



Gwasanaeth Democraidd
Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Cyfarfod / Meeting

PWYLLGOR ARCHWILIO
AUDIT COMMITTEE

Dyddiad ac Amser / Date and Time

10.30am DYDD IAU, 26 MEDI 2013

10.30am THURSDAY, 26 SEPTEMBER 2013

Lleoliad / Location

SIAMBR ARFON/CHAMBER,
SWYDDFEYDD Y CYNGOR/COUNCIL OFFICES,
PENRALLT,
CAERNARFON

Pwynt Cyswllt / Contact Point

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Dosbarthwyd/Distributed: 19-09-13

**PWYLLGOR ARCHWILIO
AUDIT COMMITTEE**

AELODAETH/MEMBERSHIP (19)

Plaid Cymru (9)

Y Cynghorwyr/Councillors

Edward Dogan
Chris Hughes
Dilwyn Morgan

Huw Edwards
Charles W Jones
Michael Sol Owen

Aled Ll. Evans
Dafydd Meurig
Gethin G. Williams

Annibynnol/Independent (4)

Y Cynghorwyr/Councillors

Trevor Edwards

Tom Ellis

John Pughe Roberts

Angela Russell

Llais Gwynedd (4)

Y Cynghorwyr/Councillors

Anwen Davies

Aeron M. Jones

R.J. Wright

Sedd Wag / Vacant Seat

Llafur/Labour (1)

Y Cynghorydd/Councillor

Sion W. Jones

Aelod Lleyg/Lay Member

Mr John Pollard

Aelod Ex-officio/Ex-officio Member

Is-Gadeirydd y Cyngor /Vice-Chairman of the Council

AGENDA

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT BUSINESS

To note any items that are a matter of urgency in the view of the Chairman for consideration.

4. MINUTES

The Chairman shall propose that the minutes of the last meeting of this committee, held on 18 July 2013, be signed as a true record.

(copy herewith - **white** paper)

5. REVIEWING THE COUNCIL'S CONSTITUTION

To submit the report of the Head of Democracy and Legal (copy herewith - **pink** paper)

6. STATEMENT OF ACCOUNTS 2012/13

To submit the statutory financial statements for 2012/13.

a) To submit the revised statutory financial statements by the Head of Finance for the Committee's approval (copy herewith – **gold** paper)

b)(i) To submit the formal "ISA 260" report to "those charged with governance" by the Wales Audit Office on the 2012/13 Statement of Accounts for Gwynedd Council (copy herewith – **grey** paper)

b)(ii) To authorise the Committee Chairman and the Head of Finance to sign the "letter of representation" on behalf of the Audit Committee, which is charged with governance in relation to approving the statutory financial statements for Gwynedd Council (copy enclosed as **Appendix 1** to the Wales Audit Office report in (b)(i) above)

c)(i) To submit the formal "ISA 260" report to "those charged with governance" by the Wales Audit Office on the 2012/13 Statement of Accounts for the Pension Fund (copy herewith – **yellow** paper)

c)(ii) To authorise the Committee Chairman and the Head of Finance to sign the “letter of representation” on behalf of the Audit Committee, which is charged with governance in relation to approving the statutory financial statements for the Pension Fund (copy enclosed as **Appendix 1** to the Wales Audit Office report in (c)(i) above)

7. TREASURY MANAGEMENT 2012/13

To submit, for information, the report of the Head of Finance on the results of the Council’s actual borrowing and investment during the financial year ended 31 March 2013 (copy herewith – **white** paper)

8. REPORT FROM THE CONTROL IMPROVEMENT WORKING GROUP

To submit the report of the Chair of the Committee outlining the feedback from the meeting of the Panel on 3 September 2013 (copy herewith – **blue** paper)

9. OUTPUT OF THE INTERNAL AUDIT SECTION

To submit the report of the Senior Audit and Risk Manager outlining the work of the Internal Audit Section for the period between 1 July and 31 August 2013. (copy herewith – **lilac** paper)

10. INTERNAL AUDIT PLAN 2013/14

To submit the report of the Senior Audit and Risk Manager on the progress of the Internal Audit Plan 2013/14 (copy herewith – **green** paper)

AUDIT COMMITTEE 18-07-13

Present: Councillor Trevor Edwards (Chairman)

Councillors: Eddie Dogan, Tom Ellis, Aled Ll. Evans, Aeron M. Jones, Charles W. Jones, Sion W. Jones, Dafydd Meurig, Dilwyn Morgan, Michael Sol Owen, Angela Russell and Peredur Jenkins (Cabinet Member – Resources)

Lay Member: Mr John Pollard

Also Present: Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Audit and Risk Manager), William E. Jones (Senior Finance Manager), Ffion M. Evans (Finance Manager – Resources and Corporate), Caroline Roberts (Investment Manager), Roland Thomas (Senior Finance Technician – Capital and Management), Hawis Jones (Performance and Efficiency Improvement Manager), Amanda Hughes (Local Manager, Wales Audit Office), Nigel Griffiths (Performance Assessment Leader, Wales Audit Office), Huw Lloyd Jones (Local Government Manager - North Wales Region, Wales Audit Office) and Gwyn Parry Williams (Member Support and Scrutiny Officer).

Apologies: Councillors Anwen Davies, Huw Edwards, John B. Hughes, John P. Roberts, Gethin G. Williams.

1. CHAIRMAN

RESOLVED to re-elect Councillor Trevor Edwards as Chairman of the Committee for 2013/14.

2. VICE-CHAIRMAN

RESOLVED to re-elect Councillor John Pughe Roberts as Vice-chairman of the Committee for 2013/14.

3. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present.

4. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 18 April 2013, as a true record.

5. STATEMENT OF ACCOUNTS 2012/13

Submitted by the Cabinet Member – Resources – the statutory Statement of Accounts for the 2012/13 financial year providing details of the Council's financial activities during the year which ended on 31 March 2013.

The Head of Finance Department explained that, to date, the draft accounts had not been audited and it was possible that some changes would be needed prior to submitting the final version to this committee on 26 September 2013. The basic form and content of these Statements was prescribed under Regulation 7 of the Accounts and Audit (Wales) Regulations 2005, as well as other regulations and standards. Several requirements of the IFRS (International Financial Reporting Standards) were based on Code of Practice on Local Authority Accounting and applied to the Council's Statement of Accounts for 2012/13. As the regulations required statements in a standard format, comparisons with other bodies' accounts were facilitated, but the statements had now become technically complex and difficult to understand.

The Head of Finance Department noted that a simple and concise report regarding the 2012/13 accounts had been presented to the Cabinet on 11 June 2013. That report was more useful for internal/management purposes, while the Statement of Accounts was more suited for external / governance purposes.

The Head of Finance Department noted that the Audit Committee were "those responsible for governance" on behalf of the Council, and before 2009/10 the committee had approved the draft statement of accounts subject to audit. However, the 2010 adaptations to the Accounts and Audit Regulations had given the responsibility for approving and certifying the draft accounts prior to 30 June 2013 to the Statutory Finance Officer (the Head of Finance Department at Gwynedd Council). By now, elected members did not need to approve a draft version of the statement, but was submitted to this committee for information and this was considered to be good practice.

The Head of Finance Department further noted that the Statement of Accounts, along with all other relevant financial statements would be the subject of an annual audit by the Wales Audit Office, following certification by him and consideration by the committee. In addition, the accounts would be available for the public's inspection for a period of 20 days.

The Head of Finance Department and the Senior Finance Manager provided a detailed explanation of the various accounting policies, the various accounts, statements and the relevant notes. Questions were raised by the members in relation to the accounts and the officers responded to them.

The Head of Finance Department explained the valuation of the value of pension assets and liabilities of the Council as an employer and members were reminded that the accounts of the Pension Fund, as part of the annual report, would be presented to the employers of the fund at an Annual Meeting on 25 July 2013.

The Cabinet Member – Resources thanked all relevant officers for their work on the accounts.

RESOLVED to accept and note the 2012/13 Statement of the Council's Accounts (subject to audit).

6. GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2012/13

Submitted – the report of the Senior Audit and Risk Manager presenting the Council's Annual Governance Statement for 2012/13 for the committee's approval.

He explained that the Accounts and Audit Regulations (Wales) 2005 (as amended by the Accounts and Audit Regulations (Wales) 2010) stated that the local government body should conduct a review at least once a year of the effectiveness of its system of internal control and should include a statement on internal control, prepared in accordance with proper practices, when relevant, with any statement of accounts it was obliged to publish. The SORP and the CIPFA/SOLACE Framework noted that local authorities in Wales had to publish a wider Annual Governance Statement that incorporated the Statement of Internal Control. The purpose of the statement was to state that the authority had considered its governance framework, and to report that this remained adequate and continued to operate effectively, and to demonstrate that there were actions planned where any weaknesses in the governance arrangements had been identified.

He noted that the profile of the statement was continually increasing and over the last year, the Wales Audit Office had undertaken a national review of governance, concentrating specifically on the development of the statement. Wales Audit Office officers would report to this committee on the outcome of the study. He explained in detail what was required within the Annual Governance Statement. He emphasised that it was essential that evidence was in place to support the contents before publishing the final document. Due to the key role of the committee in the context of the Council's governance framework, the committee had a role in challenging the contents of the draft Annual Governance Statement, prior to recommending that it was signed by the Council Leader and Chief Executive. He noted that an additional clause in this year's Statement had derived from the requirements of December 2012 Addendum, which referred specifically to the role of the Audit Committee in the process. When signing the Governance Statement, the Chief Executive and Council Leader confirmed *"We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework.**"*

In relation to the Governance Framework, he drew attention to the December 2012 Addendum to the CIPFA/SOLACE guidelines in relation to the key elements of the systems and processes that were part of an authority's governance. The Council's Local Code of Governance was approved by the Council Board on 5 April 2011 and it was based on the six core principles in the CIPFA/SOLACE Framework.

In relation to the review of the efficiency of the Governance Framework, the officer noted that the Audit Committee needed to obtain assurance that the governance arrangements described in Part 3 of the Annual Governance Statement worked as they should. In order to obtain this assurance, the committee would need to consider whether or not the activities described in Part 4 of the Statement would be sufficient to reach an opinion regarding these governance arrangements. The draft Governance Statement, subject to

some minor modifications, was approved by the Corporate Management Team on 26 June 2013. Moving forward to 2013/14, the intention was for the Governance Arrangements Assessment Group to meet at least on a quarterly basis throughout the year and possibly more often at the end of the financial year at the time of preparing the Governance Statement, in order to consider any work that had taken place in the previous period to assess the effectiveness of the governance arrangements. The Group would then report to the Audit Committee.

RESOLVED to approve the Annual Governance Statement, incorporating Gwynedd Council's Statement of Internal Control for the 2012/13 financial year and the period since the balance sheet date.

7. REGISTER OF EXTERNAL AUDIT REPORTS

Submitted - the report of the Head of Strategic and Improvement Department on the register of external audit reports.

The Performance and Efficiency Improvement Manager noted that one of the requirements of the Local Government (Wales) Measure was that every external audit report was brought before this committee and the committee would approve the benefits of implementing the recommendations noted by the external auditors. This would enable the committee to keep an overview on the implementation of the recommendations of the reports and provide the Cabinet with a brief summary. She provided details of examples from external audit reports.

She noted that reports could be totally relevant to Gwynedd or could be national reports that included a reference to Gwynedd Council. In addition to this, the Audit Committee had requested the Strategic and Improvement Department to maintain a corporate register of external audit reports and to submit them to this committee every six months. She referred to the Register of External Audit Reports on the Council's services since January 2010 which were a combination of annual reports, occasional reports and national reports where reference had been made to Gwynedd Council. She drew attention to the new audits highlighted in yellow in the appendix to the report that had been brought to the attention of the Department since the register had been submitted to this committee on 14 February 2013.

RESOLVED to note the content on the Register of External Audit Reports.

8. ANNUAL IMPROVEMENT REPORT

The Chairman welcomed Huw Lloyd Jones, Local Government Manager – North Wales Region, Wales Audit Office, to the meeting.

The Manager gave thanks for the welcome and he presented the Annual Improvement Report and made specific reference to three sections in the report, namely -

- a) An assessment of the Council's performance in 2011/12.
- b) Arrangements for self—evaluation of 2011/12 performance.
- c) Arrangements in terms of planning for improvement in 2012/13.

He noted that the main contributors towards the performance assessment were -

- The Council's report on the 2011/12 performance
- WAO views and work on benefits and homelessness services
- CSSIW – social care
- Estyn - Children and Young People
- Welsh Language Commissioner

He referred to the findings of the performance assessment as follows -

a) That overall performance was good with 71.4% of key and statutory performance indicators improved or the same and that 65.8% exceeded the Welsh average.

b) Vulnerable people.

24.9% per 1,000 of the population were in care homes, compared with 26.7% in the previous year. The percentage was improving but it was worse than the Wales average but there was a target to reach the Wales average in two years. 69.6% of older people's care plans had been reviewed compared with 62.7% in the previous year. The percentage was improving but was lower than the Wales average; however, the intention was to reach the Wales average by the end of the year.

He noted that the performance assessment conclusion was that the Council had made good progress in delivering improvement in most of its priority areas.

In relation to the self-evaluation of the 2011/12 performance, he noted the following -

- CSSIW – the director's annual report was an accurate analysis of the service's performance.
- Estyn – pre-inspection self-evaluation was robust but -
- Overly reliant on performance indicators and progress vs. projects
- Lack of qualitative analysis in relation to service users, citizens' surveys and panels, scrutiny, audit and inspection reports
- Lack of consistency in provision of baseline data and outcome measures; but, accountabilities of Cabinet members, Delivery / Improvement Panels, Scrutiny Arrangements and Ffordd Gwynedd.

He noted that the conclusions of the self-evaluation was that new governance arrangements had the potential to support improved culture of self-evaluation, but not yet fully realised in the annual self-assessment.

He referred to the improvement planning findings for 2012/13. He noted that the 2012/13 Improvement Plan met the requirements of the Measure and that there was strong financial leadership and planning, but that the Plan lacked clarity.

He noted that the improvement planning conclusions were that the service and financial planning were sound in most respects but that some high-level businesses plans lacked focus on priorities and were not clearly reported to the public.

The main conclusion of the report was that the Council was managing its improvement programme well but that the reporting of performance could be clearer and more comprehensive.

Members asked questions and the Manager responded to them.

The Manager was thanked for the presentation.

9. GOVERNANCE ARRANGEMENTS – REVIEW OF THE COUNCIL'S ANNUAL SELF—ASSESSMENT

The Chairman welcomed Nigel Griffiths, Performance Assessment Leader, Wales Audit Office to the meeting.

The Leader gave thanks for the welcome and presented a report on the Governance Arrangements. He noted that the Council had been required to prepare an Annual Governance Statement since 2010/11 and hold a review of its governance framework at least once a year. The Auditor General had to audit governance arrangements within the Council in order to meet Local Government Measure duties. He noted that the review focussed on providing assurance over the self-assessment and suggested improvements for the Council's 2013/14 review of its governance framework.

He expanded upon the strengths and weaknesses of the review. He noted that the general conclusion of the review was that the Council's self-assessment of its governance arrangements lacked corporate ownership and robust scrutiny and challenge.

He noted that the next steps would be -

- a) To collate findings for all Councils and use them to draw-up a national report looking at common trends and themes.
- b) Wales Audit Office's Improvement Assessment Letter 1 was planned for issue in the next few weeks – would include a brief summary of the findings and proposals for improvement.

Members asked questions and the Performance Assessment Leader responded to them.

In response to some of the points raised by the Performance Assessment Leader, the Senior Audit and Risk Manager acknowledged that the arrangements of Gwynedd Council were similar to those of many other Councils, but that the Council's arrangements were not amongst best practice and he welcomed some of the aspects in the report which highlighted that corporate commitment was required in order to change.

The Senior Manager took advantage of the opportunity to remind the Committee that the Governance Arrangements Assessment Group had now been established, as referred to in Item 6, and that this would give the Council an opportunity to improve its arrangements for undertaking a self-assessment of its governance arrangements. Although one annual governance statement was required, that did not mean that a self-assessment should only be undertaken once a year – it should be an ongoing process throughout the year.

The Senior Manager emphasised that it was important that the Audit Committee received regular feedback from the Governance Arrangements Assessment Group, and requested it unless it was received.

The Leader was thanked for the presentation.

10. THE WALES AUDIT OFFICE REVIEW OF GWYNEDD COUNCIL'S INTERNAL AUDIT SERVICE

Submitted – the report of the External Auditor noting that the Code of Audit Practice issued by the Auditor General and the International Standard on Auditing required them to consider whether the internal financial control arrangements of Gwynedd Council were adequate. As internal audit was a key element of the system of internal control, an annual assessment of its performance was completed.

Having completed the assessment, the External Auditor was of the view that the Council had an effective internal audit service and it complied with the majority of the CIPFA Internal Audit Code of Practice standards.

It was noted again this year that the Head of Internal Audit Service (namely the Senior Manager – Audit and Risk) had some operational responsibilities that were not consistent in a technical sense with the independence standard, but following a discussion with the Head of Finance Department the External Auditor understood that the Council would not change its structure.

The Head of Finance Department welcomed the heartening report. In relation to the independence standard, he noted that this was a risk that the authority had accepted for years and by now the external auditor accepted the situation.

RESOLVED to accept the report.

11. REPORT OF THE CONTROL IMPROVEMENT WORKING GROUP

Submitted – the report of the Chairman of the Audit Committee regarding a meeting of the abovementioned working group held on 28 June 2013 to consider five audits that had received a category C opinion during the period between 1 January and 31 March 2013, namely -

- a) Contract Terms – DBS Checks
- b) Staff DBS Checks
- c) Equipment with Former Members
- ch) Change Management for IT Systems
- d) Processing of Energy Supplier Data

Senior Managers had been invited to attend the meeting to discuss the matters arising from the audits and the work done since the audit reports had been published in order to strengthen the internal controls in question.

The Senior Audit and Risk Manager acknowledged that the meeting had been very beneficial and was a means of providing an opportunity to discuss the audits and discuss the steps put in place to strengthen the controls. He noted that in future it would be possible to extend the role of the Working Group to consider external audits also, where weaknesses had been identified.

RESOLVED

a) That the work of the Working Group was to continue and that the following would serve on it next time -

The Chairman and Vice-chairman of the Audit Committee and Councillors Dafydd Meurig, Dilwyn Morgan and Michael Sol Owen.
b) As a result of the Equipment with Former Members Audit, to emphasise the need for each member to receive Data Protection training and request assurance that this has taken place.

12. OUTPUT OF THE INTERNAL AUDIT SECTION

The work of the Internal Audit Section for the period up to 30 June 2013

Submitted – the report of the Senior Audit and Risk Manager outlining the Internal Audit Section's work in the period between 1 April and 30 June 2013. In submitting the information on the work completed during the period, the officer referred to -

- 12 reports on audits of the operational plan with the relevant opinion category shown.
- one other report (memoranda etc.)
- three follow-up audits

Details of further work that Internal Audit had in the pipeline was reported upon. This included three draft reports which had been released and 15 audits which were ongoing.

Consideration was given to each report and during the discussion reference was made to the following matters -

Debtors System – Review of Key Controls

A member noted that an external company had run Hafan Pwllheli at one time with the Council receiving a relatively substantial income from it. By now, the Council itself ran Hafan and he noted that the number of users, along with the income, had reduced. He asked whether or not the situation should be reconsidered and to externalise the management of Hafan once again.

In response, the Head of Finance Department noted that the situation of Hafan was problematic. He referred to the 2013/14 budget monitoring report that had been submitted to the Cabinet on 16 July 2013 which noted that the income of Hafan was low. When it had been decided to internalise the management of Hafan, a warning had been given at that time that it would involve a risk; but the timing had been very unfortunate also. Following the 2008 economic slump, it was realised that there had been a reduction in the number of berthholders. A request had already been made to the Economy and Community Department for a review of the situation regarding the way forward and the Head of Department intended to report on this in the autumn.

Llwyddo'n Lleol

In response to a member's question in relation to the number of companies etc. who had received a grant and who had become bankrupt, the Senior Audit and Risk Manager noted that monitoring arrangements had been addressed during the audit.

Banking Arrangements in the Leisure Centres

A member referred to an internal audit undertaken during the past two years of the banking arrangements of some of the leisure centres in Gwynedd and that it had been given opinion category C. He had noted back them that there had been some criticism regarding the banking management arrangements of Blaenau Ffestiniog Leisure Centre and it appeared that the situation continued.

In response, the Senior Audit and Risk Manager informed the committee that the Working Group established to consider the audits given opinion category C, could consider this particular audit.

RESOLVED to accept the reports on the Internal Audit Section's work for the period between 1 April to 30 June 2013 and to support the recommendations already submitted to the managers of the relevant services for implementation.

13. INTERNAL AUDIT PLAN 2013/14

Submitted – the report of the Senior Manager Audit and Risk providing an update of the current situation in terms of completing the 2013/14 internal audit plan.

He provided details of the situation as at 1 July 2013 along with the time spent on each audit to date. The following table was highlighted, which revealed the current status of the work in the operational plan -

| Audit Status | Number |
|------------------------|---------------|
| Planned | 80 |
| Working Papers Created | 1 |
| Field work started | 7 |
| Field Work Ended | 2 |
| Awaiting Review | 4 |
| Draft Report Issued | 4 |
| Final Report Issued | 9 |
| Total | 107 |

He notified members that the 2013/14 performance target was to have 95% of the audits in the amendments plan to be either closed or to have the final report released by 31 March 2014. He noted that Internal Audit's actual achievement by the end of the first quarter was 8.4% and out of the 107 individual audits, 9 had been released finally by the end of the quarter. Therefore, the performance was lower than the profile set, which caused some concern, but it was the subject of an ongoing review in order to rectify the situation by the end of the year. Losing staff resources etc. recently was one factor that had contributed to this. He also noted that there was a need to revisit the amount of time spent on some audits.

In relation to amendments to the plan, the officer noted that there was only one amendment to the plan, namely an addition to the audit of the Appetite for Life Grant.

RESOLVED to note the contents of the report as an update on progress against the 2013/14 audit plan.

14. INTERNAL AUDIT CHARTER

Submitted – the report of the Senior Audit and Risk Manager noted that the Terms of Reference for Internal Audit, prepared in accordance with the requirements of CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006, had been adopted by the Audit Committee on 27 September 2012.

He noted that the Public Sector Internal Audit Standards had come into force on 1 April 2013, to supersede the CIPFA Code of Practice. One of the requirements of the new Internal Audit Standards was the need to set out an Internal Audit Charter instead of Terms of Reference. The Standards, and a supporting Local Government Application Note published by CIPFA detailed the necessary contents of an Internal Audit Charter for a Local Government Body. The Local Government Application Note remarked that a comparison between the Terms of Reference required under the 2006 Code and an Internal Audit Charter showed only the following differences -

- a) The Terms of Reference had to identify internal audit's contribution to the review of the effectiveness of the control environment and required and enabled the Head of Internal Audit to deliver the annual audit opinion.
- b) The Standards asked mostly for the same content as in the Terms of Reference apart from those specific points set out in the public sector requirement to "PSIAS 1000". He provided details of what should be included in an Internal Audit Charter for a Local Government Body – according to the Standards and Local Government Application Note published by CIPFA.

RESOLVED to approve the Internal Audit Charter and to support Internal Audit to achieve its role.

At the end of the meeting, the Chairman referred to the fact that this would be the last meeting of this Committee that Gwyn Parry Williams, Member Support and Scrutiny Officer would be attending as he would be retiring at the end of this month. He thanked him for his service over the years and he wished him a happy retirement.

The meeting commenced at 10.30am and concluded at 1.10pm

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|------------------------------|---|
| MEETING | AUDIT COMMITTEE |
| DATE | 26, SEPTEMBER, 2013 |
| TITLE | REVIEWING THE COUNCIL'S CONSTITUTION. |
| PURPOSE OF THE REPORT | TO REQUEST THE COMMITTEE TO ESTABLISH A WORKING GROUP TO REVIEW THE CONSTITUTION |
| AUTHOR | DILYS PHILLIPS, MONITORING OFFICER |

1. In reporting to full Council on the 2nd May, 2013 on the amendments to the Constitution, I explained that work was in hand under the auspices of the association which represents Monitoring Officers in Wales, with the support of the Welsh Local Government Association and the Welsh Government, to draw up a standard Constitution for the unitary councils in Wales. The motivation for this was the fact that all councils in Wales now operate executive arrangements (Leader and Cabinet), and substantial differences are appearing between the legal requirements on Welsh councils compared to those in England as a result of legislation by the Welsh Government.
2. The standard constitution has now been completed. It continues to allow local differences from Council to Council, but it is hoped that there will be more consistency in interpretation of the Constitution across Wales and that the constitutional document will be easier to understand.
3. Under the new arrangements, the Audit Committee has the role of reviewing and assessing the Authority's arrangements for corporate governance and making recommendations regarding the adequacy and effectiveness of those arrangements. It is considered that the Council's Constitution and its contents are an integral part of the Council's arrangements for good corporate governance, and that the Audit Committee therefore is the appropriate committee to give consideration to the constitutional document. The right to adopt the Constitution rests with the Full Council.
4. Detailed work is required to look at the contents of the new Constitution. This work would be carried out more easily by a Task and Finish Working Group rather than the full Committee.
5. It is recommend therefore that the Committee nominate a working group of up to seven members with an interest in the work to undertake the detailed task of considering the standard constitutional document and offer any local variations appropriate to Gwynedd. There is no

need for such a working group to be on a political balance basis but I suggest that it would be of advantage in the end to have representation from the different groups on the working group.

6. Regarding the timetable, it is anticipated that the working group will undertake its work and consult with other relevant committees over the coming months and report back to this Committee and then present the new constitutional document to full Council at its next annual meeting.

RECOMMENDATION.

7. That the Committee establish a Task and Finish Working Group of up to seven members to review the Council's Constitution.

| | |
|----------------|--|
| MEETING | AUDIT COMMITTEE |
| DATE | 26 September 2013 |
| TITLE | The Final Accounts for the year ended 31 March 2013 and relevant Audit |
| PURPOSE | To submit – <ul style="list-style-type: none"> • The Statement of Accounts post-Audit; • The Wales Audit Office’s ‘ISA260’ report; • Letter of Representation (Appendix 1). |
| RECOMMENDATION | To receive and note the information before authorising the Chairman to certify the letter |
| AUTHOR | Dafydd L Edwards, Head of Finance |

1. ACCOUNTS FOR 2012/13

Members will recall that the Statement of Accounts for 2012/13 (pre-audit) were presented to the Audit Committee on 18 July 2013, when it was scrutinised accordingly.

2. AUDIT BY THE WALES AUDIT OFFICE

It was noted in the July meeting that these accounts would be subject to audit by the Wales Audit Office, and the ‘ISA 260’ report is presented here by the Appointed Auditor (Anthony Barrett) detailing the Wales Audit Office’s main findings.

3. POST-AUDIT FINANCIAL STATEMENTS FOR 2012/13

The final version (post-audit) of the Statement of Accounts for 2012/13 is also presented here. The main amendments since the pre-audit version have been outlined in Appendix 3 to the Wales Audit Office’s ‘ISA260’ report.

4. RECOMMENDATION

The Audit Committee is asked to consider and approve the –

- ‘ISA260’ report by the Wales Audit Office;
- Statement of Accounts for 2012/13 (post-audit).

5. LETTER OF REPRESENTATION

The Chairman of the meeting, together with the Head of Finance, are asked to certify the Letter of Representation (Appendix 1 to the Wales Audit Office’s report) after the Audit Committee has approved the above.

6. CERTIFICATION BY THE APPOINTED AUDITOR

After receiving the Letter of Representation duly certified by the Chairman and the Head of Finance, Anthony Barrett of the Wales Audit Office will issue the certificate on the accounts.

**STATEMENT OF
ACCOUNTS
2012/13**

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EXPLANATORY FOREWORD

Introduction

Gwynedd Council's accounts for the year 2012/13 are presented here on pages 9 to 124.

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 | 87,387 | 1,328 | 88,715 |
| Economy and Community | 6,151 | 287 | 6,438 |
| 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 | 4,197 | (185) | 4,012 |
| Reserves | 513 | 0 | 513 |
| Cost of Services | 211,517 | 828 | 212,345 |
| Other (Contains Centralised and Corporate Adjustment) | 19,924 | (828) | 19,096 |
| 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 71.
- 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.
- Reduction in the Expected Return on Scheme Assets (Note 12 and Note 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 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 £38m. 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 | 8,633 |
| 80 | Strategic and Improvement | 4 |
| 21 | Council Houses | 24 |
| 392 | Gwynedd Consultancy | 28 |
| 1 | Corporate | 0 |
| 35,102 | | 38,353 |
| | FINANCED BY - | |
| 8,707 | Borrowing | 10,914 |
| 16,108 | Grants and Contributions | 19,170 |
| 2,789 | Capital Receipts | 2,344 |
| 7,498 | Revenue and Other Funds | 5,925 |
| 35,102 | | 38,353 |

- Revenue Expenditure Funded from Capital Under Statute of £6,451,780 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 and Assets Held for Sale was £31,900,950 as shown in Note 15 and 22 on pages 48 to 50 and 63.
- The Council's Loan Debt on 31 March 2013 was £113.9m – a reduction of £1.2m (from £115.1m) during the year. Repayments of £1.3m 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 94 to 124) 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.

Chair Audit Committee

26 September 2013

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

18 September 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) |
| <u>Movement in reserves during 2011/12</u> | | | | | | | | | |
| (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) |
| <u>Movement in reserves during 2012/13</u> | | | | | | | | | |
| (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 | (26,540) | 90,252 |
| 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 | 30,279 | (12,076) | 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 | 8,991 | (4,114) | 4,877 |
| 228 | 0 | 228 | Non Distributed Costs | 195 | 0 | 195 |
| 343,159 | (125,969) | 217,190 | Cost of Services | 346,740 | (134,395) | 212,345 |
| 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 9,841 | (682) | 9,159 |
| 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 | 375,463 | (383,648) | (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'.

| 1 April 2011 | 31 March 2012 | | Note | 31 March 2013 |
|------------------|------------------|--|------|------------------|
| £'000 | £'000 | | | £'000 |
| 355,220 | 363,633 | Property, Plant and Equipment | 15 | 368,877 |
| 93 | 93 | Heritage Assets | 16 | 93 |
| 298 | 298 | Investment Property | 17 | 824 |
| 107 | 84 | Surplus Assets | 15 | 734 |
| 585 | 296 | Long Term Investments | 18 | 77 |
| 4,555 | 3,898 | Long Term Debtors | 18 | 4,191 |
| 360,858 | 368,302 | Long Term Assets | | 374,796 |
| 50,116 | 35,883 | Short Term Investments | 18 | 35,629 |
| 2,052 | 1,607 | Assets Held for Sale | 22 | 2,905 |
| 1,251 | 1,380 | Stock | 19 | 1,257 |
| 27,134 | 28,699 | Short Term Debtors | 20 | 44,872 |
| 19,172 | 17,687 | Cash and Cash Equivalents | 21 | 13,091 |
| 99,725 | 85,256 | Current Assets | | 97,754 |
| (15,554) | (6,904) | Bank Overdraft | 21 | (11,787) |
| (5,608) | (2,050) | Short Term Borrowing | 18 | (18,131) |
| (44,343) | (43,041) | Short Term Creditors | 23 | (58,777) |
| (906) | (2,417) | Short Term Provisions | 24 | (1,187) |
| (1,829) | (3,629) | Capital and Revenue Grants Receipts in Advance | 35 | (2,523) |
| (68,240) | (58,041) | Current Liabilities | | (92,405) |
| (251) | (202) | Long Term Creditors | 18 | (151) |
| (14,324) | (12,757) | Long Term Provisions | 24 | (11,899) |
| (113,866) | (113,000) | Long Term Borrowing | 18 | (95,811) |
| (90,421) | (128,153) | Pension Liability | 42 | (168,179) |
| (49) | (29) | Finance Leases Liability | 38 | (15) |
| (170) | (298) | Capital and Revenue Grants Receipts in Advance | 35 | (1,239) |
| (219,081) | (254,439) | Long Term Liabilities | | (277,294) |
| 173,262 | 141,078 | Net Assets | | 102,851 |
| (71,611) | (71,348) | Usable Reserves | 25 | (67,615) |
| (101,651) | (69,730) | Unusable Reserves | 26 | (35,236) |
| (173,262) | (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 | | Note | 2012/13 |
|----------------|---|-------------|----------------|
| £'000 | | | £'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 | (21,615) |
| (1,267) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 27b | 856 |
| (31,721) | Net cash flows from Operating Activities | 27c | (28,944) |
| 20,132 | Investing Activities | 28 | 37,293 |
| 4,424 | Financing Activities | 29 | 1,130 |
| (7,165) | Net (increase) / decrease 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 GwryAD 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 four matters that relate to the 2011/12 accounts that require the following adjustments:

(a) Provision for the aftercare of Landfill Sites

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 Rasus 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 | | | | Restatement | | | | 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 | General Fund Balance | Total Useable reserves | Unusable reserves | Total Authority Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance 31 March 2011 carried forward | (8,194) | (71,611) | (111,662) | (183,273) | 0 | 0 | 0 | 0 | (8,194) | (71,611) | (111,662) | (183,273) |
| (Surplus)/Deficit on provision of services | (14,409) | (14,409) | 0 | (14,409) | 9,842 | 9,842 | 0 | 9,842 | (4,567) | (4,567) | 0 | (4,567) |
| Total Comprehensive Income and Expenditure | (14,409) | (14,409) | 46,762 | 32,353 | 9,842 | 9,842 | 0 | 9,842 | (4,567) | (4,567) | 46,762 | 42,195 |
| Adjustments between accounting basis and funding basis under regulation | 14,336 | 14,672 | (14,672) | 0 | (9,842) | (9,842) | 9,842 | 0 | 4,494 | 4,830 | (4,830) | 0 |
| Net (Increase)/Decrease before Transfer to Earmarked Reserves | (73) | 263 | 32,090 | 32,353 | 0 | 0 | 9,842 | 9,842 | (73) | 263 | 41,932 | 42,195 |
| (Increase)/Decrease in 2011/12 | 143 | 263 | 32,090 | 32,353 | 0 | 0 | 9,842 | 9,842 | 143 | 263 | 41,932 | 42,195 |
| Balance 31 March 2012 carried forward | (8,051) | (71,348) | (79,572) | (150,920) | 0 | 0 | 9,842 | 9,842 | (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 |

The original and restated Comprehensive Income and Expenditure Statement is available on page 34.

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 |
|-------------------------------|------------------------------------|------------------|-----------------|--------------|---------------------------|
| | £'000 | a | b | c | £'000 |
| Property, Plant and Equipment | 362,284 | 11,840 | (10,011) | (480) | 363,633 |
| Long Term Assets | 366,953 | | | | 368,302 |
| Short Term Provisions | (34) | (906) | 0 | (1,477) | (2,417) |
| Current Liabilities | (55,058) | | | | (58,041) |
| Long Term Provisions | (3,949) | (10,934) | 0 | 2,126 | (12,757) |
| Long Term Liabilities | (245,631) | | | | (254,439) |
| 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 £10.011million 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

| | As previously stated 2011/12 | | Restatement | | As restated 2011/12 | |
|---|---------------------------------|----------------------------------|----------------------|----------------------------------|------------------------|----------------------------------|
| | General Fund Balance | Movement in Unusable Reserves | General Fund Balance | Movement in Unusable Reserves | General Fund Balance | Movement in Unusable Reserves |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Charges for depreciation and impairment of non current assets | (17,133) | 17,133 | (9,883) | 9,883 | (27,016) | 27,016 |
| Revenue provision for the financing of unsupported capital investment | 631 | (631) | 716 | (716) | 1,347 | (1,347) |
| Capital expenditure charged against the General Fund | 8,172 | (8,172) | (675) | 675 | 7,497 | (7,497) |
| Total Adjustments | 14,336 | (14,672) | (9,842) | 9,842 | 4,494 | (4,830) |

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

| | 2011/12 | | Restatement | | 2011/12 | |
|---|----------------------|---------------------------|--------------------|---------------------------|--------------------|---------------------------|
| | As previously stated | | | | As restated | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | Land and Buildings | Assets Under Construction | Land and Buildings | Assets Under Construction | Land and Buildings | Assets Under Construction |
| Value: Adjustment to Opening Balance | 0 | 0 | 11,840 | 0 | 11,840 | 0 |
| Value: Additions | 6,220 | 10,015 | (385) | (480) | 5,835 | 9,535 |
| Value: Transfers | 13,521 | (13,603) | (1,829) | 1,829 | 11,692 | (11,774) |
| Value: Revaluation | 202 | 283 | (257) | 0 | 459 | 283 |
| Value: Balance at 31.03.12 | 234,399 | 8,455 | 9,883 | 1,349 | 244,282 | 9,804 |
| Impairment: Adjustment to Opening Balance | 0 | 0 | 10,011 | 0 | 10,011 | 0 |
| Impairment in year – to Services | 5,799 | 0 | (385) | 0 | 5,414 | 0 |
| Impairment: Revaluation | (119) | 0 | 257 | 0 | 138 | 0 |
| Impairment: Balance at 31.03.12 | 23,342 | 0 | 9,883 | 0 | 33,225 | 0 |
| Net Book Value 31 March 2012 | 203,145 | 8,453 | 0 | 1,349 | 203,145 | 9,802 |

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

| Provisions | 2011/12 | Restatement | 2011/12 |
|-----------------------------------|----------------------|-----------------|-----------------|
| | As previously stated | | As restated |
| | £'000 | £'000 | £'000 |
| Waste Site Provision – Short Term | 0 | (2,383) | (2,383) |
| Waste Site Provision – Long Term | (800) | (8,808) | (9,608) |
| Total | (3,983) | (11,191) | (15,174) |

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

| Capital Adjustment Account | 2011/12 | Restatement | 2011/12 |
|--|----------------------|-----------------|----------------|
| | As previously stated | | As restated |
| | £'000 | £'000 | £'000 |
| Balance 1 April | 149,676 | 0 | 149,676 |
| Charges for depreciation and impairment of non-current assets | (17,133) | (9,883) | (27,016) |
| Capital expenditure charged in year against the General fund | 8,172 | (675) | 7,497 |
| Capital receipts set aside/Revenue provision for the financing of unsupported capital investment | 631 | 716 | 1,347 |
| Balance 31 March | 161,996 | (9,842) | 152,154 |

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

| | Restatement Adjustment |
|---|------------------------|
| | £'000 |
| Non-current Assets | 1,349 |
| Capital Adjustment Account | 9,842 |
| Capital Financing Requirement 31 March | 11,191 |
| Capital Financing Requirement 1 April | 0 |
| Adjustment to Opening Balance: Capitalisation of contribution to landfill aftercare provision | 11,840 |
| In year Capital Investment – Land and Buildings | (385) |
| In year Capital Investment – Assets Under Construction | (480) |
| Capitalisation of contribution to aftercare provision of landfill in year | 257 |
| Capital Expenditure charged to revenue | 674 |
| Revenue provision for the financing of unsupported capital investment | (715) |
| Capital Financing Requirement 31 March | 11,191 |

The original and restated Capital Expenditure and Capital Financing Note is available on page 35

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

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

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

The original and restated Comprehensive Income and Expenditure Statement is available on page 34.

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, 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 (3a) and the restatement of Trading Operations (3b) as follows:

| | As previously stated 2011/12 | | | Restatement | | | As restated 2011/12 | | |
|--|------------------------------|-----------------------|--------------------------|----------------------------|-----------------------|--------------------------|----------------------------|-----------------------|--------------------------|
| | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| Democracy and Legal | 4,184 | (952) | 3,232 | 400 | (407) | (7) | 4,584 | (1,359) | 3,225 |
| Economy and Community | 10,813 | (6,776) | 4,037 | 60 | (364) | (304) | 10,873 | (7,140) | 3,733 |
| Highways and Municipal | 36,122 | (13,703) | 22,419 | (296) | 0 | (296) | 35,826 | (13,703) | 22,123 |
| Provider and Leisure | 18,744 | (3,417) | 15,327 | 712 | (680) | 32 | 19,456 | (4,097) | 15,359 |
| Total items within Departmental Control | 272,419 | (84,957) | 187,462 | 876 | (1,451) | (575) | 273,295 | (86,408) | 186,887 |
| Corporate | 41,648 | (41,226) | 422 | 177 | 0 | 177 | 41,825 | (41,226) | 599 |
| Total items within Departmental Control and Central Support Services | 314,951 | (126,250) | 188,701 | 1,053 | (1,451) | (398) | 316,004 | (127,701) | 188,303 |
| Items within net cost of services, not under departmental control: | | | | | | | | | |
| Capital Charges | 19,804 | 0 | 19,804 | 10,230 | 0 | 10,230 | 30,034 | 0 | 30,034 |
| Items under departmental control, not included in net cost of services: | | | | | | | | | |
| Contributions to Reserves | (2,875) | 0 | (2,875) | (4) | 0 | (4) | (2,879) | 0 | (2,879) |
| Net Cost of Services | 331,880 | (124,518) | 207,362 | 11,279 | (1,451) | 9,828 | 343,159 | (125,969) | 217,190 |
| Financing and Investment Income and Expenditure | | | | | | | | | |
| Pensions Interest Cost and Expected Return on Pensions Assets | 0 | (901) | (901) | (218) | 901 | 683 | (218) | 0 | (218) |
| Interest and Income from Investments | (218) | 0 | (218) | 218 | (901) | (683) | 0 | (901) | (901) |
| (Gains)/losses of Trading Units | 2,289 | (2,303) | (14) | (1,437) | 1,451 | 14 | 852 | (852) | 0 |
| Taxation and non-specific grant income | | | | | | | | | |
| Net income Non-domestic rates | 0 | (28,327) | (28,327) | 0 | 0 | 0 | 0 | (28,327) | (28,327) |
| (Surplus)/Deficit on Provision of Services | 359,286 | (373,695) | (14,409) | 9,842 | 0 | 9,842 | 369,128 | (373,695) | (4,567) |

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 (3a) and the restatement of Trading Operations (3b) is as follows:

| | As previously stated 2011/12 | | | Restatement | | | As restated 2011/12 | | |
|--|------------------------------|------------------|-----------------|-------------------|----------------|-----------------|---------------------|------------------|-----------------|
| | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cultural and Related Services | 17,270 | (7,536) | 9,734 | 72 | (52) | 20 | 17,342 | (7,588) | 9,754 |
| Environmental and Regulatory Services | 29,008 | (9,729) | 19,279 | 106 | (225) | (119) | 29,114 | (9,954) | 19,160 |
| Exceptional Item – Environmental and Regulatory Services | 0 | 0 | 0 | 10,011 | 0 | 10,011 | 10,011 | 0 | 10,011 |
| Planning Services | 10,599 | (5,875) | 4,724 | 312 | (438) | (126) | 10,911 | (6,313) | 4,598 |
| Education and Children's Services - Education | 109,762 | (20,193) | 89,569 | 154 | (128) | 26 | 109,916 | (20,321) | 89,595 |
| Education and Children's Services - Children's Social Care | 18,804 | (3,205) | 15,599 | 22 | (20) | 2 | 18,826 | (3,225) | 15,601 |
| Highways and Transport | 30,306 | (12,905) | 17,401 | 62 | (55) | 7 | 30,368 | (12,960) | 17,408 |
| Housing Services (Council Fund) | 38,999 | (34,893) | 4,106 | 132 | (138) | (6) | 39,131 | (35,031) | 4,100 |
| Adult Social Care | 55,186 | (14,591) | 40,595 | 295 | (292) | 3 | 55,481 | (14,883) | 40,598 |
| Central Services to the Public | 11,821 | (10,517) | 1,304 | 20 | (19) | 1 | 11,841 | (10,536) | 1,305 |
| Corporate and Democratic Core | 9,897 | (5,074) | 4,823 | 93 | (84) | 9 | 9,990 | (5,158) | 4,832 |
| Cost of Services | 331,880 | (124,518) | 207,362 | 11,279 | (1,451) | 9,828 | 343,159 | (125,969) | 217,190 |
| Financing and Investment Income and Expenditure | 8,818 | (3,204) | 5,614 | (2,289) | 2,303 | 14 | 6,529 | (901) | 5,628 |
| (Surplus)/Deficit on Provision of Services | 359,286 | (373,695) | (14,409) | 8,990 | 852 | 9,842 | 368,276 | (372,843) | (4,567) |
| Total Comprehensive Income and Expenditure | | | 32,353 | | | 9,842 | | | 42,195 |

c) **Effect of the Capital Expenditure and Capital Financing adjustment on Note 37 – Capital Expenditure and Capital Financing**

The Capital Financing Requirement (CFR) is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. As part of an internal review of the CFR it was established that certain items of expenditure were historically included as part of the CFR calculation that shouldn't have been included. As the opening CFR is used as the basis for calculating the revenue provision for the financing of capital investment, it was decided to correct it at the earliest possible opportunity. It is acknowledged that this adjustment is not material, but because of its impact on the revenue account it is justified to include it as a prior period adjustment.

| | Restatement Adjustment |
|---|-----------------------------------|
| | £'000 |
| Long Term Investments | (77) |
| Financial Instruments Adjustment Account (relating to Non-current Assets) | (530) |
| Capital Financing Requirement 31 March | (607) |
| Capital Financing Requirement 1 April | |
| Adjustment to Opening Balance: Derecognition of capitalised expenditure regarding investments and debentures relating to previous district councils | (607) |
| Capital Financing Requirement 31 March | (607) |

The original and restated Capital Expenditure and Capital Financing Note is available below.

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

The revised Capital Expenditure and Capital Financing note following the adjustments related to the provision for the aftercare of Landfill Sites (3a) and the capital expenditure and financing adjustment (3c) is as follows:

| | 2011/12 As previously stated | Restatement | 2011/12 As restated |
|---|---|--------------------|--------------------------------|
| | £'000 | £'000 | £'000 |
| Non-current Assets | 364,366 | 1,349 | 365,715 |
| Long Term Investments | 77 | (77) | 0 |
| Capital Adjustment Account | (161,996) | 9,842 | (152,154) |
| Financial Instruments Adjustment Account (relating to Non-current Assets) | 530 | (530) | 0 |
| Capital Financing Requirement 31 March | 152,241 | 10,584 | 162,825 |
| Capital Financing Requirement 1 April | | | |
| Adjustment to Opening Balance: Capitalisation of contribution to landfill aftercare provision | 0 | 11,233 | 11,233 |
| In year Capital Investment – Land and Buildings | 6,220 | (385) | 5,835 |
| In year Capital Investment – Assets Under Construction | 10,015 | (480) | 9,535 |
| Capitalisation of contribution to aftercare provision of landfill in year | 0 | 257 | 257 |
| Capital Expenditure charged to revenue | (8,172) | 674 | (7,498) |
| Revenue provision for the financing of unsupported capital investment | (631) | (715) | (1,346) |
| Capital Financing Requirement 31 March | 152,241 | 10,584 | 162,825 |

(d) Effect of the adjustment on the treatment of interest on the Cash Flow Statement

A review of the Cash Flow Statement revealed that the treatment of interest received and interest paid needed to be adjusted in the Cash Flow Statement and accompanying notes.

| | As previously stated £'000 | Restatement £'000 | As restated £'000 |
|---|---|------------------------------|----------------------------------|
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (4,123) | 5,390 | 1,267 |
| Net cash flows from Operating Activities | (37,111) | 5,390 | (31,721) |
| Investing Activities | 19,273 | 859 | 20,132 |
| Financing Activities | 10,673 | (6,249) | 4,424 |
| Net (increase) / decrease in cash and cash equivalents | (7,165) | 0 | (7,165) |

Effect of the adjustment on the treatment of interest on Note 27b – Cash Flow Statement: Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

| | As previously stated £'000 | Restatement £'000 | As restated £'000 |
|---|---|------------------------------|----------------------------------|
| Proceeds from sale of property, plant, equipment, investment property and intangible assets | 1,267 | 0 | 1,267 |
| Interest received and paid | (5,390) | 5,390 | 0 |
| | (4,123) | 5,390 | 1,267 |

Effect of the adjustment on the treatment of interest on Note 28 – Cash Flow Statement – Investing Activities

| | As previously stated £'000 | Restatement £'000 | As restated £'000 |
|--|---|------------------------------|----------------------------------|
| Purchase of property, plant and equipment, investment property and intangible assets | 31,838 | 0 | 31,838 |
| Other payments for investing activities | 4,774 | 0 | 4,774 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (1,917) | 0 | (1,917) |
| Proceeds from short-term and long-term investments | (14,563) | 0 | (14,563) |
| Other receipts for investing activities | (859) | 859 | 0 |
| Net cash flows from investing activities | 19,273 | 859 | 20,132 |

Effect of the adjustment on the treatment of interest on Note 29 – Cash Flow Statement – Financing Activities

| | As previously stated £'000 | Restatement £'000 | As restated £'000 |
|---|---|------------------------------|----------------------------------|
| Cash payments for the reduction of the outstanding liability relating to Finance Leases | 88 | 0 | 88 |
| Repayments of short term and long term borrowing | 4,336 | 0 | 4,336 |
| Other payments for financing activities | 6,249 | (6,249) | 0 |
| Net cash flows from financing activities | 10,673 | (6,249) | 4,424 |

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.
- 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 | 18,632 | 0 | 0 | 538 | (19,170) |
| Revenue expenditure funded from capital under statute | (6,452) | 0 | 0 | 0 | 6,452 |
| 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> | | | | | |
| Revenue provision for the financing of supported capital investment | 5,692 | 0 | 0 | 0 | (5,692) |
| Revenue provision for the financing of unsupported 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 | (1,874) | 5,086 |
| 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 | 517 | (13) | 1,343 |
| Total | 51,053 | 112 | 11,409 | (12,680) | 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 commitments.

NOTE 11 – OTHER OPERATING EXPENDITURE

| 2011/12 £'000 | | 2012/13 £'000 |
|------------------|---|------------------|
| 1,441 | Community Councils Precepts | 1,479 |
| | Levies | |
| 10,380 | Police & Crime Commissioner North Wales | 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 | 6,730 |
| | Pensions Interest Cost and Expected Return on Pensions | |
| (218) | Assets * | 3,111 |
| (901) | Interest receivable and similar income | (682) |
| 5,628 | Total | 9,159 |

* 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 | | | | | | | |
| Net Book Value | 200,500 | 130,517 | 11,849 | 663 | 107 | 11,691 | 355,327 |
| 1 April 2011* | | | | | | | |

* Includes adjustments to the opening balance.

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, the new Cae Top School in Bangor is currently regarded as a Council owned asset in our accounts, and not a church school. The legal status of this asset is subject to a legal review 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.

Assets Under Construction reflect only Gwynedd Council's proportion of the construction costs of the Pont Briwet project (based on an estimated split of the road and the rail elements of the project. This split currently stands at 41% road element (£1.33m) and 59% rail element).

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 (Bangor and Caernarfon Public Realm Works), but due to the nature of this type of contract, the total cost is not defined in advance.

* Since Gwynedd Council is the lead body on this project (together with Network Rail), the capital commitment outstanding and equivalent funding reflects the total cost of this project, and not Gwynedd Council's element alone (which, based on current estimates, would be 41% of the contract sum).

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 £'000 | 2012/13 £'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 £'000 | 2012/13 £'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 |
| Interest expense | 6,714 | 0 | 6,714 |
| Impairment losses | 0 | 16 | 16 |
| Interest payable and similar charges | 6,714 | 16 | 6,730 |
| Interest income | 0 | (682) | (682) |
| Interest and investment income | 0 | (682) | (682) |
| Net (gain) / loss for the year | 6,714 | (666) | 6,048 |

(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 £'000 | 31 March 2013 £'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 | 20,606 |
| 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 | 9,995 |
| 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 |
| 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

| | 2011/12 | 2012/13 |
|--|--------------|--------------|
| | £'000 | £'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 | 31 March |
|---------------------------------|---------------|---------------|
| | 2012 | 2013 |
| | £'000 | £'000 |
| Welsh Government | 1,992 | 567 |
| Other Central Government Bodies | 6,865 | 6,699 |
| 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 | 29,780 |
| 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 1 April 2011 £'000 | Balance at 31 March 2012 £'000 | (Addition) / Reduction / Transfer £'000 | Used during the year £'000 | Balance at 31 March 2013 £'000 |
|-----------------------------------|--|---|--|-------------------------------------|---|
| Short Term Provisions | | | | | |
| Waste Site Provision | (906) | (2,383) | (1,160) | 2,383 | (1,160) |
| Other | 0 | (34) | (20) | 27 | (27) |
| | (906) | (2,417) | (1,180) | 2,410 | (1,187) |
| Long Term Provisions | | | | | |
| Social Services | (27) | 0 | 0 | 0 | 0 |
| Section 117 Mental Health Act | (117) | 0 | 0 | 0 | 0 |
| Council Tax Property Transfers | (297) | (250) | 0 | 0 | (250) |
| Equal Pay | (1,935) | (2,188) | 0 | 0 | (2,188) |
| Waste Site Provision | (11,734) | (9,608) | (257) | 1,160 | (8,705) |
| Third Party Provisions | 0 | (535) | 0 | 90 | (445) |
| MMI Insurance Provision | 0 | 0 | (198) | 0 | (198) |
| Other | (214) | (176) | 0 | 63 | (113) |
| | (14,324) | (12,757) | (455) | 1,313 | (11,899) |
| Total | (15,230) | (15,174) | (1,635) | 3,723 | (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 |
| 139,665 | 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) |
| 101,651 | 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 |
| (10,011) | Opening Balance Adjustment | 0 |
| 139,665 | Restatement of Opening Balance | 152,154 |
| | <u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u> | |
| (17,005) | Charges for depreciation and impairment of non-current assets | (18,167) |
| (4,679) | Revenue Expenditure funded from Capital under Statute | (6,452) |
| (549) | Adjustment to non-current assets balances when selling | (491) |
| 1,062 | Transfer from Capital Revaluation Reserve | 911 |
| | <u>Capital financing applied in the year:</u> | |
| 3,489 | Capital Receipts | 2,345 |
| 16,108 | Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing | 19,170 |
| 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 | 730 |
| (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 in accordance with statute | 46 |
| (67) | Deferred credit for receipt of charges due from people under care | 10 |
| (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 | (3,544) |
| (28,421) | | (21,615) |

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 |
| 1,267 | | 856 |

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 | 6,638 |
| (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) |
| 20,132 | Net cash flows from investing activities | 37,293 |

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 |
| 4,424 | Net cash flows from financing activities | 1,130 |

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 | Government Grants and Contributions | Income | Expenditure |
| | £'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 | (6,736) | (21,667) | (28,403) | 79,791 |
| 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 | (44,442) | (51,325) | (95,767) | 188,436 |
| Corporate | 482 | 15,875 | 24,591 | 40,948 | (354) | (41,060) | (41,414) | (466) |
| Corporate Management Team | 607 | 190 | 0 | 797 | 0 | (38) | (38) | 759 |
| Total items within Departmental Control and Central Support Services | 162,757 | 138,880 | 24,311 | 325,948 | (44,796) | (92,423) | (137,219) | 188,729 |
| Items within net cost of services, not under departmental control: | | | | | | | | |
| Capital Charges | 0 | 22,788 | 0 | 22,788 | 0 | 0 | 0 | 22,788 |
| 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 | 160,001 | 24,311 | 346,740 | (41,972) | (92,423) | (134,395) | 212,345 |
| 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 | 6,730 | 0 | 6,730 | 0 | 0 | 0 | 6,730 |
| 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 | 185,613 | 27,422 | 375,463 | (139,375) | (244,273) | (383,648) | (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 Pension Contribution | Total | | Payments | | Employer's Pension Contribution | Total |
| Salary £ | Other £ | £ | £ | | Salary £ | Other £ | £ | £ |
| 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 of the post to the end of 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 | 313 |
| 111 Fees for grant claims and returns | 112 |
| 425 | 425 |

The 'Fees for External Audit Services' includes £8,300 audit fees relating to the Special Educational Needs Joint Committee, and £2,300 for the Joint Planning Policy Committee.

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 | 18,771 |
| | | <u>33,804</u> | <u>42,453</u> |
| Other Government Grants and Contributions - | | | |
| Department for Work and Pensions | | 37,075 | 38,363 |
| Other | | 8,707 | 11,608 |
| | | <u>45,782</u> | <u>49,971</u> |
| Other Grants and Contributions | | 2,125 | 1,778 |
| | | <u>81,711</u> | <u>94,202</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 and Contributions : - | | |
| Regulatory (Planning, Transport & Public Protection) Grants | 0 | 499 |
| Housing Grants | 0 | 495 |
| Capital Grants and Contributions : - | | |
| Regulatory (Planning, Transport & Public Protection) Grants | 298 | 245 |
| Total Long Term | 298 | 1,239 |
| <u>Short Term</u> | | |
| Revenue Grants and Contributions : - | | |
| 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 and Contributions : - | | |
| 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. The related position as at 31 March is provided 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 85 to 90 and the Pension Fund Accounts on pages 94 to 124.

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.

| 1 April 2011 £'000 | 31 March 2012 £'000 | | 31 March 2013 £'000 |
|--------------------------|---------------------------|---|---------------------------|
| 357,770 | 365,715 | Non-current Assets and Assets held for sale | 373,433 |
| 77 | 0 | Long Term Investments | 0 |
| 578 | 0 | Long Term Debtors | 0 |
| (56,977) | (50,736) | Revaluation Reserve | (44,043) |
| (139,665) | (152,154) | Capital Adjustment Account | (163,466) |
| 530 | 0 | Financial Instruments Adjustment Account (relating to Non-current Assets) | 0 |
| 162,313 | 162,825 | Capital Financing Requirement | 165,924 |

The movement in the year is explained as follows:

| 2010/11 £'000 | 2011/12 £'000 | | 2012/13 £'000 |
|------------------|------------------|--|------------------|
| 162,263 | 162,313 | Capital Financing Requirement 1 April | 162,825 |
| | | Adjustment to the opening figure - | |
| 11,840 | 0 | Capitalisation of contribution to landfill aftercare provision | 0 |
| 0 | (607) | Derecognition of capitalised expenditure regarding investments and debentures relating to previous district councils | 0 |
| | | In year Capital Investment - | |
| 6,576 | 5,835 | Land and Buildings | 9,817 |
| 15,979 | 9,767 | Infrastructure | 13,737 |
| 2,745 | 5,246 | Vehicles, Plant and Equipment | 3,402 |
| 7 | 15 | Community Assets | 20 |
| 227,096 | 9,535 | Assets under construction | 4,923 |
| 0 | 23 | Assets held for sale | 2 |
| 5,076 | 4,679 | Funded from capital under statute | 6,452 |
| 0 | 257 | Capitalisation of contribution to landfill aftercare provision | 257 |
| (220,096) | (3,489) | Capital Receipts used | (2,345) |
| (28,962) | (16,108) | Government Grants and other contributions | (19,170) |
| 205 | (7,498) | Capital expenditure charged to revenue | (7,574) |
| (5,647) | (5,797) | Revenue provision for the financing of supported capital investment | (5,692) |
| | | Additional voluntary set aside : | |
| (14,769) | (1,346) | Revenue provision for the financing of unsupported capital investment | (730) |
| 162,313 | 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 2012 £'000 | | 31 March 2013 £'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 £16.4m.

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 | <u>100</u> | <u>100</u> |

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 £83,205 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 of each trust but takes no decisions on its use. In all cases the funds do not 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. Authorities are required to recognise a full provision for this work and to account for this on a consistent basis, therefore 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 Biodegradable 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 related CIPFA Code of Practice requires that the respective Authorities' proportion of gross and net expenditure and income transactions is reflected subjectively in our accounts.

However, in order to try and improve consistency in reporting standards between authorities in this region, the reporting practice agreed between the eight local authorities in North and Mid Wales was that the lead authority reflected the full gross and net position in its accounts, with the other participating authorities reflect the net position only. In each instance, the local authorities' accounts reflect the true net contribution position.

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 | (41,714) |
| (1,035) | Payments to and on account of leavers 10 | (2,592) |
| (1,011) | Administrative Expenses 11 | (1,068) |
| (42,587) | Total benefits paid | (45,374) |
| 22,086 | Net additions from dealings with members | 21,222 |
| Returns on Investments | | |
| 10,228 | Investment income 12 | 11,929 |
| (291) | Taxes on income 13 | (335) |
| (1,474) | Profit and (losses) on disposal of investments and changes in the market value of investments 15 | 116,102 |
| (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 | 21,222 |
| 3,807 | Net returns on investments | 121,976 |
| 1,049,671 | At 31st March | 1,192,869 |

NET ASSETS STATEMENT AS AT 31 MARCH 2013

| 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 | (3,883) |
| 1,049,671 | | | 1,192,869 |

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 GWYNEDD PENSION FUND 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.

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 | |
| Llanllfni 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 | | 2012/13 |
|---------------|---------------------------|---------------|
| £'000 | | £'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 | | 2012/13 |
|--------------|----------------------|--------------|
| £'000 | | £'000 |
| 3,099 | Individual transfers | 3,126 |
| 3,099 | | 3,126 |

NOTE 9 - BENEFITS PAYABLE

By category

| 2011/12 | | 2012/13 |
|---------------|--|---------------|
| £'000 | | £'000 |
| 29,785 | Pensions | 32,237 |
| 10,013 | Commutation and lump sum retirement benefits | 8,583 |
| 743 | Lump sum death benefits | 894 |
| 40,541 | | 41,714 |

By authority

| 2011/12 | | 2012/13 |
|---------------|---------------------------|---------------|
| £'000 | | £'000 |
| 10,137 | Gwynedd Council | 10,169 |
| 16,925 | Other Scheduled bodies | 18,182 |
| 1,103 | Admission bodies | 1,223 |
| 660 | Community admission body | 543 |
| 34 | Transferee admission body | 15 |
| 11,628 | Closed Fund | 11,495 |
| 54 | Resolution Body | 87 |
| 40,541 | | 41,714 |

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 | 5,052 |
| 1,244 | Private equity | 923 |
| 3,899 | Pooled property investments | 4,593 |
| 198 | Interest on cash deposits | 179 |
| 10,228 | | 11,929 |

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 | | | (219) | 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) | 116,102 | 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 |
| 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 | |

Following a change in investment manager the assets managed by Capital International in 2011/12 are now managed by Veritas.

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 | (3,620) | |
| | | (9,996) | Creditors | (650) | (3,911) |
| (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 | (3,911) |
| (13,540) | (13,514) | Total financial liabilities | (8,127) |
| 890,102 | 1,049,671 | Net financial assets | 939,611 |

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 | 513,845 | 594,540 | 61,787 | 1,170,172 |
| Loans and receivables | 30,878 | 0 | 0 | 30,878 |
| Total financial assets | 544,723 | 594,540 | 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 | (3,911) | 0 | 0 | (3,911) |
| Total financial liabilities | (3,911) | (4,270) | 0 | (8,181) |
| Net financial assets | 540,812 | 590,270 | 61,787 | 1,192,869 |

| 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 | 946,556 | 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 |

Overseas property was not analysed separately in 2011/12 but has been shown in the comparative figures in the table above for consistency.

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 March 2013 | Change | Value on increase | Value on 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 March 2012 | Change | Value on increase | Value on 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 | 78,049 | 8.36 | 84,574 | 71,524 |
| Hong Kong Dollar | 4,517 | 9.60 | 4,951 | 4,084 |
| Japanese Yen | 29,015 | 13.29 | 32,873 | 25,158 |
| Norwegian Krone | 1,973 | 10.52 | 2,180 | 1,765 |
| Swedish Krone | 1,328 | 10.22 | 1,463 | 1,192 |
| Swiss Franc | 7,293 | 10.25 | 8,041 | 6,546 |
| US Dollar | 143,996 | 9.75 | 158,039 | 129,952 |
| Pooled Investments | | | | |
| Global Basket | 330,377 | 6.55 | 352,007 | 308,746 |
| Europe Basket | 48,156 | 5.42 | 50,765 | 45,548 |
| Asia Pacific ex Japan Basket | 30,319 | 7.19 | 32,498 | 28,140 |
| Emerging Basket | 51,411 | 7.89 | 55,467 | 47,354 |
| Total change in assets available | 735,738 | 7.79 | 793,073 | 678,403 |

| Currency Exposure - by asset type | Carrying amount as at 31 March 2013 | Change in year in the net assets available to pay benefits | |
|---|--|---|--------------------------|
| | £'000 | Value on increase | Value on decrease |
| | | £'000 | £'000 |
| Overseas and Global Equities | 526,356 | 567,374 | 485,338 |
| Global Fixed Income | 150,723 | 162,469 | 138,978 |
| Overseas Alternatives (Private Equity and infrastructure) | 58,645 | 63,215 | 54,075 |
| Overseas Property | 3,626 | 3,909 | 3,344 |
| Overseas Currency | 14 | 15 | 13 |
| Total change in assets available | 739,364 | 796,982 | 681,748 |

| 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 | 567,374 | 485,338 |
| Global Fixed Income | 150,723 | 162,469 | 138,978 |
| Overseas Alternatives (Private Equity) | 58,645 | 63,215 | 54,075 |
| Overseas Currency | 14 | 15 | 13 |
| Total change in assets available | 735,738 | 793,073 | 678,404 |

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 | 2,267 |
| 3,241 | Total | 3,883 |

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 | 2,997 |
| 3,241 | Total | 3,883 |

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

The illiquid assets figure disclosed in note 17 include a property investment which cannot be realised within a year. This was not categorised as an illiquid asset in the 2011/12 accounts and has now been included in the current year and comparative figure resulting in an increase of £57.4m on the original figure of £58.6m, giving a total of £116m for 2011/12.

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.

Independent auditor's report to the Members of Gwynedd Council

I have audited the accounting statements and related notes of:

- Gwynedd Council; and
- Gwynedd Pension Fund

for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

Gwynedd Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement. Gwynedd Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the responsible financial officer is responsible for the preparation of the statement of accounts, including Gwynedd Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Gwynedd Council's and Gwynedd pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Gwynedd Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Gwynedd Council as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on the accounting statements of Gwynedd Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Gwynedd Pension Fund during the year ended 31 March 2013 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

27 September 2013

**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 | (14,461) | 40,030 |
| 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 | (26,540) | 90,252 |

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 | 4,256 | (1,875) | 2,381 |
| 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 | 1,325 | (2,096) | (771) |
| Public Transport | 5,498 | (3,061) | 2,437 |
| Airports, Harbours and Toll Facilities | 0 | 0 | 0 |
| | 30,279 | (12,076) | 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 | 5,969 | (4,057) | 1,912 |
| | 8,991 | (4,114) | 4,877 |
| Non Distributed Costs | | | |
| <i>Division of Service</i> | | | |
| Non Distributed Costs | 195 | 0 | 195 |
| | 195 | 0 | 195 |
| COST OF SERVICES | 346,740 | (134,395) | 212,345 |

| |
|------------------------------|
| 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.

ANNUAL GOVERNANCE STATEMENT

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

Part 1: SCOPE OF RESPONSIBILITY

Gwynedd Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Gwynedd Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Gwynedd Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on our website or can be obtained by writing to the Gwynedd Council, Council Offices, Shirehall Street, Caernarfon, Gwynedd LL55 1SH. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

Part 2: THE PURPOSE OF THE GOVERNANCE FRAMEWORK

In establishing its framework, Gwynedd Council has defined Governance as ***“doing the right things in the right manner”***.

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gwynedd Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework described above has been in place at Gwynedd Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

Part 3: THE GOVERNANCE FRAMEWORK

The Local Code of Governance is based on six core principles of the CIPFA/SOLACE Framework for corporate governance in local authorities, and their supporting principles, which had been in turn adapted from the “Good Governance Standard for Public Services” that had been published by the Independent Commission on Good Governance in Public Services in 2004. The CIPFA/SOLACE Framework sets out the requirements for meeting each principle and also what should be reflected in the local code of governance.

This Annual Governance Statement was prepared in accordance with the addendum to the CIPFA/SOLACE Framework published in December 2012.

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

3.1 Values, Vision and Service Quality

The Council’s Values

The Council’s values are:

- **Serving**
- **Positive**
- **Working as a team**
- **Value for Money**
- **Respect**

The Council’s Aim

The Council’s aim is to ensure the **Best for the People of Gwynedd Today and Tomorrow**. This is the continuous aim that informs the work of the Council at all levels and we will continue to measure the extent to which we achieve this on a daily basis.

Strategic Plan

When adopting its Strategic Plan for the year for 2012/13, it was agreed that the Council would adopt a Strategic Plan for the remainder of the Council term, from 2013 to 2017.

The plan was prepared in several stages, as follows:

- Stage One – Needs Assessment and Horizon Scanning, identifying the main social, economic, environmental and policy drivers that currently influence the Council and the County, and which are likely to do so in the coming years.
- Stage Two – using the data and key information as a basis for identifying priorities for the draft plan.
- Stage Three – Confirming the Priorities and Developing Delivery Proposals.

The Strategic Plan 2013-2017 was adopted by the full Council on 2 May 2013.

In our introduction to the Strategic Plan 2013-2017, we state:

“For the period 2013 to 2017, the biggest threat to the sustainability and improvement of services is the combination of ever increasing demand for services and a substantial reduction in Council resources. This plan seeks to address this challenge by fundamentally changing the business model of the Council. A key feature, throughout the plan, is to work more effectively with partners, individuals and communities to prevent and reduce demand for services by helping earlier, as problems arise, and helping more people to help themselves. We also recognize that as a Council we need to change the way we engage with service users and communities and become more citizen centric. In addition, we will need to become more innovative in the way we provide services in order to contribute to more substantial efficiency savings and minimise service cuts. We are confident that, in Gwynedd, we can build on the virtues of our citizens, communities and workforce in order to overcome these challenges and exploit the right opportunities. Hence, the overall vision for the period is:

Supporting the people of Gwynedd to thrive in difficult times”

Service Quality

The Strategic Plan sets out a series of visions that contribute to the main vision. Each priority within the Strategic Plan is subject to attention by a Delivery Panel, which is led by the relevant Cabinet Member. The aim of the delivery panels is to assist the Cabinet Member to achieve the public undertakings contained in the Strategic Plan.

The arrangements for identifying measures and performance ambition has been developed across the authority.

The Council's scrutiny arrangements is a key part of its governance arrangements. Since changing the political arrangements to a Cabinet system, the scrutiny committees, which will determine their own work programme annually, prioritise attention to a relatively small number of items over the year. The scrutiny committees look at those issues in the context of their impact on residents and so the quality of services is a key element of that. Also this year, the scrutiny committees have embarked on a new system of scrutiny investigations that look at an area in detail and make recommendations to improve them.

The Council's Culture and Business Arrangements

Self-assessment work by the Council showed that there is a need to change the Council's internal culture in order to **“make the people of Gwynedd central to everything we do”**. The Strategic Plan notes the following achievements expected by 2017 in this thematic area:

- **A clear and common vision for everyone in the Council (known as “Ffordd Gwynedd / The Gwynedd Way”)** regarding the corporate culture that's needed, if we are to ensure that the people of Gwynedd are central to everything we do, and ensure that the vision is rooted throughout the Council.
- **Appropriate engagement arrangements to ensure we accomplish the important issues to the people of Gwynedd in order to prioritize our resources accordingly.**
- **Make more efficient use of resources, and seek to minimise the impact of cuts on the people of Gwynedd.**
- **More people of Gwynedd benefiting from schemes that capitalise on the size of the Council.**
- **Effective preventative services in place, in order to reduce the demand on services by prevention and early intervention.**

3.2 Use of Resources and Value for Money

Financial Strategy

In addition to the Strategic Plan, the Council has also adopted a Financial Strategy for the period 2013/14 - 2016/17 at its meeting on 28 February 2013. The Financial Strategy is based on a forecast of Welsh Government Grant, annual increases in Council Tax, savings programs, and by establishing effective preventive services, to reduce demand through prevention and early intervention services.

In his Annual Improvement Report 2013 on Gwynedd Council, the Auditor General for Wales noted, **“The Council benefits from strong financial leadership and has been very successful in planning effectively for the future. This approach has avoided the need for rash decisions and service cuts to balance the budget, and has allowed the Council to introduce service efficiencies in a planned and structured way over a period of time”**.

Preventive Arrangements

The need to establish effective preventive arrangements has been included in the Strategic Plan because Gwynedd Council recognises:

- That the financial challenge facing the Council will both intensify and last far longer than initially expected.
- That concentrating solely on efficiency measures would be insufficient to meet the financial gap and entail making substantial service cuts.
- An additional approach to reduce and delay the implementation of service cuts, namely demand management.
- That this could be a viable option for the future.
- That some things will have to change to increase the chances of the strategy of managing demand being successful.

An initial strategy document was adopted by the full Council on 28 February 2013. The strategy was approved as a basis for:

- Formal engagement with local, regional and national partners.
- Mobilising financial resources both internally and externally to support the planning and implementation stage of the strategy.
- Acquiring the necessary skills and capacity to be successful.
- Evaluating what works well at present and identifying gaps in provision.
- Engaging with the public in order to establish a better understanding of how citizens and public services can work better together to cope with the financial challenge.
- Establishing appropriate governance arrangements, which build on existing structures (where possible) in order to ensure successful progress.

3.3 Roles, Responsibilities and Decision Making

The Cabinet

Following the introduction of the Local Government (Wales) Measure 2011, far-reaching changes to the Constitution were introduced to the Council’s Annual Meeting on 17 May 2012. The Council had adopted a Leader and Cabinet model, in accordance with the options available to it under the Measure, at its meeting held on October 20, 2011, to become effective following the May 2012 election. As a result of the changes, the powers to determine and implement the vast majority of the authority’s functions are transferred from the Council to the Executive, namely the Council’s Cabinet.

The Cabinet consists of 10 Councillors and is chaired by the Council Leader. Each of the members has a specific portfolio with responsibility for areas within Council services that are clearly defined.

Since the introduction of the 2011 Measure, the Council has undertaken reviews of all its governance arrangements in order to comply with the Measure. This includes fundamental changes in the of Executive Role, with the introduction of a Cabinet to replace the Board. It has also meant reviews and changes in the roles of Scrutiny and Overview and Audit, and the establishment of a new role of Head of Democratic Services that has been delegated to the Head of Strategic and Improvement.

Schemes for delegation to committees, Cabinet members and officers

Part 3 (Responsibility for Functions) of the Council's Constitution contains details of the schemes for delegation to committees, members and officers together with the distribution of functions that were not the responsibility of the Cabinet.

The Constitution also contains a protocol on members' duties and responsibilities. The protocol contains details on the purpose and responsibilities of members, Chairperson, Vice-chairperson, Cabinet members and the Council Leader.

Rules of Procedure

In addition to this, the Council's Constitution continues to include specific rules in order to implement and make decisions. These include:

- Council Procedure Rules
- Contract Procedure Rules
- Financial Procedure Rules
- Overview and Scrutiny Procedure Rules
- Access to Information Procedure Rules
- Overview and Scrutiny Strategy
- Schemes of Delegation within the Constitution
- Protocol for Member/Officer Relations

Statutory Officers

The Council has adopted a management structure that includes a Chief Executive (who is also the Head of Paid Service) and 3 Corporate Directors. Together, they form the Council's Corporate Management Team. The Council has nominated the following to undertake statutory functions:

- Monitoring Officer pursuant to Section 5 of the Local Government and Housing Act 1989 – **Head of Democracy and Legal**
- Responsible Financial Officer pursuant to Section 151 of the Local Government Act 1972 – **Head of Finance**
- Head of Democratic Services pursuant to Section 8 of the Local Government (Wales) Measure 2011 – **Head of Strategic and Improvement**
- Director of Social Services pursuant to Section 6 of the Local Authority Social Services Act 1970 – **Head of Social Services, Housing and Leisure** until 30 May 2013, when the statutory role was moved from the Head of Department to **Corporate Director** level in the senior manager structure. The function has been allocated to a specified Corporate Director.
- Lead Director for Children and Young People's Services pursuant to Section 27 of the Children Act 2004 – a specified **Corporate Director**
- Chief Education Officer pursuant to Section 532 of the Education Act 1996 – **Head of Education**

Part 5 (Codes & Protocols) of the Council's Constitution contains protocols for the discharge of the statutory functions of the Monitoring Officer, the Chief Financial Officer and the Director of Social Services.

Gwynedd Pension Fund

Gwynedd Council administers Gwynedd Pension Fund for its own employees as well as the employees of 24 other bodies on the schedule (including 2 Local Authorities) and 16 admitted bodies. An annual report for the fund is prepared in accordance with the requirements of Regulation 34 of The Local Government Pension Scheme (Administration) Regulations 2008.

3.4 Standards and Codes of Conduct

Codes of Conduct

All Gwynedd Council's officers and members must behave in a way which is in line with the Codes of Practice for Members and Officers, which are contained within the Council's Constitution and the Local Code of Governance.

The Code of Conduct for the Council's elected members is lead by the Members Conduct Order (Principles) (Wales) 2001. The Order identifies the principles that should govern the conduct of local authority members in Wales.

The Council has adopted "The Code of Conduct (Qualifying Local Government Employees) (Wales) Order 2001" as its code of conduct for all staff.

The Gwynedd Standard

The "Gwynedd Standard" document was adopted by the full Council on 21 October 2010. The document explains the standard of conduct expected from Gwynedd Council's councillors in dealing with each other. It should be read in conjunction with the Members Code of Conduct and the Protocol Member-Officer Relations. It adds to those documents and does not detract from them.

Standards Committee Procedural Rules

The Council has adopted the Local Government Investigations (Functions of Monitoring Officers and Standards Committees)(Wales) Regulations 2001 to manage the functions of the Standards Committee.

3.5 Risk Management, Internal Control and Dealing with Irregularities

Anti-fraud and Corruption Policy

The latest version of the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy 2013 – 2016 was adopted by the Audit Committee at its meeting on 29 January 2013. The purpose of the Strategy is to provide an overview of the Council's policy with regards to its attitude towards fraud and corruption and those who perpetrate, or seek to perpetrate, fraud or corruption against Gwynedd Council and the taxpayer.

Dealing with Gifts and Hospitality

Part 5 (Codes & Protocols) of the Council's Constitution contains:

- Policy for Gifts and Hospitality – Officers
- Protocol for Members Gifts & Hospitality
- Officers Interests Policy

Corporate Risk Registers

The Council considers and addressed its risks on 3 'layers', namely Corporate Risks (strategic risks that are considered when developing the Strategic Plan), Cross Departmental Risks (operational risks that affect all departments, or the majority of departments) and Departmental Risks (key risks that are specific to one department). In addition to these, consideration is given to project risks as part of the project management system of corporate projects.

Service Managers are owners and managers of risks, and are responsible for implementing corrective actions to address deficiencies in processes and controls. Heads of Department assess the risks that managers have identified, include the main risks in the departmental risk register and support managers' mitigation arrangements. In addition, Heads of Department are expected to observe the broader patterns and patterns over the horizon, and ensure that the departmental risk register is reviewed regularly.

The Management Group is responsible for ensuring that Cross-Departmental Risks receive due attention. Measures to manage Corporate Risks are incorporated in the Strategic Plan 2013-2016.

Whistle Blowing and receiving complaints from the public

The Council has adopted a Whistle Blowing Policy and Arrangements, a scheme which gives staff a safe and reliable method for reporting honestly any concerns regarding illegal, fraudulent or corrupt behaviour, financial malpractice, endangering the public or the environment, abuse of clients, etc. The Council has introduced a standard procedure across the Council to deal with complaints, but with separate arrangements for Social Services.

3.6 Audit Committee

In accordance with the Council Constitution, the Audit Committee is "those charged with governance".

During 2012/13 the Council had an Audit Committee that was responsible for carrying out statutory functions in accordance with Part 81 of the Local Government (Wales) Measure 2011. Draft Terms of Reference for the Committee were presented at its meeting on 12 July 2012, which defined the role and functions of the Committee, which is consistent with these statutory requirements.

The activities of the Audit Committee during 2012/13 included:

- Scrutinising, challenging and accepting the Statement of Accounts (subject to audit) (12 July 2012).
- Approving the Annual Governance Statement for the financial year 2011/12 and the period since the balance sheet date (12 July 2012).
- Approving the revised statutory financial statements for Gwynedd Council and Gwynedd Pension Fund, receiving relevant reports from the Wales Audit Office, and authorising the Head of Finance and Chair of the Committee to sign the "letters of representation" and submitted them to the Appointed Auditor from the Wales Audit Office (27 September 2012).
- Receive a register of reports from external auditors and regulators (27 September 2012 and 14 February 2013).
- Scrutinising and challenging the Financial Strategy, in order to obtain assurance that it addresses the relevant risks and gives due consideration to the risks faced over the coming four-year period (14 February 2013).
- Scrutinising, challenging and deciding to recommend to the full Council adoption of the Treasury Management Strategy Statement, the Minimum Revenue Provision Strategy and the Annual Investment Strategy for 2013/14, the Prudential Indicators and the Treasury Management Schedules (14 February 2013).
- To receive quarterly reports on internal audit work product.

Internal Audit

During 2102/13 the Internal Audit service was provided in accordance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The latest Terms of Reference for Internal Audit were adopted by the Audit Committee at its meeting of 27 September 2012. The Council's Financial Procedure Rules, that are part of the Constitution, give Internal Audit the necessary powers to undertake its role effectively. The arrangements that are in place have been designed to ensure compliance with the Code of Practice. They also assist the Council to maintain assurance arrangements that comply with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit*.

The Internal Audit Plan for 2012/13 was based on the Internal Audit Strategy 2012-15. The final plan contained 100 pieces of work. In addition to this, follow up work is completed in order to ensure that control weaknesses that have been identified in audits are addressed. An "Acceptable" or "Excellent" opinion was given to 89% follow up audits during 2012/13. This suggests that robust arrangements are in place within the authority to implement audit recommendations in order to strengthen internal controls and manage risk.

In accordance with the requirements of the CIPFA Code of Practice, the Senior Manager, Audit and Risk prepares an annual report that summarises the results of internal audit work during the year on the overall system of internal control within the authority.

3.7 Compliance with relevant Legislation and Regulations

Before the Executive exercise their power, either as individuals or as a Cabinet, they must receive the advice of the Chief Executive, Monitoring Officer and Chief Financial Officer, to ensure that any decisions that are made are legal and appropriate.

After the Executive make any formal decision a decision notice is published that states the decision, the rationale behind that decision, any other arguments or considerations (including policy implications on the decision), as well with the comments of statutory officers and other relevant individuals.

The Head of Democracy and Legal has arrangements to receive updates on any new legislative developments through subscriptions to commercial reference materials as well as through membership of a professional group "Lawyers in Local Government" (LLG). The Council's constitutional arrangements is that the executive responsibility for any new legislation falls on the relevant head of department and if there is doubt as to which department, the decision is made by the Chief Executive.

The procedures in place allows the Head of Finance to perform his duties fully, and assist the Council to maintain financial management arrangements which comply with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*. The Head of Finance is the Officer responsible for reporting in accordance with Section 114 of the Local Government Finance Act 1988 if the Council has, or is likely to make, unlawful expenditure.

3.8 Training and Development of Members and Managers

Member Training

The Council has robust arrangements for training and developing members. An induction procedure is in place for the period after each election and a programme of training sessions (with dates set in advance) is planned for each year. In addition, the Council is responding to the new expectation that the Council offers an annual review of member training and development needs and, subject to members' response to the proposal, we will offer the opportunity to develop personal development plans.

Officer Training and Development Plan

A training programme is in place for every Council officer.

The Council has devised a training matrix for staff, and has identified 6 training categories: Corporate Management Team, Heads, Managers, Field Leaders, Supervisors, Staff and Direct Workers. Specific features were used to identify the appropriate training category for staff. A training programme has been developed for every category.

The Performance Review process is part of the Council's Performance Management System which supports the Council's values. All officers of the Council are expected to be the subject of an appraisal at least once a year.

3.9 Partnerships and Collaboration

In the past year, the Council and its partners have re-examined its strategic partnerships arrangements. The Partnership Rationalisation Project led to the creation of one new strategic partnership structure across Gwynedd and Anglesey in the main strategic areas (Community Strategy, Children and Young People, Health, Care and Welfare and Community Safety). The new arrangements have started operating this year and we will address the efficiency of those arrangements during the year.

The Council has developed the following success criteria that need to be satisfied when considering any new collaboration scheme:

- Positive business benefits for the Council in terms of financial, performance and service resilience improvement.
- A better return on our investment, of officer and member time and other costs, compared with alternative opportunities for business and benefits which may, or may not be, collaborative in nature.
- Protecting and supporting the status of the Welsh language in Gwynedd and promoting the use of the Welsh language outside the county.
- Acceptable governance and accountability arrangements.
- Retaining our commissioning role.
- A fair distribution of employment opportunities.
- Acceptable levels of risk.
- In terms of geography, collaborating across areas that are acceptable for Gwynedd Council (i.e. not necessarily in the regional footprint)
- Realistic timeframes.

Part 4: EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

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

A **Governance Arrangements Assessment Group** was established during the year, to keep a continuous, more disciplined overview on governance matters, raise wider awareness of them, and encourage wider ownership of the Annual Governance Statement. The Group comprises a Corporate Director, the Monitoring Officer, the Senior Manager Corporate Commissioning Service and the Senior Manager Audit and Risk.

The following contributed to an assessment of the effectiveness of the governance framework during the year:

- The consideration given to the governance arrangements in the preparation of Gwynedd Council's Strategic Plan 2013 – 2017, including consideration of significant strategic risks facing the Council. A series of workshops for Cabinet members were held during January 2013 to discuss the key issues to be addressed by the Council at a strategic level, including governance issues.
- A review of the governance arrangements by the Head of Democracy and Legal.
- Assessments by members and chief officers in developing “The Gwynedd Way”, which is a common and clear vision for everyone in the Council about the corporate culture that is needed if we are to ensure that the people of Gwynedd are central to everything we do. One expected outcome of “The Gwynedd Way” is to ensure a performance regime that measures if we meet the needs of the people of Gwynedd and provide them with value for money.
- Internal Audit Work, as summarised in the Head of Internal Audit's Annual Report, presented to the Audit Committee in April 2013. The report includes the following general assurance: **“On the basis of Internal Audit work completed during 2012/13, in my opinion Gwynedd Council has a sound framework of control to manage risks. This assists in providing assurance in the arrangements for ensuring effective and efficient achievement of the Council's objectives, as the steps taken by the Council during the accounting period to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory. However, there is a need to further develop the formal processes with regards to recording risks within the Council's business units”.**
- The Wales Audit Office annual review of the Internal Audit service. This was presented to the Audit Committee at its meeting on 12 July 2012.
- Consideration of the results of the work of external auditors and regulators, including the Wales Audit Office, Estyn and the Care and Social Services Inspectorate Wales (CSSIW).
- The Audit Committee has maintained an overview of the Council's internal control arrangements on a regular basis throughout the year, by considering the work of internal and external auditors.
- The Financial Strategy 2013 – 2017 was challenged by the Audit Committee and the full Council before it was adopted.
- The Council's Anti-Fraud, Anti-Corruption and Anti-Bribery arrangements have been assessed using CIPFA's assessment framework. A new strategy was developed from this assessment and approved by the Audit Committee on 29 January 2013.
- The Pensions Committee scrutinised the Pension Fund Annual Report at its meeting on 26 July 2012.

- The process of preparing the Internal Audit Plan 2013/14 included an assessment of the Governance Framework, as summarised in the Local Code of Governance, to identify the areas to be covered by Internal Audit during the year. This will include a review of the Code itself.
- An assessment by the Governance Arrangements Assessment Group of the Local Governance Framework, to identify the areas of governance that need to be addressed in the coming years, whilst noting that the majority of these issues will take more than one year to resolve.

We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Part 5: SIGNIFICANT GOVERNANCE ISSUES

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

| Matter that has been identified | Arrangements to Respond | Whose Responsibility? |
|--|--|---|
| <p>Arrangements Engagement. We need to strengthen the link between the Council and the electorate through frontline Members by establishing new Area Assemblies. This will also incorporate the Council's response to consultations, and enable the Council to demonstrate how we listen and respond to messages.</p> | <p>One of the projects of the "Gwynedd Way" vision, "Engagement", will address this.</p> | <p>Corporate Director</p> |
| <p>Decision Making. The citizen needs to be considered in the decision-making process.</p> | <p>This is the fundamental to the principles of the "Gwynedd Way". Whilst there is a process for ensuring that this happens, an assessment carried out when preparing the "Gwynedd Way" showed that it may not be working wholly as it should and therefore the purpose of one of the projects in the "Gwynedd Way" vision is to ensure that the Cabinet model is effective.</p> | <p>Monitoring Officer</p> |
| <p>Training. The training arrangements for members and officers need updating, especially for the new roles in the context of standards and codes.</p> | <p>The fundamentals for member training is in place. During 2013/14 we will develop a system to respond to the demands of members for personal development plans to assist them in their work.</p> | <p>Head of Strategic and Improvement / Monitoring Officer</p> |
| <p>Scrutiny. Scrutiny needs to focus increasingly on outcomes for the Citizen.</p> | <p>Is included in a "Gwynedd Way" project, which is to ensure that we have Scrutiny arrangements that focus on the impact of services on our people.</p> | <p>Senior Manager Corporate Commissioning Service</p> |
| <p>Impact Assessment Arrangements. The Council has arrangements in place to assess impact in different areas, but the arrangements do not give one overview of all the issues combined.</p> | <p>We do have impact assessment arrangements, but during the year we will specifically assess to what extent these are effective.</p> | <p>Senior Manager Audit and Risk with the assistance of the Governance Arrangements Assessment Group.</p> |
| <p>Risk Management Arrangements. Although the arrangements for the identification and registration of corporate and cross-departmental risks are effective, weaknesses have been identified in the arrangements on a departmental level.</p> | <p>The Audit and Risk Services, with the assistance of Performance Improvement and Efficiency officers, will promote system and guidelines for each Head of Department.</p> | <p>Senior Manager Audit and Risk</p> |

Part 6: OPINION

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



HARRY THOMAS
GWYNEDD COUNCIL CHIEF EXECUTIVE

Councillor DYFED WYN EDWARDS
LEADER OF GWYNEDD COUNCIL

DATE **10 September 2013**

DATE **16 September 2013**



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Audit of Financial Statements Report

Gwynedd Council

Audit year: 2012-13

Issued: September 2013

Document reference: GCA2013

Status of report

This document has been prepared for the internal use of Gwynedd Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales (and, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

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Summary report

Introduction

1. The Appointed Auditor is responsible for providing an opinion on whether the financial statements give 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.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for Gwynedd Council are £3.775 million for income and expenditure items and working capital balances, and £3.750 million for other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of Gwynedd Council, for 2012-13, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2013 on 28 June 2013, ahead of the 30 June statutory deadline and have now substantially completed the audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the responsible finance officer for the Council (Dafydd Edwards).

Proposed audit report

8. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

12. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year.

We have one concern about the qualitative aspects of your accounting practices and financial reporting.

13. The Code of Practice on Local Authority Accounting (the Code) requires that a reporting authority includes its share of the activities of a joint committee in its financial statements. The Council participates in five joint committee arrangements but does not account for them in accordance with the Code. This is disclosed in the accounts.
14. Note that this issue does not relate to the payment of the Council's contribution to the Joint Committee but is an accounting issue.

We identified one material weaknesses in your internal controls

15. International Accounting Standard 19 (Employee Benefits) requires bodies to disclose in their accounts the assets, liabilities and transactions, together with certain information regarding underlying assumptions, in respect of retirement benefits.
16. The actuary prepares both a triennial funding valuation and an annual valuation of the pension fund liabilities, on an IAS 19 basis, which provides both revenue and balance sheet disclosures for inclusion in the financial statements. This is prepared using a range of data, provided by the administering authority, and actuarial assumptions.
17. It was identified that the data provided to the actuary in respect of membership data had been subject to restatement and is still subject to further revision.
18. The primary reason for the changes results from the need to reflect multiple posts held by the same individual separately in the pension system. In addition there may be

instances where termination details have not been provided and members are misclassified as active rather than deferred.

19. This could have a significant effect on both the triennial funding valuation and the annual IAS 19 valuations provided by the actuary. However for the 2012-13 accounts we are satisfied that it does not have a material impact.
20. It is critical that the Council ensures that its payroll and pensions systems are fully reconciled and that details are maintained accurately, in both systems, on an ongoing basis to ensure that the actuary can prepare the actuarial valuation based on robust membership data.

We encounter some difficulties during the audit.

21. The issue referred to in paragraphs 15 to 20 resulted in delay to the audit and the need to perform additional work.

There are no other matters that we need to report to you

22. There are no other matters to report to you. In particular:
 - There were no significant matters discussed and corresponded upon with management which we need to report to you.
 - There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
 - There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.

Independence and objectivity

23. As part of the finalisation process, we are required to provide you with representations concerning our independence.
24. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Gwynedd Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Mr Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
CARDIFF
CF11 9LJ
26 September 2013

Dear Mr Barrett,

REPRESENTATIONS REGARDING THE 2012/13 FINANCIAL STATEMENTS

This letter is provided in connection with your audit of the financial statements of Gwynedd Council for the year ended 31 March 2013 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

MANAGEMENT REPRESENTATIONS

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

-
- additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
 - the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
 - our knowledge of fraud or suspected fraud that we are aware of and that affects Gwynedd Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
 - our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
 - our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
 - the identity of all related parties and all the related party relationships and transactions of which we are aware.

FINANCIAL STATEMENT REPRESENTATIONS

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

One concern regarding financial reporting: Joint Committees

The situation regarding prior years' financial statements for 2 joint committees, which Gwynedd Council leads, was noted in the 2012/13 (pre-audit) accounts and dealt with at the meetings of the relevant joint committees in June / July 2013.

Regarding Gwynedd Council's own accounts, the related CIPFA Code of Practice requires that the respective authorities' proportion of gross and net expenditure and income transactions are reflected subjectively in our accounts. However, in order to improve consistency in reporting standards between authorities in this region, the reporting practice agreed between the eight local authorities in North and Mid Wales is that the lead authority reflected the full gross and net position in its accounts, with the other participating authorities reflecting the net position only. Although perhaps not strictly in accordance with the Code, each of the local authorities' accounts reflects their true net contribution position.

One weakness in internal controls: Pension Liabilities (IAS19)

While the figures produced for future pension payments are unavoidably broad estimates, we agree with the auditor that these should be based on the best available data regarding staff employed, pay, etc.

Further to a pro-active exercise to improve such data for the 2013 triennial valuation, it became apparent by the summer that the employee data previously submitted in January (for the IAS19 pension disclosures in the 2012/13 financial statements) could be improved.

Due to an historical restriction within the computer systems, some instances of employees with multiple employments with the Authority have not had their additional posts recognised properly during the annual reporting process. Work is ongoing to address these anomalies so that future annual pension contribution returns match between the payroll and pensions systems.

REPRESENTATIONS BY GWYNEDD COUNCIL'S AUDIT COMMITTEE

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Gwynedd Council's Audit Committee on 26 September 2013.

Yours sincerely,

.....

.....

DAFYDD L EDWARDS
HEAD OF FINANCE

COUNCILLOR TREFOR O EDWARDS
AUDIT COMMITTEE CHAIRMAN

Date

Date

Appendix 2

Proposed audit report of the Appointed Auditor to Gwynedd Council

I have audited the accounting statements and related notes of:

- Gwynedd Council; and
- Gwynedd Pension Fund

for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

Gwynedd Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement.

Gwynedd Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the responsible financial officer is responsible for the preparation of the statement of accounts, including Gwynedd Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Gwynedd Council and Gwynedd pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Gwynedd Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Gwynedd Council as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

Opinion on the accounting statements of Gwynedd Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Gwynedd Pension Fund during the year ended 31 March 2013 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Annual Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

27 September 2013

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Audit Committee of Gwynedd Council

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

| Value of correction | Nature of correction | Reason for correction |
|---------------------|--|--|
| Not applicable | To include Balance sheet as at 01.04.11 in respect of prior period adjustment | To comply with the Code of Practice |
| Not applicable | Change in presentation of Note 3 in respect of prior period adjustment | To improve readability |
| £1,978,000 | To remove the Revenue Expenditure Funded from Capital Under Statute (i.e. the rail element relating to Network Rail) of the Pont Briwet scheme to reflect accounting treatment of the joint enterprise | To ensure the financial statements only reflect the road element relating to Gwynedd Council's share of the assets of the joint enterprise |
| £2,383,000 | To correctly show the waste provision split between short term and long term provisions (2011/12) | To comply with the Code of Practice |
| £1,160,000 | To correctly show the waste provision split between short term and long term provisions (2012/13) | To comply with the Code of Practice |



WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

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WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Audit of Financial Statements Report

Gwynedd Pension Fund

Audit year: 2012-13

Issued: September 2013

Document reference: GPFA2013

Status of report

This document has been prepared for the internal use of Gwynedd Pension Fund as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

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Summary report

Introduction

1. The Appointed Auditor is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Gwynedd Pension Fund at 31 March 2013 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for Gwynedd Pension Fund are £500,000 for income and expenditure items and working capital balances, and £8.775 million for other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of Gwynedd Pension Fund, for 2012-13, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2013 on 28 June 2013, ahead of the 30 June statutory deadline and have now substantially completed the audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the responsible finance officer for the Council (Dafydd Edwards).

Proposed audit report

8. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

12. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

We have one concern about the qualitative aspects of your accounting practices and financial reporting.

13. As raised in previous years, the Council does not have a process in place to identify that it has accrued for all of the benefits payable (in lump sums or death benefits) for retirements and deaths up to 31 March. As a result, my audit work identified that the Council had not accrued for costs of £710,000.

We identified one material weakness in your internal controls

14. As part of our work we identified that membership records held in the pensions administration system are not up to date. It is the responsibility of the Employer bodies to notify the administering authority of changes in the status of members e.g. starters and leavers etc. Whilst, in the case of the smaller admitted bodies within the scheme records are generally up to date, for the three main employer bodies, namely Gwynedd Council, Anglesey County Council and Conwy County Borough Council, it is apparent that this is not the case, albeit for different reasons.
15. One consequence of this is that data provided to the actuary, to provide the triennial actuarial valuation and the annual IAS 19 pension disclosures for inclusion in the respective employer bodies' financial statements, may not be accurate.
16. It is essential that the Council, in its role as the administering authority for the Gwynedd Local Government Pension Scheme, works with Employer bodies to ensure that the data is brought up to date and subsequently maintained ahead of the next triennial valuation which is due in the next few months.

-
- 17.** Other than the actuarial present value of promised retirement benefits being disclosed in note 19, it is worth noting that this issue does not directly impact on the financial statements of the pension fund.

There are no other matters that we need to report to you

- 18.** There are no other matters to report to you. In particular:
- We did not encounter any significant difficulties during the audit.
 - There were no significant matters discussed and corresponded upon with management which we need to report to you.
 - There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
 - There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.
- 19.** It is also worth noting that the issue relating to the calculation of the change in market value raised in the past has now been addressed and the Council has put appropriate arrangements in place to verify this entry in the financial statements.

Independence and objectivity

- 20.** As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 21.** We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Gwynedd Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Mr Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
CARDIFF
CF11 9LJ
26 September 2013

Dear Mr Barrett,

REPRESENTATIONS REGARDING THE 2012/13 FINANCIAL STATEMENTS

This letter is provided in connection with your audit of the financial statements of Gwynedd Council Pension Fund for the year ended 31 March 2013 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

MANAGEMENT REPRESENTATIONS

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

-
- additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
 - the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
 - our knowledge of fraud or suspected fraud that we are aware of and that affects Gwynedd Council Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
 - our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
 - our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
 - the identity of all related parties and all the related party relationships and transactions of which we are aware.

FINANCIAL STATEMENT REPRESENTATIONS

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Further to a pro-active exercise by the Fund administering authority to improve employers' data for the 2013 triennial valuation, it became apparent by the summer that the employee data submitted in January (for the IAS19 pension disclosures in the employers' 2012/13 financial statements) was not up to date. As the Wales Audit Office notes, this does not impact on the Pension Fund's financial statements.

However, following developments made to the reporting capabilities of the unitary authorities' payroll systems, the Fund administering authority continues to work on the considerable task of splitting pension records into individual posts. This involves assessing working hours and contribution records going back a considerable period of time. We have contacted the three major employers and are working with them to improve the situation for both the triennial valuation and the 2013/14 financial statements.

REPRESENTATIONS BY GWYNEDD COUNCIL'S AUDIT COMMITTEE

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Gwynedd Council's Audit Committee on 26 September 2013.

Yours sincerely,

.....

DAFYDD L EDWARDS
HEAD OF FINANCE

Date

.....

COUNCILLOR TREFOR O EDWARDS
AUDIT COMMITTEE CHAIRMAN

Date

Appendix 2

Proposed audit report of the Appointed Auditor to Gwynedd Pension Fund

I have audited the accounting statements and related notes of:

- Gwynedd Council; and
- Gwynedd Pension Fund

for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

Gwynedd Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement.

Gwynedd Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the responsible financial officer is responsible for the preparation of the statement of accounts, including Gwynedd Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Gwynedd Council and Gwynedd pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Gwynedd Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Gwynedd Council as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

Opinion on the accounting statements of Gwynedd Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Gwynedd Pension Fund during the year ended 31 March 2013 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Annual Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

27 September 2013

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Audit Committee of Gwynedd Council

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

| Value of correction | Nature of correction | Reason for correction |
|---------------------|---|---|
| £710,000 | Adjustment to note 9 – lump sum liabilities for those individuals who left on 31/3/13 had not been accrued. | To ensure financial statements reflect transactions in correct period |
| £650,000 | Adjustment to Note 16a – the derivative contract had been overstated and creditors understated by this sum | To ensure financial statement disclosures are accurately reported |
| £10.811 million | Adjustment to Note 16c – to correctly show this sum as a Level 2 investment rather than Level 1 | To ensure the financial statements report the correct figures |



WALES **AUDIT** OFFICE

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Treasury management is defined as: “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council’s treasury management objectives.

2. Economic Background

The global outlook stabilised mainly due to central banks maintaining low interest rates and expansionary monetary policy for an extended period. Equity market assets recovered sharply with the FTSE 100 registering a 9.1% increase over the year. This was despite economic growth in G7 nations being either muted or disappointing.

In the UK the economy shrank in the first, second and fourth quarters of calendar 2012. It was the impressive 0.9% growth in the third quarter, aided by the summer Olympic Games, which allowed growth to register 0.2% over the calendar year 2012. The expected boost to net trade from the fall in the value of sterling did not materialise, but raised the price of imports, especially low margin goods such as food and energy. Avoiding a ‘triple-dip’ recession became contingent on upbeat services sector surveys translating into sufficient economic activity to overhaul contractions in the struggling manufacturing and construction sectors.

Household financial conditions and purchasing power were constrained as wage growth remained subdued at 1.2% and was outstripped by inflation. Annual CPI dipped below 3%, falling to 2.4% in June before ticking up to 2.8% in February 2013. Higher food and energy prices and higher transport costs were some of the principal contributors to inflation remaining above the Bank of England’s 2% CPI target.

The lack of growth and the fall in inflation were persuasive enough for the Bank of England to maintain the Bank Rate at 0.5% and also sanction additional £50 billion asset purchases (QE) in July, taking total QE to £375 billion. The possibility of a rate cut was discussed at some of Bank’s Monetary Policy Committee meetings, but was not implemented as the potential drawbacks outweighed the benefits of a reduction in the Bank Rate. In the March Budget the Bank’s policy was revised to include the 2% CPI inflation remit alongside the flexibility to commit to intermediate targets.

The resilience of the labour market, with the ILO unemployment rate falling to 7.8%, was the main surprise given the challenging economic backdrop. Many of the gains in employment were through an increase in self-employment and part time working.

The Chancellor largely stuck to his fiscal plans with the austerity drive extending into 2018. In March the Office for Budgetary Responsibility (OBR) halved its forecast growth in 2013 to 0.6% which then resulted in the lowering of the forecast for tax revenues and an increase in the budget deficit. The government is now expected to borrow an additional £146bn and sees gross debt rising above 100% of GDP by 2015-16. The fall in debt as a percentage of GDP, which the coalition had targeted for 2015-16, was pushed two years beyond this horizon. With the national debt metrics out of kilter with a triple-A rating, it was not surprising that the UK’s sovereign rating was downgraded by Moody’s to Aa1. The AAA

status was maintained by Fitch and S&P, albeit with a Rating Watch Negative and with a Negative Outlook respectively.

The government's Funding for Lending (FLS) initiative commenced in August which gave banks access to cheaper funding on the basis that it would then result in them passing this advantage to the wider economy. There was an improvement in the flow of credit to mortgagees, but was still below expectation for SMEs.

The big four banks in the UK – Barclays, RBS, Lloyds and HSBC – and several other global institutions including JP Morgan, Citibank, Rabobank, UBS, Credit Suisse and Deutsche came under investigation in the Libor rigging scandal which led to fines by and settlements with UK and US regulators. Banks' share prices recovered after the initial setback when the news first hit the headlines.

Europe: The Euro region suffered a further period of stress when Italian and Spanish government borrowing costs rose sharply and Spain was also forced to officially seek a bailout for its domestic banks. Markets were becalmed after the ECB's declaration that it would do whatever it takes to stabilise the Eurozone and the central bank's announcement in September of its Outright Monetary Transactions (OMT) facility, buying time for the necessary fiscal adjustments required. Neither the Italian elections which resulted in political gridlock nor the poorly-managed bailout of Cyprus which necessitated 'bailing-in' non-guaranteed depositors proved sufficient for a market downturn. Growth was hindered by the rebalancing processes under way in Euroland economies, most of which contracted in Q4 2012.

US: The US Federal Reserve extended quantitative easing through 'Operation Twist', in which it buys longer-dated bonds with the proceeds of shorter-dated US Treasuries. The Federal Reserve shifted policy to focus on the jobless rate with a pledge to keep rates low until unemployment falls below 6.5%. The country's extended fiscal and debt ceiling negotiations remained unresolved.

Gilt Yields and Money Market Rates: Gilt yields ended the year lower than the start in April. By September the 2-year gilt yield had fallen to 0.06%, raising the prospect that short-dated yields could turn negative. 10-year yields fell by nearly 0.5% ending the year at 1.72%. The reduction was less pronounced at the longer end; 30-year yields ended the year at 3.11%, around 25bp lower than in April. Despite the likelihood the DMO would revise up its gilt issuance for 2012/13, there were several gilt-supportive factors: the Bank of England's continued purchases of gilts under an extended QE programme; purchases by banks, insurance companies and pension funds driven by capital requirements and the preference for safe harbour government bonds.

One direct consequence of the Funding for Lending Scheme was the sharp drop in rates at which banks borrowed from local government. 3-month, 6-month and 12-month Libid rates which were 1%, 1.33% and 1.84% at the beginning of the financial year fell to 0.44%, 0.51% and 0.75% respectively.

3. The Borrowing Requirement and Debt Management

PWLB Certainty Rate

The Certainty Rate was introduced by the PWLB in November 2012, allowing the authority to borrow at a reduction of 20bps on the Standard Rate.

Borrowing Activity in 2012/13

| | Balance on 01/04/2012 £'000 | New Borrowing £'000 | Debt Maturing £'000 | Transfer to short term £'000 | Balance on 31/03/2013 £'000 | Average Rate % |
|---|-----------------------------------|---------------------------|---------------------------|------------------------------------|-----------------------------------|-------------------|
| CFR | 152,241 | | | | 165,924 | |
| Short Term Borrowing | 1,341 | 8 | (1,349) | 17,437 | 17,437 | 4.58 |
| Long Term Borrowing | 113,000 | 248 | 0 | (17,437) | 95,811 | 6.05 |
| TOTAL BORROWING | 114,341 | 256 | (1,349) | 0 | 113,248 | 5.83 |
| Other Long Term Liabilities | 49 | 0 | (20) | 0 | 29 | 2.42 |
| TOTAL EXTERNAL DEBT | 114,390 | 256 | (1,369) | 0 | 113,277 | 5.83 |
| Increase/ (Decrease) in Borrowing £m | | | | | (1,113) | |

The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31/3/2013 was estimated at £165.9m. The Council's (additional) borrowing requirement during the year was £0m.

Internal Borrowing

Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant (between 3% and 4%). The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding £10.91m of capital expenditure.

This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. Whilst this position is expected to continue in 2013/14, it will not be sustainable over the medium term. The Council expects it will need to borrow £5m for capital purposes by 2014/15.

The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date. This change is reflected in Appendix 1, paragraph (c).

4. Investment Activity

The Welsh Government's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

Investment Activity in 2012/13

| Investments | Balance on 01/04/2012 £'000 | Investments Made £'000 | Maturities/ Investments Sold £'000 | Balance on 31/03/2013 £'000 | Average Rate % |
|---|-----------------------------------|------------------------------|---|-----------------------------------|----------------------|
| Short Term Investments | 35,883 | 203,821 | (204,075) | 35,629 | 1.05 |
| Investments in Pooled Funds | 0 | 0 | 0 | 0 | 0 |
| TOTAL INVESTMENTS | 35,883 | 203,821 | (204,075) | 35,629 | 1.05 |
| Increase/ (Decrease) in Investments £m | | | | (254) | |

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2012/13. Investments during the year included:

- Deposits with other Local Authorities;
- Investments in AAA-rated Constant & Variable Net Asset Value Money Market Funds;
- Call accounts and deposits with Banks and Building Societies systemically important to each country's banking system (UK, Australia, Canada, Finland, France, Germany, Netherlands, Spain, Switzerland and the US).

Credit Risk

Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The minimum long-term counterparty credit rating determined for the 2012/13 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

In June Moody's downgraded a swathe of banks with global capital market operations, including the UK banks on the Council's lending list - Barclays, HSBC, Royal Bank of Scotland/Natwest, Lloyds TSB Bank/Bank of Scotland, Santander UK plc - as well as several non UK banks, but none of the ratings fell below the Council's minimum A-/A3 credit rating threshold.

Counterparty credit quality has been maintained as demonstrated by the Credit Score Analysis summarised below. The table in Appendix 2 explains the credit score.

Credit Score Analysis 2012/13

| Date | Value Weighted Average Credit Risk Score | Value Weighted Average Credit Rating | Time Weighted Average Credit Risk Score | Time Weighted Average Credit Rating | Average Life (days) |
|------------|--|--------------------------------------|---|-------------------------------------|---------------------|
| 31/03/2012 | 4.98 | A+ | 4.93 | A+ | 27 |
| 30/06/2012 | 5.19 | A+ | 3.00 | AA | 36 |
| 30/09/2012 | 3.74 | AA- | 3.48 | AA | 68 |
| 31/12/2012 | 5.54 | A | 5.31 | A+ | 146 |
| 31/03/2013 | 5.17 | A+ | 4.97 | A+ | 81 |

Liquidity

In keeping with the WG Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds, overnight deposits and call accounts.

Yield

The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year.

The Council considered an appropriate risk management response to uncertain and deteriorating credit conditions in Europe was to shorten maturities for new investments. Short term money market rates also remained at very low levels which had a significant impact on investment income.

The Council's budgeted investment income for the year was estimated at £0.729m. The average cash balances representing the Council's reserves, working balances, etc, were £74.578m during the period and interest earned was £0.673m.

Update on the Council's Investment with Heritable Bank

It is still expected that 88p/£ will be recovered overall. 77.25% has been recovered to date, and a further 10.8% is expected in 2013/14.

CIPFA issued further updated guidance on the accounting treatment surrounding these transactions in May 2013 and this was used for the 2012/13 accounts.

5. Compliance

The Council can confirm that it has complied with its **Prudential Indicators** for 2012/13, which were approved on 1 March 2012 as part of the Council's Treasury Management Strategy Statement. Details can be found in Appendix 1.

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2012/13. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

The Council can confirm that during 2012/13 it complied with its **Treasury Management Policy Statement** and **Treasury Management Practices**.

6. Recommendation

The Audit Committee is asked to receive the report for information.

APPENDIX 1

Capital Financing Requirement (CFR)

Estimates of the Council's cumulative maximum external borrowing requirement for 2012/13 to 2014/15 are shown in the table below:

| | Approved 31/03/2013 £000 | Actual 31/03/2013 £000 | Estimate 31/03/2014 £000 | Estimate 31/03/2015 £000 |
|---|---|---------------------------------------|---|---|
| Gross CFR | 162,030 | 165,924 | 170,160 | 175,216 |
| Less: Other Long Term Liabilities | (29) | (29) | (15) | 0 |
| Borrowing CFR | 162,001 | 165,895 | 170,145 | 175,216 |
| Less: Existing Profile of Borrowing | (112,811) | (113,248) | (112,191) | (116,035) |
| Gross Borrowing Requirement/Internal Borrowing | 49,190 | 52,647 | 57,954 | 59,181 |
| Usable Reserves | (58,880) | (65,725) | (60,587) | (53,077) |
| Long term provision | 0 | (9,865) | (9,865) | (9,865) |
| Net Borrowing Requirement/Investment Capacity | (9,690) | (22,943) | (12,498) | (3,761) |

In the Prudential Code Amendment (November 2012), it states that the chief finance officer should make arrangements for monitoring with respect to gross debt and the capital financing requirement such that any deviation is reported to him, since any such deviation may be significant and should lead to further investigation and action as appropriate.

| | Approved 31/03/2013 £000 | Actual 31/03/2013 £000 | Estimate 31/03/2014 £000 | Estimate 31/03/2015 £000 |
|-----------------------------------|---|---------------------------------------|---|---|
| CFR | 162,030 | 165,924 | 170,160 | 175,216 |
| Gross Debt | (112,840) | (113,227) | (112,206) | (116,035) |
| Difference | 49,190 | 52,647 | 57,954 | 59,181 |
| Borrowed in excess of CFR? | No | No | No | No |

Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Council's Authorised Borrowing Limit was set at £190m for 2012/13.

The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2012/13 was set at £170m.

The Head of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £114.39m.

| | Operational Boundary (Approved) 31/03/2013 £m | Authorised Limit (Approved) 31/03/2013 £m | Actual External Debt 31/03/2013 £m |
|--------------------------------|--|--|---|
| Borrowing | 169.75 | 189.75 | 113.25 |
| Other Long-term Liabilities | 0.25 | 0.25 | 0.03 |
| Total | 170.00 | 190.00 | 113.28 |

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

| | Approved Limits for 2012/13 % | Maximum during 2012/13 % |
|---|--|---|
| Upper Limit for Fixed Rate Exposure | 100% | 100% |
| Compliance with Limits: | Yes | Yes |
| Upper Limit for Variable Rate Exposure | 50% | 0% |
| Compliance with Limits: | Yes | Yes |

(c) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

| Maturity Structure of Fixed Rate Borrowing | Upper Limit % | Lower Limit % | Actual Fixed Rate Borrowing as at 31/03/2013 £m | % Fixed Rate Borrowing as at 31/03/2013 | Compliance with Set Limits? |
|---|----------------------|----------------------|--|--|------------------------------------|
| under 12 months | 25% | 0% | 17,541 | 15.40% | Yes |
| 12 months and within 24 months | 25% | 0% | 1,203 | 0.99% | Yes |
| 24 months and within 5 years | 50% | 0% | 3,020 | 3.96% | Yes |
| 5 years and within 10 years | 75% | 0% | 6,970 | 5.21% | Yes |
| 10 years and within 20 years | 100% | 0% | 23,661 | 22.58% | Yes |
| 20 years and within 30 years | 100% | 0% | 34,594 | 27.71% | Yes |
| 30 years and within 40 years | 100% | 0% | 0 | 0.00% | Yes |
| 40 years and within 50 years | 100% | 0% | 27,352 | 24.15% | Yes |
| 50 years and above | 100% | 0% | 0 | 0.00% | Yes |
| TOTAL | | | 113,865 | 100.00% | |

The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date.

(d) **Capital Expenditure**

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council Tax.

| Capital Expenditure | Approved 2012/13 £m | Actual 2012/13 £m | Estimate 2013/14 £000s | Estimate 2014/15 £000s |
|----------------------------|----------------------------|--------------------------|-------------------------------|-------------------------------|
| General Fund | 61.44 | 40.33 | 48.50 | 34.47 |

Capital expenditure has been and will be financed or funded as follows:

| Capital Financing | Approved 2012/13 £m | Actual 2012/13 £m | Estimate 2013/14 £000s | Estimate 2014/15 £000s |
|------------------------------------|----------------------------|--------------------------|-------------------------------|-------------------------------|
| Capital receipts | 1.89 | 2.34 | 1.57 | 1.10 |
| Government Grants | 31.13 | 21.15 | 25.68 | 15.28 |
| Revenue contributions | 13.92 | 5.93 | 12.87 | 7.23 |
| Total Financing | 46.94 | 29.42 | 40.12 | 23.61 |
| Supported borrowing | 4.89 | 4.37 | 4.17 | 4.17 |
| Unsupported borrowing | 9.61 | 6.54 | 4.21 | 6.69 |
| Total Funding | 14.50 | 10.91 | 8.38 | 10.86 |
| Total Financing and Funding | 61.44 | 40.33 | 48.50 | 34.47 |

The table shows that the capital expenditure plans of the Authority could not be funded entirely from sources other than external borrowing.

(e) **Ratio of Financing Costs to Net Revenue Stream**

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The ratio is based on costs net of investment income.

| | Approved 2012/13 % | Actual 2012/13 % | Estimate 2013/14 % | Estimate 2014/15 % |
|---|-----------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Ratio of Financing Costs to Net Revenue Stream | 5.65 | 5.20 | 5.16 | 5.24 |

(f) **Adoption of the CIPFA Treasury Management Code**

This indicator demonstrates that the Authority adopted the principles of best practice.

| Adoption of the CIPFA Code of Practice in Treasury Management |
|--|
| The Council approved the adoption of the CIPFA Treasury Management Code at its full Council meeting on 1 March 2012. |

(g) **Upper Limit for Total Principal Sums Invested Over 364 Days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

| | Approved 2012/13 £m | Actual 2012/13 £m | Approved 2013/14 £m | Approved 2014/15 £m |
|--|------------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Upper Limit for total principal sums invested over 364 days | 40.00 | 0.00 | 40.00 | 40.00 |

The Council's policy response since the onset of the credit crunch in 2007 has been to keep investment maturities to a maximum of 1 year. No principal sums were invested over 364 days.

Credit Score Analysis

Scoring:

| Long-Term Credit Rating | Score |
|------------------------------------|--------------|
| AAA | 1 |
| AA+ | 2 |
| AA | 3 |
| AA- | 4 |
| A+ | 5 |
| A | 6 |
| A- | 7 |
| BBB+ | 8 |
| BBB | 9 |
| BBB- | 10 |
| Not rated | 11 |
| BB | 12 |
| CCC | 13 |
| C | 14 |
| D | 15 |

The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit

The Council aimed to achieve a score of 7 or lower, to reflect the Council's overriding priority of security of monies invested and the minimum credit rating of threshold of A- for investment counterparties.

GWYNEDD COUNCIL

| | |
|-------------------|---|
| COMMITTEE | AUDIT COMMITTEE |
| DATE | 26 SEPTEMBER 2013 |
| TITLE | REPORT OF THE CONTROL IMPROVEMENT WORKING GROUP |
| PURPOSE OF REPORT | TO REPORT ON THE MEETING HELD ON 3 SEPTEMBER 2013 |
| AUTHOR | TREVOR O EDWARDS, CHAIR OF THE AUDIT COMMITTEE |
| ACTION | TO RECEIVE THE REPORT AND CONSIDER THE RECOMMENDATIONS |

1. INTRODUCTION

- 1.1 The executive summaries of 12 internal audit reports were presented to the Audit Committee meeting on 18 July 2013, which represented reports that had been released between 1 April 2013 to 30 June 2013. Two of these reports received a 'C' opinion.
- 1.2 Consequently, the Committee resolved:
- a) That the work of the Working Group was to continue and that the following would serve on it next time - The Chairman and Vice-chairman of the Audit Committee and Councillors Dafydd Meurig, Dilwyn Morgan and Michael Sol Owen.**

2 WORKING GROUP MEETING

- 2.1 The Working Group meeting was held on 3 September in Ystafell Glyder Fawr, with the Chair and Vice-Chair of the Committee, the Councillors Dafydd Meurig, Dilwyn Morgan and Michael Sol Owen and Dewi Morgan, Senior Manager Audit and Risk, present.
- 2.2 The reports that had received a 'C' opinion during the period under review were:

| TITLE | DEPARTMENT | SERVICE |
|---|--------------------------------------|------------------|
| Siopau Gwynedd | Customer Care | Customer Contact |
| Banking Arrangements in the Leisure Centres | Social Services, Housing and Leisure | Leisure |

- 2.3 Officers attended to discuss both report.
- 2.4 These summaries were addressed in turn by the Working Group members. The Senior Manager Audit and Risk offers further background, including the introduction of relevant points of the full report. Senior Managers had been invited to attend the meeting to discuss issues that arise, and in particular the work that has been done since the publication of the report in order to strengthen internal controls in question.

2.5 Siopau Gwynedd

2.5.1 The main findings of the report were:

We found that all three Siopau Gwynedd had up to date information in the form of pamphlets, magazines or forms that were accessible to the public. It was seen that visitors who meet in the buildings sign in and out of the building but there was no arrangement for informing them of arrangements in case of fire, ie if a fire drill is planned, along with meeting places in case of emergency.

The main weakness found during the audit was a lack of arrangements in the process of receiving, recording and banking income. Siop Gwynedd at Caernarfon has not received a float, despite being open to the public since January 2013. Weaknesses are apparent in the project plan for establishing Siop Gwynedd at Caernarfon because several essential factors have been missed - this includes failure to provide appropriate training for staff on issues like financial procedures and failure to provide them with the appropriate documentation for recording and banking income. In addition, it was found that the income received is kept in a cash box to which all staff have access, which means that if there is a failure to reconcile income for banking, doubt would fall on every member of staff. This is a big backward step when considering that sound controls, appropriate systems and adequate segregation of duties existed in the former cash offices.

The Siop Gwynedd Team Leader and Customer Contact Professional Trainee have now received training on how to complete income receipt forms from the Assistant Audit Manager and arrangements are in hand to ensure that the training is cascaded to all staff in the Siopau Gwynedd in the near future. In addition, discussions were held with Internal Audit to ensure that clear and robust arrangements are in place for banking income by removing unnecessary layers from the process. The Customer Contact Manager, following the establishment of the proposed banking arrangements, stated that it would appreciate if Internal Audit visit Siopau Gwynedd unannounced to ensure that their arrangements are in line with expectations.

In terms of customer care, arrangements need to be improved for receiving feedback from customers to enable staff and management to identify the weaknesses and strengths of the service. There is also a need to make sure that staff receive training on how to deal with complaints from visitors, including training on how to record complaints made verbally.

2.5.2 A background to the context of the audit was given by the Senior Manager Audit and Risk. It was noted that the establishment of Siop Gwynedd at three locations (in Dolgellau and Pwllheli initially, and then in Caernarfon) had been substantial projects, and much work has been done by the officers to establish new arrangements and ways of working. In terms of delivering training to new officers starting with the Council, the Senior Manager Audit and Risk explained that all new staff receive induction training to introduce them to corporate policies and procedures, but it is then the responsibility of management to organise specific job-related training.

2.5.3 Idris Jones, Customer Contact Manager, and Joanne Parry, Assistant Customer Contact Manager, were welcomed to the meeting to discuss the issues arising from the report.

2.5.4 The Customer Contact Manager explained that a programme is in place to improve the situation highlighted in the report, with the Caernarfon Siop Gwynedd having been open since January this year. It was a major initiative to get things in place in order to open on time, necessitating the appointment of new officers. Although many of the officers appointed originally experienced in the Council's procedures and specialist areas, some of them have since left to pursue careers elsewhere.

Training

- 2.5.5 The Customer Contact Manager explained that an extensive training program is in place, and it was not practicable to present this in its entirety to everyone before they start work, but training will be offered to individual officers where a particular need has been identified. A detailed training program has been prepared for Siop Gwynedd officers, a copy of which was shown to members of the Working Group by the Assistant Manager as evidence. It was noted in particular that there are four relatively new members of staff, and that staff in Caernarfon Siop Gwynedd receive further training on the Council Tax / Benefits computer system.
- 2.5.6 New staff are appointed primarily on their customer care skills, the principle being that technical aspects of the job can be learnt whilst customer care skills are inherent. New staff learn by watching other people at work for the first few weeks, and are then supervised carefully when dealing with customers. The initial training is one-off, but it is updated face-to-face, in writing (if an important issue which requires a formal record) or in team meetings. No one specific way of training has been identified for refresher training.
- 2.5.7 One member suggested that training sessions should be offered to all staff at once, but it was emphasised by the Customer Contact Manager that this must be balanced against the need to serve the public.

Layout

- 2.5.8 There was a discussion regarding the layout of Siopau Gwynedd. The Assistant Customer Contact Manager explained that the work is more or less the same in all three locations, and that there are drawers to keep dedicated forms. However, some members suggested that there should be more consistency, so that staff who are filling in at an unfamiliar Siop Gwynedd do not have to search for forms, brochures etc thus giving a poor image of the Council to the public.

Site Manager Duties

- 2.5.9 The Assistant Manager reported that Siopau Gwynedd at Dolgellau and Pwllheli have taken the responsibility of ensuring the safety of the site, and this is done for the entire building – not the Siop Gwynedd area only. It was noted that it is the responsibility of the Property Unit to appoint a site manager, but it was stressed that the Siop Gwynedd service – not a nominated person – is the designated "Site Manager" at both sites.

Banking Arrangements

- 2.5.10 It was agreed that the only a relatively small amount of money is collected at Siopau Gwynedd, and the arrangements are different in Caernarfon to those in Pwllheli and Dolgellau, as a Cashiers back office remains active in Penrallt, Caernarfon. It was confirmed that Team Leaders at Caernarfon have received training in financial arrangements by the Assistant Audit Manager.
- 2.5.11 There is now a float in each Siop Gwynedd.

General Comment on the Audit

- 2.5.12 In conclusion, the Customer Contact Manager expressed the opinion that the wording of the audit report is rather heavy-handed when it says that there were shortcomings in the project arrangements, when much work has been done but not all elements of the project could be completed prior to the opening of Caernarfon Siop Gwynedd. In response, the Senior Manager Audit and Risk said that he recognised and appreciates the hard work that had been completed to open Siop Gwynedd.

- 2.5.13** The Customer Contact Manager and Assistant Manager Customer Contact were thanked for the discussion. The Working Group is keen to emphasise that the common goal was collaboration to improve arrangements further, as everyone wanted to see success for Siop Gwynedd. The Customer Contact Manager agreed, explaining that a discussion has already been held with Internal Audit for specific follow-up testing in order to get an independent opinion on certain arrangements.
- 2.5.14** The Working Group welcomes the spirit of cooperation, and a positive attitude to strengthen risk management at Siopau Gwynedd.

2.6 Banking Arrangements in the Leisure Centres

2.6.1 The main findings of this report were:

Examples of good practice and sound management were found within the banking arrangements in some of the Leisure Centre. However, there are a number of areas examined that require further attention. One of these is to remind officers that two members of staff should sign documents. A number of errors were found and therefore appropriate measures should be taken to strengthen the arrangements within the area examined.

2.6.2 The Senior Manager Audit and Risk noted that this as an area of high risk, as cash is received and significant weaknesses that have resulted in losses have been identified in the past. He was asked what were his views on the shortcomings that continue to be seen in some of the arrangements. He explained that his view that this was perhaps due to a lack of appreciation of the value of some of these controls. Whilst everyone is clear about the objective of protecting public money, maybe not everyone has an understanding of how some of the controls contribute individually to that.

2.6.3 For example, it is possible that a second officer signs bank documents as the Council's financial procedures require that, not because this is seen as evidence of a check as a way of reducing the risk of fraud. Knowing what needs to be done is not enough – there is also a need to understand why.

2.6.4 Gwenno Williams, Senior Operational Manager, was welcomed to the meeting.

2.6.5 The Senior Operational Manager said that she was pleased to receive report, that the auditor has been very thorough and there are lessons to be learned from the report. Two years ago there was a report in the same area that had received a 'CH' opinion, so progress has been made, but further improvement is needed.

2.6.6 The Senior Manager explained that the Technical Team in Provider and Recreation present staff training on the banking arrangements, among other things. The Technical Officer has discussed the training program with the auditor following the audit and explained what has been put in place.

2.6.7 A meeting of centre managers was held on 1 July. At the meeting it was agreed how to proceed to implement improvements in internal controls at the centres.

2.6.8 The Senior Manager went through the recommendations one by one in order to explain what has been done; the action plan had already noted that the service agreed to all recommendations. In discussing the recommendations one by one, the following points were noted:

- Each centre now has the latest version of IMS (the management manual for leisure centers). In general, the IMS is quite old, and is being reviewed at the moment.
- The relatively new manager in one centre has received further training, and thereby understands what is needed better now.
- Where deficiencies in understanding have been identified, leisure centre managers and officers receive training. This training includes the requirement for two signatories on relevant documents. In response to a question, she noted that the training not only emphasises the need for two signatures, but also why.

- Currently, officers at the centres are required to prepare a memorandum when there is a difference of over £3 in the banking. The report includes recommendations to add in the IMS that managers need to check these memoranda. A new template has been prepared for such memoranda. In response to a question of whether the threshold of £3 is now too low, the Senior Operational Manager replied she was happy with the current level.
- A simple control, but which should be effective, has been introduced to prevent security company bags from running out again. An A4 sheet is inserted into the pile of empty bags, about 7 from the bottom, as a notice to order more.
- Suitable locks are now in place at the centre where deficiencies had been identified during the audit.

2.6.9 The Senior Operational Manager was thanked for the update. The Working Group was satisfied that the constructive steps that have been introduced will help to further improve internal controls within the banking arrangements.

GWYNEDD COUNCIL

| | |
|-------------------|---|
| COMMITTEE | AUDIT COMMITTEE |
| DATE | 26 SEPTEMBER 2013 |
| TITLE | OUTPUT OF THE INTERNAL AUDIT SECTION |
| PURPOSE OF REPORT | TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 31 AUGUST 2013 |
| AUTHOR | DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK |
| ACTION | TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION |

1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 1 July 2013 to 31 August 2013.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following audit work was completed in the period to 31 August 2013:

| Description | Number |
|---|---------------|
| Reports on Audits from the Operational Plan | 10 |
| Other Reports (memoranda etc) | 1 |
| Grant Reviews | 2 |

Further details regarding this work are found in the body of this report and in the enclosed appendices.

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 31 August 2013, indicating the relevant opinion category and a reference to the relevant appendix.

| TITLE | DEPARTMENT | SERVICE | OPINION | APPENDIX |
|---|--------------------------------------|---------------------------|---------|-------------|
| Secondary Schools - Information Security | Education | Schools | B | Appendix 1 |
| Secondary Schools - Budgetary Control | Education | Schools | B | Appendix 2 |
| Health and Safety Risk Assessments | Corporate | | C | Appendix 3 |
| Officers' Interests Policy | Corporate | | C | Appendix 4 |
| Members' Gifts and Hospitality | Democracy and Legal | Monitoring Officer | B | Appendix 5 |
| Software Licences (Corporate) | Customer Care | Information Technology | B | Appendix 6 |
| Software Licences (Schools) | Customer Care | Information Technology | C | Appendix 7 |
| Council Properties - Firefighting Equipment | Customer Care | Council Land and Property | B | Appendix 8 |
| Support Workers Travel Costs | Social Services, Housing and Leisure | Across the department | B | Appendix 9 |
| The Planning Service | Regulatory | Planning | B | Appendix 10 |

2.2.2 The opinion categories within the reports affirm the following:

- Opinion "A" Assurance of financial propriety can be expressed as the controls in place can be relied upon and have been adhered to.
- Opinion "B" Controls are in place, and partial assurance of financial propriety can be expressed as there are aspects where some procedures can be strengthened.
- Opinion "C" Assurance of financial propriety cannot be expressed as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered.
- Opinion "CH" Assurance of financial propriety cannot be expressed as acceptable internal controls are not in place; losses / fraud resulting from these weaknesses were discovered.

2.2.3 In addition to the above, the following audits were undertaken where a memorandum was produced, rather than a full report, and an opinion category was not given:

- **Contribution to preparation of the Annual Governance Statements** (*Corporate*). The draft statement was approved by the Audit Committee on July 18, and the the final version is included in the Statement of Accounts which are submitted to this meeting.

2.3 Grants

2.3.1 The administrative procedures for the following grants were reviewed during the period:

- Foundation Stage 2012-13 Revenue Grant (*Education*)
- Primary Schools Free Breakfast Initiative Grant (*Education*)

2.3.2 Although these grants have been reviewed by Internal Audit, this does not mean that external auditors from the Wales Audit Office or other agencies may undertake audits of these grants. However, it is expected that the work that Internal Audit has undertaken, and the assurance that can be stated with regards to the control environment, means that less audit work will be needed by these organisations. This, in turn, should mean a reduction in the fees that the Council will have to pay for an external audit.

2.4 Follow-up Audits

2.4.1 No follow-up work was completed during the period.

2.4.2 The list below shows the 'C' or 'CH' opinion category reports presented to the Audit Committee as appendices to the quarterly reports, where a report to the Committee regarding the follow-up remains outstanding. The list shows the target completion date for each of these follow-up audits:

Completion Target: Quarter ending 30 September 2013

Equipment with Former Members
Members' IT arrangements
Recording and Managing Leave

Completion Target: Quarter ending 31 December 2013

Contract Terms - DBS Checks
Staff DBS Checks
Backups and Service Continuity
Banking Arrangements at Leisure Centres
Processing of Energy Supplier Data

Completion Target: Quarter ending 31 March 2014

Siopau Gwynedd
Change Control, IT Systems

Completion Target: Quarter ending 30 June 2014

Software Licences (Schools)
Officers' Interests Policy
Health and Safety Risk Assessments

3 WORK IN PROGRESS

3.1 The following work was in progress as at 1 September 2013.

3.2 Draft reports released

- Management of secondary school building maintenance - VFM (*Education*)
- Corporate Complaints Procedure (*Corporate*)
- Exempt Papers and Confidentiality (*Strategic and Improvement*)
- Functions within the Capital Expenditure Monitoring Process (*Strategic and Improvement*)

3.3 Work in progress

- Pupil Deprivation Grant (*Education*)
- Appetite for Life Grant (*Education*)
- Out of School Childcare Grant (*Education*)
- Verification of Performance Measures (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Budgetary Control (*Corporate*)
- School Uniform Grant (*Finance*)
- Tourist Information Centres (*Economy and Community*)
- Ports (*Economy and Community*)
- Local Regeneration Officers (*Economy and Community*)
- Results-Based Accountability (*Social Services, Housing and Leisure*)
- Enablement Schemes (*Social Services, Housing and Leisure*)
- Sport Council Grants (*Social Services, Housing and Leisure*)
- Empty Houses back into use Project (*Social Services, Housing and Leisure*)
- Direct Payments (*Social Services, Housing and Leisure*)
- Follow-up - Backups and Service Continuity (*Customer Care*)
- Rechargeable Works (*Highways and Municipal*)
- Subsidised Travel Tickets - Payments to bus companies (*Regulatory*)
- Member Training (*Strategic and Improvement*)

4. RECOMMENDATION

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 July 2013 to 31 August 2013, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

SECONDARY SCHOOLS - INFORMATION SECURITY Education

Purpose of the Audit

The purpose of the audit is to ensure that Gwynedd secondary schools comply with the Data Protection Act and that Heads, Teachers, School Governors and Support Staff are aware of their responsibilities regarding the processing, storage, security and disposal of information, and in particular sensitive personal data.

Scope of the Audit

A sample of 5 secondary schools in Gwynedd was selected.

The auditors visited the schools to meet with the Heads to discuss the requirements of the Data Protection Act and to complete tests, to obtain assurance that the schools are complying with the Act.

Main Findings

We found that secondary schools had adequate arrangements to ensure that personal / confidential data is kept securely on the school site with restricted access to the data. In addition, it was found that the schools had a current registration with the Information Commissioner's Office.

However, the expected policies / documents relating to information security were not operational at some schools in the sample, and that Management Team officers and Governors of the school had not received relevant training on data protection and freedom of information.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Secondary Schools - Information Security as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **An operational Data Protection document and Record Keeping Guidelines should be established in the secondary schools, using the templates provided by the Education Department as a guide.**
- **An operational Freedom of Information Policy should be established in the secondary schools, using the templates provided by the Education Department as a guide.**
- **A Photography Policy should be operational at the school, using templates provided by the Education Department as a guide.**
- **Arrangements to provide Freedom of Information and Data Protection training for the Management Teams and Governors of secondary schools should be pursued.**
- **Guidance should be prepared for secondary school staff on how to handle confidential information that is transferred off-site.**
- **A statement should be produced and highlighted to secondary school staff that safeguarding confidential details that are transferred off-site is their responsibility in accordance with the Data Protection Act.**

SECONDARY SCHOOLS - BUDGETARY CONTROL

Education

Purpose of the Audit

To ensure that appropriate arrangements are in place for budgetary control in Gwynedd secondary schools.

Scope of the Audit

A sample of 4 secondary schools in Gwynedd was selected for the audit. The schools were visited in order to review that appropriate budgetary controls continue to be in place in the schools.

Main Findings

The main findings of the audit is that budgetary control is generally good in the four schools visited. However, it was found that cases continue to arise where official orders are not raised, or are raised after the invoices are received, because school staff order goods / services without notifying Managers / Administrative Officers. We found that account codes in the FMS system do not correspond exactly to the Council's ledger. There was also the need to make changes to the FMS system in some schools to ensure that former employees do not have access to the system, as well as the need to improve control over FMS system access passwords.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in budgetary control at Secondary Schools as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **There should be a reference to the costs of budget plans the Development Plan of the school that is not currently doing so.**
- **When any changes are made to the budget during the year, the appropriate headings should be amended in the FMS system.**
- **Once the governing body has adopted the budget for the year the budget should be frozen in the FMS system using the 'Fix' facility.**
- **If any changes are made to the headings in the FMS system by the schools they should inform the Council's Finance Unit immediately so that the Council's ledger can be amended.**
- **The cost centres and account references in the FMS system should be tidied, so that they are compatible with those in the ledger Council. It should also be checked that there are appropriate account references exist for different types of expenditure.**

HEALTH AND SAFETY RISK ASSESSMENTS

Corporate

Purpose of the Audit

The purpose of the audit was to ensure that Service Managers and Site Managers are aware of their role when assessing health and safety risks and have a responsibility to ensure that risks are identified and that appropriate action has been taken to mitigate them. Also, ensure that suitable and sufficient risk assessments have been produced and are operational. This audit did not include a review of arrangements within schools, which will be the subject of a separate audit.

Scope of the Audit

To audit the risk assessments of a sample of services / establishments and ensure that they are reviewed and contain relevant elements. In addition, check that the relevant officers have attended training to assist them in carrying out risk assessments and communicate the information appropriately to the relevant members of staff.

Background

According to health and safety law there are specific requirements on organisations, namely:

- To provide a written health and safety policy;
- Assess the risks to employees, customers, partners and any other people who may be affected by their activities;
- Arrange that preventive and protective measures are planned, organised, managed, monitored, and reviewed effectively;
- Ensure that competent advice on health and safety can be obtained;
- Consult with employees about their risks at work and current preventive and protective measures.

The Council's General Health and Safety Policy Statement was signed by the Leader of the Council and Chief Executive in March 2010, recognising the above and noting

"The Council is committed to the development and continuous improvement of health and safety standards, and aims to plan, organise, control, monitor and review health and safety measures to ensure a positive health and safety culture."

With regard to the internal organisation of the Council, **the responsibility of ensuring that risk assessments are completed, recorded, regularly reviewed and that any risk management measures have been implemented has been delegated to Service Managers.** In addition, they have the responsibility of ensuring that employees under their control are aware of their responsibilities and to ensure that they work within the safe systems of work that have been identified. It is therefore essential that the Service Managers are aware of these requirements and have taken action.

Main Findings

We looked at a wide sample of services for this audit and found that a wide range exists in compliance i.e. there are examples of good practice in certain services and complete non-compliance in one service.

One of the main findings of the audit is that one manager was not aware of the requirement and responsibility for health, safety and welfare of the service. It is essential that every manager ensures that they have the appropriate processes in place to protect members of staff, the public and anyone else who comes in contact with them in their activities.

Of the other services / sites, we found that risk assessments are in place and that there were arrangements in all but one service for timely review. Of the services / sites which have prepared risk assessments, we found that the majority are comprehensive. However, managers should be reminded of the need to ensure that the content of registers are communicated to staff in a way that ensures that they are adequately understood to be able to operate efficiently.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in Health and Safety Risk Assessments as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **Each Service / Site Manager should ensure that they are aware of the requirements of them as Manager by completing risk assessments for their service / site and ensure that their staff have read, understood and complied with the assessments.**
- **Risk assessments should be reviewed in a timely manner i.e. either annually or when there is a change in risk.**
- **The information that is included in the risk assessment should be conveyed to the members of staff in such a way that there is confidence that they understand the contents of the assessments and the importance of acting in accordance with them.**
- **The possibility of creating training about the importance of risk identification and mitigation should be explored.**
- **Each element of work should be included in the risk assessments including the elements that are not immediately apparent eg moving and handling, working in the open air.**
- **The element of risk to visitors and members of the public should be contained in the risk assessments.**
- **The risks to contractors should be considered in the risk assessment.**
- **It should be ensured that risk assessments should contain reference to methods of mitigating the risk of working alone and violence.**
- **The control measures contained in the risk assessments should be clear and transparent so that there is no misunderstanding of the requirements.**

OFFICERS' INTERESTS POLICY Corporate

Purpose of the Audit

The purpose of the audit was to ensure that Council officers adhere to the Officers Interests Policy and the statutory Code of Conduct that form part of the contract of employment of each officer.

Scope of the Audit

Check that there are appropriate registers for recording any interest or declaration, that every officer in a specific posts or sensitive posts and all other relevant officer (eg officials who award contracts) have registered and that the register is publicly available on request.

Main Findings

Following a change to the Local Government and Housing Act 1989 that came into force on 12 January 2010 posts are no longer restricted based on their salary. Instead there are two categories of jobs are restricted, politically sensitive posts and particular posts. There is therefore a need to update the Officers Interests Policy as well as the registers. It should be noted that these political changes do not affect the need to register interests and the threshold for voluntary registration remains at PO44.

The law states that a register of 'sensitive' posts should be kept but it was clear that the current list of 'sensitive' posts needs updating because many of the posts no longer exist within the Council. The Language and Compliance Manager agrees that it would be helpful to keep a list of particular posts as well.

No specific clause was included in contracts of employment / job descriptions of officers with politically restricted posts.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in the Officers' Interests Policy as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **The policy should be revisited and updated to match the changes in the legislation.**
- **It should be ensured that there is no public access to the register for officers under PO44 i.e. the voluntary register.**
- **A specific clause should be included in the job descriptions / contracts of employment of officers who have a politically restricted post.**

MEMBERS' GIFTS AND HOSPITALITY

Democracy and Legal

Purpose of the Audit

The purpose of the audit was to ensure that members comply with the Council's Code of Conduct by registering any gift or hospitality with a value over £25, or a series of gifts that reach this threshold, if the gifts / hospitality are accepted or not, with the internal arrangements in place for maintaining and updating the register.

Scope of the Audit

Check the gifts and hospitality register and ensure that members notify the Monitoring Officer of any gift or hospitality accepted or rejected over the threshold of £25 in order to ensure that the basic principles of the protocol and the Code of Conduct are operated in accordance with requirements.

Main Findings

Following the introduction of the Code of Conduct of Members in 2008 and guidelines from the Public Sector Ombudsman for Wales in 2012, the protocol needed to be reviewed and updated. The revised Members' Gifts and Hospitality Protocol was adopted in the Full Council in May 2013.

The protocol was rewritten and it was agreed that the registration of a gift or hospitality threshold should remain at £25, requiring registration even if they are rejected. The requirement to register within 28 days of receipt of the request / gift was introduced. In addition, an annual report on the contents of the register will be submitted to the Standards Committee as part of its work of monitoring standards within the Council.

As a result of the election in May 2012 there was induction day for all Council Members. The training includes an introduction to the Code of Conduct which refers to the registration of gifts and hospitality.

There is no 'Gifts and Hospitality Register of Members' form available on the intranet or on Council's website.

It was not possible to obtain assurance that all Members present statements, due to the nature of the registration. Only one member had registered gifts or hospitality regularly with other Members declaring occasionally. However other Members may have no reason to register a gift or benefit because they have not received any offers.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in Members' Gifts and Hospitality as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The Intranet and the Constitution on the website should be updated to ensure that the current protocol is included.**
- **The 'Gifts and Hospitality Register of Members' form should be included on the Council's website as well as the Intranet.**
- **Refresher courses on the Protocol for the Gifts and Hospitality Consider should be considered for Members.**

SOFTWARE LICENCES (CORPORATE)

Customer Care

Purpose of the Audit

The purpose of the audit was to assess what activities have been planned for the task of establishing a list of software assets, ensure that appropriate considerations have been given to collect all relevant data, that appropriate assessments have been made of commercial risk and that appropriate action has been devised to ensure that the list is kept up to date and accurate and in a practical manner.

Scope of the Audit

The proposed plans were discussed with the Senior Manager - IT and Business Transformation and IT Account Manager Team Leader. This audit did not consider the arrangements within schools, which are the subject of a separate audit.

Main Findings

At the time of this audit, no positive steps had been taken following the decision to set up a corporate list of the Council's software assets and licenses, but we found that discussions have been held to plan the initial stages. From what the auditor has discussed with representatives of the Information Technology Service, the planning work to date is reasonable and the auditor can therefore provide assurance about the process based on the following aspects being realised:

- That responsibility for managing licenses and supporting all Council systems is centered to one specific officer / unit.
- That there is assurance of the expertise for sorting the information that will be collected so that it is recorded, and adjusted where applicable, in an appropriate manner.
- That all key systems and supporting software is at least included in the initial collection, with the remainder following.
- That a timetable is set for the completion of certain steps for the establishment of the list of software assets and licenses.
- That change management processes are formalised to include a reference to the software list for any change that would affect the Council's compliance with the licence agreement, and that any significant changes are accurately reflected in the asset inventory software.
- That there is a periodic review process for the records that are contained in the list.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in the plans for the management of corporate software licences, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Action should be taken on plans to centralise the responsibility over procurement of support for all Council systems.**
- **Expertise should be in place for sorting the information that is to be collected for establishing software asset inventory since shortcomings in this area would undermine the exercise.**
- **There should be an appropriate timetable for achieving the tasks of the exercise for establishing a software asset inventory.**
- **Change management processes should be formalised to include a reference to the list of software for any change that could affect the Council's compliance with the license agreement, and that any significant changes are reflected accurately in the asset inventory software.**

SOFTWARE LICENCES (SCHOOLS) Customer Care

Purpose of the Audit

The purpose of the audit was to ensure that schools have proper control over Gwynedd software licenses.

Scope of the Audit

This review was conducted by correspondence with the Education Department and Cynnal and by gathering information from the schools using a questionnaire. Out of 119 schools in the county, a response was received from 25 schools (21%). A review of the contents of computers or of software licenses records was not included as part of this work.

Main Findings

Caution must be exercised when expressing an opinion on the overall situation within schools because the percentage of responses to the questionnaire sent to schools is so low. However, the variation in the content of the answers highlight the variation in the situations of schools in this area.

Templates of software management policies have been produced by the Education Department and have been adopted by some schools. Some other schools have developed their own policies based on good practice. It seems that it would be appropriate to reintroduce the template for the schools with the objective of having a formal policy management software in all schools.

There is scope to introduce a form for schools to identify the contents of their computers to enable them to reconcile with the usage agreements that are in place. At the time of the audit, a resource that offers a solution in this area is being piloted.

During discussions in relation to this work, various options were seen that are offered by manufacturers for establishing software use agreements with schools. At the time of the audit, it is understood that one major manufacturer has introduced a new licensing scheme that has the potential to put schools in a situation of non-compliance with copyright legislation in light of the manner in which some items of software that have already been ordered have been installed on hardware. It is understood that schools face a situation of financial loss due to re-ordering software but there is a need to balance that against the estimated cost of the fine for breach of contract.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in the plans for managing schools' software licences as there are aspects where arrangements could be tightened; losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **Software management and licencing policies should be promoted within schools by drawing attention to the example policies that have already been produced.**
- **The schools that have measures in place for managing software licenses and collecting information should be identified for their procedures and shared with other schools in order to raise the level of control across all schools.**
- **Packages for auditing the software that is loaded on school computers should be promoted to enable an exercise on compliance with usage agreements to be undertaken using accurate data.**

COUNCIL PROPERTIES - FIREFIGHTING EQUIPMENT

Customer Care

Purpose of the Audit

The purpose of this audit was to ensure that fire fighting equipment in main Council buildings are serviced in line with expectations and that appropriate procurement arrangements exists in the process of appointing a contractor to complete the task of servicing the equipment.

Scope of the Audit

Check the related documentation to ensure that the fire fighting equipment is being serviced. In addition, check the evidence of the procurement procedure used.

Main Findings

It was seen that the fire fighting equipment is serviced annually by a competent person as required. However, a record of this was not always seen in the Fire Log Book, and records were not seen of visual tests undertaken weekly by a staff member.

There are a few weaknesses in processing invoices for maintenance work outside of the service contract, including instances where the same officer has completed certification of checks and invoices and other occasions where no officer has signed the boxes on the coding slip to confirm that the appropriate checks were made before payment.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in Council Properties - Firefighting Equipment as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Weekly visual tests should be conducted on the fire fighters and those in the record to confirm Fire Log Book.**
- **Contractors should be required to record in the Fire Log Book that they have tested fire extinguishers.**
- **Visual tests should be conducted weekly on the water pipes and a record kept in the Fire Log Book.**
- **Contractors should be required to record in the Fire Log Book when they have completed servicing work on the water pipes.**
- **The correct checks should be carried out in processing invoices i.e. that there is segregation of duties in processing of invoices in that officer(s) undertake the relevant checks before receiving certification by an authorised officer and confirm that the correct cost codes have been recorded to avoid any distortion in the accounts.**

SUPPORT WORKERS TRAVEL COSTS

Social Services, Housing and Leisure

Purpose of the Audit

The purpose of the audit is to review the measures and procedures that are in place in relation to applications by Support Workers of the Social Services, Housing and Leisure Department for reimbursement of travel costs, ensuring that the journeys are beneficial and consistent with the needs the service users.

Scope of the Audit

Review a sample of travel cost reimbursement applications from Support Workers within the services of DERWEN - Integrated Disabled Children Team, the Learning Disability Team and the Mental Health Team to ensure that applications for travel expenses are completed and processed correctly, and reconcile with the Puma travel system and the Cyborg payroll system. Verify that the Support Workers make effective use of their time with service users.

Main Findings

Examples of good practice were seen in the control Support Workers' travel costs. It was seen that there are differences in the way that travel costs are managed across the 3 service, with a maximum mileage determined to ensure control of the budget. The Support Workers in the DERWEN and Learning Disability Teams present weekly travel claims. Monthly applications are submitted by the Mental Health Support Workers. It is a requirement in some of these services to complete a Session Report after sessions with the service users. It was seen that care plans outline the support needed by the Service User Support Workers. It was confirmed that arrangements are in place for Line Managers to supervise Support Workers regularly. We found that robust controls are in place to check the travel expenses claim forms. However when the forms were checked it was found that the errors have appeared in the way some forms had been completed.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Support Workers Travel Costs as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Support Workers should notify their managers when their details change, and it should be ensured that the details are passed on to those who are responsible for inputting claims into the PUMA travel costs system to ensure that their details in the system are up to date.**
- **Line Managers should ensure that the application forms for travel expenses are completed fully and correctly, as they verify the claims.**
- **Care should be taken when checking claim forms for travel expenses to ensure that the mileage claimed for individual trips are reasonable and that the total mileage per month is calculated correctly. If the information is unclear on any application an explanation should be obtained before processing the payment request.**

THE PLANNING SERVICE Regulatory

Purpose of the Audit

The purpose of the audit is to review the internal controls that are in place for the Development Control and Enforcement service, giving particular emphasis on the customer care element of the Planning Service to ensure that the service offers the best service to the customer.

Scope of the Audit

Checking the arrangements within the Planning Services, Galw Gwynedd Contact Centre and Siop Gwynedd to ensure that appropriate procedures are in place for receiving and processing applications in a timely manner, and dealing with enforcement complaints and planning queries.

Main Findings

Audit tests were undertaken on 26 internal controls. The tests showed that good internal controls are in place in 18 of these. The main weaknesses found during the audit was that the Planning Service and the Customer Contact Service need to define exactly the type of calls that Siop Gwynedd and the Contact Centre should deal with by establishing a new Service Level Agreement. A few reports available within the system SEIBEL are not produced and used to their full potential in order to monitor the queries / calls that are received by Customer Contact Service.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in The Planning Service as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The Contact Centre Manager should ensure that the Planning Service received a “Number of inquiries received per process” report on a monthly basis.**
- **The Planning Service should use the monthly report received to highlight and draw the attention of the Contact Centre Manager to the kinds of inquiries that have been passed to the Planning Service unnecessarily or by mistake.**
- **The Contact Centre Manager should use the “Number of inquiries received per process” report to review the type of calls that the Contact Customer Service refers to the Planning Service to highlight any weaknesses and calls that are transferred unnecessarily, and to organise training sessions for the staff of the Contact Customer Service as necessary.**
- **Efforts should be made to clear the queries that remain open in the SEIBEL system.**
- **The Planning Service and the Contact Customer Service should design and define exactly the type of calls that Siop Gwynedd and the Contact Centre should be dealing with, and the point at which calls are transferred to the Planning Service, by establishing a new Service Level Agreement.**

GWYNEDD COUNCIL

| | |
|-----------|--|
| COMMITTEE | AUDIT COMMITTEE |
| DATE | 26 SEPTEMBER 2013 |
| TITLE | INTERNAL AUDIT PLAN 2013/14 |
| PURPOSE | TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2013/14 INTERNAL AUDIT PLAN |
| AUTHOR | DEWI MORGAN, SENIOR MANAGER AUDIT & RISK |
| ACTION | FOR INFORMATION |

1. INTRODUCTION

1.1 This report is a progress report on completion of the 2013/14 internal audit plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2013/14 internal audit plan is included in the appendix with the status of the work as at 30 August 2013 noted, together with the time spent on each project. The status of the work in the operational plan at that date was as follows:

| Audit Status | Number |
|------------------------|---------------|
| Planned | 56 |
| Working Papers Created | 4 |
| Field Work Started | 20 |
| Manager Review | 2 |
| Draft Report Issued | 2 |
| Final Report Issued | 23 |
| Total | <u>107</u> |

2.2 The performance target for 2013/14 is to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2014. The quarterly profile of this indicator is as follows:

| | |
|------------------|-----|
| End of quarter 1 | 15% |
| End of quarter 2 | 35% |
| End of quarter 3 | 60% |
| End of quarter 4 | 95% |

2.3 As seen from the table above, Internal Audit's actual achievement up to the end of August was **21.5%** - out of **107** individual audits contained in the 2013/14 revised plan, **23** had been released in a finalised version.

2.4 Although some further reports will have been released in September, it is not expected that 15 audits will have been released in order to meet the quarterly target of completing 38 out of 107, which is 35%. It is therefore expected that the performance remains below the profile set, but options have been considered within the service to remedy the situation by the end of the year.

3. AMENDMENTS TO THE PLAN

3.1 There are no further amendments to the plan to be reported.

4. RECOMMENDATION

4.1 The Committee is asked to note the contents of this report as an update on progress against the 2013/14 audit plan, offer comments thereon and accept the report.



Internal Audit Plan 2013/14

| Audit Code | Audit Name | Original Plan | Amendment | Revised Plan | Actual Days | Audit Status |
|----------------------|---|---------------|-----------|--------------|-------------|---------------------|
| CORPORATE | | | | | | |
| 1-CORFF-09/2014hyff | Exemptions from the corporate training arrangements | 15.00 | 0.00 | 15.00 | 6.31 | Planning |
| 1-CORFF-09/2014sys | Support for "Systems Thinking" Reviews | 15.00 | 0.00 | 15.00 | | Planning |
| 1-CORFF-14/2014 | Health and Safety Risk Assessments | 25.00 | 0.00 | 25.00 | 25.12 | Final Report Issued |
| 1-CORFF-15/2014gi | Health Improvement Strategic Project | 20.00 | 0.00 | 20.00 | | Planning |
| 1-CORFF-17/2014 | Partnership Working | 35.00 | 0.00 | 35.00 | 16.39 | Field Work Started |
| 1-CPGV-01/2014a | Corporate Complaints Procedure | 15.00 | 0.00 | 15.00 | 16.50 | Draft Report Issued |
| 1-CPGV-01/2014ags | Contribution to preparation of the Annual Governance Statements | 15.00 | 0.00 | 15.00 | 9.43 | Final Report Issued |
| 1-CPGV-01/2014b | Local Code of Governance | 10.00 | 0.00 | 10.00 | 1.03 | Planning |
| 1-CPGV-01/2014c | Corporate Governance - Delegation Arrangements | 20.00 | 0.00 | 20.00 | 0.95 | Planning |
| 1-CPGV-01/2014d | Officers' Interests Policy | 10.00 | 0.00 | 10.00 | 11.09 | Final Report Issued |
| 1-CPGV-02/2014 | Proactive Anti-Fraud and Anti-Corruption Work | 40.00 | 0.00 | 40.00 | 5.18 | Planning |
| 2-ADN-CGC-DPA/2014 | Data Protection - Clauses in Job Descriptions | 10.00 | 0.00 | 10.00 | | Planning |
| AN-ACY-03/2014 | Budgetary Control | 25.00 | 0.00 | 25.00 | 20.03 | Field Work Started |
| AO-ARL-05/2014 | NFI (National Fraud Initiative) | 30.00 | 0.00 | 30.00 | 10.36 | Field Work Started |
| BE-POL-07/2014 | Verification of Performance Measures | 25.00 | 0.00 | 25.00 | 15.62 | Field Work Started |
| EDUCATION | | | | | | |
| Resources | | | | | | |
| 4-DAT-X-ADD/2014bao | Appetite for Life Grant | 0.00 | 5.00 | 5.00 | 6.50 | Field Work Started |
| 4-DAT-X-ADD/2014brec | Primary Schools Free Breakfast Initiative Grant | 7.00 | 0.00 | 7.00 | 7.21 | Final Report Issued |
| 4-DAT-X-ADD/2014ffe | Schools Effectiveness Framework Grant | 7.00 | 0.00 | 7.00 | | Planning |
| 4-DAT-X-ADD/2014ffg | Out of School Childcare Grant | 10.00 | 0.00 | 10.00 | 7.30 | Field Work Started |
| 4-DAT-X-ADD/2014gap | Pupil Deprivation Grant | 10.00 | 0.00 | 10.00 | 4.21 | Field Work Started |
| 4-DAT-X-ADD/2014ks23 | Foundation Stage 2012-13 Revenue Grant | 5.00 | 0.00 | 5.00 | 6.43 | Final Report Issued |
| 4-DAT-X-ELWa/2014 | Post-16 Education Grant | 1.00 | 0.00 | 1.00 | | Planning |
| EADDA29/2014 | Health and Safety Assessments in Schools | 15.00 | 0.00 | 15.00 | | Planning |
| EADDU01/2014 | Administration of Student Grants and Loans | 20.00 | 0.00 | 20.00 | | Planning |

GwE

| Audit Code | Audit Name | Original Plan | Amendment | Revised Plan | Actual Days | Audit Status |
|-----------------------------|--|----------------------|------------------|---------------------|--------------------|---------------------|
| 4-GWE/2014 | GwE | 25.00 | 0.00 | 25.00 | | Planning |
| Schools | | | | | | |
| EADDA15/2014 | School Statistics and Censuses | 10.00 | 0.00 | 10.00 | | Planning |
| EADDA35/2014 | Leasing Arrangements in Schools | 10.00 | 0.00 | 10.00 | | Planning |
| EADDAYC/2014a | Secondary Schools - Budgetary Control | 20.00 | 0.00 | 20.00 | 22.72 | Final Report Issued |
| EADDAYC/2014b | Secondary Schools - Information Security | 20.00 | 0.00 | 20.00 | 25.53 | Final Report Issued |
| EADDAYC/2014c | Primary Schools - Teacher Allowances and Conditions of Service for Heads | 20.00 | 0.00 | 20.00 | | Planning |
| HUMAN RESOURCES | | | | | | |
| Training | | | | | | |
| BE-POL-01/2014 | Use of Cetus - CALMS | 10.00 | 0.00 | 10.00 | | Planning |
| FINANCE | | | | | | |
| Financial | | | | | | |
| AD-DY-01/2014kc | Debtors System - Review of Key Controls | 10.00 | 0.00 | 10.00 | 13.24 | Final Report Issued |
| AE-TAL-01/2014e | eProcurement System | 20.00 | 0.00 | 20.00 | | Planning |
| AE-TAL-01/2014kc | Payments System - Review of Key Controls | 10.00 | 0.00 | 10.00 | | Planning |
| Accountancy | | | | | | |
| AN-ACY-02/2014kc | Main Accounting System - Review of Key Controls | 10.00 | 0.00 | 10.00 | 8.91 | Final Report Issued |
| AN-ACY-13/2014kc | Bank Reconciliation - Review of Key Controls | 10.00 | 0.00 | 10.00 | | Planning |
| Pensions and Payroll | | | | | | |
| AL-CYF-01/2014kc | Payroll System - Review of Key Controls | 10.00 | 0.00 | 10.00 | | Planning |
| AL-CYF-01/2014ma | Payroll - Maternity Pay | 10.00 | 0.00 | 10.00 | 8.09 | Field Work Started |
| AL-CYF-01/2014ot | Payroll - Overtime | 10.00 | 0.00 | 10.00 | 1.43 | Planning |
| AL-CYF-05/2014bl | Payroll - Advances | 6.00 | 0.00 | 6.00 | 5.04 | Field Work Started |
| AP-PEN-01/2014kc | Gwynedd Pension Fund - Review of Key Controls | 15.00 | 0.00 | 15.00 | | Planning |
| AP-PEN-07/2014 | Pensions - Contributions from employers | 25.00 | 0.00 | 25.00 | | Planning |
| Revenue | | | | | | |
| AB-BD-01/2014 | Risk-Based Benefit Verification | 20.00 | 0.00 | 20.00 | 11.49 | Field Work Started |
| AB-BD-01/2014kc | Benefits System - Review of Key Controls | 10.00 | 0.00 | 10.00 | | Planning |
| AB-BD-08/2014 | School Uniform Grant | 10.00 | 0.00 | 10.00 | 10.41 | Field Work Started |
| AC-TR-01/2014dis | Council Tax - Discounts and Exemptions | 20.00 | 0.00 | 20.00 | 4.11 | WP Created |
| AC-TR-01/2014kc | Council Tax System - Review of Key Controls | 10.00 | 0.00 | 10.00 | | Planning |

| Audit Code | Audit Name | Original Plan | Amendment | Revised Plan | Actual Days | Audit Status |
|---|---|----------------------|------------------|---------------------|--------------------|---------------------|
| AC-TR-11/2014 | NNDR Refunds | 10.00 | 0.00 | 10.00 | 7.90 | Final Report Issued |
| AC-TR-11/2014kc | NNDR System - Review of Key Controls | 10.00 | 0.00 | 10.00 | 7.50 | Final Report Issued |
| DEMOCRACY AND LEGAL | | | | | | |
| Registration | | | | | | |
| BB-YSG-17/2014 | Arrangements for Registering Births, Deaths and Marriages | 20.00 | 0.00 | 20.00 | | Planning |
| Monitoring Officer | | | | | | |
| 1-CPGV-03/2014 | Members' Gifts and Hospitality | 20.00 | 0.00 | 20.00 | 16.37 | Final Report Issued |
| ECONOMY AND COMMUNITY | | | | | | |
| Community Regeneration | | | | | | |
| BE-POL-10/2014bro | Local Regeneration Officers | 10.00 | 0.00 | 10.00 | 3.03 | Field Work Started |
| T-TAI-C04/2014est | Communities First - Extension to the Old Scheme | 10.00 | 0.00 | 10.00 | 9.58 | Final Report Issued |
| Record offices, museums and the arts | | | | | | |
| EDIW-TS-01/2014 | Neuadd Buddug, Y Bala | 4.00 | 0.00 | 4.00 | 4.26 | Final Report Issued |
| Maritime and country parks | | | | | | |
| EHAMM-02/2014 | Ports | 20.00 | 0.00 | 20.00 | 16.14 | Field Work Started |
| EHAMZ-01/2014 | Country Parks | 15.00 | 0.00 | 15.00 | | Planning |
| Major Projects | | | | | | |
| 1-CTRT-04/2014a | Contract Management - Sailing Academy | 15.00 | 0.00 | 15.00 | | Planning |
| DDAT-AH-01/2014 | Sailing Academy Establishment Arrangements | 10.00 | 0.00 | 10.00 | | Planning |
| Strategy and development Programmes | | | | | | |
| 4-DAT-X-GRANT/2014r | Youth Club Grants - Revenue Grant | 5.00 | 0.00 | 5.00 | 5.05 | Final Report Issued |
| DDAT-AD-05/2014 | Wales Rural Development Plan Projects | 12.00 | 0.00 | 12.00 | | Planning |
| Tourism, marketing and customer care | | | | | | |
| DDAT-MT-01/2014 | "Our Heritage" Project | 22.00 | 0.00 | 22.00 | | Planning |
| DDAT-MT-02/2014cc | Tourist Information Centres | 15.00 | 0.00 | 15.00 | 20.62 | Manager Review |
| CUSTOMER CARE | | | | | | |
| Emergency Planning | | | | | | |
| BC-PER-01/2014 | Emergency Planning and Business Continuity | 15.00 | 0.00 | 15.00 | | Planning |
| Customer Contact | | | | | | |
| BD-PW-08/2014 | Siop Gwynedd | 10.00 | 0.00 | 10.00 | 12.14 | Final Report Issued |
| Libraries | | | | | | |

| Audit Code | Audit Name | Original Plan | Amendment | Revised Plan | Actual Days | Audit Status |
|---|---|----------------------|------------------|---------------------|--------------------|---------------------|
| EDIW-LL-07/2014 | "Gwynedd Ni" | 10.00 | 0.00 | 10.00 | 3.47 | WP Created |
| Information Technology | | | | | | |
| AW-TG-06/2014 | Logging and Monitoring | 8.00 | 0.00 | 8.00 | 0.99 | Planning |
| AW-TG-09/2014 | Network Convergence | 20.00 | 0.00 | 20.00 | | Planning |
| AW-TG-12/2014 | Laptop Security | 10.00 | 0.00 | 10.00 | | Planning |
| AW-TG-17/2014cor | Software Licences (Corporate) | 15.00 | 0.00 | 15.00 | 8.45 | Final Report Issued |
| AW-TG-17/2014ysg | Software Licences (Schools) | 15.00 | 0.00 | 15.00 | 10.08 | Final Report Issued |
| Council Land and Property | | | | | | |
| BA-EID-02/2014 | Asset Management Plan | 30.00 | 0.00 | 30.00 | | Planning |
| BA-EID-02/2014off | Council Properties - Firefighting Equipment | 10.00 | 0.00 | 10.00 | 9.89 | Final Report Issued |
| SOCIAL SERVICES, HOUSING AND LEISURE | | | | | | |
| Across the department | | | | | | |
| GCC-03/2014 | Third Sector - Grants, Commissioning and Contracts | 25.00 | 0.00 | 25.00 | | Planning |
| GDAPR-GC05/2014 | Support Workers Travel Costs | 15.00 | 0.00 | 15.00 | 28.61 | Final Report Issued |
| GRH-GW01/2014ff | Social Services - Security of Files and Data | 20.00 | 0.00 | 20.00 | | Planning |
| GRH-GW01/2014rba | Results-Based Accountability | 7.00 | 0.00 | 7.00 | 3.92 | Field Work Started |
| Business | | | | | | |
| 5-GOF-BUS/2014hub | Regional Collaboration Project – Care Commissioning Hub | 20.00 | 0.00 | 20.00 | | Planning |
| Supporting People | | | | | | |
| GDAPR-SP01/2014 | Supporting People | 20.00 | 0.00 | 20.00 | 19.63 | Final Report Issued |
| Homelessness and Supported Housing | | | | | | |
| T-TAI-D01/2014les | Public Sector Housing Leasing Scheme | 15.00 | 0.00 | 15.00 | | Planning |
| Leisure | | | | | | |
| E-DGO-01/2014 | Banking Arrangements in the Leisure Centres | 20.00 | 0.00 | 20.00 | 24.97 | Final Report Issued |
| EHAMV-01/2014 | Sport Council Grants | 15.00 | 0.00 | 15.00 | 7.87 | Field Work Started |
| Adults | | | | | | |
| GCC-07/2014 | Direct Payments | 15.00 | 0.00 | 15.00 | 12.99 | Field Work Started |
| GGWAS-H07/2014tel | Telecare | 20.00 | 0.00 | 20.00 | | Planning |
| GGWAS-OED1/2014gal | Enablement Schemes | 20.00 | 0.00 | 20.00 | 13.38 | Field Work Started |
| Children and Families | | | | | | |
| GGWAS-P02/2014 | Youth Justice Service | 10.00 | 0.00 | 10.00 | | Planning |

| Audit Code | Audit Name | Original Plan | Amendment | Revised Plan | Actual Days | Audit Status |
|---|---|---------------|-----------|--------------|-------------|---------------------|
| GGWAS-P05/2014lwf | Children - Post-care Allowances | 15.00 | 0.00 | 15.00 | | Planning |
| Private Sector Housing | | | | | | |
| T-TAI-G06/2014 | Older - Disabled Persons - Adaptations to Homes | 20.00 | 0.00 | 20.00 | 7.90 | Field Work Started |
| T-TAI-G10/2014 | Empty Houses back into use Project | 12.00 | 0.00 | 12.00 | 7.47 | Field Work Started |
| HIGHWAYS AND MUNICIPAL | | | | | | |
| Fleet | | | | | | |
| PPR-GW03/2014 | Fleet Management - NWPP Parts Contract | 10.00 | 0.00 | 10.00 | | Planning |
| Highways Works | | | | | | |
| PPR-WK01/2014 | Rechargeable Works | 20.00 | 0.00 | 20.00 | 5.33 | WP Created |
| Waste Management and Streetscene | | | | | | |
| 3-AMG-GORF/2014gang | Community Gangs | 10.00 | 0.00 | 10.00 | | Planning |
| PBW-05/2014 | Trade Refuse | 30.00 | 0.00 | 30.00 | 4.47 | WP Created |
| REGULATORY | | | | | | |
| Environment | | | | | | |
| DDAT-CC-01/2014txi | Payments to Taxi Firms | 20.00 | 0.00 | 20.00 | | Planning |
| Planning | | | | | | |
| DCYN-RD-01/2014cyn | The Planning Service | 25.00 | 0.00 | 25.00 | 38.46 | Final Report Issued |
| DCYN-RD-01/2014gor | Development Control - Enforcement | 15.00 | 0.00 | 15.00 | | Planning |
| Public Protection | | | | | | |
| T-YC-IA01/2014 | Trading Standards | 20.00 | 0.00 | 20.00 | 1.02 | Planning |
| Transportation and Street Care | | | | | | |
| 3-RHE-01/2014 | Enforcement and Transport | 10.00 | 0.00 | 10.00 | | Planning |
| DDAT-CC-01/2014 | Subsidised Travel Tickets - Payments to bus companies | 25.00 | 0.00 | 25.00 | 21.79 | Manager Review |
| STRATEGIC AND IMPROVEMENT | | | | | | |
| Procurement and Efficiency | | | | | | |
| BE-POL-08/2014 | Procurement Strategy | 40.00 | 0.00 | 40.00 | 0.96 | Planning |
| Strategic Direction | | | | | | |
| BE-POL-11/2014 | SMAP Fund | 15.00 | 0.00 | 15.00 | 1.92 | Planning |
| BE-POL-13/2014 | Community Safety | 15.00 | 0.00 | 15.00 | 1.54 | Planning |
| Democracy | | | | | | |
| BB-YSG-18/2014 | Member Training | 20.00 | 0.00 | 20.00 | 7.14 | Field Work Started |

| Audit Code | Audit Name | Original Plan | Amendment | Revised Plan | Actual Days | Audit Status |
|------------------------------------|---|---------------|-----------|---------------------|--------------------|---------------------|
| BB-YSG-19/2014 | Exempt Papers and Confidentiality | 15.00 | 0.00 | 15.00 | 9.23 | Draft Report Issued |
| Performance and Scrutiny | | | | | | |
| 1-CORFF-05/2014 | Project Management Arrangements | 26.00 | 0.00 | 26.00 | | Planning |
| 1-CORFF-05/2014cm | Channel Migration Project | 20.00 | 0.00 | 20.00 | | Planning |
| 1-CORFF-05/2014tp | Total Place Project | 15.00 | 0.00 | 15.00 | | Planning |
| GWYNEDD CONSULTANCY | | | | | | |
| Buildings and Environmental | | | | | | |
| PYM01/2014 | Follow-up to Reviews on Gwynedd Consultancy | 20.00 | 0.00 | 20.00 | | Planning |