

**STATEMENT OF  
ACCOUNTS  
2015/16**

**SUBJECT TO AUDIT**

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# **NARRATIVE REPORT**

## **Introduction**

Gwynedd Council's accounts for the year 2015/16 are presented here on pages 8 to 105.

The Accounts consist of:-

- **Movement in Reserves Statement** - This statement shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' and 'unusable reserves'. The taxation position is reflected in the Movement in Reserves Statement.
- **Comprehensive Income and Expenditure Statement** - This is the Council's main revenue account. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** - Sets out the financial position of the Council on 31 March 2016.
- **The Cash Flow Statement** - This statement summarises the flow of cash to and from the Council during 2015/16 for revenue and capital purposes.
- **The Gwynedd Pension Fund Accounts and Balance Sheet.**
- **The Welsh Church Fund and FMG Morgan Trust Fund Accounts.**

These accounts are supported by this Narrative Report, the Accounting Policies and various notes to the accounts.

## Revenue Expenditure

### Financial Strategy

The annual budget is established within the context of the medium term financial strategy, in order to ensure that the budget is prepared for the future position, rather than addressing the requirements of one year only. This medium term planning has proven to be very beneficial to the Council, enabling it to plan necessary savings rationally, without having to take rushed/inappropriate decisions in terms of the benefits to our citizens, and establishing a regime to identify budgetary savings and cuts.

### Financial Performance 2015/16

- The Comprehensive Income and Expenditure Statement on page 9 shows that the Council's gross revenue expenditure on 'Cost of Services' level was £341m during 2015/16, with the net position as £221m.
- Despite the sustained need to achieve challenging savings, the final financial position of the Council's departments for 2015/16 confirms that there was effective financial management. The financial out-turn position for 2015/16 was reported to the Cabinet at its meeting on 7 June 2016. The members of the Cabinet approved the carry forward of the net service underspend of £304k for the year.
- The decision on the Financial Strategy for 2015/16 included using £2.019m of the Council's balances. However, firm financial management and favourable circumstances with one-off underspend on some headings during the year enabled the Council to make a reduced call on its balances for this year from (£2.019m), as originally agreed, down to (£833k).
- Also, the favourable Financial performance in 2015/16 enabled the Council to earmark £769k towards the essential financing package for the 2016/17 financial strategy.
- The 2015/16 financial position was also used in the process of establishing the 2016/17 budget.

### TABLE I – Budget and Actual Comparison Summary (Net)

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

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net Expenditure on Operations	241,604	240,721	(883)
Departmental Carry Forward at year end	0	304	304
	241,604	241,025	(579)
Financed by -			
Council Tax Income	(71,273)	(71,880)	(607)
Share of National Non-Domestic Rate	(35,646)	(35,646)	0
General Government Grants	(132,666)	(132,666)	0
Contributon from the General Fund Balance	(2,019)	(833)	1,186
	0	0	0

- The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement on page 8 and 9 detail the analysis in movements for the year.

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

Department	Performance Report	Transposition Adjustment	Income & Expenditure Statement
	£'000	£'000	£'000
Education	91,791	365	92,156
North & Mid Wales Trunk Road Agency	143	134	277
Corporate Support	508	29	537
Finance	1,257	36	1,293
Economy and Community	13,268	(134)	13,134
Adults, Health and Wellbeing	50,821	72	50,893
Children and Family Support	14,765	5	14,770
Highways and Municipal	25,441	(1,038)	24,403
Regulatory (Planning, Transport, Property and Public Protection)	9,777	(528)	9,249
Gwynedd Consultancy	1,245	(127)	1,118
Corporate Management Team and Legal	671	(3)	668
Corporate	14,265	(1,576)	12,689
Reserves	158	0	158
<b>Cost of Services</b>	<b>224,110</b>	<b>(2,765)</b>	<b>221,345</b>
Other (Contains Centralised and Corporate Adjustment)	16,915	2,765	19,680
<b>Total</b>	<b>241,025</b>	<b>0</b>	<b>241,025</b>

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

- Full standard Income and Expenditure format analysis is contained on page 9.
- Full analysis of amounts reported for resource allocation decisions is contained within Note 27, page 53.
- Service Reporting Code of Practice (SeRCOP) Analysis is contained within Appendix A.
- **Material Items of Income and Expenditure**

Related items include:-

- £81m on pensions, being the remeasurements of the net defined benefit assets relating to pensions, in line with Gwynedd Pension Fund’s Actuary’s assessment (Note 23).
- £9m as a consequence of the technical requirement to derecognise long term assets relating to finance leases (Note 11 & 35).
- Following a revaluation of part of the Council’s land and buildings portfolio (which is now carried out on a rolling programme basis), a net surplus of £6m on the revaluation of property, plant and equipment assets (Note 15 & 23).

- **Other Issues**

- Since 2008 there have been unprecedented problems in the worldwide financial situation. Because of this general situation, it has been necessary for the Authority to take the circumstances into consideration in its financial plans, whilst maintaining a prudent level of reserves.
- Since the referendum on the UK’s membership of the European Union, there has been a degree of economic uncertainty. This is expected to last for some time and may affect some factors and financial decisions made by the Authority in 2016/17 and into the medium term.

## Capital Expenditure in 2015/16

Capital expenditure for 2015/16 amounted to £35.5m. The following table gives an analysis of this expenditure and the way it was financed.

<b>SUMMARY OF CAPITAL EXPENDITURE AND FINANCING</b>		
<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
4,905	Education	12,354
3	Corporate Support	348
788	Finance	494
4,746	Economy and Community	5,147
4,355	Adults, Health and Wellbeing	3,894
0	Children and Family Support	103
6,164	Highways and Municipal	4,508
10,993	Regulatory	8,495
464	Gwynedd Consultancy	191
<b>32,418</b>		<b>35,534</b>
	<b>FINANCED BY -</b>	
8,594	Borrowing	6,029
15,520	Grants and Contributions	17,635
1,873	Capital Receipts	1,622
6,431	Revenue and Other Funds	10,248
<b>32,418</b>		<b>35,534</b>

- Revenue Expenditure Funded from Capital Under Statute of £4.8m is included in the above table. This has been charged to the Income and Expenditure Account in the year. Total expenditure on Non-current Assets and Assets Held for Sale was £30.8m as shown in Note 15 and 20 on pages 34 to 36 and 46.
- The Council's Loan Debt on 31 March 2016 was £113.4m – an increase of £1.4m (from £112m) during the year. Repayments of £0.2m were made in accordance with the terms of individual loans.

### Provisions and Reserves

In addition to General Balances of £5.5m, the Council had other provisions of £8.7m, earmarked reserves of £46.1m and school balances of £3.3m. In total, these amounted to £63.6m. These are detailed in the Balance Sheet, Movement in Reserves Statement and in Notes 10 and 22.

### Pension Fund

The Council (as an employer) has a net liability from its share of the assets and liabilities of the Gwynedd Pension Fund, which has been calculated in accordance with International Accounting Standard 19. The Balance Sheet contains an assessment by the Fund's Actuary, Hymans, of the Council's share of the Pension Fund liability. This net liability has reduced by £71m to £178m in 2015/16. Refer to Note 38 for further information.

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

## **Gwynedd Pension Fund**

The Gwynedd Pension Fund Accounts (pages 75 to 105) show an increase during the year of £28m in the market value of the net assets of the Fund, to £1,525.4m. The book value of the net assets at 31 March 2016 was £1,127.6m (2015: £1,077.7m).

### **Accounting Policies**

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

### **Changes in Accounting Policies and to the Statement of Accounts**

The changes to accounting policies during the 2015/16 financial year were not significant.

### **Impact of changes to Accounting Standards in the future**

There is a change to the treatment of Highways Network Assets that will affect the accounts from 2016/17 onwards. Under the CIPFA Code of Practice on Highways Network Assets, highways network assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. If the changes had been implemented in 2015/16, based on current estimates, the value of infrastructure assets would increase from £160m to circa £4.7bn with a six-fold increase in depreciation.

### **Further Information**

The Statement of Accounts is available on Gwynedd Council's website [www.gwynedd.llyw.cymru](http://www.gwynedd.llyw.cymru).

Further information relating to the accounts is available from:

William E Jones  
Senior Finance Manager  
01286 679406

or

Ffion Madog Evans  
Finance Manager - Resources and Corporate  
01286 679133

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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 "Section 151 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.

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#### **THE HEAD OF FINANCE'S RESPONSIBILITIES**

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

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

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.

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#### **RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE**

I certify that the Statement of Accounts has been prepared in accordance with the arrangements set out above, and presents a true and fair view of the financial position of Gwynedd Council and the Pension Fund at 31 March 2016 and the Council's income and expenditure for the year then ended.



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

**29 June 2016**



## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Note	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total Reserves held by Schools £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance 31 March 2014 carried forward</b>	<b>(8,402)</b>	<b>(49,825)</b>	<b>(3,777)</b>	<b>(2,407)</b>	<b>(4,253)</b>	<b>(68,664)</b>	<b>(34,447)</b>	<b>(103,111)</b>
<u>Movement in reserves during 2014/15</u>								
(Surplus)/Deficit on provision of services	3,964	0	0	0	0	<b>3,964</b>	<b>0</b>	<b>3,964</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	<b>47,154</b>	<b>47,154</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>3,964</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,964</b>	<b>47,154</b>	<b>51,118</b>
Adjustments between accounting basis and funding basis under regulations	9 (382)	0	0	(321)	1,676	<b>973</b>	<b>(973)</b>	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>3,582</b>	<b>0</b>	<b>0</b>	<b>(321)</b>	<b>1,676</b>	<b>4,937</b>	<b>46,181</b>	<b>51,118</b>
Transfers to/from Earmarked Reserves	10 (1,530)	1,249	281	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Increase)/Decrease in 2014/15</b>	<b>2,052</b>	<b>1,249</b>	<b>281</b>	<b>(321)</b>	<b>1,676</b>	<b>4,937</b>	<b>46,181</b>	<b>51,118</b>
<b>Balance 31 March 2015 carried forward</b>	<b>(6,350)</b>	<b>(48,576)</b>	<b>(3,496)</b>	<b>(2,728)</b>	<b>(2,577)</b>	<b>(63,727)</b>	<b>11,734</b>	<b>(51,993)</b>
<u>Movement in reserves during 2015/16</u>								
(Surplus)/Deficit on provision of services	8,984	0	0	0	0	<b>8,984</b>	<b>0</b>	<b>8,984</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	<b>(86,720)</b>	<b>(86,720)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>8,984</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,984</b>	<b>(86,720)</b>	<b>(77,736)</b>
Adjustments between accounting basis and funding basis under regulations	9 (5,495)	0	0	693	1,484	<b>(3,318)</b>	<b>3,318</b>	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>3,489</b>	<b>0</b>	<b>0</b>	<b>693</b>	<b>1,484</b>	<b>5,666</b>	<b>(83,402)</b>	<b>(77,736)</b>
Transfers to/from Earmarked Reserves	10 (2,656)	2,497	159	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Increase)/Decrease in 2015/16</b>	<b>833</b>	<b>2,497</b>	<b>159</b>	<b>693</b>	<b>1,484</b>	<b>5,666</b>	<b>(83,402)</b>	<b>(77,736)</b>
<b>Balance 31 March 2016 carried forward</b>	<b>(5,517)</b>	<b>(46,079)</b>	<b>(3,337)</b>	<b>(2,035)</b>	<b>(1,093)</b>	<b>(58,061)</b>	<b>(71,668)</b>	<b>(129,729)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – 2015/16

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15				2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Note	£'000	£'000	£'000
17,682	(7,474)	10,208		16,099	(6,658)	9,441
26,688	(9,372)	17,316		25,939	(8,993)	16,946
10,531	(5,486)	5,045		10,531	(6,089)	4,442
112,039	(19,358)	92,681		110,707	(18,301)	92,406
21,550	(4,944)	16,606		23,126	(5,877)	17,249
32,912	(14,325)	18,587		29,716	(13,178)	16,538
42,982	(38,325)	4,657		43,144	(38,330)	4,814
62,671	(16,907)	45,764		62,442	(16,931)	45,511
12,698	(1,709)	10,989		12,004	(1,475)	10,529
9,136	(4,279)	4,857		7,247	(4,075)	3,172
663	0	663		297	0	297
<b>349,552</b>	<b>(122,179)</b>	<b>227,373</b>		<b>341,252</b>	<b>(119,907)</b>	<b>221,345</b>
19,842	0	19,842		29,286	(244)	29,042
13,960	(474)	13,486		14,551	(508)	14,043
0	(256,737)	(256,737)		0	(255,446)	(255,446)
<b>383,354</b>	<b>(379,390)</b>	<b>3,964</b>		<b>385,089</b>	<b>(376,105)</b>	<b>8,984</b>
		(23,518)				(6,095)
		(25)				(57)
		70,697				(80,568)
		<b>47,154</b>				<b>(86,720)</b>
		<b>51,118</b>				<b>(77,736)</b>

## BALANCE SHEET – 31 MARCH 2016

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

31 March 2015		Note	31 March 2016
£'000			£'000
412,453	Property, Plant and Equipment	15	424,305
110	Heritage Assets		60
247	Investment Property	16	247
2,644	Surplus Assets	15	2,517
1,190	Long Term Investments	17	2,341
4,862	Long Term Debtors	17	4,301
<b>421,506</b>	<b>Long Term Assets</b>		<b>433,771</b>
37,236	Short Term Investments	17	50,055
1,040	Assets Held for Sale	20	459
1,467	Inventories		1,321
42,357	Short Term Debtors	18	32,539
18,480	Cash and Cash Equivalents	19	14,191
<b>100,580</b>	<b>Current Assets</b>		<b>98,565</b>
(21,397)	Bank Overdraft	19	(39,430)
(904)	Short Term Borrowing	17	(2,757)
(66,353)	Short Term Creditors	21	(54,687)
(2,954)	Short Term Provisions	22	(465)
(2,881)	Capital and Revenue Grants Receipts in Advance	32	(2,364)
<b>(94,489)</b>	<b>Current Liabilities</b>		<b>(99,703)</b>
(49)	Long Term Creditors	17	0
(9,350)	Long Term Provisions	22	(8,221)
(111,108)	Long Term Borrowing	17	(110,676)
(248,721)	Net Pension Liability	38	(178,332)
(2,253)	Finance Leases Liability	35	(2,127)
(4,123)	Capital and Revenue Grants Receipts in Advance	32	(3,548)
<b>(375,604)</b>	<b>Long Term Liabilities</b>		<b>(302,904)</b>
<b>51,993</b>	<b>Net Assets</b>		<b>129,729</b>
(63,727)	Usable Reserves		(58,061)
11,734	Unusable Reserves	23	(71,668)
<b>(51,993)</b>	<b>Total Reserves</b>		<b>(129,729)</b>

## CASH FLOW STATEMENT – 2015/16

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing Activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2014/15 £'000		Note	2015/16 £'000
3,964	Net (Surplus) / Deficit on Provision of Services		8,984
(48,235)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24a	(32,570)
2,190	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24b	942
(42,081)	Net cash flows from Operating Activities		(22,644)
45,188	Investing Activities	25	46,268
1,200	Financing Activities	26	(1,302)
4,307	Net (increase) / decrease in cash and cash equivalents		22,322
(1,390)	Cash and cash equivalents at the beginning of the reporting period	19	2,917
<b>2,917</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>25,239</b>

# **NOTES TO THE ACCOUNTS**

## **NOTE I – ACCOUNTING POLICIES**

### **1.1 General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued in the 2014 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

In relation to a policy regarding capitalisation of expenditure, our practice is to operate on the basis of the nature of expenditure rather than a prescribed level of expenditure.

### **1.2 Accruals of Expenditure and Income**

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

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

### **1.3 Cash and Cash Equivalents**

Where the Authority has short-term investments readily convertible into known amounts of cash and subject to insignificant risk of changes in value, these are classified as cash equivalents and included in Cash and Cash Equivalents on the Balance Sheet. The investments included in this definition are short-term deposits with financial institutions which are immediately available at the Balance Sheet date.

### **1.4 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet, but disclosed in a note to the accounts.

### **1.5 Corporate and Democratic Core**

The Corporate and Democratic Core heading includes items relating to the Democratic Representation and Management and Corporate Management. The Democratic Representation and Management include corporate

## **NOTE I – ACCOUNTING POLICIES (continued)**

policy making and member activities while the Corporate Management includes costs that relate to the general running of the Authority.

### **1.6 Employee Benefits**

#### **1.6.1 Benefits Payable during Employment**

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

#### **1.6.2 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept redundancy voluntarily and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

#### **1.6.3 Post-Employment Benefits**

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

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

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

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

#### **1.6.4 The Local Government Pension Scheme**

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

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

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

## NOTE 1 – ACCOUNTING POLICIES (continued)

Liabilities are discounted to their value at current prices, using a discount rate of 3.5% calculated as a weighted average of 'spot yields' on AA rated corporate bonds.

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Net interest on the net defined benefit/(asset), i.e. the net interest expense for the authority – the change during the period in the net defined benefit liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period – taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments.

Remeasurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

International Accounting Standard (IAS) 19 governs how the long term liabilities which exist in relation to pension costs should be reported. Local councils in England and Wales are required to produce their financial statements in accordance with IAS 19.

### 1.6.5 Discretionary Benefits

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

## **NOTE I – ACCOUNTING POLICIES (continued)**

### **1.7 Events after the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **1.8 Prior Period Adjustments, changes in Accounting Policies, Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **1.9 Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Thus the term financial instrument covers both financial assets and financial liabilities.

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

#### Financial liabilities

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

The Council values its financial liabilities at amortised cost using the effective interest rate method. The interest charged to the Comprehensive Income and Expenditure Statement is calculated using the effective interest rate. As the Council's long term borrowing is all at fixed rates the interest charged is the amount accrued in the year.

Gains or losses arising on the repurchase or early settlement of borrowing are treated as extinguishment of the financial liability unless strict conditions are met when the transaction may be treated as a modification of the existing loan terms and any gain or loss adjusts the carrying amount of the loan debt received.

#### Financial assets

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



## **NOTE I – ACCOUNTING POLICIES (continued)**

Financial assets are classified into two types;

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments including Covered Bonds

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 amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest is credited to the comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council's investments in Covered Bonds these assets are valued using the discounted cash flow analysis method to provide the fair value for the Balance Sheet.

Where the Authority has short-term investments readily convertible into known amounts of cash and subject to insignificant risk of changes in value, these are classified as cash equivalents and included in Cash and Cash Equivalents on the Balance Sheet. The investments included in this definition are short-term deposits with financial institutions which are immediately available at the Balance Sheet date.

Short duration Payables and Receivables with no stated interest rate are measured at original invoice amount. This includes all trade payables and trade receivables.

The Local Authorities (Capital Financing and Accounting) (Wales) (Amendment) Regulations 2007 allow the effect of the restatement of financial instruments to be adjusted through the Movement in Reserves Statement and the resulting adjustments are shown in the Financial Instrument Adjustment Account and the Available for sale Financial Instruments Reserve on the Balance Sheet. The adjustment allowed by statute means that the net effect on the Council's balances is equivalent to the transfer under this policy.

### **1.10 Government Grants and Other Contributions**

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis, and recognised immediately in the relevant service line in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Authority has not satisfied.

Grants and contributions funding capital expenditure that have been credited to the Comprehensive Income and Expenditure Statement are not proper income charges due to the capital control regime requirements to finance capital expenditure as part of the Capital Financing Requirement. Therefore, the authority accounts for these amounts as follows:

- Where a capital grant or contribution has been received, and conditions remain outstanding at the Balance Sheet date, the grant is recognised as a Capital Grant Receipt in Advance on the Balance Sheet. Once the condition has been met, the grant or contribution is transferred to the Comprehensive Income and Expenditure Statement.
- Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

### **1.11 Heritage Assets**

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held by the Authority principally for their contribution to knowledge or culture. The Council has identified the following categories of heritage assets:

- Pictures and Paintings
- Civic Regalia
- Library Collections/Archives
- Museums and Art Gallery Collections

## **NOTE I – ACCOUNTING POLICIES (continued)**

- Historic Buildings and Scheduled Monuments
- Parks and Local Nature Reserves

The Council used an external valuer (Bonhams) to provide estimated valuations of its civic regalia and paintings and pictures. For consistency, the Council has applied the same de-minimis levels for valuation purposes to Heritage Assets as its other long term assets – see policy I.17.

The Council considers that heritage assets held by the Council will have indeterminate life and high residual value; hence, the Council does not consider it appropriate to charge depreciation for the assets. Heritage assets recognised in the accounts will be assessed annually for any impairment – see policy I.17.

### **I.12 Inventories and Long Term Contracts**

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

### **I.13 Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. These properties are valued on a fair value basis. Values are based on specific techniques, and the inputs to these measurement techniques are categorised in accordance with 3 levels. All the Authority's inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

### **I.14 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership of the property, plant or equipment to the lessee. All other leases are classified as operating leases.

#### **The Authority as Lessee:**

Amounts held under finance leases are initially recognised, at the commencement of the lease, at fair value (or, if lower, the present value of the minimum lease payments), with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between a finance charge (charged directly to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) and a charge applied to write down the lease liability. The related asset is treated in accordance with the policies applied generally to such assets and is subject to depreciation charges as appropriate.

Operating lease payments are charged to the Comprehensive Income and Expenditure Statement as an expense of the relevant service on a straight-line basis over the lease term.

#### **The Authority as Lessor:**

Where the Authority grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal, to be included in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Rental income from property granted under an operating lease is recognised on a straight-line basis in the Comprehensive Income and Expenditure Statement, and the asset is retained in the Balance Sheet.

### **I.15 Surplus Assets**

The Authority classifies Surplus Assets separately on the Balance Sheet. These assets are shown at their fair value based on market value. Values are based on specific techniques, and the inputs to these measurement techniques are categorised in accordance with 3 levels. All the Authority's inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

## **NOTE 1 – ACCOUNTING POLICIES (continued)**

### **1.16 Overheads and Support Services**

Charges for services provided by the Central Support Departments are derived from a combination of pre-determined fixed charges, actual recorded staff time, transaction logging and pre-determined formulae. The only unallocated residual costs are those of corporate management and support service costs which the Code of Practice specifies should not be allocated. The allocation complies with the Service Reporting Code of Practice (SeRCOP) 2015/16.

### **1.17 Long Term Assets**

The Council's assets as recorded on the Property Services database are revalued at least every 5 years. During the 2015/16 financial year, the Authority has established a rolling programme for re-valuing different categories of these assets annually. This is in accordance with the Code and the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The last complete revaluation was effective from 1<sup>st</sup> April 2014.

Land and Buildings are shown at fair value or Depreciated Replacement Cost (DRC) for specialised properties.

Investment Properties are shown at fair value.

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

Infrastructure and community assets are shown at depreciated historical cost.

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

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

Expenditure in year on new and existing assets is added annually, and then consideration is given as to whether this expenditure has increased the value of the asset. If there has been an increase, this is reflected through the Revaluation Reserve; if there is no increase it follows that there has been an impairment to the value of the asset (see below for the method for accounting for impairment). Specifically for assets categorised as Land and Buildings, and Community Assets where expenditure in year of over £100,000 has been incurred on a single asset, the Council's Corporate Property Manager (M.R.I.C.S.) reviews the assets and re-values any one as appropriate.

## **Impairment and Depreciation**

### **Impairment**

An impairment is the consumption of economic benefit that is specific to an asset. In line with International Accounting Standard 36 the Council reviews its assets each year in order to recognise any impairment or reduction in value due to the consumption of economic benefits. In addition, the residual values and useful lives of assets are reviewed annually and adjusted where appropriate.

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

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

### **Depreciation**

The main element of IAS 16 is that buildings must be depreciated if they are not valued each year. In addition, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. A de-minimis threshold, below which assets are disregarded for componentisation purposes needs to be established, which is based on potential material impacts on the financial statements. (For the

## NOTE I – ACCOUNTING POLICIES (continued)

2015/16 financial year this has been set at £1.95m which is 1% of the total value of the buildings). The apportionment to be considered for the non-land element of assets above the de-minimis threshold is:

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

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

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

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

- (i) Vehicles, Plant Furniture and Equipment are depreciated over their estimated useful life (3–15 years)
- (ii) Infrastructure is depreciated over 40 years
- (iii) Revenue Expenditure funded from Capital under Statute is written down in the period in which it arises
- (iv) Land is not depreciated
- (v) Buildings are depreciated over their estimated remaining useful life (5 – 80 years)
- (vi) Investment Properties, Assets under Construction and Assets Held for Sale are not depreciated

Depreciation is not charged in the year of acquisition.

### Minimum Revenue Provision

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

The four MRP options available are:

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

*NB This does not preclude other prudent methods.*

MRP in 2015/16: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Council chooses).

The MRP Statement was submitted to Council before the start of the 2015/16 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

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

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

## **NOTE I – ACCOUNTING POLICIES (continued)**

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

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

### **1.18 Non Distributed Costs**

The majority of central support services are allocated to the service divisions in accordance with the Service Reporting Code of Practice (SeRCOP) 2015/16. The items that are excluded from this treatment are defined as Non Distributed Costs and include the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

### **1.19 Provisions**

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

### **1.20 Reserves (and Balances)**

In accordance with the requirements of the Local Government Act 1992, the Council maintains a –

- General Fund which represents the general reserves (“balances”) of the Authority, namely a working balance to help cushion the impact of uneven cash flows and as a contingency to cushion the impact of unexpected events or emergencies.
- Number of capital and revenue Specific Reserves earmarked for specific purposes, namely, money accumulated to meet anticipated commitments. The Council undertakes a continuous review of the adequacy and use of specific reserves.

The Council takes a risk-based approach to maintaining an adequate level of balances and reserves to meet future spending needs. When considering the annual budget and medium term financial strategy, the Council will set out their intention regarding the level of general balances and reserves, in the context of all relevant risks. Refer to the approval of the full policy in respect of reserves by the Council Cabinet on 23 June 2015.

- Certain reserves, namely “unusable reserves” are kept for the technical purpose of managing the accounting processes for non-current assets, financial instruments and employee benefits. These do not represent the usable resources of the Authority.

### **1.21 Revenue Expenditure Funded from Capital Under Statute**

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as an asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year’s Council Tax. This type of expenditure is valued at historical cost and written down over a year.

### **1.22 Value Added Tax**

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

### **1.23 Debtors and Creditors**

The Council’s Accounts are maintained on an accruals basis in accordance with the Code of Accounting Practice. The accounts reflect actual expenditure and income relating to the year in question irrespective of whether the payments or receipts have actually been paid or received in the year.

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

### **1.24 Allocation of Interest Received**

The Authority invests surplus funds for periods varying from overnight to 13 months (with the exception of

## **NOTE 1 – ACCOUNTING POLICIES (continued)**

Covered Bonds) and the interest is credited to the General Fund, Gwynedd Pension Fund, Welsh Church Fund and other trust funds based on the level of their daily balances and the rate of interest earned.

### **1.25 Borrowing Costs**

The Authority does not capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset as permitted by the Code.

Interest payable on external loans is included in the accounts in the period to which it relates on a basis which reflects the overall economic effect of the borrowings.

### **1.26 Interest in Companies and Other Entities**

In the Authority's accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **1.27 Current Assets Held for Sale**

In order for an asset to be recognised as Held for Sale, the asset must be available for immediate sale in its present condition, the sale must be highly probable, the asset must be actively marketed and the sale completed within one year from the date of classification. The asset is recognised at fair value (market value) less costs to sell on reclassification. Values are based on specific techniques, and the inputs to these measurement techniques are categorised in accordance with 3 levels. All the Authority's inputs are level 3 (unobservable inputs for the asset). This is due to the level of adjustment required to all evidence due to the uniqueness of the assets, and the dearth of relevant market transactions.

### **1.28 Disposal of Assets**

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

### **1.29 Capital Receipts**

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

All capital receipts that belong to the Council's Fund are 100% usable and it is no longer necessary to set aside a percentage of the receipt. The receipts are held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure.

### **1.30 Accounting for the costs of the Carbon Reduction Commitment Scheme**

The authority is subject to the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. Authorities participating in the scheme are required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. Gwynedd Council was below the relevant threshold in respect of 2015/16.

### **1.31 Cost Relating to Equal Pay Claims**

A reserve is contained within the Authority's Accounts in respect of the cost of Equal Pay Claims and reflects the best estimate of potential cost as at 31 March 2016.

### **1.32 Landfill Allowance Schemes**

The Landfill Allowances Scheme operates under the Landfill Allowances Scheme (Wales) Regulations 2004. Local Authorities are allocated annual allowances for the maximum amount of biodegradable municipal waste that can be sent to landfill. For each ton of biodegradable municipal waste sent to landfill in excess of the allowance a Local Authority may be liable to a penalty of £200 per ton. It is not a "cap and trade" scheme since landfill allowances are not tradable in Wales. For this reason, landfill allowances are not recognised as assets on the Balance Sheet. Gwynedd Council was within its landfill allowance in 2015/16.

## **NOTE 1 – ACCOUNTING POLICIES (continued)**

### **1.33 Service Concession Arrangements**

Service Concession Arrangements, otherwise known as PFI (Private Finance Initiative) schemes, are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor for the duration of the contract but where the assets transfer to the Authority at the end of the period without any additional cost. The Authority controls the service that is provided and are able to control who else is able to use the facility. The cost of using the facility is agreed with the Company before setting the agreement through a Competitive Dialogue process.

### **1.34 Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangements. The activities undertaken by the Authority in conjunction with other joint operators involve the use of assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises its share of assets, liabilities, revenue and expenses.

### **1.35 Schools**

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority

### **1.36 Council Tax and National Non-Domestic Rates**

Council Tax and National Non-Domestic Rates income for the year is treated as accrued income, and is included within the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement.

Gwynedd Council is a Council Tax and Non-Domestic Rates billing authority. It collects Council Tax on behalf of itself and other authorities, and collects Non-Domestic Rates as an agent on behalf of Welsh Government.

### **1.37 Other Policies**

Gwynedd Council has policies in respect of the following, but they are not considered material for the 2015/16 financial year:

- Intangible Assets
- Contingent Assets
- Foreign Currency Conversion.

## **NOTE 2 – CHANGE IN ACCOUNTING POLICY**

The changes to accounting policies during the 2015/16 financial year were not significant.

## **NOTE 3 – PRIOR PERIOD ADJUSTMENTS**

There are no prior period adjustments during 2015/16.

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

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires the expected impact of any accounting standards that have been issued but not yet adopted be disclosed. The related accounting standards in the 2016/17 Code of Practice are as follows:

**Highways Network Assets** – The CIPFA Code of Practice on Highways Network Assets takes effect from 1 April 2016. The Code confirms that the changes arising from the Code do not require retrospective adjustment to the accounts. Under the Code highways network assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. If the changes had been implemented in 2015/16, based on current estimates the value of infrastructure assets would increase from £160m to circa £4.7bn with a six-fold increase in depreciation.

**Amendments to IAS I Presentation of Financial Statements** - This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding Analysis. These changes are as a result of the "Telling the Story" review of the presentation of the local authority financial statements as well as the changes to IAS I under the International Accounting Standards Board (IASB) Disclosure Initiative.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint Arrangements, IAS 16 Property Plant, Equipment, and IAS 19 Employee Benefits, are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

## **NOTE 5 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Authority has had to make judgments, estimates and assumptions relating to complex transactions, those involving uncertainty about future events and also the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The judgments, estimates and associated assumptions applied are based on current proper practices, historical experience, and other factors that include historical and current assumptions and projections, and actual future projections, professional assessments, current trends, and local factors that are considered to be relevant.

In recent years there has been some uncertainty about future levels of funding from Welsh Government relating to revenue and capital grants. This issue forms an important part of the Council's continually revised financial strategy, and where all known and forecasted factors are given due consideration.

All available and related information is sourced and applied in assessing and determining the position, which is particularly critical when considering such matters as the revaluation, depreciation and impairment of assets, actuarial valuation of pension fund assets and liabilities, earmarked reserves, provisions and contingent liability. However, because these issues cannot be determined with certainty, actual results may subsequently differ from those estimates. The estimates and underlying assumptions are continually reviewed.



## **NOTE 6 – ASSUMPTIONS MADE ABOUT FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because certain balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The following items in the Authority's Balance Sheet at 31 March 2016 may be considered to be a significant risk (in terms of certainty in estimation of value), with the possibility of material adjustment in the forthcoming financial year:

- **Property, Plant and Equipment** – Assets are depreciated over their useful life in accordance with standard accounting and associated practices. Any difference between the depreciation applied and actual deterioration to assets will be naturally reflected in future spending patterns. The current economic climate brings with it uncertainties for councils in their ability to sustain the necessary spending on repair and maintenance. This obviously would have implications on asset life. Land and buildings are revalued at least every 5 years, and during 2015/16 a rolling programme of revaluation has been introduced. A number of judgements are required to be made as part of the revaluation and impairment assessment process. This brings with it uncertainties, and assumptions have to be made and responded to accordingly. Where necessary, any resultant long term implications would be incorporated into our financial strategy. Information relating to Property, Plant and Equipment is contained in Note 15.
- **Provisions** – Various separate provisions, the basis of which have been individually assessed from the latest information available, are contained within these accounts as detailed in Note 22, and include provisions for items such as Waste Sites, Equal Pay, and certain insurance liability aspects. We are unable to confirm the accuracy of the provisions until such matters are concluded.
- **Pension Liability** – The Pension Liability position as contained within the accounts is based on a number of complex assessments and judgments and varying profiles such as discount rate used, projected salary levels, changes in retirement ages, mortality rates and expected returns on pension fund assets, as provided by Actuaries engaged by the Pension Fund. Further details are contained in Note 37 and 38.
- **Doubtful Debts Impairment** – A specific impairment level policy in respect of doubtful debts is contained within the accounts. The impairment level is reviewed regularly in order to respond to any changes in the economic climate, and necessary action taken as appropriate within the accounts to respond accordingly. Doubtful Debts impairments are contained within the figures for Short Term Debtors contained in Note 18.

## **NOTE 7 – MATERIAL ITEMS OF INCOME AND EXPENSE**

Material items of income and expense include the following:-

- £81m on pensions, being the remeasurements of the net defined benefit assets relating to pensions, in line with Gwynedd Pension Fund's Actuary's assessment (Note 23).
- £9m as a consequence of the technical requirement to derecognise long term assets relating to finance leases (Note 11 & 35).
- Following a revaluation of part of the Council's land and buildings portfolio (which is now carried out on a rolling programme basis), a net surplus of £6m on the revaluation of property, plant and equipment assets (Note 15 & 23).

## **NOTE 8 – EVENTS AFTER THE BALANCE SHEET DATE**

There are no known post balance sheet events.

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2015/16	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
<b>ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS</b>				
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>				
Charges for depreciation and impairment of non current assets	(15,910)	0	0	15,910
Capital grants and contributions applied	16,297	0	1,484	(17,781)
Revenue expenditure funded from capital under statute	(4,844)	0	0	4,844
Amounts of non current assets written off on disposal, sale or derecognition as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,945)	0	0	8,945
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>				
Revenue provision for the financing of supported capital investment	5,641	0	0	(5,641)
Revenue provision for the financing of unsupported capital investment	1,734	0	0	(1,734)
Capital expenditure charged against the General Fund balances	10,248	0	0	(10,248)
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(14)	(927)	0	941
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,622	0	(1,622)
Principal repayment of debt	0	(2)	0	2
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	49	0	0	(49)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 38)	(30,226)	0	0	30,226
Employer's pensions contributions and direct payments to pensioners payable in the year	20,047	0	0	(20,047)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	428	0	0	(428)
<b>Total Adjustments</b>	<b>(5,495)</b>	<b>693</b>	<b>1,484</b>	<b>3,318</b>

**NOTE 9 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)**

2014/15	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS</b>				
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>				
Charges for depreciation and impairment of non current assets	(16,564)	0	0	16,564
Capital grants and contributions applied	13,990	0	1,676	(15,666)
Revenue expenditure funded from capital under statute	(4,833)	0	0	4,833
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(229)	0	0	229
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>				
Revenue provision for the financing of supported capital investment	5,692	0	0	(5,692)
Revenue provision for the financing of unsupported capital investment	1,454	0	0	(1,454)
Capital expenditure charged against the General Fund balances	6,430	0	0	(6,430)
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2	(2,192)	0	2,190
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,873	0	(1,873)
Principal repayment of debt	0	(2)	0	2
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	64	0	0	(64)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement (Note 38)	(26,533)	0	0	26,533
Employer's pensions contributions and direct payments to pensioners payable in the year	20,198	0	0	(20,198)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(53)	0	0	53
<b>Total Adjustments</b>	<b>(382)</b>	<b>(321)</b>	<b>1,676</b>	<b>(973)</b>

## NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES

### School Balances

This sum is represented by the element of balances released under the delegation of budgets directly to schools which remained unspent at the end of the financial year, and is a net reduction of £159,000 as compared to the balance on 31 March 2015:

2015/16	Balance		Transfers		Balance
	31 March 2015	between reserves	in	out	31 March 2016
	£'000	£'000	£'000	£'000	£'000
School Balances	3,496	(1)	794	(952)	3,337
<b>Total</b>	<b>3,496</b>	<b>(1)</b>	<b>794</b>	<b>(952)</b>	<b>3,337</b>

## NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES (continued)

### Earmarked Reserves

The note below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16, with a net reduction of £2.5m since the 31 March 2015 position.

2015/16	Balance		Transfers		Balance
	31 March 2015	between reserves	in	out	31 March 2016
	£'000	£'000	£'000	£'000	£'000
Renewals Reserves	2,784	(128)	2,881	(3,060)	2,477
Capital Reserves	11,010	1,632	632	(3,816)	9,458
Insurance Reserves	2,058	(177)	696	(542)	2,035
Services Fund	4,280	(2)	981	(509)	4,750
Convergence Programme Fund	798	358	0	(945)	211
Redundancy Costs to Realise Savings Reserve	4,281	0	0	(411)	3,870
Central Training	403	0	0	(148)	255
Communication Centre Reserve	19	0	0	0	19
Education Services Reserves	1,204	178	231	(619)	994
Economy and Community Reserves	95	0	17	(45)	67
Highways and Municipal Reserves	1,475	(100)	0	(100)	1,275
Waste Developments Reserve	150	0	150	(22)	278
Gwynedd Consultancy Reserves	385	(140)	118	(2)	361
Regulatory Reserves	758	(495)	655	(108)	810
Major Maintenance Work on County Roads Fund	120	0	300	0	420
Care - Other Reserves	266	(57)	22	(64)	167
Ffordd Gwynedd Fund	298	0	36	0	334
Invest to Save Fund - Carbon Reduction Plan	569	(13)	133	(205)	484
Transformation / Invest to Save Fund	11,371	151	164	(1,918)	9,768
Committed Revenue Grants Fund	293	0	45	(35)	303
Contracts Tendering Fund	517	(150)	0	0	367
Housing Water and Sewerage Services Fund	681	0	0	(75)	606
Housing Environmental Warranty	480	0	0	0	480
Information Technology Reserve	94	0	271	0	365
Preparatory Work for European Grant Funding Schemes	150	0	0	0	150
Pension Deficit Reserve (Pre Housing Revenue Account)	1,727	(1,727)	0	0	0
Supporting the Financial Strategy Reserve	0	1,271	1,509	0	2,780
Welfare Fund	652	(161)	251	0	742
EDRMS Fund	192	0	0	(116)	76
Partnering Arrangements	698	(67)	56	(349)	338
Liabilities Related to the Pension Fund	0	(400)	640	0	240
Council Tax Property Transfers Reserve	0	0	490	0	490
Bridges Inspection and Assessment Reserve	0	0	150	0	150
Various Other Reserves	768	28	472	(309)	959
<b>Total</b>	<b>48,576</b>	<b>1</b>	<b>10,900</b>	<b>(13,398)</b>	<b>46,079</b>

Earmarked reserves closing balance as at 31 March 2016 does not reflect the level of commitments against them. Details are given below of the Council's main specific reserves.

## **NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES (continued)**

- (i) The Renewals Reserve is used by the various departments of the Council to replace vehicles and equipment.
- (ii) The Capital Reserve represents resources already committed to finance part of the Council's Capital Programme.
- (iii) Gwynedd Council does not insure all risks with external insurers but instead it has established an internal reserve to meet those uninsured risks. The balance on the Insurance Reserve also includes an element relating to the relevant insurance requirements of the former Gwynedd County Council (pre 1996) and which is administered by Gwynedd Council.
- (iv) The Services Fund represents the element of slippages and underspend that service departments have the right to carry forward for use in the subsequent financial year, other relevant specific budgets and one-off budgets that extend over more than one year.
- (v) Convergence Programme Fund - fund was created for capital or revenue costs which arise from the requirements to develop plans for Objective I.
- (vi) Redundancy Costs to Realise Savings Reserve – provision for financing redundancy costs to realise budgetary savings.
- (vii) Central Training – relates to the Council's staff training programme.
- (viii) Communication Centre Reserve – sums set aside towards developing the Communication Centre.
- (ix) Education Service Reserves – includes sums set aside to respond to related financial problems with 'Integration' requirements, changeable demands in 'Out of County – Special Educational Needs', 'Supporting Schools' and the 'Schools Loans Scheme'.
- (x) The Economy and Community Reserves include a number of balances relating to schemes operating on a partnership basis mainly, where the scheme balances must be accounted for separately.
- (xi) The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven income and expenditure (equalisation accounts) and likely requirements from contracts.
- (xii) The Waste Development Reserve is for relevant commitments and developments in the waste field including our commitment to the North Wales Residual Waste Partnership.
- (xiii) Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure in some areas of work and possible additional employment requirements resulting from changes in the Consultancy Service's work programme.
- (xiv) Regulatory Reserves – include a number of balances relating to schemes operating mainly on a partnership basis, requirements relating to the Unitary Development Plan, and amounts for uneven expenditure situation.
- (xv) Major Maintenance Work on County Roads Fund – to support the cost of large maintenance work on county roads.
- (xvi) Other Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- (xvii) Ffordd Gwynedd Fund – to aid the business transformation process, realise savings and assist the Council to achieve "Ffordd Gwynedd" aims and objectives.
- (xviii) Invest to Save Fund – Carbon Reduction Plan – partly funding the Carbon Reduction Plan programme of works to reduce carbon emissions whilst generating monetary revenue savings for the Council.

## **NOTE 10 – TRANSFERS TO/FROM EARMARKED RESERVES (continued)**

- (xix) Transformation / Invest to Save Fund – in order to transform the Council’s internal procedures to be more effective and efficient, and to invest in various schemes to realise permanent financial savings.
- (xx) Committed Revenue Grants Fund – includes revenue grants received and committed for future use.
- (xxi) Contracts Tendering Fund – in response to uneven spending situations as a result of the tendering process for transport.
- (xxii) Housing Water and Sewerage Services Fund – amounts reserved for requirements relating to sewerage procedures, water piping and sewage treatment work on old council housing estates, which were not adopted by Welsh Water.
- (xxiii) Housing Environmental Warranty – reserved for possible implications as a result of giving environmental warranties to Cartrefi Cymunedol Gwynedd, in connection with specific and special circumstances that relate to environmental plans on the land of old council housing estates.
- (xxiv) Information Technology Reserve – for responding to the demands in the information technology field, including a renewals fund and to respond to uneven patterns of expenditure.
- (xxv) Preparatory Work for European Grant Funding Schemes – provision towards the cost of preparing business cases to attract European funding sources and grants.
- (xxvi) Pension Deficit Reserve (Pre Housing Revenue Account) – provision set aside to reduce the unavoidable pension liability inherited in transferring the housing stock. (Which has now been transferred to finance works relating to water pipes renewals).
- (xxvii) Supporting the Financial Strategy Reserve – a fund established to assist and support the Council’s financial strategy.
- (xxviii) Welfare Fund - provision to respond to uneven patterns in the related requirements.
- (xxix) Electronic Document and Records Management System (EDRMS) - provision for the work programme related to the purchase, implementation and develop the documents and records management system.
- (xxx) Partnership Arrangements – includes amounts allocated in relation to various requirements of partnerships and joint working.
- (xxxi) Liabilities Related to the Pension Fund – for various future requirements and commitments
- (xxxii) Council Tax Property Transfer Reserve – provision relating to the implications of properties transferring from Council Tax to National Domestic Rates.
- (xxxiii) Bridges Inspection and Assessment Reserve – develop an arrangement for the inspection and assessment of the condition of our bridges, culverts and some retaining walls.
- (xxxiv) Various Other Reserves – includes amounts set aside to meet a variety of other commitments.

## NOTE 11 – OTHER OPERATING EXPENDITURE

2014/15		2015/16
£'000		£'000
1,599	<b>Community Councils Precepts</b>	1,677
	<b>Levies</b>	
11,305	Police & Crime Commissioner North Wales	11,733
5,588	North Wales Fire Authority	5,603
1,053	Snowdonia National Park Authority	1,016
68	Local Drainage Boards	68
18,014		18,420
229	(Gains)/losses on the disposal and de-recognition of non-current assets	8,945
<b>19,842</b>	<b>Total</b>	<b>29,042</b>

## NOTE 12 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15		2015/16
£'000		£'000
6,591	Interest payable and similar charges	6,400
7,369	Net interest on the net defined benefit liability (asset)	8,013
(474)	Interest receivable and similar income	(370)
<b>13,486</b>	<b>Total</b>	<b>14,043</b>

## NOTE 13 – TAXATION AND NON SPECIFIC GRANT INCOME

2014/15		Note	2015/16
£'000			£'000
(68,525)	Council Tax Income	13a	(71,880)
(38,991)	Non Domestic Rates	13b	(35,646)
(137,255)	Non-ringfenced Government Grants	32	(133,950)
(11,966)	Capital Grants and Contributions	32	(13,970)
<b>(256,737)</b>	<b>Total</b>		<b>(255,446)</b>



## NOTE 13a - COUNCIL TAX

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

The Council Tax Base for 2015/16 was calculated as follows:-

<b>CALCULATION OF THE COUNCIL TAX BASE FOR 2015/16</b>			
<b>Valuation Bands</b>	<b>Number of Properties following discounts</b>	<b>Statutory Multiplier</b>	<b>Equivalent Band D properties</b>
A*	9	5/9	4.86
A	7,276	6/9	4,850.54
B	13,277	7/9	10,326.69
C	10,577	8/9	9,401.59
D	9,171	1	9,170.57
E	7,327	11/9	8,955.35
F	3,616	13/9	5,222.75
G	1,167	15/9	1,945.00
H	166	18/9	332.50
I	54	21/9	125.42
<b>Total</b>			<b>50,335.27</b>
<b>Council Tax base after allowing for losses on collection</b>			<b>49,831.92</b>

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

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(68,873)	Council Tax raised	72,323
348	Less Provision for bad debts	(443)
<b>(68,525)</b>		<b>71,880</b>

## NOTE 13b - NATIONAL NON-DOMESTIC RATES

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

## NOTE 13b - NATIONAL NON-DOMESTIC RATES (continued)

The Government sets the National Non-Domestic rate for the year (48.2p in 2015/16) 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 2015/16 financial year there were 7,437 properties on the local valuation list in Gwynedd, representing a rateable value of £100,683,234.

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

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
(35,186)	National Non-Domestic Rate raised	(37,136)
368	Cost of Collection allowance	375
443	Provision for Bad Debts	289
34,375	Sum paid to the National Pool	36,472
0		0
(38,991)	Receipts from the National Pool	(35,646)
(38,991)	<b>Net Income from Non Domestic Rates</b>	<b>(35,646)</b>

## NOTE 14 – BUILDING CONTROL INCOME AND EXPENDITURE ACCOUNT

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

The account is expected to break-even over a three year rolling period, and this requirement is reviewed annually. There was a small surplus in 2015/16 and it can be seen that there is an accumulated surplus over the 3 year period.

<b>2015/16</b>	<b>£'000</b>
Total charges income received (excluding VAT)	(463)
Total charges expenditure incurred	461
(Surplus) / Deficit for 2015/16	(2)
(Surplus) / Deficit for 2014/15	(2)
(Surplus) / Deficit for 2013/14	1
<b>(Surplus) / Deficit for the last three years</b>	<b>(3)</b>

## NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

### Movements on Balances

Movements in 2015/16:

	Land and Buildings £'000	Infrastructure £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property, Plant and Equipment £'000
<b>Value</b>							
Balance at 1.04.15	265,717	182,294	34,926	1,036	2,731	17,161	503,865
Additions	9,844	2,830	4,658	37	17	13,408	30,794
Sales	(9,636)	0	(1,189)	0	(48)	0	(10,873)
Transfers	11,244	8,626	0	0	0	(20,218)	(348)
Revaluation - to Revaluation Reserve	(5,344)	0	0	0	(89)	0	(5,433)
Revaluation - to Services	196	0	0	0	(30)	0	166
<b>Balance at 31.03.16</b>	<b>272,021</b>	<b>193,750</b>	<b>38,395</b>	<b>1,073</b>	<b>2,581</b>	<b>10,351</b>	<b>518,171</b>
<b>Depreciation</b>							
Balance at 1.04.15	5,409	29,456	18,565	8	21	0	53,459
Depreciation in year	4,340	4,536	3,331	1	0	0	12,208
Sales	(51)	0	(1,160)	0	0	0	(1,211)
Transfers	(13)	0	0	0	0	0	(13)
Revaluation	(5,630)	0	0	0	(20)	0	(5,650)
<b>Balance at 31.03.16</b>	<b>4,055</b>	<b>33,992</b>	<b>20,736</b>	<b>9</b>	<b>1</b>	<b>0</b>	<b>58,793</b>
<b>Impairment</b>							
Balance at 1.04.15	34,862	63	68	230	66	20	35,309
Impairment in year - to Revaluation Reserve	3,274	0	0	0	9	0	3,283
Impairment in year - to Services	3,442	0	0	0	8	0	3,450
Sales	(257)	0	0	0	(18)	0	(275)
Transfers	19	0	0	0	0	(20)	(1)
Revaluation	(9,208)	0	0	0	(2)	0	(9,210)
<b>Balance at 31.03.16</b>	<b>32,132</b>	<b>63</b>	<b>68</b>	<b>230</b>	<b>63</b>	<b>0</b>	<b>32,556</b>
<b>Net Book Value</b>	<b>235,834</b>	<b>159,695</b>	<b>17,591</b>	<b>834</b>	<b>2,517</b>	<b>10,351</b>	<b>426,822</b>
<b>31 March 2016</b>							
<b>Net Book Value</b>	<b>225,446</b>	<b>152,775</b>	<b>16,293</b>	<b>798</b>	<b>2,644</b>	<b>17,141</b>	<b>415,097</b>
<b>31 March 2015</b>							

## NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

Comparative Movements in 2014/15:

	Land and Buildings £'000	Infrastructure £'000	Vehicles, Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total Property, Plant and Equipment £'000
<b>Value</b>							
Balance at 1.04.14	277,132	175,157	37,046	995	2,624	12,516	505,470
Additions	6,963	7,137	4,428	35	4	9,293	27,860
Sales	(919)	0	(6,548)	0	(101)	0	(7,568)
Transfers	4,609	0	0	0	(182)	(4,648)	(221)
Revaluation - to Revaluation Reserve	(20,382)	0	0	6	302	0	(20,074)
Revaluation - to Services	(1,686)	0	0	0	84	0	(1,602)
<b>Balance at 31.03.15</b>	<b>265,717</b>	<b>182,294</b>	<b>34,926</b>	<b>1,036</b>	<b>2,731</b>	<b>17,161</b>	<b>503,865</b>
<b>Depreciation</b>							
Balance at 1.04.14	15,236	24,901	21,922	7	35	2	62,103
Depreciation in year	4,516	4,555	3,050	1	24	0	12,146
Sales	(36)	0	(6,407)	0	(3)	0	(6,446)
Transfers	(2)	0	0	0	(23)	(2)	(27)
Revaluation	(14,305)	0	0	0	(12)	0	(14,317)
<b>Balance at 31.03.15</b>	<b>5,409</b>	<b>29,456</b>	<b>18,565</b>	<b>8</b>	<b>21</b>	<b>0</b>	<b>53,459</b>
<b>Impairment</b>							
Balance at 1.04.14	61,536	63	80	230	63	0	61,972
Impairment in year - to Revaluation Reserve	3,705	0	0	0	2	0	3,707
Impairment in year - to Services	2,822	0	0	0	2	0	2,824
Sales	(197)	0	(12)	0	(1)	0	(210)
Transfers	(20)	0	0	0	0	20	0
Revaluation	(32,984)	0	0	0	0	0	(32,984)
<b>Balance at 31.03.15</b>	<b>34,862</b>	<b>63</b>	<b>68</b>	<b>230</b>	<b>66</b>	<b>20</b>	<b>35,309</b>
<b>Net Book Value 31 March 2015</b>	<b>225,446</b>	<b>152,775</b>	<b>16,293</b>	<b>798</b>	<b>2,644</b>	<b>17,141</b>	<b>415,097</b>
<b>Net Book Value 31 March 2014</b>	<b>200,360</b>	<b>150,193</b>	<b>15,044</b>	<b>758</b>	<b>2,526</b>	<b>12,514</b>	<b>381,395</b>

## NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)

The Council's operational Land and Buildings were fully revalued on 1 April 2014 by the Council's Corporate Property Manager (M.R.I.C.S) in accordance with the policies noted in section 1.17 of Note 1 of the Accounting Policies. Further, it was noted that the Authority has established a rolling programme for revaluing different categories of these assets annually. Refer to this note also for the basis of depreciation on various categories of assets.

14 Church Schools are used in the education service and are not shown in the table above as they are not owned by the Council. The Council is responsible for their repair and maintenance but the amounts are not significant. For information purposes, the new Cae Top School in Bangor is currently regarded as a Council owned asset in our accounts, and not a church school. The legal status of this asset is subject to a legal review which may affect its treatment in future accounts.

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

The element that relates to Pont Briwet has now been transferred from 'Assets that have not been completed' into 'Infrastructure' as the asset is now operational. This amount only reflects Gwynedd Council's proportion of the project construction costs (based on an estimated split of the road and the rail elements of the project. This split stands at 41% road element (total of £8.63m) and 59% rail element).

### Capital Commitments

Significant commitments under capital contracts at 31 March 2016 were as follows:

	<b>Sum</b>	<b>Payments</b>	<b>Balance</b>
	<b>£'000</b>	<b>to date</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
New Hafod Lon School	11,650	7,160	4,490
New Glan Cegin School	4,439	199	4,240
Ieuan Gwynedd School, Rhydymain - extension and adaptations	541	307	234

## NOTE 16 – INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2014/15	2015/16
	£'000	£'000
Rental income from investment property	6	26
Net gain / (loss)	6	26

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property nor its repair, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2014/15	2015/16
	£'000	£'000
<b>Balance 1 April</b>	<b>100</b>	<b>247</b>
Net gains /(losses) from fair value adjustments	16	0
<u>Transfers:</u>		
to/(from) Property, Plant and Equipment	131	0
<b>Balance 31 March</b>	<b>247</b>	<b>247</b>

## NOTE 17 – FINANCIAL INSTRUMENTS

### (a) Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

#### Financial Liabilities

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

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- Private Finance Initiative (PFI) contracts detailed in note 41
- overdraft with Barclays Bank plc
- trade payables for goods and services received

#### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following three classifications:

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

## NOTE 17 – FINANCIAL INSTRUMENTS (continued)

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

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

- money market funds and other collective investment schemes
- certificates of deposit issued by banks and building societies
- bonds issued by multilateral development banks and UK companies

Assets held at fair value through profit and loss comprising:

- equity investment in a local waste company

### (b) Financial Instruments - Balances

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

Financial Liabilities	Long Term		Short Term	
	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
Loans at amortised cost:				
Principal sum borrowed	111,108	110,676	214	2,060
Accrued interest	0	0	690	697
<b>Total Borrowing</b>	<b>111,108</b>	<b>110,676</b>	<b>904</b>	<b>2,757</b>
Loans at amortised cost:				
Bank overdraft	0	0	21,397	39,430
<b>Total Cash Overdrawn</b>	<b>0</b>	<b>0</b>	<b>21,397</b>	<b>39,430</b>
Liabilities at amortised cost:				
Trade Payables	49	0	0	0
Finance leases	2,253	2,127	0	0
<b>Total other Long Term Liabilities</b>	<b>2,302</b>	<b>2,127</b>	<b>0</b>	<b>0</b>
Liabilities at amortised cost:				
Trade Payables	0	0	64,565	53,722
Finance Leases	0	0	119	126
<b>Included within Creditors*</b>	<b>0</b>	<b>0</b>	<b>64,684</b>	<b>53,848</b>
<b>Total Financial Liabilities</b>	<b>113,410</b>	<b>112,803</b>	<b>86,985</b>	<b>96,035</b>

\* The short term creditors line on the Balance Sheet includes £838,000 (£1,669,000 at 31 March 2015) creditors (Note 21) that do not meet the definition of a financial liability.

## NOTE 17 – FINANCIAL INSTRUMENTS (continued)

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

Financial Assets	Long Term		Short Term	
	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
Loans and Receivables:				
Principal at amortised cost	17	17	37,002	50,000
Accrued interest	0	0	234	55
Available for sale investments:				
Principal at amortised cost	1,173	2,324	0	0
<b>Total Investments</b>	<b>1,190</b>	<b>2,341</b>	<b>37,236</b>	<b>50,055</b>
Loans and Receivables:				
Cash	0	0	60	60
Cash equivalents at amortised cost	0	0	18,420	14,131
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>18,480</b>	<b>14,191</b>
Loans and Receivables:				
Trade Receivables	4,862	4,301	18,161	17,960
<b>Included in Debtors*</b>	<b>4,862</b>	<b>4,301</b>	<b>18,161</b>	<b>17,960</b>
<b>Total Financial Assets</b>	<b>6,052</b>	<b>6,642</b>	<b>73,877</b>	<b>82,206</b>

\* The short term debtors line on the Balance Sheet includes £14,565,000 (£24,196,000 at 31 March 2015) debtors (Note 18) that do not meet the definition of a financial asset.

### Material Soft Loans

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

The fair values of such a soft loan are less than the amount of the cash lent. The fair value of a loan at nil interest rate or below the prevailing market rate is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The sum by which the amount lent exceeds the fair value of the loan is charged to the Income and Expenditure Account. The 2015/16 Code of Practice sets out specific accounting and disclosure requirements for soft loans. During 2015/16 Gwynedd Council identified the following “soft loans”:

- Deferred Payments on charges due from people under care (amount outstanding at 31.03.16 £2,623,033)
- Car and Bike Loans to employees (amount outstanding at 31.03.16 £892,905)

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



## NOTE 17 – FINANCIAL INSTRUMENTS (continued)

### Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends to settle on a net basis, or to realise the assets and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet. The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

	2014/15			2015/16		
	Gross assets (liabilities)	(Liabilities) assets set off	Net position on balance sheet	Gross assets (liabilities)	(Liabilities) assets set off	Net position on balance sheet
	£'000	£'000	£'000	£'000	£'000	£'000
Bank accounts in credit	3,119	(3,119)	0	0	0	0
<b>Total Financial Assets</b>	<b>3,119</b>	<b>(3,119)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Bank overdraft	(24,516)	3,119	(21,397)	(39,430)	0	(39,430)
<b>Total Financial Liabilities</b>	<b>(24,516)</b>	<b>3,119</b>	<b>(21,397)</b>	<b>(39,430)</b>	<b>0</b>	<b>(39,430)</b>

### (c) Financial Instruments - Gains and Losses

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

	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost	Loans and Receivables	Total 2015/16
	£'000	£'000	£'000
Interest expense	6,535	0	6,535
<b>Interest payable and similar charges</b>	<b>6,535</b>	<b>0</b>	<b>6,535</b>
Interest income	0	(370)	(370)
<b>Interest and investment income</b>	<b>0</b>	<b>(370)</b>	<b>(370)</b>
<b>Net (gain) / loss for the year</b>	<b>6,535</b>	<b>(370)</b>	<b>6,165</b>

### (d) Financial Instruments - Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2016, using the following assumptions:

- PWLB loans have been discounted at the published interest rates for new PWLB certainty rate loans with an identical remaining term to maturity arranged on 31<sup>st</sup> March.
- other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31<sup>st</sup> March.
- no early repayment or impairment is recognised.

## NOTE 17 – FINANCIAL INSTRUMENTS (continued)

- the fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.
- In the case of deferred liabilities (such as finance leases) the authority deems the carrying amount to be a reasonable approximation of the fair value.

	<b>Carrying Amount 31 March 2015 £'000</b>	<b>Fair Value 31 March 2015 £'000</b>	<b>Carrying Amount 31 March 2016 £'000</b>	<b>Fair Value 31 March 2016 £'000</b>
<b>Financial Liabilities:</b>				
Loans borrowed	(112,012)	(166,103)	(113,434)	(170,173)
Finance leases	(2,372)	(2,372)	(2,127)	(2,127)
Trade Payables	(64,565)	(64,565)	(53,722)	(53,722)
<b>Total Financial Liabilities</b>	<b>(178,949)</b>	<b>(233,040)</b>	<b>(169,283)</b>	<b>(226,022)</b>
<b>Financial Assets:</b>				
Long term investments	1,190	1,190	2,341	2,341
Short term investments	37,002	37,227	50,000	50,055
Trade Receivables	18,161	18,161	17,960	17,960
<b>Total Financial Assets</b>	<b>56,353</b>	<b>56,578</b>	<b>70,301</b>	<b>70,356</b>

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

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with Banks and Building Societies, and call/notice account deposits. The maturity dates of these investments were all within 12 months of the Balance Sheet date. The Council has two longer dated covered bonds maturing in 2018.

### (e) Financial Instruments - Risks

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

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

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

The main risks covered are:

- *Credit Risk*: The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk*: The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk*: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

## NOTE 17 – FINANCIAL INSTRUMENTS (continued)

### Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. During 2015/16 these include commercial entities with a minimum long-term credit rating of A-, the UK government, and other local authorities without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

During 2015/16 a limit of 5% of the total portfolio was placed on the amount that can be invested with a single counterparty (reduced to £1m for some building societies). The Council also set a total group investment limit of 5% for institutions that are part of the same banking group. No more than £40m in total could be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £50m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

During 2008/09 the Council made a deposit of £4m with Heritable Bank which was a UK registered bank under Scottish Law. The company was placed in administration on 7 October 2008. The Council has received a return of £3,938,406 equating to 98% from the administrators up to 31 March 2016. The administration is ongoing, but it is likely that the full amount should eventually be recovered.

The Council does not hold collateral against any investments.

The credit quality of £2.184million of the Council's investments is enhanced as they are covered bonds which have a pool of assets that secures the bond if the issuer fails. This collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

The tables below summarise the credit risk exposures of the Council's investment portfolio by credit rating:

Credit Rating	Short term	
	31 March 2015	31 March 2016
	£'000	£'000
AAA	0	0
AA+	0	0
AA	0	0
AA-	22,485	11,000
A+	7,000	4,000
A	24,937	18,000
A-	0	1,000
Unrated	1,000	16,000
<b>Total Investments</b>	<b>55,422</b>	<b>50,000</b>

## NOTE 17 – FINANCIAL INSTRUMENTS (continued)

Credit Rating	Long Term	
	31 March 2015	31 March 2016
	£'000	£'000
AAA	0	2,272
AA+	0	0
AA	0	0
AA-	0	0
A+	0	0
A	0	0
A-	1,121	0
Unrated	0	0
<b>Total Investments</b>	<b>1,121</b>	<b>2,272</b>

### Trade Receivables

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, specific arrangements for unpaid loans and normal debt recovery procedures for any employees who leave local government employment. The mortgages are low risk due to the first charge held by the Council on mortgaged properties.

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

### Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourable interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 25% of the Council's borrowing matures in any one financial year.

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

Time to maturity (years)	31 March 2015	31 March 2016
	£'000	£'000
Less than 1 year	214	2,018
Over 1 but not over 2	1,981	2,550
Over 2 but not over 5	4,657	3,600
Over 5 but not over 10	11,451	13,829
Over 10 but not over 20	34,003	30,313
Over 20 but not over 30	15,464	15,464
Over 30 but not over 40	0	1,768
Over 40	27,352	25,585
Uncertain date*	16,200	16,200
<b>Total</b>	<b>111,322</b>	<b>111,327</b>

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

## NOTE 17 – FINANCIAL INSTRUMENTS (continued)

### Market Risks: Interest Rate Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2016, 100% of net principal borrowed (*i.e.* debt net of investments) was exposed to fixed rates and 0% to variable rates.

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

	1% higher £'000	1% lower £'000
Change in interest payable on variable rate borrowings	0	0
Change in interest receivable on variable rate investments	52	(22)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>52</b>	<b>(22)</b>
Decrease in fair value of fixed rate investment assets	0	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>
Decrease in fair value of fixed rate borrowings / liabilities*	(20,564)	20,564

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

### Market Risks: Price Risk

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

The Council does not invest in equity shares and therefore is not subject to any price risk. The Council has shares in a Local Authority Waste Disposal Company (LAWDC). The relevant activities have been internalised and the company is being wound up and has, therefore, been classified as an 'available for sale asset' and is shown at fair value in the Balance Sheet. A partial settlement payment for the fair value of the shares was received in 2008/09 and 2009/10 and the balance remains. This process cannot be fully completed until specific and related tax invoices are resolved with Her Majesty's Revenue & Customs.

### Market Risks: Foreign Exchange Risk

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

## NOTE 18 – SHORT-TERM DEBTORS

	Debtors NET of impairment	
	31 March 2015	31 March 2016
	£'000	£'000
Welsh Government	14,339	6,491
Other Central Government Bodies	4,408	4,258
Other Local Authorities	6,338	2,065
National Health Service	1,129	486
Public Corporations and Trading	586	262
Council Tax	1,831	1,902
Other Entities and Individuals	13,726	17,075
<b>Total</b>	<b>42,357</b>	<b>32,539</b>

## NOTE 19 – CASH AND CASH EQUIVALENTS

	31 March 2015	31 March 2016
	£'000	£'000
Cash in hand	13	13
Bank current accounts	47	46
Call Accounts	18,420	14,132
<b>Cash and Cash Equivalents</b>	<b>18,480</b>	<b>14,191</b>
Bank overdraft	(21,397)	(39,430)
<b>Total</b>	<b>(2,917)</b>	<b>(25,239)</b>

In order to maximise the returns from Short Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts and therefore a proportion of the above Short Term Investments (Note 17) and the Call Accounts and Money Market Funds above represent money invested on behalf of the Pension Fund at the balance sheet date. As the Short Term Investments are made in the name of Gwynedd Council, they are shown in full on the Balance Sheet. The Pension Fund element of the Short Term Investments and Cash Deposits was £25m (£13.7m at 31 March 2015).

## NOTE 20 – ASSETS HELD FOR SALE

	2014/15	2015/16
	£'000	£'000
<b>Balance 1 April</b>	<b>2,488</b>	<b>1,040</b>
<u>Assets newly classified as held for sale:</u>		
Property, Plant and Equipment	283	334
Expenditure in year	2	2
Revaluation Losses	(6)	(416)
Impairment Losses	(2)	(2)
<u>Assets declassified as held for sale:</u>		
Property, Plant and Equipment	(220)	0
Assets sold	(1,505)	(499)
<b>Balance 31 March</b>	<b>1,040</b>	<b>459</b>

## NOTE 21 – SHORT-TERM CREDITORS

	31 March 2015	31 March 2016
	£'000	£'000
Welsh Government	2,217	2,285
Other Central Government Bodies	4,667	4,708
Other Local Authorities	24,137	14,376
National Health Service	255	499
Public Corporations and Trading	135	290
Council Tax	1,170	1,203
Other Entities and Individuals	33,772	31,326
<b>Total</b>	<b>66,353</b>	<b>54,687</b>

## NOTE 22 – PROVISIONS

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

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

	Balance at 31 March 2015 £'000	(Addition) / Reduction / Transfer £'000	Used during the year £'000	Balance at 31 March 2016 £'000
<b><u>Short Term Provisions</u></b>				
Waste Sites Provision	(277)	(428)	411	(294)
Other	(7)	(1)	7	(1)
Equal Pay	(2,670)	0	2,500	(170)
	<b>(2,954)</b>	<b>(429)</b>	<b>2,918</b>	<b>(465)</b>
<b><u>Long Term Provisions</u></b>				
Council Tax Property Transfers	(490)	490	0	0
Waste Sites Provision	(8,111)	294	0	(7,817)
Third Party Claims Provision	(103)	0	10	(93)
MMI Insurance Provision	(198)	0	0	(198)
Pension Provisions	(335)	329	6	0
Other	(113)	0	0	(113)
	<b>(9,350)</b>	<b>1,113</b>	<b>16</b>	<b>(8,221)</b>
<b>Total</b>	<b>(12,304)</b>	<b>684</b>	<b>2,934</b>	<b>(8,686)</b>

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

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

**Council Tax Property Transfers Provision** - Provision relating to the implications of properties transferring from Council Tax to National Non-Domestic Rates. The balance was transferred to a reserve during the year.

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

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

**Pension Provision** – provision for future pension requirements. The balance was transferred to a reserve during the year.

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



## NOTE 23 – UNUSABLE RESERVES

31 March 2015		31 March 2016
£'000		£'000
62,580	Revaluation Reserve	67,131
85	Available For Sale Financial Instruments Reserve	142
179,024	Capital Adjustment Account	186,954
(885)	Financial Instruments Adjustment Account	(835)
2	Deferred Capital Receipts Reserve	0
(248,721)	Pensions Reserve	(178,332)
(3,819)	Accumulated Absences Account	(3,392)
<b>(11,734)</b>	<b>Total Unusable Reserves</b>	<b>71,668</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2014/15		2015/16
£'000		£'000
<b>41,009</b>	<b>Balance 1 April</b>	<b>62,580</b>
29,821	Upward revaluation of assets	17,470
(6,303)	Downward revaluation of assets and impairment losses	(11,375)
<b>23,518</b>	<b>Surplus / (deficit) on revaluation of assets</b>	<b>6,095</b>
(1,205)	Difference between fair value depreciation and historical cost depreciation	(971)
(742)	Accumulated gains on assets sold	(573)
<b>(1,947)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(1,544)</b>
<b>62,580</b>	<b>Balance 31 March</b>	<b>67,131</b>

### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

**NOTE 23 – UNUSABLE RESERVES (continued)**

2014/15 £000		2015/16 £'000
60	<b>Balance 1 April</b>	85
33	Upward revaluation of investments	57
(8)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
<b>85</b>	<b>Balance 31 March</b>	<b>142</b>

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2014/15 £'000		2015/16 £'000
169,777	<b>Balance 1 April</b>	179,024
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(16,564)	Charges for depreciation and impairment of non-current assets	(15,910)
(4,833)	Revenue Expenditure funded from Capital under Statute	(4,844)
(1,676)	Adjustment to non-current balance on the sale of assets	(9,313)
1,205	Transfer from Capital Revaluation Reserve	971
	<u>Capital financing applied in the year:</u>	
1,873	Capital Receipts	1,622
15,666	Grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	17,781
5,692	Revenue provision for the financing of supported capital investment	5,641
6,430	Capital expenditure charged in year against the General Fund	10,248
1,454	Capital receipts set aside / Revenue provision for the financing of unsupported capital investment	1,734
<b>179,024</b>	<b>Balance 31 March</b>	<b>186,954</b>

## NOTE 23 – UNUSABLE RESERVES (continued)

### Financial Instruments Adjustment Account

The FIAA account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years.

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

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

The transactions reflected in the FIAA for 2015/16 are as follows:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
<b>(948)</b>	<b>Balance 1 April</b>	<b>(885)</b>
46	Proportion of premiums incurred in previous years charged to General Fund in accordance with statute	46
17	Deferred credit for receipt of charges due from people under care	4
<b>(885)</b>	<b>Balance 31 March</b>	<b>(835)</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
<b>4</b>	<b>Balance 1 April</b>	<b>2</b>
(2)	Principal repayment of Right To Buy Mortgages	(2)
<b>2</b>	<b>Balance 31 March</b>	<b>0</b>

## NOTE 23 – UNUSABLE RESERVES (continued)

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15 £000		2015/16 £000
<b>(171,689)</b>	<b>Balance 1 April</b>	<b>(248,721)</b>
(70,697)	Re-measurements of the net defined benefit (liability) / assets	80,568
(26,533)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(30,226)
20,198	Employer's pensions contributions and direct payments to pensioners payable in the year	20,047
<b>(248,721)</b>	<b>Balance 31 March</b>	<b>(178,332)</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014/15 £'000		2015/16 £'000
<b>(3,766)</b>	<b>Balance 1 April</b>	<b>(3,819)</b>
(53)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	427
<b>(3,819)</b>	<b>Balance 31 March</b>	<b>(3,392)</b>

**NOTE 24a – CASH FLOW STATEMENT: ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS**

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
(12,145) Depreciation	(12,208)
(4,418) Impairment and downward valuations	(3,702)
(7,853) (Increase)/Decrease in Creditors	14,228
(9,626) Increase/(Decrease) in Debtors	(9,997)
12 Increase/(Decrease) in Stock	(146)
(6,335) Pension Liability	(10,179)
(2,419) Carrying amount of non-current assets sold or de-recognised	(9,887)
(5,451) Other non-cash items charged to net surplus/deficit on the provision of services	(679)
<b>(48,235)</b>	<b>(32,570)</b>

**NOTE 24b – CASH FLOW STATEMENT – ADJUST FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES**

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
2,190 Proceeds from sale of property, plant and equipment, investment property and intangible assets	942
<b>2,190</b>	<b>942</b>

**NOTE 24c – CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
(323) Interest received	(552)
5,749 Interest paid	5,698

## NOTE 25 – CASH FLOW STATEMENT – INVESTING ACTIVITIES

2014/15		2015/16
£'000		£'000
31,042	Purchase of property, plant and equipment, investment property and intangible assets	28,821
143,391	Purchase of short-term and long-term investments	362,420
5,249	Other payments for investing activities	4,284
(2,193)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(929)
(132,301)	Proceeds from short-term and long-term investments	(348,328)
<b>45,188</b>	<b>Net cash flows from investing activities</b>	<b>46,268</b>

## NOTE 26 – CASH FLOW STATEMENT – FINANCING ACTIVITIES

2014/15		2015/16
£'000		£'000
112	Cash payments for the reduction of the outstanding liability relating to Finance Leases	119
1,088	Repayments of short term and long term borrowing	(1,421)
<b>1,200</b>	<b>Net cash flows from financing activities</b>	<b>(1,302)</b>

## NOTE 27 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to Departments.

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement and shows how the figures in the analysis of departmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

**NOTE 27 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (continued)**

2015/16 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS	Expenditure			Total Expenditure	Income		Total Income	Net Expenditure
	Employees	Other	Support Services		Fees and other	Government Grants and Contributions		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	1,563	935	3	2,501	(71)	(405)	(476)	2,025
Corporate Support	6,941	2,900	(7)	9,834	(197)	(2,445)	(2,642)	7,192
Finance	6,266	1,842	5	8,113	(1,771)	(610)	(2,381)	5,732
Education	79,086	21,873	747	101,706	(7,684)	(12,208)	(19,892)	81,814
Economy and Community	9,079	8,757	7	17,843	(6,201)	(4,077)	(10,278)	7,565
Highways and Municipal	17,007	19,561	(105)	36,463	(10,973)	(3,706)	(14,679)	21,784
Regulatory	7,182	8,379	0	15,561	(5,516)	(3,759)	(9,275)	6,286
Gwynedd Consultancy	2,358	(118)	0	2,240	(1,713)	(533)	(2,246)	(6)
Trunk Roads	0	251	(230)	21	(251)	0	(251)	(230)
Children and Family Support	7,129	9,455	13	16,597	(435)	(2,998)	(3,433)	13,164
Adults, Health and Wellbeing	26,933	40,902	211	68,046	(12,200)	(11,440)	(23,640)	44,406
<b>Total items within Departmental Control</b>	<b>163,544</b>	<b>114,737</b>	<b>644</b>	<b>278,925</b>	<b>(47,012)</b>	<b>(42,181)</b>	<b>(89,193)</b>	<b>189,732</b>
Corporate	689	26,124	22,535	49,348	(1,458)	(31,788)	(33,246)	16,102
<b>Total items within Departmental Control and Central Support Services</b>	<b>164,233</b>	<b>140,861</b>	<b>23,179</b>	<b>328,273</b>	<b>(48,470)</b>	<b>(73,969)</b>	<b>(122,439)</b>	<b>205,834</b>
<b>Items within net cost of services, not under departmental control:</b>								
Capital Charges	0	18,276	0	18,276	0	0	0	18,276
<b>Items under departmental control, not included in net cost of services:</b>								
Contributions to Reserves	(363)	(4,934)	0	(5,297)	0	0	0	(5,297)
Use of Reserves	0	0	0	0	2,532	0	2,532	2,532
<b>Net Cost of Services</b>	<b>163,870</b>	<b>154,203</b>	<b>23,179</b>	<b>341,252</b>	<b>(45,938)</b>	<b>(73,969)</b>	<b>(119,907)</b>	<b>221,345</b>
<b>Other Operating Expenditure</b>								
Precepts and Levies	0	20,097	0	20,097	0	0	0	20,097
(Gains)/Losses on the disposal of Non-current Assets	0	9,189	0	9,189	(244)	0	(244)	8,945
<b>Financing and Investment Income and Expenditure</b>								
Interest Payable and Similar Charges	0	6,538	0	6,538	(138)	0	(138)	6,400
Net Interest on the Net Defined Benefit Liability/(Asset)	0	0	8,013	8,013	0	0	0	8,013
Interest Receivable and Similar Income	0	0	0	0	(370)	0	(370)	(370)
<b>Taxation and non-specific grant income</b>								
Council Tax	0	0	0	0	(71,880)	0	(71,880)	(71,880)
Net income Non-domestic rates	0	0	0	0	(35,646)	0	(35,646)	(35,646)
Government Grants - Revenue	0	0	0	0	0	(133,950)	(133,950)	(133,950)
Grants and Contributions - Capital	0	0	0	0	(1,215)	(12,755)	(13,970)	(13,970)
<b>(Surplus)/ Deficit on the Provision of Services</b>	<b>163,870</b>	<b>190,027</b>	<b>31,192</b>	<b>385,089</b>	<b>(155,431)</b>	<b>(220,674)</b>	<b>(376,105)</b>	<b>8,984</b>

**NOTE 27 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (continued)**

2014/15 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS	Expenditure			Total Expenditure	Income		Total Income	Net Expenditure
	Employees	Other	Support Services		Fees and other	Government Grants and Contributions		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	2,695	274	(82)	2,887	(68)	(60)	(128)	2,759
Finance	6,791	2,086	3	8,880	(1,853)	(894)	(2,747)	6,133
Chief Executive Department	1,828	1,013	8	2,849	(169)	(512)	(681)	2,168
Strategic and Improvement	4,693	3,068	8	7,769	(80)	(2,920)	(3,000)	4,769
Education	79,990	22,992	218	103,200	(7,546)	(13,006)	(20,552)	82,648
Economy and Community	9,616	7,974	20	17,610	(6,274)	(3,736)	(10,010)	7,600
Highways and Municipal	16,732	22,784	(46)	39,470	(12,208)	(3,864)	(16,072)	23,398
Regulatory	8,081	8,416	0	16,497	(4,907)	(3,365)	(8,272)	8,225
Consultancy	2,158	502	0	2,660	(2,336)	(260)	(2,596)	64
Trunk Roads	0	0	(224)	(224)	0	0	0	(224)
Children and Families	6,248	10,232	102	16,582	(339)	(3,165)	(3,504)	13,078
Adults, Health and Wellbeing	27,614	41,037	280	68,931	(13,272)	(10,254)	(23,526)	45,405
<b>Total items within Departmental Control</b>	<b>166,446</b>	<b>120,378</b>	<b>287</b>	<b>287,111</b>	<b>(49,052)</b>	<b>(42,036)</b>	<b>(91,088)</b>	<b>196,023</b>
Corporate	1,168	22,074	23,319	46,561	(737)	(32,139)	(32,876)	13,685
<b>Total items within Departmental Control and Central Support Services</b>	<b>167,614</b>	<b>142,452</b>	<b>23,606</b>	<b>333,672</b>	<b>(49,789)</b>	<b>(74,175)</b>	<b>(123,964)</b>	<b>209,708</b>
<b>Items within net cost of services, not under departmental control:</b>								
Capital Charges	0	19,574	0	19,574	0	0	0	19,574
<b>Items under departmental control, not included in net cost of services:</b>								
Contributions to Reserves	(363)	(3,331)	0	(3,694)	0	0	0	(3,694)
Use of Reserves	0	0	0	0	1,785	0	1,785	1,785
<b>Net Cost of Services</b>	<b>167,251</b>	<b>158,695</b>	<b>23,606</b>	<b>349,552</b>	<b>(48,004)</b>	<b>(74,175)</b>	<b>(122,179)</b>	<b>227,373</b>
<b>Other Operating Expenditure</b>								
Precepts and Levies	0	19,613	0	19,613	0	0	0	19,613
(Gains)/Losses on the disposal of Non-current Assets	0	229	0	229	0	0	0	229
<b>Financing and Investment Income and Expenditure</b>								
Interest Payable and Similar Charges	0	6,591	0	6,591	0	0	0	6,591
Net Interest on the Net Defined Benefit Liability/(Asset)	0	0	7,369	7,369	0	0	0	7,369
Interest Receivable and Similar Income	0	0	0	0	(474)	0	(474)	(474)
<b>Taxation and non-specific grant income</b>								
Council Tax	0	0	0	0	(68,525)	0	(68,525)	(68,525)
Net income Non-domestic rates	0	0	0	0	(38,991)	0	(38,991)	(38,991)
Government Grants - Revenue	0	0	0	0	0	(137,255)	(137,255)	(137,255)
Grants and Contributions - Capital	0	0	0	0	(170)	(11,796)	(11,966)	(11,966)
<b>(Surplus)/ Deficit on the Provision of Services</b>	<b>167,251</b>	<b>185,128</b>	<b>30,975</b>	<b>383,354</b>	<b>(156,164)</b>	<b>(223,226)</b>	<b>(379,390)</b>	<b>3,964</b>



## NOTE 28 – AGENCY SERVICES

The Council operates on an agency basis to prepare some services, and also administers the North and Mid Wales Trunk Road Agency on behalf of the Welsh Government.

In terms of the North and Mid Wales Trunk Road Agency, the principal area of work is managing and maintaining the trunk road network in the North and Mid Wales Council's Partnership region that extends to 1,174 kilometres. The income transactions recovered during 2015/16 was £47.1m (£46.2m in 2014/15).

During 2015/16, Gwynedd Council acted as an agent to the Welsh Government's 'Houses into Homes' scheme, by providing interest free loans to owners of empty properties in order to bring the premises back into use, for sale or rent. During 2015/16, loans amounting to £385,000 were allocated and £219,100 was repaid, a net movement of (£165,900) (£76,050 in 2014/15).

During 2015/16, the Welsh Government established four new schemes with Gwynedd Council acting as agent on their behalf. Two of the schemes related to Housing namely 'Houses into Homes 2' and 'Home Improvement Loans', where loans amounting £19,060 and £150,000 respectively were allocated. The third scheme was the 'Shared Library Management System Implementation', where a grant of £150,854 was received during the year and £75,422 was used. 'Supporting Town Centre Regeneration in Caernarfon' was the fourth scheme, with £700,000 being received but no loans have yet been allocated under the scheme.

## NOTE 29 – MEMBERS' ALLOWANCES

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

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
1,260	Allowances	1,256
71	Expenses	71
<b>1,331</b>		<b>1,327</b>

## NOTE 30 – OFFICERS’ REMUNERATION

**30a.** The Accounts and Audit (Wales) Regulations 2014, require the Council to disclose the following information relating to employees appointed as Senior Officers, and whose salary is between £60,000 and £150,000. In compliance with the defined requirements, the pensionable pay, employer’s pension contributions and other employer costs are included below (including termination benefits), but the employer’s national insurance contributions are excluded. Included below are the related gross costs, where substantial savings have been made from senior management restructuring of the Council:

2014-15				Chief Officers	2015-16			
Salary	Employer's Pension Contribution	Other Employer Costs	Total		Salary	Employer's Pension Contribution	Other Employer Costs	Total
£	£	£	£		£	£	£	£
50,992	11,422		62,414	Chief Executive <sup>1</sup>	103,805	23,252		127,057
53,926	12,079	(20,546)	45,459	Chief Executive (previous holder) <sup>2</sup>				
89,022	19,941		108,963	Corporate Director	90,222	20,210		110,432
84,571	18,944		103,515	Corporate Director	87,967	19,705		107,672
44,311	9,926		54,237	Corporate Director <sup>3</sup>				
20,915	4,685		25,600	Head of Education <sup>4</sup>	87,419	19,582		107,001
30,211	6,767		36,978	Head of Education (previous holder) <sup>5</sup>				
32,795	7,021	437	40,253	Head of Education (previous holder) <sup>6</sup>				
71,643	16,048		87,691	Head of Finance	76,582	17,154		93,736
6,176	1,383		7,559	Temporary Head of Adults, Health and Wellbeing <sup>7</sup>	76,581	17,151		93,732
70,312	15,750		86,062	Head of Adults, Health and Wellbeing	22,465	16,054		38,519
73,618	16,490		90,108	Head of Highways and Municipal	73,832	16,990		90,822
70,312	15,750		86,062	Head of Economy & Community	71,259	15,962		87,221
65,039	14,569		79,608	Head of Children and Family Support	67,697	15,164		82,861
5,172	1,159		6,331	Temporary Head of Regulatory <sup>7</sup>	64,134	14,360		78,494
64,565	14,463		79,028	Head of Regulatory				
				Head of Corporate Support <sup>8</sup>	64,134	14,366		78,500
59,394	13,304		72,698	Head of Gwynedd Consultancy	60,195	13,484		73,679
				Specialised Programmes Leader <sup>9</sup>	42,756	9,577		52,333
				Specialised Programmes Leader <sup>9</sup>	42,756	9,577		52,333
70,312	15,750	47,332	133,394	Head of Strategic and Improvement <sup>10</sup>				
56,249	12,600		68,849	Head of Human Resources <sup>10</sup>				
23,332	5,226	7,090	35,648	Head of Democracy and Legal <sup>11</sup>				

1) Holder in post from beginning of October 2014

2) Holder in post to end of September 2014

3) Post abolished from October 2014

4) Holder in post from 5 January 2015

5) Holder in post from 21 July 2014 to end of December 2014

6) Holder in post to end of August 2014

7) Temporary holder in post from 2 March 2015

8) New post from April 2015

9) Temporary posts from April 2015

10) Post abolished from end of March 2015

11) Post abolished from August 2014

**30b.** The Accounts and Audit (Wales) Regulations 2014 require the Authority to include a ratio of remuneration. The ratio of the Chief Executive’s remuneration to the median remuneration of all the Authority’s employees for 2015/16 is 5.29 : 1 (5.45 : 1 in 2014/15).

## NOTE 30 – OFFICERS’ REMUNERATION (continued)

30c. Other Authority employees receiving more than £60,000 remuneration for the year (excluding employer’s pension and national insurance contributions), were paid the following amounts. The figures include termination benefits paid in 10 cases in 2015/16 and 17 cases in 2014/15. These posts would not appear below except for the termination benefits paid in the individual year.

Number of other employees who received more than £60,000 and includes remuneration and termination benefits:						
Number in 2014-15				Number in 2015-16		
Schools	Other	Total		Schools	Other	Total
8	1	9	£60,000 - 64,999	3	3	6
4	3	7	£65,000 - 69,999	6	2	8
4	3	7	£70,000 - 74,999	3	0	3
1	0	1	£75,000 - 79,999	3	0	3
0	1	1	£80,000 - 84,999	1	0	1
0	1	1	£85,000 - 89,999	0	1	1
0	2	2	£90,000 - 94,999	0	0	0
1	0	1	£95,000 - 99,999	2	0	2
0	0	0	£100,000 - 104,999	0	0	0
0	1	1	£105,000 - 109,999	1	1	2
0	1	1	£110,000 - 114,999	0	0	0
0	1	1	£115,000 - 119,999	0	0	0
0	0	0	£120,000 - 124,999	0	0	0
0	0	0	£125,000 - 129,999	0	0	0
0	0	0	£130,000 - 134,999	0	0	0
0	1	1	£135,000 - 139,999	0	0	0

## NOTE 31 – EXTERNAL AUDIT COSTS

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

2014/15		2015/16
£'000		£'000
168	Fees payable to auditors appointed by the Auditor General for Wales with regard to external audit services	183
99	Fees payable to auditors appointed by the Auditor General for Wales in respect of statutory inspections	99
114	Fees payable to auditors appointed by the Auditor General for Wales for the certification of grant claims and returns for the year	96
<b>381</b>		<b>378</b>
(3)	Less: Fees payable to auditors appointed by the Auditor General for Wales in respect to Joint Committees and Harbour Accounts	(2)
<b>378</b>	<b>Gwynedd Council Net Fees</b>	<b>376</b>

Wales Audit Office were the external auditors until 2014/15. For the audit of the 2015/16 accounts onwards, Deloitte were appointed by the Auditor General for Wales as Gwynedd Council’s external auditors.

## NOTE 32 – GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	Note	2014/15 £'000	2015/16 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>			
Outcome Agreement Grant (Non-ringfenced Government Grants)	13	1,275	1,284
Revenue Support Grant (Non-ringfenced Government Grants)	13	135,980	132,666
Government Revenue Grants and Contributions - Other		0	1,428
Government Capital Grants and Contributions -			
21st Century Schools		2,203	5,197
General Capital Grant		2,508	2,511
Other		7,085	5,047
	13	11,796	12,755
Other Capital Grants and Contributions	13	170	1,215
<b>Total</b>		<b>149,221</b>	<b>149,348</b>
<b>Grants and Contributions Credited to Services</b>			
Welsh Government -			
Supporting People Grant (SPG & SPRG)		5,703	5,056
Foundation Phase Grant (Education)		3,941	7,350
Sustainable Waste Management Grant		3,616	3,606
Post 16 Grant (Education)		3,027	3,148
Other		15,780	15,037
		32,067	34,197
Other Government Grants and Contributions -			
Department for Work and Pensions		30,320	30,059
Other		11,787	9,714
		42,107	39,773
Other Grants and Contributions		2,776	3,586
<b>Total</b>		<b>76,950</b>	<b>77,556</b>

There has been a change to the comparative breakdown figures by amalgamation as the figures were not considered material in 2015/16.

## NOTE 32 – GRANT INCOME (continued)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the giver. The balances at the year end are as follows:

	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
<b>Grants Received in Advance</b>		
<b><u>Long Term</u></b>		
<b>Revenue Grants and Contributions : -</b>		
Regulatory (Planning, Transport & Public Protection) Grants	771	662
Adults, Health and Wellbeing Grants	245	4
	1,016	666
<b>Capital Grants and Contributions : -</b>		
Highways and Municipal Capital Contributions	1,810	1,665
Regulatory (Planning, Transport & Public Protection) Grants	1,297	1,217
	3,107	2,882
<b>Total Long Term</b>	<b>4,123</b>	<b>3,548</b>
<b><u>Short Term</u></b>		
<b>Revenue Grants and Contributions : -</b>		
Economy and Community Grants	761	343
Regulatory (Planning, Transport & Public Protection) Grants	506	630
Adults, Health and Wellbeing Grants	623	897
Finance Grants	539	220
	2,429	2,090
<b>Capital Grants and Contributions</b>	452	274
<b>Total Short Term</b>	<b>2,881</b>	<b>2,364</b>
<b>Total</b>	<b>7,004</b>	<b>5,912</b>

There has been a change to the comparative breakdown figures by amalgamation as the figures were not considered material in 2015/16.

## NOTE 33 – RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. To conform to the requirements, this is done by completing a personal declaration by the Members and Senior Officers, as defined in the CIPFA Code of Practice.

### Welsh and Central Government

Welsh Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has within other parties (e.g. council tax bills, housing benefits). Grants received from the Welsh Government and other Government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. The related position as at 31 March is provided in Note 32.

### Members

Members of the council have direct control over the Council's financial and operating policies. Three member of the Council did not return a personal declaration. The total of members' allowances paid in 2015/16 is shown in Note 29.

The Authority appoints members to some external charitable or voluntary bodies or they have disclosed a link to organisations, public bodies and authorities. A breakdown of the payments made to these bodies under this heading during 2015/16 and balances at 31 March 2016 is as follows:

<b>Payments made</b>	<b>Amounts owed by the Authority</b>	<b>Amounts owed to the Authority</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
15,820	585	(2,388)

Members have declared an interest or relationship (as defined) in companies or businesses which may have dealings with the Authority. A breakdown of the payments made to these companies under this heading during 2015/16 and balances at 31 March 2016 is as follows:

<b>Payments made</b>	<b>Amounts owed by the Authority</b>	<b>Amounts owed to the Authority</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
969	23	(17)

### Officers

Senior Officers (as defined) have declared as required and where appropriate an interest or relationship (as defined) in companies, voluntary, charitable, or public bodies which receive payments from the Authority. A breakdown of the payments made to these bodies under this heading during 2015/16 and balances at 31 March 2016 is as follows:

<b>Payments made</b>	<b>Amounts owed by the Authority</b>	<b>Amounts owed to the Authority</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
4,275	65	(131)

### Other Public Bodies

The Authority is the administering authority for the Pension Fund. Details of transactions with the Pension Fund are shown in Note 38 on pages 67 to 71 and the Pension Fund Accounts on pages 75 to 105.

## NOTE 33 – RELATED PARTIES (continued)

### Welsh Joint Education Committee (WJEC)

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£'000	£'000	£'000
779	0	(1)

### Entities Controlled or Significantly Influenced by the Authority

Cwmni Cynnal Cyf. was established in 1996 to provide education support services under contract to maintained schools and the local education authorities as well as school inspection services to Estyn. The company is limited by guarantee and the Council's liability is limited to £1. The income of the company can only be applied towards promotion of its objectives. Copies of the financial statements are available from Cwmni Cynnal, Penrallt, Caernarfon, Gwynedd, LL55 1BN. Payments to Cwmni Cynnal during 2015/16 for services to schools and balances at 31 March 2016 are as follows:

Payments made	Amounts owed by the Authority	Amounts owed to the Authority
£'000	£'000	£'000
1,288	27	(15)

Cwmni Gwastraff Môn-Arffon Cyf. was established as a Local Authority Waste Disposal Company in 1994. The two Councils decided to terminate the arrangement in 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 and the final accounts will be completed when the company is wound up. £52k is the current balance that is owed to the Council.

## NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

31 March		31 March
2015		2016
£'000		£'000
416,493	Non-current Assets	427,588
(62,580)	Revaluation Reserve	(67,131)
(179,024)	Capital Adjustment Account	(186,954)
<b>174,889</b>	<b>Capital Financing Requirement</b>	<b>173,503</b>

## NOTE 34 – CAPITAL EXPENDITURE AND CAPITAL FINANCING (continued)

The movement in the year is explained as follows:

<b>2014/15</b>		<b>2015/16</b>
<b>£'000</b>		<b>£'000</b>
<b>173,309</b>	<b>Capital Financing Requirement 1 April</b>	<b>174,889</b>
6,963	Land and Buildings	9,844
7,137	Infrastructure	2,830
4,428	Vehicles, Plant and Equipment	4,658
35	Community Assets	37
4	Surplus Assets	17
9,293	Assets under construction	13,408
2	Assets held for sale	2
4,833	Funded from capital under statute	4,844
(1,873)	Capital Receipts used	(1,622)
(15,666)	Government Grants and other contributions	(17,781)
(6,430)	Capital expenditure charged to revenue	(10,248)
(5,692)	Revenue provision for the financing of supported capital investment	(5,641)
	Additional voluntary set aside :	
(1,454)	Revenue provision for the financing of unsupported capital investment	(1,734)
<b>174,889</b>	<b>Capital Financing Requirement 31 March</b>	<b>173,503</b>

## NOTE 35 – LEASES

### Authority as Lessee

#### Finance Leases

The Council has property under finance leases which are carried as Property, Plant and Equipment in the Balance Sheet. Included here is the GwyrAD Service Concession Arrangements (Note 41) at the following net amount:

<b>31 March</b>		<b>31 March</b>
<b>2015</b>		<b>2016</b>
<b>£'000</b>		<b>£'000</b>
4,485	Property, Plant and Equipment	4,236
<b>4,485</b>		<b>4,236</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:



**NOTE 35 – LEASES (continued)**

<b>31 March 2015 £'000</b>		<b>31 March 2016 £'000</b>
<b>Finance Lease Liabilities</b> (net present value of minimum lease payments):		
119	current	126
2,253	non-current	2,127
<b>2,372</b>	<b>Minimum lease payments</b>	<b>2,253</b>

The remaining asset shown above has been funded by a deferred credit (refer to Note 41),

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
	No later than one year	119	126	119
Later than one year and not later than five years	553	587	553	587
More than five years	1,700	1,540	1,700	1,540
	<b>2,372</b>	<b>2,253</b>	<b>2,372</b>	<b>2,253</b>

In 2015/16, minimum lease payments were made by the Authority of £118,840 (2014/15 - £111,939) in respect of those assets held as a finance lease.

**Operating Leases**

	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
No later than one year	457	485
Later than one year and not later than five years	493	817
Later than five years	243	208
	<b>1,193</b>	<b>1,510</b>

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

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Minimum lease payments	521	552
	<b>521</b>	<b>552</b>

## NOTE 35 – LEASES (continued)

### Authority as Lessor

#### Finance Leases

The Council has leased out property on a finance lease, including:

- The Sailing Academy in Pwllheli,
- Rhyd Ddu Centre

These leases are on a peppercorn rent basis and for a term that equates to the economic life of the assets. No premium has been received for these leases.

#### Operating Leases

The Authority leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centers
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	<b>31 March</b>	<b>31 March</b>
	<b>2015</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
No later than one year	380	439
Later than one year and not later than five years	583	599
Later than five years	2,264	2,243
	<b>3,227</b>	<b>3,281</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 £828,936 minimum lease payments were receivable by the Authority (£930,248 in 2014/15).

## NOTE 36 – EXIT PACKAGES

The number of exit packages with total cost per band, and total cost of the compulsory and other redundancies are set out in the table below. The cost in the table below reflects the related package cost to the employer, rather than the actual value of the payments to the individuals. In accordance with the requirements the related commitments as known to the Council as at 31 March 2016 are included. Included below are the related gross costs but not the financial savings to the Council, where appropriate.

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
£	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £'000	2015/16 £'000
0 - 20,000	61	77	0	11	61	88	431	397
20,001 - 40,000	20	31	1	5	21	36	558	1018
40,001 - 60,000	12	3	2	1	14	4	669	207
60,001 - 80,000	2	2	0	1	2	3	132	193
80,001 - 100,000	3	0	0	0	3	0	278	0
100,001 - 150,000	1	0	0	0	1	0	114	0
Reflects adjustment to previous year estimates							33	11
<b>Total</b>	<b>99</b>	<b>113</b>	<b>3</b>	<b>18</b>	<b>102</b>	<b>131</b>	<b>2,215</b>	<b>1,826</b>

## NOTE 37 – PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Government's Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16 the Council paid £6.42m (£6.04m in 2014/15) in respect of teachers' pension costs, which represented 15.15% (13.71% in 2014/15) of teachers' pensionable pay. In addition the Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms for the teachers' scheme. In 2015/16 these amounted to £1.18m (£1.17m in 2014/15) representing 2.75% (2.66% in 2014/15) of teachers' pensionable pay. These costs are accounted for on a defined benefits basis and are included in Note 38.

## NOTE 38 – PENSION COSTS

As part of the terms and conditions of employment of its officers and other employees, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments. These need to be disclosed at the time that employees earn their future entitlement.

Gwynedd Council participates in two post employment schemes:

- a) **The Local Government Pension Scheme** administered locally by Gwynedd Council. This is a funded defined benefit scheme based on final salary for service up to 31 March 2014 and based on a career average salary from 1 April 2014. The authority and the employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.
- b) **Arrangements for the award of discretionary post retirement benefits upon early retirement.** This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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

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

### Transactions Relating to Post-employment Benefits

The authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge it is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

## NOTE 38 – PENSION COSTS (continued)

Change in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability	Period ended 31 March 2015			Period ended 31 March 2016		
	Assets	Liabilities	Net (liability) /asset	Assets	Liabilities	Net (liability) /asset
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	468,653	0	468,653	530,343	0	530,343
Present Value of Funded Liabilities	0	(613,043)	(613,043)	0	(750,818)	(750,818)
Present Value of Unfunded Liabilities	0	(27,299)	(27,299)	0	(28,246)	(28,246)
<b>Opening Position at 31 March</b>	<b>468,653</b>	<b>(640,342)</b>	<b>(171,689)</b>	<b>530,343</b>	<b>(779,064)</b>	<b>(248,721)</b>
Service Cost						
Current Service Cost*	0	(18,446)	(18,446)	0	(21,913)	(21,913)
Past Service Costs(including curtailments)	0	(718)	(718)	0	(297)	(297)
<b>Total Service Cost</b>	<b>0</b>	<b>(19,164)</b>	<b>(19,164)</b>	<b>0</b>	<b>(22,210)</b>	<b>(22,210)</b>
Net interest						
Interest Income on Plan Assets	20,231	0	20,231	17,023	0	17,023
Interest Cost on Defined Benefit Obligation	0	(27,600)	(27,600)		(25,039)	(25,039)
<b>Total Net Interest</b>	<b>20,231</b>	<b>(27,600)</b>	<b>(7,369)</b>	<b>17,023</b>	<b>(25,039)</b>	<b>(8,016)</b>
<b>Total Defined Benefit Cost Recognised in Profit/(Loss)</b>	<b>20,231</b>	<b>(46,764)</b>	<b>(26,533)</b>	<b>17,023</b>	<b>(47,249)</b>	<b>(30,226)</b>
Cashflows						
Plan participants contributions	4,987	(4,987)	0	4,683	(4,683)	0
Employer contributions	18,058	0	18,058	16,894	0	16,894
Contributions in respect of unfunded benefits	1,747	0	1,747	1,709	0	1,709
Benefits Paid	(19,324)	19,324	0	(18,303)	18,303	0
Unfunded Benefits Paid	(1,747)	1,747	0	(1,709)	1,709	0
<b>Expected Closing Position</b>	<b>492,605</b>	<b>(671,022)</b>	<b>(178,417)</b>	<b>550,640</b>	<b>(810,984)</b>	<b>(260,344)</b>
Re-measurements						
Change in demographic assumptions	0	0	0	0	0	0
Change in financial assumptions	0	(112,129)	(112,129)	0	77,463	77,463
Other experience	0	4,087	4,087	0	8,164	8,164
Return on Assets excluding amounts included in net interest	37,738	0	37,738	(3,615)	0	(3,615)
<b>Total remeasurements recognised in Other Comprehensive Income (OCI)</b>	<b>37,738</b>	<b>(108,042)</b>	<b>(70,304)</b>	<b>(3,615)</b>	<b>85,627</b>	<b>82,012</b>
Fair Value of Employer Assets	530,343	0	530,343	547,025	0	547,025
Present Value of Funded Liabilities	0	(750,818)	(750,818)	0	(699,750)	(699,750)
Present Value of Unfunded Liabilities	0	(28,246)	(28,246)	0	(25,607)	(25,607)
<b>Closing Position at 31 March</b>	<b>530,343</b>	<b>(779,064)</b>	<b>(248,721)</b>	<b>547,025</b>	<b>725,357</b>	<b>(178,332)</b>

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

\*\* This liability comprises of approximately £10,513,000 in respect of LGPS unfunded pensions and £15,094,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31 March 2016, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

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

The actuary has provided a detailed breakdown of Fund assets in accordance with the requirements of IAS19. This analysis distinguishes between the nature and risk of those assets, and to further break them down between those with a quoted price in an active market and those that do not. The asset split for Gwynedd Council is assumed to be in the same proportion to the Fund's asset allocation as at 31 December 2015. The split is shown in the table below. The actuary estimates the bid value of the Fund's assets as at 31 March 2016 to be £1,536,000,000 based on information provided by the Administering Authority and allowing for index returns where necessary.

## NOTE 38 – PENSION COSTS (continued)

### Fair Value of Employer Assets

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

Asset Category	At 31 March 2015				At 31 March 2016			
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total		Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
<b>Equity Securities</b>								
Consumer	14,688	0	14,688	3	17,398	0	17,398	3
Energy and Utilities	10,923	0	10,923	2	2,997	0	2,997	1
Financial Institutions	8,271	0	8,271	2	8,917	0	8,917	2
Health and Care	22,077	0	22,077	4	31,539	0	31,539	6
Information Technology	15,419	0	15,419	3	18,103	0	18,103	3
Other	26,883	0	26,883	5	21,793	0	21,793	4
<b>Private Equity</b>								
All	0	22,429	22,429	4	0	22,227	22,227	4
<b>Debt Securities</b>								
Other	0	0	0	0	0	73,108	73,108	13
<b>Real Estate</b>								
UK Property	0	50,873	50,873	10	10,439	46,057	56,496	10
Overseas Property	0	1,535	1,535	0	0	1,033	1,033	0
<b>Investment Funds and Unit Trusts</b>								
Equities	121,065	150,665	271,730	51	111,036	160,978	272,014	50
Bonds	0	73,443	73,443	14	0	0	0	0
Infrastructure	0	2,502	2,502	0	0	4,552	4,552	1
<b>Cash and Cash Equivalents</b>								
All	9,570	0	9,570	2	16,848	0	16,848	3
<b>Total</b>	<b>228,896</b>	<b>301,447</b>	<b>530,343</b>	<b>100</b>	<b>239,070</b>	<b>307,955</b>	<b>547,025</b>	<b>100</b>

### Basis for estimating assets and liabilities

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

Both the Gwynedd Pension Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson, an independent firm of actuaries. Estimates for the Gwynedd Pension Fund were based on the latest full valuation of the scheme as at 31 March 2013. The significant assumptions used by the actuary in the following table have had a significant impact on the values of the assets and liabilities as follows:-

**NOTE 38 – PENSION COSTS (continued)**

	<b>31 March 2015</b>	<b>31 March 2016</b>
<b>Financial Assumptions</b>	<b>% p.a.</b>	<b>% p.a.</b>
Pensions Increase Rate	2.4	2.2
Salary Increase Rate*	4.3	4.2
Inflation Rate	2.4	2.2
Discount Rate	3.2	3.5
Long term expected rate of return on all categories of assets	3.2	3.5
<b>Take-up option to convert annual pension into retirement lump sum</b>		
for pre-April 2008 service	50	50
for post-April 2008 service	75	75
<b>Mortality assumptions</b>	<b>Years</b>	<b>Years</b>
Longevity at 65 for current pensioners		
Men	22	22
Women	24	24
Longevity at 65 for future pensioners		
Men	24.4	24.4
Women	26.6	26.6

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

\*\*For unfunded liabilities as at 31 March 2016, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension at the date of the member's death.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2016 on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided in this note.

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

<b>Impact on the Defined Benefit Obligation in the Scheme</b>		
<b>Change in assumption</b>	<b>Approximate increase to Employer 31 March 2016</b>	<b>Approximate monetary amount 31 March 2016</b>
	%	£'000
0.5% decrease in real discount rate	12	83,506
1 year increase in life expectancy	3	21,761
0.5% increase in the salary increase rate	4	29,411
0.5% increase in the pension increase rate	7	52,249

## NOTE 38 – PENSION COSTS (continued)

### Impact on the Council's Cash Flows

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

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

### Information about the Defined Benefit Obligation

	Liability Split		Weighted Average Duration
	£'000	%	
Active Members	422,542	60.4%	24.9
Deferred Members	87,615	12.5%	24.6
Pensioner Members	189,593	27.1%	11.8
<b>Total</b>	<b>699,750</b>	<b>100.0%</b>	<b>19.8</b>

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

### Impact in Future Years

The total contributions expected to be made to the Local Government Pensions Scheme by the Council in the year to 31 March 2017 is £16.7m.

As the Actuary's report is based on estimates and due to timing issues, there is a variance of £1,443,736 in 2015/16 (£393,157 in 2014/15) between the deficit in the Scheme based on the Actuarial figures in comparison with the liability related to the defined benefit pension schemes in the Balance Sheet. This variance has been treated as Actuarial Gains and Losses on Pension Assets and Liabilities and therefore has been included in the Liability related to the defined benefit pension schemes in the Balance Sheet.

## NOTE 39 – CONTINGENT LIABILITIES

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

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

- The capping and aftercare requirements for the Authority's landfill sites – the provision contained in the accounts is based on existing and known circumstances, in addition to relevant forecasts. However, the actual final cost may differ from the current estimated future cost.
- This Authority is exposed to a potential insurance liability relating to the insurance arrangements of its predecessor authorities, being, Gwynedd County Council, Arfon Borough Council, Dwyfor District Council, and Meirionnydd District Council, and the closure of the Municipal Mutual Insurance (M.M.I) Fund on 30 September 1992.



## **NOTE 39 – CONTINGENT LIABILITIES (continued)**

M.M.I. made a scheme of arrangement with its creditors, by which, if M.M.I had insufficient funds to meet future claims, a claw-back clause would be triggered (i.e. Scheme of Arrangements) which could affect claims paid since 1992-93. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered and served notice on the Scheme Administrator and the Company to that effect. The decision is irrevocable. An initial levy of 15% of the payments made since 30 September 1992 was paid during 2013/14, and in March 2016 the relevant authorities were informed that a further 10% was payable during 2015/16.

However, in accordance with the scheme, a further levy may be raised should the original levy be insufficient to meet M.M.I's liabilities in the longer term. Gwynedd Council is of the opinion that it would be prudent to continue with the provision in the expectation that the original levy will be inadequate. The current related estimated maximum potential liability to this authority is in the order of, up to almost £850,000.

## **NOTE 40 – TRUSTS**

The Council acts as sole trustee for 173 bequests such as school prize funds, and comforts and improvements funds for numerous Council Establishments. The total balance of these Trusts on 31 March 2016 was £646,045 (£606,180 on 31 March 2015). They are fully invested to generate income.

As the sole trustee, the Council holds the property for each trust but makes no decision on its use. In every case, the funds do not represent the assets of the Authority and therefore they have not been included in the Balance Sheet.

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

## NOTE 41 – SERVICE CONCESSION ARRANGEMENTS

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

The assets used to provide the service are recognised on the Authority's Balance Sheet. The value of the related assets was £4.2m as at 31 March 2016 (£4.5m as at 31 March 2015). The Authority makes an agreed payment (gate fee) each year based on a minimum amount of tonnage which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year. The Authority has the right to increase the amount of tonnages over the agreed 7,500 tons to a maximum of 11,000 tons, and will pay a reduced gate fee for anything over 7,500 tons.

	<b>Payment for Services</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Paid in 2015/16	498	119	146	763
Payable in 2016/17	498	126	139	763
Payable within 2 to 5 years	1,991	587	473	3,051
Payable within 6 to 10 years	2,489	963	363	3,815
Payable within 11 to 15 years	1,203	577	63	1,843
<b>Total</b>	<b>6,679</b>	<b>2,372</b>	<b>1,184</b>	<b>10,235</b>

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

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

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

	<b>2015/16</b>	
	<b>Lease Liability</b>	<b>Deferred Income</b>
	<b>£'000</b>	<b>£'000</b>
Balance outstanding at 1 April 2015	(2,372)	(1,956)
Repayment of principal during the year	119	0
Release of deferred income	0	146
Balance outstanding at 31 March 2016	(2,253)	(1,810)

Either party can terminate the agreement at any time should there be deficiencies, subject to giving notice in accordance with the terms of the agreement. Equally, the Authority can unilaterally terminate the agreement in accordance with the terms therein. There would be compensation payments linked to any termination arrangement. At the expiry of the agreement, the Authority has the right to re-tender for a contractor to provide the service.

## NOTE 42 – JOINT OPERATIONS AND JOINT COMMITTEES

The Council currently participate in a number of joint operations with neighbouring North Wales authorities.

During 2015/16, Gwynedd Council participated in four joint-committees, collaborating in particular areas between Local Authorities. During 2014/15 two of the previous joint-committees were terminated, these were Mid Wales Transportation (TRaCC) and Integrated Transport in North Wales (TAITH). Separate accounts are required for joint-committees. The four joint-committees relating to Gwynedd are:

- Special Educational Needs Joint Committee (SEN)
- Joint Planning Policy Committee
- GwE
- North Wales Residual Waste Treatment Partnership (NWRWTP)

The Joint Committee accounts follow the same timetable in terms of the statutory dates for the completion of the accounts. In the circumstances, Gwynedd Council's accounts reflects the related actual net liability, although the subjective analysis position varies subject to the circumstances, and the reporting arrangements of the various joint committees. The figures and the share relating to Gwynedd have been included in the table below:

Joint Committee	Leading Council (for Finance)	Councils participating in the Joint Committees	Gwynedd Council's Share %	Value of Gwynedd's Share (Income and Expenditure Account) £'000
Special Educational Needs Joint Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	61.4%	752
Joint Planning Policy Committee	Gwynedd Council	Gwynedd Council Isle of Anglesey County Council	50%	279
GwE	Gwynedd Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council Wrexham County Borough Council	17.78%	739
North Wales Residual Waste Treatment Partnership	Flintshire County Council	Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd Council Isle of Anglesey County Council	20%	18

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

## GWYNEDD PENSION FUND ACCOUNTS 2015/16

31 March 2015 £'000	Notes	31 March 2016 £'000
<b>Dealings with members, employers and others directly involved in the Fund</b>		
67,748	Contributions receivable	7      67,317
14	Interest on deferred contributions	8
2	Income from divorce calculations	3
1	Interest on late payment of contributions	
2,015	Transfers in from other pension schemes	8      5,075
<b>69,780</b>	<b>Total contributions received</b>	<b>72,403</b>
(48,610)	Benefits payable	9      (55,186)
(1,909)	Payments to and on account of leavers	10     (2,852)
<b>(50,519)</b>	<b>Total benefits paid</b>	<b>(58,038)</b>
<b>19,261</b>		<b>14,365</b>
<b>(8,573)</b>	Management Expenses	11 <b>(10,060)</b>
<b>Returns on Investments</b>		
12,993	Investment income	14      11,874
(687)	Taxes on income	15      (530)
164,833	Profit and (losses) on disposal of investments and changes in the market value of investments	16      12,383
<b>177,139</b>	<b>Returns on investments net of tax</b>	<b>23,727</b>
<b>187,827</b>	<b>Increase in the net assets available for benefits during the year</b>	<b>28,032</b>
<b>Net assets of the Fund</b>		
1,309,546	At 1 <sup>st</sup> April	1,497,373
187,827	Increase in net assets	28,032
<b>1,497,373</b>		<b>1,525,405</b>

## NET ASSETS STATEMENT AS AT 31 MARCH 2016

31 March 2015		Notes	31 March 2016
£'000			£'000
1,458,025	Investment assets	16	1,455,230
22,082	Cash deposits	16	42,631
<b>1,480,107</b>			<b>1,497,861</b>
(229)	Investment liabilities	16	(64)
20,312	Current assets	21	31,887
(2,817)	Current liabilities	22	(4,279)
<b>1,497,373</b>			<b>1,525,405</b>

The Financial Statements do not take into account the Fund's liability to pay pensions and other benefits to all the present contributors to the Fund after the scheme year end, but rather summarises the transactions and net assets of the scheme. The liabilities of the Fund are taken into account in the periodic actuarial valuations of the Fund (most recently as at 31 March 2013) and are reflected in the levels of employers' contributions determined at the valuation, so that the Fund will again be able to meet 100% of future liabilities. The actuarial present value of promised retirement benefits is shown in Note 20.

# **NOTES TO THE GWYNEDD PENSION FUND ACCOUNTS**

## **NOTE I – DESCRIPTION OF FUND**

The Gwynedd Pension Fund (“the Fund”) is part of the Local Government Pension Scheme and is administered by Gwynedd Council. The council is the reporting entity for this pension fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Gwynedd Pension Fund Annual Report 2015/16 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

### **a) General**

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended);
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

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

### **b) Membership**

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

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

## NOTE 1 – DESCRIPTION OF FUND (continued)

The following bodies are active employers within the Pension Fund:

<b>Scheduled Bodies</b>	
Gwynedd Council	Snowdonia National Park
Conwy County Borough Council	Bryn Eilian School
Isle of Anglesey County Council	Emrys ap Iwan School
Police and Crime Commissioner for North Wales	Pen y Bryn School
Llandrillo – Menai Group	Eirias High School
<b>Resolution Bodies</b>	
Llanllyfni Community Council	Ffestiniog Town Council
Bangor City Council	Llandudno Town Council
Abergele Town Council	Llangefni Town Council
Colwyn Bay Town Council	Menai Bridge Town Council
Beaumaris Town Council	Towyn and Kinmel Bay Town Council
Holyhead Town Council	Tywyn Town Council
Caernarfon Town Council	Conwy Town Council (joined 1 November 2014)
<b>Admission Bodies</b>	
Coleg Harlech WEA	North Wales Society for the Blind
CAIS	Conwy Voluntary Services
Conwy Citizens Advice Bureau	Careers Wales North West
Ynys Môn Citizens Advice Bureau	Mantell Gwynedd
Cwmni Cynnal	Medrwn Môn
Cwmni'r Fran Wen	Menter Môn
Holyhead Joint Burial Committee	
<b>Community Admission Bodies</b>	
Cartrefi Conwy	Cartrefi Cymunedol Gwynedd
<b>Transferee Admission Body</b>	
Caterlink	Jewsons
Superclean I	

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 2.75% to 12.5% of pensionable pay for the financial year ending 31 March 2016. Employers also make contributions which are set based on triennial actuarial funding valuations. New employer contribution rates were applied for the three years from 1<sup>st</sup> April 2014 to 31 March 2017 following the actuarial valuation carried out as at 31 March 2013.

### d) Benefits

Prior to 1 April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

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

## NOTE 1 – DESCRIPTION OF FUND (continued)

From 1 April 2014, the scheme became a career average scheme as summarised below:

	<b>Service post 31 March 2014</b>
<b>Pension</b>	Each year worked is worth $1/49 \times$ career average revalued earnings (CARE)
<b>Lump Sum</b>	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Accrued pension is increased annually in line with the Consumer Prices Index.

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

Benefits are index-linked in order to keep pace with inflation.

## NOTE 2 – BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year or the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 20 of these accounts.

## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund account – revenue recognition

#### a) Contribution Income

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

Employers deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

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

#### b) Transfers to and from other schemes

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

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



### **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

#### **c) Investment income**

##### **i) Interest income**

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

##### **ii) Dividend income**

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

##### **iii) Distributions from pooled funds including property**

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

##### **iv) Movement in the net market value of investments**

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

#### **Fund account – expense items**

#### **d) Benefits payable**

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

#### **e) Taxation**

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

#### **f) Management expenses**

The Code does not require any breakdown of pension Fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension Fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

#### **Administrative expenses**

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

#### **Oversight and governance costs**

All oversight and governance expenses are accounted for on an accrual basis. All staff costs, management and other overheads associated with oversight and governance are apportioned to the Fund in accordance with Council policy.

#### **Investment management expenses**

All investment management expenses are accounted for on an accruals basis.

### **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

In addition the Fund has negotiated with Fidelity International that an element of their fee be performance related. The cost of obtaining investment advice from external consultants is included in investment management charges.

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

#### **Net assets statement**

##### **g) Financial assets**

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

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

- i) **Market-quoted investments**  
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) **Fixed interest securities**  
Fixed interest securities are recorded at net market value based on their current yields.
- iii) **Unquoted investments**  
The fair value of investments for which market quotations are not readily available is determined as follows:
  - Unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
  - Investments in unquoted property are valued at the net asset value or a single price advised by the Fund manager.
  - Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with IFRS guidelines. It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.
- iv) **Pooled investment vehicles**  
Pooled investments vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

##### **h) Foreign currency transactions**

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

##### **i) Cash and cash equivalents**

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

## **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **j) Financial liabilities**

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

### **k) Actuarial present value of promised retirement benefits**

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

As permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement. (Note 20).

### **l) Additional voluntary contributions**

Gwynedd Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension Fund. There are three AVC funds. They are held with Clerical Medical, The Equitable Life Assurance Society and Standard Life. The AVC providers secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in these arrangements each receive an annual statement made up to 31 March confirming the amounts held in their account and the movements in year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 23).

## **NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

### **Unquoted private equity and infrastructure investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure are valued by the investment managers using guidelines set out by IFRS accounting standards. The value of unquoted securities at 31 March 2016 was £82 million (£71 million at 31 March 2015).

### **Pension fund liability**

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the accounts. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (continued)**

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The net pension liability would change if the assumptions used were changed. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability, an increase in assumed earnings inflation would increase the value of liability in assumed life expectancy would increase the liability.
Debtors	At 31 March 2016, the Fund had a balance of sundry debtors of £11.5m. A review of significant balances suggested that it was not appropriate to make any impairment of the debts.	If collection rates were to deteriorate, it would be necessary to reconsider this decision.
Private equity and infrastructure	Private equity and infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity and infrastructure investments in the financial statements are £82 million. There is a risk that this investment may be under or overstated in the accounts.

**NOTE 6 – EVENTS AFTER THE BALANCE SHEET DATE**

Great Britain held a referendum on 23 June 2016 on future membership of the European Union (EU) and the majority voted to leave the EU. In the short term this decision has led to a huge amount of political and economic uncertainty.

It is certain that this result has had an immediate impact on financial markets and the funding positions of Defined Benefit pension schemes including Gwynedd Pension Fund. The full, longer-term impact remains to be seen. Following a Brexit vote financial markets responded even more dramatically to the result than expected. Markets moved sharply and the pound hit a 30 year low against the dollar.

Defined benefit schemes are a long-term business and an immediate reaction to short term market volatility is not appropriate. Continued volatility is likely in the short term as investors decide what the result means for different investments.

The pension fund investments reported in these accounts are based on valuations at 31 March 2016 which have fallen by the 23 June and no adjustment has been made to reflect the current fall.

## NOTE 7 – CONTRIBUTIONS RECEIVABLE

### By category

2014/15		2015/16
£'000		£'000
52,502	Employers	52,149
15,246	Employees/Members	15,168
<b>67,748</b>		<b>67,317</b>

### By authority

2014/15		2015/16
£'000		£'000
24,251	Gwynedd Council	22,722
38,992	Other scheduled bodies	40,256
1,753	Admission bodies	1,660
2,268	Community admission body	2,227
257	Transferee admission body	203
173	Resolution Body	195
54	Closed fund*	54
<b>67,748</b>		<b>67,317</b>

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

## NOTE 7 – CONTRIBUTIONS RECEIVABLE (continued)

2014/15		2015/16
£'000		£'000
15,246	Employees normal contributions	15,168
45,586	Employers normal contributions	45,106
6,916	Employers deficit recovery contributions	7,043
<b>67,748</b>		<b>67,317</b>

## NOTE 8 – TRANSFERS IN FROM OTHER PENSION FUNDS

2014/15		2015/16
£'000		£'000
0	Group Transfers	3,889
2,015	Individual transfers	1,186
<b>2,015</b>		<b>5,075</b>

## NOTE 9 - BENEFITS PAYABLE

### By category

2014/15		2015/16
£'000		£'000
37,074	Pensions	39,477
9,922	Commutation and lump sum retirement benefits	14,070
1,614	Lump sum death benefits	1,639
<b>48,610</b>		<b>55,186</b>

### By authority

2014/15		2015/16
£'000		£'000
13,554	Gwynedd Council	15,094
22,135	Other scheduled bodies	27,319
1,074	Admission bodies	1,275
653	Community admission body	709
25	Transferee admission body	35
72	Resolution body	86
11,097	Closed fund	10,668
<b>48,610</b>		<b>55,186</b>

## NOTE 10 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2014/15		2015/16
£'000		£'000
84	Refunds to members leaving service net of tax repayments	96
17	Payments for members joining state scheme	77
1,808	Individual transfers	2,679
<b>1,909</b>		<b>2,852</b>

## NOTE 11 – MANAGEMENT EXPENSES

2014/15		2015/16
£'000		£'000
1,106	Administrative costs	1,186
7,419	Investment management expenses (Note 13)	8,815
48	Oversight and governance costs	59
<b>8,573</b>		<b>10,060</b>

This analysis of the costs of managing the Gwynedd Pension Fund during the period has been prepared in accordance with CIPFA guidance.

## NOTE 12 – ADMINISTRATIVE, OVERSIGHT AND GOVERNANCE COSTS

2014/15		2015/16
£'000		£'000
	<b>Administrative costs</b>	
455	Direct employee costs	447
214	Other direct costs	368
323	Support services including IT	257
31	External audit fees	29
83	Actuarial fees	85
<b>1,106</b>		<b>1,186</b>
	<b>Oversight and governance costs</b>	
48	Pensions Committee	59
<b>1,154</b>		<b>1,245</b>

Administrative expenses include amounts charged to the Pension Fund by Gwynedd Council for staff costs, support services and accommodation. Further details are given in Note 24.

## NOTE 13 – INVESTMENT MANAGEMENT EXPENSES

2014/15		2015/16
£'000		£'000
7,301	Management fees	8,685
53	Custody fees	54
15	Performance monitoring service	19
50	Investment consultancy fees	57
<b>7,419</b>		<b>8,815</b>

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled investment funds.

The investment management expenses above include £748,578.70 (2014/15 £0) in respect of performance related fees paid to one of the Fund's investment managers. In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. They are reflected in the cost of investment purchases and in the proceeds of sales of investments (see Note 16a).

## NOTE 14 – INVESTMENT INCOME

2014/15		2015/16
£'000		£'000
1,219	UK equities	788
6,448	Overseas equities	6,019
866	Private equity	853
257	Infrastructure	302
4,097	Pooled property investments	3,764
106	Interest on cash deposits	148
<b>12,993</b>		<b>11,874</b>

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

The Council had a deposit of £4m with Heritable Bank, which went into administration in October 2008. During 2015/16 a distribution of £22,615.66 was received by the Pension Fund. This amount has been included in the interest on cash deposits figure for 2015/16 in the above table. There were no distributions in 2014/15. Further information is included in Note 27.

## NOTE 15 – TAXES ON INCOME

2014/15		2015/16
£'000		£'000
687	Withholding tax – equities	530
<b>687</b>		<b>530</b>

## NOTE 16 – INVESTMENTS

2014/15		2015/16
£'000		£'000
	<b>Investment assets</b>	
197,323	Fixed Interest absolute return	198,845
272,050	Equities	269,784
773,481	Pooled equity investments	746,944
143,288	Pooled property investments	157,734
62,546	Private equity	66,278
8,917	Infrastructure	15,262
<b>1,457,605</b>		<b>1,454,847</b>
22,082	Cash deposits	42,631
420	Debtors	383
<b>1,480,107</b>	<b>Total investment assets</b>	<b>1,497,861</b>
	<b>Investment liabilities</b>	
(229)	Amounts payable for purchases	(64)
<b>(229)</b>	<b>Total investment liabilities</b>	<b>(64)</b>
<b>1,479,878</b>	<b>Net investment assets</b>	<b>1,497,797</b>



## Note 16a – Reconciliation of movements in investments and derivatives

<b>2015/16</b>	<b>Market value at 1 April 2015</b>	<b>Purchases during the year</b>	<b>Sales during the year</b>	<b>Change in market value during the year</b>	<b>Market value at 31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fixed interest absolute return securities	197,323	0	0	1,522	198,845
Equities	272,050	66,295	(82,842)	14,281	269,784
Pooled investments	773,481	7,279	(5,532)	(28,284)	746,944
Pooled property investments	143,288	2,266	0	12,180	157,734
Private equity / infrastructure	71,463	13,516	(12,066)	8,627	81,540
	<b>1,457,605</b>	<b>89,356</b>	<b>(100,440)</b>	<b>8,326</b>	<b>1,454,847</b>
Cash deposits	22,082			(47)	42,631
Amount receivable for sales of investments	420				383
Amounts payable for purchases of investments	(229)				(64)
Fees within pooled vehicles				4,104	
<b>Net investment assets</b>	<b>1,479,878</b>	<b>89,356</b>	<b>(100,440)</b>	<b>12,383</b>	<b>1,497,797</b>

<b>2014/15</b>	<b>Market value at 1 April 2014</b>	<b>Purchases during the year</b>	<b>Sales during the year</b>	<b>Change in market value during the year</b>	<b>Market value at 31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fixed interest absolute return securities	194,386	0	0	2,937	197,323
Equities	238,975	81,252	(84,285)	36,108	272,050
Pooled investments	666,050	103,237	(89,693)	93,887	773,481
Pooled property investments	116,800	3,639	(71)	22,920	143,288
Private equity / infrastructure	64,192	9,657	(7,176)	4,790	71,463
	<b>1,280,403</b>	<b>197,785</b>	<b>(181,225)</b>	<b>160,642</b>	<b>1,457,605</b>
Cash deposits	15,453			63	22,082
Amount receivable for sales of investments	0				420
Amounts payable for purchases of investments	(308)				(229)
Fees within pooled vehicles				4,128	
<b>Net investment assets</b>	<b>1,295,548</b>	<b>197,785</b>	<b>(181,225)</b>	<b>164,833</b>	<b>1,479,878</b>

Transaction costs, such as commissions, stamp duty and other transaction fees, are included in the cost of purchases and in sale proceeds. Transaction costs incurred during the year total £193,820 (2014/15 £228,201). In addition to these costs indirect costs are incurred through the bid-offer spread on investment purchases and sales.

## Note 16b – Analysis of investments

31 March 2015 £'000		31 March 2016 £'000
	<b>Equities</b>	
	<b>UK</b>	
35,517	Quoted	32,396
	<b>Overseas</b>	
236,533	Quoted	237,388
	<b>Pooled funds</b>	
	<b>UK</b>	
247,917	Unit trusts	234,401
	<b>Global (including UK)</b>	
197,323	Fixed income	198,845
379,210	Unit trusts	274,408
	<b>Overseas</b>	
146,354	Unit trusts	238,135
143,288	<b>Property unit trusts</b>	157,734
62,546	<b>Private equity</b>	66,278
8,917	<b>Infrastructure</b>	15,262
<b>1,457,605</b>		<b>1,454,847</b>

### Investments analysed by fund manager

Market Value at 31 March 2015			Market Value at 31 March 2016		
£'000	%		£'000	%	
485,874	32.8	BlackRock	470,435	31.4	
313,418	21.2	Fidelity	305,122	20.4	
197,331	13.3	Insight	198,852	13.3	
27,214	1.8	Lothbury	29,845	2.0	
71,463	4.8	Partners Group	81,540	5.4	
14,170	1.0	Threadneedle	15,931	1.0	
76,366	5.2	UBS	83,346	5.6	
294,042	19.9	Veritas	312,726	20.9	
<b>1,479,878</b>	<b>100.0</b>		<b>1,497,797</b>	<b>100.0</b>	

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

Market value 31 March 2015 £'000	% of total Fund	Security	Market value 31 March 2016 £'000	% of total Fund
281,164	18.78	Fidelity Institutional Select Global Equity	274,408	17.99
247,916	16.56	BlackRock Asset Management Aquila Life UK Equity Index Fund	234,400	15.37
197,323	13.18	Insight Umbrella Holdings	198,845	13.04
98,047	6.55	BlackRock Asset Management Aquila Life Global Dev Fundamental Fund	95,490	6.26

## Note 16c – Stock lending

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

## NOTE 17 – FINANCIAL INSTRUMENTS

### Note 17a – Classification of financial instruments

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

As at 31 March 2015			As at 31 March 2016		
Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at cost
£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>					
197,323			198,845		
272,050			269,784		
773,481			746,944		
143,288			157,734		
62,546			66,278		
8,917			15,262		
18	34,095		0	63,065	
	8,701			11,836	
<b>1,457,623</b>	<b>42,796</b>	<b>0</b>	<b>1,454,847</b>	<b>74,901</b>	
<b>Financial liabilities</b>					
(229)		(2,817)	(64)		(4,279)
<b>(229)</b>	<b>0</b>	<b>(2,817)</b>	<b>1,454,783</b>	<b>74,901</b>	<b>(4,279)</b>
<b>1,457,394</b>	<b>42,796</b>	<b>(2,817)</b>			

### Note 17b – Net gains and losses on financial instruments

31 March 2015		31 March 2016
Fair value		Fair value
£'000		£'000
<b>Financial assets</b>		
160,642	Fair value through profit and loss	8,325
63	Loans and receivables	(36)
<b>160,705</b>	<b>Total financial assets</b>	<b>8,289</b>
<b>Financial liabilities</b>		
0	Fair value through profit and loss	0
0	Financial liabilities at cost	0
<b>0</b>	<b>Total financial liabilities</b>	<b>0</b>
<b>160,705</b>	<b>Net financial assets</b>	<b>8,289</b>

## Note 17c – Fair value of financial instruments and liabilities

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

31 March 2015			31 March 2016	
Carrying value	Fair value		Carrying value	Fair value
£'000	£'000		£'000	£'000
<b>Financial assets</b>				
1,037,989	1,457,624	Fair value through profit and loss	1,057,007	1,454,847
42,795	42,795	Loans and receivables	74,901	74,901
<b>1,080,784</b>	<b>1,500,419</b>	<b>Total financial assets</b>	<b>1,131,908</b>	<b>1,529,748</b>
<b>Financial liabilities</b>				
(229)	(229)	Fair value through profit and loss	(64)	(64)
(2,817)	(2,817)	Financial liabilities at cost	(4,279)	(4,279)
<b>(3,046)</b>	<b>(3,046)</b>	<b>Total financial liabilities</b>	<b>(4,343)</b>	<b>(4,343)</b>
<b>1,077,738</b>	<b>1,497,373</b>	<b>Net financial assets</b>	<b>1,127,565</b>	<b>1,525,405</b>

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

## Note 17d – Valuation of financial instruments carried at fair value

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

### Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

### Level 2

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

### Level 3

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

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Gwynedd Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

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

**Note 17d – Valuation of financial instruments carried at fair value (continued)**

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
<b>Values at 31 March 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	633,363	739,944	81,540	1,454,847
Loans and receivables	74,901	0	0	74,901
<b>Total financial assets</b>	<b>708,264</b>	<b>739,944</b>	<b>81,540</b>	<b>1,529,748</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	0	(64)	0	(64)
Financial liabilities at cost	(4,279)	0	0	(4,279)
<b>Total financial liabilities</b>	<b>(4,279)</b>	<b>(64)</b>	<b>0</b>	<b>(4,343)</b>
<b>Net financial assets</b>	<b>703,985</b>	<b>739,880</b>	<b>81,540</b>	<b>1,525,405</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
<b>Values at 31 March 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	638,447	747,714	71,463	1,457,624
Loans and receivables	42,795	0	0	42,795
<b>Total financial assets</b>	<b>681,242</b>	<b>747,714</b>	<b>71,463</b>	<b>1,500,419</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	0	(229)	0	(229)
Financial liabilities at cost	(2,817)	0	0	(2,817)
<b>Total financial liabilities</b>	<b>(2,817)</b>	<b>(229)</b>	<b>0</b>	<b>(3,046)</b>
<b>Net financial assets</b>	<b>678,425</b>	<b>747,485</b>	<b>71,463</b>	<b>1,497,373</b>

## **NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

### **Risk and risk management**

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

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

### **a) Market risk**

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

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

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

The Fund manages these risks in two ways:

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

### **Other price risk**

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

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

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments in monitored by the council to ensure it is within the limits set in the Fund investment strategy.

### **Other price risk – sensitivity analysis**

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment analytics advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2016/17 reporting period.

## NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

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

Asset type	Potential market movement (+/-)	
	31 March 2015	31 March 2016
	%	%
Equities	8.7	9.3
Fixed Income	1.0	1.5
Alternatives (Private Equity and Infrastructure)	5.9	6.5
Property	3.2	2.3
Cash	0.0	0.0

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

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

Asset type	Value as at 31	Percentage change	Value on	Value on
	March 2016		increase	decrease
	£'000	%	£'000	£'000
Equities	1,016,728	9.25	1,110,775	922,681
Fixed Income	198,845	1.48	201,788	195,902
Alternatives (Private Equity and Infrastructure)	42,950	0.01	42,954	42,946
Property	81,540	6.54	86,873	76,207
Cash	157,734	2.33	161,409	154,059
<b>Total assets available to pay benefits</b>	<b>1,497,797</b>		<b>1,603,799</b>	<b>1,391,795</b>

Asset type	Value as at 31	Percentage change	Value on	Value on
	March 2015		increase	decrease
	£'000	%	£'000	£'000
Equities	1,045,531	8.7	1,136,597	954,465
Fixed Income	197,323	1.0	199,375	195,271
Alternatives (Private Equity and Infrastructure)	71,463	5.9	75,679	67,247
Property	143,288	3.2	147,830	138,746
Cash	34,112	0.0	34,115	34,109
<b>Total assets available to pay benefits</b>	<b>1,491,717</b>		<b>1,593,596</b>	<b>1,389,838</b>

### Interest rate risk

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

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

## NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2015	As at 31 March 2016
	£'000	£'000
Cash and cash equivalents	12,031	20,434
Cash balances	22,082	42,631
Fixed interest securities	197,323	198,845
<b>Total</b>	<b>231,436</b>	<b>261,910</b>

### Interest rate risk sensitivity analysis

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

Asset type	Carrying amount as at 31 March 2016 £'000	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	20,434	204	(204)
Cash balances	42,631	426	(426)
Fixed interest securities*	198,845	1,869	(1,869)
<b>Total change in assets available</b>	<b>261,910</b>	<b>2,499</b>	<b>(2,499)</b>

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

Asset type	Carrying amount as at 31 March 2015 £'000	Change in year in the net assets available to pay benefits	
		+1%	-1%
		£'000	£'000
Cash and cash equivalents	12,031	120	(120)
Cash balances	22,082	221	(221)
Fixed interest securities*	197,323	(1,460)	1,460
<b>Total change in assets available</b>	<b>231,436</b>	<b>(1,119)</b>	<b>1,119</b>

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

The impact that a 1% change in interest rates would have on interest received is minimal as the average interest rate received on cash during the year was 0.63% amounting to interest of £147,689 for the year.

A 1% increase in interest rates will not affect the interest received on fixed income assets but will reduce their fair value, as shown in the tables above. Changes in interest rates do not impact on the value of cash / cash equivalents but they will affect the interest income received on those balances. Changes to both the fair value of assets and income received from investments impact on the net assets to pay benefits but as noted above this does not have a significant effect on the Fund.

### Currency risk

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



## NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The Fund has made commitments to private equity and infrastructure in foreign currency, (€184million and \$88.6million). These commitments are being drawn down on request from the investment manager over a number of

years. The current commitments still outstanding are shown in Note 25. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the Fund is fully funded. The Fund has been funding the commitments since 2005 and therefore the liability is balanced out over a long period.

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

The following table summarises the Fund's currency exposure as at 31 March 2016 and as at the previous period end:

Currency exposure - asset type	As at	As at
	31 March 2015	31 March 2016
	£'000	£'000
Overseas and Global Equities	762,098	749,931
Global Fixed Income	197,324	198,845
Overseas Alternatives (Private Equity and infrastructure)	71,463	81,540
Overseas Property	2,925	3,116
Overseas Currency	208	0
<b>Total overseas assets</b>	<b>1,034,018</b>	<b>1,033,432</b>

### Currency risk – sensitivity analysis

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

A 6.0% fluctuation in the currency is considered reasonable based on the Fund investment analytics advisors analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period to 31 March 2016. The equivalent rate for the year ended 31 March 2015 was 5.5 %. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following tables show analyses of the Fund's exposure to individual foreign currencies as at 31 March 2015 and as at the previous year end:

Currency exposure - by currency	Value at 31	Change	Value on	Value on
	March 2016		increase	decrease
	£'000	%	£'000	£'000
Australian Dollar	9,279	9.3	10,138	8,419
Brazilian Real	2,091	13.9	2,382	1,801
EURO	118,178	6.8	126,182	110,175
South African Rand	2,478	10.3	2,734	2,223
Swedish Krona	5,280	7.7	5,683	4,876
Swiss Franc	2,540	10.0	2,794	2,288
US Dollar	182,196	7.8	196,377	168,016
<b>Pooled Investments</b>				
Global Basket	608,790	6.0	645,270	572,307
Global ex UK Basket	71,886	6.5	76,537	67,235
Emerging Basket	30,714	6.8	32,800	28,628
<b>Total change in assets available*</b>	<b>1,033,432</b>	<b>6.0</b>	<b>1,094,878</b>	<b>971,986</b>

\* The % change for total currency in the table above includes the impact of correlation across the underlying currencies.

**NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS  
(continued)**

<b>Currency exposure - by currency</b>	<b>Value at 31 March 2015</b>	<b>Change</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Australian Dollar	16,171	8.9	17,606	14,737
Brazilian Real	2,238	11.7	2,500	1,976
EURO	113,863	6.2	120,865	106,860
Hong Kong Dollar	1,232	7.7	1,327	1,137
South African Rand	6,588	10.7	7,294	5,881
Swedish Krona	6,749	7.3	7,242	6,256
Swiss Franc	20,341	9.3	22,241	18,441
US Dollar	143,949	7.8	155,150	132,747
<b>Pooled Investments</b>				
Global Basket	576,534	5.6	608,867	544,200
Global ex UK Basket	114,099	6.1	121,043	107,155
Emerging Basket	32,255	6.8	34,447	30,063
<b>Total change in assets available</b>	<b>1,034,019</b>	<b>5.5</b>	<b>1,090,944</b>	<b>977,092</b>

The % change for total currency in the table above includes the impact of correlation across the underlying currencies.

<b>Currency exposure - by asset type</b>	<b>Carrying amount as at 31 March 2016</b>	<b>Change in year in the net assets available to pay benefits</b>	
	<b>£'000</b>	<b>Value on increase</b>	<b>Value on decrease</b>
		<b>£'000</b>	<b>£'000</b>
Overseas and Global Equities	749,931	794,521	705,341
Global Fixed Income	198,845	210,668	187,022
Overseas Alternatives (Private Equity and infrastructure)	81,540	86,388	76,692
Overseas Property	3,116	3,301	2,931
Overseas Currency	0	0	0
<b>Total change in assets available</b>	<b>1,033,432</b>	<b>1,094,878</b>	<b>971,986</b>

<b>Currency exposure - by asset type</b>	<b>Carrying amount as at 31 March 2015</b>	<b>Change in year in the net assets available to pay benefits</b>	
	<b>£'000</b>	<b>Value on increase</b>	<b>Value on decrease</b>
		<b>£'000</b>	<b>£'000</b>
Overseas and Global Equities	762,099	804,053	720,142
Global Fixed Income	197,324	208,187	186,460
Overseas Alternatives (Private Equity and infrastructure)	71,463	75,398	67,529
Overseas Property	2,925	3,086	2,764
Overseas Currency	208	220	197
<b>Total change in assets available</b>	<b>1,034,019</b>	<b>1,090,944</b>	<b>977,092</b>

**b) Credit risk**

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

## **NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)**

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

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

<b>Investment Manager</b>	<b>Percentage of Portfolio</b>
BlackRock	29.5%
Fidelity	19.0%
Insight	15.0%
Partners Group	7.5%
Property (UBS, Threadneedle, Lothbury, BlackRock)	10.0%
Veritas	19.0%

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

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

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

In order to maximise the returns from Short Term Investments and Cash Deposits, the Council invests any temporarily surplus funds in its bank accounts along with any surplus funds in the Gwynedd Pension Fund bank accounts. An appropriate share of the interest earned is paid to the Pension Fund and any losses on investment are shared with the Pension Fund in the same proportion. Due to the nature of the banking arrangements any surplus cash in the Pension Fund bank accounts is not transferred to the Council's bank accounts. As the Short Term Investments are made in the name of Gwynedd Council they are shown in full on the Council's Balance Sheet. The Pension Fund element of the Short Term Investments and Cash Deposits at 31 March 2016 was £25m (£12.0m at 31 March 2015).

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of deposits placed with any one class of financial institution. In addition, the Council invests an agreed percentage of funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency. The Council believes it has managed its exposure to credit risk, and has had only one experience of default or uncollectable deposits when Heritable Bank went into administration in 2008. Full details can be seen in Note 27.

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

New employers to the Fund will need to agree to the provision of a bond or obtain a guarantee to save the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. As shown in Note 26 three employers have provided bonds. Any future liabilities falling on the Fund as a result of cessation are borne by the whole Fund and spread across all employers. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a legal judgement, which potentially indicates that employers with no contributing members cannot be charged contributions under the LGPS Administration Regulations. This ruling, however, does not affect the ability to collect contributions following a cessation valuation under Regulation 38(2). The Actuary may

## **NOTE 18 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)**

be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 38 of the LGPS (Administration) Regulations 2008 between triennial valuations.

### **c) Liquidity risk**

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

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

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

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

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2016 the value of illiquid assets was £143m, which represented 9.4% of the total Fund assets (31 March 2015: £133m, which represented 8.9% of the total Fund assets).

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

All financial liabilities at 31 March 2016 are due within one year as was the case at 31 March 2015.

### **Refinancing risk**

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

## **NOTE 19 – FUNDING ARRANGEMENTS**

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

### **Description of Funding Policy**

The funding policy is set out in the Funding Strategy Statement (FSS) dated March 2013.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund (and the share of the Fund attributable to individual employers)
- to ensure that sufficient funds are available to meet all pension liabilities as they fall due for payment
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk
- to help employers recognise and manage pension liabilities as they accrue

## NOTE 19 – FUNDING ARRANGEMENTS (continued)

- to minimise the degree of short-term change in the level of each employer’s contributions where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

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

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

### Funding Position as at the Last Formal Funding Valuation

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

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

### Principal Actuarial Assumptions and Method used to Value the Liabilities

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

#### Method

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

#### Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

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

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

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions that were adopted for the 31 March 2013 valuation are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the Fund. These curves are based on actual data supplied by the Administering Authority. The life expectancy assumptions based on the actuary’s fund-specific mortality review are as follows:

## NOTE 19 – FUNDING ARRANGEMENTS (continued)

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

### Experience over the Period since April 2013

Real bond yields have fallen dramatically (leading to a higher liability value), but the effect of this has been only partially offset by the effect of strong asset returns. Overall funding levels are likely to have remained approximately the same, but the monetary amount of deficits will have increased over this period as both asset and liability values have increased in size.

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

## NOTE 20 - ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19) and has also used them to provide the IAS19, FRS17 and FRS102 reports for individual employers in the Fund. The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial present value of promised retirement benefits at 31 March 2016 was £1,974m (£2,114m at 31 March 2015).

As noted above the liabilities above are calculated on an IAS19 basis and therefore differ from the results of the 2013 triennial funding valuation (see Note 19) because IAS19 stipulates a discount rate rather than a rate that reflects market rates.

### Assumptions used

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

<b>Assumption</b>	<b>31 March 2015</b>	<b>31 March 2016</b>
	<b>%</b>	<b>%</b>
Inflation/ pension increase rate	2.4	2.2
Salary increase rate*	4.3	4.2
Discount rate	3.2	3.5

The longevity assumption is the same as used for assessing the funding position as shown in Note 19 above.

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

## NOTE 21 – CURRENT ASSETS

2014/15		2015/16
£'000		£'000
1,173	Contributions due - employees	932
4,023	Contributions due – employers	3,221
24	Transfer value received (individuals who join)	3,901
3,061	Sundry debtors	3,399
<b>8,281</b>	<b>Total debtors</b>	<b>11,453</b>
12,031	Cash	20,434
<b>20,312</b>	<b>Total</b>	<b>31,887</b>

### Analysis of debtors

2014/15		2015/16
£'000		£'000
2,458	Gwynedd Council	2,073
1,326	Central government bodies	732
2,795	Other local authorities	5,631
3	NHS bodies	3
1,699	Other entities and individuals	3,014
<b>8,281</b>	<b>Total</b>	<b>11,453</b>

## NOTE 22 – CURRENT LIABILITIES

2014/15		2015/16
£'000		£'000
1,944	Sundry creditors	1,714
10	Transfer value payable (leavers)	27
863	Benefits payable	2,538
<b>2,817</b>	<b>Total</b>	<b>4,279</b>

### Analysis of creditors

2014/15		2015/16
£'000		£'000
1,174	Gwynedd Council	901
33	Central government bodies	43
0	Other Local Authorities	1
10	NHS bodies	19
1,600	Other entities and individuals	3,315
<b>2,817</b>	<b>Total</b>	<b>4,279</b>

## NOTE 23 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)

The market value of the funds is stated below:

	Market value at 31 March 2015	Market value at 31 March 2016
	£'000	£'000
Clerical Medical	2,678	2,936
Equitable Life	269	258
Standard Life	233	51
<b>Total</b>	<b>3,180</b>	<b>3,245</b>

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

	2014/2015	2015/2016
	£'000	£'000
Clerical Medical	508	526
Equitable Life	0	0
Standard Life	11	1
<b>Total</b>	<b>519</b>	<b>527</b>

## NOTE 24 - RELATED PARTY TRANSACTIONS

### Gwynedd Council

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

The council incurred costs of £1,075,225 (£986,723 in 2014/15) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also one of the largest employers of members of the pension fund and contributed £17.31m to the Fund in 2015/16 (£18.49m in 2014/15). At the end of the year the council owed £2.07m to the Fund (see Note 21) which was primarily in respect of contributions for March 2016 and the Fund owed £0.90m to the council (see Note 22) which was primarily in respect of recharges from the council.

The Gwynedd Pension Fund has three bank accounts which are held as part of Gwynedd Council's Group of Bank Accounts. The overall surplus cash held in the Group of Bank Accounts is invested on a daily basis. At the end of the financial year, Gwynedd Council pays interest over to the Pension Fund, based on the Fund's daily balances over the year. During 2015/16, the Fund received interest of £147,611 (£103,645 in 2014/15) from Gwynedd Council.

### Governance

There were 2 members of the Pensions Committee who were in receipt of pension benefits from the Gwynedd Pension Fund during 2015/16 (Committee members T.O. Edwards and P. Jenkins). In addition, committee members T.O. Edwards, S. Glyn, P. Jenkins, H.E. Jones, W.T. Owen P.Read and G.G. Williams are active members of the pension fund.

There was 1 member of the Pension Board who was in receipt of pension benefits from the Gwynedd Pension Fund during 2015/16 (Board member S. Warnes). In addition, Board members A.W. Deakin, V. Halloran, A.L Lloyd Evans, O. Richards and H. Trainor are active members of the pension fund.

### Key Management Personnel

The CIPFA Code of Practice on Local Authority Accounting exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances in the Code satisfy the key management personnel disclosure requirements of IAS24. This also applies to the accounts of Gwynedd Pension Fund.

The disclosures required can be found in the accounts of Gwynedd Council.



## NOTE 25 - COMMITMENTS UNDER INVESTMENT CONTRACTS

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

	<b>Total commitments</b>	<b>Commitment at 31 March 2015</b>	<b>Commitment at 31 March 2016</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
P.G. Direct 2006	20,000	776	776
P.G. Global Value 2006	50,000	3,477	3,477
P.G. Secondary 2008	15,000	1,960	1,960
P.G. Global Value 2011	15,000	6,034	5,044
P.G. Global Infrastructure 2012	40,000	28,285	22,005
P.G. Direct 2012	12,000	5,352	1,813
P.G. Global Value 2014	12,000	9,581	7,119
P.G Direct 2016	20,000	0	18,202
<b>Total Euros</b>	<b>184,000</b>	<b>55,465</b>	<b>60,396</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
P.G. Emerging Markets 2011	7,000	2,648	2,078
P.G Secondary 2015	38,000	38,000	34,804
P.G Direct Infrastructure 2015	43,600	0	42,111
<b>Total Dollars</b>	<b>88,600</b>	<b>40,648</b>	<b>78,993</b>

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

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

## NOTE 26 – CONTINGENT ASSETS

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

## NOTE 27 – IMPAIRMENT LOSSES

### a) Impairment for bad and doubtful debts

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

### b) Impairment of Icelandic bank deposit

During 2008/09 the Council made a deposit of £4m with Heritable Bank which is a UK registered bank under Scottish Law. The pension fund's share of that investment was £565,200. The company was placed in administration on 7 October 2008. The Council has received a return of £3,938,407 equating to 98% from the administrators up to 31 March 2016.

In August 2016 a distribution of £22,615.66 was received by the Pension Fund. The administration is ongoing, but it is likely that the full amount should eventually be recovered.

## **NOTE 28 - PENSION FUND PUBLICATIONS**

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

Statement of Investment Principles

Funding Strategy Statement

Governance Policy and Governance Compliance Statement

Communications Policy Statement

Copies can be obtained from the Pension Fund website [www.gwynedd-pensionfund.org.uk](http://www.gwynedd-pensionfund.org.uk) on the investment page or by contacting Mrs Caroline Roberts on 01286 679128.

# INCOME & EXPENDITURE ACCOUNT 2015/16

# APPENDIX A

## ANALYSIS OF SERVICE EXPENDITURE

	Total Expenditure £'000	Total Income £'000	Net Expenditure £'000
<b>Cultural and Related Services</b>			
<i>Division of Service</i>			
Culture and Heritage	1,783	(433)	1,350
Recreation and Sport	9,889	(5,154)	4,735
Open Spaces	1,417	(687)	730
Tourism	922	(251)	671
Library Service	2,088	(133)	1,955
	16,099	(6,658)	9,441

## Environmental and Regulatory Services

<i>Division of Service</i>			
Cemetery, Cremation and Mortuary Services	1,059	(974)	85
Coast Protection	828	(330)	498
Community Safety (Crime Reduction)	97	(22)	75
Community Safety (CCTV)	339	(60)	279
Community Safety (Safety Services)	270	(176)	94
Flood Defence and Land Drainage	324	0	324
Agricultural and Fisheries Services	159	(167)	(8)
Regulatory Service	3,888	(778)	3,110
Street Cleansing (not chargeable to Highways)	2,719	(103)	2,616
Waste Collection	1,285	(89)	1,196
Waste Disposal	4,307	(74)	4,233
Trade Waste	2,195	(2,070)	125
Recycling	8,307	(4,136)	4,171
Waste Minimisation	162	(14)	148
Climate Change Costs	0	0	0
	25,939	(8,993)	16,946

## Planning Services

<i>Division of Service</i>			
Building Control	735	(482)	253
Development Control	1,010	(682)	328
Planning Policy	667	(262)	405
Environmental Initiatives	1,074	(559)	515
Economic Research	5	0	5
Business Support	736	(275)	461
Economic Development	4,954	(3,211)	1,743
Community Development	1,350	(618)	732
	10,531	(6,089)	4,442

## Children's and Education Services - Education Services

<i>Division of Service</i>			
Early Years	590	0	590
Primary Schools	54,629	(9,662)	44,967
Secondary Schools	40,923	(5,149)	35,774
Special Schools And Alternative Provision	3,947	(279)	3,668
Post 16 Provision	4,466	(3,565)	901
Other Education and Community Budget	6,152	354	6,506
	110,707	(18,301)	92,406

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

<i>Division of Service</i>			
Sure Start Children's Centres/Flying Start and Early Years	2,907	(2,570)	337
Children Looked After	8,236	(292)	7,944
Other Children and Family Services	418	(10)	408
Family Support Services	3,191	(1,509)	1,682
Youth Justice	1,181	(800)	381
Safeguarding Children and Young People's Services	5,625	(417)	5,208
Asylum Seekers	28	(28)	0
Services for Young People	1,540	(251)	1,289
	23,126	(5,877)	17,249

**ANALYSIS OF SERVICE EXPENDITURE**

	<b>Total Expenditure £'000</b>	<b>Total Income £'000</b>	<b>Net Expenditure £'000</b>
<b>Highways and Transport Services</b>			
<i>Division of Service</i>			
Transport Planning, Policy and Strategy	1,086	(459)	627
Structural Maintenance	7,639	(1,724)	5,915
Capital Charges Relating to Construction Projects	3,534	(788)	2,746
Environmental, Safety and Routine Maintenance	6,294	(3,286)	3,008
Street Lighting (including energy costs)	3,069	(1,216)	1,853
Winter Service	1,363	(315)	1,048
Traffic Management and Road Safety	751	(84)	667
Parking Services	1,172	(2,538)	(1,366)
Public Transport	4,808	(2,768)	2,040
Airports, Harbours and Toll Facilities	0	0	0
	<b>29,716</b>	<b>(13,178)</b>	<b>16,538</b>
<b>Housing Services (Council Fund)</b>			
<i>Division of Service</i>			
Housing Strategy	185	(21)	164
Enabling	321	(167)	154
Housing Advice	0	0	0
Housing Advances	0	0	0
Private Sector Housing Renewal	3,969	(1,560)	2,409
Licensing of Private Sector Landlords	557	(84)	473
Homelessness	1,421	(505)	916
Housing Benefits Payments	0	0	0
Housing Benefits Administration	31,297	(30,896)	401
Contribution to the HRA re items shared by the whole community	0	0	0
Other Council Property	94	(41)	53
Supporting People	5,300	(5,056)	244
Other Welfare Services	0	0	0
	<b>43,144</b>	<b>(38,330)</b>	<b>4,814</b>
<b>Adult Social Care</b>			
<i>Division of Service</i>			
Service Strategy	318	0	318
Older People (aged 65 or over) including Older Mentally Ill	36,584	(12,443)	24,141
Adults aged under 65 with a Physical Disability or Sensory Impairment	4,094	(445)	3,649
Adults aged under 65 with Learning Disabilities	17,434	(3,642)	13,792
Adults aged under 65 with Mental Health Needs	3,643	(356)	3,287
Other Adult Services	369	(45)	324
	<b>62,442</b>	<b>(16,931)</b>	<b>45,511</b>
<b>Central Services to the Public</b>			
<i>Division of Service</i>			
Local Tax Collection	10,411	(619)	9,792
Registration of Births, Deaths and Marriages	381	(227)	154
Elections	453	(216)	237
Emergency Planning	115	0	115
Local Land Charges	140	(228)	(88)
Local Welfare Assistance Schemes	0	0	0
General Grants, Bequests and Donations	0	0	0
Coroners' Court Services	504	(185)	319
Other Court Services	0	0	0
	<b>12,004</b>	<b>(1,475)</b>	<b>10,529</b>
<b>Corporate and Democratic Core</b>			
<i>Division of Service</i>			
Democratic Representation and Management	3,131	(39)	3,092
Corporate Management	4,116	(4,036)	80
	<b>7,247</b>	<b>(4,075)</b>	<b>3,172</b>
<b>Non Distributed Costs</b>			
<i>Division of Service</i>			
Non Distributed Costs	297	0	297
	<b>297</b>	<b>0</b>	<b>297</b>
<b>COST OF SERVICES</b>	<b>341,252</b>	<b>(119,907)</b>	<b>221,345</b>

<b>THE WELSH CHURCH FUND</b>
------------------------------

2014/15		2015/16	
£'000		£'000	£'000
834	<b>Amount of Fund at 1st April</b>		952
	<b>Add - Income during the year :-</b>		
6	Interest on Investments		5
148	Increase in land value		0
	<b>Less - Expenditure during the year :-</b>		
(27)	Transfer of Gwynedd's previous years interest	0	
0	Loss on sale of investments	(16)	
(9)	Grants and expenses	11	
			(5)
952	<b>Amount of Fund at 31st March</b>		952
	<b>Represented by the following Assets :-</b>		
365	Land and Buildings		365
21	Debtors		30
1,831	Cash in Hand		1,798
2,217			2,193
(1,232)	<b>Less - Proportion owing to Anglesey and Conwy Councils</b>		(1,232)
985			961
(40)	<b>Less - Creditors</b>		(16)
7	<b>Add - Proportion owing from Anglesey and Conwy Councils</b>		7
952	<b>Total</b>		952

**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.

<b>FMG MORGAN TRUST FUND</b>
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2014/15 £'000		2015/16 £'000
152	<b>Amount of Fund at 1st April</b>	160
	<b>Add - Income during the year</b>	
10	Interest on Assets	11
	<b>Less - Expenditure during the year</b>	(4)
(2)	Grants	
160	<b>Amount of Fund at 31st March</b>	167
	<b>Assets</b>	
142	Investments	144
18	Cash in Hand	23
160		167

### NOTES TO THE ACCOUNTS

1. This Fund was set up from the residuary estate of the late Mrs. Florence Merthyr Guest Morgan. The income from the Fund was to be applied to aid residents of certain areas of Llŷn for specified purposes.
2. The investments are shown in the accounts at cost. The market value of the investments at 31 March 2016 was £313,375.98 (£329,724.98 at 31 March 2015).
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.