

**STATEMENT OF
ACCOUNTS
2013/14**

SUBJECT TO AUDIT

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EXPLANATORY FOREWORD

Introduction

Gwynedd Council's accounts for the year 2013/14 are presented here on pages 8 to 115.

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 2014.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2013/14 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 2013/14

- The Comprehensive Income and Expenditure Statement on page 9 shows that the Council's gross revenue expenditure on 'Cost of Services' level was £359m during 2013/14, with the net position as £234m.
- The financial out-turn position for 2013/14 was reported to the Cabinet at its meeting on 10 June 2014. The members of the Cabinet approved the carry forward of net service underspends of £362k for the year, the net transfer of £3.848m to earmarked reserves, and the net transfer of £352k to 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	Actual	Variance
	£'000	£'000	£'000
Net Expenditure on Operations	246,877	247,366	489
Departmental Carry Forward at year end	0	362	362
	<hr/>	<hr/>	
	246,877	247,728	851
Financed by -			
Council Tax Income	(65,244)	(66,095)	(851)
Share of National Non-Domestic Rate	(38,209)	(38,209)	0
General Government Grants	(143,424)	(143,424)	0
	<hr/>	<hr/>	
	0	0	0

- The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement on page 8 and 9 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	Transposition Adjustment	Income & Expenditure Statement
	£'000	£'000	£'000
Human Resources	63	(59)	4
Finance	1,336	(1)	1,335
Democracy and Legal	638	0	638
Customer Care	2,279	(3)	2,276
Strategic and Improvement	883	46	929
Education	101,952	(81)	101,871
Economy and Community	6,809	49	6,858
Highways and Municipal	26,275	(1,044)	25,231
Regulatory (Planning, Transport and Public Protection)	11,421	(466)	10,955
Gwynedd Consultancy	1,407	(143)	1,264
North & Mid Wales Trunk Road Agency	35	8	43
Provider and Leisure	6,514	(54)	6,460
Housing and Social Services	64,671	(9)	64,662
Corporate Management Team	0	0	0
Corporate	13,122	(1,471)	11,651
Reserves	3	0	3
Cost of Services	237,408	(3,228)	234,180
Other (Contains Centralised and Corporate Adjustment)	10,320	3,228	13,548
Total	247,728	0	247,728

* 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 9.
- Full analysis of amounts reported for resource allocation decisions is contained within Note 30, page 62.
- Service Reporting Code of Practice (SeRCOP) Analysis is contained within Appendix A.
- **Material Items of Income and Expenditure**

Related items include:-

- A movement of £22m on pensions, on the remeasurements of the net defined benefit liability (assets), in line with Gwynedd Council’s Actuary’s assessment (Note 42).
- An increase of £9m in the value of asset impairment, relating to the substantial expenditure on school’s capital scheme (Note 15).
- An increase of £5m in National Non-Domestic Rates, by Welsh Government in comparison with the previous year’s allocation (Note 13b).
- **Impact of Current Economic Climate**

There have been unprecedented problems in the global financial situation in recent years. Due to this general situation, it has been necessary for the Authority to take these circumstances into account in its financial plans, and also keep a prudent level of balances and reserves.

CAPITAL EXPENDITURE IN 2013/14

Capital expenditure for 2013/14 amounted to £41m. The following table gives an analysis of this expenditure and the way it was financed.

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING		
2012/13		2013/14
£'000		£'000
74	Human Resources	35
6,275	Education	8,630
0	North & Mid Wales Trunk Road Agency	0
16	Finance	38
276	Provider and Leisure	0
5,502	Economy and Community	5,199
0	Democracy and Legal	0
6,966	Customer Care	8,536
3,802	Housing and Social Services	0
	Social Services, Housing and Leisure	3,373
6,753	Highways and Municipal	8,690
8,633	Regulatory	6,360
4	Strategic and Improvement	14
24	Council Houses	4
28	Gwynedd Consultancy	582
0	Corporate	0
38,353		41,461
	FINANCED BY -	
10,914	Borrowing	10,664
19,170	Grants and Contributions	18,904
2,344	Capital Receipts	1,377
5,925	Revenue and Other Funds	10,516
38,353		41,461

- Revenue Expenditure Funded from Capital Under Statute of £6,221,680 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 £34,007,990 as shown in Note 15 and 22 on pages 41 to 43 and 54.
- The Council's Loan Debt on 31 March 2014 was £113.1m – a reduction of £0.8m (from £113.9m) during the year. Repayments of £1.1m were made in accordance with the terms of individual loans.

Provisions and Reserves

In addition to General Balances of £8.4m, the Council had other provisions (as defined) of £11.3m, earmarked reserves of £49.8m and school balances of £3.8m, totalling £73.3m. 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 £22,828,000 to £191,006,000 in 2013/14. 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 84 to 115) show an increase during the year of £116.7m in the market value of the net assets of the Fund, to £1,309.6m. The book value of the net assets at 31 March 2014 was £994.4m (2013: £939.6m).

Accounting Policies

The accounting policies adopted by the Council comply with all relevant recommended accounting practices and are fully explained in the Accounting Policies set out in Note 1 of the Accounts on page 12.

Changes in Accounting Policies and to the Statement of Accounts

There have been a number of significant changes relating to IAS 19 Employee Benefits, resulting in changes in accounting practices and related policies.

FURTHER INFORMATION

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

Further information relating to the accounts is available from:

William E Jones
Senior Finance Manager
01286 679406

or

Ffion Madog Evans
Finance Manager - Resources and Corporate
01286 679133

Finance Department
Gwynedd Council
Council Offices
Caernarfon
Gwynedd
LL55 1SH

This is part of the Council's policy of providing full information relating to the Council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press at the appropriate time.

GWYNEDD COUNCIL

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

Gwynedd Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Gwynedd Council, that officer is the Head of Finance. It is also the Authority's responsibility to manage its affairs to secure economic, efficient and effective use of its resources to safeguard its assets, and to approve the Statement of Accounts.

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing the statement of accounts, the Head of Finance has selected suitable accounting policies and then applied them consistently; has made judgements and estimates that were reasonable and prudent and complied with the Code of Practice.

The Head of Finance has also kept proper accounting records which were up to date and has taken reasonable steps for the prevention and detection of fraud and other irregularities.

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Council at 31 March 2014 and its income and expenditure for the year then ended.



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

27 June 2014

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 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	(5,240)	0	0	0	0	0	(5,240)	0	(5,240)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	43,467	43,467
Total Comprehensive Income and Expenditure	(5,240)	0	0	0	0	0	(5,240)	43,467	38,227
Adjustments between accounting basis and funding basis under regulations	9 7,024	0	0	0	1,411	538	8,973	(8,973)	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	(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)
<u>Movement in reserves during 2013/14</u>									
(Surplus)/Deficit on provision of services	(320)	0	0	0	0	0	(320)	0	(320)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	17,650	17,650
Total Comprehensive Income and Expenditure	(320)	0	0	0	0	0	(320)	17,650	17,330
Adjustments between accounting basis and funding basis under regulations	9 74	0	0	0	(167)	(2,363)	(2,456)	2,456	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(246)	0	0	0	(167)	(2,363)	(2,776)	20,106	17,330
Transfers to/from Earmarked Reserves	10 (105)	69	36	1,727	0	0	1,727	0	1,727
(Increase)/Decrease in 2013/14	(351)	69	36	1,727	(167)	(2,363)	(1,049)	20,106	19,057
Balance 31 March 2014 carried forward	(8,402)	(49,825)	(3,777)	0	(2,407)	(4,253)	(68,664)	(15,130)	(83,794)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – 2013/14

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.

2012/13				2013/14			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
16,454	(7,117)	9,337	Culture and Related Services		17,598	(7,203)	10,395
27,911	(9,668)	18,243	Environmental and Regulatory Services		28,711	(10,501)	18,210
14,164	(8,908)	5,256	Planning Services		16,245	(11,660)	4,585
116,792	(26,540)	90,252	Education and Children's Services - Education		125,423	(22,033)	103,390
18,062	(2,432)	15,630	Education and Children's Services - Children's Social Care		18,050	(2,412)	15,638
30,279	(12,076)	18,203	Highways and Transport		28,817	(10,980)	17,837
43,205	(37,537)	5,668	Housing Services (Council Fund)		43,063	(38,123)	4,940
58,472	(15,348)	43,124	Adult Social Care		61,650	(15,399)	46,251
12,215	(10,655)	1,560	Central Services to the Public		12,096	(2,311)	9,785
8,991	(4,114)	4,877	Corporate and Democratic Core		6,706	(3,865)	2,841
195	0	195	Non Distributed Costs		308	0	308
346,740	(134,395)	212,345	Cost of Services		358,667	(124,487)	234,180
18,882	(42)	18,840	Other Operating Expenditure	11	19,144	(288)	18,856
12,786	(682)	12,104	Financing and Investment Income and Expenditure	12	14,226	(651)	13,575
0	(248,529)	(248,529)	Taxation and non-specific grant income	13	0	(266,931)	(266,931)
378,408	(383,648)	(5,240)	(Surplus) / Deficit on Provision of Services		392,037	(392,357)	(320)
		5,461	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets	26			1,429
		0	(Surplus) / Deficit on revaluation of available for sale financial assets				0
		38,006	Remeasurements of the net defined benefit liability/(assets)	42			16,221
		43,467	Other Comprehensive Income and Expenditure				17,650
		38,227	Total Comprehensive Income and Expenditure				17,330

'Education and Children's Services - Education'

- Includes an increase of £9m in the value of asset impairment, relating to the substantial expenditure on schools' capital scheme (Note 15).

'Taxation and Non-specific Grant Income' and 'Central Services to the Public'

- £8m relates to the Council Tax Reduction Scheme to reflect a change in the financing source to Welsh Government, that has resulted in a change in the reporting arrangements, that is now reported under 'Taxation and Non-specific Grant Income' rather than 'Central Services to the Public' as in 2012/13 (Note 13).

- An increase of £5m in National Non-Domestic Rates, by Welsh Government in comparison with the previous year's allocation (Note 13b).

'Remeasurements of the net defined benefit liability (assets)

- A movement of £22m on pensions, on the remeasurements of the net defined benefit liability (assets), in line with Gwynedd Council's Actuary's assessment (Note 42).

BALANCE SHEET – 31 MARCH 2014

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

31 March 2013		Note	31 March 2014
£'000			£'000
368,877	Property, Plant and Equipment	15	378,869
93	Heritage Assets	16	111
824	Investment Property	17	100
734	Surplus Assets	15	2,526
77	Long Term Investments	18	77
4,191	Long Term Debtors	18	4,521
374,796	Long Term Assets		386,204
35,629	Short Term Investments	18	27,083
2,905	Assets Held for Sale	22	2,488
1,257	Inventories	19	1,455
44,872	Short Term Debtors	20	52,062
13,091	Cash and Cash Equivalents	21	20,886
97,754	Current Assets		103,974
(11,787)	Bank Overdraft	21	(19,496)
(18,131)	Short Term Borrowing	18	(1,884)
(58,777)	Short Term Creditors	23	(63,291)
(1,187)	Short Term Provisions	24	(479)
(2,523)	Capital and Revenue Grants Receipts in Advance	35	(1,775)
(92,405)	Current Liabilities		(86,925)
(151)	Long Term Creditors	18	(100)
(11,899)	Long Term Provisions	24	(10,824)
(95,811)	Long Term Borrowing	18	(111,215)
(168,179)	Net Pension Liability	42	(191,006)
(15)	Finance Leases Liability	38	(2,372)
(1,239)	Capital and Revenue Grants Receipts in Advance	35	(3,942)
(277,294)	Long Term Liabilities		(319,459)
102,851	Net Assets		83,794
(67,615)	Usable Reserves	25	(68,664)
(35,236)	Unusable Reserves	26	(15,130)
(102,851)	Total Reserves		(83,794)

CASH FLOW STATEMENT – 2013/14

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.

2012/13		Note	2013/14
£'000			£'000
(5,240)	Net (Surplus) or Deficit on the Provision of Services		(320)
(24,560)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27a	(30,278)
856	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27b	1,514
(28,944)	Net cash flows from Operating Activities		(29,084)
37,293	Investing Activities	28	28,063
1,130	Financing Activities	29	935
9,479	Net (increase) / decrease in cash and cash equivalents		(86)
(10,783)	Cash and cash equivalents at the beginning of the reporting period	21	(1,304)
(1,304)	Cash and cash equivalents at the end of the reporting period	21	(1,390)

NOTES TO THE ACCOUNTS

NOTE I – ACCOUNTING POLICIES

I.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14* and the Service Reporting Code of Practice 2013/14, 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.
- 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. An accrual 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 accrual 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 accrual 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 redundancy voluntarily and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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 Gwynedd 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 4.3% 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 the following components:

Service cost comprising:

- 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
- Net interest cost on the net defined benefit (asset), i.e. the net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments

Remeasurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Contributions paid to the Gwynedd 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 Reporting Period

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 Prior Period Adjustments, changes in Accounting Policies, Estimates and Errors

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. 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

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) to provide estimated valuations of its civic regalia and paintings and pictures. Any item over the di-minimis 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 di-minimis 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 di-minimis 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 di-minimis 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 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 where the terms of the lease transfer 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) 2013/14.

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

Expenditure in year on new and existing assets is added annually, and then consideration is given as to whether this expenditure has increased the value of the asset. If there has been an increase, this is reflected through the Revaluation Reserve; if there is no increase it follows that there has been an impairment to the value of the asset (see below for the method for accounting for impairment). Specifically for assets categorised as Property (Land and Buildings) where expenditure of over £100,000 has been incurred on a single asset, the Council's Corporate Property Manager (M.R.I.C.S.) reviews the assets and re-values 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 di-minimis threshold, below which assets are disregarded for componentisation purposes needs to be established, which is based on potential material impacts on the financial statements. (For the 2013/14 financial year this has been set at £1.66 which is 1% of the total value of the buildings). The apportionment to be considered for the non-land element of assets above the di-minimis threshold is:

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

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

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

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

- (i) Vehicles, Plant Furniture and Equipment are depreciated over their estimated useful life (3–10 years)
- (ii) Infrastructure is depreciated over 40 years
- (iii) Revenue Expenditure funded from Capital under Statute is written down in the period in which it arises
- (iv) Land is not depreciated
- (v) Buildings are depreciated over their estimated useful lives (various)

- (vi) Investment Properties, Assets under Construction and Assets Held for Sale are not depreciated

Depreciation is not charged in the year of acquisition.

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 2013/14: 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 was submitted to Council before the start of the 2013/14 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 applied 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 matches 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) 2013/14. The items that are excluded from this treatment are defined as Non Distributed Costs and include the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

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

In accordance with the requirements of the Local Government Act 1988 the Council has one General Fund which represents the general reserves (“balances”) of the Authority. There are also a number of revenue and capital reserves earmarked for specific purposes.

Certain reserves are kept for the technical purpose of managing 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.

I.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 2013/14.

I.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 2014.

I.35 Landfill Allowance Schemes

The Landfill Allowances Scheme operates under the Landfill Allowances Scheme (Wales) Regulations 2004. Local Authorities are allocated annual allowances for the maximum amount of biodegradable municipal waste that can be sent to landfill. For each ton of biodegradable municipal waste sent to landfill in excess of the allowance a Local Authority may be liable to a penalty of £200 per ton. 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 2013/14.

I.36 Service Concession Arrangements

Service Concession Arrangements, otherwise known as 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 for the duration of the contract but where the assets transfer to the Authority at the end of the period without any additional cost. The Authority controls the service that is provided and are able to control who else is able to use the facility. The cost of using the facility is agreed with the Company before setting the agreement through a Competitive Dialogue process.

I.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.

I.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.
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NOTE 2 – CHANGE IN ACCOUNTING POLICY

There have been a number of significant changes relating to IAS 19 Employee Benefits, resulting in changes in accounting practices for financial years from 1 January 2013, consequently resulting in changes to the related accounting policy. The adjustments resulting from the changes are detailed in Note 3.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

There have been a number of significant changes relating to international accounting standard IAS 19 Employee Benefits, resulting in a change in the accounting treatment and accounting policy. The change has introduced new classes of components of defined benefit cost to be recognised in the financial statements (ie net interest on the net defined benefit liability (asset) and remeasurements of the net defined benefit liability (asset)), and, where there is a material impact, new definitions or recognition criteria for service costs (eg past service costs) and new recognition criteria for termination benefits.

As a result of the above, prior period adjustments are required in the 2012/13 accounts. There is no impact on the Balance Sheet; however the tables below reflect the prior period adjustments that have been made to the 2012/13 main Statements of Accounts and the relevant Notes to the Accounts.

Effect of the IAS 19 Pension Restatement on the Movement in Reserves Statement 2012/13

	As previously stated 2012/13				Restatement				As restated 2012/13			
	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	General Fund Balance	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance 31 March 2012 carried forward	(8,051)	(71,348)	(69,730)	(141,078)	0	0	0	0	(8,051)	(71,348)	(69,730)	(141,078)
Movement in reserves during 2012/13												
(Surplus)/Deficit on provision of services	(8,185)	(8,185)	0	(8,185)	2,945	2,945	0	2,945	(5,240)	(5,240)	0	(5,240)
Other Comprehensive Income and Expenditure	0	0	46,412	46,412	0	0	(2,945)	(2,945)	0	0	43,467	43,467
Total Comprehensive Income and Expenditure	(8,185)	(8,185)	46,412	38,227	2,945	2,945	(2,945)	0	(5,240)	(5,240)	43,467	38,227
Adjustments between accounting basis and funding basis under regulations	9,969	11,918	(11,918)	0	(2,945)	(2,945)	2,945	0	7,024	8,973	(8,973)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	1,784	3,733	34,494	38,227	0	0	0	0	1,784	3,733	34,494	38,227
Transfers to/from Earmarked Reserves	(1,784)	0	0	0	0	0	0	0	(1,784)	0	0	0
Increase/Decrease in 2012/13	0	3,733	34,494	38,227	0	0	0	0	0	3,733	34,494	38,227
Balance 31 March 2013 carried forward	(8,051)	(67,615)	(35,236)	(102,851)	0	0	0	0	(8,051)	(67,615)	(35,236)	(102,851)

Effect of the IAS 19 Pension Restatement on the Comprehensive Income and Expenditure Statement 2012/13

	As previously stated 2012/13			Restatement			As restated 2012/13		
	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
Cost of Services	346,740	(134,395)	212,345	0	0	0	346,740	(134,395)	212,345
Other Operating Expenditure	18,882	(42)	18,840	0	0	0	18,882	(42)	18,840
Financing and Investment Income and Expenditure	9,841	(682)	9,159	2,945	0	2,945	12,786	(682)	12,104
Taxation and non-specific grant income	0	(248,529)	(248,529)	0	0	0	0	(248,529)	(248,529)
(Surplus) / Deficit on Provision of Services	375,463	(383,648)	(8,185)	2,945	0	2,945	378,408	(383,648)	(5,240)
(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets			5,461			0			5,461
(Surplus) / Deficit on revaluation of available for sale financial assets			0			0			0
Remeasurements of the net defined benefit liability/(assets)			40,951			(2,945)			38,006
Other Comprehensive Income and Expenditure			46,412			(2,945)			43,467
Total Comprehensive Income and Expenditure			38,227			0			38,227

Effect of the IAS 19 Pension Restatement on the Cash Flow Statement 31 March 2013

	As previously stated 31 March 2013	Restatement 2013	As restated 31 March 2013
	£'000	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	(8,185)	2,945	(5,240)
Adjust net surplus or deficit on the provision of services for non-cash movements (Note 27a)	(21,615)	(2,945)	(24,560)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	856	0	856
Net Cash Flows from Operating Activities	(28,944)	0	(28,944)

Effect of the IAS 19 Pension Restatement on Note 9 – adjustments between Accounting Basis and Funding Basis Under Regulations

2012-13 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS	As previously stated 2012/13				Restatement				As restated 2012/13			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:												
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:												
Charges for depreciation and impairment of non current assets	(18,167)	0	0	18,167	1	0	0	(1)	(18,166)	0	0	18,166
Capital grants and contributions applied	18,632	0	538	(19,170)	(1)	0	0	1	18,631	0	538	(19,169)
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	17,214	(2,945)	0	0	2,945	(20,159)	0	0	20,159
Total Adjustments	(16,749)	0	538	16,211	(2,945)	0	0	2,945	(19,694)	0	538	19,156

Effect of the IAS 19 Pension Restatement on Note 12 – Financing and Investment Income and Expenditure

	As previously stated 2012/13	Restatement	As restated 2012/13
	£'000	£'000	£'000
Interest payable and similar charges	6,730	0	6,730
Pensions Interest Cost and Expected Return on Pensions Assets	3,111	2,945	6,056
Interest receivable and similar income	(682)	0	(682)
	9,159	2,945	12,104

Effect of the IAS 19 Pension Restatement on Note 26 – Unusable Reserves

	As previously stated 2012/13	Restatement	As restated 2012/13
	£'000	£'000	£'000
Balance 1 April	(128,153)	0	(128,153)
Remeasurements of the net defined benefit liability/(assets)	(40,951)	2,945	(38,006)
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)	(2,945)	(20,159)
Employer's pensions contributions and direct payments to pensioners payable in the year	18,139	0	18,139
Balance 31 March	(168,179)	0	(168,179)

Effect of the IAS 19 Pension Restatement on Note 27a – Cash Flow Statement: Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

	As previously stated 31 March 2013	Restatement 2013	As restated 31 March 2013
	£'000	£'000	£'000
Depreciation	(11,430)	0	(11,430)
Impairment and downward valuations	(6,735)	0	(6,735)
(Increase)/Decrease in Creditors	(15,958)	0	(15,958)
Increase/(Decrease) in Debtors	16,063	0	16,063
Increase/(Decrease) in Stock	(123)	0	(123)
Pension Liability	925	(2,945)	(2,020)
Carrying amount of non-current assets sold	(813)	0	(813)
Other non-cash items charged to net surplus/deficit on the provision of services	(3,544)	0	(3,544)
	(21,615)	(2,945)	(24,560)

Effect of the IAS 19 Pension Restatement on Note 30 – Amounts reported for resource allocation decisions

	As previously stated 2012/13			Restatement			As restated 2012/13		
	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
Financing and Investment Income and expenditure									
Pensions Interest Cost and Expected Return on Pensions Assets	3,111	0	3,111	2,945	0	2,945	6,056	0	6,056
(Surplus)/Deficit on the provision of services	375,463	0	(8,185)	2,945	0	2,945	378,408	0	(5,240)

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

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 has introduced several changes in accounting policies which will be required from 1 April 2014. The changes are as follows:

IFRS 10 - Consolidated Financial Statements (May 2011)

This change in the accounting policy has introduced a new definition of control, which is used to determine which entities are consolidated for the purpose of group accounts.

IFRS 11 - Joint Arrangements (May 2011)

This change in accounting policy is related to accounting for joint arrangements, which is a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. Proportionate consolidation is no longer an option for jointly controlled entities.

IFRS 12 - Disclosure of Interest with Other Entities (May 2011)

This change requires a number of disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures (amended May 2011)

These statements have been amended as a result of the changes to IFRS 10, IFRS 11 and IFRS 12 (above). Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.

IAS 32 - Financial Instruments: Presentation (amended December 2011)

This standard introduces changes to the presentation of financial instruments and allows the offsetting of financial assets and financial liabilities.

It is not likely that the above changes will have a material affect on Gwynedd Council's 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 2014 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:-

- A movement of £22m on pensions, on the remeasurements of the net defined benefit liability (assets), in line with Gwynedd Council's Actuary's assessment (Note 42).
- An increase of £9m in the value of asset impairment, relating to the substantial expenditure on school's capital scheme (Note 15).
- An increase of £5m in National Non-Domestic Rates, by Welsh Government in comparison with the previous year's allocation (Note 13b).

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.

2013/14	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'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	(25,426)	0	0	25,426
Capital grants and contributions applied	21,352	0	(2,363)	(18,989)
Revenue expenditure funded from capital under statute	(6,222)	0	0	6,222
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	288	0	0	(288)
<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	5,731	0	0	(5,731)
Revenue provision for the financing of unsupported capital investment	966	0	0	(966)
Capital expenditure charged against the General Fund and HRA balances	10,516	0	0	(10,516)
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	28	(1,542)	0	1,514
Use of the Capital Receipts Reserve to finance repayment of debt	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,377	0	(1,377)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0
Principal repayment of debt	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	11	0	0	(11)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 42)	(26,333)	0	0	26,333
Employer's pensions contributions and direct payments to pensioners payable in the year	19,727	0	0	(19,727)
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	(564)	0	0	564
Total Adjustments	74	(167)	(2,363)	2,456

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:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	(18,166)	0	0	0	18,166
Capital grants and contributions applied	18,631	0	0	538	(19,169)
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)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
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	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 new capital expenditure	0	0	0	0	0
Use of the Capital Receipts Reserve to finance repayment of debt	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
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	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)	(20,159)	0	0	0	20,159
Employer's pensions contributions and direct payments to pensioners payable in the year	18,139	0	0	0	(18,139)
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	859	0	0	0	(859)
Total Adjustments	7,024	0	1,411	538	(8,973)

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:

2013/14	Balance		Transfers		Balance
	31 March 2013	between reserves	in	out	31 March 2014
	£'000	£'000	£'000	£'000	£'000
School Balances	3,813	(33)	822	(825)	3,777
Total	3,813	(33)*	822	(825)	3,777

*Transfer to Other Earmarked Reserves (refer to page 35)

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 2013/14.

Earmarked Reserves

2013/14	Balance		Transfers		Balance
	31	between	in	out	31
	March	reserves			March
	2013				2014
	£'000	£'000	£'000	£'000	£'000
Renewals Reserves	1,716	0	2,411	(1,943)	2,184
Capital Reserves	14,286	(342)	423	(4,303)	10,064
Insurance Reserves	3,444	(197)	1,508	(1,292)	3,463
Services Fund	5,086	279	1,054	(1,446)	4,973
Convergence Programme Fund	1,602	0	0	(491)	1,111
Development Reserve	212	39	0	(251)	0
Redundancy Costs to Realise Savings Reserve	1,935	0	1,042	(543)	2,434
Central Training	336	13	395	(132)	612
Communication Centre Reserve	278	0	0	(244)	34
Schools Service Reserves	1,204	33	161	(273)	1,125
Economy and Community Reserves	113	0	25	0	138
Highways and Municipal Reserves	1,786	0	400	(27)	2,159
Waste Developments Reserve	426	0	0	(154)	272
Gwynedd Consultancy Reserves	290	0	111	0	401
Regulatory Reserves	791	0	113	(28)	876
Major Maintenance Work on County Roads Fund	0	0	120	0	120
Care - Other Reserves	127	0	9	(34)	102
Business Process Transformation Fund	244	(244)	0	0	0
Ffordd Gwynedd Fund	0	244	0	0	244
Invest to Save Fund	1,497	4	1,033	0	2,534
Invest to Save Fund - Carbon Reduction Plan	1,521	(86)	14	(304)	1,145
Transforming Fund	7,105	0	1,325	(1,245)	7,185
Committed Revenue Grants Fund	168	0	153	(10)	311
Capital Reserve to Realise Savings	209	0	0	0	209
Contracts Tendering Fund	403	0	292	(21)	674
Housing Water and Sewerage Services Fund	1,337	0	0	(593)	744
Housing Environmental Warranty	480	0	0	0	480
Savings Programme Reserve	932	0	14	0	946
Information Technology Reserve	373	0	41	(40)	374
Restoration Fund	500	0	0	(154)	346
Preparatory Work for European Grant Funding Schemes	150	0	0	0	150
Pension Deficit Reserve (Pre Housing Revenue Account)	0	0	1,727	0	1,727
Supporting the 2014/15 Financial Strategy Reserve	0	0	579	0	579
Welfare Reform Statute Fund	0	444	0	0	444
EDRMS Fund	0	303	0	(15)	288
Various Other Reserves	1,343	(457)	985	(494)	1,377
Total	49,894	33*	13,935	(14,037)	49,825

*Transfer from School Balances (refer to page 34)

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

- (i) The Renewals Reserve is used by various departments to replace vehicles and equipment.
- (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) and which is administered by Gwynedd Council.
- (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) Convergence Programme Fund - fund was created for additional capital or revenue costs which arise from the requirements to develop plans for Objective 1.
- (vi) The Development Reserve relates to specific projects already determined by the Council such as Affordable Housing and E-Government.
- (vii) Redundancy Costs to Realise Savings Reserve – provision for financing redundancy costs to realise budgetary savings.
- (viii) Central Training – relates to the Council’s staff training programme.
- (ix) Communication Centre Reserve – sums set aside towards developing the Communication Centre.
- (x) 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’.
- (xi) 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.
- (xii) The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven income and expenditure (equalisation accounts) and likely requirements from contracts.
- (xiii) The Waste Development Reserve is for relevant commitments and developments in the waste field including our commitment to the North Wales Waste Partnership.
- (xiv) 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.
- (xv) 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.
- (xvi) Major Maintenance Work on County Roads Fund – to support the cost of large maintenance work on county roads.
- (xvii) Other Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- (xviii) Business Process Transformation Fund now known as the Ffordd Gwynedd Fund – a one-off fund to aid the business transformation process to realise savings for the Council.
- (xix) 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.

- (xx) 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 for the Council.
- (xxi) Transforming Fund – provision to change the Council’s internal procedures to be more effective and efficient.
- (xxii) Committed Revenue Grants Fund – includes revenue grants received and committed for future use.
- (xxiii) Capital Reserve to realise savings – provision to support capital plans that will realise permanent financial revenue savings.
- (xxiv) Contracts Tendering Fund – in response to uneven spending situations as a result of the tendering process for transport contracts.
- (xxv) 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.
- (xxvi) 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.
- (xxvii) Savings Programme Reserve – strategic financing provision to assist and give the Council some flexibility with regards to the essential savings programme in the future.
- (xxviii) Information Technology Reserve – renewals fund in order to respond to future uneven expenditure patterns.
- (xxix) Restoration Fund – provision towards the cost of the restoration work following flood damage to roads, bridges, etc.
- (xxx) Preparatory Work for European Grant Funding Schemes – provision towards the cost of preparing business cases to attract European funding sources and grants.
- (xxxi) Pension Deficit Reserve (Pre Housing Revenue Account) – provision set aside to reduce the unavoidable pension liability inherited in transferring the housing stock.
- (xxxii) Supporting the 2014/15 Financial Strategy Reserve – a fund established to assist and support the financial strategy for 2014/15.
- (xxxiii) Welfare Reform Act - provision to respond to changes to the Welfare Reform Act, and includes changes to Housing Benefits (changes to Universal Credit) and Council Tax Benefits (change to Local support for Council Tax).
- (xxxiv) Electronic Document and Records Management System (EDRMS) - provision for the work programme related to the purchase, implementation and develop the documents and records management system.
- (xxxv) Various Other Reserves – includes amounts set aside to meet a variety of other commitments.

NOTE 11 – OTHER OPERATING EXPENDITURE

2012/13		2013/14
£'000		£'000
1,479	Community Councils Precepts	1,507
	Levies	
10,652	Police & Crime Commissioner North Wales	10,908
5,526	North Wales Fire Authority	5,508
1,157	Snowdonia National Park Authority	1,153
68	Local Drainage Boards	68
17,403		17,637
(42)	(Gains)/losses on the disposal of non-current assets	(288)
18,840	Total	18,856

NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13		2013/14
£'000		£'000
6,730	Interest payable and similar charges	6,476
6,056	Net interest on the net defined benefit liability (asset)	7,544
(682)	Interest receivable and similar income	(445)
12,104	Total	13,575

NOTE 13 – TAXATION AND NON SPECIFIC GRANT INCOME

2012/13		Note	2013/14
£'000			£'000
(63,374)	Council Tax Income	<i>13a</i>	(66,095)
(32,801)	Non Domestic Rates	<i>13b</i>	(38,209)
(136,566)	Non-ringfenced government grants		(144,714)
(15,788)	Capital Grants and Contributions		(17,913)
(248,529)	Total		(266,931)

Non Domestic Rates

- An increase of £5m in National Non-Domestic Rates, by Welsh Government in comparison with the previous year's allocation (Note 13b).

Non-ringfenced government grants

- An increase of £8m relates to the Council Tax Reduction Scheme to reflect a change in the financing source to Welsh Government, has resulted in a change in the reporting arrangements, and accounts for the substantial movement between 2012/13 and 2013/14 (Note 35).

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 North Wales Police and Crime Commissioner's requirement is then added to this amount to establish the County's Council Tax.

The Council Tax Base for 2013/14 was calculated as follows:-

CALCULATION OF THE COUNCIL TAX BASE FOR 2013/14			
Valuation Bands	Number of Properties following discounts	Statutory Multiplier	Equivalent Band D properties
A*	9	5/9	4.72
A	7,260	6/9	4,839.99
B	13,245	7/9	10,301.54
C	10,562	8/9	9,388.00
D	9,178	1	9,178.07
E	7,287	11/9	8,906.77
F	3,557	13/9	5,137.53
G	1,161	15/9	1,935.00
H	159	18/9	318.50
I	55	21/9	128.33
	Total		50,138.45
	Council Tax base after allowing for losses on collection		48,884.99

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

2012/13		2013/14
£'000		£'000
63,706	Council Tax raised	66,493
(332)	Less Provision for bad debts	(398)
63,374		66,095

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 Welsh Government. 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 (46.4p in 2013/14) 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 2013/14 financial year there were 7,158 properties on the local valuation list in Gwynedd, representing a rateable value of £99,178,095.

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

2012/13		2013/14
£'000		£'000
(33,982)	National Non-Domestic Rate raised	(34,716)
361	Cost of Collection allowance	364
551	Provision for Bad Debts	284
33,070	Sum paid to the National Pool	34,068
0		0
(32,801)	Receipts from the National Pool	(38,209)
(32,801)	Net Income from Non Domestic Rates	(38,209)

NOTE 14 – 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. Although there is a minor deficit in 2013/14, a surplus is evident over the 3 year period.

2013/14	£'000
Total charges income received (excluding VAT)	(471)
Total charges expenditure incurred	472
(Surplus) / Deficit for 2013/14	1
(Surplus) / Deficit for 2012/13	(10)
(Surplus) / Deficit for 2011/12	4
(Surplus) / Deficit for the last three years	(5)

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2013/14:

	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 1.04.13	254,200	166,267	34,077	991	819	12,157	468,511
Additions	15,720	8,865	4,303	4	0	5,100	33,992
Additions - GwyrAD	4,734	0	0	0	0	0	4,734
Sales	(579)	0	(1,334)	0	0	0	(1,913)
Transfers	3,280	25	0	0	1,805	(4,741)	369
Revaluation	(223)	0	0	0	0	0	(223)
Balance at 31.03.14	277,132	175,157	37,046	995	2,624	12,516	505,470
Depreciation							
Balance at 1.04.13	11,657	20,333	20,128	6	27	2	52,153
Depreciation in year	3,917	4,568	2,891	1	8	0	11,385
Sales	(23)	0	(1,097)	0	0	0	(1,120)
Transfers	(192)	0	0	0	0	0	(192)
Revaluation	(123)	0	0	0	0	0	(123)
Balance at 31.03.14	15,236	24,901	21,922	7	35	2	62,103
Impairment							
Balance at 1.04.13	46,196	63	200	230	58	0	46,747
Impairment in year - to Revaluation Reserve	1,588	0	0	0	0	0	1,588
Impairment in year - to Services	13,450	0	0	0	0	573	14,023
Sales	(212)	0	(120)	0	0	0	(332)
Transfers	543	0	0	0	5	(573)	(25)
Revaluation	(29)	0	0	0	0	0	(29)
Balance at 31.03.14	61,536	63	80	230	63	0	61,972
Net Book Value 31 March 2014	200,360	150,193	15,044	758	2,526	12,514	381,395
Net Book Value 31 March 2013	196,347	145,871	13,749	755	734	12,155	369,611

Comparative Movements in 2012/13:

	Land and Buildings	Infrastructure	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets under construction	Total Property, Plant and Equipment
Value	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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	196,347	145,871	13,749	755	734	12,155	369,611
31 March 2013							
Net Book Value	203,145	136,272	13,678	736	84	9,802	363,717
31 March 2012							

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 (£2.43m) and 59% rail element).

Capital Commitments

Significant commitments under capital contracts at 31 March 2014 were as follows:

	Contract Sum	Payments to date	Amount Outstanding
	£'000	£'000	£'000
Briwet Bridge *	13,357	7,139	6,218
Welsh National Sailing Academy - Marine Works	2,238	1,492	746
Welsh National Sailing Academy - Construction of the Academy Building	4,198	970	3,228
Improvements to Gwynedd Museum & Gallery	1,231	200	1,031
Leachate Treatment Plant, Faengoch	965	833	132
Cycle Track link between Cefn Glyn and Llanwnda	471	200	271

* 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, not Gwynedd Council's element alone.

NOTE 16 – HERITAGE ASSETS

	Specific Paintings	General Art Collections	Civic Regalia	Total
	£'000	£'000	£'000	£'000
Value				
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
Balance at 1.04.13	62	14	17	93
Adjust Opening Balance	0	0	0	0
Additions	0	0	0	0
Sales	0	0	0	0
Revaluation	18	0	0	18
Depreciation	0	0	0	0
Impairment	0	0	0	0
Balance at 31.03.14	80	14	17	111

The Council employed external valuers (Bonhams) in March 2012 to prepare estimated valuations of its civic regalia and paintings. The valuations are based on the current market value, which are 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 depreciate these assets. In the annual assessment (February 2014) by the external valuers, it was confirmed that there is no impairment and no significant change in the market, but the value of some specific paintings has slightly increased during the past financial year. This increase is reflected in the balance sheet where they are valued at £111,065. The Council owns two paintings above the di-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.

For further information, see also policy 1.13 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:

	2012/13	2013/14
	£'000	£'000
Rental income from investment property	44	0
Direct operating expenses arising from investment property	0	0
Net gain / (loss)	44	0

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:

	2012/13	2013/14
	£'000	£'000
Balance 1 April	298	824
<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	20	0
to/from Property, Plant and Equipment	506	(724)
Other changes	0	0
Balance 31 March	824	100

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 three 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 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Loans at amortised cost:				
Principal sum borrowed*	95,811	111,215	17,437	1,193
Accrued interest	0	0	694	691
Total Borrowing	95,811	111,215	18,131	1,884
Loans at amortised cost:				
Bank overdraft	0	0	11,787	19,496
Total Cash Overdrawn	0	0	11,787	19,496
Liabilities at amortised cost:				
Trade Payables	151	100	0	0
Finance leases	15	2,372	0	0
Total other Long Term Liabilities	166	2,472	0	0
Liabilities at amortised cost:				
Trade Payables	0	0	56,913	61,785
Finance Leases	0	0	14	112
Included within Creditors**	0	0	56,927	61,897
Total Financial Liabilities	95,977	113,687	86,845	83,277

* The short term borrowing at 31 March 2014 includes a loan of £16,200,000 which could be called for repayment in July 2018. However, due to current low interest rates this is unlikely to happen.

** The short term creditors line on the Balance Sheet includes £1,393,000 (£1,850,000 at 31 March 2013) 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 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Loans and Receivables:				
Principal at amortised cost	17	17	35,000	27,000
Accrued interest	0	0	214	83
Impaired investments	0	0	415	0
Available for sale investments:				
Principal at amortised cost	60	60	0	0
Total Investments	77	77	35,629	27,083
Loans and Receivables:				
Cash	0	0	61	61
Cash equivalents at amortised cost	0	0	13,030	20,825
Total Cash and Cash Equivalents	0	0	13,091	20,886
Loans and Receivables:				
Trade Receivables	4,191	4,521	12,520	21,361
Included in Debtors*	4,191	4,521	12,520	21,361
Total Financial Assets	4,268	4,598	61,240	69,330

* The short term debtors line on the Balance Sheet includes £30,701,000 (£32,352,000 at 31 March 2013) 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 2013/14 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2013/14 Gwynedd Council identified the following “soft loans”:

- Deferred Payments on charges due from people under care (amount outstanding at 31.03.14 = £2,875,949)
- Car and Bike Loans to employees (amount outstanding at 31.03.14 = £974,543)

It has been determined that the few “soft” loans that the Council has require no separate disclosure, as they are di-minimis.

(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	2013/14 £'000
Interest expense	6,682	0	6,682
Impairment gains	0	(207)	(207)
Interest payable and similar charges	6,682	(207)	6,475
Interest income	0	(445)	(445)
Interest and investment income	0	(445)	(445)
Net (gain) / loss for the year	6,682	(652)	6,030

(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 2014, 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 2013	Fair Value 31 March 2013	Carrying Amount 31 March 2014	Fair Value 31 March 2014
	£'000	£'000	£'000	£'000
Financial Liabilities:				
Loans borrowed	(113,942)	(152,632)*	(113,099)	(140,550)
Finance leases	(29)	(29)	(2,484)	(2,484)
Trade Payables	(57,064)	(57,064)	(61,785)	(61,785)
Total Financial Liabilities	(171,035)	(209,725)	(177,368)	(204,819)
Financial Assets:				
Long term investments	77	77	77	77
Short term investments	35,415	35,629	27,000	27,083
Trade Receivables	16,711	16,711	21,361	21,361
Total Financial Assets	52,203	52,417	48,438	48,521

*Figure has been restated as basis of fair value has changed from PRR (Premature Repayment Rate) to CNLR (Certainty New Loan Rate)

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, and call/notice account deposits. The maturity dates of these investments were all within 12 months of the Balance Sheet date.

During 2008/09 the Council made a deposit of £4m with Heritable Bank which was 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 the end of 2013, with the first dividend payment of 15p in the £ due in the summer of 2009.

The Council received a return of 77.25% amounting to £3,105,729 from the administrators up to 31 March 2013. During 2013/14 the administrators distributed a further 16.74% bringing the total return to 93.99%, amounting to £3,778,352.60 against the original deposit of £4million. Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 6 October 2008.

The additional receipt in 2013/14 resulted a decrease of £240,799 to the impairment that was calculated at 31 March 2013. An associated increase in the notional interest of £16,315 was also received. A relevant proportion of the increase in reduction in the impairment (£34,022) and notional interest (£2,305) has been allocated to the Pension Fund. Both adjustments are included within Investment Income in the Comprehensive Income and Expenditure Statement.

(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 £12m 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 of £18m for institutions that are part of the same banking group. No more than £35m 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 £27m 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 2014 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 2013 £'000	31 March 2014 £'000
AAA	5,000	0
AA+	0	0
AA	0	0
AA-	10,000	10,000
A+	5,000	0
A	28,030	37,825
A-	0	0
Total Investments	48,030	47,825

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 unfavourable 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 2013 £'000	31 March 2014 £'000
Less than 1 year	1,237	1,193
Over 1 but not over 2	1,123	199
Over 2 but not over 5	4,490	4,625
Over 5 but not over 10	5,904	8,069
Over 10 but not over 20	25,572	39,305
Over 20 but not over 30	31,369	15,464
Over 30 but not over 40	0	0
Over 40	27,353	27,352
Uncertain date*	16,200	16,200
Total	113,248	112,407

* 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 2014, 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	243	(89)
Impact on Surplus or Deficit on the Provision of Services	243	(89)
Decrease in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income and Expenditure	243	0
Decrease in fair value of fixed rate borrowings / liabilities*	(15,787)	15,787

*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

2012/13 £'000	2013/14 £'000
1,257	1,455
1,257	1,455

NOTE 20 – SHORT-TERM DEBTORS

	Debtors NET of impairment	
	31 March 2013 £'000	31 March 2014 £'000
	Welsh Government	20,606
Other Central Government Bodies	6,360	4,164
Other Local Authorities	3,902	6,046
National Health Service	2,315	2,113
Public Corporations and Trading	32	45
Council Tax	1,773	1,927
Other Entities and Individuals	9,884	16,740
Total	44,872	52,062

NOTE 21 – CASH AND CASH EQUIVALENTS

Cash comprises cash in 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 2013	31 March 2014
	£'000	£'000
Cash in hand	14	14
Bank current accounts	47	47
Call Accounts	13,030	20,825
	<u>13,091</u>	<u>20,886</u>
Bank overdraft	(11,787)	(19,496)
	<u>1,304</u>	<u>1,390</u>

In order to maximise the returns from Short Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts and therefore a proportion of the above Short Term Investments (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 £12.1m (£7.4m at 31 March 2013).

NOTE 22 – ASSETS HELD FOR SALE

	2012/13	2013/14
	£'000	£'000
Balance 1 April	1,607	2,905
<u>Assets newly classified as held for sale:</u>		0
Property, Plant and Equipment	1,602	1,199
Expenditure in year	2	16
Revaluation Losses	0	0
Revaluation Gains	0	0
Impairment Losses	(2)	(16)
<u>Assets declassified as held for sale:</u>		0
Property, Plant and Equipment	(60)	(1,062)
Assets sold	(244)	(554)
Transfers from non-current to current	0	0
Balance 31 March	<u>2,905</u>	<u>2,488</u>

NOTE 23 – SHORT-TERM CREDITORS

	31 March 2013 £'000	31 March 2014 £'000
Welsh Government	567	1,055
Other Central Government Bodies	6,699	4,301
Other Local Authorities	19,787	19,796
National Health Service	847	587
Public Corporations and Trading	192	136
Council Tax	905	1,012
Other Entities and Individuals	29,780	36,404
Total	58,777	63,291

NOTE 24 – PROVISIONS

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

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

	Balance at 31 March 2013 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2014 £'000
<u>Short Term Provisions</u>				
Waste Site Provision	(1,160)	(721)	1,429	(452)
Other	(27)	0	0	(27)
	(1,187)	(721)	1,429	(479)
<u>Long Term Provisions</u>				
Council Tax Property Transfers	(250)	0	0	(250)
Equal Pay	(2,188)	0	97	(2,091)
Waste Site Provision	(8,705)	0	721	(7,984)
Third Party Provisions	(445)	0	257	(188)
MMI Insurance Provision	(198)	(212)	212	(198)
Other	(113)	0	0	(113)
	(11,899)	(212)	1,287	(10,824)
Total	(13,086)	(933)	2,716	(11,303)

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

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

Waste 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 inherited and 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

The Movement in Reserves Statement details the movements in the Authority’s usable reserves.

NOTE 26 – UNUSABLE RESERVES

44,043	Revaluation Reserve	41,009
60	Available For Sale Financial Instruments Reserve	60
163,466	Capital Adjustment Account	169,777
(959)	Financial Instruments Adjustment Account	(948)
6	Deferred Capital Receipts Reserve	4
(168,179)	Pensions Reserve	(191,006)
(3,201)	Accumulated Absences Account	(3,766)
35,236	Total Unusable Reserves	15,130

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.

2012/13 £'000		2013/14 £'000
50,736	Balance 1 April	44,043
1,057	Upward revaluation of assets	263
(6,518)	Downward revaluation of assets and impairment losses	(1,692)
(5,461)	Surplus or deficit on revaluation of assets	(1,429)
(911)	Difference between fair value depreciation and historical cost depreciation	(1,066)
(321)	Accumulated gains on assets sold	(539)
(1,232)	Amount written off to the Capital Adjustment Account	(1,605)
44,043	Balance 31 March	41,009

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.

2012/13 £000		2013/14 £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.

2012/13 £'000		2013/14 £'000
152,154	Balance 1 April	163,466
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(18,167)	Charges for depreciation and impairment of non-current assets	(25,426)
(6,452)	Revenue Expenditure funded from Capital under Statute	(6,222)
(491)	Adjustment to non-current assets balances when selling	(686)
911	Transfer from Capital Revaluation Reserve	1,066
	<u>Capital financing applied in the year:</u>	
2,345	Capital Receipts	1,377
19,170	Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	18,989
5,692	Revenue provision for the financing of supported capital investment	5,731
7,574	Capital expenditure charged in year against the General Fund	10,516
730	Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	966
163,466	Balance 31 March	169,777

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 2013/14 are as follows:

2012/13		2013/14
£000		£000
(1,015)	Balance 1 April	(959)
46	Proportion of premiums incurred in previous years charged to General Fund in accordance with statute	46
10	Deferred credit for receipt of charges due from people under care	(35)
(959)	Balance 31 March	(948)

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.

2012/13		2013/14
£000		£000
8	Balance 1 April	6
(2)	Principal repayment of Right To Buy Mortgages	(2)
6	Balance 31 March	4

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.

2012/13 £000		2013/14 £000
(128,153)	Balance 1 April	(168,179)
(38,006)	Re-measurements of the net defined benefit liability / (assets)	(16,221)
(20,159)	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	(26,333)
18,139	Employer's pensions contributions and direct payments to pensioners payable in the year	19,727
(168,179)	Balance 31 March	(191,006)

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.

2012/13 £000		2013/14 £000
(4,060)	Balance 1 April	(3,201)
859	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	(565)
(3,201)	Balance 31 March	(3,766)

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

2012/13 £'000		2013/14 £'000
(11,430)	Depreciation	(11,386)
(6,735)	Impairment and downward valuations	(14,039)
(15,958)	(Increase)/Decrease in Creditors	(1,031)
16,063	Increase/(Decrease) in Debtors	7,059
(123)	Increase/(Decrease) in Stock	198
(2,020)	Pension Liability	(6,606)
(813)	Carrying amount of non-current assets sold	(1,226)
(3,544)	Other non-cash items charged to net surplus/deficit on the provision of services	(3,247)
(24,560)		(30,278)

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

2012/13 £'000		2013/14 £'000
856	Proceeds from sale of property, plant and equipment, investment property and intangible assets	1,514
856		1,514

NOTE 27c – CASH FLOW STATEMENT : OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13 £'000		2013/14 £'000
(792)	Interest received	(576)
5,989	Interest paid	5,864

NOTE 28 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2012/13 £'000		2013/14 £'000
31,733	Purchase of property, plant and equipment, investment property and intangible assets	31,469
6,638	Other payments for investing activities	6,554
(934)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,544)
(144)	Proceeds from short-term and long-term investments	(8,416)
37,293	Net cash flows from investing activities	28,063

NOTE 29 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2012/13 £'000		2013/14 £'000
20	Cash payments for the reduction of the outstanding liability relating to Finance Leases	92
1,110	Repayments of short term and long term borrowing	843
1,130	Net cash flows from financing activities	935

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 Cabinet 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.

2013/14	Expenditure			Total	Income		Total	Net
	Employees	Other	Support Services		Fees and other	Government Grants and Contributions		
	£'000	£'000	£'000	Expenditure			£'000	£'000
AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS								
Human Resources	2,879	362	(23)	3,218	(56)	(59)	(115)	3,103
Finance	5,262	1,292	2	6,556	(1,686)	(920)	(2,606)	3,950
Democracy and Legal	1,764	741	1	2,506	(679)	(190)	(869)	1,637
Customer Care	6,175	2,220	129	8,524	(1,356)	(99)	(1,455)	7,069
Strategic and Improvement	4,401	4,063	7	8,471	(72)	(3,723)	(3,795)	4,676
Education	79,825	25,463	246	105,534	(6,761)	(15,827)	(22,588)	82,946
Economy and Community	4,731	10,440	19	15,190	(3,420)	(7,986)	(11,406)	3,784
Highways and Municipal	16,032	18,327	(7)	34,352	(7,922)	(3,867)	(11,789)	22,563
Regulatory	5,682	8,948	0	14,630	(3,969)	(4,591)	(8,560)	6,070
Consultancy	2,191	738	0	2,929	(2,685)	(226)	(2,911)	18
North & Mid Wales Trunk Road Agency	0	0	(106)	(106)	(142)	0	(142)	(248)
Provider and Leisure	20,213	(1,159)	258	19,312	(3,329)	(762)	(4,091)	15,221
Housing and Social Services	15,043	50,669	7	65,719	(11,222)	(10,304)	(21,526)	44,193
Total items within Departmental Control	164,198	122,104	533	286,835	(43,299)	(48,554)	(91,853)	194,982
Corporate	1,729	19,921	24,857	46,507	(1,133)	(33,617)	(34,750)	11,757
Corporate Management Team	859	70	1	930	0	(5)	(5)	925
Total items within Departmental Control and Central Support Services	166,786	142,095	25,391	334,272	(44,432)	(82,176)	(126,608)	207,664
Items within net cost of services, not under departmental control:								
Capital Charges	0	29,744	0	29,744	0	0	0	29,744
Items under departmental control, not included in net cost of services:								
Contributions to Reserves	(329)	(5,020)	0	(5,349)	0	0	0	(5,349)
Use of Reserves	0	0	0	0	2,121	0	2,121	2,121
Net Cost of Services	166,457	166,819	25,391	358,667	(42,311)	(82,176)	(124,487)	234,180
Other Operating Expenditure								
Precepts and Levies	0	19,144	0	19,144	0	0	0	19,144
(Gains)/Losses on the disposal of Non-current Assets	0	0	0	0	(288)	0	(288)	(288)
Financing and Investment Income and Expenditure								
Interest Payable and Similar Charges	0	6,682	0	6,682	(206)	0	(206)	6,476
Pensions Interest Cost and Expected Return on Pensions Assets	0	0	7,544	7,544	0	0	0	7,544
Interest and Income from Investments	0	0	0	0	(445)	0	(445)	(445)
Taxation and Non-specific Grant Income								
Council Tax	0	0	0	0	(66,095)	0	(66,095)	(66,095)
Net income Non-domestic rates	0	0	0	0	(38,209)	0	(38,209)	(38,209)
Government Grants - Revenue	0	0	0	0	0	(144,714)	(144,714)	(144,714)
Grants and Contributions - Capital	0	0	0	0	(2,967)	(14,946)	(17,913)	(17,913)
(Surplus)/ Deficit on the Provision of Services	166,457	192,645	32,935	392,037	(150,521)	(241,836)	(392,357)	(320)

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	6,056	6,056	0	0	0	6,056
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	30,367	378,408	(139,375)	(244,273)	(383,648)	(5,240)

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 on behalf of the Welsh Government.

In terms of the North and Mid Wales Trunk Road Agency, the principal area of work is managing and maintaining the trunk road network in the region of the North and Mid Wales Council’s Partnership that extends to 1,174 kilometres. The income transactions recovered during the year 2013/14 was £51.91m (£51.26m in 2012/13).

During 2013/14 Gwynedd Council acted as an agent as part of the Welsh Government’s ‘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 2013/14 loans amounting to £159,000 were given for houses in Gwynedd (£50,000 in 2012/13).

NOTE 32 – MEMBERS’ ALLOWANCES

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

2012/13		2013/14
£'000		£'000
1,215	Allowances	1,260
64	Expenses	65
1,279		1,325

NOTE 33 – OFFICERS’ REMUNERATION

33a. 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, employer’s pension contributions and other employer costs are included below, but the employer’s national insurance contributions are excluded. Included below is the related gross costs, where substantial savings have been made from senior management restructuring of the Council:

2012/13				Chief Officers	2013/14			
Employer's Pension	Other Employer	Costs	Total		Employer's Pension	Other Employer	Costs	Total
Salary	Contributions				Salary	Contributions		
£	£	£	£		£	£	£	£
108,264	23,710	0	131,974	Chief Executive ¹	108,264	24,251	174,298	306,813
86,040	18,843	0	104,883	Corporate Director	88,960	19,927	0	108,887
86,040	18,843	0	104,883	Corporate Director	88,960	19,927	0	108,887
86,040	18,843	0	104,883	Corporate Director ²	44,480	9,964	60,030	114,474
				Corporate Director ³	41,144	9,216	0	50,360
73,856	16,174	0	90,030	Head of Education ⁴	75,511	16,914	25,813	118,238
71,002	15,549	0	86,551	Head Soc Serv, Housing & Leisure/Stat Director ⁵	44,042	9,865	0	53,907
70,970	15,542	0	86,513	Head of Highways and Municipal	73,578	16,482	0	90,060
67,716	14,830	0	82,546	Head of Finance	70,263	15,739	0	86,002
67,716	14,830	0	82,546	Head of Economy & Community	70,263	15,739	0	86,002
67,716	14,830	0	82,546	Head of Customer Care	70,263	15,739	0	86,002
67,716	14,830	0	82,546	Head of Regulatory	70,263	15,739	0	86,002
67,716	14,830	0	82,546	Head of Strategic & Improvement	70,263	15,739	0	86,002
67,716	14,830	0	82,546	Head of Human Resources	63,237	14,165	0	77,402
60,332	13,213	0	73,545	Head of Gwynedd Consultancy	59,353	13,295	0	72,648
54,173	11,864	0	66,037	Head of Democracy and Legal ⁶	56,210	12,591	99,834	168,635
0	0	0	0	Head of Children and Supporting Families ⁷	19,719	4,417	0	24,136

• “Other Employer Costs” above - in accordance with the requirements the related commitments as known to the Council as at 31 March 2014 are included.

• Other references to the above table:

- 1 Holder in post to end of September 2014
- 2 Holder in post to end of September 2013
- 3 New holder in above post (2) from beginning of October 2013
- 4 Holder in post to end of August 2014
- 5 Post existed to end of September 2013
- 6 Holder in post to end of August 2014
- 7 Holder in new post from beginning of December 2013

33b. Other Authority employees receiving more than £60,000 remuneration for the year (excluding employer's pension and national insurance contributions), were paid the following amounts. The figures include termination benefits paid in 4 cases in 2013/14 and 2 cases in 2012/13. 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 and includes remuneration and termination benefits:						
Number in 2012/13			Number in 2013/14			
Schools	Other	Total		Schools	Other	Total
8	2	10	£60,000 - 64,999	7	0	7
5	0	5	£65,000 - 69,999	5	0	5
1	1	2	£70,000 - 74,999	1	0	1
2	0	2	£75,000 - 79,999	2	0	2
0	0	0	£80,000 - 84,999	0	1	1
0	0	0	£85,000 - 89,999	0	0	0
1	0	1	£90,000 - 94,999	1	1	2
0	0	0	£95,000 - 99,999	1	0	1
0	0	0	£100,000 - 104,999	1	0	1

NOTE 34 – EXTERNAL AUDIT COSTS

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

2012/13		2013/14
£'000		£'000
313	Fees for External Audit Services	272
112	Fees for grant claims and returns	139
425		411

The 'Fees for External Audit Services' in 2013/14 includes £6,258 (£10,600 in 2012/13) audit fees relating to the Joint Committees.

NOTE 35 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	Note	2012/13 £'000	2013/14 £'000
Credited to Taxation and Non Specific Grant Income			
Outcome Agreement Grant (Non-ringfenced Government Grants)	13	1,300	1,290
Revenue Support Grant (Non-ringfenced Government Grants)	13	135,266	143,424
Government Capital Grants and Contributions -			
21st Century Schools		3,213	2,673
General Capital Grant		2,461	2,543
Physical Regeneration in North Wales		2,998	704
ERDF - Convergence		2,393	208
Other		4,219	8,818
	13	<u>15,284</u>	<u>14,946</u>
Other Capital Grants and Contributions	13	<u>504</u>	<u>2,967</u>
Total		152,354	162,627
Grants and Contributions Credited to Services			
Welsh Government -			
Supporting People Grant (SPG & SPRG)		5,334	5,925
Foundation Phase Grant (Education)		3,881	4,032
Sustainable Waste Management Grant		3,920	3,696
Post 16 Grant (Education)		4,295	3,310
Potential Grant		0	3,156
14-19 Paths (Education)		4,212	767
Concessionary Fare Grant		2,040	557
Other		18,771	16,173
		<u>42,453</u>	<u>37,616</u>
Other Government Grants and Contributions -			
Department for Work and Pensions		38,363	29,708
Other		11,608	14,852
		<u>49,971</u>	<u>44,560</u>
Other Grants and Contributions		<u>1,778</u>	<u>768</u>
		94,202	82,944

Revenue Support Grant (Non-ringfenced Government Grants)

• An increase of £8m relates to the Council Tax Reduction Scheme to reflect a change in the financing source to Welsh Government, has resulted in a change in the reporting arrangements, and accounts for the substantial movement between 2012/13 and 2013/14 (Note 35).

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 2013 £'000	31 March 2014 £'000
Grants Received in Advance	£'000	£'000
<u>Long Term</u>		
Revenue Grants and Contributions : -		
Regulatory (Planning, Transport & Public Protection) Grants	499	682
Housing Grants	495	426
	994	1,108
Capital Grants and Contributions : -		
Highways and Municipal Capital Contributions	0	1,956
Regulatory (Planning, Transport & Public Protection) Grants	245	878
	245	2,834
Total Long Term	1,239	3,942
<u>Short Term</u>		
Revenue Grants and Contributions : -		
Economy and Community Grants	503	306
Housing Grants	263	285
Education Grants	1,248	261
Regulatory (Planning, Transport & Public Protection) Grants	13	251
Social Services Grants	183	152
Consultancy Grants	42	29
Provider and Leisure Grants	49	23
Democracy and Legal Grants	0	7
Highways and Municipal Grants	3	3
Strategic and Improvement Grants	1	0
	2,305	1,317
Capital Grants and Contributions : -		
Economy and Community Grants	79	215
Highways and Municipal Capital Contributions	0	146
Housing Grants	139	97
	218	458
Total Short Term	2,523	1,775
Total	3,762	5,717

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. To conform to the requirements, this is done by completing a personal declaration by the Members and Senior Officers, as defined in the CIPFA Code of Practice.

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. 5 members of the Council did not return a personal declaration. The total of members' allowances paid in 2013/14 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 2014 made to these bodies under this heading during 2013/14 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£9,534,211	£5,006,429	(£6,486,289)

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 2014 made to these companies under this heading during 2013/14 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£2,650,012	£171,817	(£54,733)

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 2014 made to these bodies under this heading during 2013/14 is as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£4,317,783	£725,311	(£288,340)

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 76 to 80 and the Pension Fund Accounts on pages 84 to 115.

Welsh Joint Education Committee (WJEC)

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£544,912	£128,360	-

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 2014 to Cwmni Cynnal during 2013/14 for services to schools are as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£ 1,416,951	£ 75,464	(£27,000)

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 approximately £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.

31 March 2013 £'000		31 March 2014 £'000
373,433	Non-current Assets	384,095
(44,043)	Revaluation Reserve	(41,009)
(163,466)	Capital Adjustment Account	(169,777)
165,924	Capital Financing Requirement	173,309

The movement in the year is explained as follows:

2012/13		2013/14
£'000		£'000
162,825	Capital Financing Requirement 1 April	165,924
9,817	Land and Buildings	20,454
13,737	Infrastructure	8,865
3,402	Vehicles, Plant and Equipment	4,303
20	Community Assets	4
4,923	Assets under construction	5,100
2	Assets held for sale	16
6,452	Funded from capital under statute	6,222
257	Capitalisation of contribution to landfill aftercare provision	0
(2,345)	Capital Receipts used	(1,377)
(19,170)	Government Grants and other contributions	(18,989)
(7,574)	Capital expenditure charged to revenue	(10,516)
(5,692)	Revenue provision for the financing of supported capital investment	(5,731)
	Additional voluntary set aside :	
(730)	Revenue provision for the financing of unsupported capital investment	(966)
165,924	Capital Financing Requirement 31 March	173,309

NOTE 38 – LEASES

Authority as Lessee

Finance Leases

The Council did have some vehicles and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March		31 March
2013		2014
£'000		£'000
71	Property, Plant and Equipment	4,734
71		4,734

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 2013 £'000	31 March 2014 £'000
Finance Lease Liabilities (net present value of minimum lease payments):	
14 current	112
15 non-current	2,372
1 Finance costs payable in future years	0
30 Minimum lease payments	2,484

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
	No later than one year	15	112	14
Later than one year and not later than five years	15	521	15	521
More than five years	0	1,851	0	1,851
	30	2,484	29	2,484

In 2013/14, minimum lease payments were made by the Authority of £32,392 (2012/13 - £23,528) in respect of those assets held as a finance lease.

Operating Leases

	31 March 2013 £'000	31 March 2014 £'000
No later than one year	250	312
Later than one year and not later than five years	44	169
Later than five years	0	0
	294	481

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

	2012/13 £'000	2013/14 £'000
Minimum lease payments	613	493
Contingent rents	0	0
	613	493

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	31 March
	2013	2014
	£'000	£'000
No later than one year	428	352
Later than one year and not later than five years	847	714
Later than five years	2,221	2,147
	3,496	3,213

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 2013/14 £1,017,925 minimum lease payments were receivable by the Authority (£930,137 in 2012/13).

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 package cost to the employer, rather than the actual value of the payments to the individuals. In accordance with the requirements the related commitments as known to the Council as at 31 March 2014 are included. Included below are the related gross costs but not the financial savings to the Council, where appropriate.

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
£	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
0 - 20,000	45	58	0	7	45	65	224	382
20,001 - 40,000	8	7	0	1	8	8	207	211
40,001 - 60,000	2	3	0	0	2	3	95	165
60,001 - 80,000	1	1	0	1	1	2	70	125
80,001 - 100,000	1	0	0	1	1	1	87	100
100,001 - 150,000	0	0	0	0	0	0	0	0
150,001 - 200,000	0	0	0	1	0	1	0	174
Total	57	69	0	11	57	80	683	1,157

NOTE 41 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by 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 Teachers Pension Scheme is 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 2013/14 the Council paid £6.03m (£6.01m in 2012/13) in respect of teachers' pension costs, which represented 13.68% (13.89% in 2012/13) 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 2013/14 these amounted to £1.27m (£0.96m in 2012/13) representing 2.87% (2.30% in 2012/13) 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 the fund, calculated at a level intended to balance the pension liabilities with investment assets.
- b) **Arrangements for the award of discretionary 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.

The Gwynedd Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Gwynedd Council. Policy is determined in accordance with the Local Government Pensions Scheme Regulations. The investment managers of the fund are appointed by the committee.

The principal risks to the authority from the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (such as large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the amounts required by statute as described in the accounting policies note to the General Fund.

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:

Change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability	Period ended 31 March 2013			Period ended 31 March 2014		
	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Net (liability) /asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	365,096	0	365,096	418,033	0	418,033
Present Value of Funded Liabilities	0	(493,249)	(493,249)	0	(559,752)	(559,752)
Present Value of Unfunded Liabilities	0	0	0	0	(26,460)	(26,460)
Opening Position at 31 March	365,096	(493,249)	(128,153)	418,033	(586,212)	(168,179)
Service Cost						
Current Service Cost*	0	(13,907)	(13,907)	0	(18,481)	(18,481)
Past Service Costs(including curtailments)	0	(196)	(196)	0	(308)	(308)
Total Service Cost	0	(14,103)	(14,103)	0	(18,789)	(18,789)
Net interest						
Interest Income on Plan Assets	17,669	0	17,669	18,937	0	18,937
Interest Cost on Defined Benefit Obligation	0	(23,725)	(23,725)	0	(26,481)	(26,481)
Total Net Interest	17,669	(23,725)	(6,056)	18,937	(26,481)	(7,544)
Total Defined Benefit Cost Recognised in Profit/(Loss)	17,669	(37,828)	(20,159)	18,937	(45,270)	(26,333)
Cashflows						
Plan participants contributions	4,654	(4,654)	0	4,912	(4,912)	0
Employer contributions	16,484	0	16,484	17,857	0	17,857
Contributions in respect of funded benefits	1,739	0	1,739	1,744	0	1,744
Benefits Paid	(14,949)	14,949	0	(16,538)	16,538	0
Unfunded Benefits Paid	(1,739)	1,739	0	(1,744)	1,744	0
Expected Closing Position	388,954	(519,043)	(130,089)	443,201	(618,112)	(174,911)
Re-measurements						
Change in demographic assumptions	0	0	0	0	(15,484)	(15,484)
Change in financial assumptions	0	(67,375)	(67,375)	0	(13,567)	(13,567)
Other experience		206	206	0	(33,406)	(33,406)
Return on Assets excluding amounts included in net interest	29,079	0	29,079	46,362	0	46,362
Total remeasurements recognised in Other Comprehensive Income (OCI)	29,079	(67,169)	(38,090)	46,362	(62,457)	(16,095)
Fair Value of Employer Assets	418,033	0	418,033	489,563	0	489,563
Present Value of Funded Liabilities	0	(559,752)	(559,752)	0	(653,270)	(653,270)
Present Value of Unfunded Liabilities	0	(26,460)	(26,460)	0	(27,299)	(27,299)
Closing Position at 31 March 2014	418,033	(586,212)	(168,179)	489,563	(680,569)	(191,006)

* The current service cost includes an allowance for administration expenses of 0.5% of payroll

The Major Categories of Plan Assets as a Percentage of Total Plan Assets

The actuary has provided a detailed breakdown of Fund assets in accordance with the requirements of IAS19. This analysis distinguishes between the nature and risk of those assets and to further break them down between those with a quoted price in an active market and those that do not. The asset split for Gwynedd Council is assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2013. The split is shown in the table above. The actuary estimates the bid value of the Fund's assets as at 31 March 2014 to be £1,305,000,000 based on information provided by the Administering Authority and allowing for index returns where necessary.

Fair Value of Employer Assets

The asset values below are at bid value as required under IAS19.

Asset Category	At 31 March 2013				At 31 March 2014			
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total		Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities								
Consumer	4,972	0	4,972	1	9,166	0	9,166	2
Energy and Utilities	12,678	0	12,678	3	11,721	0	11,721	2
Financial Institutions	7,022	0	7,022	2	4,091	0	4,091	1
Health and Care	21,077	0	21,077	5	21,696	0	21,696	4
Information Technology	6,549	0	6,549	2	13,658	0	13,658	3
Other	20,137	0	20,137	5	22,330	0	22,330	5
Private Equity								
All	0	20,579	20,579	5	0	23,428	23,428	5
Real Estate								
UK Property	0	35,851	35,851	9	0	42,131	42,131	9
Overseas Property	0	1,287	1,287	0	0	1,251	1,251	0
Investment Funds and Unit Trusts								
Equities	9,306	128,648	137,954	33	109,813	143,424	253,237	52
Bonds	0	55,246	55,246	33	0	72,767	72,767	15
Infrastructure	0	2,084	2,084	0	0	2,159	2,159	0
Derivatives								
Inflation	0	1,074	1,074	0	0	0	0	0
Cash and Cash Equivalents								
All	9,244	0	9,244	2	11,927	0	11,927	2
Total	90,985	244,769	335,754	100	204,402	285,160	489,562	100

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, life expectancy and salary levels. Life expectancy is based on fund specific projections called VitaCurves with long term improvement assumed to have already peaked and converging to 1.25% per annum.

Both the Gwynedd Pension Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries, estimates for the Gwynedd Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013. The significant assumptions used by the actuary are as follows:-

	31 March 2013	31 March 2014
Financial Assumptions	% p.a.	% p.a.
Pensions Increase Rate	2.8	2.8
Salary Increase Rate	5.1*	4.6**
Inflation Rate	2.8	2.8
Discount rate	4.5	4.3
Long term expected rate of return on all categories of assets	4.5	4.3
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
Mortality assumptions	Years	Years
Longevity at 65 for current pensioners		
Men	20.5	22
Women	23	24
Longevity at 65 for future pensioners		
Men	23.3	24.4
Women	25.6	26.6

*Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

**Salary increases are assumed to be 1% p.a. until 31 March 2016 reverting to the long term assumption shown thereafter.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2014 on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided in this note.

To quantify the uncertainty around life expectancy, the actuary has calculated the difference in cost to the Council of a one year increase in life expectancy. For sensitivity purposes this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). The figures in the table below have been derived based on the membership profile of the Council as at 31st March 2013, the date of the most recent actuarial valuation. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

Impact on the Defined Benefit Obligation in the Scheme		
Change in assumption	Approximate increase to Employer 31 March 2014	Approximate monetary amount 31 March 2014
	%	£'000
0.5% decrease in real discount rate	11	68,912
1 year increase in life expectancy	3	19,048
0.5% increase in the salary increase rate	4	24,247
0.5% increase in the pension increase rate	7	43,344

Impact on the Council's Cash Flows

One of the objectives of the scheme is that employer contributions should be kept at as constant a rate as possible. Gwynedd Council has agreed a strategy with the fund's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The contributions paid by the Council are set by the Fund Actuary at each triennial valuation (the most recent being as at 31 March 2013), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2017 are set out in the Rates and Adjustments certificate. For further details on the approach adopted to set contribution rates for the Council, please refer to the 2013 actuarial report dated 31 March 2014.

Information about the Defined Benefit Obligation

	Liability Split		Duration
	£'000	%	
Active Members	327,957	50.2	24.9
Deferred Members	87,498	13.4	24.2
Pensioner Members	237,815	36.4	11.4
Total	653,270	100.0	19.9

The above figures are for funded obligations only and do not include unfunded pensioner liabilities. The durations are effective at the previous formal valuation as at 31 March 2013.

Impact in Future Years

Future IAS19 reporting will take account of the national changes to the scheme under the Public Pensions Services Act 2013 and the change from final salary benefits to career average revalued benefits for service from 1st April 2014 onwards.

The total contributions expected to be made to the Local Government Pensions Scheme by the Council in the year to 31 March 2015 is £17.2m.

As the Actuary's report is based on estimates and due to timing issues, there is a variance of £125,323 in 2013/14 (£84,000 in 2012/13) between the deficit in the Scheme based on the Actuarial figures in comparison with the Liability related to the defined benefit pension schemes in the Balance Sheet. This variance has been treated as Actuarial Gains and Losses on Pension Assets and Liabilities and therefore has been included in the Liability related to the defined benefit pension schemes in the Balance Sheet.

NOTE 43 – CONTINGENT LIABILITIES

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

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

- Position in respect of Equal Pay Claims – a provision is contained within the Authority's Accounts and reflects the best estimate of potential cost as at 31 March 2014. 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. 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 initial levy was 15% of the payments made since 30 September 1992 payable by the authorities; this initial levy was 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. Gwynedd Council is of the opinion that it would be prudent to continue with the provision in the expectation that the original levy will be inadequate. The current related estimated maximum potential liability to this authority is in the order of, up to almost £850,000.

NOTE 44 – TRUSTS

The Council acts as sole trustee for 173 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.

2013/14	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Social Services Trust Funds	6	21	389	42
Educational Trust Funds	58	33	882	673
FMG Morgan Trust Fund	8	2	152	145
Welsh Church Fund	348	19	872	38
	420	75	2,295	898

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
	146	45	1,964	781

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

The Welsh Government decided 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, and accordingly 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 has been no income or expenditure relating to the Housing Revenue Account since 2010/11. However, during 2013/14, following consent from the Welsh Government that it was possible to completely close the

Housing Revenue Account, the balance of the Account was transferred for the use of the Council and is now in the Council's Earmarked Reserves.

2012/13	2013/14
£'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	0

NOTE 46 – SERVICE CONCESSION ARRANGEMENTS

Prosiect GwyrAD is a Service Concession Arrangement, otherwise known as a 'Private Finance Initiative' (PFI) scheme. The construction commenced in 2012/13 and the plant became operational in September 2013. It is a treatment plant for source segregated food waste from Gwynedd residents and businesses (mainly) using Anaerobic Digestion (AD) technology. The enterprise is assisting the Authority to meet its recycling targets, and to work within its allowances for landfilling of Biodegradable Municipal Waste for a period of 15 years.

The assets used to provide the service are recognised on the Authority's Balance Sheet. The Authority makes an agreed payment (gate fee) each year based on a minimum amount of tonnage which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year. The Authority has the right to increase the amount of tonnages over the agreed 7,500 tons to a maximum of 11,000 tons, and will pay a reduced gate fee for anything over 7,500 tons.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Paid in 2013/14	290	63	92	445
Payable in 2014/15	498	112	153	763
Payable within 2 to 5 years	1,991	521	539	3,051
Payable within 6 to 10 years	2,489	854	472	3,815
Payable within 11 to 15 years	2,198	997	174	3,369
Total	7,466	2,547	1,430	11,443

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable.

The contractor receives income from energy that is generated from the waste which has enabled them to keep the unitary payment low for the Authority. If the income is higher than what is in the contract, there is an arrangement for it to be shared between the contractor and Gwynedd Council.

The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

	2013/14	
	Lease Liability	Deferred Income
	£'000	£'000
Balance outstanding at 1 April 2013	(2,547)	(2,187)
Repayment of principal during the year	63	0
Release of deferred income	0	85
Balance outstanding at 31 March 2014	(2,484)	(2,102)

NOTE 47 – JOINT COMMITTEES

During 2013/14, Gwynedd Council participated in six joint-committees, collaborating in particular areas between Local Authorities. Separate accounts are required for joint-committees. The six joint-committees relating to Gwynedd are:

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

The Joint Committee accounts follow the same timetable in terms of the statutory dates for the completion of the accounts. In the circumstances, therefore Gwynedd Council's Accounts reflects the related actual net liability, although the subjective analysis position varies subject to circumstances and the reporting arrangements of the various joint committees. Figures have not been included within the body Gwynedd's Statements of Accounts, however the figures that are subject to audit and the share relating to Gwynedd have been included in Appendix D 'Joint Committees Summary'.

GWYNEDD PENSION FUND ACCOUNTS 2013/14

31 March 2013 £'000		Notes	31 March 2014 £'000
	Dealings with members, employers and others directly involved in the fund		
63,451	Contributions Receivable	7	65,700
18	Interest on Deferred Contributions		17
1	Income from Divorce Calculations		3
0	Interest on Late Payment of Contributions		0
3,126	Transfers in from other pension schemes	8	3,810
66,596	Total contributions received		69,530
(41,714)	Benefits Payable	9	(45,167)
(2,592)	Payments to and on account of leavers	10	(1,516)
(1,068)	Administrative Expenses	11	(1,268)
(45,374)	Total benefits paid		(47,951)
21,222	Net additions from dealings with members		21,579
	Returns on Investments		
11,929	Investment income	12	13,993
(335)	Taxes on income	13	(466)
116,102	Profit and (losses) on disposal of investments and changes in the market value of investments	15	88,421
(5,720)	Investment management expenses	14	(6,850)
121,976	Net returns on investments		95,098
	Net assets of the Fund		
1,049,671	At 1 st April		1,192,869
21,222	Net additions from dealings with members		21,579
121,976	Net returns on investments		95,098
1,192,869			1,309,546

NET ASSETS STATEMENT AS AT 31 MARCH 2014

31 March 2013		Notes	31 March 2014
£'000			£'000
1,170,051	Investment assets	15	1,280,403
17,316	Cash deposits	15	15,453
1,187,367			1,295,856
(4,297)	Investment liabilities	15	(308)
13,682	Current assets	20	17,450
(3,883)	Current liabilities	21	(3,452)
1,192,869			1,309,546

The Financial Statements do not take into account the Fund's liability to pay pensions and other benefits to all the present contributors to the Fund after the scheme year end, but rather summarise the transactions and net assets of the scheme. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (the most recently as at 31 March 2013) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will again be able to meet 100% of future liabilities. The actuarial present value of promised retirement benefits is shown in Note 19.

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE 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 2013/14 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 are in other national pension schemes. The fund is overseen by the Pensions Committee, which is a committee of Gwynedd Council.

b) Membership

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

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

There are 59 employer organisations within Gwynedd Pension Fund including the council itself, as detailed below:

Gwynedd Pension Fund	31 March 2013	31 March 2014
Number of employers with active members	40	39
Number of employees in scheme		
Gwynedd Council	5,391	6,525
Other employers	9,408	8,606
Total	14,799	15,131
Number of pensioners		
Gwynedd Council	2,153	2,296
Other employers	5,078	5,288
Total	7,231	7,584
Deferred pensioners		
Gwynedd Council	3,601	4,313
Other employers	4,768	6,187
Total	8,369	10,500

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	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
Resolution Bodies	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	
Admission Bodies	
Coleg Harlech WEA	North Wales Society for the Blind
CAIS	Conwy Voluntary Services
Conwy Citizens Advice Bureau	Careers Wales North West
Ynys Môn Citizens Advice Bureau	Mantell Gwynedd
Cwmni Cynnal	Medrwn Môn
Cwmni'r Fran Wen	Menter Môn
Holyhead Joint Burial Committee	
Community Admission Bodies	
Cartrefi Conwy	Cartrefi Cymunedol Gwynedd
Transferee Admission Body	
Eden Foods (no active members since 31 August 2013)	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 2014. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. During 2013/14 employer contribution rates ranged from 5.1% to 29.1% of pensionable pay. New employer contribution rates will be applied from 1st April 2014 following the actuarial valuation carried out as at 31 March 2013.

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.

Service from 1 April 2014 onwards will be based on new regulations as follows:

	Service post 31 March 2014
Pension	Each year worked is worth 1/49 x career average revalued earnings (CARE)
Lump Sum	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.

NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2013/14 financial year and its position at year-end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 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 manager that an element of their fee be performance related:

Fidelity – Global Equity

Performance-related fees of £37,844 were paid to the managers in 2013/14 (£0 in 2012/13).

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.

AVCs 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 2014 was £64 million (£62 million at 31 March 2013).

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 2014 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 2014, the fund had a balance of sundry debtors of £6.8m. 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 £64 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 2014, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

NOTE 7 – CONTRIBUTIONS RECEIVABLE

By category

2012/13 £'000		2013/14 £'000
49,126	Employers	50,908
14,325	Employees/Members	14,792
63,451		65,700

By authority

2012/13 £'000		2013/14 £'000
21,333	Gwynedd Council	23,297
36,999	Other Scheduled bodies	38,065
2,827	Admission bodies	1,722
2,033	Community admission body	2,369
63	Transferee admission body	31
142	Resolution Body	162
54	Closed fund*	54
63,451		65,700

* Closed fund – These are contributions received from North Wales Magistrates Court Committee which was an admitted body but is now a closed fund.

NOTE 8 – TRANSFERS IN FROM OTHER PENSION FUNDS

2012/13 £'000		2013/14 £'000
3,126	Individual transfers	3,810
3,126		3,810

NOTE 9 - BENEFITS PAYABLE

By category

2012/13 £'000		2013/14 £'000
32,237	Pensions	34,425
8,583	Commutation and lump sum retirement benefits	9,787
894	Lump sum death benefits	955
41,714		45,167

By authority

2012/13 £'000		2013/14 £'000
10,169	Gwynedd Council	11,613
18,182	Other Scheduled bodies	20,012
1,223	Admission bodies	984
543	Community admission body	1,000
15	Transferee admission body	75
11,495	Closed Fund	11,414
87	Resolution Body	69
41,714		45,167

NOTE 10 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2012/13 £'000		2013/14 £'000
37	Refunds to members leaving service net of tax repayments	(1)
1	Payments for members joining state scheme	1
2,554	Individual transfers	1,516
2,592		1,516

NOTE 11 – ADMINISTRATIVE EXPENSES

2012/13 £'000		2013/14 £'000
393	Direct employee costs	427
87	Other direct costs	209
434	Support services including IT	366
66	Pension fund committee	50
25	External audit fees	29
63	Actuarial fees	187
1,068		1,268

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.

NOTE 12 – INVESTMENT INCOME

2012/13 £'000		2013/14 £'000
6	Fixed Interest Securities	0
1,176	UK equities	2,816
5,052	Overseas equities	5,374
923	Private equity	1,264
0	Infrastructure	99
4,593	Pooled property investments	4,322
179	Interest on cash deposits	118
11,929		13,993

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 had a deposit of £4m with Heritable Bank, which went into administration in October 2008. An impairment of £2,723 was charged to the Pension Fund in 2012/13. During 2013/14 a distribution of £36,327 was received by the Pension Fund. These amounts have been included in the interest on cash deposits figure for the relevant year in the above table. Further information is included in Note 26.

NOTE 13 – TAXES ON INCOME

2012/13 £'000		2013/14 £'000
335	Withholding tax – equities	466
335		466

NOTE 14 – INVESTMENT MANAGEMENT EXPENSES

2012/13 £'000		2013/14 £'000
5,614	Management fees	6,720
46	Custody fees	50
16	Performance monitoring service	16
44	Investment consultancy fees	64
5,720		6,850

NOTE 15 – INVESTMENTS

2012/13 £'000		2013/14 £'000
	Investment assets	
157,644	Absolute return	194,386
206,697	Equities	238,975
634,387	Pooled investments	666,049
105,974	Pooled property investments	116,800
58,723	Private Equity	59,696
3,064	Infrastructure	4,497
	Derivative contracts:	
3,562	Forward currency contracts	0
1,170,051		1,280,403
17,316	Cash deposits	15,453
1,187,367	Total investment assets	1,295,856
	Investment liabilities	
	Derivative contracts:	
(3,620)	Forward currency contracts	0
(677)	Amounts payable for purchases	(308)
(4,297)	Total investment liabilities	(308)
1,183,070	Net investment assets	1,295,548

Note 15a – Reconciliation of movements in investments and derivatives

2013/14	Market value at 1 April 2013	Purchases during the year	Sales during the year	Change in market value during the year	Market value at 31 March 2014
	£'000	£'000	£'000	£'000	£'000
Fixed interest absolute return securities	157,644	31,000	0	5,742	194,386
Equities	206,697	58,392	(49,222)	23,108	238,975
Pooled investments	634,387	7,834	(19,413)	43,242	666,050
Pooled property investments	105,974	1,531	0	9,295	116,800
Private equity / infrastructure	61,787	16,273	(16,894)	3,026	64,192
	1,166,489	115,030	(85,529)	84,413	1,280,403
Forward foreign currency contracts	(58)			11	0
Cash deposits	17,316			(44)	15,453
Amount receivable for sales of investments	0				0
Amounts payable for purchases of investments	(677)				(308)
Fees within pooled vehicles				4,041	
Net investment assets	1,183,070	115,030	(85,529)	88,421	1,295,548

2012/13	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

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 £186,342 (2012/13 £426,308). The costs for 2012/13 were 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 2013		31 March 2014
£'000		£'000
	Equities	
	UK	
45,299	Quoted	45,272
	Overseas	
161,398	Quoted	193,703
	Pooled funds	
	UK	
218,891	Unit trusts	229,634
	Global (including UK)	
157,644	Fixed income	194,386
211,337	Unit trusts	231,295
	Overseas	
204,159	Unit trusts	205,120
105,974	Property unit trusts	116,800
58,723	Private equity	59,696
3,064	Infrastructure	4,497
1,166,489		1,280,403

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 may be 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. The fund no longer hedges a proportion of the Euro within the portfolio managed by UBS.

Settlement	Asset Value	Liability Value
	£'000	£'000
Net forward foreign currency contracts at 31 March 2014		0
Prior year comparative		
Open forward foreign currency contracts at 31 March 2013	3,534	(3,518)
Net forward foreign currency contracts at 31 March 2013		16

Investments analysed by fund manager

Market Value at 31 March 2013			Market Value at 31 March 2014		
£'000	%		£'000	%	
412,513	34.9	BlackRock	427,249	33.0	
240,729	20.3	Fidelity	258,421	19.9	
157,648	13.3	Insight	194,394	15.0	
20,887	1.8	Lothbury	23,395	1.8	
61,787	5.2	Partners Group	64,193	5.0	
10,736	0.9	Threadneedle	12,001	0.9	
56,223	4.8	UBS	63,323	4.9	
222,547	18.8	Veritas	252,572	19.5	
1,183,070	100.0		1,295,548	100.0	

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

Market value 31 March 2013 £'000	% of total fund	Security	Market value 31 March 2014 £'000	% of total fund
211,337	17.71	Fidelity Institutional Select Global Equity	231,295	17.66
218,889	18.34	BlackRock Asset Management Aquila Life UK Equity Index Fund	229,633	17.53
157,644	13.21	Insight LDI Solution Bonds Plus	194,386	14.84

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 2013			As at 31 March 2014		
Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
157,644			194,386		
206,697			238,975		
634,387			666,049		
105,974			116,800		
58,723			59,696		
3,064			4,497		
3,562			0		
121	24,662		189	25,959	
	6,216			6,755	
1,170,172	30,878	0	1,280,592	32,714	0
Financial liabilities					
(3,620)			0		
(650)		(3,911)	(308)		(3,452)
(4,270)	0	(3,911)	(308)	0	(3,452)
1,165,902	30,878	(3,911)	1,280,284	32,714	(3,452)

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 2013		31 March 2014	
Carrying value	Fair value	Carrying value	Fair value
£'000	£'000	£'000	£'000
Financial assets			
916,860	1,170,172	964,240	1,280,593
30,878	30,878	32,728	32,714
947,738	1,201,050	996,968	1,313,307
Financial liabilities			
(4,216)	(4,270)	(254)	(253)
(3,911)	(3,911)	(2,325)	(3,508)
(8,127)	(8,181)	(2,579)	(3,761)
939,611	1,192,869	994,389	1,309,546

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 2014	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	556,347	660,053	64,193	1,280,593
Loans and receivables	32,714	0	0	32,714
Total financial assets	589,061	660,053	64,193	1,313,307
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	(253)	0	(253)
Financial liabilities at cost	(3,508)	0	0	(3,508)
Total financial liabilities	(3,508)	(253)	0	(3,761)
Net financial assets	585,553	659,800	64,193	1,309,546

Values at 31 March 2013	Quoted	Using	With	Total
	market price	observable	significant	
	Level 1	Level 2	unobservable	Level 3
	£'000	£'000	inputs	£'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 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

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 2014
	%	%
Equities	12.5	11.6
Fixed Income	1.5	1.3
Alternatives (Private Equity)	9.6	6.2
Property	1.9	2.4
Cash	0.0	0.0

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

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

Asset type	Value as at 31 March 2014 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Equities	905,024	11.6	1,009,826	800,222
Fixed Income	194,386	1.3	196,913	191,859
Alternatives (Private Equity)	64,193	6.2	68,154	60,232
Property	116,800	2.4	119,615	113,985
Cash	25,839	0.0	25,844	25,834
Total assets available to pay benefits	1,306,242		1,420,352	1,192,132

Asset type	Value as at 31 March 2013 £'000	Percentage change %	Value on increase £'000	Value on decrease £'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

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 2014 and 31 March 2013 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 2014
	£'000	£'000
Cash and cash equivalents	7,466	10,695
Cash balances	17,316	15,452
Fixed interest securities	157,644	194,386
Total	182,426	220,353

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 2014	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	10,695	107	(107)
Cash balances	15,452	155	(155)
Fixed interest securities*	194,386	(1,108)	1,108
Total change in assets available	220,533	(846)	846

Asset type	Carrying amount as at 31 March 2013	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'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)

* 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 2014 and as at the previous period end:

Currency exposure - asset type	As at	As at
	31 March 2013	31 March 2014
	£'000	£'000
Overseas and Global Equities	576,897	630,118
Global Fixed Income	157,644	194,386
Overseas Alternatives (Private Equity and infrastructure)	61,787	64,193
Overseas Property	3,673	3,276
Overseas Currency	121	189
Total overseas assets	800,122	892,162

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 2014. The equivalent rate for the year ended 31 March 2013 was 5.2 %. 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 2014 and as at the previous year end:

Currency exposure - by currency	Value at 31 March 2014	Change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Australian Dollar	12,958	9.8	14,227	11,687
Brazilian Real	5,543	12.7	6,247	4,840
EURO	91,180	6.3	96,933	85,426
Hong Kong Dollar	8,320	8.0	8,984	7,656
South African Rand	7,290	11.3	8,114	6,465
Swedish Krona	6,701	7.0	7,172	6,230
Swiss Franc	9,897	7.4	10,631	9,163
US Dollar	119,472	8.1	129,114	109,831
Pooled Investments				
Global Basket	425,681	5.2	447,859	403,503
Global ex UK Basket	177,994	5.7	188,087	167,902
Emerging Basket	27,126	6.4	28,853	25,398
Total change in assets available	892,162	5.2	938,366	845,958

* The % change for Total Currency in the table above includes the impact of correlation across the underlying currencies.

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 asset type	Carrying amount as at 31 March 2014	Change in year in the net assets available to pay benefits	
		Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas and Global Equities	630,118	662,751	597,485
Global Fixed Income	194,386	204,453	184,319
Overseas Alternatives (Private Equity and infrastructure)	64,193	67,517	60,869
Overseas Property	3,276	3,446	3,106
Overseas Currency	189	199	179
Total change in assets available	892,162	938,366	845,958

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

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 2014 was £12.1m (£7.4m at 31 March 2013).

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 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 2014 the value of illiquid assets was £126m, which represented 9.6% of the total fund assets (31 March 2013: £117m, which represented 10.1% 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 2014 are due within one year as was the case at 31 March 2013.

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 2013.

Description of Funding Policy

The funding policy is set out in the Funding Strategy Statement (FSS) dated March 2014.

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 FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 21 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrates that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 80% chance that the Fund will return to full funding over the 21 years.

Funding Position as at the Last Formal Funding Valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £1,195million, were sufficient to meet 85% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £210 million.

The common contribution rate for the whole fund based on the funding level at 31 March 2013 is 18.3% for future service and a further 5.6% to fund the past service deficit, giving a total rate of 23.9%. The common contribution rate is a theoretical figure – an average across the whole fund. Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to Value the Liabilities

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2014.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the

Fund assets at their market value.

The key financial assumptions adopted for the 2013 valuation were as follows:

	% per annum Nominal	% per annum Real
Discount rate	4.7	2.2
Pay increases*	4.3	1.8
Price inflation / Pension increases	2.5	-

* Salary increases are assumed to be 1% per annum until 31 March 2016 reverting to the long term assumption shown thereafter.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions that were adopted for the 31 March 2013 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 life expectancy assumptions based on the actuary's fund-specific mortality review are as follows:

Mortality assumption at age 65	Male Years	Female Years
Current pensioners	22.0	24.0
Future pensioners (assumed current age 45)	24.4	26.6

Experience over the Period since April 2013

Experience has been slightly better than expected since the last valuation (excluding the effect of any membership movements). Real bond yields have risen and asset returns have been better than expected meaning that future funding levels are likely to have improved since the 2013 valuation.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

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 2014 was £1,747m (£1,667m at 31 March 2013). 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 2013 triennial funding valuation (see Note 18) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

Assumptions used

The financial assumptions used are those adopted for the Administering Authority’s IAS19 report as shown below:

Assumption	31 March 2013	31 March 2014
	%	%
Inflation/ pension increase rate	2.8	2.8
Salary increase rate	5.1*	4.6**
Discount rate	4.5	4.3

* Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term rate shown thereafter.

** Salary increases are assumed to be 1% p.a. until 31 March 2016 reverting to the long term rate shown thereafter.

The longevity assumption is the same as used for assessing the funding position as shown in Note 18 above.

The commutation assumption allows for future retirements to elect to take 50% of the maximum tax-free cash up to HMRC for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

NOTE 20 – CURRENT ASSETS

2012/13		2013/14
£'000		£'000
753	Contributions due - employees	1,119
2,584	Contributions due – employers	3,861
2,879	Sundry Debtors	1,775
<u>6,216</u>	Total Debtors	<u>6,755</u>
7,466	Cash	10,695
<u>13,682</u>	Total	<u>17,450</u>

Analysis of debtors

2012/13		2013/14
£'000		£'000
1,918	Administering Authority	2,116
1,394	Central government bodies	955
1,347	Other local authorities	2,564
3	NHS bodies	3
1,554	Other entities and individuals	1,117
<u>6,216</u>	Total	<u>6,755</u>

NOTE 21 – CURRENT LIABILITIES

2012/13		2013/14
£'000		£'000
1,616	Sundry creditors	1,904
2,267	Benefits payable	1,548
<u>3,883</u>	Total	<u>3,452</u>

Analysis of creditors

2012/13		2013/14
£'000		£'000
866	Administering Authority	1,126
15	Central government bodies	22
5	Other local authorities	0
2,997	Other entities and individuals	2,304
<u>3,883</u>	Total	<u>3,452</u>

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 2014 £'000
Clerical Medical	2,734	2,792
Equitable Life	413	380
Standard Life	189	214
Total	3,336	3,386

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

	2012 / 2013 £'000	2013 / 2014 £'000
Clerical Medical	372	331
Equitable Life	1	0
Standard Life	12	10
Total	385	341

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 £1,001,991 (£835,101 in 2012/13) 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 £17.65m to the fund in 2013/14 (£16.65m in 2012/13). At the end of the year the council owed £2,116 to the fund (see Note 20) which was primarily in respect of contributions for March 2014 and the fund owed £1,126 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 2013/14, the fund received interest of £77,251 (£86,481 in 2012/13) from Gwynedd Council.

Governance

There was 1 member of the pensions committee who was in receipt of pension benefits from the Gwynedd Pension Fund during 2013/14 (Committee member T.O. Edwards). In addition, committee members T.O. 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).

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

NOTE 24 - COMMITMENTS UNDER INVESTMENT CONTRACTS

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

	Total commitment	Commitment at 31 March 2013	Commitment at 31 March 2014
	€'000	€'000	€'000
P.G. Direct 2006	20,000	1,384	1,384
P.G. Global Value 2006	50,000	4,592	4,091
P.G. Secondary 2008	15,000	1,960	1,960
P.G. Global Value 2011	15,000	10,657	7,883
P.G. Global Infrastructure 2012	40,000	36,213	34,039
P.G. Direct 2012	12,000	0	8,280
P.G. Global Value 2014	12,000	0	10,178
Total Euros	164,000	54,806	67,815
	\$'000	\$'000	\$'000
P.G. Emerging Markets 2011	7,000	5,268	3,843

'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 the end of 2013. The Council received a return of 77.25% amounting to £3,105,729 from the administrators up to 31 March 2013. During 2013/14 the administrators distributed a further 16.74% bringing the total return up to 93.99%.

The relevant proportion of the decrease in impairment (£34,022) and the increase in notional interest (£2,305) has been allocated to the pension fund.

NOTE 27 - PENSION FUND PUBLICATIONS

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

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

Communications Policy Statement

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

INCOME & EXPENDITURE ACCOUNT 2013/14		APPENDIX A	
ANALYSIS OF SERVICE EXPENDITURE			
	Total Expenditure	Total Income	Net Expenditure
	£'000	£'000	£'000
Cultural and Related Services			
<i>Division of Service</i>			
Culture and Heritage	1,956	(536)	1,420
Recreation and Sport	10,531	(5,207)	5,324
Open Spaces	1,855	(755)	1,100
Tourism	1,228	(550)	678
Library Service	2,028	(155)	1,873
	17,598	(7,203)	10,395
Environmental and Regulatory Services			
<i>Division of Service</i>			
Cemetery, Cremation and Mortuary Services	1,095	(777)	318
Coast Protection	844	(121)	723
Community Safety (Crime Reduction)	471	(379)	92
Community Safety (CCTV)	359	(65)	294
Community Safety (Safety Services)	330	(177)	153
Flood Defence and Land Drainage	490	(242)	248
Agricultural and Fisheries Services	129	(220)	(91)
Regulatory Service	5,045	(915)	4,130
Street Cleansing (not chargeable to Highways)	2,643	(141)	2,502
Waste Collection	1,925	(136)	1,789
Waste Disposal	5,419	(1,098)	4,321
Trade Waste	2,052	(1,880)	172
Recycling	7,826	(4,350)	3,476
Waste Minimisation	83	0	83
Climate Change Costs	0	0	0
	28,711	(10,501)	18,210
Planning Services			
<i>Division of Service</i>			
Building Control	834	(463)	371
Development Control	1,192	(670)	522
Planning Policy	759	(585)	174
Environmental Initiatives	1,149	(474)	675
Economic Research	9	0	9
Business Support	1,134	(581)	553
Economic Development	10,157	(8,530)	1,627
Community Development	1,011	(357)	654
	16,245	(11,660)	4,585
Education and Children's Services - Education			
<i>Division of Service</i>			
Early Years	2,846	(1,993)	853
Primary Schools	61,153	(9,463)	51,690
Secondary Schools	55,247	(9,945)	45,302
Special Schools	4,450	(381)	4,069
Services to Young People and Other Community Learners	1,620	(250)	1,370
Other Strategic Functions	107	(1)	106
	125,423	(22,033)	103,390
Education and Children's Services - Children's Social Care			
<i>Division of Service</i>			
Service Strategy	81	0	81
Commissioning and Social Work	4,872	(181)	4,691
Children Looked After	8,285	(275)	8,010
Family Support Services	1,380	(85)	1,295
Youth Justice	889	(533)	356
Children's and Young People's Safety	126	(54)	72
Asylum Seekers	68	(26)	42
Other Children's and Families' Services	2,349	(1,258)	1,091
	18,050	(2,412)	15,638

INCOME & EXPENDITURE ACCOUNT 2013/14	APPENDIX A		
ANALYSIS OF SERVICE EXPENDITURE	Total Expenditure	Total Income	Net Expenditure
	£'000	£'000	£'000
Highways and Transport			
<i>Division of Service</i>			
Transport Planning, Policy and Strategy	1,236	(456)	780
Structural Maintenance	7,910	(2,019)	5,891
Capital Charges Relating to Construction Projects	4,070	(1,358)	2,712
Environment, Safety and Routine Maintenance	4,359	(789)	3,570
Street Lighting (including energy costs)	2,345	(323)	2,022
Winter Service	882	(357)	525
Traffic Management and Road Safety	922	(87)	835
Parking Services	1,331	(2,096)	(765)
Public Transport	5,758	(3,495)	2,263
Airports, Harbours and Toll Facilities	4	0	4
	28,817	(10,980)	17,837
Housing Services (Council Fund)			
<i>Division of Service</i>			
Housing Strategy	177	0	177
Enabling	286	(162)	124
Housing Advice	0	0	0
Housing Advances	0	0	0
Private Sector Housing Renewal	3,999	(1,099)	2,900
Licensing of Private Sector Landlords	0	0	0
Homelessness	1,422	(516)	906
Housing Benefits Payments	0	0	0
Housing Benefits Administration	30,940	(30,391)	549
Contribution to the HRA re items shared by the whole community	0	0	0
Other Council Property	60	(30)	30
Supporting People	6,164	(5,925)	239
Other Welfare Services	15	0	15
	43,063	(38,123)	4,940
Adult Social Care			
<i>Division of Service</i>			
Service Strategy	302	0	302
Older People (aged 65 or over) including Older Mentally Ill	36,656	(11,076)	25,580
Adults aged under 65 with a Physical Disability or Sensory Impairment	3,895	(318)	3,577
Adults aged under 65 with Learning Disabilities	15,490	(2,291)	13,199
Adults aged under 65 with Mental Health Needs	3,594	(308)	3,286
Other Adult Services	1,713	(1,406)	307
	61,650	(15,399)	46,251
Central Services to the Public			
<i>Division of Service</i>			
Local Tax Collection	10,625	(1,677)	8,948
Registration of Births, Deaths and Marriages	410	(209)	201
Elections	205	(20)	185
Emergency Planning	213	(37)	176
Local Land Charges	167	(193)	(26)
Local Welfare Assistance Schemes	0	0	0
General Grants, Bequests and Donations	0	0	0
Coroners' Court Services	476	(175)	301
Other Court Services	0	0	0
	12,096	(2,311)	9,785
Corporate and Democratic Core			
<i>Division of Service</i>			
Democratic Representation and Management	3,069	(40)	3,029
Corporate Management	3,637	(3,825)	(188)
	6,706	(3,865)	2,841
Non Distributed Costs			
<i>Division of Service</i>			
Non Distributed Costs	308	0	308
	308	0	308
COST OF SERVICES	358,667	(124,487)	234,180

THE WELSH CHURCH FUND

2012/2013		2013/2014	
£'000		£'000	£'000
512	Amount of Fund at 1st April		519
	Add - Income during the year :-		
17	Interest on Investments		15
	Increase in investments sold		333
	Less - Expenditure during the year :-		
(1)	Loss on sale of investments	(14)	
(12)	Grants and expenses	(19)	
3	Adjustment	0	
			(33)
519	Amount of Fund at 31st March		834
	Represented by the following Assets :-		
26	Land and Buildings		26
416	Investments at Market Value		0
23	Debtors		23
720	Cash in Hand		1,858
1,185			1,907
(646)	Less - Proportion owing to Anglesey and Conwy Councils		(1,054)
539			853
(41)	Less - Creditors		(38)
21	Add - Proportion owing from Anglesey and Conwy Councils		19
519	Total		834

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

2012/2013 £'000		2013/2014 £'000
141	Amount of Fund at 1st April	146
	Add - Income during the year	
7	Interest on Assets	8
	Less - Expenditure during the year	
(2)	Grants	(2)
146	Amount of Fund at 31st March	152
	Assets	
25	Investments	144
121	Cash in Hand	8
146		152

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. During the year, £120,000 of the Cash in Hand was invested in shares to generate a better rate of return.
3. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2014 was £311,766.98 (£178,537.14 at 31 March 2013).
4. 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.

JOINT COMMITTEES SUMMARY

During 2013/14, Gwynedd Council participated in six joint-committees, collaborating in particular areas between Local Authorities. Separate accounts are required for joint-committees. The six joint-committees relating to Gwynedd are:

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

The Joint Committee accounts follow the same timetable in terms of the statutory dates for the completion of the accounts. In the circumstances, therefore Gwynedd Council's Accounts reflects the related actual net liability, although the subjective analysis position varies subject to circumstances and the reporting arrangements of the various joint committees. Figures have not been included within the body Gwynedd's Statements of Accounts, however the figures that are subject to audit and the share relating to Gwynedd have been included in the table below:

Joint Committee	Leading Council (for Finance)	Councils participating in the Joint Committees	Gwynedd Council'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%	731
Joint Planning Policy Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	50%	443
GwE	Gwynedd Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council	18.04%	635
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	17.59%	691
TRaCC	Ceredigion County Council	Ceredigion County Council Gwynedd Council Powys County Council	33.3%	104
NWRWTP	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council	20%	117

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