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EXPLANATORY FOREWORD

Introduction

Gwynedd Council's accounts for the year 2007/08 are set out on pages 24 to 80. They consist of:-

- **Income and Expenditure Account** - This is the Council's main revenue account, covering income and expenditure on all services together with details of how those services are financed.
- **Statement of the Movement on the General Fund Balance** - This provides a reconciliation between the Income and Expenditure Account and the accounting entries required by statute.
- **Statement of Total Recognised Gains and Losses** – This enables authorities to recognise gains and losses in the Balance Sheet that are not debited or credited to the Income and Expenditure Account.
- **The Balance Sheet** - which sets out the financial position of the Council on 31 March 2008.
- **The Cash Flow Statement** - this statement summarises the flow of cash to and from the Council during 2007/08 for revenue and capital purposes.
- **The Housing Revenue Account** - which gives details of income and expenditure on Council housing.
- **The Welsh Church Fund and FMG Morgan Trust Funds.**
- **The Gwynedd Pension Fund Accounts and Balance Sheet.**

These accounts are supported by the Statement of Accounting Policies, which follows this Foreword and various notes to the accounts.

Group Accounts have been prepared in the past which consolidated 50% of Cwmni Gwastraff Môn Arfon's financial position, to the Council's financial position, as if it were a subsidiary company. Under the applied interpretation given to the related requirements, it is no longer considered necessary to produce Group Accounts. Following a change in legislation, the Council, in conjunction with the other shareholder, the Isle of Anglesey County Council, decided to close the company down during 2007/08 and to undertake the work in-house. Details of the company can be found in Note 43 'Interests in Companies'.

REVENUE EXPENDITURE IN 2007/08

The Income and Expenditure Account (page 24) shows that the Council's gross revenue expenditure on its own services was £313m, but taking income received towards services and other various items into account, the net cost of the Council's operations during 2007/08 was £205m. Of this £81m (40%) was spent on Education, £37m (18%) on Adult Social Care, £16m (8%) on Highways and Transportation, £16m (8%) on Environmental Services, £13m (7%) on Children's Social Care and £10m (5%) on Culture and Associated Services.

Gwynedd's income to finance this expenditure came from the Council Tax (£43m – 21%), a share of National Non-Domestic Rates (£29m – 14%), and Revenue Support Grant (£130m – 65%).

A comparison of budgeted income and expenditure with the actuals for 2007/08 is as follows-

	Estimate £'m	Actual £'m
Net Expenditure on Operations	202.34	204.67
Transferred to Balances	(0.64)	2.33
Other Net Movements	<u>0</u>	<u>(4.86)</u>
Surplus / (Deficit) for the year	<u>(0.64)</u>	<u>(2.53)</u>
Balance to be met from Grants & Local Taxation	201.7	202.19
Financed by -		
Council Tax Income	(42.55)	(43.04)
Share of National Non-Domestic Rates	(28.68)	(28.68)
Revenue Support Grant	(130.47)	(130.47)
	<u>0.00</u>	<u>0.00</u>

This position is after allowing for sums which Services will carry forward from 2007/08 to use in 2008/09.

Expenditure of £1.239m was incurred on exceptional items in respect of additional costs relating to implementation of equal pay requirements.

CAPITAL EXPENDITURE IN 2007/08

Capital expenditure for 2007/08 amounted to £38.5m. The following table gives an analysis of this expenditure and the way it was financed.

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING		
2006/07		2007/08
£'000		£'000
Resources Directorate		
321	Central Services	248
42	Corporate	37
8	Administration and Public Protection	25
2,508	Customer Care Support	2,878
Environment Directorate		
8,836	Planning and Transportation	6,212
6,692	Highways and Municipal	7,165
83	Consultancy	3,338
Development Directorate		
5,018	Schools	3,924
1,187	Lifelong Learning	796
3,467	Economy and Regeneration	2,172
Care Directorate		
5,646	Housing Revenue Account	6,430
4,442	Housing	4,914
166	Social Services	20
642	Provider Services	304
Chief Executive		
2	Chief Executive	0
<hr/> 39,060		<hr/> 38,463
FINANCED BY -		
9,821	Borrowing	9,196
20,304	Grants and Contributions	20,979
2,765	Capital Receipts	1,280
6,170	Revenue and Other Funds	7,008
<hr/> 39,060		<hr/> 38,463

The Council's Loan Debt on 31 March 2008 was £149.2m – a reduction of £0.6m (from £149.8m) during the year. The reduction in external borrowing was due to scheduled loan repayments.

PROVISIONS AND RESERVES

In addition to General Balances of £10.6m the Council had other provisions of £4.2m and specific reserves of £40.9m, totalling £55.7m. These are detailed in the Balance Sheet, in Note 28 and Note 41.

GWYNEDD PENSION FUND

The Gwynedd Pension Fund Accounts (pages 66 to 75) show an decrease during the year of £19.4m in the market value of the net assets of the Fund, to £792.7m. The Book Value of the net assets at 31st March 2008 was £716.0m (2007: £662.2m).

ACCOUNTING POLICIES

The accounting policies adopted by the Council comply with all relevant recommended accounting practices and are fully explained in the notes to the accounts set out on pages 19 to 23.

FURTHER INFORMATION

Further information relating to the accounts is available from:

William E Jones
Senior Finance Manager
01286 679406

or

Caroline Roberts
Finance Manager - Resources and Corporate
01286 679133

Finance Service
Resources Directorate
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.

30 September 2008

Chair Audit Committee

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 of Practice").

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 fairly the financial position of Gwynedd Council at 31st March 2008 and its income and expenditure for the year then ended.

19 September, 2008

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

ANNUAL GOVERNANCE STATEMENT

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

Part 1: SCOPE OF RESPONSIBILITY

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

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

Part 2: THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework described above has been in place at Gwynedd Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

Part 3: THE GOVERNANCE FRAMEWORK

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

Identify and communicate the authority's vision

- 'Gwynedd Together' – a strategic partnership of key agencies across the County – have developed the Gwynedd Community Strategy. The overall vision outlined in this strategy is “to work together to improve the quality of life for all in Gwynedd - to maintain and support sustainable, prosperous and vibrant communities”. The Community Strategy's six themes are:

1. Promote lifelong learning;
 2. Improving health, well-being and care;
 3. Promote a flourishing economy;
 4. Enhancing and protect the environment;
 5. Encouraging safe, vibrant communities;
 6. Supporting inclusive, bilingual and dynamic communities.
- The Council has four objectives which have been established as a statement of commitment in supporting the six themes within the Community Strategy. These objectives support the Council's aim, which is to "Improve Gwynedd":
 1. Sustainable community;
 2. Improving the Council in order to Improve Gwynedd;
 3. Fairness and opportunities for people and communities in need;
 4. Focus on residents.
 - As part of the Wales Programme for Improvement, the Council prepares an annual Improvement Plan. The Improvement Plan outlines the Council's main objective for the following year, including the way in which the Council will respond to the main priorities. The plan is an important link between the Community Strategy and the Council's service business plans, and its indicators and plans for improvements at business unit levels.

Review the authority's vision and its implications for the governance arrangements

- The possibility of failing to influence the issues and bodies that drive changes within the county is a matter of high risk. The Council with its partners have therefore developed a Partnership Assessment Framework that offers a simple, quick and cost-effective method for assessing partnership working. It allows a swift appraisal in order to recognise areas of difficulties. Also, guidelines have been produced on the partnership between the Council and its Partners, in order to ensure effective communication, influence and joint-planning.
- Under the Wales Programme for Improvement, the Council and the Wales Audit Office (WAO) are responsible for preparing an annual Joint Risk Assessment. A "Risk Assessment Template" (RAT) document is prepared to record the risks as being low, medium or high. The Risk Assessment is agreed jointly on the basis of the RAT.
- The authority's business risk assessment and management arrangements form a key component of the Council's business planning cycle, "Cyflawni". The risk assessments are undertaken by every business unit within the authority in accordance with the Risk Management Strategy.
- The Performance and Projects Unit is located within the Chief Executive's Department. The Unit's mission statement is "to develop, establish and support a culture and robust systems for performance and project management in order to support the principle of continuous improvement and making the best use of resources".
- On 19 February 2008, as part of the 2008/09 financial strategy, a savings package to be implemented from 1 April 2008 was reported to the Council Board. The savings package was

identified through the priority based budgeting framework, which identifies savings that will be used for savings plans in the future, and identifies a differential targets regime that has established how much each service should be asked to save following an analysis of different factors that lead to this distribution.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and best use of resources

- Local performance indicators are developed as a result of the Council's business risk assessments. Each indicator is shown as being a key indicator either at Unit, Service, Directorate or a 3 year Strategic Plan level. The Corporate Improvement Plan lists the Council's main key corporate indicators.
- Once business unit indicators have been determined and targets set, the indicators are the subject of challenge by each directorate's Policy and Performance Unit, the corporate Performance and Projects Unit, Strategic Directors and elected members. Part of this challenge process is to recognise action processes for each area of low performance, and challenge targets that appear to be unduly low when compared with previous years' performance. The Council's Three-year Plan identifies those areas where there is a need to focus on substantial improvement.
- The Strategic Directors or the Policy and Performance Managers present performance monitoring reports to the relevant scrutiny committees, in order to report on the year's performance against the key indicators and main improvement matters included in the service plans. Lower level indicators and improvement matters are monitored by officers and Portfolio Leaders in accordance with the Council's quarterly corporate monitoring arrangements.

Define and document the responsibilities, with clear delegation arrangements for effective communication

- The Council has adopted a management structure that includes a Chief Executive (who is also the Head of Paid Service) and four Strategic Directors. Together, they form the Council's Corporate Management Team.
- The Council has nominated the Head of Administration and Public Protection as the Monitoring Officer pursuant to Section 5 of the Local Government and Housing Act 1989, and the Head of Finance as the Chief Financial Officer pursuant to Section 151 of the Local Government Act 1972. The Council's Constitution contains protocols for the discharge of the functions of the Monitoring Officer and Chief Financial Officer.
- The Constitution contains details of the schemes for delegating power to committees, members and officers together with a distribution of functions that are not the responsibility of the Council Board.
- The Constitution includes a protocol on Member's Duties and Responsibilities. The protocol details on the purpose and responsibilities of members, chairperson, vice-chairperson, portfolio leader, senior leader and council leader.
- Gwynedd Council has developed its Members Allowance Scheme on the basis of the Local Authorities (Allowances for Members of County and County Borough Councils and National Park Authorities) (Wales) 2002.
- Gwynedd Council has established a Standards Committee to safeguard standards of conduct and propriety in all the Council's transactions.

- The Overview and Scrutiny Strategy was published in order to ensure that the Council's members and officers jointly understand good practice in the area of scrutiny together with the methods that will be used to stride ahead with the scrutiny function at Gwynedd Council.

Develop and communicate codes of conduct for members and staff

- The Council has adopted "The Code of Conduct (Qualifying Local Government Employees) (Wales) Order 2001" as its code of conduct for all staff.
- The Council has adopted a Code of Conduct for elected members that includes:
 - ❑ Details of general provisions;
 - ❑ Promotion of equality and respect for others;
 - ❑ Accountability and openness;
 - ❑ Duty to uphold the law;
 - ❑ Selflessness and stewardship;
 - ❑ Objectivity and propriety; and
 - ❑ Integrity,

together with the duty to disclose and register interests.

Review and update processes and controls required to manage risks

- Every committee report that needs an executive decision will receive comments from the 3 statutory officers.
- The Audit and Risk Unit within the Finance Service has developed a Risk Management Policy and Strategy for the whole authority. The policy and strategy have been approved by the Corporate Management Team, with the objective of ensuring that the management of risks has been formally embedded in all aspects of the Authority's work. This is a continuous process to ensure all managers receive training on identifying risks and opportunities. Identifying risks and developing implementation plans are a part of the Authority's "Cyflawni" business cycle.
- Managers are expected to manage the risks that are relevant to their area of work. This has been incorporated into the Risk Management Strategy. It is expected that job descriptions contain specific reference to certain risks, in particular to those in the areas of Health and Safety and Equality.
- The 2008-11 Internal Audit Strategy sets out clearly the intention to provide a service which undertakes risk based audits, and the reliance placed on the corporate risk management arrangements when planning Internal Audit work.

Function of the audit committee

- The Council has established an audit committee to discharge the following functions:-
 1. Promoting internal audit, establishing a timetable to conduct review control, develop an anti-fraud culture and review financial operation;
 2. To focus the Council's audit resources by agreeing on audit plans and monitoring the provision of audit;
 3. To monitor audit performance by ensuring that officers' work is on schedule, that audit reports are produced promptly and that they are responded to in the same manner, monitoring the completion of the accounts and ensuring action on audit recommendations;

4. Considering observations and concerns about individual services, on the basis of reports by Council officers or the Wales Audit Office on behalf of the Auditor General for Wales.

- The Internal Audit service is provided in accordance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The Code states that Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. A 3-year Audit Strategy was adopted in March 2008, with an annual audit plan prepared on the basis of this strategy.
- In accordance with the requirements of the CIPFA Code of Practice, the Audit and Risk Manager prepares an annual report that summarises the results of internal audit work during the year on the overall system of internal control within the authority.

Ensuring compliance with relevant laws, regulations, internal policies and that expenditure is lawful

- The Council's internal and external auditors are expected to report to relevant officers on any failure to comply with either policy or legislation, and to report to the Audit Committee in accordance with its Terms of Reference. Strategic Directors and Heads of Service receive a copy of every relevant internal audit report, and the result of follow-up work on recommendations is reported to the Audit Committee with a view to maximising the impact of audit work.
- Gwynedd Council has prepared a Corporate Health, Safety and Welfare Policy in accordance with the Health and Safety in the Workplace Act 1974. The policy states that the Council recognises and accepts, as far as is reasonably practicable, its duties as an employer towards its workers and others that may be affected by its activities. The aim of Gwynedd Council is to attain the highest standard in managing health, safety and welfare.

Whistle blowing and receiving complaints from the public

- The Council has adopted a Whistle blowing Policy and Arrangements, a scheme which gives staff a safe and reliable method for reporting honestly any concerns regarding illegal, fraudulent or corrupt behaviour, financial malpractice, endangering the public or the environment, abuse of clients, etc.
- The Council has introduced a standard procedure across the council to deal with complaints, in accordance with the Citizen Charter. The Council is of the opinion that the procedure is easy to use, investigates thoroughly to every complaint, guarantees a quick response, and proposes the chance to take the matter further if the individual is not happy with the response. Also, the complaints procedure is in accordance with statutory requirements within the departments e.g. Social Service arrangements in relation to Children Act 1989 and Care in the Community Act 1990. A "Complaints Form" is available to record the complaint.

Identify and develop the needs of members and senior officers

- The Council has devised a training matrix for staff, and has identified 6 training categories: Corporate Management Team, Head of Services, Managers, Field Leaders, Supervisors, Staff and direct workers. Specific features were used to identify the appropriate training category for staff. Training programme has been developed for every category.

- Induction arrangements for members from May 2008 onwards were reported to the Corporate Management Team in April 2008. The training programme includes internal training as well as training organised by the Welsh Local Government Association.

Establishing clear channels of communication with the community and other stakeholders, ensuring accountability and open consultation

- There is a protocol within the constitution for relations between members and officers with the purpose of guiding members and officers of the Council in their relations with one another. The protocol seeks to offer guidance on some of the issues which most commonly arise, as well as promote greater clarity and certainty.
- Gwynedd Together holds an annual meeting for the people of Gwynedd to receive feedback on the work undertaken and to contribute towards the next steps to be taken by the partnership.

Incorporating good governance arrangements in respect of partnerships and reflecting these in the governance arrangements

- The Council has developed a Partnership Assessment Framework, that's based on 6 partnership principle identified by the Department of Communities and Local Government (UK Government) as blocks to build a successful partnership;
 - Acknowledge and accept the need for partnership;
 - Develop a clear purpose to the partnership;
 - Ensure commitment and ownership;
 - Develop and maintain trust;
 - Construct clear and robust partnership arrangements;
 - Monitor, measure and learn.

Arrangements for ensuring adequate and effective financial management

- The Financial Procedure Rules form part of Gwynedd Council's constitution and sets out a framework for managing the Council's financial affairs. They are regularly reviewed.
- It is the duty of the Council Board, subject to such directions as may from time to time be given by the Council, to regulate, supervise and control the whole of the finances and accounts of the Council and all its departments and to co-ordinate financial and accounting arrangements.
- It is the duty of the Audit Committee to monitor and review the accounts and financial management of the Council and all its services with regard to financial propriety by reviewing financial operations, promoting internal control and developing an anti-fraud culture.
- It is the duty of the Resources and Corporate Scrutiny Committee to monitor and review the accounts and financial management of the Council and all its departments regarding review of the Council Board's decisions, development of relevant policies, monitoring the financial position of the Council and promoting value for money.
- The Head of Finance shall be the officer responsible for the administration of financial affairs as required by Section 151 of the Local Government Act 1972.
- In addition to the responsibility under Section 151 of the Local Government Act 1972, the Head of Finance also has statutory duties in relation to the financial administration and

stewardship of the Council. This statutory responsibility cannot be overridden. These further statutory duties arise from:

- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit (Wales) Regulations 2005
- The Local Government Act 2003
- The Head of Finance is responsible for:
 - The proper administration of the Council's financial affairs;
 - Setting and monitoring compliance with financial management standards;
 - Reporting on the robustness of estimates, and also the adequacy of the proposed financial and controlled reserves for the purposes of making budgetary calculations.
- In accordance with Section 114 of the Local Government Act 1988, the Head of Finance shall report to the Full Council, the Council Board and external auditor if it appears to him that the Council, a committee of the Council, a joint committee on which the Council is represented, or one of its officers:
 - Has made, or is about to make, a decision which involves incurring unlawful expenditure;
 - Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council;
 - Is about to make an unlawful entry in the Council's accounts.
- No report will be presented to the Council Board (or to the Full Council, Human Resources Committee, or other committee with executive powers) unless it has first been submitted to the Head of Finance for comments on financial propriety or financial implications of recommendations. Before issuing financial information to outside bodies and individuals, officers or members shall consult with the Head of Finance or relevant finance manager to ensure accuracy. The Head of Finance must be consulted personally where relevant finance manager deems that the information is commercially sensitive.
- Each Strategic Director/ Head of Services shall ensure that sound principles of internal check are applied in his directorate or service to the satisfaction of the Head of Finance. In particular:
 - The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums shall be separated as completely as possible from the duty of collecting or disbursing them;
 - Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

Part 4: EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

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

The review described herein was undertaken by reviewing the findings of the Council's internal and external auditors and through discussions with key officers within the authority. The process that has been applied to maintain and review the effectiveness of the system of internal control includes:

- The budgeting arrangements ensure that budgetary allocation reflects the “business” needs of the Council, and ensure it is clear that ownership of budgets rests with managers. This process is an intrinsic part of the business planning process.
- The Wales Audit Office confirmed that the Council had arrangements to monitor and review performance, including arrangements to ensure quality of the data. However, some weaknesses were identified in the Care Directorate's arrangements to collect and validate performance data.
- In their audit of the Improvement Plans, the Wales Audit Office concluded that the Council had developed its corporate performance management framework around the four aspects of the Balanced Scorecard. However, there was a statutory recommendation that the Council should undertake a review of the arrangements for collecting, calculating and reporting the performance information contained in its Improvement Plan.
- Performance audit and inspection work delivered both by the Appointed Auditor and on behalf of the Auditor General for Wales found that many services are generally well run. 69.4% of the Council's National Strategic Performance Indicators are in the top two performance quartiles when compared with the other councils in Wales.
- The process for challenging the results of performance management are clearly-defined and have been implemented across the authority, based on directives issued by the Performance and Projects Unit.
- No reports have been presented to the Council, the Council Board, the Human Resources Committee, the Pensions Committee nor, in the case of individual properties, to the Area Committees nor to individual members without having first been presented to the three statutory officers for comment on any matter regarding policy, legality, propriety and financial obligations of any recommendations.
- A series of meetings between the Council's managers, the Corporate Management Team and elected members produces an annual identification of the main issues that are facing the Directorates which are incorporated in the 3 year strategy plan.
- The Wales Audit Office undertakes an annual review of the Council's Internal Audit service. In its latest review the external auditors concluded that the Internal Audit service have achieved the required professional standards, and therefore possible to depend on the service work.
- The Audit and Risk Manager reported that Gwynedd Council, in his opinion, has a sound framework of control to provide reasonable assurance regarding the effective and efficient

achievement of the Council's objectives, as the steps taken by the Council during the financial year to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory.

- There are regular meetings of the Audit Committee. The Committee closely supervises Internal Audit's completion of the audit plan and its success in conducting follow-up audits in areas where internal control failings have been identified. The Committee calls managers and Heads of Service to account where there has been a failure to implement expected improvements to internal controls.
- The Council continues to develop its Communications Strategy. Various meetings are also conducted by Management Teams at several levels in all Directorates in order to ensure that the authority's objectives are communicated to staff through appropriate channels.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Part 5: SIGNIFICANT GOVERNANCE ISSUES

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

The main issues noted in the Directorates plan and identified in the 3 year strategic planning include the following:

Objective – A Sustainable Community

No.	STRATEGIC PRIORITIES	ACTIONS
1	Gwynedd's Economy (promoting economic development and spreading growth across the County)	Creating the conditions to develop Growth Sectors by: <ul style="list-style-type: none"> a) Establish and develop High Value Sectors (higher technology, environmental sciences, medical sciences, energy and maritime science) b) Significant Sectors (building, care, creative industries, tourism, food and agriculture and open area) External Funding Programmes Developing the use of the Internet
2	Housing Supply (enabling people to remain in their communities by providing a suitable supply of housing)	Bringing vacant property back into use Planning policies to create the opportunities to provide adequate provision of housing Affordable Housing The Council's Housing Stock Project
3	Children and Young People (taking steps to improve opportunities for children and young people across the County)	Re-organisation of Primary Schools Review Secondary and Post-16 provision Improving basic skills The Welfare of Children and Young People

No.	STRATEGIC PRIORITIES	ACTIONS
4	Skills (providing the right type of skills to reflect the opportunities in the labour market)	Re-organisation of the commissioning of training and skills (jointly) Learning Pathways / Career Pathways Implementing the Gwynedd and Anglesey Skills Strategy Entrepreneurship
5	Children and Young People (attracting young people and families back to the County)	Preparing to establish a service to attract young people and families back to Gwynedd
6	The Welsh Language (continuing to support and promote the Welsh language)	Integrating those moving into the area Implementing the Welsh Language Promotion Strategy and the Menter Iaith Gwynedd Work Programme Establishing a Language Charter for Gwynedd
7	Climate Change (develop plans to react to and reduce effect of Climate Change)	Pilot Flood Risk Management Scheme Waste Reduction and Management Carbon Reduction Plan Changing Climate – Changing Places
8	A future for Rural Areas (supporting Rural Areas as the world around us changes)	Influencing (Leading the Rural Agenda) Holistic Approach to Rural Activities Promoting the Strength of Rural Areas Holiday Homes Policy
9	Health (promoting fitness, health and open air activities)	Promoting developments in the open air activities Promoting the fitness, nutrition and fitness agenda within Gwynedd Schools Implementing the Council's Sports and Physical Activity Strategy Healthy Meals for Schools Plan Smoking Reduction

Objective – Improving the Council in order to Improve Gwynedd

NO.	STRATEGIC PRIORITIES	ACTIONS
1	Processes and Systems (ensuring appropriate and modern systems and processes)	Business Transformation Human Resources System
2	People and Culture (better management, appreciation and engagement with staff within a clear framework and culture of “One Council”)	Corporate Workforce Planning System People Strategy Performance Changing the Council's Culture
3	Leadership and Vision (developing the Council so that it is better lead)	Leadership Development Programme Political Leadership Development Programme Developing Strategic Focus Developing future leaders

NO.	STRATEGIC PRIORITIES	ACTIONS
4	The Use of Resources (ensuring value for money, a sustainable asset base and linking resources with priorities)	Financial Strategy Savings and Efficiency Programme The Council's Assets Information and Data

Objective – Fairness and Opportunities for Vulnerable People and Communities

NO.	STRATEGIC PRIORITIES	ACTIONS
1	Vulnerable Children and Young People (responding to the needs of the most vulnerable children and young people)	Child Poverty Plan Children and young people in care Young Carers Multi-disciplinary working
2	Prioritising Communities of Need (giving particular attention and directing resources to communities of need)	Analysing how to break the cycle of deprivation Directing intervention to communities of need Integrating services more effectively
3	Services for Vulnerable Adults (adults and their carers receiving services appropriate to their needs ensuring respect and dignity)	Residential services for older people Services for those with dementia Carers – Carers' needs identified, considered and fulfilled consistently across the services Learning Difficulties – suitable living Accommodation Implementing the National Service Framework for Older People
4	Skills and Opportunities (providing the right type of skills to reflect the opportunities in the labour market)	Targeting the Economically Inactive

Objective – A Focus on Residents

NO.	STRATEGIC PRIORITIES	ACTIONS
1	A Quality Environment (improving the physical and built environment for the benefit of residents)	Collaboration Project Enforcement Project (joint) Community Gangs A “Blitz” Programme for the Centres of Towns and Villages
2	Focus on the Customer (ensuring easy access to services and that they are provided in timely manner and meet published standards)	Contact Centre and the Web Tailoring Services to the Customer
3	Community Engagement and Citizenship (ensuring that citizens can contribute to the development of services offered and promoting citizenship)	Community engagement
4	Transport (moving to an effective integrated system of transport for the County)	Re-modelling transport to improve access to services

NO.	STRATEGIC PRIORITIES	ACTIONS
5	Improving Individual Services (addressing individual service areas where the Council wants to make a significant change)	Social Services Improvement Programme Emergency Planning Remodelling Health and Care Services in the Community Review Youth Services Letting Council Houses Improving performance in terms of:- <ul style="list-style-type: none"> a) Reviewing Care Plans b) Assessing Carers (Adult Services) c) Strategy for Placing Children in Care ch) Redirections d) Child protection reviews dd) Food Hygiene Businesses inspections e) Employment of Disabled Workers

Part 6: OPINION

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

Harry Thomas
Gwynedd Council Chief Executive

Councillor Dyfed Edwards
Leader of Gwynedd Council

Date

Date

STATEMENT OF ACCOUNTING POLICIES

I. GENERAL

The accounts have been prepared in accordance with the latest Code of Practice on Local Authority Accounting in the UK, issued in June 2007 by the Chartered Institute of Public Finance and Accountancy (CIPFA) (“The Code”) which includes the Best Value Accounting Code of Practice (BVACOP) and the Statement of Recommended Practice (SORP), and also with guidance notes issued by CIPFA on the application of Financial Reporting Standards (FRS's).

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.

2. FIXED ASSETS

The Council's assets as recorded on the Property Services database are revalued at least every 5 years (with Council Dwellings being revalued annually). This is in accordance with the SORP 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 2005.

Changes have been introduced as a result of the requirements of the 2007 SORP which have had a specific effect on how we account for Fixed Assets in the 2007/08 accounts. These changes draw from Financial Reporting Standards 10, 11 and 15. The main changes include the requirement to create two new accounts, namely the Revaluation Reserve and the Capital Adjustment Account. These have replaced the Fixed Asset Restatement Account and the Capital Financing Account. The balance on these two 'old' accounts have been transferred to the Capital Adjustment Account according to the 2007 SORP requirements, which means that the Revaluation Reserve is introduced with a zero balance. The principle behind this is that as at the start of the 2007/08 financial year the current value of individual assets in the asset register are equal to their historic cost. The purpose of the two accounts is:

Revaluation Reserve – to record unrealised net gains from revaluations made after 1 April 2007

Capital Adjustment Account – to reflect the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Following on from the above, expenditure 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 4 below for the method for accounting for impairment). Specifically for assets categorised as Land and Buildings and Community Assets where expenditure of over £100,000 has been incurred on a single asset, the Principal Estates Officer reviews the assets and revalues any one as appropriate.

Operational assets are shown at Existing Use Value (EUV) or Depreciated Replacement Cost (DRC) for specialised properties.

Council Dwellings have been valued on the Existing Use Value for Social Housing basis (EUV-SH), in accordance with the requirements of the LG SORP. The methodology used by the Council to determine the EUV-SH requires the calculation of an adjustment factor which is applied to the vacant possession value of the property to reflect the fact that Council Dwellings have a 'social housing' sitting tenant. Adjustment factors for each region in England are contained in guidance issued by the Office of the Deputy Prime Minister in July 2005. The Welsh Assembly Government has not issued similar guidance. The Council's Valuer has therefore calculated an adjustment factor which was intended to reflect local market factors.

Non-operational assets are shown at the lower of net current replacement cost and net realisable value (normally Market Value).

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

Infrastructure and community assets are predominantly shown at historical cost or existing use value where appropriate.

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

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

3. DEFERRED CHARGES

Deferred charges are payments of a capital nature where no fixed asset is created but which give benefits to the local economy. They are valued at historical cost and are written down over a year.

4. BASIS OF CHARGES FOR CAPITAL

Financial Reporting Standard 11 states that assets must be reviewed each year in order to recognise any impairment or reduction in value due to the consumption of economic benefits. The changes in the 2007 SORP described in 2 above have influenced our method of accounting for impairment, and following on from this any expenditure incurred on fixed assets which does not generate an increase in the value of the asset, gets charged to the Income and Expenditure Account in the year. Prior to 2007/08 it was possible to write-off this type of impairment to the Fixed Asset Restatement Account, but this treatment was not strictly in accordance with FRS 11. The new method of accounting is fully in line with the FRS. The SORP allows for the effect of the impairment to be adjusted through the Statement of Movement and the resulting adjustment is reflected in the Capital Adjustment Account. The main element of FRS 15 is that buildings must be depreciated if they are not valued each year. In addition, it is a requirement that the main elements of a single asset, which have different economic lives, must be depreciated separately.

Depreciation is 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) Deferred Charges are written down in the period in which they arise
- (iv) Land is not depreciated
- (v) Buildings are depreciated over their estimated useful lives (various)

The provisions of the Local Authority Capital Finance and Accounting Wales Regulations 2003 require the Authority to set aside a minimum revenue provision based on the Capital Financing Requirement. When the total depreciation charged to services is less than this minimum provision, the difference must be charged to the Income and Expenditure Account. However, where the depreciation exceeds the minimum revenue provision the Income and Expenditure Account receives a credit.

The charges for capital to the Housing Revenue Account are based on legislative requirements and comprise a minimum revenue provision based on the Housing element of the Capital Financing Requirement along with an appropriate proportion of external interest and costs of borrowing. Financing of capital expenditure from revenue is charged directly to the Housing Revenue Account.

As a new requirement since 2005/06 Capital Charges are also charged to the Housing Revenue Account.

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

5. CAPITAL RECEIPTS

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

In the case of Housing Revenue Account properties, it is no longer necessary to set aside a percentage of the receipts, however the Council have decided to continue with the former arrangement where 75% of the receipts were set aside to be used to meet repayment of external borrowings. The remaining 25% is held in the Usable Capital Receipts Reserve until such time as they are used to finance additional capital expenditure. Receipts from the sale of Housing Revenue Account land are 100% usable.

All other capital receipts which belong to the Council Fund are 100% usable and set aside is no longer necessary.

6. GOVERNMENT GRANTS

Revenue grants are matched with the expenditure to which they relate and are credited to the Income and Expenditure Account for the relevant period.

Capital grants and contributions are credited to the Governments Grant Deferred Account when used to finance expenditure and released to the relevant Service Heads in the Income and Expenditure Account over the useful life of the asset to match the depreciation of the assets to which they relate.

Government grants and other contributions are accounted for on an accruals basis.

7. FINANCIAL INSTRUMENTS

In order to comply with the requirements of Financial Reporting Standards 25, 26 and 29, the 2007 SORP introduced new requirements for the categorisation of Financial Instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Thus the term financial instrument covers both financial assets and financial liabilities.

In accordance with the new requirements the Council's financial assets and liabilities have been reviewed in order to categorise them and determine their treatment. The financial instruments identified as a result of this review were:

Financial liabilities

- Trade payables and other payables. (creditors)
- Long term borrowings including deferred premiums and discounts on early settlement of such loans.
- Financial guarantees.

Financial assets

- Bank deposits
- Trade receivables (debtors)
- Loans receivable
- Investments

The Council values its financial liabilities at amortised cost using the effective interest rate method. The interest charged to the Income and Expenditure Account 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. The Council has two investments to be redeemed during 2008/09 which have been treated as available-for-sale financial assets and restated to fair value.

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 Statement of Movements and the resulting adjustment is shown in the Financial Instrument Adjustment Account on the Balance Sheet.

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

8. DEBTORS AND CREDITORS

The Council's Accounts are maintained on an accruals basis in accordance with the Code of Accounting Practice. That is, sums due to, or from, the Council during the year are included whether or not the cash has actually been received or paid in the year.

An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

9. STOCKS AND WORK IN PROGRESS

Stocks and work in progress should be shown in the balance sheet at the lower of historical cost or net realisable value in accordance with the provisions of the Code of Practice. Due to the practicalities of the Council's main stock systems, the majority of stock is shown in the accounts at average cost. The difference in the basis for valuation is not material.

10. COSTS OF 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. Office accommodation costs are allocated on a floor space basis.

The only unallocated residual costs, a total of £1.304 m in 2007/08 (£1.290m in 2006/07), are those

of corporate management and support service costs which the Code of Practice specifies should not be allocated. The allocation complies with the Best Value Accounting Code of Practice.

11. 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. Further details can be found in Note 28.

12. RESERVES

Under the provisions of the Local Government Act 1988 the Council has one Council Fund which represents the general reserves of the Authority. The revenue reserves of the Housing Revenue Account are shown separately as they are ring-fenced and may not be used for any other purpose. There are also a number of revenue and capital reserves earmarked for specific purposes which are detailed in Note 41.

13. PENSIONS

Financial Reporting Standard (FRS 17) has superseded SSAP 24 in noting how the long term liabilities which exist in relation to pensions costs should be reported. Local councils in Wales and England are to implement FRS 17 fully in their financial statements. Refer to the accounts and relevant notes for details.

14. ALLOCATION OF INTEREST RECEIVED

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

15. INTEREST PAYABLE

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.

16. LEASES

Payments under operating leases are accounted for in the services revenue accounts on an accruals basis.

17. VALUE ADDED TAX (VAT)

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

18. INTEREST IN COMPANIES AND OTHER ENTITIES

The Council's investments in companies and other entities are shown in the Balance Sheet at original cost, and a provision is made, where appropriate, for any loss in value. Further details are given under Note 24 'Investments'.

When the Council has an interest in a related entity or receives benefits from it but is also exposed to inherent risks, then the Council decides, with regard to materiality, whether there is a need to prepare Consolidated Financial Statements in accordance with the Code. In deciding on the accounting method in respect of its investment in the entity, the Council considers how much influence and control it has over that entity.

INCOME AND EXPENDITURE ACCOUNT 2007/08

31 March 2007 £'000		Gross Expenditure £'000	31 March 2008 Income £'000	Net Expenditure £'000
9,964	Culture and Associated Services	15,752	(5,839)	9,913
14,830	Environmental Services	22,709	(7,148)	15,561
5,414	Planning and Development	9,177	(4,287)	4,890
78,408	Children's and Education Services – Education	97,316	(16,015)	81,301
11,920	Children's and Education Services – Children Social Services	15,968	(2,541)	13,427
15,078	Highways, Roads & Transportation	22,706	(6,781)	15,925
2,234	Housing (General)	33,392	(30,723)	2,669
33,927	Adult Social Care	52,121	(14,743)	37,378
1,900	Central Services to the Public	10,204	(8,741)	1,463
244	Court Services	386	(143)	243
1,914	Corporate and Democratic Core	9,773	(7,560)	2,213
71	Non Distributed Costs	196	0	196
4,170	Exceptional Items (Note 18)	1,239	0	1,239
180,074	Net cost of Council Fund Services	290,939	(104,521)	186,418
4,444	Housing Revenue Account	22,186	(18,620)	3,566
184,518	Net cost of services	313,125	(123,141)	189,984
260	Losses on the disposal of Fixed Assets			849
463	Net (Surplus) / Deficit of Trading Units (Note 12)			395
7,544	Precepts and Levies (Note 13)			7,634
9,369	Interest payable and similar charges			10,714
(3,632)	Interest and Investment Income			(4,929)
1,058	Pensions Interest Cost and expected return on pensions assets (Note 6)			72
199,580	Net expenditure on operations			204,719
(40,877)	Council Tax (Note 14)			(43,036)
(26,557)	Net income from National Non-domestic Rates (Note 15)			(28,679)
(126,361)	Revenue Support Grant			(130,471)
5,785	(Surplus) / Deficit for the year			2,533

Due to the changes to the Statement of Recommended Practice (SORP) within the Code of Practice and the need to restate the corresponding position for 2006/07 in accordance with the requirements, it will appear that the position originally reported for 2006/07 has changed. Refer to Note 1 'Prior Period Adjustments' for details of the changes.

A more detailed analysis of the expenditure and income by service division is shown in Appendix A on pages 78 - 80.

STATEMENT OF THE MOVEMENT ON THE COUNCIL FUND BALANCE

31 March 2007 £'000		31 March 2008 £'000
5,785	(Surplus) / Deficit for the Year on the Income and Expenditure Account	2,533
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Council Fund Balance for the Year	
(15,020)	Depreciation and Impairment of Fixed Assets	(21,915)
8,638	Government Grants Deferred Amortisation	7,543
(7,330)	Write downs of Deferred Charges to be Financed from Capital Resources	(6,133)
(260)	Net Loss on Sale of Fixed Assets	(849)
0	Finance Costs	(1,474)
(53)	Transfer from Capital Receipts	(53)
(16,243)	Net Charges made for Retirement Benefits in Accordance with FRS17	(13,617)
(30,268)		(36,498)
	Amounts not included in the Income and Expenditure Account but Required to be included by Statute when determining the Movement on the Council Fund Balance for the Year	
5,200	Minimum Revenue Provision for Capital Financing	5,534
6,170	Capital Expenditure charged in-year to the Council Fund Balance	7,008
14,418	Employer's Contribution payable to the Gwynedd Pension Fund and Retirement Benefits Payable Direct to Pensioners	16,773
25,788		29,315
	Transfers to or from the Council Fund Balance that are required to be taken into account when determining the Movement on the Council Fund Balance for the Year	
(278)	Housing Revenue Account Balance	34
46	Voluntary Revenue Provision for Capital Financing	153
(3,027)	Net Transfer to or from Earmarked Reserves	2,133
(3,259)		2,320
(7,739)	Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be Debited/(Credited) to the Council Fund Balance for the Year	(4,863)
(1,954)	(Increase) / Reduction in Council Fund Balance for the Year	(2,330)
(6,290)	Council Fund Balance Brought Forward	(8,244)
(8,244)	Council Fund Balance Carried Forward	(10,574)

The Council Fund Balance shows whether the Council has over- or under-spent against the council tax that it raised for the year, taking into account the use or reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the (surplus) / deficit on the Income and Expenditure Account and the (Increase) / Reduction in the Council Fund Balance for the year.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

31 March 2007 £'000	31 March 2008 £'000
5,785 (Surplus) / Deficit on the Income and Expenditure Account	2,533
(19,060) (Surplus) / Deficit arising from the Revaluation of Fixed Assets (Surplus) / Deficit arising from the Revaluation of Available for Sale	(10,194)
0 Financial Assets	(1,361)
(26,161) Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities (Gains) / Losses on Financial Instruments – adjustment of prior year	(27,043)
0 balance.	15
(39,436) Total Recognised (Gains) / Loss for the Year	(36,050)

BALANCE SHEET - 31 MARCH 2008

31 March 2007 £'000	1 April 2007 £'000		31 March 2008	
			£'000	£'000
		Tangible Fixed Assets		
		Operational Assets (Note 19)		
266,861	266,861	Council Dwellings (Note 19)	271,025	
149,318	149,318	Other Land and Buildings (Note 19)	151,632	
86,140	86,140	Infrastructure (Note 19)	94,167	
10,752	10,752	Vehicles, Plant, Furniture and Equipment (Note 19)	11,452	528,276
393	393	Community Assets (Note 19)		476
		Non Operational Assets (Note 19)		
1,244	1,244	Investment Properties (Note 19)	1,244	
75	75	Assets Under Construction (Note 19)	2,363	3,607
893	2,487	Long Term Investments (Note 24)		2,253
674	674	Long Term Debtors (Note 25)		648
2	0	Prepayments relating to premiums on the early redemption of debt		0
516,352	517,944	Total Long Term Assets		535,260
		Current Assets		
1,030	1,030	Stock and Work in progress	1,151	
31,593	30,571	Debtors (Note 25)	38,665	
83,535	84,453	Investments (Note 24)	78,541	
72	72	Cash in hand	73	
		Current Liabilities		
(50,659)	(49,687)	Creditors (Note 26)	(51,721)	
		Borrowing repayable on demand or within 12 months (Note 27)	(575)	
(619)	(619)	Bank Overdraft	(14,229)	51,905
(11,623)	(11,623)	Total Assets less Current Liabilities		587,165
569,681	572,141	Borrowing repayable within a period in excess of 12 months (Note 27)	(149,589)	
(149,195)	(150,167)	Provisions (Note 28)	(4,179)	
)	(6,214)	Government grants deferred (Note 29)	(96,447)	
(6,214)	(83,011)	Deferred Discounts on early repayment of debt	0	
(83,011)	(83,011)	Liability related to defined benefit pension schemes (Note 30)	(74,382)	(324,597)
(91)	0	Total Assets less Liabilities		262,568
(104,652)	(104,652)	Capital Adjustment Account (Note 33)		270,066
226,518	228,097	Financial Instrument Adjustment Account (Note 34)		(1,489)
277,873	277,873	Revaluation Reserve (Note 36)		9,249
0	(15)	Available-for-sale Financial Instruments Reserve (Note 35)		1,361
0	0	Usable Capital Receipts Reserve (Note 37)		4,600
0	1,594	Deferred Capital Receipts (Note 38)		92
4,519	4,519	Pensions Reserve (Note 39)		(74,382)
133	133	School Reserves (Note 40)		3,716
(104,581)	(104,581)	Earmarked Reserves (Note 41)		37,136
)		Revenue Balances		
3,314	3,314	Council Fund	10,574	
35,405	35,405	Housing Revenue Account	1,645	12,219
8,244	8,244	Total Net Worth		262,568
1,611	1,611			
226,518	228,097			

CASH FLOW STATEMENT – 2007/08

REVENUE ACTIVITIES			
2006/07		2007/08	
£'000		£'000	£'000
	Cash Outflows		
157,434	Cash paid to and on behalf of employees	165,348	
138,711	Other Operating cash payments	166,782	
23,564	Payments to the Non-Domestic Rating Pool	26,716	
8,050	Precepts paid	8,602	
19,871	Housing Benefit paid out	21,193	
347,630			388,641
	Cash Inflows		
(18,667)	Rents (after rebates)	(19,666)	
(42,615)	Council Tax Receipts	(44,648)	
(26,557)	Non-Domestic Rate Income from National Pool	(28,679)	
(23,929)	Non-Domestic Rate Receipts	(26,858)	
(126,361)	Revenue Support Grant	(130,471)	
(26,148)	Benefit Grants	(28,764)	
(44,098)	Other Government Grants	(44,900)	
(55,167)	Cash received for goods and services	(59,202)	
(15,259)	Other operating cash receipts	(17,206)	
			(400,394)
(31,171)	(Notes 47 and 48)		(11,753)
	SERVICING OF FINANCE		
	Cash Outflows		
9,415	Interest paid	9,174	
	Cash Inflows		
(3,633)	Interest Received	(4,856)	
(25,389)			(7,435)
	CAPITAL ACTIVITIES		
	Cash Outflows		
30,771	Purchase of Fixed Assets	32,622	
7,330	Payment of Grants and Contributions	6,113	
199	New Long Term Loans	291	
38,300		39,026	
	Cash Inflows		
(2,884)	Sale of Fixed Assets	(2,407)	
(295)	Repayments by Long Term Debtors	(273)	
(22,380)	Capital Grants Received (Note 48)	(20,961)	
			15,385
(12,648)	Net cash inflow / outflow before financing		7,950
	MANAGEMENT OF LIQUID RESOURCES		
18,890	Net Increase/(Decrease) in Short Term Investments		(4,994)
6,242			2,956
	FINANCING		
	Cash Outflows		
11,763	Repayments of amounts borrowed		3,300
	Cash Inflows		
(10,500)	New Loans Raised		(3,650)
7,505	Net (Increase)/ Decrease in Cash (Note 49)		2,606

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE I – PRIOR PERIOD ADJUSTMENTS

Due to the new requirements in the 2007 SORP it has been necessary to restate some items on the 2006/07 Balance Sheet. A summary of the changes to the figures at 31 March 2007 is shown in the table below:

	On 2006/07 Balance Sheet	New Capital Accounts	Comparative figures on Balance Sheet
	£'000	£'000	£'000
Fixed Asset Restatement Reserve	(272,979)	272,979	0
Capital Financing Account	(4,894)	4,894	0
Capital Adjustment Account	0	(277,873)	(277,873)
Net	(277,873)	0	(277,873)

A summary of the changes to the figures as at 1 April 2007 is shown in the table below:

	Balance Sheet on 31 March 2007	Financial Instruments	Interest on Investments	Interest on Loans	Balance Sheet on 1 April 2007
	£'000	£'000	£'000	£'000	£'000
Long Term Investments	893	1,594			2,487
Debtors	31,593	(104)	(918)		30,571
Premiums	2	(2)			0
Short Term Investments	83,535		918		84,453
Creditors	(50,659)			972	(49,687)
Discount	(91)	91			0
Long Term Loans	(149,195)			(972)	(150,167)
Assets less Liabilities	(83,922)	1,579	0	0	(82,343)
Financial Instrument Adjustment Account	0	15			15
Available-for-sale Financial Instruments Reserve	0	(1,594)			(1,594)
	0	(1,579)	0	0	(1,579)
Net	(83,922)	0	0	0	(83,922)

Due to changes in the BVACOP Service Definitions, Children's Social Care is now included in Children's and Education Services, while Adult Social Care is a separate Service. In the Income and Expenditure Account for 2006/07, Children's and Adult Social Care were included in Social Services. In the Income and Expenditure Account for 2007/08 the net expenditure shown in respect of 2006/07 has been re-classified to reflect the new requirements and re-categorisation of

some items as shown in the table below:

	Income and Expenditure Account in 2006/07 Accounts £'000	Changes to BVACOP £'000	Comparative Figures on the Income and Expenditure Account £'000
Income and Expenditure			
Social Services	45,851	(45,851)	0
Children's Social Care	0	11,920	11,920
Adult Social Care	0	33,927	33,927
Corporate and Democratic Core	1,958	(44)	1,914
Housing Revenue Account	4,391	53	4,444
Interest Payable and Similar Charges	9,374	(5)	9,369
Sub Total	61,574	0	61,574
Statement of Movements			
Capital Expenditure charged in-year to the Council Fund Balance	3,380	2,790	6,170
Transfer from Capital Receipts	0	(53)	(53)
Net Transfer to or from Earmarked Reserves	(290)	(2,737)	(3,027)
Sub Total	3,090	0	3,090
Total	64,664	0	64,664

NOTE 2 - EXPENDITURE UNDER SECTION 137, LOCAL GOVERNMENT ACT 1972

Section 137 of the Local Government Act 1972 (revised in 2000) enables a local authority to spend up to £5.44 per head of the relevant population of the authority's area, equivalent to £643,955 in 2007/08, for the benefit of people in their area on activities or projects not specifically authorised by other powers. Expenditure amounting to £377,412 in 2007/08 was mostly used to provide grants to voluntary bodies which serve the community. This compares with £405,395 in 2006/07.

NOTE 3 - AGENCY SERVICES

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

The principal areas of work are trunk road improvements and maintenance on behalf of the National Assembly for Wales, with £26.54m income transactions recovered in 2007/08 (£23.23m in 2006/07)

NOTE 4 - EXPENDITURE ON PUBLICITY

In accordance with Section 5 of the Local Government Act 1986, local authorities must keep a separate account of expenditure on publicity defined as being any communication, in whatever form, addressed to the public at large or to a section of the public. Net expenditure by the Council on publicity in 2007/08 amounted to £835,400. This includes all the expenditure on advertising for all purposes. This compares with £813,782 in 2006/07.

NOTE 5 - INCOME UNDER THE GOODS AND SERVICES ACT 1970

No income was received under this heading during 2007/08 or 2006/07.

NOTE 6 – PENSION COSTS

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement 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 different pension schemes, both of which give defined benefits to members related to pay and service namely the Local Government Pension Scheme and the Teachers Pension Scheme.

- a) **the Local Government Pension Scheme** - This is available for all local government employees, including staff in schools and Further Education bodies other than teachers, as well as employees from scheduled and admitted bodies. Councillors are also allowed access to the scheme. The scheme is administered by Gwynedd Council - this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- b) **the Teacher's Pension Scheme** - This is administered by the Department of Education on the basis of a "notional fund". For the purpose of Financial Reporting Standard 17, the Teachers' Pension Scheme is considered to be a defined benefit scheme where the Scheme's assets and liabilities cannot be attributed to employers on a reasonable and consistent basis.

a) The Local Government Pension Scheme

The authority recognises the cost of retirement benefits in the Net 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 retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure. The following transactions have been made in the Income Expenditure Account during the year:

	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		Total	
	£'000		£'000		£'000	
	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008
Net Cost of Services						
Current Service Cost	(15,113)	(13,271)	0	0	(15,113)	(13,271)
Past Service Cost	(23)	(161)	0	0	(23)	(161)
Curtailement and Settlement	(49)	(113)	0	0	(49)	(113)
Net Operating Expenditure						
Interest Cost	(17,776)	(19,770)	(2,633)	(2,731)	(20,409)	(22,501)
Expected Return on Assets in the Scheme	16,970	19,966	2,381	2,463	19,351	22,429
Amounts to be met from Council Tax						
Movement on Pensions Reserve	1,583	(3,424)	252	268	1,835	(3,156)
Actual amount charged against council tax for pensions in the year						
Employers' Contributions to the Scheme	(14,408)	(16,773)	0	0	(14,408)	(16,773)

Note 30 contains details of the assumptions made in estimating the figures included in this note. Note 39 shows the historical gains and losses.

b) Teachers Pension Scheme

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2007/08 the Council paid £5.75m (£5.39m in 2006/07) in respect of teachers pension costs, which represented 13.66% (13.65% in 2006/07) of teacher's pensionable pay. In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2007/08 these amounted to £0.95m (£0.89m in 2006/07) representing 2.25% (2.26% in 2006/07) of teacher's pensionable pay.

The accounts are Financial Reporting Standard 17 'Retirement Benefits' (FRS 17) compliant. This also includes the Housing Revenue Account.

NOTE 7 - LEASES

In the past the Council's general policy was to acquire some vehicles and equipment through leasing. Since 2004/05 the cost of leasing has been compared with the cost of borrowing in order to ensure best value for the council when acquiring assets. Changes following introduction of the Prudential Code allow the Council to borrow more than the basic level when there is a sufficient reason to do so.

The capital value of assets acquired during the year under leases was nil (nil in 2006/07) and the total lease payments for the year amounted to £535,635 (£773,200 in 2006/07). The total outstanding obligation under leases at 31 March 2008 was £817,586 (£1,222,153 at 31 March 2007).

NOTE 8 - MINIMUM REVENUE PROVISION

The Minimum Revenue Provision (which is the sum which the authority must set aside from revenue to provide for the repayment of debt) has been calculated as follows for 2007/08:-

2006/07		2007/08
£000		£000
379	Housing Revenue Account (2% x Housing Capital Financing Requirement on 1 st April 2007)	340
5,241	Other Services (4% x Other Services Capital Financing Requirement on 1 st April 2007)	5,436
<hr/> 5,620		<hr/> 5,776
(420)	Adjustment due to Commutation of Improvement Grants	(242)
<hr/> 5,200	Minimum Revenue Provision	<hr/> 5,534
(15,021)	Effected by Depreciation	(15,389)
<hr/> 9,821	Required Appropriation from Capital Adjustment Account	<hr/> 9,855

(5,200)

(5,534)

NOTE 9 - MEMBERS ALLOWANCES

The following amounts were paid as allowances to members during 2007/08:-

2006/07		2007/08
£		£
1,024,044	Allowances	1,053,833

NOTE 10 - PAYMENTS TO EMPLOYEES

The Accounts and Audit Regulations Wales 2005 require the Council to disclose the number of employees who's remuneration (as defined) for the year was in excess of £60,000. This information is shown in the table below.

Number of employees who received more than £60,000:		
Number in 2006/07		Number in 2007/08
11	£60,000 - 69,999	14
6	£70,000 - 79,999	4
-	£80,000 - 89,999	4
-	£90,000 - 99,999	-
1	£100,000 - 109,999	1

NOTE 11 - TRANSACTIONS WITH RELATED PARTIES

The CIPFA Code of Practice requires the disclosure of material transactions with related parties which are not disclosed elsewhere in the accounts.

This information is already included in the statement of accounts under different headings as follows:-

- (i) Details of transactions with the Pension Fund.
Note 6 on pages 31 and 32 and the Pension Fund Accounts on pages 66 - 75.
- (ii) Details of transactions with subsidiary and associated companies.
Note 43 on page 55.
A total of £3,163,805 was paid to Cwmni Cynnal during 2007/08 for services to schools, £71,693 was payable to the company and £61,693 was due from the company at the end of the year.
A total of £2,166,332 was paid to CGMA Cyf. for waste disposal during 2007/08.
A total of £567,416 was paid to CBAC for services to schools during 2007/08.
- (iii) Significant Government Grants.
Income and Expenditure Account on page 24.
Note 48 on page 59.
- (iv) Other Local Authorities and Precepting Bodies.
Note 13 on page 34, Note 14 on page 35 and Notes 25 and 26 on pages 42 and 43.

(v) Members and Chief Officers.

Notes 9 and 10 on page 33.

The Council appoints members to some external charitable or voluntary bodies or they have disclosed a link to organisations. Payments of £3,711,468 were made to such bodies as grants or contributions for services during 2007/08.

Members have declared an interest in contracts or businesses which may have dealings with the Council. A total of £280,949 was paid under this heading during 2007/08.

A number of Chief Officers have declared an interest in companies or public bodies which receive payments from the Council. Payments totalling £1,689,826 were made to such bodies during 2007/08.

NOTE 12 – TRADING UNITS

The Council operates a number of services on a commercial basis including some which were previously subject to the compulsory competitive tendering regime. Accounting for former trading units relating to activities formerly undertaken by Gwynedd Civil Engineering, Gwynedd Environmental and the Ground Maintenance element is now shown under the appropriate service heading (refer page 24). For the remainder, a breakdown of “Net (Surplus) / Deficit of Trading Units” heading is provided below:-

Unit	Expenditure	Income	(Profit) /
	£'000	£'000	Loss £'000
Commercial Services –			
<i>Catering</i>	6,449	(6,587)	(138)
<i>Building Cleaning</i>	4,481	(4,557)	(76)
<i>Home Care</i>	123	(122)	1
Gwynedd Training	1,326	(848)	478
Print Unit	495	(585)	(90)
Industrial Estates	808	(588)	220
Total	13,682	(13,287)	395

NOTE 13 - PRECEPTS

Details of the precepts and levies paid during the year are given below:-

PRECEPTS AND LEVIES PAID IN THE YEAR		
2006/07		2007/08
£'000		£'000
5,140	North Wales Fire Authority	5,148
1,093	Snowdonia National Park Authority	1,118
1,121	Community Councils	1,171
129	North West and North Wales Sea Fisheries Committee	134
61	Local Drainage Boards	63

<u>7,544</u>	Total	<u>7,634</u>
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NOTE 14 - COUNCIL TAX

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

The Council Tax Base for 2007/08 was calculated as follows:-

CALCULATION OF THE COUNCIL TAX BASE FOR 2007/08			
Valuation Bands	Number of properties following discounts	Statutory multiplier	Equivalent No. Band D properties
A*	17	5/9	9.58
A	7,198	6/9	4,798.80
B	13,026	7/9	10,131.47
C	10,412	8/9	9,255.15
D	9,055	1	9,054.75
E	7,130	11/9	8,714.44
F	3,466	13/9	5,006.21
G	1,136	15/9	1,893.33
H	150	18/9	299.00
I	44	21/9	102.67
		Total	<u>49,265.40</u>
		Council Tax base after allowing for losses on collection	<u>48,284.65</u>

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

2006/07		2007/08
£'000		£'000
49,051	Council Tax raised	51,752
	Less sum payable to the North	
(8,050)	Wales Police Authority	(8,602)
(111)	Less Provision for bad debts	(112)
(63)	Transitional Relief	(9)
3	Transitional Relief Grant	7
47	Council Tax Administration Grant for Pensioners	0
<u>40,877</u>		<u>43,036</u>

NOTE 15 - NATIONAL NON-DOMESTIC RATES

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

The Government sets the National Non-Domestic rate for the year (44.8p in 2007/08) 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 2007/08 financial year there were 6,889 properties on the local valuation list in Gwynedd, representing a rateable value of £71,258,603.

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

2006/07		2007/08
£'000		£'000
24,051	National Non-domestic Rate raised	27,014
(328)	Less Cost of Collection allowance	(329)
(62)	Less provision for Bad Debts	(116)
<u>(23,661)</u>	Less sum paid to the National Pool	<u>(26,569)</u>
0		0
<u>(26,557)</u>	Receipts from the National Pool	<u>(28,679)</u>
<u>(26,557)</u>	Net Income from Non Domestic Rates	<u>(28,679)</u>

NOTE 16 – THE BUILDING CONTROL INCOME AND EXPENDITURE ACCOUNT

This account shows the expenditure and income which relate to the building regulations checking and supervision function, including consideration of any enforcement action but not the service of notices under the provisions of the Building Act 1984.

The account is expected to break-even over a three year rolling period, and this requirement is reviewed annually. A £24,647 loss is reported for the last three years, for which the overspend in 2006/07 is mainly responsible. However, the overspend has significantly reduced in 2007/08.

	£
Total Charges Income received (excluding VAT)	(534,169)
Total Charges Expenditure incurred	<u>537,960</u>
(Surplus)/Loss for 2007/08	3,791
(Surplus)/Loss for 2006/07	71,544
(Surplus)/Loss for 2005/06	<u>(50,688)</u>
(Surplus)/Loss for the last three years	<u>24,647</u>

NOTE 17 – AUDIT FEES

Fees were payable to the Wales Audit Office for the 2007/08 audit as shown below:-

2006/07		2007/08
£		£
263,928	Standard Audit Fees	260,822
66,965	Statutory Inspection Fees	80,490
120,838	Fees for grant claims and returns	127,612
<u>(14,067)</u>	Other Fees	<u>(14,738)</u>
<u>437,664</u>		<u>454,186</u>

Included in the Other Fees is a repayment from the Pension Fund of £14,738 as the Wales Audit Office invoice a fee for auditing the Pension Fund. In 2006/07 the fee was £14,067.

NOTE 18 – EXCEPTIONAL ITEMS

The Exceptional Item relates to provision for equal pay costs in both years.

NOTE 19 - FIXED ASSETS

The table below shows the movement on the various categories of fixed assets during 2007/08:-

FIXED ASSET TRANSACTIONS 2007/08								
	Operational Assets					Non Operational Assets		
	Council Dwell-ings	Land and Buildings	Infra-structure	Vehicles, Plant and Equipmen t	Community Assets	Invest-ment Properties	Assets un-der Con-struction	Total
Value	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31.03.07	266,861	149,318	86,140	10,752	393	1,244	75	514,783
Adjust Open- ing Balance				(20)				(20)
Additions	5,904	10,421	10,647	3,982	96		2,288	33,338
Impairment		(6,521)			(6)			(6,527)
Sales	(1,372)	(854)						(2,226)
Revaluation	6,304	2,096						8,400
Balance at 31.03.08	<u>277,697</u>	<u>154,460</u>	<u>96,787</u>	<u>14,714</u>	<u>483</u>	<u>1,244</u>	<u>2,363</u>	<u>547,748</u>
Depreciation								
Balance at 31.03.07	0	0	0	0	0	0	0	0
Charge	6,672	2,828	2,620	3,262	7	0	0	15,389
Balance at 31.03.08	<u>6,672</u>	<u>2,828</u>	<u>2,620</u>	<u>3,262</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>15,389</u>
Net Book Value								
At 31.03.07	266,861	149,318	86,140	10,752	393	1,244	75	514,783
At 31.03.08	<u>271,025</u>	<u>151,632</u>	<u>94,167</u>	<u>11,452</u>	<u>476</u>	<u>1,244</u>	<u>2,363</u>	<u>532,359</u>



The Council's operational Land and Buildings were revalued on 1st April 2005 by the Council's Principal Estates Officer in accordance with the policies noted in Note 2 of the Statement of Accounting Policies which appears at the beginning of the Statement of Accounts.

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

An analysis of fixed assets is given in the following table:-

ANALYSIS OF THE NUMBER OF FIXED ASSETS ON THE ASSET REGISTER	
	31 March 2008
Council Dwellings	6,339
Schools (excluding Church Schools)	110
Social Services Homes and Centres	27
Offices and Public Halls	24
Depots / Stores	18
Leisure Centres and Swimming Pools	20
Youth and Social Clubs	15
Off-street Car Parks	31
Libraries	16
Industrial Estates	22
Shops	16
Crematorium	1
Cemeteries	1
Archives	1
Museums	4
Public Halls	3
Hostel	2
Various other buildings and sites	46
Caravan Parks	1
Vehicles	236
Highways (Kilometres)	2,885
Bridges	744
Community Assets	5
Smallholdings (Hectares)	1,267

NOTE 20 - COMMITMENTS UNDER CAPITAL CONTRACTS

Significant commitments under capital contracts at 31 March 2008 were as follows:-

	Contract Sum £'000	Payments To date £'000	Amount Outstanding £'000
A499 Aberdesach to Llanaelhaearn Road Improvements	13,442	1,460	11,982
Building of new Cae Top School, Bangor	3,980	100	3,880
Improvements, Castle Square, Caernarfon	1,887	695	1,192
Improvements to Council Dwellings - Rhiwlas and Deiniolen	961	204	757
Insulation Upgrade and Repair Work, Ffordd Mela, Pwllheli	817	119	698
Adaptations and Re-roofing Ysgol Glan y Mor, Pwllheli	958	272	686
Improvements to Council Dwellings - Dol Elen, Groeslon and Maes Tryfan	621	161	460
Group Renewal Scheme, Blaenau Ffestiniog	487	48	439
Re-build Sports Hall, Tywyn	584	155	429
Heating Contract B – Council Dwellings	621	237	384
Heating Contract A – Council Dwellings	652	314	338
Improvement to A498 Bryn y Felin Bridge, Beddgelert	297	22	275

NOTE 21 – DEFERRED CHARGES

DEFERRED CHARGE TRANSACTIONS – 2007/08			
	Housing Grants £'000	Other £'000	Total £'000
Balance on 1 April 2007	0	0	0
Adjustment to Opening Balance		20	20
Expenditure in the Year	4,450	1,663	6,113
Written down in the year	(4,450)	(1,683)	(6,133)
Balance at 31 March 2008	<u>0</u>	<u>0</u>	<u>0</u>

NOTE 22 - ANALYSIS OF NET ASSETS EMPLOYED

ANALYSIS OF THE NET ASSETS EMPLOYED			
31 March 2007		31 March 2008	
£'000		£'000	
55,588	Council Fund	87,071	
170,930	Housing Revenue Account	175,497	
<u>226,518</u>	Total	<u>262,568</u>	

NOTE 23 – FINANCIAL INSTRUMENTS

Under the new requirements of the 2007 SORP relating to Financial Instruments, it is necessary to show information on the different categories of the Council's financial instruments, as defined, at the end of the year. This information is shown in the following table.

ANALYSIS OF THE COUNCIL'S FINANCIAL INSTRUMENTS			
31 March 2007	1 April 2007		31 March 2008
£'000	£'000		£'000
115,802	115,698	Loans and Receivables	117,854
876	2,470	Available for Sale Financial Assets	2,237
0	0	Equity Investments at Cost	0
17	17	Financial Assets at Fair Value through Profit and Loss	16
(200,473)	(200,473)	Financial Liabilities at Amortised Cost	(201,885)
0		Financial Liabilities at Fair Value through Profit and Loss	0
<u>(83,778)</u>	<u>(82,288)</u>	Total	<u>(81,778)</u>

Because the prescribed analysis shown above does not correspond to the Balance Sheet analysis format, the table below details the appropriate heading under which the related items are included.

ANALYSIS OF THE COUNCIL'S FINANCIAL INSTRUMENTS			
31 March 2007	1 April 2007		31 March 2008
£'000	£'000		£'000
893	2,487	Long Term Investments (Note 24)	2,253
674	674	Long Term Debtors (Note 25)	648
31,593	30,571	Short Term Debtors (Note 25)	38,665
83,535	84,453	Short Term Investments (Note 24)	78,541
(50,659)	(49,687)	Creditors (Note 26)	(51,721)
(619)	(619)	Short Term Borrowing (Note 27)	(575)
(149,195)	(150,167)	Long Term Borrowing (Note 27)	(149,589)
<u>(83,778)</u>	<u>(82,288)</u>	Total	<u>(81,778)</u>

NOTE 24 - INVESTMENTS

ANALYSIS OF THE COUNCIL'S FINANCIAL INSTRUMENTS			
31 March 2007	1 April 2007		31 March 2008
£'000	£'000		£'000
		Long Term Investments	
746	2,320	Cwmni Gwastraff Môn-Arfon	2,086
		Association of District Councils	
130	150	Debenture	150
1	1	Company Stock	1
16	16	Government Stock	16
<u>893</u>	<u>2,487</u>	Total Long Term	<u>2,253</u>
		Short Term Investments	
83,535	83,535	Financial Markets	77,065
	918	Interest Accrual	1,476
<u>83,535</u>	<u>84,453</u>	Short Term Total	<u>78,541</u>

The investment in Cwmni Gwastraff Môn-Arfon represents a 50% shareholding in a local waste disposal company owned jointly with the Isle of Angelsey County Council. The Company is in the process of being wound up and further related details are given in Note 43 on page 55. However, the holding as detailed above reflects the actual position as at 31 March 2008.

Short term investments are included in the accounts at original cost plus interest receivable to the end of the financial year. The fair value of short term investments at the end of the financial year is assessed as follows:

SHORT TERM INVESTMENTS		
	Cost	Fair Value
	£'000	£'000
Callable Deposits	5,000	5,239
Cash	7,500	7,500
Fixed Term Deposits	64,565	65,832
	<u>77,065</u>	<u>78,571</u>

NOTE 25 – DEBTORS

An analysis of the Council's debtors is given below:-

DEBTORS DUE WITHIN ONE YEAR			
31 March	1 April		31 March
2007	2007		2008
£'000	£'000		£'000
18,109	18,109	Government Departments	21,689
3,060	3,060	Other Public Authorities	5,346
2,389	2,389	Other Public Body	368
1,797	1,797	Council Tax Payers	1,783
820	820	National Non-Domestic Rates	842
895	895	Council Tenants	1,092
135	135	Mortgagors	141
7,370	6,348	Other Miscellaneous Debtors	10,130
687	687	2008/09 payments made in 2007/08	370
343	343	2007/08 income received in April & May 2008	781
<u>34,605</u>	<u>34,583</u>		<u>42,542</u>
(4,012)	(4,012)	Less: Bad Debts Provision	(3,877)
<u>31,593</u>	<u>30,571</u>	Net Debtors	<u>38,665</u>

DEBTORS FALLING DUE AFTER ONE YEAR			
31 March			31 March
2007			2008
£'000			£'000
468	Car Loans to employees		505
25	Mortgages - General		23
107	- Former Tenants		66
46	Barcud (Gwynedd Council element)		32
15	Gwynedd Archaeological Trust		10
13	Others		12
<u>674</u>	Total		<u>648</u>

NOTE 26 - CREDITORS

ANALYSIS OF THE COUNCIL'S CREDITORS			
31 March 2007 £'000	1 April 2007 £'000		31 March 2008 £'000
14,532	14,532	Government Departments	20,752
2,260	2,260	Other Public Authorities	4,752
1,096	1,096	Other Public Agencies	224
1,360	1,360	Council Tax Payers	1,401
(5)	(5)	Non-Domestic Rate Payers	(138)
14,599	13,627	Other Miscellaneous Creditors	11,585
265	265	Rent Income received in advance	126
439	439	Other Receipts in advance	598
16,113	16,113	April and May payments for goods received or work done before 31 March 2008	12,421
50,659	49,687		51,721

NOTE 27 - LOANS

ANALYSIS OF THE AUTHORITY'S LOANS				
Source of Loan	Range of Interest payable %	Outstanding		
		31.3.2007 £'000	1.4.2007 £'000	31.3.2008 £'000
Public Works Loans Board	3.75 - 11.00	149,814	149,814	149,194
		149,814	149,814	149,194
The maturity profile of the loans is as follows				
Within a year		619	619	575
Between 1 - 2 years		576	576	541
Between 2 - 5 years		16,947	16,947	17,827
Between 5 -10 years		8,809	8,809	10,038
Over 10 years		122,863	122,863	120,213
Total		149,814	149,814	149,194
Add: Accrued interest payable at 31 March		0	972	970
Less : Amounts due within one year shown in short -term loans		(619)	(619)	(575)
Total Long term borrowing		149,195	150,167	149,589

Loans are included in the accounts on the basis of original cost and accrued interest payable at the end of the financial year. The fair value of loans at the end of the year by reference to the 'premature repayment' rates on that day, is assessed as follows:

BORROWING		
	Cost £'000	Fair Value £'000
PWLB Loans - Maturity	146,239	180,241
PWLB Loans - Annuity	1,667	1,974
PWLB Loans - EIP	1,288	1,489
	149,194	183,704

NOTE 28- PROVISIONS

The Council sets aside provisions for specific obligations, the amount or timing of which cannot be determined accurately. It is not possible under accounting conventions to make provisions for uneven patterns of expenditure. However, earmarked reserves may be established and these are disclosed on pages 52 to 54 in Note 41.

MOVEMENT ON PROVISION ACCOUNTS						
	Balance at 31 March 2007 £'000	Adjustmen t £'000	Balance at 1 April 2007 £'000	Additions / (Reductions) / Transfers £'000	Used during the year £'000	Balance at 31 March 2008 £'000
Bad Debts						
Housing	407		407	139	(48)	498
Non-Domestic Rates	429		429	116	(133)	410
Council Tax	623		623	112	(159)	577
Debtors	2,553		2,553	554	(716)	2,392
Sub-total Bad Debts Provision	4,012	0	4,012	921	(1,056)	3,877
Other						
Claims against former Authorities	513		513		(32)	481
Provision against investment	746	(746)	0			0
Social Services	27		27			27
Council Tax refunds	408		408			408
Provision for Equal Pay Requirements	4,170		4,170	1,239	(3,009)	2,400
Section 117 Mental Health Act	350		350		(233)	117
Waste Provision	0	746	746			746
Sub Total Other Provisions	6,214	0	6,214	1,239	(3,274)	4,179
Total	10,226	0	10,226	2,160	(4,330)	8,056

NOTE 29 – GOVERNMENT GRANTS DEFERRED

The balance on this account represents the value of capital grants and contributions which have been applied to finance the acquisition or enhancements of fixed assets held in the asset register, or deferred charges. The balance on this account is released to revenue in line with depreciation or with the write-off of deferred charges. All grants relating to deferred charges are released in the year.

2006/07		2007/08
£'000		£'000
71,344	Balance at 1 April	83,011
20,304	Grants applied	20,979
	Grants and contributions written-off	
(2,284)	- against depreciation	(2,660)
(6,353)	- on deferred charges in the year	(4,883)
<u>83,011</u>	Balance at 31 March	<u>96,447</u>

NOTE 30 – PENSIONS COMMITMENT

Note 6 contains details of the Authority's participation in the Local Government Pensions Scheme (administered by Gwynedd Council) and the Teacher's Pension Scheme.

The underlying assets and liabilities for retirement benefits attributable to the authority as 31 March are as follows:-

	Gwynedd Council		Gwynedd Closed		Total	
	Pension Scheme		Fund Pension			
	31 March		Scheme		31 March	
	2007	2008	2007	2008	2007	2008
	£'000	£'000	£'000	£'000	£'000	£'000
Estimated Liabilities in Scheme	(362,293)	(360,943)	(52,547)	(48,606)	(414,840)	(409,549)
Estimated Assets in Scheme	277,282	309,031	32,906	26,136	310,188	335,167
Net Asset/(Liability)	(85,011)	(51,912)	(19,641)	(22,470)	(104,652)	(74,382)

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Gwynedd Pension Scheme has been assessed by Hymans Robertson, an independent firm of actuaries. The date of the most recent Full Actuarial Valuation was 31 March 2007. The main assumptions used in their calculations have been:-

	31 March 2007	31 March 2008
Price Inflation	3.2%	3.6%
Pay Inflation	4.7%	5.1%
Pensions Inflation	3.2%	3.6%
Discount Rate	5.4%	6.9%

Assets in the Gwynedd Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:-

	Long Term Return	31 March 2007	31 March 2008
	%	%	%
Equities	7.7	75.9	74.5
Bonds	5.7	12.2	14.5
Property	5.7	9.4	8.6
Cash	4.8	2.5	2.4
Total		100.0	100.0

With regard to the Teachers' Pension Scheme, there were no contributions remaining payable at year end. The scheme is a defined benefit scheme administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

NOTE 31 - CAPITAL FINANCING REQUIREMENT

The CIPFA Prudential Code of Practice, first applied to the 2004/05 financial year, required the Council to adopt Prudential Indicators which demonstrate that the Council's Capital programme is affordable, prudent and sustainable. One of these indicators is the Capital Financing Requirement. This indicator reflects the underlying need to borrow for a capital purpose. When capital expenditure is not resourced immediately this will result in a net increase to the capital financing requirement. This will be the case whether or not external borrowing actually occurs.

2006/07		2007/08
£'000		£'000
514,783	Fixed Assets	532,359
3,651	Long Term Investments	2,253
(83,011)	Government Grants Deferred	(96,447)
0	Revaluation Reserve	(9,249)
(277,873)	Capital Adjustment Account	(270,066)
(2,758)	Financial Instruments Adjustment Account (relating to fixed assets)	(1,595)
<u>154,792</u>	Capital Financing Requirement at 31 March	<u>157,255</u>

The movement in the year is explained as follows:

2006/07		2007/08
£'000		£'000
151,796	Opening Capital Financing Requirement	154,792
80	Adjustment to opening balance	0
39,060	In year Capital Investment	38,463
(2,765)	Capital Receipts used	(1,280)
(20,304)	Government grants and other contributions	(20,979)
(6,170)	Capital Expenditure charged to Revenue	(7,008)
(5,200)	Revenue Provision (MRP)	(5,534)
	Additional voluntary set aside:	
(1,659)	Capital Receipts	(1,046)
(46)	Voluntary Revenue Contribution	(153)
<u>154,792</u>	Closing Capital Financing Requirement	<u>157,255</u>

NOTE 32 – MOVEMENT IN RESERVES

		Balance at 1 April	Transfer / Contribution	Transfer / Contribution	Balance at 31 March
	Note	2007	to Reserves	from	2008
		£'000	£'000	Reserves £'000	£'000
Capital Adjustment Account	33	277,873	2,326	(10,133)	270,066
Financial Instrument Adjustment Account	34	0	123	(1,612)	(1,489)
Revaluation Reserve	36	0	9,249		9,249
Available-for-sale Financial Instruments Reserve	35	0	1,594	(233)	1,361
Usable Capital Receipts Reserve	37	4,519	1,361	(1,280)	4,600
Deferred Capital Receipts	38	133		(41)	92
Pensions Reserve	39	(104,581)	30,199		(74,382)
School Reserves	40	3,314	402		3,716
Earmarked Reserves	41	35,405	1,731		37,136
Revenue Balances					
Council Fund		8,244	2,330		10,574
Housing Revenue Account		1,611	34		1,645
Cyfanswm		<u>226,518</u>	<u>49,349</u>	<u>(13,299)</u>	<u>262,568</u>

NOTE 33 - CAPITAL ADJUSTMENT ACCOUNT

MOVEMENTS ON THE CAPITAL ADJUSTMENT ACCOUNT	
Balance at 31 March 2007	0
Transfer from Fixed Asset Restatement Reserve	272,979
Transfer from Capital Financing Account	<u>4,894</u>
Restated Balance at 31 March 2007	277,873
Transfers from the Council Fund	
- Minimum Revenue Provision Adjustment	(9,612)
- Commutation Adjustment	(242)
- Financing Fixed Assets – Revenue	7,008
- Deferred Grants	7,543
- Voluntary Revenue Contribution	153
- Impairment	(6,527)
- Deferred Charges	(6,133)
- Loss on Sale of Assets	(849)
Capital Receipts set-aside	1,046
Use of Capital Receipts for financing	1,280
Decrease - Long Term Debtors	(3)
- Sales	(2,226)
- Additions	<u>755</u>
Balance at 31 March 2008	<u>270,066</u>

NOTE 34 – FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

MOVEMENTS ON THE FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT	
	£'000
Balance at 31 March 2007	0
Re-state prior year balance:	
Debtors	(104)
Premiums / (Discounts) on early repayment of debt	<u>89</u>
Restated Balance at 1 April 2007	(15)
Movements during 2007/08	
Debtors	34
Premiums / (Discounts) on early repayment of debt	<u>(1,508)</u>
Balance at 31 March 2008	<u>(1,489)</u>

NOTE 35 – AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE

MOVEMENTS ON THE AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE		£'000
Balance at 31 March 2007		0
Re-state prior year balance:		
Investments	1,594	
Restated Balance at 1 April 2007		1,594
Movements during 2007/08		
Investments		(233)
Balance at 31 March 2008		1,361

NOTE 36 – REVALUATION RESERVE

MOVEMENTS ON THE REVALUATION RESERVE			
	Council Fund £'000	Housing Revenue A/c £'000	Total £'000
Balance at 1 April 2007	0	0	0
Increase in Asset values	2,945	6,304	9,249
Balance at 31 March 2008	2,945	6,304	9,249

NOTE 37 - USABLE CAPITAL RECEIPTS RESERVE

These are capital receipts which have not yet been used to incur additional capital expenditure but are partly committed. (See Note 5 in the Statement of Accounting Policies).

ANALYSIS OF USABLE CAPITAL RECEIPTS			
	Housing Revenue Account £'000	Other Services £'000	Total £'000
Balance at 1 April 2007	811	3,708	4,519
2007/08 receipts	498	863	1,361
Amounts used during 2007/08	(671)	(609)	(1,280)
Balance at 31 March 2008	638	3,962	4,600

NOTE 38 - DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are amounts derived from sales of assets which will be received in installments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form part of the mortgages heading under long term debtors.

NOTE 39 – PENSIONS RESERVE

The actuarial gains / losses identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:-

	Gwynedd Council Pension Scheme		Gwynedd Closed Fund Pension Scheme		TOTAL	
	£'000	%	£'000	%	£'000	%
	Differences between the expected and actual return on assets	(34,493)	(11.4)	(4,252)	(14.2)	(38,745)
Differences between actuarial assumptions about liabilities and actual experience	(8,483)	(2.4)	(667)	(1.4)	(9,150)	(2.2)
Changes in the demographic and financial assumptions used to estimate liabilities	72,580	20.1	2,358	4.9	74,938	18.3
Actuarial Gains / (Losses)	29,604	8.2	(2,561)	(5.3)	27,043	6.6

Refer to the table below for the three previous years comparative figures :-

	Gwynedd Council Pension Scheme						Gwynedd Closed Fund Pension Scheme					
	2004/05		2005/06		2006/07		2004/05		2005/06		2006/07	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	6,342	3.3	33,320	13.6	227	(0.1)	1,161	3.5	5,325	14.5	32	0.1
Differences between actuarial assumptions about liabilities and actual experience	(1,581)	(0.5)	(470)	(0.1)	(272)	(0.1)	(767)	(1.4)	(977)	(1.8)	292	0.6
Changes in the demographic and financial assumptions used to estimate liabilities	(53,124)	(18.4)	(45,334)	(12.7)	24,446	6.7	(4,653)	(8.7)	(2,957)	(5.3)	1,436	2.7
Actuarial Gains / (Losses)	(48,363)	(16.8)	(12,484)	(3.5)	24,401	6.7	(4,259)	(8.0)	1,391	2.5	1,760	3.3

NOTE 40 - 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:-

31 March 2007 £'000		31 March 2008 £'000
3,519	Individual School Balances	3,896
(180)	Schools overdrawn	(175)
(45)	School Loans Scheme	(21)
20	General Balances	16
<u>3,314</u>		<u>3,716</u>

NOTE 41 - SPECIFIC RESERVES

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

- (i) The School Reserves represent the budgets delegated to schools but which have not hitherto been spent.
- (ii) The Renewals Reserve is used by the Provider Services, Gwynedd Training, Highways and Municipal and the Print Room to replace vehicles and equipment as required.
- (iii) The Capital Reserve represents resources already committed to finance part of the Council's Capital Programme.
- (iv) 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 represents Gwynedd and the former Gwynedd County Council's (pre 1996) insurance funds.
- (v) The Amenity Funds represent sums held by the Council's residential homes and establishments for the benefit of the clients. They are established from voluntary contributions.
- (vi) 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.
- (vii) The Cilgwyn Fund was established using the dividend received from Cwmni Gwastraff Môn-Arfon Cyf and to be used towards the costs related to the landfill site, which is now run by the Council.
- (viii) An Investment To Save fund was created for capital or revenue schemes which create savings to the Council over a period of time. The resources were available for

departments with a business plan for a specific scheme which showed that the investment would pay for itself over a specific period of time. The balance that was on this fund is now part of the 'Improving the Council' Fund.

- (ix) During 1999/00 a fund was created for additional capital or revenue costs which are likely to arise from the requirements to develop plans for Objective 1.
- (x) The Development Reserve relates to specific projects already determined by the Council, and the Strategic Financing Reserve for providing budgetary flexibility in the future.
- (xi) The Network Fund was established to finance the cost of developing the computer network for schools and other Council establishments.
- (xii) 'Improving the Council' Fund – a sum set aside to support schemes that could achieve efficiency improvements, improve service performance, and to strengthen corporate capacity to support change management and improvement.
- (xiii) Specific Risks Fund – a sum set aside to protect the Council from specific financial and budgetary risks in the future.
- (xiv) Central Training – relates to the management training development programme.
- (xv) Communication Centre Reserve – sums set-aside towards developing the new Communication Centre.
- (xvi) 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”, and “Early Retirement and Redundancy” matters.
- (xvii) The Economy and Regeneration Reserves include a number of balances relating to schemes operating on a partnership basis mainly, where the scheme balances must be accounted for separately.
- (xviii) The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven expenditure – ‘equalisation accounts’ – and likely requirements from contracts.
- (xix) 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.
- (xx) Environment Policy & Performance Reserves – relevant to specific requirements regarding the Unitary Development Plan, Green Transport Development Plan and Environmental Stewardship.
- (xxi) Planning and Transportation 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.

- (xxii) Trunk Road Management Reserve – includes a sum set aside to enable responding to any possible changes to employment arrangements.
- (xxiii) The Social Services Reserve includes a reserve established to meet uneven patterns on some elements of Social Services expenditure in addition to a fund to meet the requirement of the Corporate Parent Panel.
- (xxiv) Care - Other Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- (xxv) Various Other Reserves – includes amounts set aside to meet a variety of other contingent liabilities.

	Adjustments				Balance at 31 March 2008 £'000
	Balance at 1 April 2007 £'000	Via IEA £'000	Transfer / Contribution To Reserves £'000	Transfer / Contribution From Reserves £'000	
School Reserves	3,315		1,033	(632)	3,716
Renewals Reserves	2,063		1,627	(879)	2,811
Capital Reserves	9,498		986	(2,466)	8,018
Insurance Reserves	3,649		720	(441)	3,928
Establishment Amenity Funds	156			(156)	0
Services Fund	6,309	5	7,063	(3,719)	9,658
Cilgwyn Fund	230			(230)	0
Investment to Save Fund	250	(250)			0
Objective 1 Fund	797			(252)	545
Developments Reserve	405		40	(26)	419
Strategic Financing Reserve	1,000		240	(278)	962
Network Fund	416	(5)	16		427
Improving the Council Fund	860	250	32	(294)	848
Specific Risks Fund	1,330				1,330
Central Training	1,298		334	(450)	1,182
Communication Centre Reserve	2,555			(838)	1,717
Schools Service Reserves	779		458	(500)	737
Economy and Regeneration Reserves	189		58	(23)	224
Highways and Municipal Reserves	1,353		100		1,453
Consultancy Reserves	295		77		372
Policy and Performance (Environment) Reserves	111		110	(4)	217
Planning and Transportation Reserves	247		31		278
Trunk Road Management Reserve	200		200		400
Social Services Reserve	175			(144)	31
Care - Other Reserves	793		150		943
Various Other Reserves	446		249	(59)	636
Total	38,719	0	13,524	(11,391)	40,852

NOTE 42 - CONTINGENT LIABILITIES

The Authority has made a provision within the accounts in respect of equal pay claims. However, the extent of the liability has not yet been established.

The Authority has made a provision within the accounts in recognition of the capping and aftercare costs for a waste disposal site. The final cost for the project is still being established.

NOTE 43 – INTERESTS IN COMPANIES

The Council has a 50% interest in two companies. In each case the other member is the Isle of Anglesey County Council.

Cwmni Gwastraff Môn-Arfon Cyf.

Cwmni Gwastraff Môn-Arfon Cyf. was established as a Local Authority Waste Disposal Company in 1994. The Company operated two waste management sites in Anglesey and Gwynedd which were leased from the Local Authorities. A significant element of the Company's activities related to contracts with the two Local Authorities.

Following a change in legislation, the two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff were transferred to the Council in January 2008. The remaining assets and liabilities will be divided between the two Councils when the Company is wound up. The Company's final accounts have not yet been completed but the investment on the Balance Sheet has been re-valued to its true value when the final distribution of assets takes place. (See note 24 on page 41)

Cwmni Cynnal Cyf.

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. The level of trading with the Council is included in Note 11 to the Core Financial Statements. Copies of the financial statements are available from Cwmni Cynnal Cyf., Plas Llanwnda, Caernarfon, Gwynedd LL55 1SH.

NOTE 44 - TRUSTS

The Council acts as sole trustee for 169 bequests such as school prize funds and comforts and improvements to the Care Directorate's Establishments. The total balance on these funds at 31 March 2008 was £642,795. These are invested to provide income.

The two largest funds are shown in separate statements on pages 64 and 65.

NOTE 45 – DISCLOSURE OF NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's activities expose it to a variety of financial risks:

Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.

Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.

Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The overall management of significant risks arising from Financial Instruments is underpinned by the Council's Treasury Management Strategy Statement and Annual Investment Strategy which is approved by Full Council in accordance with the Code of Practice for managing Treasury Management in the Public Services published by CIPFA.

This document provides written principles for overall risk management as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Financial Regulations apply to all the transactions undertaken by staff within the Council and they prescribe procedures and controls to ensure that any potential risks the Council is exposed to are minimised.

Credit Risk

Credit Risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers (debtors on the Balance Sheet).

Deposits are not made with banks and financial institutions unless, having been rated independently, they have attained a minimum score of A-, and credit limits are set for each counterparty. The Council monitors credit ratings monthly and is alerted to changes by its treasury management consultants. Appropriate action is taken following any changes in accordance with the Annual Investment Strategy. An Annual Treasury Report is produced to report on investment activity.

No credit limits were exceeded during the financial year and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council has prescribed collection procedures for amounts owed by its customers and appropriate provisions are made for potential bad debts.

The Council also has a number of longer term debtors including car 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, insurance for loans unpaid due to death in service 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 and these have good payment records.

Liquidity Risk

Liquidity Risk is low as the Council has ready access to the Public Works Loans Board (PWLB). Therefore, there is no risk that it will be unable to raise finance to meet its commitments under financial instruments. However, there is a risk that the Council will need to renew a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 30% of loans are repayable within two years and to continuously assess the market

rates and forecasts in order to replace maturing loans or reschedule existing loans at the most beneficial time. In order to achieve this, the Council uses external treasury management advisors with expertise in the field.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk – The Council faces potential risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For example, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account would rise.
- borrowings at fixed rates – the fair value of the borrowings liabilities would fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account would rise.
- Investments at fixed rates – the fair value of the assets would fall.

The Council has a number of strategies for managing interest rate risk. The Council policy is to borrow at fixed rates from the PWLB thus obtaining certainty as to interest payable over the period of the loans. The Council, in conjunction with its treasury advisors, continually monitors the prevailing interest rates and the market forecasts. If there was a significant risk of a sharp rise in long and short term rates, then the portfolio position would be re-appraised with the likely action that fixed rate funding would be drawn whilst interest rates were still relatively cheap. If there was a significant risk of a sharp fall in long and short term rates then long term borrowings would be postponed, and any appropriate re-scheduling from fixed rate funding into short rate funding would be undertaken.

Price Risk – The Council does not normally invest in equity shares but does have shares in a Local Authority Waste Disposal Company (LAWDC). The company is currently being wound up and has therefore been classified as an ‘available for sale asset’ and is shown at fair value in the Balance Sheet. The fair value of the shares is expected to be realised during 2008/09.

The Council also has a Debenture with the Association of District Councils relating to a property and which is due to be repaid during 2008/09. This has also been classified as an ‘available for sale asset’ and is shown at fair value in the Balance Sheet.

Foreign Exchange Risk – The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

NOTE 46 – DATE OF AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The Financial Statements were authorised for issue by Dafydd L. Edwards, Head of Finance on 19 September 2008.

NOTE 47 - RECONCILIATION TO THE STATEMENT OF THE MOVEMENT ON COUNCIL FUND BALANCE (CASH FLOW)

2006/07 £'000		2007/08 £'000
	(Surplus) / Deficit for the Year on the Income and Expenditure Account	
5,785	Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be Debited/(Credited) to the Council Fund Balance for the Year	2,533
<u>(7,739)</u>		<u>(4,863)</u>
	Surplus for the year on the Statement of the movement on the Council Fund Balances	
(1,954)	Add : net surplus on the Housing Revenue Account	(2,330)
<u>278</u>		<u>(34)</u>
(1,676)		(2,364)
	Non Cash Transactions	
	Add/ (Deduct) -	
(21,309)	Net contributions to reserves	(32,332)
(5,200)	Minimum Revenue Provision	(5,535)
(4,074)	Net increase in provisions	2,035
0	Receipt of Fixed Assets from Cwmni Gwastraff	233
0	Financial Instrument Adjustments	1,489
24,326	Pension Commitments	30,270
<u>(7,933)</u>		<u>(6,204)</u>
	Items on an accruals basis	
(107)	Add increase/(decrease) in stocks	121
3,839	Add increase/(decrease) in revenue debtors	6,019
2		(2)
(14)		91
(14,961)	Less net (increase)/decrease in revenue creditors	(299)
<u>(19,174)</u>		<u>(274)</u>
	Items classified in another part of the cash flow statement	
(5,782)	Add net interest paid	(4,318)
(6,216)	Capital financing from revenue	(7,161)
<u>(31,172)</u>	Total	<u>(11,753)</u>

NOTE 48 – GRANTS

ANALYSIS OF GRANTS ON THE CASH FLOW STATEMENT			
2006/07		2007/08	
£'000		£'000	£'000
	Revenue Grants :-		
5,530	Resources Grants	2,211	
20	Chief Executive Grants	74	
2,874	Corporate Grants	2,311	
14,480	Environment Grants	16,302	
8,205	Care Grants	8,351	
2	Education Mandatory Grants	1	
1,093	Education GEST Grants	1,020	
1	Education Key Stage 2 Grant	0	
11,893	Other Development Grants	14,630	
26,148	Housing and Council Tax Benefit Grant	28,764	
126,361	Revenue Support Grant	130,471	
26,557	Share of Non-Domestic Rates	28,679	
<u>223,164</u>			232,814
	Capital Grants :-		
20,960	National Assembly Grants	18,060	
(48)	Welsh Development Agency Grants	431	
	European Regional Development Fund		
1,073	Grants	1,384	
395	Other Grants	1,086	
<u>22,380</u>			20,961
<u>245,544</u>	Total		<u>253,775</u>

NOTE 49 - MOVEMENT IN CASH AND CASH EQUIVALENTS

INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS – 2007/08			
	Balance on 1 April 2007 £'000	Balance on 31 March 2008 £'000	Movements during year £'000
Cash overdrawn	(11,623)	(14,230)	(2,607)
Cash in hand	72	73	1
Decrease in Cash and Cash equivalent			<u>(2,606)</u>

HOUSING REVENUE ACCOUNT 2007/08

2006/07 £'000	INCOME	2007/08 £'000
(16,650)	Dwelling rents	(17,751)
(410)	Other rents	(414)
(141)	Service charges	(140)
(17,201)	Total Income	(18,305)
	EXPENDITURE	
6,930	Repairs and Maintenance	5,955
3,004	Supervision and Management	3,363
186	Rents, taxes and other charges	192
85	Provision for bad debts	127
5,447	Subsidy Payable	5,633
6,205	Depreciation of fixed assets	6,915
(210)	Deferred Grants	(315)
21,647	Total Expenditure	21,870
4,446	Net Cost of HRA Services – Income and Expenditure Account	3,565
164	HRA Share of Corporate and Democratic Core	165
4,610	Net Cost of HRA Services	3,730
260	Loss on disposal of HRA fixed assets	0
1,118	Interest payable and similar charges	1,000
(5)	Premiums and discounts on borrowing	159
(87)	Interest on investments	(143)
5,896	Deficit / (Surplus) for the year	4,746

STATEMENT OF THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE	
---	--

2006/07 £'000		2007/08 £'000
5,896	Deficit for the year on Income and Expenditure	4,746
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the HRA Balance for the Year	
(6,201)	Depreciation and Impairment of Fixed Assets	(6,908)
210	Deferred Government Grants Amortisation	315
(4)	Write downs of Deferred Charges to be Financed from Capital Resources	(7)
(260)	Net Loss on Sale of Fixed Assets	0
0	Finance Costs	(152)
(53)	Transfer from Capital Receipts	(53)
(529)	Net Charges made for Retirement Benefits in Accordance with FRS17	(463)
(6,837)		(7,268)
	Amounts not included in the HRA Revenue Account but required to be included by Statute when determining the Movement on the HRA Balance for the Year	
379	Minimum Revenue Provision for Capital Financing	340
310	Capital Expenditure charged in-year to the HRA	1,600
456	Retirement Benefits Payable Direct to Pensioners	529
1,145		2,469
	Transfers to or from the Council Fund Balance that are required to be taken into account when determining the Movement on the HRA Balance for the Year	
74	Net Transfer to/from Earmarked Reserves	19
74		19
(5,618)	Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be debited/(credited) to the HRA Balance for the Year	(4,780)
278	(Increase) / Reduction in HRA Balance for the Year	(34)
(1,889)	HRA Balance Brought Forward	(1,611)
(1,611)	HRA Balance Carried Forward	(1,645)

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – HOUSING STOCK

The Council was responsible for managing 6,375 dwellings by the end of 2007/08. The stock was made up as follows: -

COUNCIL HOUSING STOCK		
31 March 2007 Number		31 March 2008 Number
4,190	Houses	4,171
1,252	Flats	1,250
795	Bungalows	794
115	Sheltered Units	115
10	Flats above shops	9
20	Houses leased from private sector	36
<u>6,382</u>	Total	<u>6,375</u>

NOTE 2 – DWELLING RENTS

This is the total rent income due for the year after allowance is made for voids etc. During the year 1.85% of income was lost due to properties being vacant compared with 1.80% in 2006/07. The average weekly rent in 2007/08 was £54.22 compared with £51.25 in 2006/07.

NOTE 3 – OTHER RENTS

This figure includes rents for shops on housing estates and also garages, after deducting void losses etc.

NOTE 4 – RENT ARREARS

At the end of 2007/08, rent arrears, as a proportion of gross rent income, was 5.13%, which amounted to £953,379. This compares with £862,455 (4.94%) at the end of 2006/07. During 2007/08, bad debts amounting to £48,181 were written off and a further provision of £126,530 was made towards bad debts.

NOTE 5 - CAPITAL

Capital expenditure for the Housing Revenue Account in 2007/08 was £6,429,777 compared to £5,646,072 in 2006/07. This was financed as follows:

CAPITAL EXPENDITURE – FINANCING		
2006/07		2007/08
£'000		£'000
4,000	Major Repairs Allowance	4,100
1,077	Capital Receipts	671
310	Housing Revenue Account	1,600
259	Other sources	59
<hr/>		<hr/>
5,646	Total	6,430

Capital receipts amounted to £1,596,709, acquired from the sale of land, houses and other property. This compares to £2,383,438 in 2006/07. The decrease is a consequence of a substantial reduction in the number of houses sold under the 'right to buy' scheme.

NOTE 6 – DEPRECIATION

The depreciation of £6.915m which can be seen against the Net Cost of HRA Services, was calculated in accordance with proper practices, as follows:

DEPRECIATION		
2006/07		2007/08
£'000		£'000
	Operational Assets	
6,032	Dwellings	6,672
182	Other	236
(13)	Non-operational Assets	0
	Deferred Charges	
4	Other	7
<hr/>		<hr/>
6,205		6,915
(210)	Grants Deferred	(315)
<hr/>		<hr/>
5,995		6,600

NOTE 7 – CONTRIBUTION TO / FROM THE PENSION RESERVE

The Net Cost of HRA Services includes pensions in accordance with FRS17 guidelines but an adjustment between this figure and the actual cost during the year also appears in the statement of movement on the HRA balance.

THE WELSH CHURCH FUND

2006/07 £'000		2007/08 £'000 £'000	
534.7	Amount of Fund at 1st April		530.8
	Change in market value of investments on the Market		530.8
	Add Income during the year		
25.7	Interest on Investments	29.8	
0.6	Profit on Sale of Investments	1.8	
0.6	Rents and Annuities	0.6	
26.9			32.2
	Less - Expenditure during the year		
(2.7)	Loss on sale of investments	(2.8)	
(28.1)	Grants and expenses	(30.0)	(32.8)
530.8	Amount of Fund at 31st March		530.2
	Represented by the Following Assets:-		
26.1	Land and Buildings		26.1
490.6	Investments at Market Value		481.4
125.8	Debtors		142.2
574.8	Cash in Hand		564.3
1,217.3			1,214.0
	Less - Proportion owing to Anglesey and Conwy Councils		
(657.1)			(657.2)
560.2			556.8
(60.6)	Less - Creditors		(63.0)
	Add - Proportion owing from Anglesey and Conwy Councils		
31.2			36.4
530.8	Total		530.2

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. This examination will be carried out by the Wales Audit Office. The audit certificate on pages 76 and 77 does not represent a report under the provisions of the Charities Act 1993.

FMG MORGAN TRUST FUND

2006/07 £'000		2007/08 £'000
122.7	Amount of Fund at 1st April	126.3
	Add – Income during the year	
8.3	Interest on Assets	9.4
	Less – Expenditure during the year	
(4.7)	Grants	(6.5)
126.3	Amount of Fund at 31st March	129.2
	Assets	
24.5	Investments	24.5
101.8	Cash in Hand	104.7
126.3		129.2

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 Llyn for specified purposes.
2. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2008 was £171,182 (£192,827 at 31 March 2007).
3. The FMG Morgan Trust Fund is outside the provisions of the Charities Act 1993. No independent examination or audit is therefore required in respect of this trust fund.

GWYNEDD PENSION FUND ACCOUNTS 2007/08

2006/07 £'000	Pension Fund Accounts for the Year Ended 31 March	2007/08 £'000
	Contributions -	
11,489	Employees - staff	11,943
30	- members	32
36,090	Employers - staff	41,668
91	- members	106
265	- lump sums	0
0	- Deficit Funding	98
0	-Augmentation	132
40	Interest On Deferred Contributions	65
0	Interest On Late Payments of Contributions	4
0	Income from Divorce Calculations	0
4,429	Transfers From Other Schemes	3,161
177	Purchase Of Additional Service etc.	235
52,611	Total Contributions Received	57,444
	Benefits Payable -	
(21,023)	Pensions	(22,492)
(5,061)	Lump Sums	(5,709)
(6)	Sickness Grants	0
(223)	Death Benefits	(564)
(42)	Withdrawals	(15)
0	Other	(1)
(3,485)	Transfers To Other Schemes	(1,602)
(828)	Administrative Expenses (Note 9)	(884)
(30,668)	Total Benefits Paid	(31,267)
21,943	Net Additions From Dealings With Members	26,177

2007 £'000	Return on Investments as at 31 March	2008 £'000
13,139	Investment Income (Note 5)	13,927
37,445	Change In The Market Value Of Investments	(56,005)
(1,948)	Investment Management Expenses (Note 10)	(3,509)
48,636	Net Returns On Investment	(45,587)
21,943	Net Additions From Dealings With Members	26,177
741,576	Net Assets At 1st April	812,155
812,155	Net Assets Of The Fund at 31st March	792,745

2007 £'000	Net Assets Statement as at 31 March	2008 £'000
	Investments at Market Value (Note 4)	
	Fixed Interest:	
25,774	UK Public Sector Quoted	26,760
38,741	UK Other Quoted	37,315
	Index Linked:	
39,003	UK Index Linked	39,568
	Equities:	
179,167	UK Quoted	86,942
5	UK Unquoted	436
122,872	Overseas Quoted	113,749
180	Overseas Unquoted	481
0	Private Equity	25,688
	Pooled Investment Vehicles:	
118,795	UK Unit Trusts - Quoted	176,028
3,068	UK Unit Trusts - Unquoted	0
11	UK Ventures	3
87,445	Overseas Unit Trusts	102,064
85,846	Overseas Managed Funds	79,065
77,473	Property Unit Trusts	67,500
	Other:	
11,890	Tactical Asset Allocation Funds	0
16,365	Cash and Temporary Investments	17,476
648	Debtors - Sales of Investments Awaiting Settlement	16,524
7,134	Sundry Debtors (Note 11)	6,466
(1,287)	Creditors - Purchases of Investments Awaiting Settlement	(2,566)
(975)	Sundry Creditors (Note 12)	(754)
812,155		792,745

NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS

NOTE I – GENERAL

The Gwynedd Pension Fund is a statutory fund which is maintained for the purpose of providing pensions for its contributors. Membership of the Fund is available for all local government employees, including staff in schools and Further Education bodies other than teachers, as well as employees from other admitted bodies. Employing bodies who join the scheme are either “scheduled bodies”, being local authorities or other public bodies automatically entitled to join, or “admitted bodies” who may be allowed to join by the administering authority, or, external providers who choose to join the scheme under an outsourcing agreement under Local Government Pension Scheme (Amendment etc.) Regulations 1999 (as amended). The scheduled and admitted bodies contributing to the fund are listed below:-

Scheduled Bodies

Gwynedd Council
Isle of Anglesey County Council
Conwy County Borough Council
North Wales Police Authority
Caernarfon Town Council
Menai Bridge Town Council
Bangor City Council
Llangefni Town Council
Beaumaris Town Council
Holyhead Town Council
Llandudno Town Council
Coleg Meirion Dwyfor
Coleg Menai
Snowdonia National Park
Coleg Llandrillo
Emrys ap Iwan School
Eirias High School
Bryn Eilian School
Pen y Bryn School
Tywyn Community Council
Llanllyfni Community Council
Tywyn and Kinmel Bay Town Council
Abergele Town Council
Colwyn Bay Town Council

Admitted Bodies

North Wales Society for the Blind
Holyhead Joint Burial Committee
Coleg Harlech WEA
Careers Wales North West
Cwmni Cynnal
Cwmni'r Fran Wen
Theatr Harlech
Theatr Gwynedd
Conwy Voluntary Services
Medrwn Môn
Mantell Gwynedd
Ynys Môn Citizens Advice Bureau
Menter Môn
Conwy Citizens Advice Bureau
CAIS
Cwmni Gwastraff Môn Arfon (until January 2008)

Employees contribute a fixed percentage of their pay. Employing authorities make a contribution of an amount to keep the Fund solvent. This amount is determined by a triennial actuarial valuation of the Fund. (refer Note 3).

Any money not for the time being required to meet payments out of the Fund must be invested. The objective in investing Fund monies is to maximise the return on the money entrusted to the Fund, thus limiting the amount the employing authorities need to contribute to it.

NOTE 2 - ACCOUNTING POLICIES

The accounts have been prepared to meet the requirements of the Local Government Pension Scheme Regulations 1997, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended) and to meet the requirements of the Statements of Recommended Practice Number 1 of the Accounting Standards Committee of Professional accounting bodies of the United Kingdom.

Contributions, investment income, and benefits have been included in the accounts on an accruals basis where these amounts have been determined on the closure of the accounts. Transfers to and from other schemes are on a receipts and payments basis.

Securities quoted on the Stock Exchange Trading Service ("SETS") have been valued at the last SETS traded price on 31 March 2008. All other securities have been valued at the closing mid-market price on 31 March 2008. Foreign investments and foreign currency held at 31 March 2008 have been valued at the prevailing exchange rate at close of business that day. Unitised Securities and all other investments have been valued at the mid-closing price on the 31 March 2008.

The Financial Statements do not take into account the fund's liabilities to pay pensions and other benefits in the future to all the present contributors to the fund. These liabilities are taken into account in the periodic actuarial valuations of the fund and are reflected in the levels of employers' contributions determined at these valuations, so that the fund is again able to meet 100% of future liabilities.

NOTE 3 - ACTUARIAL POSITION

The most recent actuarial valuation of the Fund was undertaken as at 31 March 2007 (previously 31 March 2004), and it requires full solvency of the Fund.

The actuarial method used in the valuation was the "Projected Unit Method" and the main financial assumptions were as follows:-

	% per annum
Investment Returns	
Equities	6.25%
Bonds	4.75%
75% Equities / 25% Bonds	5.9%
Pay Increases (excl. increments)	4.7%
Price Inflation / Pension Increases	3.2%

The key funding objective of the Fund is to build up sufficient assets to provide adequate security for members' benefits as they accrue. When the value of the Fund's assets match the value of its liabilities the Fund is said to be 100% funded.

The 31 March 2007 actuarial valuation shows, in common with the other local authority pension funds, a decline in the solvency of the Fund. At the valuation date the market value of the Fund's assets were £814 million and the liabilities were valued at £974 million. The valuation showed that the Fund's liabilities exceeded its assets by £161 million, and that the funding level was 84%.

NOTE 4 - MARKET VALUE OF THE ASSETS

The market value of the assets at 31 March 2008 are given below:-

	Total	BGI	UBS	Capital	L&G	Partners	Gwynedd	Total
	£'000	%	%	%	%	%	%	%
Fixed Interest:								
UK Public Sector	26,760	39.80	60.20	-	-	-	-	100.00
UK Other	37,315	26.85	73.15	-	-	-	-	100.00
Index Linked:								
UK Index Linked	39,568	100.00	-	-	-	-	-	100.00
Equities:								
UK Quoted	86,942	-	85.58	14.42	-	-	-	100.00
UK Unquoted	436	-	-	100.00	-	-	-	100.00
Overseas Quoted	113,749	-	-	100.00	-	-	-	100.00
Overseas Unquoted	481	-	-	100.00	-	-	-	100.00
Private Equity	25,688	-	-	-	-	100.00	-	100.00
Pooled Investment Vehicles:								
UK Unit Trusts – Quoted	176,028	61.83	1.77	-	36.40	-	-	100.00
UK Ventures	3	-	100.00	-	-	-	-	100.00
Overseas Unit Trusts	102,064	62.34	-	11.68	25.98	-	-	100.00
Overseas Managed Funds	79,065	-	100.00	-	-	-	-	100.00
Property Unit Trusts	67,500	-	100.00	-	-	-	-	100.00
Other:								
Cash & Net Working Capital	37,146	0.00	57.34	10.73	-	-	31.93	100.00
Total	792,745	29.35	36.43	18.05	11.43	3.24	1.50	100.00

NOTE 5 - INVESTMENT INCOME

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

2006/07		2007/08
£'000		£'000
8,509	UK Equities	8,046
2,236	Overseas Equities	3,247
0	Private Equity	122
611	British Government Securities	572
198	Other Fixed Interest Securities	0
1,751	Property Unit Trusts	2,117
783	Interest on Cash Deposits	814
(949)	Less Tax on Income	(991)
13,139	Total	13,927

NOTE 6 - CONTRIBUTIONS RECEIVABLE

An analysis of the total contributions receivable from the different bodies are given below:-

2006/07		2007/08
£'000		£'000
16,891	Gwynedd Council	19,474
29,218	Scheduled Bodies	32,427
2,033	Admitted Bodies	2,313
48,142	Total	54,214

NOTE 7 - BENEFITS PAYABLE

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

2006/07		2007/08
£'000		£'000
4,577	Gwynedd Council	5,995
9,581	Scheduled Bodies	10,391
507	Admitted Bodies	498
483	Employers with no Contributors	481
11,165	Closed Fund	11,400
26,313	Total	28,765

NOTE 8 - TAXATION

Following the 1997 Budget, the fund is now unable to reclaim Advance Corporation Tax, although any UK tax on dividends paid by foreign companies can still be reclaimed. Thus investment incomes in the accounts are shown net of UK tax.

The fund is exempt from the United States of America withholding tax on dividends from investments in the US and recovers withholding tax deducted in some European Countries.

NOTE 9 - ADMINISTRATIVE EXPENSES

Administrative expenses are as follows:-

2006/07		2007/08
£'000		£'000
773	Administration & Processing*	788
41	Actuarial Fees	81
14	Audit Fees	15
828	Total	884

*An apportionment of the salaries and other expenses of Council staff engaged in administering the pension scheme and pension investments has been made to the fund.

Charges for services provided by Gwynedd Council are derived from a combination of pre-determined fixed charges, actual recorded staff time, transaction logging and pre-determined formulae. Office accommodation costs are allocated on a floor space basis.

The administration expenses paid over to Gwynedd Council in 2007/08 was £738,881 (2006/07: £734,730).

NOTE 10 - INVESTMENT MANAGEMENT EXPENSES

The investment management expenses are as follows:-

2006/07		2007/08
£'000		£'000
183	Barclays Global Investors	206
785	UBS Global Asset Management	831
844	Capital International	882
70	Cwmni'r Northern Trust	80
9	JPMorgan	10
0	Legal & General	9
0	Partners Group	1,433
11	Cwmni'r WM	11
46	Hymans Robertson	47
1,948	Total	3,509

NOTE 11 - SUNDRY DEBTORS

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

2006/07		2007/08
£'000		£'000
4,329	Contributions Receivable	3,653
116	Internal Debtors	264
128	Debtor Invoices	141
2,023	Net Dividend Income	2,217
534	UK Tax	138
4	VAT	53
7,134	Total	6,466

NOTE 12 - SUNDRY CREDITORS

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

2006/07		2007/08
£'000		£'000
109	Internal Creditors	86
535	Investment Fees	412
7	UK Tax	159
81	Contributions Payable	33
243	Retirement Benefits Due	64
975	Total	754

NOTE 13 - PURCHASES AND SALES OF INVESTMENTS

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

	Book Value of Purchases	Sales
	2007/08	2007/08
	£'000	£'000
UK Equities	89,430	80,904
Overseas Equities	96,476	88,222
Private Equity	25,619	1,541
British Government Securities	3,104	3,155
Other UK Fixed Interest Securities	2,795	1,555
Overseas Fixed Interest Securities	2,633	7,259
Index Linked Securities	604	1,000
Property Unit Trusts	2,330	6,385
Tactical Asset Allocation Funds	695	10,578
Cash and Short Term Investments	721	721
Total	224,407	201,320

NOTE 14 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

There are 3 Additional Voluntary Contribution Funds. They are held with Clerical Medical, The Equitable Life Assurance Society and Standard Life. The assets of these investments are held separately from the main Fund. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in the year.

The market value of the fund as at 31 March 2008 is stated below:

	Clerical Medical	Equitable Life	Standard Life	AVC Total
	£'000	£'000	£'000	£'000
Value of Fund 31 March 2007	1,826	592	208	2,626
Contributions Recived	267	0	15	282
Intrest and bonuses/change in market value of asset.	(109)	15	18	(76)
Proceeds from Demutualisation	0	0	0	0
Transfer Values	0	0	0	0
Life Assurance Premiums	(1)	0	0	(1)
Retirement Benefits	(61)	(15)	(12)	(88)
Leavers (transfers and withdrawals)	(13)	0	(7)	(20)
Refunds	(1)	0	0	(1)
Value of Fund at 31 March 2008	1,908	592	222	2,722

NOTE 15 - RELATED PARTIES

During the year the Gwynedd Pension Fund paid administration expenses of £738,881 to Gwynedd Council (see Note 9 Administrative Expenses).

The Gwynedd Pension Fund has three bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year. In 2007/08, the Fund received interest of £177,684 from Gwynedd Council.

Seven members of the Pensions Committee have declared an interest in bodies which have dealings with the Fund. Two Chief Officers have also declared an interest in bodies which have dealings with the Fund.

NOTE 16 - STATEMENT OF INVESTMENT PRINCIPLES

In November 2004, Gwynedd Council published a revised Statement of Investment Principles as approved by the Pensions Committee. Copies can be obtained by contacting Miss Nia Wyn Jones on 01286 679617.

NOTE 17 - FUNDING STRATEGY STATEMENT

In February 2008, Gwynedd Council published a Funding Strategy Statement as approved by the Pensions Committee. Copies can be obtained by contacting Miss Nia Wyn Jones on 01286 679617.

NOTE 18 - PENSION FUND ANNUAL REPORT FOR 2007/08

This is an additional detailed report that is produced on the Pension Fund. Copies can be obtained by contacting Miss Nia Wyn Jones on 01286 679617.

NOTE 19 – GOVERNANCE POLICY STATEMENT

In September 2006, Gwynedd Council published its Governance Policy Statement, as approved by the Pensions Committee. Copies can be obtained by contacting Miss Nia Wyn Jones on 01286 679617.

NOTE 20 – COMMUNICATION POLICY STATEMENT

In March 2006, Gwynedd Council published its Communication Policy Statement, as approved by the Pensions Committee. Copies can be obtained by contacting Mr. Gareth Jones on 01286 679612.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GWYNEDD COUNCIL

I have audited the accounting statements, pension fund accounts and the related notes of Gwynedd Council for the year ended 31 March 2008 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance. The pension fund accounts comprise the Fund Account and the Net Assets Statement. The accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Gwynedd Council in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 42 of the Statement of Responsibilities of Appointed Auditors, and Inspectors and of Audited and Inspected Bodies (2005) prepared by the Auditor General for Wales.

Respective responsibilities of the Chief Finance Officer and Auditors

The responsible financial officer's responsibilities for preparing the statement of accounts, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, pension fund accounts and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the local government body and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

I review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Governance Statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, pension fund accounts and related notes and consider whether it is consistent with the audited accounting statements, pension fund accounts and related notes. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Audit (Wales) Act 2004 , the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Gwynedd Council in the preparation of the accounting statements and pension fund accounts, and of whether the accounting policies are appropriate to the local government body's and pension fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, pension fund accounts and related notes.

Opinion

As stated in the report dated 30 September 2008, in my opinion:

- The accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of Gwynedd Council as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of Gwynedd Council Pension Fund during the year ended 31 March 2008 and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

The report dated 30 September 2008 explained that the audit could not be formally concluded and an audit certificate issued until enquiries arising from a matter raised by a member of the public has been formally completed. The enquiries have now been completed.

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

The conclusion on Gwynedd Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 was reported separately in the published Relationship Manager's Annual Letter.

Appointed Auditor: Anthony Barrett

Address: Wales Audit Office
Unit 4, Evolution
Lakeside Business Village
St. David's Park
Ewloe
CH5 3XP

Signature:

Date:

1. The maintenance and integrity of the Gwynedd Council's web site is the responsibility of the Head of Customer Care Support; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INCOME & EXPENDITURE ACCOUNT 2007/08
ANALYSIS OF SERVICE EXPENDITURE

APPENDIX A

	Total	Total	Net
	Expenditure	Income	Expenditure
	£'000	£'000	£'000

Cultural and Related Services

Division of Service

Culture and Heritage	1,762	(389)	1,373
Recreation and Sport	9,281	(4,708)	4,573
Open Spaces	1,617	(364)	1,253
Tourism	875	(228)	647
Library Service	2,217	(150)	2,067
	15,752	(5,839)	9,913

Environmental Services

Division of Service

Cemetary, Cremation and Mortuary Services	1,132	(735)	397
Coast Protection	522	(60)	462
Environmental Health	3,354	(488)	2,866
Community Safety (Crime Reduction)	779	(427)	352
Community Safety (Safety Services)	0	0	0
Flood Defence and Land Drainage	367	(11)	356
Agricultural and Fisheries Services	103	(165)	(62)
Trading Standards	1,015	(194)	821
Street Cleansing (not chargeable to Highways)	2,533	(31)	2,502
Waste Collection	6,406	(2,894)	3,512
Waste Disposal	6,498	(2,143)	4,355
	22,709	(7,148)	15,561

Planning and Development Services

Division of Service

Building Control	920	(543)	377
Development Control	1,426	(749)	677
Planning Policy	330	(32)	298
Environmental Initiatives	1,630	(536)	1,094
Economic Development	3,811	(1,700)	2,111
Community Development	1,060	(727)	333
	9,177	(4,287)	4,890

Children's and Education Services - Education

Division of Service

Nursery Schools	0	0	0
Primary Schools	45,158	(4,626)	40,532
Secondary Schools	42,930	(7,898)	35,032
Special Schools	3,998	(1,083)	2,915
Non-Schools Funding	5,230	(2,408)	2,822
	97,316	(16,015)	81,301

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

Division of Service

Service Strategy	95	(3)	92
Children's Services - Commissioning and Social Work	5,318	(1,662)	3,656
Children Looked After	7,361	(19)	7,342
Family Support Services	1,338	(150)	1,188
Youth Justice	941	(681)	260
Asylum Seekers	0	0	0
Other Children's and Families' Services	915	(26)	889
	<u>15,968</u>	<u>(2,541)</u>	<u>13,427</u>

Highways, Roads and Transport

Division of Service

Transport Planning, Policy and Strategy	1,373	(410)	963
Highways / Roads (Structural)	5,813	(28)	5,785
Construction	2,060	(720)	1,340
Highways / Roads (Routine)	3,744	(73)	3,671
Street Lighting	1,492	(1)	1,491
Winter Maintenance	1,237	0	1,237
Traffic Management and Road Safety	982	(302)	680
Parking Services	1,302	(2,209)	(907)
Public Transport	4,703	(3,038)	1,665
Airports, Harbours and Toll Facilities	0	0	0
	<u>22,706</u>	<u>(6,781)</u>	<u>15,925</u>

Housing Services (Council Fund)

Division of Service

Housing Strategy	243	(3)	240
Enabling	0	0	0
Housing Advice	0	0	0
Housing Advances	0	0	0
Private Sector Housing Renewal	5,506	(4,200)	1,306
Licensing of Private Sector Landlords	0	0	0
Homelessness	1,395	(601)	794
Housing Benefits Payments	21,069	(21,224)	(155)
Housing Benefits Administration	827	(665)	162
Contribution to the HRA re items shared by the whole community	0	0	0
Other Council Property	59	(19)	40
Supporting People	4,293	(4,010)	283
Other Welfare Services	0	(1)	(1)
	<u>33,392</u>	<u>(30,723)</u>	<u>2,669</u>

Adult Social Care

Division of Service

Service Strategy	373	(13)	360
Older People (aged 65 or over) including Older Mentally Ill	31,371	(10,069)	21,302
Adults aged under 65 with a Physical Disability or Sensory Impairment	3,597	(407)	3,190
Adults aged under 65 with Learning Disabilities	12,242	(2,706)	9,536
Adults aged under 65 with Mental Health Needs	3,584	(1,039)	2,545
Other Adult Services	944	(509)	435
Supported Employment (including sheltered employment)	10	0	10
	<u>52,121</u>	<u>(14,743)</u>	<u>37,378</u>

Central Services to the Public

Division of Service

Local Tax Collection	9,188	(8,042)	1,146
Registration of Births, Deaths and Marriages	357	(160)	197
Elections	309	(200)	109
Emergency Planning	148	(98)	50
Local Land Charges	202	(241)	(39)
General Grants, Bequests and Donations	0	0	0
	<u>10,204</u>	<u>(8,741)</u>	<u>1,463</u>

Court Services

Division of Service

Coroners' Court Services	386	(143)	243
Other Court Services	0	0	0
	<u>386</u>	<u>(143)</u>	<u>243</u>

Corporate and Democratic Core Costs

Division of Service

Democratic Representation and Management	2,702	(20)	2,682
Corporate Management	7,071	(7,540)	(469)
	<u>9,773</u>	<u>(7,560)</u>	<u>2,213</u>

Non Distributed Costs

Division of Service

Non Distributed Costs	196	0	196
	<u>196</u>	<u>0</u>	<u>196</u>

Exceptional Items

Division of Service

Provision	1,239	0	1,239
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NET COST OF COUNCIL FUND SERVICES

	<u>290,939</u>	<u>(104,521)</u>	<u>186,418</u>
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Housing (Housing Revenue Account)

	22,186	(18,620)	3,566
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NET COST OF SERVICES

	<u>313,125</u>	<u>(123,141)</u>	<u>189,984</u>
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