domestic Rate raised	(33,982)
363	Cost of Collection allowance	361
225	Provision for Bad Debts	551
31,726	Sum paid to the National Pool	33,070
0		0
(28,327)	Receipts from the National Pool	(32,801)
(28,327)	Net Income from Non Domestic Rates	(32,801)

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. The Service has made a profit in 2012/13, which has reduced the accumulated deficit over the 3 year period.

2012/13	£'000
Total charges income received (excluding VAT)	(467)
Total charges expenditure incurred	456
(Surplus) / Deficit for 2012/13	(11)
(Surplus) / Deficit for 2011/12	4
(Surplus) / Deficit for 2010/11	25
(Surplus) / Deficit for the last three years	18

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2012/13:

	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
Value							
Balance at 1.04.12	244,282	152,443	31,223	971	150	9,804	438,873
Adjustment to the opening balance	763	0	0	0	0	(763)	0
Additions	9,817	13,737	3,402	20	0	4,923	31,899
Additions - landfill aftercare	257	0	0	0	0	0	257
Sales	(616)	0	(542)	0	0	0	(1,158)
Transfers	(1,056)	87	0	0	669	(1,807)	(2,107)
Revaluation	753	0	(6)	0	0	0	747
Balance at 31.03.13	254,200	166,267	34,077	991	819	12,157	468,511
Depreciation							
Balance at 1.04.12	7,912	16,108	17,477	5	3	2	41,507
Depreciation in year	4,005	4,225	3,198	1	1	0	11,430
Sales	(40)	0	(541)	0	0	0	(581)
Transfers	(54)	0	0	0	23	0	(31)
Revaluation	(166)	0	(6)	0	0	0	(172)
Balance at 31.03.13	11,657	20,333	20,128	6	27	2	52,153
Impairment							
Balance at 1.04.12	33,225	63	68	230	63	0	33,649
Impairment in year - to Revaluation Reserve	6,443	0	0	0	0	0	6,443
Impairment in year - to Services	6,603	0	132	0	0	0	6,735
Sales	(10)	0	0	0	0	0	(10)
Transfers	(3)	0	0	0	(5)	0	(8)
Revaluation	(62)	0	0	0	0	0	(62)
Balance at 31.03.13	46,196	63	200	230	58	0	46,747
Net Book Value 31 March 2013	196,347	145,871	13,749	755	734	12,155	369,611
Net Book Value 31 March 2012	203,145	136,272	13,678	736	84	9,802	363,717

Comparative Movements in 2011/12:

	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
Value							
Balance at 1.04.11	214,874	142,658	26,131	892	150	11,760	396,465
Adjustment to the opening balance	11,840	0	0	0	0	0	11,840
Additions	5,835	9,767	5,246	15	0	9,535	30,398
Sales	(418)	0	(154)	0	0	0	(572)
Transfers	11,692	18	0	64	0	(11,774)	0
Revaluation	459	0	0	0	0	283	742
Balance at 31.03.12	244,282	152,443	31,223	971	150	9,804	438,873
Depreciation							
Balance at 1.04.11	4,062	12,130	14,277	0	2	69	30,540
Depreciation in year	3,896	3,978	3,320	0	1	0	11,195
Sales	(23)	0	(120)	0	0	0	(143)
Transfers	62	0	0	5	0	(67)	0
Revaluation	(85)	0	0	0	0	0	(85)
Balance at 31.03.12	7,912	16,108	17,477	5	3	2	41,507
Impairment							
Balance at 1.04.11	12,141	11	5	229	41	0	12,427
Adjustment to the opening balance	10,011	0	0	0	0	0	10,011
Impairment in year - to Revaluation Reserve	5,529	0	0	0	22	0	5,551
Impairment in year - to Services	5,414	52	63	0	0	0	5,529
Sales	(7)	0	0	0	0	0	(7)
Transfers	(1)	0	0	1	0	0	0
Revaluation	138	0	0	0	0	0	138
Balance at 31.03.12	33,225	63	68	230	63	0	33,649
Net Book Value	203,145	136,272	13,678	736	84	9,802	363,717
31 March 2012							
Net Book Value	198,671	130,517	11,849	663	107	11,691	353,498
31 March 2011							

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. For information purposes, Cae Top School in Bangor is currently subject to a review regarding the legal status of this asset which may affect its treatment in future accounts.

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 2013 were as follows:

	Contract Sum £'000	Payments to date £'000	Amount Outstanding £'000
Briwet Bridge	13,357	1,503	11,854
Bro Dysynni Area School	4,000	2,223	1,777
Welsh National Sailing Academy – Marine works	2,238	584	1,653
New Extension and upgrading Penbryn School	1,601	75	1,526
Upgrading O. M. Edwards School Llanuwchllyn	1,014	261	752
Leachate Treatment Plant, Faengoch	965	343	621
Refurbishment of the Council Chambers and Training Rooms	899	459	440
Extension to Lôn Las Ogwen (Tregarth to Bethesda)	560	200	360
A496 Tŷ Gwyn Gamlas Bridge	412	211	200

The Authority also has one significant commitment under a capital framework contract at 31 March 2013, but due to the nature of this type of contract, the total cost is not defined in advance.

NOTE 16 – HERITAGE ASSETS

	Specific Paintings	General Art Collections	Civic Regalia	Total
	£'000	£'000	£'000	£'000
Value				
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
Balance at 1.04.12	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 31.03.13	62	14	17	93

The Council employed an external valuer (Bonhams) in March 2012 to provide estimates of its civic regalia and paintings & pictures, the market value of which is £93,065. The Council owns two paintings above the de-minimis threshold of £10,000. The majority of the pictures and paintings are kept in the Council's galleries, with the remainder at various Council establishments.

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. 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.

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. An annual assessment was performed (February 2013) by the external valuers to confirm that there is no impairment and no significant change in the market.

For further information, see also policy I.13 which notes our treatment of other heritage assets which have not been recognised on the Balance Sheet, i.e. library collections and archives, and scheduled monuments. Our policy also states that we do have some assets that could be categorised as Heritage Assets, such as Historic Buildings or Parks and Local Nature Reserves, but we have decided to keep these under their original categories (Land and Buildings or Community Assets).

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:

	2011/12	2012/13
	£'000	£'000
Rental income from investment property	8	44
Direct operating expenses arising from investment property	0	0
Net gain / (loss)	8	44

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:

	2011/12	2012/13
	£'000	£'000
Balance 1 April	298	298
<u>Additions:</u>		
Purchases	0	0
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net gains / losses from fair value adjustments	0	0
<u>Transfers:</u>		
to/from Assets held for sale	0	20
to/from Property, Plant and Equipment	0	506
Other changes	0	0
Balance 31 March	298	824

NOTE 18 – FINANCIAL INSTRUMENTS

(a) Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to 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 non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- overdraft with Barclays bank plc
- trade payables for goods and services received

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 financial assets held by the Council during the year are held under the following four classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash
- bank accounts
- fixed term deposits with banks and building societies
- loans to other local authorities
- impaired investments in Icelandic banks
- trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprising:

- money market funds and other collective investment schemes
- certificates of deposit issued by banks and building societies
- treasury bills and gilts issued by the UK Government

Assets held at fair value through profit and loss comprising:

- treasury bills and gilts issued by the UK Government
- equity investment in a local waste company

(b) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
Loans at amortised cost:				
Principal sum borrowed*	113,000	95,811	1,341	17,437
Accrued interest	0	0	709	694
Financial guarantees at amortised cost				
Total borrowing	113,000	95,811	2,050	18,131
Loans at amortised cost:				
Bank overdraft	0	0	6,904	11,787
Total Cash Overdrawn	0	0	6,904	11,787
Liabilities at amortised cost:				
Trade Payables	202	151	0	0
Finance leases	29	15	0	0
Total other Long term liabilities	231	166	0	0
Liabilities at amortised cost:				
Trade Payables	0	0	40,394	56,913
Finance Leases	0	0	20	14
Included in Creditors**	0	0	40,414	56,927
Total Financial Liabilities	113,231	95,977	49,368	86,845

* The short term borrowing at 31 March 2013 includes a loan of £16,200,000 which could be called for repayment in July 2013. However, due to current low interest rates this is unlikely to happen.

** The short term creditors line on the Balance Sheet includes £1,850,000 (£2,627,000 at 31 March 2012) creditors that do not meet the definition of a financial liability. See note 23 for further information.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
Loans and receivables:				
Principal at amortised cost	17	17	35,000	35,000
Accrued interest	0	0	324	214
Impaired investments	219	0	559	415
Available for sale investments:				
Principal at amortised cost	60	60	0	0
Total Investments	296	77	35,883	35,629
Loans and receivables:				
Cash	0	0	57	61
Cash equivalents at amortised cost	0	0	17,630	13,030
Total Cash and Cash Equivalents	0	0	17,687	13,091
Loans and receivables:				
Trade receivables	3,898	4,191	10,814	12,520
Included in Debtors*	3,898	4,191	10,814	12,520
Total Financial Assets	4,194	4,268	64,384	61,240

* The short term debtors line on the Balance Sheet includes £32,352,000 (£17,885,000 at 31 March 2012) debtors that do not meet the definition of a financial asset. See note 20 for further information.

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 2012/13 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2012/13 Gwynedd Council identified the following ‘soft loans’:

- Deferred Payments on charges due from people under care (amount outstanding at 31.03.13 = £2,533,622)
- Car and Bike Loans to employees (amount outstanding at 31.03.13 = £905,408)

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	Total
	£'000	£'000	2012/13
	£'000	£'000	£'000
Interest expense	6,746	0	6,746
Impairment losses	0	16	16
Interest payable and similar charges	6,746	16	6,762
Interest income	0	(682)	(682)
Interest and investment income	0	(682)	(682)
Net (gain) / loss for the year	6,746	(666)	6,080

(d) Financial Instruments - Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2013, using the following assumptions:

- PWLB loans have been discounted at the published interest rates for new certainty rate loans arranged on 31st March.
- other long-term loans and investments have been discounted at the market rates for similar instruments on 31st March.
- no early repayment or impairment is recognised
- the fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.

- In the case of 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 2012 £'000	Fair Value 31 March 2012 £'000	Carrying Amount 31 March 2013 £'000	Fair Value 31 March 2013 £'000
Financial Liabilities:				
Loans borrowed	(115,050)	(165,565)	(113,942)	(170,997)
Finance leases	(49)	(49)	(29)	(29)
Trade Payables	(40,596)	(40,596)	(57,064)	(57,064)
Total Financial Liabilities	(155,695)	(206,210)	(171,035)	(228,090)
Financial Assets:				
Long term investments	296	296	77	77
Short term investments	35,559	35,883	35,415	35,629
Trade Receivables	14,712	14,712	16,711	16,711
Total Financial Assets	50,567	50,891	52,203	52,417

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.

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with Banks and Building Societies, Local Authorities and call/notice account deposits. 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 £3,105,729 from the administrators up to 31 March 2013 and the administrators expect a return of 88p per £ by early 2014. 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	4.71
April 2011	6.25
July 2011	4.05
October 2011	4.18
January 2012	3.32
April 2012	3.79
August 2012	2.85
January 2013	2.71
Total at 31 March 2013	77.25

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 by early 2014. Therefore, in calculating the impairment the Council has made the following assumptions regarding timing of subsequent recoveries:

Date	%
July 2013	2.00
January 2014	8.80
Total	10.80

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 an increase of £19,272 to the impairment of £1,135,535 that was calculated by 31 March 2012. An associated increase in the notional interest of £35,535 was calculated. A relevant proportion of the increase in impairment £2,723 and notional interest (£4,597) 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 early 2014 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 2013.

(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 rate of return consistent with the proper 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 the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, and other local authorities without credit ratings. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit of £20m of the total portfolio 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’s maximum exposure to credit risk in relation to its investments in banks and building societies of £35.4m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

The Council does not hold collateral against any investments.

The table below summarises the credit risk exposures of the Council’s investment portfolio by credit rating:

Credit Rating	Short term	
	31 March 2012	31 March 2013
	£’000	£’000
AAA	5,000	5,000
AA+	0	0
AA	0	0
AA-	47,630	10,000
A+	0	5,000
A	0	28,030
A-	0	0
Total Investments	52,630	48,030

The above analysis excludes the carrying value (after impairment) of the Council’s Heritable Bank investment (estimated at £415,528 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 ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 25% of the Council's borrowing matures in any one financial year.

The maturity analysis of the principal sums borrowed is as follows:

Time to maturity (years)	31 March 2012	31 March 2013
Less than 1 year	1,341	1,237
Over 1 but not over 2	1,203	1,123
Over 2 but not over 5	3,020	4,490
Over 5 but not over 10	6,970	5,904
Over 10 but not over 20	23,661	25,572
Over 20 but not over 30	34,594	31,369
Over 30 but not over 40	0	0
Over 40	27,352	27,353
Uncertain date*	16,200	16,200
Total	114,341	113,248

* The Council has £16.2m of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise.
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- investments at variable rates – the interest income credited will rise.
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2013, 100% of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and 0% to variable rates.

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

	1% Higher £'000	1% Lower £'000
Change in interest payable on variable rate borrowings	0	0
Change in interest receivable on variable rate investments	257	(144)
Impact on Surplus or Deficit on the Provision of Services	257	(144)
Change in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income and Expenditure	0	0
Change in fair value of fixed rate borrowings / liabilities*	(22,090)	22,090

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

Market Risks: Price Risk

The market prices of the Council’s fixed rate bond investments and its units in collective investment schemes are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council does not invest in equity shares and therefore is not subject to any price risk. The Council has 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.

Market Risks: 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

2011-12 £'000	2012-13 £'000
1,380	1,257
Stock and Work in Progress	Stock and Work in Progress
1,380	1,257

NOTE 20 – SHORT-TERM DEBTORS

	Debtors NET of impairment	
	31 March	31 March
	2012	2013
	£'000	£'000
Welsh Government	10,186	22,584
Other Central Government Bodies	4,534	6,276
Other Local Authorities	2,530	3,875
National Health Service	2,190	2,315
Public Corporations and Trading	15	32
Council Tax	1,892	1,773
Other Entities and Individuals	7,352	8,017
Total	28,699	44,872

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	31 March
	2012	2013
	£'000	£'000
Cash in hand	15	14
Bank Current Accounts	42	47
Call Accounts	17,630	13,030
	17,687	13,091
Bank Overdraft	(6,904)	(11,787)
	10,783	1,304

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 18) 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 £7.4m (£3.4m at 31 March 2012).

NOTE 22 – ASSETS HELD FOR SALE

	Current 2011/12 £'000	Current 2012/13 £'000
Balance 1 April	2,052	1,607
<u>Assets newly classified as held for sale:</u>		
Property, Plant and Equipment	0	1,602
Expenditure in year	23	2
Revaluation Losses	0	0
Revaluation Gains	0	0
Impairment Losses	(23)	(2)
<u>Assets declassified as held for sale:</u>		
Property, Plant and Equipment	0	(60)
Assets sold	(445)	(244)
Transfers from non-current to current	0	0
Balance 31 March	1,607	2,905

NOTE 23 – SHORT-TERM CREDITORS

	31 March 2012 £'000	31 March 2013 £'000
Welsh Government	1,992	560
Other Central Government Bodies	6,865	4,757
Other Local Authorities	6,956	19,787
National Health Service	646	847
Public Corporations and Trading	212	192
Council Tax	1,031	905
Other Entities and Individuals	25,339	31,729
Total	43,041	58,777

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 details 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 2012 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2013 £'000
<u>Short Term Provisions</u>				
Other	(34)	(20)	27	(27)
	(34)	(20)	27	(27)
<u>Long Term Provisions</u>				
Council Tax Property Transfers	(250)	0	0	(250)
Equal Pay	(2,188)	0	0	(2,188)
Waste Site Provision	(11,991)	(257)	2,383	(9,865)
Third Party Provisions	(535)	0	90	(445)
MMI Insurance Provision	0	(198)	0	(198)
Other	(176)	0	63	(113)
	(15,140)	(455)	2,536	(13,059)
Total	(15,174)	(475)	2,563	(13,086)

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.

Landfill Sites Provision – relates to the capping and aftercare requirements of all of the Council's waste disposal sites.

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

Municipal Mutual Insurance (M.M.I) Provision – a provision in respect of the insurance liability this Authority is exposed to in relation to the insurance arrangements of its predecessor Authorities and Municipal Mutual Insurance.

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 2011 £'000	31 March 2012 £'000		31 March 2013 £'000
56,977	50,736	Revaluation Reserve	44,043
60	60	Available For Sale Financial Instruments Reserve	60
149,676	152,154	Capital Adjustment Account	163,466
(993)	(1,015)	Financial Instruments Adjustment Account	(959)
42	8	Deferred Capital Receipts Reserve	6
(90,421)	(128,153)	Pensions Reserve	(168,179)
(3,679)	(4,060)	Accumulated Absences Account	(3,201)
111,662	69,730	Total Unusable Reserves	35,236

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.

2011/12 £'000		2012/13 £'000
56,977	Balance 1 April	50,736
689	Upward revaluation of assets	1,057
(5,551)	Downward revaluation of assets and impairment losses	(6,518)
(4,862)	Surplus or deficit on revaluation of assets	(5,461)
(1,062)	Difference between fair value depreciation and historical cost depreciation	(911)
(317)	Accumulated gains on assets sold	(321)
(1,379)	Amount written off to the Capital Adjustment Account	(1,232)
50,736	Balance 31 March	44,043

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.

2011/12 £000		2012/13 £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.

2011/12 £'000		2012/13 £'000
149,676	Balance 1 April	152,154
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(27,016)	Charges for depreciation and impairment of non-current assets	(18,167)
(4,679)	Revenue Expenditure funded from Capital under Statute	(8,430)
(549)	Adjustment to non-current assets balances when selling	(490)
1,062	Transfer from Capital Revaluation Reserve	911
	<u>Capital financing applied in the year:</u>	
3,489	Capital Receipts	2,345
0	Amortisation of Government Grants Deferred	0
16,108	Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	21,148
5,797	Revenue provision for the financing of supported capital investment	5,692
7,497	Capital expenditure charged in year against the General Fund	7,574
1,347	Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	729
(578)	Other - repayment of loans to third parties	0
152,154	Balance 31 March	163,466

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 2012/13 are as follows:

2011/12 £000		2012/13 £000
(993)	Balance 1 April	(1,015)
45	Proportion of premiums incurred in previous years charged to General Fund and Housing Revenue Account balances in accordance with statute	10
(67)	Deferred credit for receipt of charges due from people under care	46
(1,015)	Balance 31 March	(959)

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.

2011/12 £000		2012/13 £000
42	Balance 1 April	8
(26)	Adjust Opening Balance	0
(8)	Principal repayment of Right To Buy Mortgages	(2)
8	Balance 31 March	6

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.

2011/12 £000		2012/13 £000
(90,421)	Balance 1 April	(128,153)
(41,900)	Actuarial Gains or Losses on Pensions Assets and Liabilities	(40,951)
(13,445)	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	(17,214)
17,613	Employer's pensions contributions and direct payments to pensioners payable in the year	18,139
(128,153)	Balance 31 March	(168,179)

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.

2011/12 £000		2012/13 £000
(3,679)	Balance 1 April	(4,060)
(381)	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	859
(4,060)	Balance 31 March	(3,201)

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

2011-12 £'000		2012-13 £'000
(11,195)	Depreciation	(11,430)
(15,819)	Impairment and downward valuations	(6,735)
(1,700)	(Increase)/Decrease in Creditors	(15,958)
2,490	Increase/(Decrease) in Debtors	16,063
129	Increase/(Decrease) in Stock	(123)
4,168	Pension Liability	925
(867)	Carrying amount of non-current assets sold	(813)
(5,627)	Other non-cash items charged to net surplus/deficit on the provision of services	(5,522)
(28,421)		(23,593)

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

2011-12 £'000		2012-13 £'000
1,267	Proceeds from sale of property, plant, equipment, investment property and intangible assets	856
(5,390)	Interest received and paid	(5,197)
(4,123)		(4,341)

NOTE 27c – CASH FLOW STATEMENT : OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011-12 £'000		2012-13 £'000
(859)	Interest received	(792)
6,249	Interest paid	5,989

NOTE 28 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2011-12 £'000		2012-13 £'000
31,838	Purchase of property, plant and equipment, investment property and intangible assets	31,733
4,774	Other payments for investing activities	8,616
(1,917)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(934)
(14,563)	Proceeds from short-term and long-term investments	(144)
(859)	Other receipts for investing activities	(792)
19,273	Net cash flows from investing activities	38,479

NOTE 29 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2011-12 £'000		2012-13 £'000
88	Cash payments for the reduction of the outstanding liability relating to Finance Leases	20
4,336	Repayments of short term and long term borrowing	1,110
6,249	Other payments for financing activities	5,989
10,673	Net cash flows from financing activities	7,119

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.

2012/13	Expenditure			Total	Income		Total	Net
AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS	Employees	Other	Support Services	Expenditure	Fees and other	Employees	Other	Support Services
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	2,938	390	1	3,329	(71)	(40)	(111)	3,218
Finance	5,191	1,103	1	6,295	(1,638)	(1,066)	(2,704)	3,591
Democracy and Legal	2,180	930	6	3,116	(631)	(316)	(947)	2,169
Customer Care	5,000	3,031	8	8,039	(1,096)	(63)	(1,159)	6,880
Strategic and Improvement	3,434	3,118	7	6,559	(22)	(2,391)	(2,413)	4,146
Education	73,114	34,891	189	108,194	(7,103)	(21,299)	(28,402)	79,792
Economy and Community	4,748	8,092	15	12,855	(4,024)	(5,600)	(9,624)	3,231
Highways and Municipal	16,365	18,982	5	35,352	(8,966)	(4,311)	(13,277)	22,075
Regulatory	5,923	8,610	0	14,533	(3,901)	(4,077)	(7,978)	6,555
Consultancy	2,875	826	(433)	3,268	(2,491)	(204)	(2,695)	573
North & Mid Wales Trunk Road Agency	0	0	(85)	(85)	(145)	0	(145)	(230)
Provider and Leisure	25,392	(5,945)	1	19,448	(3,706)	(774)	(4,480)	14,968
Housing and Social Services	14,508	48,787	5	63,300	(11,015)	(10,816)	(21,831)	41,469
Total items within Departmental Control	161,668	122,815	(280)	284,203	(44,809)	(50,957)	(95,766)	188,437
Corporate	482	15,858	24,591	40,931	(354)	(43,038)	(43,392)	(2,461)
Corporate Management Team	607	190	0	797	0	(38)	(38)	759
Total items within Departmental Control and Central Support Services	162,757	138,863	24,311	325,931	(45,163)	(94,033)	(139,196)	186,735
Items within net cost of services, not under departmental control:								
Capital Charges	0	24,766	0	24,766	0	0	0	24,766
Items under departmental control, not included in net cost of services:								
Contributions to Reserves	(329)	(1,667)	0	(1,996)	0	0	0	(1,996)
Use of Reserves	0	0	0	0	2,824	0	2,824	2,824
Net Cost of Services	162,428	161,962	24,311	348,701	(42,339)	(94,033)	(136,372)	212,329
Other Operating Expenditure								
Precepts and Levies	0	18,882	0	18,882	0	0	0	18,882
(Gains)/Losses on the disposal of Non-current Assets	0	0	0	0	(42)	0	(42)	(42)
Financing and Investment Income and Expenditure								
Interest Payable and Similar Charges	0	6,746	0	6,746	0	0	0	6,746
Pensions Interest Cost and Expected Return on Pensions Assets	0	0	3,111	3,111	0	0	0	3,111
Interest and Income from Investments	0	0	0	0	(682)	0	(682)	(682)
Taxation and non-specific grant income								
Council Tax	0	0	0	0	(63,374)	0	(63,374)	(63,374)
Net income Non-domestic rates	0	0	0	0	(32,801)	0	(32,801)	(32,801)
Government Grants - Revenue	0	0	0	0	0	(136,566)	(136,566)	(136,566)
Grants and Contributions - Capital	0	0	0	0	(504)	(15,284)	(15,788)	(15,788)
(Surplus)/ Deficit on the Provision of Services	162,428	187,590	27,422	377,440	(139,742)	(245,883)	(385,625)	(8,185)

2011/12	Expenditure			Total	Income		Total	Net
AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS	Employees	Other	Support Services	Expenditure	Fees and other	Government Grants and Contributions	Income	Expenditure
	£'000	£'000	£'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	3,426	1,156	2	4,584	(1,260)	(99)	(1,359)	3,225
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	4,981	5,877	15	10,873	(4,079)	(3,061)	(7,140)	3,733
Highways and Municipal	16,377	19,398	51	35,826	(8,947)	(4,756)	(13,703)	22,123
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
North & Mid Wales Trunk Road Agency	0	0	(424)	(424)	0	0	0	(424)
Provider and Leisure	26,507	(7,052)	1	19,456	(3,280)	(817)	(4,097)	15,359
Housing and Social Services	13,697	46,305	5	60,007	(14,030)	(5,833)	(19,863)	40,144
Total items within Departmental Control	161,811	111,902	(418)	273,295	(51,024)	(35,384)	(86,408)	186,887
Corporate	1,684	(19,770)	59,911	41,825	(3,300)	(37,926)	(41,226)	599
Corporate Management Team	645	239	0	884	(32)	(35)	(67)	817
Total items within Departmental Control and Central Support Services	164,140	92,371	59,493	316,004	(54,356)	(73,345)	(127,701)	188,303
Items within net cost of services, not under departmental control:								
Capital Charges	0	30,034	0	30,034	0	0	0	30,034
Items under departmental control, not included in net cost of services:								
Contributions to Reserves	(329)	(2,550)	0	(2,879)	0	0	0	(2,879)
Use of Reserves	0	0	0	0	1,732	0	1,732	1,732
Net Cost of Services	163,811	119,855	59,493	343,159	(52,624)	(73,345)	(125,969)	217,190
Other Operating Expenditure								
Precepts and Levies	0	18,588	0	18,588	0	0	0	18,588
(Gains)/Losses on the disposal of Non-current Assets	0	0	0	0	(401)	0	(401)	(401)
Financing and Investment Income and Expenditure								
Interest Payable and Similar Charges	0	6,747	0	6,747	0	0	0	6,747
Pensions Interest Cost and Expected Return on Pensions Assets	0	0	(218)	(218)	0	0	0	(218)
Interest and Income from Investments	0	0	0	0	(901)	0	(901)	(901)
Taxation and non-specific grant income								
Council Tax	0	0	0	0	(61,353)	0	(61,353)	(61,353)
Net income Non-domestic rates	0	0	0	0	(28,327)	0	(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	163,811	145,190	59,275	368,276	(144,398)	(228,445)	(372,843)	(4,567)

NOTE 31 – AGENCY SERVICES

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

In terms of the North and Mid Wales Trunk Road Agency, the principal areas of work are managing and maintaining the trunk road network that extends to 1,174 kilometres in the region of the Council’s North and Mid Wales Partnership on behalf of the Welsh Government. There was an increase in the income transactions recovered during the year to £51.26m in 2012/13 (£36.37m in 2011/12), as a result of the North and Mid Wales Agencies amalgamating.

During 2012/13 Gwynedd Council acted as an agent as part of Welsh Government’s new ‘Houses into Homes’ scheme, providing interest free loans to owners of empty dwellings in order to bring the properties back into use, for sale or rent. During 2012/13 loans amounting to £50,000 were given for houses in Gwynedd.

NOTE 32 – MEMBERS’ ALLOWANCES

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

2011-12		2012-13
£'000		£'000
1,131	Allowances	1,215
58	Expenses	64
1,189		1,279

NOTE 33 – 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:

2011-12				Chief Officers	2012-13			
Payments		Employer's			Payments		Employer's	
Salary	Other	Pension Contribution	Total		Salary	Other	Pension Contribution	Total
108,264	173	23,169	131,606	Chief Executive	108,264	0	23,710	131,974
83,121	658	17,788	101,567	Corporate Director	86,040	0	18,843	104,883
83,121	311	17,788	101,220	Corporate Director	86,040	0	18,843	104,883
83,121	0	17,788	100,909	Corporate Director	86,040	0	18,843	104,883
72,200	13	15,451	87,664	Head of Education	73,856	0	16,174	90,030
65,169	21	13,946	79,136	Stat Director/Head Soc Serv,Housing & Leisure	71,002	0	15,549	86,551
68,452	76	14,649	83,177	Head of Highways and Municipal	70,970	0	15,542	86,513
65,169	99	13,946	79,214	Head of Human Resources	67,716	0	14,830	82,546
65,169	153	13,946	79,268	Head of Finance	67,716	0	14,830	82,546
65,169	88	13,946	79,203	Head of Economy & Community	67,716	0	14,830	82,546
65,169	122	13,946	79,237	Head of Customer Care	67,716	0	14,830	82,546
64,919	48	13,893	78,860	Head of Regulatory	67,716	0	14,830	82,546
65,169	120	13,946	79,235	Head of Strategic & Improvement	67,716	0	14,830	82,546
60,111	252	12,864	73,227	Head of Gwynedd Consultancy	60,332	0	13,213	73,545
52,135	32	11,157	63,324	Head of Democracy and Legal *	54,173	0	11,864	66,037
71,923	66	15,392	87,381	Head of Social Services **	29,307	0	2,110	31,417

* The remuneration disclosed above in respect of the Head of Democracy and Legal does not include £7,043 paid in respect of their role as Returning Officer for the authority.

** Reflects position to 31 August 2012.

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 2 cases in 2012/13 and 4 cases in 2011/12. These posts would not appear below except for the termination benefits paid in the individual year.

Number of other employees who received more than £60,000 including remuneration and termination benefits:						
Number in 2011-12				Number in 2012-13		
Schools	Other	Total		Schools	Other	Total
6	1	7	£60,000 - 64,999	8	2	10
5	0	5	£65,000 - 69,999	5	0	5
0	0	0	£70,000 - 74,999	1	1	2
2	2	4	£75,000 - 79,999	2	0	2
0	0	0	£80,000 - 84,999	0	0	0
0	1	1	£85,000 - 89,999	0	0	0
1	1	2	£90,000 - 94,999	1	0	1

Includes 2 North & Mid Wales Trunk Road Agency officers.

NOTE 34 – EXTERNAL AUDIT COSTS

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

2011-12		2012-13
£'000		£'000
314	Fees for External Audit Services	310
111	Fees for grant claims and returns	115
425		425

NOTE 35 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	Note	2011/12 £'000	2012/13 £'000
Credited to Taxation and Non Specific Grant Income			
Outcome Agreement Grant (Non-ringfenced Government Grants)	13	1,303	1,300
Revenue Support Grant (Non-ringfenced Government Grants)	13	139,700	135,266
Government Capital Grants and Contributions -			
General Capital Grant		2,447	2,461
Physical Regeneration in North Wales		2,224	2,998
21st Century Schools		0	3,213
ERDF - Convergence		1,113	2,393
Other		8,313	4,219
	13	<u>14,097</u>	<u>15,284</u>
Other Capital Grants and Contributions	13	792	504
Total		<u>155,892</u>	<u>152,354</u>
Grants and Contributions Credited to Services			
Welsh Government -			
Sustainable Waste Management Grant		4,020	3,920
Supporting People Grant (SPG & SPRG)*		3,344	5,334
Post 16 Grant (Education)		4,075	4,295
14-19 Pathways (Education)**		986	4,212
Foundation Phase Grant (Education)		3,693	3,881
Concessionary Fare Grant		2,187	2,040
Other		15,499	20,739
		<u>33,804</u>	<u>44,421</u>
Other Government Grants and Contributions -			
Department for Work and Pensions		37,075	38,363
Other		8,707	11,249
		<u>45,782</u>	<u>49,612</u>
Other Grants and Contributions		2,125	2,147
		<u>81,711</u>	<u>96,180</u>

* Supporting People Grant – responsibilities transferred from Welsh Government to Gwynedd Council in relation to this grant from 1 August 2012.

** Grant schemes to facilitate 14-19 partnerships to give attention curriculum / skills adaptability. Gwynedd administers the 14-19 Pathways Grant for the 6 North Wales Authorities.

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:

	31 March 2012 £'000	31 March 2013 £'000
Grants Received in Advance		
<u>Long Term</u>		-
Revenue Grants		-
Regulatory (Planning, Transport & Public Protection) Grants	0	499
Housing Grants	0	495
Capital Grants : -		
Regulatory (Planning, Transport & Public Protection) Grants	298	245
Total Long Term	298	1,239
<u>Short Term</u>		
Revenue Grants : -		
Education Grants	1,577	1,248
Economy and Community Grants	978	503
Housing Grants	738	263
Social Services Grants	41	183
Regulatory (Planning, Transport & Public Protection) Grants	36	13
Strategic and Improvement Grants	31	1
Provider and Leisure Grants	31	49
Customer Care Grants	2	0
Consultancy Grants	59	42
Highways and Municipal Grants	0	3
	3,493	2,305
Capital Grants : -		
Economy and Community Grants	47	79
Housing Grants	86	139
Provider and Leisure Grants	3	0
	136	218
Total Short Term	3,629	2,523
Total	3,927	3,762

NOTE 36 – 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 2013 are shown in Note 35.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 32.

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 2013 made to these bodies under this heading during 2012/13 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£9,299,205	£1,007,101	(£3,148,100)

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 2013 made to these companies under this heading during 2012/13 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£1,066,422	£113,668	(£5,915)

Officers

Senior Officers (as defined) have declared as required and where appropriate 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 2013 made to these bodies under this heading during 2012/13 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£3,746,843	£115,178	(£154,431)

Other Public Bodies

The Authority is the administering authority for the Pension Fund. Details of transactions with the Pension Fund are shown in Note 42 on pages 81 to 86 and the Pension Fund Accounts on pages 90 to 120.

Welsh Joint Education Committee (WJEC)

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£583,849	£1,785	-

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 2013 to Cwmni Cynnal during 2012/13 for services to schools are as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£2,856,546	£22,342	(£29,319)

Cwmni Gwastraff Môn-Arffon 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 reflect 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 37 – 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.

2011/12		2012/13
£'000		£'000
365,715	Non-current Assets	373,433
(50,736)	Revaluation Reserve	(44,043)
(152,154)	Capital Adjustment Account	(163,466)
162,825	Capital Financing Requirement 31 March	165,924

The movement in the year is explained as follows:

2011/12		2012/13
£'000		£'000
150,473	Capital Financing Requirement 1 April	162,825
	Adjustment to the opening figure -	
11,840	Capitalisation of contribution to landfill aftercare provision	0
(607)	Derecognition of capitalised expenditure regarding investments and debentures relating to previous district councils	0
	In year Capital Investment -	
5,835	Land and Buildings	9,817
9,767	Infrastructure	13,737
5,246	Vehicles, Plant and Equipment	3,402
15	Community Assets	20
9,535	Assets under construction	4,923
23	Assets held for sale	2
4,679	Funded from capital under statute	8,430
257	Capitalisation of contribution to landfill aftercare provision	256
(3,489)	Capital Receipts used	(2,344)
(16,108)	Government Grants and other contributions	(21,148)
(7,498)	Capital expenditure charged to revenue	(7,574)
(5,797)	Revenue provision for the financing of supported capital investment	(5,692)
	Additional voluntary set aside :	
(1,346)	Revenue provision for the financing of unsupported capital investment	(730)
162,825	Capital Financing Requirement 31 March	165,924

NOTE 38 – 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 Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March		31 March
2012		2013
£'000		£'000
234	Property, Plant and Equipment	71
234		71

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 2012 £'000		31 March 2013 £'000
	Finance Lease Liabilities (net present value of minimum lease payments):	
20	current	14
29	non-current	15
2	Finance costs payable in future years	1
51	Minimum lease payments	30

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
	No later than one year	22	15	20
Later than one year and not later than five years	29	15	29	15
	51	30	49	29

In 2012/13, minimum lease payments were made by the Authority of £23,528 (2011/12 - £90,240) in respect of those assets held as a finance lease.

Operating Leases

	31 March 2012 £'000	31 March 2013 £'000
No later than one year	240	250
Later than one year and not later than five years	52	44
Later than five years	0	0
	292	294

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

	2011-12 £'000	2012-13 £'000
Minimum lease payments	492	613
Contingent rents	0	0
	492	613

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 2012 £'000	31 March 2013 £'000
No later than one year	459	428
Later than one year and not later than five years	885	847
Later than five years	2,251	2,221
	3,595	3,496

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 2012/13 £930,137 minimum lease payments were receivable by the Authority (£892,890 in 2011/12).

NOTE 39 – IMPAIRMENT LOSSES

Notes 15 and 22 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 40 – 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	
£	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	Number	Number	Number	Number	Number	Number	£'000	£'000
0 - 20,000	47	45	0	0	47	45	258	224
20,001 - 40,000	10	8	0	0	10	8	295	207
40,001 - 60,000	7	2	0	0	7	2	347	95
60,001 - 80,000	2	1	0	0	2	1	137	70
80,001 - 100,000	1	1	0	0	1	1	82	87
100,001 - 150,000	0	0	0	0	0	0	0	0
Total	67	57	0	0	67	57	1,119	683

NOTE 41 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Capita Teachers' Pensions on behalf of the Westminster 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 2012/13 the Council paid £5.98m (£5.90m in 2011/12) in respect of teachers' pension costs, which represented 13.75% (13.69% in 2011/12) 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 2012/13 these amounted to £1m (£0.96m in 2011/12) representing 2.29% (2.30% in 2011/12) of teachers' pensionable pay. These costs are accounted for on a defined benefits basis and are included in Note 42.

NOTE 42 – 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 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Services						
Current Service Cost	13,434	13,907	0	0	13,434	13,907
Past Service Costs	68	67	0	0	68	67
Settlements and Curtailments	161	129	0	0	161	129
Financing and Investment Income and Expenditure						
Interest Cost	22,500	21,628	2,349	2,097	24,849	23,725
Expected Return on Scheme Assets	(23,578)	(19,580)	(1,489)	(1,034)	(25,067)	(20,614)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	12,585	16,151	860	1,063	13,445	17,214
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account						
Actuarial (Gains) and Losses	37,883	40,177	4,017	774	41,900	40,951
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	50,468	56,328	4,877	1,837	55,345	58,165
Reversal of net charges made to the Surplus or Deficit for the Provision of Post Employment Benefits in accordance with the Code	(32,855)	(38,189)	(4,877)	(1,837)	(37,732)	(40,026)
Actual amount charged against council tax for pensions in the year						
Employers' Contributions to the Scheme	17,613	18,139	0	0	17,613	18,139

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £115,209,396 (£114,175,060 to 31 March 2012).

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	
	2012	2013	2012	2013	2012	2013
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	(407,128)	(447,643)	(44,618)	(45,606)	(451,746)	(493,249)
Current Service Cost	(13,434)	(13,907)	0	0	(13,434)	(13,907)
Interest Cost	(22,500)	(21,628)	(2,350)	(2,097)	(24,850)	(23,725)
Contributions by scheme participants	(4,602)	(4,654)	0	0	(4,602)	(4,654)
Actuarial (Losses)/Gains	(14,047)	(65,076)	(2,516)	(2,093)	(16,563)	(67,169)
Past Service Costs	(68)	(67)	0	0	(68)	(67)
Losses on Curtailments	(161)	(129)	0	0	(161)	(129)
Liabilities extinguished on Settlements	0	0	0	0	0	0
Estimated Unfunded Benefits Paid	983	977	798	762	1,781	1,739
Estimated Benefits Paid	13,314	11,837	3,080	3,112	16,394	14,949
31 March	(447,643)	(540,290)	(45,606)	(45,922)	(493,249)	(586,212)

Reconciliation of fair value of the scheme assets:

	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	31 March		31 March		31 March	
	2012	2013	2012	2013	2012	2013
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	338,234	345,096	23,093	20,000	361,327	365,096
Expected Return on Assets	23,577	19,580	1,488	1,034	25,065	20,614
Contributions by Members	4,602	4,654	0	0	4,602	4,654
Contributions by the Employer	15,815	16,484	0	0	15,815	16,484
Contributions in respect of Unfunded Benefits	983	977	798	762	1,781	1,739
Actuarial Gains and (Losses)	(23,818)	24,815	(1,501)	1,319	(25,319)	26,134
Assets distributed on Settlements	0	0	0	0	0	0
Unfunded Benefits Paid	(983)	(977)	(798)	(762)	(1,781)	(1,739)
Benefits Paid	(13,314)	(11,837)	(3,080)	(3,112)	(16,394)	(14,949)
31 March	345,096	398,792	20,000	19,241	365,096	418,033

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

The actual return on scheme assets in the year was a loss of £46,846,670 (2011/12: gain of £215,654).

Scheme History

	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	31 March		31 March		31 March	
	2012	2013	2012	2013	2012	2013
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets	345,096	398,792	20,000	19,241	365,096	418,033
Present Value of Liabilities	(447,643)	(540,290)	(45,606)	(45,922)	(493,249)	(586,212)
Deficit in the Scheme	(102,547)	(141,498)	(25,606)	(26,681)	(128,153)	(168,179)

	Gwynedd Council Pension Scheme			Gwynedd Closed Fund Pension Scheme		
	31 March			31 March		
	2009	2010	2011	2009	2010	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets	251,001	364,463	338,233	20,729	25,046	23,093
Present Value of Liabilities	(359,854)	(617,490)	(407,128)	(45,757)	(55,407)	(44,619)
Deficit in the Scheme	(108,853)	(253,027)	(68,895)	(25,028)	(30,361)	(21,526)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £168.18m 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 2014 is £17.7m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, i.e. 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 2012	31 March 2013
	%	%
Rate of Inflation	2.5	2.8
Rate of increase in Salaries	4.8	5.1
Rate of increase in Pensions	2.5	2.8
Expected return on assets	5.6	4.5
Discount rate	4.8	4.5
Take-up option to convert annual pension into retirement lump sum - for pre-April 2008 service	50	50
for post-April 2008 service	75	75
Long-term expected rate of return on assets in the scheme:		
Equity	6.2	4.5
Bonds	3.3	4.5
Property	4.4	4.5
Cash	3.5	4.5
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 2012	31 March 2013
	%	%
Equities	78	77
Bonds	13	13
Property	8	8
Cash	1	2
Total	100	100

History of Experienced Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve 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				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
	%	%	%	%	%	%	%	%	%	%
Differences between the expected and actual return on assets	-34.7	23.0	-14.2	-6.9	6.2	-38.2	25.1	-2.0	-7.5	6.9
Experience gains and losses on liabilities	0.2	0.1	-30.3	1.0	0.0	0.4	-0.7	-6.8	2.7	0.0

As the Actuary's report is based on estimates and due to timing issues, there is a variance of £84,000 in 2012/13 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 43 – 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 three 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 2013. The actual final position and liability will depend on the outcome of the outstanding claims.
- The capping and aftercare requirements for the Authority's landfill sites – the provision contained in the accounts is based on existing and known circumstances, in addition to relevant forecasts. However, the actual final cost may differ from the current estimated future cost.

- This Authority is exposed to a potential insurance liability relating to the insurance arrangements of its predecessor authorities, being, Gwynedd County Council, Arfon Borough Council, Dwyfor District Council, and Meirionnydd District Council, and the closure of the Municipal Mutual Insurance (M.M.I) Fund on 30 September 1992.

M.M.I. made a scheme of arrangement with its creditors, by which, if M.M.I had insufficient funds to meet future claims, a claw-back clause would be triggered (i.e. Scheme of Arrangements) which could affect claims paid since 1992-93, less £50,000 per creditor authority. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered and served notice on the Scheme Administrator and the Company to that effect. The decision is irrevocable.

The Administrators have confirmed in April 2013 that an initial levy of 15% of the payments made since 30 September 1992 are payable by the authorities and this levy is expected to be paid during 2013/14. However, in accordance with the scheme a further levy may be raised should the original levy be insufficient to meet M.M.I's liabilities in the longer term. This potential additional liability is acknowledged and is also reflected in the level of our provision. The current related estimated maximum potential liability to this authority is in the order of, up to almost £1million.

NOTE 44 – TRUSTS

The Council acts as sole trustee for 172 bequests such as school prize funds and comforts and improvements to numerous Council Establishments.

As a sole trustee the authority holds the property but takes no decisions on its use. In neither case do the funds represent the assets of the Authority and therefore they have not been included in the Balance Sheet.

2012/13	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Social Services Trust Funds	74	11	403	42
Educational Trust Funds	49	20	854	672
FMG Morgan Trust Fund	6	2	146	25
Welsh Church Fund	17	12	561	42
	<u>146</u>	<u>45</u>	<u>1,964</u>	<u>781</u>

2011/12	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Social Services Trust Funds	6	32	340	42
Educational Trust Funds	48	21	834	681
FMG Morgan Trust Fund	7	1	141	25
Welsh Church Fund	17	13	562	50
	<u>78</u>	<u>67</u>	<u>1,877</u>	<u>798</u>

Further details on the FMG Morgan Trust Fund and Welsh Church Fund are included in Appendices B and C of these accounts.

NOTE 45 – HOUSING REVENUE ACCOUNT

It was decided by the Welsh 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 which was established specifically for this purpose. The housing stock was transferred to Cartrefi Cymunedol Gwynedd on 12 April 2010. There was no income or expenditure relating to the Housing Revenue Account in 2012-13 nor in 2011-12. However, the balance of the the Housing Revenue Account remains on the Balance Sheet, in compliance with statutory requirements, to be transferred to Gwynedd Council during 2013-14 subject to consent from Welsh Government.

2011-12		2012-13
£'000		£'000
1,727	Balance on the Housing Revenue Account on 1 April	1,727
1,727	Balance on the Housing Revenue Account on 31 March	1,727

NOTE 46 – EXCEPTIONAL ITEM (PROVISION FOR RESTORATION OF LANDFILL SITES)

Every local authority that operates, or has operated, a landfill site has a legal obligation for the restoration, aftercare and monitoring of these sites for at least 30 years after closure and capping. Following the publication of technical guidance that provides clarification of the requirement for authorities to recognise a full provision for this work and to account for this on a consistent basis, the 2011/12 figures in the 2012/13 accounts have been restated to reflect these changes (see Note 3 Prior Period Adjustments for further information).

The exceptional item in the Comprehensive Income and Expenditure Statement (2011/12) recognises the impairment that relates to the above obligation, on the basis that no economic benefits / service potential will accrue to the authority as most of the landfill sites are now closed. However the impact of the impairment upon the taxation requirement is neutral.

NOTE 47 – PRIVATE FINANCE INITIATIVE SCHEMES (PFI)

Prosiect GwryiAD is a Private Finance Initiative (PFI) scheme, and construction commenced in 2012-13 with the plant becoming operational on 1st October 2013. It is a treatment plant for treating source segregated food waste using Anaerobic Digestion (AD) technology. This will assist the Authority to meet its recycling targets and to work within its allowances for landfilling of Biodegradeable Municipal Waste.

NOTE 48 – JOINT COMMITTEES

During 2012/13, Gwynedd Council participated in five joint-committees, collaborating in particular areas between Local Authorities. Separate accounts are required for joint-committees. The five joint-committees relating to Gwynedd are:

- Special Educational Needs Joint Committee (SEN)
- Joint Planning Policy Committee
- Integrated Transport in North Wales (TAITH)
- Mid Wales Transportation (TRaCC)
- North Wales Residual Waste Treatment Project (NWRWTP)

Each related Council agreed to report the financial element relating to their respective Council within a note to their accounts. For Gwynedd Council, the information is as follows:

Joint Committee	Leading Council (for Finance)	Councils participating in the Joint Committees	Gwynedd's Share %	Value of Gwynedd's Share (Income and Expenditure Account) £'000
Special Educational Needs Joint Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	61.4%	722
Joint Planning Policy Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	50.0%	359
TAITH	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council	16.6%	31
TRaCC	Ceredigion County Council	Ceredigion County Council Gwynedd Council Powys County Council	33.3%	42
NWRWTP	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council	20.0%	169

The individual joint-committees accounts are available on the website of the leading council in respect of the finance and accountancy service.

GWYNEDD PENSION FUND ACCOUNTS 2012-13

31 March 2012 £'000		Notes	31 March 2013 £'000
	Dealings with members, employers and others directly involved in the fund		
61,525	Contributions Receivable	7	63,451
48	Interest on Deferred Contributions		18
1	Income from Divorce Calculations		1
0	Interest on Late Payment of Contributions		0
3,099	Transfers in from other pension schemes	8	3,126
64,673	Total contributions received		66,596
(40,541)	Benefits Payable	9	(41,004)
(1,035)	Payments to and on account of leavers	10	(2,592)
(1,011)	Administrative Expenses	11	(1,068)
(42,587)	Total benefits paid		(44,664)
22,086	Net additions from dealings with members		21,932
	Returns on Investments		
10,228	Investment income	12	11,919
(291)	Taxes on income	13	(335)
(1,474)	Profit and (losses) on disposal of investments and changes in the market value of investments		116,112
(4,656)	Investment management expenses	14	(5,720)
3,807	Net returns on investments		121,976
	Net assets of the Fund		
1,023,778	At 1 st April		1,049,671
22,086	Net additions from dealings with members		21,932
3,807	Net returns on investments		121,976
1,049,671	At 31st March		1,193,579

NET ASSETS STATEMENT AS AT 31 MARCH

31 March 2012		Notes	31 March 2013
£'000			£'000
1,036,066	Investment assets	15	1,170,051
17,624	Cash deposits	15	17,316
1,053,690			1,187,367
(10,274)	Investment liabilities	15	(4,297)
9,496	Current assets	20	13,682
(3,241)	Current liabilities	21	(3,173)
1,049,671			1,193,579

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 recent as at 31 March 2010) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will again be able to meet 100% of future liabilities. Work is currently underway on the 31 March 2013 valuation and the results are expected mid November 2013. The actuarial present value of promised retirement benefits is shown in Note 19.

NOTES TO THE ACCOUNTS

NOTE I – 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 2012/13 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 59 employer organisations within Gwynedd Pension Fund including the council itself, as detailed below:

Gwynedd Pension Fund	31 March 2012	31 March 2013
Number of employers with active members	40	40
Number of employees in scheme		
Gwynedd Council	5,020	5,391
Other employers	9,281	9,408
Total	14,301	14,799
Number of pensioners		
Gwynedd Council	1,534	2,153
Other employers	5,393	5,078
Total	6,927	7,231
Deferred pensioners		
Gwynedd Council	3,089	3,601
Other employers	4,660	4,768
Total	7,749	8,369

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
Police and Crime Commissioner for North Wales (former North Wales Police Authority)	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
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	Jewsons

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 2013. 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 2012/13 financial year and its position at year-end as at 31 March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 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 on 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 (terminated in July 2012)
Fidelity – Global Equity

No performance-related fees were paid to the managers in 2012/13 or in 2011/12.

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 and infrastructure 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 and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2013 was £62 million (£59 million at 31 March 2012).

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 2013 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 2013, the fund had a balance of sundry debtors of £6.2m. 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 and infrastructure	Private equity and infrastructure 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 £62 million. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6 – EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2013, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

NOTE 7 – CONTRIBUTIONS RECEIVABLE

By category

2011/12 £'000		2012/13 £'000
47,301	Employers	49,126
14,224	Employees/Members	14,325
61,525		63,451

By authority

2011/12 £'000		2012/13 £'000
20,700	Gwynedd Council	21,333
36,573	Other Scheduled bodies	36,999
2,209	Admission bodies	2,827
1,778	Community admission body	2,033
64	Transferee admission body	63
147	Resolution Body	142
54	Closed fund*	54
61,525		63,451

* 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

2011/12 £'000		2012/13 £'000
3,099	Individual transfers	3,126
3,099		3,126

NOTE 9 - BENEFITS PAYABLE

By category

2011/12 £'000		2012/13 £'000
29,785	Pensions	32,237
10,013	Commutation and lump sum retirement benefits	7,873
743	Lump sum death benefits	894
40,541		41,004

By authority

2011/12 £'000		2012/13 £'000
10,137	Gwynedd Council	10,027
16,925	Other Scheduled bodies	17,613
1,103	Admission bodies	1,223
660	Community admission body	543
34	Transferee admission body	15
11,628	Closed Fund	11,496
54	Resolution Body	87
40,541		41,004

NOTE 10 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2011/12		2012/13
£'000		£'000
3	Refunds to members leaving service	37
6	Payments for members joining state scheme	1
1,026	Individual transfers	2,554
1,035		2,592

NOTE 11 – ADMINISTRATIVE EXPENSES

2011/12		2012/13
£'000		£'000
393	Direct employee costs	393
162	Other direct costs	87
332	Support services including IT	434
50	Pension fund committee	66
25	External audit fees	25
49	Actuarial fees	63
1,011		1,068

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

2011/12		2012/13
£'000		£'000
0	Fixed Interest Securities	6
768	UK equities	1,176
4,119	Overseas equities	3,830
1,244	Private equity	923
0	Infrastructure	(10)
3,899	Pooled property investments	4,593
198	Interest on cash deposits	179
0	Repayment of fees	1,222
10,228		11,919

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, £13,248 in 2010/11 and £14,897 in 2011/12. A further impairment of £2,723 was made in 2012/13. 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

2011/12 £'000		2012/13 £'000
291	Withholding tax – equities	335
291		335

NOTE 14 – INVESTMENT MANAGEMENT EXPENSES

2011/12 £'000		2012/13 £'000
4,477	Management fees	5,614
47	Custody fees	46
14	Performance monitoring service	16
118	Investment consultancy fees	44
4,656		5,720

NOTE 15 – INVESTMENTS

2011/12 £'000		2012/13 £'000
	Investment assets	
150,723	Absolute return	157,644
153,058	Equities	206,697
577,137	Pooled investments	634,387
92,685	Pooled property investments	105,974
58,645	Private Equity	58,723
0	Infrastructure	3,064
	Derivative contracts:	
3,534	Forward currency contracts	3,562
284	Amounts receivable for sales	0
1,036,066		1,170,051
17,624	Cash deposits	17,316
1,053,690	Total investment assets	1,187,367
	Investment liabilities	
	Derivative contracts:	
(3,518)	Forward currency contracts	(3,620)
(6,756)	Amounts payable for purchases	(677)
(10,274)	Total investment liabilities	(4,297)
1,043,416	Net investment assets	1,183,070

Note 15a – Reconciliation of movements in investments and derivatives

	Market value at 1 April 2012	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2013
	£'000	£'000	£'000	£'000	£'000
Fixed interest absolute return securities	150,723	0	(210)	7,131	157,644
Equities	153,058	206,019	(171,726)	19,346	206,697
Pooled investments	577,137	1,716	(30,999)	86,533	634,387
Pooled property investments	92,685	17,851	0	(4,562)	105,974
Private equity / infrastructure	58,645	9,359	(10,970)	4,753	61,787
	1,032,248	234,945	(213,905)	113,201	1,166,489
Forward foreign currency contracts	16			(82)	(58)
Cash deposits	17,624			(209)	17,316
Amount receivable for sales of investments	284				0
Amounts payable for purchases of investments	(6,756)				(677)
Fees within pooled vehicles				3,202	
Net investment assets	1,043,416	234,945	(213,905)	116,112	1,183,070

	Market value at 1 April 2011	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2012
	£'000	£'000	£'000	£'000	£'000
Fixed interest absolute return securities	141,937	4,212	0	4,574	150,723
Equities	156,987	92,437	(92,350)	(4,016)	153,058
Pooled investments	562,695	113,360	(90,159)	(8,759)	577,137
Pooled property investments	89,208	7,316	(5,611)	1,772	92,685
Private equity / infrastructure	50,967	13,175	(7,572)	2,075	58,645
	1,001,794	230,500	(195,692)	(4,354)	1,032,248
Forward foreign currency contracts	(172)			39	16
Cash deposits	10,029			132	17,624
Amount receivable for sales of investments	640				284
Amounts payable for purchases of investments	(404)				(6,756)
Fees within pooled vehicles				2,709	
Net investment assets	1,011,887	230,500	(195,692)	(1,474)	1,043,416

Transaction costs, such as commissions, stamp duty and other transaction fees, are included in the cost of purchases and in sale proceeds. Transaction costs incurred during the year total £426,308 (2011/12 £189,583.34). The costs for 2012/13 are higher than usual due to the transition to a new manager which involved a significant number of purchases and sales of investments. In addition to these costs indirect costs are incurred through the bid-offer spread on investments within pooled funds.

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

31 March 2012		31 March 2013
£'000		£'000
	Equities	
	UK	
14,999	Quoted	45,299
	Overseas	
136,758	Quoted	161,398
1,302	Unquoted	0
	Pooled funds	
	UK	
187,377	Unit trusts	218,891
1	Ventures - unquoted	0
	Global (including UK)	
150,723	Fixed income	157,644
179,653	Unit trusts	211,337
	Overseas	
210,104	Unit trusts	204,159
92,686	Property unit trusts	105,974
58,645	Private equity	58,723
0	Infrastructure	3,064
1,032,248		1,166,489

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	GBP	3,562	GBP	3,562	3,562		
Up to three months	EUR	4,280				(3,620)	
					3,562	(3,620)	
Net forward foreign currency contracts at 31 March 2013						(58)	
Prior year comparative							
Open forward foreign currency contracts at 31 March 2012						3,534	(3,518)
Net forward foreign currency contracts at 31 March 2012							16

Investments analysed by fund manager

Market Value at 31 March 2012			Market Value at 31 March 2013		
£'000	%		£'000	%	
346,858	33.3	BlackRock	412,513	34.9	
190,046	18.2	Capital International	0	0.0	
206,287	19.8	Fidelity	240,729	20.3	
150,519	14.4	Insight	157,648	13.3	
20,099	1.9	Lothbury	20,887	1.8	
58,645	5.6	Partners Group	61,787	5.2	
10,601	1.0	Threadneedle	10,736	0.9	
60,361	5.8	UBS	56,223	4.8	
0	0.0	Veritas	222,547	18.8	
1,043,416	100.0		1,183,070	100.0	

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

Market value 31 March 2012 £'000	% of total fund	Security	Market value 31 March 2013 £'000	% of total fund
187,377	17.85	BlackRock Asset Management Aquila Life UK Equity Index Fund	218,889	18.34
179,653	17.12	Fidelity Institutional Select Global Equity	211,337	17.71
150,516	14.34	Insight LDI Solution Bonds Plus	157,644	13.21

Note 15c – 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 2012			As at 31 March 2013		
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 at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
150,723			Fixed interest securities	157,644	
153,058			Equities	206,697	
577,137			Pooled investments	634,387	
92,685			Pooled property investments	105,974	
58,645			Private equity	58,723	
0			Infrastructure	3,064	
3,534			Derivative contracts	3,562	
	20,710		Cash	121	24,662
	6,693		Debtors		6,216
1,035,782	27,403	0		1,170,172	30,878
Financial liabilities					
(3,518)			Derivative contracts	(4,270)	
		(9,996)	Creditors		(3,201)
(3,518)	0	(9,996)		(4,270)	0
1,032,264	27,403	(9,996)		1,165,902	30,878

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.

31 March 2012		31 March 2013	
Carrying value	Fair value	Carrying value	Fair value
£'000	£'000	£'000	£'000
Financial assets			
876,237	1,035,782	Fair value through profit and loss	916,860
27,405	27,403	Loans and receivables	30,878
903,642	1,063,185	Total financial assets	947,738
Financial liabilities			
(3,534)	(3,518)	Fair value through profit and loss	(4,216)
(10,006)	(9,996)	Financial liabilities at amortised cost	(3,201)
(13,540)	(13,514)	Total financial liabilities	(7,417)
890,102	1,049,671	Net financial assets	940,321
			1,193,579

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.

Values at 31 March 2013	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets				
Financial assets at fair value through profit and loss	503,034	605,351	61,787	1,170,172
Loans and receivables	30,878	0	0	30,878
Total financial assets	533,912	605,351	61,787	1,201,050
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(4,270)	0	(4,270)
Financial liabilities at amortised cost	(3,201)	0	0	(3,201)
Total financial liabilities	(3,201)	(4,270)	0	(7,471)
Net financial assets	530,711	601,081	61,787	1,193,579

Values at 31 March 2012	Quoted	Using	With	Total
	market price	observable	significant	
	Level 1	Level 2	unobservable	
	£'000	£'000	Level 3	£'000
Financial assets				
Financial assets at fair value through profit and loss	442,353	534,784	58,645	1,035,782
Loans and receivables	27,403	0	0	27,403
Total financial assets	469,756	534,784	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	459,760	531,266	58,645	1,049,671

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 2013	31 March 2012
	%	%
Equities	12.5	14.97
Fixed Income	1.5	1.80
Alternatives (Private Equity)	9.6	11.61
Property	1.9	4.29
Cash	0.0	0.50

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	Percentage	Value on	Value on
	March 2013		increase	decrease
	£'000	change	£'000	£'000
Equities	841,084	12.5	945,556	735,612
Fixed Income	157,644	1.5	160,056	155,232
Alternatives (Private Equity)	61,787	9.6	67,694	55,880
Property	105,974	1.9	108,009	103,939
Cash	24,047	0.0	24,049	24,044
Total assets available to pay benefits	1,190,536		1,306,364	1,074,707

Asset type	Value as at 31	Percentage	Value on	Value on
	March 2012		increase	decrease
	£'000	change	£'000	£'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

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 2013 and 31 March 2012 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 2013	As at 31 March 2012
	£'000	£'000
Cash and cash equivalents	7,466	3,086
Cash balances	17,316	17,624
Fixed interest securities	157,644	150,723
Total	182,426	171,433

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 2013 £'000	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	7,466	75	(75)
Cash balances	17,316	173	(173)
Fixed interest securities	157,644	851	(851)
Total change in assets available	182,426	1,099	(1,099)

Asset type	Carrying amount as at 31 March 2012 £'000	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	3,086	31	(31)
Cash balances	17,624	176	(176)
Fixed interest securities	150,723	528	(528)
Total change in assets available	171,433	735	(735)

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 and infrastructure in foreign currency, (€140million 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 2013 and as at the previous period end:

Currency exposure - asset type	As at	As at
	31 March 2013	31 March 2012
	£'000	£'000
Overseas and Global Equities	576,897	526,356
Global Fixed Income	157,644	150,723
Overseas Alternatives (Private Equity and infrastructure)	61,787	58,645
Overseas Property	3,673	3,626
Overseas Currency	121	14
Total overseas assets	800,122	739,364

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.

A 5.2% 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 2013. The equivalent rate for the year ended 31 March 2012 was 7.8%. 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 2013 and as at the previous year end:

Currency exposure - by currency	Value at 31	Change	Value on	Value on
	March 2013		increase	decrease
	£'000	%	£'000	£'000
Australian Dollar	11,926	10.0	13,113	10,739
Brazilian Real	6,175	11.6	6,892	5,457
EURO	88,385	7.8	95,279	81,491
Hong Kong Dollar	5,876	8.5	6,378	5,375
Japanese Yen	5,850	11.8	6,538	5,161
Norwegian Krone	5,720	9.0	6,237	5,202
South African Rand	6,692	12.0	7,492	5,892
Swedish Krona	5,794	8.1	6,265	5,323
Swiss Franc	6,993	9.4	7,648	6,339
US Dollar	83,570	8.7	90,873	78,266
Pooled Investments				
Global Basket	368,981	5.3	388,611	349,351
Global ex UK Basket	174,768	5.8	184,904	164,631
Emerging Basket	29,392	6.4	31,281	27,502
Total change in assets available	800,122	5.2	841,405	758,835

Currency exposure - by currency	Value at 31	Change	Value on	Value on
	March 2012		increase	decrease
	£'000	%	£'000	£'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	81,675	8.36	88,504	74,847
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	739,364	7.79	797,003	681,726

Currency Exposure - by asset type	Carrying	Change in year in the net assets	
	amount as at	available to pay benefits	
	31 March 2013	Value on	Value on
	£'000	increase	decrease
		£'000	£'000
Overseas and Global Equities	576,897	606,662	547,128
Global Fixed Income	157,644	64,975	58,599
Overseas Alternatives (Private Equity and infrastructure)	61,787	165,778	149,510
Overseas Property	3,673	3,862	3,483
Overseas Currency	121	128	115
Total change in assets available	800,122	841,405	758,835

Currency Exposure - by asset type	Carrying amount as at 31 March 2012 £'000	Change in year in the net assets available to pay benefits	
		Value on increase £'000	Value on decrease £'000
Overseas and Global Equities	526,356	567,388	485,323
Global Fixed Income	150,723	162,473	138,974
Overseas Alternatives (Private Equity)	58,645	63,217	54,073
Overseas Property	3,626	3,909	3,344
Overseas Currency	14	15	13
Total change in assets available	739,364	797,002	681,727

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	29.5%
Fidelity	19%
Insight	15%
Partners Group	7.5%
Property (UBS, Threadneedle, Lothbury, BlackRock)	10%
Veritas	19%

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 2013 was £7.4m (£3.4m at 31 March 2012).

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 three 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 2013 the value of illiquid assets was £117m, which represented 10.1% of the total fund assets (31 March 2012: £116m, which represented 11.2% 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 2013 are due within one year as was the case at 31 March 2012.

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. Work is currently underway on the 31 March 2013 valuation and the results are expected Mid- November 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 2013 was £1,667m (£1,342m at 31 March 2012). 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 2013	31 March 2012
	%	%
Inflation/ pension increase rate	2.8	2.5
Salary increase rate*	5.1	4.8
Discount rate	4.5	4.8

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

NOTE 20 – CURRENT ASSETS

2011/12		2012/13
£'000		£'000
1,096	Contributions due - employees	753
3,575	Contributions due – employers	2,584
0	Transfer values receivable (joiners)	0
1,739	Sundry Debtors	2,879
6,410	Total Debtors	6,216
3,086	Cash	7,466
9,496	Total	13,682

Analysis of debtors

2011/12		2012/13
£'000		£'000
1,902	Administering Authority	1,918
709	Central government bodies	1,394
2,566	Other local authorities	1,347
3	NHS bodies	3
1,230	Other entities and individuals	1,554
6,410	Total	6,216

NOTE 21 – CURRENT LIABILITIES

2011/12		2012/13
£'000		£'000
1,431	Sundry creditors	1,616
0	Transfer values payable (leavers)	0
1,810	Benefits payable	1,557
3,241	Total	3,173

Analysis of creditors

2011/12		2012/13
£'000		£'000
887	Administering Authority	866
14	Central government bodies	15
0	Other local authorities	5
2,340	Other entities and individuals	2,287
3,241	Total	3,173

NOTE 22 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

The market value of the funds is stated below:

	Market value at 31 March 2013 £'000	Market value at 31 March 2012 £'000
Clerical Medical	2,734	2,380
Equitable Life	413	454
Standard Life	189	215
Total	3,336	3,049

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

	2012 / 2013 £'000	2011 / 2012 £'000
Clerical Medical	372	343
Equitable Life	1	0
Standard Life	12	13
Total	385	356

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 £835,101 (£891,420 in 2011/12) 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 £16.65m to the fund in 2012/13 (£16.02m in 2011/12). At the end of the year the council owed £1,918,000 to the fund (see Note 20) which was primarily in respect of contributions for March 2013 and the fund owed £866,000 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 2012/13, the fund received interest of £86,481 (£156,562 in 2011/12) from Gwynedd Council.

Governance

There were 2 members of the pensions committee who were in receipt of pension benefits from the Gwynedd Pension Fund during 2012/13 (Committee members T. Edwards and P. Jenkins). In addition, committee members T. Edwards, P. Jenkins, D. Meurig and W.T.Owen 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).

One member 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 2013	Commitment at 31 March 2012
	€'000	€'000	€'000
P.G. Direct 2006	20,000	1,384	1,384
P.G. Global Value 2006	50,000	4,592	5,832
P.G. Secondary 2008	15,000	1,960	2,680
P.G. Global Value 2011	15,000	10,657	11,345
P.G. Global Infrastructure 2012	40,000	36,213	0
Total Euros	140,000	54,806	21,241
	\$'000	\$'000	\$'000
P.G. Emerging Markets 2011	7,000	5,268	5,971

'PG' above refers to Partners Group, the investment manager who invests in 'alternatives' (private equity and infrastructure) on behalf of the fund.

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

Three 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 £3,105,729 from the administrators up to 31 March 2013 and the administrators now expect a return of 88p per £ by the beginning of 2014. 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	4.71
April 2011	6.25
July 2011	4.05
October 2011	4.18
January 2012	3.32
April 2012	3.79
August 2012	2.85
January 2013	2.71
Total at 31 March 2013	77.25

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	%
July 2013	2.00
January 2014	8.80
Total	10.80

The relevant proportion of the increase in impairment (£2,723) and the increase in notional interest (£4,597) has been allocated to the pension fund.

Of course, the actual loss by early 2014 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 2013.

NOTE 27 – PRIOR YEAR ADJUSTMENTS

Rounding adjustments have been made to some of the prior year figures in Notes 15, 16 and 17 to ensure consistency across all the tables.

NOTE 28 - 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.gwynedd-pensionfund.org.uk on the investment page or by contacting Mrs Caroline Roberts on 01286 679128.

**INCOME & EXPENDITURE ACCOUNT 2012/13
ANALYSIS OF SERVICE EXPENDITURE**

APPENDIX A

	Total Expenditure £'000	Total Income £'000	Net Expenditure £'000
Cultural and Related Services			
<i>Division of Service</i>			
Culture and Heritage	1,872	(526)	1,346
Recreation and Sport	10,113	(5,404)	4,709
Open Spaces	1,619	(634)	985
Tourism	758	(399)	359
Library Service	2,092	(154)	1,938
	16,454	(7,117)	9,337

Environmental and Regulatory Services

<i>Division of Service</i>			
Cemetery, Cremation and Mortuary Services	1,084	(792)	292
Coast Protection	1,092	(323)	769
Community Safety (Crime Reduction)	426	(214)	212
Community Safety (CCTV)	359	(75)	284
Community Safety (Safety Services)	35	(33)	2
Flood Defence and Land Drainage	230	0	230
Agricultural and Fisheries Services	193	(197)	(4)
Regulatory Service	4,295	(908)	3,387
Street Cleansing (not chargeable to Highways)	2,996	(176)	2,820
Waste Collection	1,447	(127)	1,320
Waste Disposal	5,756	(863)	4,893
Trade Waste	2,243	(1,846)	397
Recycling	7,666	(4,107)	3,559
Waste Minimisation	89	(7)	82
Climate Change Costs	0	0	0
	27,911	(9,668)	18,243

Planning Services

<i>Division of Service</i>			
Building Control	819	(433)	386
Development Control	1,157	(521)	636
Planning Policy	752	(411)	341
Environmental Initiatives	1,644	(766)	878
Economic Research	4	0	4
Business Support	1,115	(472)	643
Economic Development	7,068	(5,711)	1,357
Community Development	1,605	(594)	1,011
	14,164	(8,908)	5,256

Education and Children's Services - Education

<i>Division of Service</i>			
Early Years	2,395	(1,569)	826
Primary Schools	53,184	(8,757)	44,427
Secondary Schools	54,491	(14,460)	40,031
Special Schools	4,907	(1,470)	3,437
Services to Young People and Other Community Learners	1,722	(283)	1,439
Other Strategic Functions	93	0	93
	116,792	(26,539)	90,253

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

<i>Division of Service</i>			
Service Strategy	102	0	102
Commissioning and Social Work	4,470	(183)	4,287
Children Looked After	8,898	(411)	8,487
Family Support Services	1,407	(70)	1,337
Youth Justice	945	(627)	318
Children's and Young People's Safety	110	(60)	50
Asylum Seekers	68	(28)	40
Other Children's and Families' Services	2,062	(1,053)	1,009
	18,062	(2,432)	15,630

**INCOME & EXPENDITURE ACCOUNT 2012/13
ANALYSIS OF SERVICE EXPENDITURE**

APPENDIX A

	Total Expenditure £'000	Total Income £'000	Net Expenditure £'000
Highways and Transport			
<i>Division of Service</i>			
Transport Planning, Policy and Strategy	1,250	(406)	844
Structural Maintenance	8,929	(2,678)	6,251
Capital Charges Relating to Construction Projects	6,235	(3,853)	2,382
Environment, Safety and Routine Maintenance	3,288	(775)	2,513
Street Lighting (including energy costs)	2,437	(462)	1,975
Winter Service	2,411	(615)	1,796
Traffic Management and Road Safety	885	(108)	777
Parking Services	1,324	(2,096)	(772)
Public Transport	5,498	(3,061)	2,437
Airports, Harbours and Toll Facilities	0	0	0
	32,257	(14,054)	18,203
Housing Services (Council Fund)			
<i>Division of Service</i>			
Housing Strategy	201	0	201
Enabling	271	(87)	184
Housing Advice	0	0	0
Housing Advances	0	0	0
Private Sector Housing Renewal	4,501	(1,099)	3,402
Licensing of Private Sector Landlords	567	(91)	476
Homelessness	1,532	(653)	879
Housing Benefits Payments	0	0	0
Housing Benefits Administration	30,399	(30,096)	303
Contribution to the HRA re items shared by the whole community	0	0	0
Other Council Property	63	(30)	33
Supporting People	5,536	(5,334)	202
Other Welfare Services	135	(147)	(12)
	43,205	(37,537)	5,668
Adult Social Care			
<i>Division of Service</i>			
Service Strategy	373	(1)	372
Older People (aged 65 or over) including Older Mentally Ill	35,599	(10,715)	24,884
Adults aged under 65 with a Physical Disability or Sensory Impairment	3,675	(270)	3,405
Adults aged under 65 with Learning Disabilities	14,089	(3,255)	10,834
Adults aged under 65 with Mental Health Needs	3,641	(385)	3,256
Other Adult Services	1,095	(722)	373
	58,472	(15,348)	43,124
Central Services to the Public			
<i>Division of Service</i>			
Local Tax Collection	10,612	(9,940)	672
Registration of Births, Deaths and Marriages	382	(204)	178
Elections	458	(179)	279
Emergency Planning	163	0	163
Local Land Charges	146	(164)	(18)
General Grants, Bequests and Donations	0	0	0
Coroners' Court Services	454	(168)	286
Other Court Services	0	0	0
	12,215	(10,655)	1,560
Corporate and Democratic Core			
<i>Division of Service</i>			
Democratic Representation and Management	3,022	(57)	2,965
Corporate Management	5,952	(4,057)	1,895
	8,974	(4,114)	4,860
Non Distributed Costs			
<i>Division of Service</i>			
Non Distributed Costs	195	0	195
	195	0	195
COST OF SERVICES	348,701	(136,372)	212,329

THE WELSH CHURCH FUND

2011-2012		2012-2013	
£'000		£'000	£'000
515	Amount of Fund at 1st April		512
	Add - Income during the year :-		
17	Interest on Investments		17
	Less - Expenditure during the year :-		
(5)	Loss on sale of investments	(1)	
(13)	Grants and expenses	(12)	
(2)	Other	0	
0	Adjustment	3	
			(10)
512	Amount of Fund at 31st March		519
	Represented by the following Assets :-		
26	Land and Buildings		26
421	Investments at Market Value		416
10	Debtors		23
704	Cash in Hand		720
1,161			1,185
(621)	Less - Proportion owing to Anglesey and Conwy Councils		(646)
540			539
(50)	Less - Creditors		(41)
22	Add - Proportion owing from Anglesey and Conwy Councils		21
512	Total		519

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

2011- 2012 £'000		2012- 2013 £'000
135	Amount of Fund at 1st April	141
	Add - Income during the year	
7	Interest on Assets	7
	Less - Expenditure during the year	
(1)	Grants	(2)
141	Amount of Fund at 31st March	146
	Assets	
25	Investments	25
116	Cash in Hand	121
141		146

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 2013 was £178,537.14 (£164,158.07 at 31 March 2012).
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.