

# **STATEMENT OF ACCOUNTS 2010/11**

**SUBJECT TO AUDIT**

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## **EXPLANATORY FOREWORD**

### **REVIEW OF THE YEAR**

The Council's revenue budget for 2010-11 reflected efficiency savings affecting all services, capacity building for central services and some developments to services. The budget was funded by grants from the National Assembly and a 4.5% increase in Council Tax.

During the year it became clear that very substantial cuts would be required from 2011-12 onwards and services began to prepare for these cuts through a number of projects, badged the Affordable Priorities Programme.

The performance on the revenue budget was encouraging: overall, the corporate budgets underspent and significant savings were made on procurement of transport contracts. However Council Tax brought in less than expected because new homes were built slower than anticipated. Most services spent well within their budgets. Social Services continued to make good progress with the financial management of their services and spent less than the annual budget by £1.2 million through tight control of budgets and by early implementation of Affordable Priorities Programme projects.

The Education budget was underspent by £0.8 million after bringing under control the expenditure on integrating pupils with special learning needs in mainstream schools and achieving savings in a number of budgets.

During the year, net spending by schools reduced their reserves (in total) by £0.9 million to £2.2 million. School reserves are limited to the uses of the individual schools and the position of individual schools varies. Nine schools had a deficit at the end of the financial year but a number of other schools are projecting deficits in future years.

As a result of foreseen savings of £2.2m at the end of the third quarter boosting general balances above the required level, it was decided that up to £2.5m could be used in 2011-12 to cover severance costs. In March 2011 the Council's budget was set and a redundancy programme made known; as a result the 2010-11 accounts have included expenditure and provisions for £1.0m towards the associated severance costs.

The final out-turn for the year is an increase of £1.0m in General Balances to £6.8m and £0.6m in Earmarked reserves to £12.9m.

### **CAPITAL**

The Council spent £24m in the year and major items in the capital budget are shown below. The New Archive Building was a new scheme for 2010/11, due to be completed in 2011. No major projects were completed in the year. The third year of the Welsh Housing Quality Standard (WHQS) programme continued the significant expenditure of about £6m per annum.

## MAJOR CAPITAL PROJECTS

Project	In Year £000	Cumulative £000	Total Project £000
Housing Stock – Internal Packages WHQS	6,618	13,351	35,000
3 Towns Regeneration	1,768	2,368	8,738
Coastal environment	1,571	2,316	5,582
New Archive Building	898	898	1,129

	Council Fund £000	Housing Revenue Account £000	Total £000
<b>Capital Expenditure</b>	<b>14,969</b>	<b>9,143</b>	<b>24,112</b>
Grants and Contributions	9,852	2,640	12,492
Capital Receipts	4,362	166	4,528
Revenue Contributions	755	3,948	4,703
Supported Borrowing	0	1,000	1,000
Unsupported Borrowing	0	1,389	1,389
<b>Total Financing</b>	<b>14,969</b>	<b>9,143</b>	<b>24,112</b>

Capital commitments outstanding at the year end were £8.5 million. A sum of £1.4 million, together with unused approved borrowing capacity which was a further £6.7 million, has been reserved towards these commitments and other projects programmed for future years. Other plans will be financed from approved grants, receipts from projected asset sales and borrowing.

## CAPITAL FINANCING

The Council's original capital budget for 2010-11 had allowed for £3.3m of supported borrowing to finance the Council Fund capital spending. In the event, using grants, capital receipts and revenue contributions financed the whole of the spending and there was no need to use borrowed money. Similarly, less unsupported borrowing was required across the Housing Revenue Account and Council Fund. As a result, the Capital Financing Requirement is less than anticipated and this will reduce the amounts required to be set aside from revenue in future years. The unused funding will be available in the current year.

The Capital Plan is dependent on resources from grants, from anticipated capital receipts, and on a level of borrowing close to the level assumed by the National Assembly when calculating revenue support. Economic conditions have affected the prospects for sales of assets and the Capital Plan is being revised for these changes

A small number of projects have been approved for unsupported borrowing to be financed through budgets or new income sources. The most notable of these is the WHQS project which is being part funded in this way from 2010 onwards

## HOUSING REVENUE ACCOUNT

The effect of using revenue contributions in preference to borrowing to finance capital expenditure in the Housing Revenue Account is to reduce the balance from £2.5m to £0.3m. The unused unsupported borrowing remains available in 2011-12.

## **BORROWING AND INVESTMENTS**

A single loan of £5m was taken that increased external borrowing to £102.6m. This new borrowing was taken at a low rate of 3.52% that reduced the average external rate to 5.31% from 5.40%. No new loans were taken out after the Public Works Loan Board's increased interest rate terms in October 2010 and no repayment or rescheduling exercises were undertaken during the year. As a result of having borrowed more than was used to finance new capital expenditure during the year, the difference between the Capital Financing Requirement and the external loans is £4.9m. This will be used to finance capital expenditure in the near future.

As a result of these transactions and an overall increase in the level of reserves, there was an increase in the total level of investments and cash on the balance sheet date of £12.2m to £35.2m by the year end.

## **FINANCIAL POSITION AT 31 MARCH 2011**

The net worth of the Authority in the balance sheet has increased by over £106m over the year due to a reduction of £89.3m in the Council's net pension liability and an increase of £18.6m in the value of fixed assets. The statement discloses an estimated net liability of £46.6 million in respect of pensions, more than reversing the reduction in 2009-10. This estimate is very dependent on the assumptions used, and the reduction over the year was mostly attributed to positive asset returns and falling long term inflation expectations, and a change in the inflation index rate used to project pension increases.

The best assessment of financial standing is the extent to which the authority has made provisions for known liabilities and the amount of distributable reserves available to cover other risks. The Council has made provision for known liabilities and has established reserves where required by statute, where earmarked by Council plans, or where prudent to meet risk or uncertainty. It had originally been intended that there was no significant use of balances in the year, although the Executive was authorised to use up to £0.6m of balances to fund costs of change including severance costs in 2010/11. About £0.4m was in fact used together with £1.0 million authorised in relation to the 2011-12 budget. The savings for the year were £2.8 million and at year end general balances stood at £6.8m. A total of £2.5 million has been reserved for the costs arising from Single Status and Job Evaluation, although this is not an estimate of any actual liability. At the year end, schools' reserves stood at £2.2 million, the Housing Revenue Account balance at £0.3 million and the Earmarked Reserves at £12.9 million. The total of earmarked reserves has increased mainly as a result of increases in the Insurance reserve and service reserves. These were partly offset by decreases in the capital financing reserve, performance management reserve and claw-back of earmarked reserves in support of the budget.

The Authority's financial standing is adequate despite the deteriorating state of public finance. A general pattern of underspending reflects prudence by budget holders and a preparedness to start making savings as soon as the potential is identified. Budget monitoring during the year allowed the net improvement to be taken into account in setting the following year's budget, thereby alleviating savings required from 2011-12. Nevertheless the outlook for public spending remains very poor.

## THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's responsibilities

The Isle of Anglesey County 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 this authority, that officer is the Corporate Director (Finance).
- \* manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- \* approve the statement of accounts.

### The Corporate Director (Finance)'s responsibilities

The Corporate Director (Finance) is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("The IFRS Code").

In preparing this statement of accounts, the Corporate Director (Finance) has:

- \* selected suitable accounting policies and then applied them consistently.
- \* made judgements and estimates that were reasonable and prudent.
- \* complied with The IFRS Code of Practice.

The Corporate Director (Finance) has also:

- \* kept proper records which were up to date.
- \* taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Certificate**

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Isle of Anglesey County Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

**Signed:** .....

**DAVID ELIS-WILLIAMS  
CORPORATE DIRECTOR (FINANCE)**

**21st JULY 2011**

## MOVEMENT IN RESERVES STATEMENT FOR THE CURRENT AND COMPARATIVE YEAR

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and expenditure Summary. These are different from the statutory amounts required to be charged to the Council Fund Balance for Local Tax purposes. The 'Net increase /Decrease before transfers to statutory and other reserves' line shows the statutory Council Fund Balance before any discretionary transfers to or from statutory and other reserves undertaken by the Council.

	Council Fund Balance	Earmarked Council Fund Reserves	Housing Revenue Account Balance	Capital Receipts Reserve	School Balances	Total Usable Reserves	Total Unusable Reserves	Total Reserves of The Authority
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as 1 April 2009</b>	4,877	11,217	1,781	1,645	3,246	22,766	145,774	168,540
<b>Movement in reserves during the year</b>								
Deficit/(Surplus) on provision of services	2,289	0	(10,400)	0	0	(8,111)	0	(8,111)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(69,349)	(69,349)
<b>Total Comprehensive Income and Expenditure</b>	2,289	0	(10,400)	0	0	(8,111)	(69,349)	(77,460)
Adjustments between accounting basis and funding basis under regulations (note 7)	(379)	0	11,107	1,280	0	12,008	(12,008)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves (England &amp; Wales)</b>	1,910	0	707	1,280	0	3,897	(81,357)	(77,460)
Transfers to/from Earmarked Reserves (England & Wales)	(981)	1,082	0	0	(101)	0	0	0
<b>Increase/Decrease in year</b>	929	1,082	707	1,280	(101)	3,897	(81,357)	(77,460)
<b>Balance 31 March 2010</b>	5,806	12,299	2,488	2,925	3,145	26,663	64,417	91,080
<b>Movement in reserves during the year</b>								
(Surplus)/Deficit on provision of services	12,891	0	818	0	0	13,709	0	13,709
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	92,382	92,382
<b>Total Comprehensive Income and Expenditure</b>	12,891	0	818	0	0	13,709	92,382	106,091
Adjustments between accounting basis and funding basis under regulations (note 7)	(12,174)	0	(3,051)	(2,925)	0	(18,150)	18,150	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves (England &amp; Wales)</b>	717	0	(2,233)	(2,925)	0	(4,441)	110,532	106,091
Transfers to/(from) Earmarked Reserves (England & Wales)	305	594	0	0	(899)	0	0	0
<b>Increase/(Decrease) in year</b>	1,022	594	(2,233)	(2,925)	(899)	(4,441)	110,532	106,091
<b>Balance 31 March 2011</b>	6,828	12,893	255	0	2,246	22,222	174,949	197,171



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2011

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.

2010/11				2009/10		
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
6,446	(5,737)	709		6,024	(4,813)	1,211
12,258	(3,425)	8,833		10,321	(4,652)	5,669
73,013	(13,697)	59,316		58,222	(12,317)	45,905
16,919	(4,561)	12,358		14,258	(3,931)	10,327
4,043	(11,891)	(7,848)		33,389	(25,030)	8,359
21,819	(19,094)	2,725		32,142	(17,414)	14,728
32,839	(11,720)	21,119		30,860	(11,753)	19,107
9,646	(4,879)	4,767		5,926	(3,620)	2,306
12,613	(2,348)	10,265		14,018	(4,203)	9,815
9,414	(3,318)	6,096		5,359	(882)	4,477
(22,885)		(22,885)		327		327
<b>176,125</b>	<b>(80,670)</b>	<b>95,455</b>		<b>210,846</b>	<b>(88,615)</b>	<b>122,231</b>
		21,540	Other Operating Expenditure	9		9,709
		7,780	Financing and Investment Income and Expenditure	10		10,794
		(138,484)	Taxation and Non-Specific Grant Income	11		(134,623)
		<b>(13,709)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>8,111</b>
		(23,726)	(Surplus) or deficit on revaluation of non current assets	12		2,431
		0	(Surplus) or deficit on revaluation of available for sale financial assets	23		812
		(68,656)	Actuarial (gains) / losses on pension assets / liabilities	40		66,106
		<b>(92,382)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>69,349</b>
		<b>(106,091)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>77,460</b>

## BALANCE SHEET AS AT 31 MARCH 2011

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 to 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'.

	Note	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Property, Plant and Equipment	12	311,625	293,391	299,428
Investment Property	13	7,874	7,471	7,611
Intangible Assets	14	77	161	172
Assets held for sale	19	0	0	0
Long Term Investments	15	0	1	5,265
Long Term Debtors	17	450	475	276
<b>Long Term Assets</b>		<b>320,026</b>	<b>301,499</b>	<b>312,752</b>
Short Term Investments	15	25,126	15,741	13,345
Inventories	16	499	423	384
Short Term Debtors	17	19,716	25,989	21,268
Cash and Cash Equivalents	18	9,757	8,453	7,410
Assets held for sale	19	514	0	0
<b>Current Assets</b>		<b>55,612</b>	<b>50,606</b>	<b>42,407</b>
Short Term Borrowing	15	(8,289)	(1,727)	(1,610)
Short Term Creditors	20	(22,751)	(22,148)	(22,168)
Provisions	21	(1,645)	(94)	(842)
Grants receipts in advance	33	(502)	(667)	(230)
<b>Current Liabilities</b>		<b>(33,187)</b>	<b>(24,636)</b>	<b>(24,850)</b>
Long Term Creditors	20	(3)	(4)	(6)
Provisions	21	(2,602)	(2,886)	(2,615)
Long Term Borrowing	15/33	(96,103)	(97,608)	(90,115)
Other Long Term Liabilities	40	(46,572)	(135,891)	(69,033)
<b>Long Term Liabilities</b>		<b>(145,280)</b>	<b>(236,389)</b>	<b>(161,769)</b>
<b>Net Assets</b>		<b>197,171</b>	<b>91,080</b>	<b>168,540</b>
Usable reserves		22,222	26,663	22,766
Unusable Reserves	23	174,949	64,417	145,774
<b>Total Reserves</b>		<b>197,171</b>	<b>91,080</b>	<b>168,540</b>

## CASH FLOW STATEMENT – 2010/11

The Cash Flow Statement shows the changes on 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.

2010/11 £000		Note	2009/10 £000
13,709	<b>Net (Surplus) or Deficit on the Provision of Services</b>		<b>(8,111)</b>
12,083	Adjustments to net surplus or deficit on the provision of services for non- cash movements	24	21,537
(14,311)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(13,807)
<b>11,481</b>	<b>Net cash flows from Operating Activities</b>		<b>(381)</b>
<b>(15,170)</b>	<b>Net cash flows from Investing Activities</b>	25	<b>(6,076)</b>
4,993	<b>Net cash flows from Financing Activities</b>	26	<b>7,500</b>
<b>1,304</b>	<b>Net increase in cash and cash equivalents</b>		<b>1,043</b>
8,453	Cash and cash equivalents at the beginning of the reporting period	18	7,410
<b>9,757</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	18	<b>8,453</b>

## **NOTES TO THE ACCOUNTS**

### **NOTE 1 - STATEMENT OF ACCOUNTING POLICIES**

#### **1. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005 (as amended), which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS). 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.

#### **2. Accruals of Income and Expenditure**

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

- 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 may not be collected.

### **3. Acquisitions and Discontinued Operations**

#### **Acquired operations**

The Authority has not acquired any operations during the current financial year.

#### **Discontinued Operations**

The results of discontinued operations are shown as a single amount on the face of the Comprehensive Income and Expenditure account comprising the profit or loss of discontinued operations and the gain or loss recognised either on measurement to fair value less costs to sell or on the disposal of the discontinued operation. A discontinued operation is a cash-generating unit or a group of cash-generating units that has been disposed of, or is classified as held for sale.

### **4. Cash and Cash Equivalents**

Cash includes all bank credit balances and overdrafts held by the authority as part of its normal cash management, including all deposit accounts accessible without notice.

Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash Equivalents include investments with a fixed maturity of three months or less from the date of acquisition and available for sale assets such as cash placed in money market funds.

### **5. Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
  
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
  
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **6. Exceptional Items**

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

## **7. Employee Benefits**

### **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, bonuses and non-monetary benefits 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, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The Authority does not award long term employee benefits ie those which are not expected to be paid or settled within 12 months of the balance sheet date.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

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

### **Post Employment Benefits**

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

- The Teachers' Pension Scheme, administered by the Department for Education.
  
- The Local Government Pension Scheme administered by Gwynedd Council.

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

### **Teachers' Pension Scheme**

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified to the Council. The scheme is therefore accounted for as if it was a defined contributions scheme and no liability for future payments 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 Department for Education in the year.

## The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Gwynedd Pension Scheme attributable to the Council 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 about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a real discount rate (based on the indicative rate of return on high quality corporate bonds as measured by the yield on iboxx Sterling Corporate Index AA over 15 years).
- The assets of Gwynedd Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – average of the bid and offer rates
  - Property – market value

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return – credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes on the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

- contributions paid to the 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 earned by employees.

### **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 employee (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.

### **8. Events After the Balance Sheet Date**

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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.

### **9. Financial Instruments**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.



For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year or repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

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.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event the payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured at the difference between the carrying amount and the present value of the revised future cash flows discounted as the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## **10. Grants Receivable**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or services potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **11. Intangible Fixed Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses, and disposal gains and losses are not permitted to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **12. Interest in Companies and Other Entities**

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and is therefore not required to prepare group accounts.

## **13. Inventories and Long Term Contracts**

Inventories are included in the balance sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the FIFO costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Work in progress is included in the balance sheet at cost.

## **14. Interest Receivable or Payable**

The effective interest rate method is used to measure the carrying value of a financial asset or liability measured at amortised cost, and to allocate associated interest income or expense to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to equal the amount at initial recognition. The effective interest is adjusted to the actual interest payment or receipt through the Movement in Reserves Statement to ensure only actual interest is charged to Council Tax.

For financial assets and liabilities carried at cost because the effective rate of interest is the same as the carrying rate of interest, the carrying value is adjusted for accrued interest.

## **15. Internal Interest**

The Authority invests its cash balances in accordance with its Treasury Management and Investment Policies for periods up to 5 years and the interest is accrued and credited to the Council Fund. Interest is credited to trust funds and other third party funds based on the rate of interest earned by the Council. Some reserves receive interest by way of an appropriation calculated on the same basis.

## **16. 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.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the balance sheet date (year-end). Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **17. Jointly Controlled Operations and Jointly Controlled Assets**

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

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

## **18. Leases**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfillment of the arrangement is dependent on the use of specific assets.

### **The Authority as Lessee**

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **Operating Leases**

Rentals paid under operating leases are charged in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

## **The Authority as Lessor**

### **Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the Council Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

Where the Authority grants as operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **19. Minimum Revenue Provision (MRP)**

The Local Government Act 2003 requires the Council to charge the Council Fund a provision for the redemption of debt. This is then reduced by the amount of depreciation charge already made to the Comprehensive Income and Expenditure Account to leave the net MRP chargeable to the Council Fund.

The Council based the Housing Revenue Account (HRA) provision on 2% of the opening HRA Capital Financing Requirement (CFR).

The Council Fund provision is based on 4% of the opening Non-HRA CFR up to 2007/08, in line with Regulations implemented under the Local Government Act 2003. These regulations have been replaced with a more flexible MRP system based on statutory guidance. A new policy was adopted for 2008/09 onwards to enable assets financed from unsupported borrowing to be charged to the Council Fund according to some appropriate method, such as written down over the life of an asset. The policy also allows MRP to be deferred until the asset is commissioned.

Expenditure incurred under Section 40(6) of the Local Government and Housing Act 1989 up to 2003/04 is required to be amortised over 7 years, rather than be subjected to the 4% MRP calculation.

## **20. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code or Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Net Expenditure on Continuing Services.

## **21. Prior Period Adjustments, Changes in Accounting Policies and 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, ie 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 the transactions, other events and the conditions on the Authority's financial position and financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

2010/11 is the first year that local authority accounts have been prepared in accordance with IFRS as adopted and amended as required by the Code. There are several changes in accounting policy required as a result of the move from the UK Generally Accepted Accounting Principles based on the Statement of Recommended Practice (SORP) to the IFRS based code:

- Accounting for Held for Sale Assets and discontinued operations
- Accounting for capital grants and contributions and donated assets
- Accounting for impairment losses
- Definition of cash and cash equivalents
- Component accounting for Property, Plant and Equipment (prospective application only)
- Employee benefits accrual
- Lease classifications
- Short and long term classification of debtors, creditors and provisions.

The nature and impact of these changes is explained further in Note 2 to the core financial statements.

Changes in accounting estimates are accounted for prospectively ie in the current and future years affected by the change, there is no prior period adjustment. There is a change in accounting estimates for 2010/11 for a change in valuation method of Depreciated Replacement Cost to Instant Build Depreciated Replacement Cost, which means that valuations of specialised properties are now calculated assuming that the property would be built instantly and there is no construction period over which costs of capital are included.

There is also an estimated change for the Chancellor of the Exchequer's announcement in the Emergency Budget on 22 June 2010 that the consumer price index (CPI) rather than the retail prices index (RPI) will be the basis for future public sector pension increases. This reduces the expected value of the employer's IAS19 liabilities and the IAS19 balance sheet deficit.

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

## **22. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

## **Recognition**

Assets are capitalised in accordance with the Authority's capitalisation and componentisation policies.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

## **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value 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.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

Examples of events and changes in circumstances that indicate impairment may have incurred include:

- significant decline (ie more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the authority to undertake a significant reorganisation, and
- a significant adverse change in the statutory or other regulatory environment in which the authority operates.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- 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.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over 5 to 10 years, dependent on the initial value of the asset
- infrastructure – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset (or disposal group) will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset (or disposal group) is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets (or disposal group) no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

A 'disposal group' is a group of assets, possibly with some associated liabilities, which the authority intends to dispose of in a single transaction. The measurement basis required for non-current assets classified as held for sale is applied to the group as a whole, and any resulting loss reduces the carrying amount of the non-current assets in the disposal group in the order of allocation required by IAS 36.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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 Statement also 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is set aside voluntarily to reduce the need to borrow and to match debt charges funded from housing subsidy. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

## **23. Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate section line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

The Council has established a number of provisions to meet liabilities which are expected to arise in future years but are of uncertain timing or amounts. They are charged to net cost of services in the year that they are recognised. Payments when made are charged directly to that provision.

### **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.

### **Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential

## **24. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement on the Reserve Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

## **25. Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **26. Revenue Recognition**

The revenue recognition policy covers the sale of goods (produced by the Authority for the purpose of sale or purchased for resale), the rendering of services (excluding services directly related to construction contracts), interest, royalties and dividends, non-exchange transactions (i.e. council tax) and where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria.

Revenue is recognised and measured at the fair value of the consideration receivable. However, if payment is on deferred terms, the consideration receivable is recognised initially at the cash price equivalent. The difference between this amount and the total payments received is recognised as interest revenue in the Surplus or Deficit on provision of services. Short duration receivables with no stated interest rate are measured at original invoice amount where the effect of discounting is immaterial. There is no difference between the delivery and payment dates for non-contractual, non-exchange transactions i.e. revenue relating to council tax and general rates, and therefore these transactions are measured at their full amount receivable.

## **27. Value Added Tax (VAT)**

VAT Payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.



## **NOTE 2 – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

For 2010/11 the only change in accounting standards that have been issued but have not yet been adopted relates to FRS 30 *Heritage Assets*.

### **Heritage Assets**

The adoption of FRS 30 Heritage Assets by the Code will result in a change of accounting policy from 2011/12 onwards whereby heritage assets will be recognised as a separate class of assets for the first time in the 2011/12 financial statements.

The Council has included the art collection within the fixed assets statement under Community Assets. This is carried at cost and will need to be recategorised and reviewed in accordance with the above in 2011/12.

With the exception of the art collection referred to above, the 2010/11 financial statements do not include any assets that are expected to be reclassified as heritage assets in 2011/12, and the Council does not expect that the adoption of FRS 30 will have a significant effect on its financial statements.

## **NOTE 3 – 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 about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may subsequently differ from those estimates. The estimates and underlying assumptions are continually reviewed.

## **NOTE 4 – 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 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 2011 may be considered to be most vulnerable for estimating error in the forthcoming financial year:

**Property, Plant and Equipment** – Assets are depreciated over useful lives in accordance with standard accounting practices. Any difference between the depreciation applied and actual deterioration to assets will naturally reflect in future spending patterns. Information relating to Property, Plant and Equipment is contained in Note 12.

**Provisions** – Various separate provisions, the basis of which have been individually assessed, are contained within these accounts as detailed in Note 21.

**Pensions Liability** – The Pension Liability position as contained within the accounts are based on a number of complex assessments and judgments as provided by Actuaries engaged by the Council. Further details are contained in Notes 39 and 40.

**Doubtful Debts Impairment / Provision** – A certain impairment level of doubtful debts is contained within the accounts and are based on a specific policy. Any departure between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Doubtful Debts impairments are contained within the figures for Short Term Debtors contained in Note 17.

## **NOTE 5 – MATERIAL ITEMS OF INCOME AND EXPENSE**

There are no material items of income or expenditure that have not been disclosed elsewhere in the accounts.

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

The Statement of Accounts was authorised for issue by the Corporate Director (Finance) on 21st July 2011.

Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**NOTE 7 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATION**

2010-11	Usable Reserves			Movement in Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	
<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	7,083	2,765	0	(9,848)
Revaluation losses / (gains) on Property Plant and Equipment	10,320	(7,290)	0	(3,030)
Movements in the market value of Investment Properties	(543)	0	0	543
Capital grants and contributions	(9,892)	0	0	9,892
Revenue expenditure funded from capital under statute	3,744	0	0	(3,744)
Carrying amount of non current assets sold	3,557	8,989	0	(12,546)
Reversal of Major Repairs Allowance credited to the HRA		(2,600)	0	2,600
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>				
Minimum Revenue Provision For Capital Funding	(3,529)	(520)	0	4,049
Capital expenditure charged against the Council Fund and HRA balances	(755)	(3,948)	0	4,703
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(4,528)	4,528
Proceeds From Sale of Non Current Assets	(1,449)	(370)	1,819	0
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	0	11	(11)	0
Capital Receipts Reserve set aside to repay debt.	0	0	(205)	205
<b><u>Adjustments involving the Financial Instruments Adjustment Account:</u></b>				
Amounts 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.	110	25	0	(135)
<b><u>Adjustments involving the Pensions Reserve:</u></b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	(12,506)	0	0	12,506
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,046)	(111)	0	8,157
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account</u></b>				
Adjustments in relation to Short-term compensated absences	(268)	(2)	0	270
<b>Total Adjustments</b>	<b>(12,174)</b>	<b>(3,051)</b>	<b>(2,925)</b>	<b>18,150</b>

2009-10	Usable Reserves			Movement in Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	
<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	6,717	2,723	0	(9,440)
Revaluation losses / (gains) on Property Plant and Equipment	905	13,376	0	(14,281)
Movements in the market value of Investment Properties	478	0	0	(478)
Capital grants and contributions	(8,601)	0	0	8,601
Revenue expenditure funded from capital under statute	2,595	0	0	(2,595)
Carrying amount of non current assets sold	1,286	167	0	(1,453)
Housing Revenue Account Transfers	0	0	0	
Reversal of Major Repairs Allowance credited to the HRA	0	(2,600)	0	2,600
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>				
Minimum Revenue Provision For Capital Funding	(3,004)	(260)	0	3,264
Capital expenditure charged against the Council Fund and HRA balances	(325)	(1,994)	0	2,319
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(291)	291
Proceeds From Sale of Non Current Assets	(1,462)	(285)	1,747	0
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	0	13	(13)	0
Capital Receipts Reserve set aside to repay debt.	0	0	(163)	163
<b><u>Adjustments involving the Financial Instruments</u></b>				
<b><u>Adjustment Account:</u></b>				
Amounts 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.	113	21	0	(134)
<b><u>Adjustments involving the Pensions Reserve:</u></b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 40)	8,801	52	0	(8,853)
Employer's pensions contributions and direct payments to pensioners payable in the year	(7,993)	(109)	0	8,102
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account</u></b>				
Adjustments in relation to Short-term compensated absences	111	3	0	(114)
<b>Total Adjustments</b>	<b>(379)</b>	<b>11,107</b>	<b>1,280</b>	<b>(12,008)</b>

## NOTE 8 – TRANSFERS TO/FROM EARMARKED RESERVES

	Balance as at 1 April 2009 £000	Transfers In 2009/10 £000	Transfers Out 2009/10 £000	Balance as at 31 March 2010 £000	Transfers In 2010/11 £000	Transfers Out 2010/11 £000	Balance as at 31 March 2011 £000
<b>Council Fund:</b>							
Capital Expenditure	1,149	350	0	1,499	0	(538)	961
Penhesgyn Waste Landfill Site Reserve	30	856	0	886	0	0	886
Infrequent Events	9	3	0	12	9	0	21
Museum Purchases	10	5	0	15	0	(4)	11
Leisure Improvements Reserve	419	0	(4)	415	0	0	415
School Days	(4)	0	(23)	(27)	0	(18)	(45)
Service Reserves	2,189	0	(575)	1,614	304	0	1,918
Restricted Services Reserves	747	180	0	927	406	0	1,333
Fire Services Reserve	102	0	(102)	0	0	0	0
Building Maintenance Service	190	0	(104)	86	7	0	93
Job Evaluation	1,878	467	0	2,345	152	0	2,497
Section 117 (Mental Health act 1983)	327	0	0	327	0	(28)	299
Recycling	955	0	0	955	206	0	1,161
Risk Management Reserve	71	0	(9)	62	0	(34)	28
Performance Management Reserve	1,317	40	0	1,357	0	(187)	1,170
LABGI	118	0	(118)	0	0	0	0
Insurance Fund	1,710	116	0	1,826	319	0	2,145
<b>Total Council Fund</b>	<b>11,217</b>	<b>2,017</b>	<b>(935)</b>	<b>12,299</b>	<b>1,403</b>	<b>(809)</b>	<b>12,893</b>
<b>HRA</b>	<b>1,781</b>	<b>707</b>	<b>0</b>	<b>2,488</b>	<b>0</b>	<b>(2,233)</b>	<b>255</b>
<b>Total Earmarked Reserves</b>	<b>12,998</b>	<b>2,724</b>	<b>(935)</b>	<b>14,787</b>	<b>1,403</b>	<b>(3,042)</b>	<b>13,148</b>

## **Purpose of Earmarked Revenue Reserves**

**Capital Expenditure** - to fund capital expenditure in future years. This has been created to ensure committed capital expenditure, including expenditure which has slipped from previous years, is fully financed.

**Penhesgyn Waste Landfill Site Reserve** - This reserve has been created from the net cash assets, less winding up and capping costs, of Cwmni Gwastraff Môn Arfon Cyf which is in the process of being wound up. The reserve will be used to contribute towards any future liabilities arising from the management of the Penhesgyn site.

**Infrequent Events** - to allow the Council to even out from year to year the cost of making contributions to events which occur less frequently than annually.

**Museum Purchases** - earmarked gifts and other finances to fund future expenditure of Oriel Ynys Môn.

**Leisure Improvements Reserve** - to fund capital expenditure on improvements to, and provision of, strategic leisure facilities.

**School Days** - to equalise the costs of varying number of school days in each financial year.

**Service Reserves** - under the Council's Financial Procedure Rules over and under-spending is carried forward as earmarked reserves to the level set by the Executive.

**Restricted Service Reserves** - earmarked budgets within service areas which remain unspent at year end.

**Fire Service Reserve** - The North Wales Fire Authority returned to its constituent authorities a sum which had been set aside by it to help manage fluctuations in pension costs, in view of the transfer of responsibility for fire pension costs to the UK Government. This was used in 2009/10 to support the 2009/10 budget.

**Building Maintenance Service** - to provide a working balance. A substantial part of this balance accrued under the unit's previous status as a Direct Service Organisation under Compulsory Competitive Tendering legislation. 90% of the surplus at the end of the year is transferred back to the HRA. £120k was allocated to be used in 2009/10 to support the 2009/10 budget.

**Equal Pay, Single Status and Job Evaluation** - As a result of the 'Single Status' agreement, the Authority, in common with most other local authorities, is required to introduce a new pay and grading system with effect from 1 April 2007. The extent to which this may involve an obligation to back pay is uncertain. Negotiations are proceeding on a revised pay and grading structure. A sum has been set aside in the Job Evaluation reserve towards the overall cost of the exercise, including the administrative costs, the cost of new pay scales, any pay protection and any back pay. Although the individual elements cannot be estimated with certainty, the authority is of the view that the sums set aside are adequate.

**Section 117 (Mental Health Act 1983)** - to provide for the anticipated repayment of charges previously levied on some social service users.

**Recycling** - landfill cost savings created by diverting waste to recycling. The reserve will be utilised towards recycling initiatives.

**Risk Management Reserve** – The Risk Management Reserve was set up to cover work done in collaboration with the Council's Insurers including Corporate Risk Management, Business Continuity and Health and Safety.

**Performance Management Reserve** - amounts earmarked towards performance improvement measures from the Performance Incentive Grant.

**Local Authority Business Growth Incentive Grant (LABGI)** - amounts received as a payment on account from the Welsh Assembly Government under a UK Treasury scheme to reward Local Authorities for growth in the non domestic rateable value of their area. The grant has been partly allocated in 2008/09 and the balance has been clawed back to support the 2009/10 budget. This grant ended in 2007/08.

**Insurance** - The Council runs an internal insurance account which pays for self insured losses and which receives 'premia' from service accounts. The known losses at year end are provided for. This reserve is the surplus on the internal insurance account plus interest on balances and is intended to cover claims which have been incurred but have not been reported. A further £0.4 million had been earmarked from balances to protect the Council's budget from particularly high losses in any year. This was released to general balances in 2009/10 to help finance the Council's budget for the year.

## NOTE 9 – OTHER OPERATING EXPENDITURE

	2010/11	2009/10
	£000	£000
Police Authority and Community Council Precepts	6,786	6,519
Losses / (Gains) on the disposal of non current assets (Including Impairment)	11,330	(281)
Levies	3,408	3,471
Write down of Held for Sale Assets	16	0
<b>Total</b>	<b>21,540</b>	<b>9,709</b>

### Precepts

	2010/11	2009/10
	£000	£000
Precept paid to Police Authority	5,950	5,716
Precept paid to Community Councils	836	803
<b>Total</b>	<b>6,786</b>	<b>6,519</b>

## NOTE 10 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2010/11	2009/10
	£000	£000
Interest payable and similar charges	5,436	5,169
Pensions interest cost and expected return on pensions assets	3,476	5,115
Interest receivable and similar income	(475)	(920)
Income and expenditure in relation to investment properties and changes in their fair value	(1,721)	(204)
Other investment income	1,064	1,634
<b>Total</b>	<b>7,780</b>	<b>10,794</b>

### Income, Expenditure and changes in Fair Value of Investment Properties

	2010/11	2009/10
	£000	£000
<b>Income/Expenditure from Investment Properties:</b>		
Income including rental income	(731)	(682)
Expenditure	0	0
Net income from investment properties	(731)	(682)
<b>(Surplus)/deficit on sale of Investment Properties:</b>		
Proceeds from sale	(592)	(797)
Carrying amount of investment properties sold	145	797
(Surplus)/deficit on sale of Investment Properties:	(447)	0
<b>Changes in Fair Value of Investment Properties</b>	<b>(543)</b>	<b>478</b>
	<b>(1,721)</b>	<b>(204)</b>



## NOTE 11 - TAXATION AND NON SPECIFIC GRANT INCOME

### Taxation and Non-Specific Grant Income

2010-11		2009-10
£000		£000
30,847	Council Tax Income	29,562
19,557	Non Domestic Rates Redistribution	18,787
75,588	Non-ringfenced Government Grants	75,073
12,492	Capital grants	11,201
<b>138,484</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>134,623</b>

### Central Government Grants

2010-11		2009-10
£000		£000
75,037	Revenue Support Grant	73,866
551	Other	1,207
<b>75,588</b>	<b>Total</b>	<b>75,073</b>

## NOTE 12 – PROPERTY, PLANT & EQUIPMENT

### Fixed Assets Note – Current Year

	Property, Plant & Equipment							TOTAL PPE £000
	Council Dwellings £000	Land & Buildings £000	Infrast- ructure Assets £000	Vehicles, Plant & Equipment £000	Community Assets £000	PPE Under Constr- uction £000	Surplus Assets £000	
<b>Cost or Valuation</b>								
At 1 April 2010	90,731	157,957	47,822	5,375	411	6	2,333	304,635
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0
Adjusted opening balance	90,731	157,957	47,822	5,375	411	6	2,333	304,635
Additions (Note 35)	9,143	3,647	4,504	1,134	0	1,883	3	20,314
Donations	0	0	0	0	0	0	0	0
Revaluation	865	19,519	0	0	0	0	116	20,500
Increases/(decreases) to Revaluation Reserve								
Revaluation	7,182	(11,057)	0	0	0	(64)	(342)	(4,281)
Increases/(decreases) to Surplus or Deficit on the Provision of Services								
Derecognition - Disposals	(155)	(194)	0	0	0	0	(694)	(1,043)
Derecognition – Other	(9,143)	(2,826)	0	0	0	0	0	(11,969)
Reclassifications & Transfers	0	(921)	0	0	0	0	969	48
Reclassified to Held for Sale	0	0	0	0	0	0	(530)	(530)
Reclassified from Held for Sale	0	0	0	0	0	0	0	0
<b>Balance as at 31 March 2011</b>	<b>98,623</b>	<b>166,125</b>	<b>52,326</b>	<b>6,509</b>	<b>411</b>	<b>1,825</b>	<b>1,855</b>	<b>327,674</b>
<b>Depreciation and Impairment</b>								
At 1 April 2010	0	4,366	4,620	2,136	0	0	122	11,244
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0
Adjusted opening balance	0	4,366	4,620	2,136	0	0	122	11,244
Depreciation Charge	2,635	4,448	1,802	753	0	0	126	9,764
Depreciation written out on Revaluation Reserve	0	(3,197)	0	0	0	0	(29)	(3,226)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services								
Impairment losses/reversals to Revaluation Reserve	0	(1,168)	0	0	0	0	(99)	(1,267)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services								
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition – Disposals	(4)	(2)	0	0	0	0	(29)	(35)
Derecognition – Other	(305)	(126)	0	0	0	0	0	(431)
Reclassifications & Transfers	0	(35)	0	0	0	0	35	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0
<b>Balance as at 31 March 2011</b>	<b>2,326</b>	<b>4,286</b>	<b>6,422</b>	<b>2,889</b>	<b>0</b>	<b>0</b>	<b>126</b>	<b>16,049</b>
<b>Net Book Value</b>								
Balance as at 31 March 2011	96,297	161,839	45,904	3,620	411	1,825	1,729	311,625
Balance as at 31 March 2010	90,731	153,591	43,202	3,239	411	6	2,211	293,391

## Fixed Assets Note – Comparative Year

	Property, Plant & Equipment							TOTAL PPE
	Council Dwellings	Land & Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PPE Under Construction	Surplus Assets	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1 April 2009	97,453	154,900	43,384	4,366	411	896	2,521	303,931
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0
Adjusted opening balance	97,453	154,900	43,384	4,366	411	896	2,521	303,931
Additions (Note 35)	9,359	6,304	4,438	1,009	0	116	40	21,266
Donations	0	0	0	0	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	(13)	(2,424)	0	0	0	0	0	(2,437)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(15,966)	(865)	0	0	0	0	(40)	(16,871)
Derecognition - Disposals	(102)	(98)	0	0	0	0	(475)	(675)
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications & Transfers	0	140	0	0	0	(1,006)	287	(579)
Reclassified to Held for Sale	0	0	0	0	0	0	0	0
Reclassified from Held for Sale	0	0	0	0	0	0	0	0
<b>Balance as at 31 March 2010</b>	<b>90,731</b>	<b>157,957</b>	<b>47,822</b>	<b>5,375</b>	<b>411</b>	<b>6</b>	<b>2,333</b>	<b>304,635</b>
<b>Depreciation and Impairment</b>								
At 1 April 2009	0	108	2,964	1,424	0	0	7	4,503
Adjustments between cost/value & depreciation/impairment	0	0	0	0	0	0	0	0
Adjusted opening balance	0	108	2,964	1,424	0	0	7	4,503
Depreciation Charge	2,599	4,263	1,656	712	0	0	126	9,356
Depreciation written out on Revaluation Reserve	(6)	0	0	0	0	0	0	(6)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	(2,590)	0	0	0	0	0	0	(2,590)
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition – Disposals	(3)	0	0	0	0	0	(16)	(19)
Derecognition – Other	0	0	0	0	0	0	0	0
Reclassifications & Transfers	0	(5)	0	0	0	0	5	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0
<b>Balance as at 31 March 2010</b>	<b>0</b>	<b>4,366</b>	<b>4,620</b>	<b>2,136</b>	<b>0</b>	<b>0</b>	<b>122</b>	<b>11,244</b>
<b>Net Book Value</b>								
Balance as at 31 March 2010	90,731	153,591	43,202	3,239	411	6	2,211	293,391
Balance as at 31 March 2009	97,453	154,792	40,420	2,942	411	896	2,514	299,428

Details of depreciation and revaluation methodologies are shown in the Accounting Policies at Note 1.

### Capital Commitments

At 31 March 2011 the Authority had entered into a contract for the 4th year of the Welsh Housing Quality Standard programme, amounting to a commitment of £5m. Additionally, the major commitments relating to the Convergence projects (3 Towns Regeneration and Coastal Environment) were £1.6m and £1.4m respectively. There was also a commitment relating to the new archives building works of £0.5m.

### NOTE 13 – INCOME, EXPENDITURE AND CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES

Income/Expenditure from Investment Properties:	2010/11 £,000	2009/10 £,000
Rental income from investment property	(731)	(682)
Direct operating expenses arising from investment property	382	350
'Net Gain/(Loss) included in Financing & Investment Income in the CIES'	(349)	(332)

	2010/11 £,000	2009/10 £,000
Balance at start of the year	7,471	7,611
Additions:		
- Subsequent expenditure	53	556
Disposals	(145)	(797)
Net gains/(losses) from fair value adjustments	543	(478)
Transfers:		
-(to)/from Property, Plant and Equipment	(48)	579
Balance at end of the year	7,874	7,471

There are no investment properties held under an Operating or Finance Lease. There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

## NOTE 14 – INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £84k charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are five years.

### The Movement in Intangible Assets for the Year is as Follows

	2010/11			2009/10		
	Internally Generated Assets £000	Software £000	Total £000	Internally Generated Assets £000	Software £000	Total £000
<b>Balance at start of year:</b>						
-Gross carrying amounts	0	689	689	0	616	616
-Accumulated amortisation	0	(528)	(528)	0	(444)	(444)
Net carrying amount at start of year	0	161	161	0	172	172
<b>Additions:</b>						
-Purchases	0	0	0	0	73	73
	0	161	161	0	245	245
Amortisation for the period	0	(84)	(84)	0	(84)	(84)
Net carrying amount at end of year	0	77	77	0	161	161
<b>Comprising:</b>						
-Gross carrying amounts	0	689	689	0	689	689
-Accumulated amortisation	0	(612)	(612)	0	(528)	(528)
	0	77	77	0	161	161

## NOTE 15 – FINANCIAL INSTRUMENTS

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term			Current		
	31/03/11	31/03/10	01/04/09	31/03/11	31/03/10	01/04/09
	£000	£000	£000	£000	£000	£000
<b>Investments</b>						
Loans and receivables	0	1	5,265	25,126	15,741	12,533
Available-for-sale financial assets	0	0	0	0	0	812
<b>Total investments</b>	<b>0</b>	<b>1</b>	<b>5,265</b>	<b>25,126</b>	<b>15,741</b>	<b>13,345</b>
<b>Debtors</b>						
Loans and Receivables	450	475	276	0	0	0
Financial assets carried at contract amounts	0	0	0	19,716	25,989	21,268
<b>Total Debtors</b>	<b>450</b>	<b>475</b>	<b>276</b>	<b>19,716</b>	<b>25,989</b>	<b>21,268</b>
<b>Borrowings</b>						
Financial Liabilities at amortised cost	96,103	97,608	90,115	8,289	1,727	1,610
<b>Total Borrowings</b>	<b>96,103</b>	<b>97,608</b>	<b>90,115</b>	<b>8,289</b>	<b>1,727</b>	<b>1,610</b>
<b>Total other long term liabilities</b>	<b>96,103</b>	<b>97,608</b>	<b>90,115</b>	<b>8,289</b>	<b>1,727</b>	<b>1,610</b>
<b>Creditors</b>						
Financial Liabilities at amortised cost	3	4	6	0	0	0
Financial Liabilities carried at contract amount	0	0	0	22,751	22,148	21,168
<b>Total Creditors</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>22,751</b>	<b>22,148</b>	<b>22,168</b>

**Income, Expenses, Gains and Losses**

	2010/11					2009/10				
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Financial Assets Available for sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Financial Assets Available for sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	5,423	0	0	0	5,423	5,159	0	0	0	5,159
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>5,423</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,423</b>	<b>5,159</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,159</b>
Interest income	0	(455)	0	0	(455)	0	(872)	0	0	(872)
Gains on derecognition	0	0	0	0	0	0	0	(47)	0	(47)
<b>Total income in (Surplus) or Deficit on the Provision of Services</b>	<b>0</b>	<b>(455)</b>	<b>0</b>	<b>0</b>	<b>(455)</b>	<b>0</b>	<b>(872)</b>	<b>(47)</b>	<b>0</b>	<b>(919)</b>
(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	0
<b>Net gain/(loss) for the year</b>	<b>5,423</b>	<b>(455)</b>	<b>0</b>	<b>0</b>	<b>4,968</b>	<b>5,159</b>	<b>(872)</b>	<b>(47)</b>	<b>0</b>	<b>4,240</b>

### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2011 of 2.08% to 10.375% for loans from the PWLB and 0.51% to 1.35% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows

	31 March 2011		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	102,608	110,393	97,615	113,583
Long-term creditors	0	0	0	0

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay, if the lender requested, or agreed to, early repayment of loans.

	31 March 2011		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	24,957	25,088	15,697	15,741
Long-term debtors	450	450	475	475

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest above current market rates.



## NOTE 16 – INVENTORIES

In undertaking its work the Council holds reserves of stock together with amounts of uncompleted work (work in progress).

The figure shown in the Balance Sheet may be subdivided as follows:

	2010/11 £000	2009/10 £000	2008/09 £000
Work In Progress	94	198	214
Central Stores	142	168	142
Gofal Môn	57	49	0
Other	206	8	28
<b>Total</b>	<b>499</b>	<b>423</b>	<b>384</b>

The value of inventories expensed in the year to 31st March 2011 was £162,072

## NOTE 17 - DEBTORS

	Long Term Debtors 2010/11 £000	Long Term Debtors 2009/10 £000	Long Term Debtors 2008/09 £000	Short Term Debtors 2010/11 £000	Short Term Debtors 2009/10 £000	Short Term Debtors 2008/09 £000
Government Departments	0	0	0	5,480	8,658	6,210
NNDR & Council Tax	0	0	0	4,208	3,046	3,709
Other Local Authorities	0	0	0	818	1,296	928
Rents (PSL included)	0	0	0	370	166	189
Public Corporations and Trading Funds	0	0	0	1,017	1,606	1,152
Employee car loans	247	256	165	184	142	91
Grants	0	0	0	1,901	1,491	1,235
Prepayments	0	0	0	620	632	477
Trade debtors	97	97	0	1,995	3,128	2,575
Other	106	122	111	3,123	5,824	4,702
<b>Total</b>	<b>450</b>	<b>475</b>	<b>276</b>	<b>19,716</b>	<b>25,989</b>	<b>21,268</b>

## NOTE 18 - CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in bank and short term deposits and investments (considered to be cash equivalents), net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

	2010/11	2009/10	2008/09
	£000	£000	£000
Cash and Bank balances	3,070	9,109	9,976
Short Term Investments (considered to be Cash Equivalents)	0	0	0
Short Term Deposits (considered to be Cash Equivalents)	7,357	0	0
Bank Overdraft	(670)	(656)	(2,566)
<b>Total</b>	<b>9,757</b>	<b>8,453</b>	<b>7,410</b>

Note, Bank overdrafts are shown separately from cash and cash equivalents where they are not an integral part of an Authority's cash management.

## NOTE 19 – ASSETS HELD FOR SALE

	Current		Non Current	
	31/03/11	31/03/10	31/03/11	31/03/10
	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	0	0	0	0
<b>Assets newly classified as held for sale:</b>				
Transferred from Non-Current Assets during year	530	0	0	0
Revaluation Gains losses taken to Surplus or deficit on the provision of services	(16)	0	0	0
<b>Balance outstanding at year-end</b>	<b>514</b>	<b>0</b>	<b>0</b>	<b>0</b>

## NOTE 20 – CREDITORS

### Short Term Creditors

	2010/11	2009/10	2008/09
	£000	£000	£000
Government Departments	7,405	7,550	7,548
Other Authorities	1,689	1,180	1,661
Bodies external to general government	622	587	591
Trust Balances	1,224	1,244	1,242
HRA	201	214	701
Remuneration due to employees	299	207	317
Accumulated Absences	1,306	1,576	1,462
Receipts in advance	901	558	462
Trade creditors	6,692	7,065	6,409
Other	2,412	1,967	1,775
<b>Total Short Term Creditors</b>	<b>22,751</b>	<b>22,148</b>	<b>22,168</b>

### Long Term Creditors

	2010/11	2009/10	2008/09
	£000	£000	£000
<b>Other creditors falling due after more than one year</b>			
Other	3	4	6
<b>Total Long Term Creditors</b>	<b>3</b>	<b>4</b>	<b>6</b>
<b>Total Creditors</b>	<b>22,754</b>	<b>22,152</b>	<b>22,174</b>

## NOTE 21 - PROVISIONS

	At 1 April 2010	Increase in Provisions during year	Utilised during year	Reclass- ification	Interest Earned	Balance as at 31 March 2011
	£000	£000	£000	£000	£000	£000
Insurance Claims Provision	599	0	219	0	29	409
Penhesgyn Waste Site	2,071	0	94	0	0	1,977
Termination Benefits	0	978	0	0	0	978
Other	310	573	0	0	0	883
	<b>2,980</b>	<b>1,551</b>	<b>313</b>	<b>0</b>	<b>29</b>	<b>4,247</b>
<b>Current Provisions</b>	94	1,551	94	94	0	1,645
<b>Long Term Provisions</b>	2,886	0	219	(94)	29	2,602
	<b>2,980</b>	<b>1,551</b>	<b>313</b>	<b>0</b>	<b>29</b>	<b>4,247</b>

### Comparative Year

	At 1 April 2009	Increase in Provisions during year	Utilised during year	Reclass- ification	Interest Earned	Balance as at 31 March 2010
	£000	£000	£000	£000	£000	£000
Insurance Claims Provision	966	0	422	0	55	599
Penhesgyn Waste Site	2,151	0	80	0	0	2,071
Other	340	310	340	0	0	310
	<b>3,457</b>	<b>310</b>	<b>842</b>	<b>0</b>	<b>55</b>	<b>2,980</b>
<b>Current Provisions</b>	842	0	842	94	0	94
<b>Long Term Provisions</b>	2,615	310	0	(94)	55	2,886
	<b>3,457</b>	<b>310</b>	<b>842</b>	<b>0</b>	<b>55</b>	<b>2,980</b>

### Purpose of Main Provisions

#### Insurance Claims Provision

The Council's external insurance policies have deductibles which means that the first part of the any loss or claim under these policies is self insured and protected by means of a stop-loss. The Council's general and education properties are not externally insured against the following perils: escape of water from any tank or pipe, flood, impact, theft, accidental damage, subsidence, ground heave, landslip. With the exception of theft and accidental damage, losses resulting from these perils are normally funded from the insurance reserve. The balance on the insurance provision is the expected liability for the self insured element of known claims which had not been settled at year end.

#### Penhesgyn Waste Site

Provision for aftercare and reinstatement works of the areas of the site formerly used for landfill. The movement reflects the use of £94k to meet aftercare costs incurred during 2010/11.

## Termination Benefits

Provision for known future liabilities arising from staff reductions following restructure.

## NOTE 22 – USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 7 and 8.

### School Balances

These balances are reserved for each school's use in pursuance of its educational objectives.

	Opening Balance 01/04/09 £000	Addition / (Reduction) for Year £000	Closing Balance 31/03/10 £000	Opening Balance 01/04/10 £000	Addition / (Reduction) for Year £000	Closing Balance 31/03/11 £000
Community and Voluntary Primary Schools	1,357	(5)	1,352	1,352	(377)	975
Community Secondary Schools	1,639	(169)	1,470	1,470	(457)	1,013
Community Special School	154	28	182	182	(33)	149
Foundation Primary School	96	45	141	141	(32)	109
	<b>3,246</b>	<b>(101)</b>	<b>3,145</b>	<b>3,145</b>	<b>(899)</b>	<b>2,246</b>

At 31 March 2011 all schools had balances in surplus apart from seven primary schools and two secondary schools which had a combined deficit of £436,239. Copies of the Section 52 Statements which each authority is required to prepare after the end of each financial year under Section 52(2) of the School Standards and Framework Act 1998, can be obtained from the Finance Department.

### Capital Receipts Reserve

These are cash receipts from the sale of Council assets, which have not yet been used to finance capital expenditure. From April 2004, all receipts are usable, although some of the HRA receipts are set aside on a voluntary basis to repay debt, in order to match the subsidy on the HRA. The amounts set aside were transferred to the Capital Adjustment Account

	2010/11 £000	2009/10 £000
<b>Balance 1 April</b>	2,925	1,645
Capital Receipts in year (net of reduction for administration costs)	1,808	1,734
	<b>4,733</b>	<b>3,379</b>
<b>Less:</b>		
Receipts set aside to repay debt	(205)	(163)
Capital Receipts used for financing	(4,528)	(291)
<b>Balance 31 March</b>	<b>0</b>	<b>2,925</b>

## NOTE 23 – UNUSABLE RESERVES

	31 March 2011	31 March 2010	1 April 2009
	£000	£000	£000
Capital Adjustment Account	186,082	186,032	195,551
Financial Instruments Adjustment Account	410	545	679
Revaluation Reserve	36,334	15,306	19,227
Available for Sale Financial Instruments Reserve	0	0	812
Pensions Reserve	(46,571)	(135,890)	(69,033)
Accumulating Compensated Absences Adjustment Account	(1,306)	(1,576)	(1,462)
<b>Total Unusable Reserves</b>	<b>174,949</b>	<b>64,417</b>	<b>145,774</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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	£000	2010/11 £000	£000	2009/10 £000
<b>Balance at 1 April</b>		186,032		195,551
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	(9,848)		(9,440)	
Revaluation losses on Property, Plant and Equipment	(3,030)		(14,281)	
Revenue expenditure funded from capital under statute	(3,744)		(2,595)	
Amounts of non current assets written off on disposal or sale (including Impairment) as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(12,546)		(1,453)	
		<b>(29,168)</b>		<b>(27,769)</b>
Adjusting amounts written out of the Revaluation Reserve		2,698		1,490
<b>Net written out amount of the cost of non current assets consumed in the year</b>		<b>(26,470)</b>		<b>(26,279)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	4,528		291	
Use of the Major Repairs Allowance to finance new capital expenditure	2,600		2,600	
Loans principal repayments	0		0	
Capital Receipts Reserve set aside to repay debt.	205		163	
Application of grants to Capital Financing from the Capital Grants Unapplied Account	9,892		8,601	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	4,049		3,264	
Capital expenditure charged against the Council Fund and HRA balances	4,703		2,319	
		<b>25,977</b>		<b>17,238</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		543		(478)
<b>Balance at 31 March</b>		<b>186,082</b>		<b>186,032</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the Council Fund over the next 8 years.

	2010/11	2009/10
	£000	£000
<b>Balance at 1 April</b>	<b>545</b>	<b>679</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	(135)	(134)
<b>Balance at 31 March</b>	<b>410</b>	<b>545</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 and Intangible Assets.

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

	2010/11	2009/10
	£000	£000
<b>Balance at 1 April</b>	<b>15,306</b>	<b>19,227</b>
Upward revaluation of assets	23,726	0
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	(2,431)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	39,032	16,796
Difference between fair value depreciation and historical cost depreciation	(2,698)	(1,490)
<b>Balance at 31 March</b>	<b>36,334</b>	<b>15,306</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.



	2010/11	2009/10
	£000	£000
<b>Balance at 1 April</b>	0	812
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0	(812)
<b>Balance at 31 March</b>	0	0

## 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.

	2010/11	2009/10
	£000	£000
<b>Balance at 1 April</b>	(135,890)	(69,033)
Actuarial gains or losses on pensions assets and liabilities	68,656	(66,106)
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	20,663	(751)
<b>Balance at 31 March</b>	(46,571)	(135,890)

## Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the Council 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 Council Fund Balance is neutralised by transfers to or from the Account.

	2010/11	2009/10
	£000	£000
Settlement or cancellation of accrual made at the end of the preceding year	1,576	1,462
Amounts accrued at the end of the current year	(1,306)	(1,576)
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	270	(114)

## NOTE 24 – ANALYSIS OF ADJUSTMENTS TO SURPLUS / DEFICIT ON THE PROVISION OF SERVICES

	2010/11 £000	2009/10 £000
<b>Adjustment to surplus or deficit on the provision of services for noncash movements</b>		
Depreciation	9,848	9,440
Impairment & downward revaluations (& non-sale derecognitions)	2,487	14,759
Movement in Accumulated Absences Account	(270)	114
(Increase)/Decrease in Stock	(76)	(39)
Decrease/(Increase) in Debtors	6,298	(4,920)
Increase/(Decrease) in Creditors	437	415
Increase/(Decrease) in Interest Creditors	64	110
Payments to Pension fund	(20,663)	751
Carrying amount of non-current assets sold	12,546	1,453
Contributions to Other Reserves/Provisions	1,267	(546)
Movement in value of investment properties-included above in Impairment & downward revaluations (& non-sale derecognitions)	145	0
	<b>12,083</b>	<b>21,537</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	(859)
Proceeds from the sale of PP&E, investment property and intangible assets	(1,819)	(1,747)
Capital grants included in "Taxation & non-specific grant income"	(12,492)	(11,201)
	<b>(14,311)</b>	<b>(13,807)</b>

## NOTE 25 – CASH FLOW FROM INVESTING ACTIVITIES

	2010/11 £000	2009/10 £000
Purchase of PP&E, investment property and intangible assets	(20,367)	(21,892)
Purchase of Short Term Investments (not considered to be cash equivalents)	(9,385)	(3,208)
Other Payments for Investing Activities	270	0
Proceeds from the sale of PP&E, investment property and intangible assets	1,819	1,747
Proceeds from Short Term Investments (not considered to be cash equivalents)	0	812
Proceeds from Long Term Investments	1	5,264
Other Receipts from Investing Activities		
Capital Grants and Contributions Received	12,492	11,201
<b>Net Cash flows from Investing Activities</b>	<b>(15,170)</b>	<b>(6,076)</b>

## NOTE 26 – CASH FLOW FROM FINANCING ACTIVITIES

	2010/11 £000	2009/10 £000
Cash Receipts from Short and Long Term Borrowing	5,017	7,500
Repayment of Short and Long Term Borrowing	(24)	0
<b>Net Cash flows from Financing Activities</b>	<b>4,993</b>	<b>7,500</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 *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council 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.

## Amounts Reported For Resource Allocation Decisions 2010/11

Department	Employees	Premises	Transport	Supplies & Services	Third Party Payments	Transfer Payments	Support Costs	Capital Charges	Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Education and Leisure</b>										
Education Service	41,577	4,390	2,555	8,473	2,029	30	790	0	(14,872)	44,973
Môn Training	472	15	19	17	67	0	0	0	(633)	(45)
Lifelong Learning and Information Services	2,280	572	65	1,268	56	0	9	0	(2,393)	1,857
Leisure and Communities Services	2,070	556	56	592	56	0	0	0	(1,474)	1,855
<b>Finance</b>										
Finance Service	2,338	2	18	832	0	0	0	0	(919)	2,271
Information Communication Technology Service	808	20	14	686	0	0	0	0	(224)	1,304
Audit Service	149	0	0	71	0	0	0	0	0	221
<b>Environmental and Technical Services</b>										
Planning, Environmental, Waste & Highways Service	7,082	1,084	403	11,382	7,672	867	565	0	(10,253)	18,802
Property Service	2,796	1,490	99	683	1	0	73	0	(3,273)	1,869
<b>Housing and Social Services</b>										
Housing Service	1,861	39	97	1,510	0	0	625	0	(3,429)	703
Social Services	7,220	225	500	2,598	23,997	0	0	0	(11,744)	22,796
Môn Care Services	8,598	512	785	1,234	(98)	0	0	0	(10,259)	773

Department	Employees	Premises	Transport	Supplies & Services	Third Party Payments	Transfer Payments	Support Costs	Capital Charges	Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Managing Director</b>										
Policy Corporate, Committee and Legal Services	2,737	55	29	1,636	0	0	14	0	(616)	3,855
Economic Development Service	1,401	44	38	1,677	0	0	53	0	(2,259)	954
<b>Budgets treated as Corporate Risks</b>										
Out of County Education	0	0	0	0	1,409	0	0	0	(379)	1,030
Out of County Social Services	0	0	13	114	1,827	0	0	0	(181)	1,774
Benefits	0	0	0	0	0	21,306	0	0	(21,424)	(118)
Homelessness	0	152	1	35	0	1,074	128	0	(1,407)	(17)
Corporate and Democratic Costs	555	320	68	1,829	0	0	0	0	(1,593)	1,179
	<b>81,944</b>	<b>9,476</b>	<b>4,760</b>	<b>34,636</b>	<b>37,017</b>	<b>23,277</b>	<b>2,256</b>	<b>0</b>	<b>(87,331)</b>	<b>106,035</b>
<b>Housing Revenue Account</b>	31	4,930	6	113	1	2,140	1,347	(4,525)	(11,891)	(7,848)
<b>GROSS COST OF SERVICE</b>	<b>81,975</b>	<b>14,406</b>	<b>4,766</b>	<b>34,749</b>	<b>37,018</b>	<b>25,417</b>	<b>3,603</b>	<b>(4,525)</b>	<b>(99,222)</b>	<b>98,187</b>
<b>Items within net cost of services, not under departmental control:</b>										
Building Maintenance Unit Recharges	0	0	0	0	0	0	(331)	0	0	(331)
Capital Charges	0	0	0	0	0	0	0	10,775	0	10,775
<b>SUB TOTAL</b>	<b>81,975</b>	<b>14,406</b>	<b>4,766</b>	<b>34,750</b>	<b>37,017</b>	<b>25,417</b>	<b>3,273</b>	<b>6,250</b>	<b>(99,223)</b>	<b>108,631</b>
Rate Relief	0	0	0	0	0	0	0	0	37	37
<b>NET COST OF SERVICE</b>	<b>81,975</b>	<b>14,406</b>	<b>4,766</b>	<b>34,749</b>	<b>37,018</b>	<b>25,417</b>	<b>3,272</b>	<b>6,251</b>	<b>(99,184)</b>	<b>108,668</b>

## Amounts Reported For Resource Allocation Decisions 2009/10

Department	Employees	Premises	Transport	Supplies & Services	Third Party Payments	Transfer Payments	Support Costs	Capital Charges	Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Education and Leisure</b>										
Education Service	41,710	4,753	2,812	5,128	1,844	32	695	0	(14,446)	42,529
Môn Training	1,236	47	43	52	309	0	1	0	(1,637)	52
Lifelong Learning and Information Services	2,172	621	61	1,083	53	0	9	0	(2,439)	1,558
Leisure and Communities Services	1,964	605	52	700	53	0	0	0	(1,485)	1,889
<b>Finance</b>										
Finance Service	2,360	1	18	595	0	0	0	0	(954)	2,019
Information Communication Technology Service	775	13	13	754	0	0	0	0	(216)	1,339
Audit Service	176	0	0	62	0	0	0	0	0	238
<b>Environmental and Technical Services</b>										
Planning, Environmental, Waste, Highways Service	6,324	970	416	9,827	7,516	886	355	0	(12,697)	13,597
Property Service	2,275	1,372	80	591	0	0	72	0	(2,465)	1,925
<b>Housing and Social Services</b>										
Housing Service	1,906	40	95	1,376	0	0	674	0	(15,412)	(11,321)
Social Services	6,448	262	432	1,204	24,475	0	0	0	(11,543)	21,278
Môn Care Services	8,512	520	806	1,076	(148)	0	0	0	(10,499)	267

Department	Employees	Premises	Transport	Supplies & Services	Third Party Payments	Transfer Payments	Support Costs	Capital Charges	Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Managing Director</b>										
Policy, Corporate, Committee and Legal Service	2,833	41	32	1,002	0	0	15	0	(554)	3,369
Economic Development Service	1,148	28	40	1,144	0	0	37	0	(1,779)	618
<b>Budgets treated as Corporate Risks</b>										
Out of County Education	0	0	0	0	1,409	0	0	0	(336)	1,073
Out of County Social Services	0	1	140	0	1,649	0	0	0	(234)	1,557
Benefits	0	0	0	0	0	20,114	0	0	(19,889)	225
Homelessness	0	89	0	35	0	1,125	184	0	(1,227)	206
Corporate and Democratic Costs Levies	296	316	65	2,268	151	0	0	0	(1,760)	1,335
	<b>80,133</b>	<b>9,677</b>	<b>5,104</b>	<b>26,896</b>	<b>37,310</b>	<b>22,157</b>	<b>2,042</b>	<b>0</b>	<b>(99,571)</b>	<b>83,749</b>
<b>Housing Revenue Account</b>	31	3,960	8	234	1	2,277	1,365	6,713	(11,696)	2,894
<b>Gross Cost of Service</b>	<b>80,164</b>	<b>13,638</b>	<b>5,112</b>	<b>27,130</b>	<b>37,312</b>	<b>24,434</b>	<b>3,407</b>	<b>6,713</b>	<b>(111,267)</b>	<b>86,643</b>
Building Maintenance Unit Recharges	0	0	0	0	0	0	(388)	0	0	(388)
Capital Charges	0	0	0	0	0	0	0	14,186	0	14,186
Sub Total	<b>80,164</b>	<b>13,638</b>	<b>5,112</b>	<b>27,130</b>	<b>37,312</b>	<b>24,434</b>	<b>3,019</b>	<b>20,899</b>	<b>(111,267)</b>	<b>100,441</b>
Rate Relief	0	0	0	0	0	0	0	0	48	48
<b>NET COST OF SERVICE</b>	<b>80,164</b>	<b>13,638</b>	<b>5,112</b>	<b>27,130</b>	<b>37,312</b>	<b>24,434</b>	<b>3,019</b>	<b>20,899</b>	<b>(111,219)</b>	<b>100,489</b>

## NOTE 28 – ACQUIRED AND DISCONTINUED OPERATIONS

There were no material acquired operations in 2010/11 that require separate or additional reporting within the accounts.

Hyfforddiant Môn Training was transferred to Coleg Menai on the 1st September 2010 and is therefore a discontinued operation. Income and expenditure in relation to this have been included under Note 29 - Significant Trading Operations.

## NOTE 29 – SIGNIFICANT TRADING OPERATIONS

	2010/11 Expendi- ture	2010/11 Income	2010/11 Net Expendi- ture / (Income)	2009/10 Expendi- ture	2009/10 Income	2009/10 Net Expendi- ture / (Income)	2008/09 Net Expendi- ture / (Income)	2007/08 Net Expendi- ture / (Income)	2006/07 Net Expendi- ture / (Income)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Building Maintenance	5,511	(5,655)	(144)	4,804	(5,012)	(208)	(597)	(197)	(253)
Môn Care Services	11,520	(10,319)	1,201	12,197	(10,499)	1,698	2,027	1,820	1,382
Hyfforddiant Môn Training	640	(633)	7	1,781	(1,637)	144	52	166	181
<b>Total</b>	<b>17,671</b>	<b>(16,607)</b>	<b>1,064</b>	<b>18,782</b>	<b>(17,148)</b>	<b>1,634</b>	<b>1,482</b>	<b>1,789</b>	<b>1,310</b>

The Council runs commercial operations, mainly financed by charges to recipients of the service, and are analysed above.

### Nature of Operations

#### Building Maintenance

The Building Maintenance Unit carries out the day to day repairs and maintenance to the Council Housing stock, public buildings and other property owned or leased by the Council. The financial objective of the Building Maintenance Unit is to be commercially successful while employing locally.

#### Môn Care Services

Môn Care Services is the in-house provider, within the Housing and Social Services Department, of the following services: Home care, Residential and Day-care, Sheltered Employment Workshops, Sheltered Housing and Meals on Wheels.

The financial objective of Môn Care Services is to break-even. It is treated as part of the operation of the Social Services and has no specific reserve of its own.



### Hyfforddiant Môn Training

Hyfforddiant Môn Training provides Youth and Adult Training which is mainly funded by the Welsh Assembly Government, It also runs courses in information technology, health and Safety and Food Hygiene and technology. The financial objective of Hyfforddiant Mon Training is to ensure that it has sufficient reserves for the development of its services and for the protection from loss of contracts.

Hyfforddiant Môn Training was transferred to Coleg Menai on the 1st September 2010 and the surplus was transferred to general balances.

### NOTE 30 - MEMBERS' ALLOWANCES

A total of £867,816 (£880,735 in 2009/10) was paid in respect of allowances to Council Members during the year. Since 2006/07, Members are eligible to join the pension scheme and the allowances figure includes £60,732 (£55,916 in 2009/10) for the Council's contribution to the fund. Details of individual payments, as required by The Local Authorities (Allowances for Members) (Wales) Regulations 2002, are published by the Council and is available on the Council's website:

Further details are available from the Managing Director's Office, Council Offices, Llangefni, LL77 7TW

	2010/11	2009/10
	£	£
Basic and Special responsibility allowances	676,001	687,876
Chairman and Deputy Chairman's Allowance	56,202	55,193
Dependants' carers allowance	0	1,853
Pension Costs	60,732	55,916
National Insurance Costs	58,185	60,628
Travel Costs	14,885	15,887
Subsistence	785	2,220
Miscellaneous	1,026	1,162
	<b>867,816</b>	<b>880,735</b>

## NOTE 31 – OFFICERS’ REMUNERATION

The following table sets out the required remuneration disclosures for senior employees whose salaries are less than £150,000, but equal to or more than £60,000 p.a.

		Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for loss of Office	Pension Contrib- ution	Total
Managing Director (1)	2010/11	0	0	0	0	0	0
	2009/10	13,169	0	1,399	125,982	588	141,138
Corporate Director (Education & Leisure) (2)	2010/11	75,258	0	3,430	0	16,329	95,017
	2009/10	86,211	0	2,820	0	17,514	106,545
Corporate Director (Environment & Technical)	2010/11	78,426	0	2,246	0	16,470	97,142
	2009/10	78,426	0	2,081	0	16,470	96,977
Corporate Director (Finance)	2010/11	75,302	0	2,727	0	15,804	93,833
	2009/10	75,302	0	2,170	0	15,804	93,276
Corporate Director (Housing & Social Services)	2010/11	73,545	0	1,778	0	15,444	90,767
	2009/10	68,416	0	2,190	0	14,365	84,971
Director of Legal Services / Monitoring Officer	2010/11	63,972	0	78	0	13,434	77,484
	2009/10	63,972	0	82	0	13,434	77,488
<b>TOTAL</b>	<b>2010/11</b>	<b>366,503</b>	<b>0</b>	<b>10,259</b>	<b>0</b>	<b>77,481</b>	<b>454,243</b>
<b>TOTAL</b>	<b>2009/10</b>	<b>385,496</b>	<b>0</b>	<b>10,742</b>	<b>125,982</b>	<b>78,175</b>	<b>600,395</b>

The Council's Interim Managing Director, appointed by direction of the Minister from September 2009 to April 2011, had both a contract of employment as Head of Paid Services and an engagement under a contract for services through a third-party agency. The contract for employment is for a nominal sum of £1. Under the terms of the contract for services, the Council paid a total of £227.9k in 2010/11 (£124.7k in 2009/10 (part year)) to secure his services.

(1) The Council's previous Managing Director left the Council's employment early in April 2009.

(2) The Corporate Director (Education & Leisure) was also Acting Managing Director from 9 April to 12 October 2009.

## Senior Employees' Remuneration

The number of employees (including head teachers and senior school staff) whose remuneration paid in 2010/11, excluding pension contributions but including severance pay, was £60,000 or more was:

	Including Severance Pay 2010/11 No. of Employees	Including Severance Pay 2009/10 No. of Employees	Excluding Severance Pay 2010/11 No. of Employees	Excluding Severance Pay 2009/10 No. of Employees
£60,001 to £65,000	5	3	5	3
£65,001 to £70,000	1	3	1	3
£70,001 to £75,000	2	3	2	3
£75,001 to £80,000	4	1	4	1
£80,001 to £85,000	1	1	1	1
£85,001 to £90,000	1	1	0	1
£90,001 to £95,000	1	1	1	1
	<b>15</b>	<b>13</b>	<b>14</b>	<b>13</b>

## NOTE 32 – EXTERNAL AUDIT FEES

The Council has incurred the following costs relating to external audit and inspection:

	2010/11 £000	2009/10 £000
Fees payable to PricewaterhouseCoopers LLP with regard to external audit services carried out by the appointed auditor for the year	179	150
Fees payable to the Wales Audit Office in respect of statutory inspections	200	176
Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns for the year	128	136
Fees payable to the Wales Audit Office in respect of other services (National Fraud Initiative)	4	0
	<b>511</b>	<b>462</b>

An additional charge of £34k was due to Wales Audit Office in respect of a special Inspection of the County Council in February 2011

### NOTE 33 – GRANTS INCOME

The Council Credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	Note	2010/11 £000	2009/10 £000
<b>Credited to Taxation and Non Specific Grant Income</b>			
Revenue Support Grant (Non-ringfenced Government Grants)	11	75,037	73,866
Capital Grants and Contributions (Capital Grants and Contributions)	11	9,892	8,601
Grant - Major Repairs Allowance (Capital Grants and Contributions)	11	2,600	2,600
Other (Non-ringfenced Government Grants)	11	551	1,207
		<b>88,080</b>	<b>86,274</b>
<b>Credited to Services Grants:</b>			
Sustainable Waste Management		1,489	1,581
Supporting People Grant ( SPG & SPRG)		2,071	2,274
Post 16 Grant (Education)		3,403	3,227
Foundation Phase Grant (Education)		1,845	1,348
Concessionary Fare Grant		654	667
		<b>9,462</b>	<b>9,097</b>
<b>Other Grants:</b>			
Children and education services Grants – Education & Children Social Care		5,785	4,576
Planning and development Services grants		433	403
Adult Social Care Grants		1,951	1,519
Highways, Roads and Transport Services Grants		1,979	1,392
Environmental and Regulatory Services Grants		99	96
Housing Services (Council Fund) Grants		1,512	2,047
Cultural and Related Services Grants		657	668
Central Services to the Public Grants		21,257	17,474
Corporate and Democratic Core Grants		2,446	1,641
		<b>36,119</b>	<b>29,816</b>
<b>Contributions :</b>			
Adult Social Care		2,506	1,651
Children and Education Services – Education		2,890	849
Housing Services (Council Fund)		54	30
Planning and Development Services		25	0
Central Services to the Public		168	161
Highways, Roads and Transport Services		80	477
Corporate and Democratic Core		392	2
Environmental and Regulatory Services		357	306
Children and Education Services - Children's Social Care		164	148
Cultural and Related Services			
		<b>6,636</b>	<b>3,624</b>
<b>Total</b>		<b>140,297</b>	<b>128,811</b>

## Capital Grants Received in Advance

	2010/11 £000	2009/10 £000
Opening balance	667	230
Add: new capital grants received in advance (condition of use not met)	12,327	11,638
Capital Grants Repaid	0	0
Less: amounts released to the Comprehensive Income and Expenditure Account (conditions met)	(12,492)	(11,201)
Closing Balance	502	667

## Analysis of Capital Grants Receipts in Advance Balance

The balance of Capital Grants Receipts in Advance represents grants received that have yet to be recognised as income, as they have conditions attached to them, which will require the grant to be repaid if conditions are not met. The balances at the year end are as follows:

	2010/11 £000	2009/10 £000	2008/09 £000
<b>Capital Grants Receipts in Advance</b>			
Llanfairpwll Flood Alleviation	0	270	0
Early Years Grant	73	73	0
Other Property & Environment	176	0	0
Transport Grant	59	79	0
Other	194	245	230
	502	667	230

## NOTE 34 – RELATED PARTIES

The Council appoints members to certain public, charitable and voluntary bodies. During 2010/11, a total of £5,651,058 was paid in grants for the purchase of services from these bodies (£5,506,790 in 2009/10).

The Council is a member of the Welsh Local Government Association, to which subscriptions of £74,186 were paid in 2010/11 (£73,427 in 2009/10).

Members have declared interests in contracts, or in organisations which may have dealings with the Council, in the Statutory Register of Members' Interests. A total of £700,634 was paid by the Council in 2010/11 in relation to these interests (£673,248 in 2009/10). Some payments of housing benefit are made direct to landlords; in 2010/11 such payments totaling £9,463 were made directly to two members of the Council (and their related parties) in this capacity (£18,418 made directly to three members of the Council in 2009/10).

## **INTERESTS IN COMPANIES**

The Council has a 50% interest in two companies, in each case the other member is Gwynedd Council:-

### **Cwmni Gwastraff Môn-Arfon Cyf**

Cwmni Gwastraff Môn-Arfon Cyf is a Local Authority Waste Disposal Company established jointly by predecessors of the Anglesey and Gwynedd Councils in 1994. The Company operated two waste management sites in Anglesey and Gwynedd which were leased from the Local Authorities. Most of the Company's activity related to contracts with the two Local Authorities.

Following a change in legislation, the two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff were transferred to the Council in January 2008 together with a balancing amount in cash. The investment has been re-valued each year and most of the shareholders funds have been returned to the two councils. The remaining interest in the company at 31 March 2011 is not material to the accounts of the Council.

### **Cwmni Cynnal Cyf**

This company was established jointly by Ynys Môn and Gwynedd Councils on local government reorganisation. It provides education support services under contract to maintained schools and to the local education authorities and schools inspection services to Estyn. The income of the company can only be applied towards the promotion of its objectives. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound. Payments made by the Council including its schools in 2010/11 total £2.021 million (£1.998 million in 2009/10).

The Company accounts for 2009/10 show a net income of £0.29 million (net income of £0.17 million in 2008/09). The turnover for 2009/10 was £6.26 million (£6.09 million in 2008/09). The Company's published accounts as at 31 March 2009 show Net Liabilities of £4.99 million (Net Liabilities £1.17 million in 2008/09) as at 31 March 2010. The increase in negative net worth during 2009/10 was due to an increase in pension liability during the year of £3.96million.

Copies of the financial statements are available from Cwmni Cynnal Cyf, Plas Llanwnda, Caernarfon, Gwynedd. The auditor's report on the accounts for the period ended 31 March 2010 is not qualified.

The Council has interests in the following companies as follows:-

### **WJEC CBAC Limited**

The Council is a member of WJEC CBAC Limited, a charitable company whose members are the 22 Welsh unitary authorities and whose objectives are to provide examination services and to provide and promote other educational and cultural services. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound.

During 2009/10 the Council paid £0.341 million (£0.334 million in 2009/10) for purchase of services from the company.

The Company accounts for 2009/10 show a net movement in funds of £4.33 million (net negative movement in funds of £5.70 million in 2008/09). The turnover for 2009/10 was £36.25 million (£32.49 million in 2008/09) and net assets totalled £11.22 million (£6.89 million in 2008/09) as at 30 September 2010.

Copies of the company's accounts can be obtained from WJEC CBAC Limited, 245 Western Avenue, Llandaff, Cardiff CF5 2YX. The auditor's report for the period ended 30 September 2010 is not qualified.

### **Menter Môn Cyfyngedig**

The Council is a member of Menter Môn Cyf, and was one out of a total of 3 members at 31 March 2011. The company's objectives are to promote economic growth in rural Anglesey. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound.

During 2010/11 the Council made payments of £0.860 million to the company in support of the activities (£0.474 million in 2009/10).

The Company accounts for the period ended 31 December 2010 shows net income after tax of £205,039 (net income of £99,456 in 2009). The turnover for 2010 was £2.52 million (£1.80 million in 2009) and net assets totalled £1.18 million (£0.17million in 2009) as at 31 December 2010.

Copies of the company's accounts can be obtained from Menter Môn, Llys Goferydd, Bryn Cefni Industrial Estate, Llangefni, Ynys Môn. The auditor's report on the accounts for the period ended 31 December 2010 is not qualified.

### **Caergeiliog Foundation School**

Balances for current assets and liabilities controlled by Caergeiliog Foundation School are included in these accounts, and so the school's reserves as stated in this balance sheet, represents only the net current assets. The school also has tangible fixed assets which are stated on the school's balance sheet at £715,351 (£706,850 at 31 March 2010) on a combination of valuation and historical cost, less depreciation. The fixed assets are vested in the school's Governing Body and are not consolidated in this balance sheet.

## **NOTE 35 - CAPITAL EXPENDITURE AND FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically that has yet to be financed.

The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to borrow during the year to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

2010/11 £000		2009/10 £000
99,582	<b>Opening Capital Financing Requirement</b>	92,329
	<b>Capital Invested in Year</b>	
20,315	Property, Plant and Equipment	21,267
53	Investment Properties	556
0	Intangible Assets	73
3,744	Revenue Expenditure Funded from Capital Under Statute	2,595
24,112		<b>24,491</b>
	<b>Source of Finance</b>	
(4,528)	Capital Receipts and Reserves	(291)
(12,492)	Government Grants and Contributions	(11,201)
(4,703)	Revenue Provisions	(2,319)
(4,253)	Minimum Revenue Provision & Set Aside	(3,427)
(25,976)		<b>(17,238)</b>
(1,864)	<b>Net (decrease) / Increase in Capital Financing Requirement</b>	7,253
97,718	<b>Closing Capital Financing Requirement</b>	<b>99,582</b>
	<b>Explanation of movement in year</b>	
1,000	Increase in underlying need to borrow supported by Government assistance	6,571
1,389	Increase in underlying need to borrow unsupported by Government assistance	4,109
(4,253)	Minimum Revenue Provision & Voluntary Set Aside	(3,427)
(1,864)	<b>Net (decrease)/Increase in Capital Financing Requirement</b>	<b>7,253</b>



## **NOTE 36 – LEASES**

### **Operating Leases**

The Council has leased 171 properties at 31 March 2011 for its homelessness function (202 properties at 31 March 2010) and the lease rentals for the year totalled £941k (£967k in 2009/10). These properties have break clauses at twelve months. The Council also holds certain items of plant and equipment under operating leases or rental agreements and the charge to revenue for these items is estimated at £0.1m (2009/10 £0.1m).

### **Finance Leases**

The Council has reviewed its lease agreements and no material finance leases have been identified.

## **NOTE 37 – IMPAIRMENT LOSSES**

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 12 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

## **NOTE 38 – TERMINATION BENEFITS**

The Council terminated the contract of a number of Employees in various Council Services in 2010/11, incurring actual costs of £89,929 (£168,970 in 2009/10). A provision of £978,000 was also created for known staff releases in 2011/12.

## **NOTE 39 - PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council 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 Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the county council paid £3.134m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £3.032m and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefits basis and detailed in Note 40.

## **NOTE 40 – DEFINED BENEFIT PENSION SCHEMES**

### **Retirement Benefits**

#### **Participation in the Local Authority Pension Scheme**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Gwynedd Pension Fund administered by Gwynedd Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

#### **Transactions relating to retirement benefits – CIES Charges**

The Council recognises the cost of retirement benefits in the Cost of Services on Continuing Operations when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against the Council Tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement. The following transactions have been made in the CIES and the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement during the year:

	2010/11 £000	2009/10 £000
<b>Net cost of services:</b>		
Current service cost	6,994	3,577
Past service (gain)/cost	(23,073)	153
Gains and losses on settlements or curtailments	97	8
<b>Net operating expenditure:</b>		
Interest cost	16,195	13,257
Expected return on scheme assets	(12,719)	(8,142)
<b>Net charge to the CIES</b>	<b>(12,506)</b>	<b>8,853</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations:</b>		
Reversal of net charges made for retirement benefits in accordance with IAS 19	12,506	(8,853)
<b>Actual amount charged against the Council Fund balance for pensions in the year:</b>		
Employers' contributions payable to scheme	8,157	8,102
<b>Net charge to the Council Fund Summary</b>	<b>20,663</b>	<b>(751)</b>

The service cost figures include an allowance for administration expenses of 0.5% of pay.

In addition to the recognised gains and losses included in the CIES, actuarial gains of £68.656m (£66.106m loss in 2009/10) were included in other comprehensive income and expenditure in the CIES. The cumulative amount of actuarial gains and losses recognised in other comprehensive income and expenditure is a loss of £24.095m.

## Assets and liabilities in Relation to Retirement Benefits

### Reconciliation of Present Value of the Scheme liabilities

	2010/11 £000	2009/10 £000
<b>Balance as at 1 April</b>	<b>311,535</b>	<b>192,983</b>
Current service cost	6,994	3,577
Interest cost	16,195	13,257
Contributions by members	2,119	2,142
Actuarial (gains)/losses	(93,825)	107,004
Past service (gains)/costs	(23,073)	153
Losses/(gains) on curtailments	97	8
Liabilities assumed in a business combination		
Liabilities extinguished on settlements	0	0
Estimated unfunded benefits paid	(1,018)	(923)
Estimated benefits paid	(6,890)	(6,666)
<b>Balance as at 31 March</b>	<b>212,134</b>	<b>311,535</b>

**Reconciliation of present value of the scheme assets:**

	2010/11	2009/10
	£000	£000
<b>Balance as at 1 April</b>	<b>175,644</b>	<b>123,950</b>
Expected return on assets	12,719	8,142
Contributions by members	2,119	2,142
Contributions by employer	7,139	7,179
Contributions in respect of unfunded benefits	1,018	923
Actuarial (losses)/gains	(25,169)	40,897
Liabilities assumed in a business combination		
Assets distributed on settlements	0	0
Unfunded benefits paid	(1,018)	(923)
Benefits paid	(6,890)	(6,666)
<b>Balance as at 31 March</b>	<b>165,562</b>	<b>175,644</b>

The expected return on scheme assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

The actual return on scheme assets in the year was a loss of £12.450m (2009/10 gain of £49.039m).

**Fair Value of Plan Assets**

	31/03/11	31/3/10	31/3/09
	£000	£000	£000
Equity Investments	125,828	135,245	90,484
Bonds	21,523	26,347	17,353
Property	14,900	10,539	9,916
Cash	3,311	3,513	6,197
	<b>165,562</b>	<b>175,644</b>	<b>123,950</b>

The above asset values are at bid value as required by IAS 19.

Details of estimates made by the Fund Manager when assessing the fair values of plan assets

The amounts included in the fair value of plan assets for property occupied by the Council was £0.

**The Council's share of the Net Pension Liability (included in the Balance Sheet):**

	31/03/11	31/03/10	31/03/09
	£000	£000	£000
Fair Value of Employer Assets	165,562	175,644	123,950
Present value of funded liabilities	(197,645)	(295,693)	(180,236)
Net (Under)/Overfunding in Funded Plans	<b>(32,083)</b>	<b>(120,049)</b>	<b>(56,286)</b>
Present Value of Unfunded Liabilities	(14,489)	(15,842)	(12,747)
Unrecognised Past Service Cost		0	0
Amounts not recognised as an asset	0	0	0
Fair value of reimbursement rights recognised as an asset	0	0	0
Other amounts not recognised in the Balance Sheet	0	0	0
<b>Net Liability</b>	<b>(46,572)</b>	<b>(135,891)</b>	<b>(69,033)</b>
Amount in the Balance sheet:			
Liabilities	(46,572)	(135,891)	(69,033)
Assets	0	0	0
<b>Net Liability</b>	<b>(46,572)</b>	<b>(135,891)</b>	<b>(69,033)</b>

**Scheme History**

**Analysis of scheme assets and liabilities**

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Fair Value of Assets in pension scheme	165,562	175,644	123,950	152,884	138,794
Present Value of Defined Benefit Obligation	(212,134)	(311,535)	(192,983)	(194,585)	(190,109)
(Deficit)/Surplus in the Scheme	<b>(46,572)</b>	<b>(135,891)</b>	<b>(69,033)</b>	<b>(41,701)</b>	<b>(51,315)</b>

**Amount recognised in Other Comprehensive Income and Expenditure:**

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Actuarial gains/(losses)	68,656	(66,106)	(26,645)	8,674	11,539
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	0	0	0	0	0
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	68,656	(66,106)	(26,645)	8,674	11,539
Cumulative actuarial gains and losses	<b>(32,549)</b>	<b>(101,205)</b>	<b>(35,099)</b>	<b>(8,454)</b>	<b>(17,128)</b>
History of experience gains and losses:					
Experience (losses) and Gains on assets	(25,169)	40,897	(43,474)	1,693	116
Experience gains and (losses) on liabilities	62,574	(510)	(377)	(26,332)	(61)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £212.133m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £46.572m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Gwynedd Pension Fund will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary.

**Analysis of projected amount to be charged to the CIES for the year to 31 March 2012**

	31 Mar 2012	31 Mar 2012
	£000	%
Projected current cost	6,137	18.5
Interest on obligation	11,655	31.0
Expected return on assets	(11,477)	-31.9
Past service cost	0	0
Gains and losses on settlements or curtailments	0	0
	<b>6,315</b>	<b>17.6</b>

The total contributions expected to be made to the Pension Fund by the council in the year to 31 March 2012 is £7,138,900.

**History of experience gains and losses**

The actuarial gains identified as movements on the Pensions Reserve 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	%	%	%	%	%
Experience (losses) and gains on Assets	-15.20%	23.28%	-35.07%	1.11%	0.08%
Experience (losses) and gains on liabilities	-29.50%	0.16%	0.20%	13.53%	0.03%

**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 the future years dependent on assumptions about mortality rates, salary levels, etc. The Council's Fund liabilities have been assessed by an independent firm of actuaries, estimates for the Council Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2010

	2010/11	2009/10
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	20.5 years	20.8 years
Women	23.0 years	24.1 years
<i>Longevity at 65 for future pensioners:</i>		
Men	23.3 years	22.3 years
Women	25.6 years	25.7 years
Inflation/Pension Increase Rate	2.8%	3.8%
Salary Increase Rate	5.1%	5.3%
Expected Return on Assets	6.9%	7.2%
Discount Rate	5.5%	5.5%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2009	50%	50%
Service post April 2009	75%	75%

### Major categories of plan assets as percentage of total plan assets

The Gwynedd Pension Fund's assets consist of the following categories, by proportion of the total assets held:

	31/03/11	31/03/10	31/03/09
	%	%	%
Equity investments	76 %	77%	73%
Bonds	13%	15%	14%
Property	9%	6%	8%
Cash	2%	2%	5%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

## **NOTE 41 – CONTINGENT LIABILITIES**

### **Equal Pay, Single Status and Job Evaluation**

The authority is the subject of 288 equal pay claims from 246 current and former employees which have been lodged at the tribunal. The authority intends to defend these claims. A reserve has been established in the authority's accounts towards the potential costs arising from Equal Pay, Single Status and Job Evaluation.

### **Section 117 Mental Health Act 1983**

Following judgements confirmed at the House of Lords and a recent report by the Local Government Ombudsman on test cases elsewhere, there was no power to charge for services provided under section 117 of the Mental Health Act 1983 and the Council is liable to repay any such charges. Six cases have been settled. The total amount of this liability is difficult to quantify but £0.299 million remains from the sum set aside in an earmarked reserve for such repayments.

## **NOTE 42 – CONTINGENT ASSETS**

Under International Financial Reporting Standards Reporting Interpretations Committee 12 (IFRIC12) a service concession arrangement is an arrangement whereby a government or other public body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure asset. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement.

The refuse collection vehicles, used to provide the Council's service, are purchased and maintained by a private operator and as such have not been included on the Council's Balance Sheet. The Council considers the assets to be contingent on the performance of the contract and therefore discloses these as contingent assets. The valuation is not considered to be material to the accounts



## NOTE 43 - DISCLOSURE OF NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

The overall management of significant risks arising from Financial Instruments is supported by the Council's Treasury Management Strategy Statement and Annual Investment Strategy which is approved by Full Council.

### Credit Risk

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

Deposits are not made with banks and financial institutions unless, having been rated independently, they have attained a minimum credit rating or level of government guarantee, and credit limits are set for each counterparty. The Council has set a number of limits based on credit quality for different types of institutions; different periods and amounts and has a policy of not lending more than £10m to any one institution other than the UK government. It monitors credit ratings regularly and is alerted to changes by its treasury management consultants. Appropriate action is taken following any changes in accordance with the Annual Investment Strategy. An Annual Treasury Report is produced to report on investment activity.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

		Amount 31 March 2011 £000	Historical Experience of default %	Adjustments for market conditions 31 March 2011 %	Estimated Maximum Exposure *
					£000
Deposits with Banks and Financial Institutions	-Aaa -Aa -A	0 25,064 0	0 0 0	0 0 0	0 0 0
UK Nationalised / Part Nationalised Banks		10,325	0	0	0
UK Local Authorities		10,000	0	0	0
Trade Debtors		3,453	3.9	7.8	955

\*Estimated Maximum Exposure to Default and Uncollectability

All deposits outstanding at year end were originally made for less than one year.

There were no breaches of credit limits during the financial year and there were no breaches of the counterparty criteria. The authority does not expect any losses from non-performance by any of its counterparties in relation to deposits. The current credit crisis has raised the overall possibility of default and the Council has adopted stricter credit criteria for investment counterparties within its overall policy.

The Council does not generally allow credit for customers; it has prescribed collection procedures for amounts owed by its customers and appropriate provisions are made for potential bad debts. In some circumstances, the Council obtains a legal charge on property to cover deferred debts such as self-funding of residential care.

The Council's trade debtors can be analysed by age as follows:

	31 March 2011	31 March 2010
	£000	£000
Less than three months	1,429	2,070
Three to six months	193	118
Six months to one year	360	293
More than one year	1,471	1,245
<b>Total</b>	<b>3,453</b>	<b>3,726</b>

The Council also has a number of longer term debtors including car loans to employees and residual mortgages from a closed scheme offering home loans to tenants and to members of the public. The car loans are considered to be low risk due to the ability to deduct repayments of car loans from employees' salaries, reciprocal arrangements with other local authorities for any staff transferring with outstanding car loans, insurance for loans unpaid due to death in service and normal debt recovery procedures for any employees who leave local government employment. The mortgages are low risk due to the first charge held by the Council on mortgaged properties.

### Liquidity Risk

Liquidity Risk is low as the Council had no difficulty in the past in obtaining finance and has ready access to the Public Works Loans Board (PWLB) as lender of last resort. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. However, there is a risk that the Council will need to renew a significant proportion of its borrowings at a time of unfavourable interest rates. The practice is to ensure that not more than 30% of loans are repayable within any three year period and to continuously assess the market rates and forecasts in order to replace maturing loans or reschedule existing loans at the most beneficial time. To assist in achieving this, the Council uses external treasury management advisors. The maturity analysis of outstanding loans is shown at note 15.

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

## Market Risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or other 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 and effect the Council Fund Balance.

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

**Price Risk** – The Council does not normally invest in equity shares.

**Foreign Exchange Risk** – The Council has a number of relatively small grant aided schemes under the 'Interreg' programme where the lead body is an Irish Institution and grants are denominated in Euro. A Euro Bank account was opened during the year to support these schemes and to limit the exposure to movements in exchange rates. The balance on this account at year end was 221k Euro: equivalent to £194k.

## NOTE 44 – COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Isle of Anglesey County Council and the North Wales Police Authority for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts of 29,555.89 for 2010/11 (29,235.65 for 2009/10).

The amount for a band D property (average £1,054.92 for 2010/11, £1,012.79 in 2009/10) is multiplied by the proportion specified for the particular band and discounts and benefits applied to give the individual amount due.

Council Tax bills were based on the following multipliers for bands A to I:

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9

Analysis of the net proceeds from Council Tax:	2010/11	2009/10
	<i>£000</i>	<i>£000</i>
Council Tax Collectable	31,094	29,796
Less: provision for non-payment not previously accounted for	(247)	(234)
<b>Net Proceeds from Council Tax</b>	<b>30,847</b>	<b>29,562</b>

## NOTE 45 – NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Welsh Government (WG) specifies an amount for the rate – 40.9p in 2010/11 (a revaluation year) as compared to 48.9p in 2009/10, and local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the National Assembly for Wales (NAfW). NAfW redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income, after reliefs and provisions (including WG's Small Business Rates Relief, empty property rate relief to a former large local industry and significant rateable value reductions for previous years to another large local industry), of £12,768,842 for 2010/11 (£14,269,434 for 2009/10) was based on rateable value at the year end of £42,591,594 (a revaluation year) (£33,824,335 for 2009/10). The average rateable value for the year was approximately £42,508,978 (£33,848,126 for 2009/10).

<b>Analysis of the net proceeds from non-domestic rates:</b>	<b>2010/11</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Non – domestic rates collectable	12,769	14,269
Cost of collection allowance	(143)	(133)
Interest paid on overpayments	(70)	(27)
Provision for bad debts	(43)	(119)
Contribution to cost of charitable relief/rural rate relief	37	48
Payments into national pool	<b>12,550</b>	<b>14,038</b>
Redistribution from national pool	19,557	18,787

## HOUSING REVENUE ACCOUNT

### Income and Expenditure Statement for the year ending 31<sup>st</sup> March 2011

	2010/11 £000	2009/10 £000
<b><u>Income</u></b>		
Gross Rent Income:		
Dwelling rents	(11,226)	(11,012)
Non Dwelling rents	(196)	(178)
Charges for facilities & services	(46)	(48)
Contributions towards expenditure	(443)	(453)
Other	(4)	(5)
<b>Total Income</b>	<b>(11,915)</b>	<b>(11,696)</b>
<b><u>Expenditure</u></b>		
Repairs & Maintenance	4,679	3,954
Supervision & Management:		
General	1,194	1,322
Special	407	653
Rents, Rates & Taxes	110	87
Housing Revenue Account Subsidy payable	2,140	1,797
Depreciation and Impairment of Fixed Assets	(4,525)	16,099
Debt Management Costs	10	10
Provision for Bad Debts	54	53
<b>Total Expenditure</b>	<b>4,069</b>	<b>23,975</b>
<b>Net Cost of HRA Services</b>	<b>(7,846)</b>	<b>12,279</b>
Accumulated absences accrual movement	(2)	3
<b>Net Cost of HRA Services per I &amp; E Account</b>	<b>(7,848)</b>	<b>12,282</b>
HRA Services Share of Corporate & Democratic Core	53	55
<b>Net Cost of HRA Services</b>	<b>(7,795)</b>	<b>12,337</b>
Loss / (Gain) on sale of HRA Fixed Assets	8,630	(105)
Interest Payable and Similar Charges	967	830
HRA Investment Income	(20)	(62)
Capital grants and contributions receivable	(2,600)	(2,600)
<b>(Surplus)/Deficit for Year on HRA Services</b>	<b>(818)</b>	<b>10,400</b>

## HOUSING REVENUE ACCOUNT

### Note to the Statement of Movement on the HRA Balance

#### Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year

	2010/11 £000	2009/10 £000
Difference between amounts charged to income and expenditure for Amortisation of premiums and discounts determined in accordance with the Code and the charge for the year in accordance with statute	(25)	(21)
Depreciation and Impairment of Fixed Assets	4,525	(16,099)
Accumulated absences accrual	2	(3)
(Loss) or Gain on sale of HRA fixed assets (including derecognition)	(8,630)	105
Net charges made for retirement benefits in accordance with FRS 17	0	(52)
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>	<b>(4,128)</b>	<b>(16,070)</b>
Transfer to or from reserves	2,600	2,600
HRA Minimum Revenue Provision	520	260
Employer's contributions payable to the Gwynedd Pension Fund and retirement benefits payable direct to pensioners	111	109
Capital expenditure funded by the HRA	3,948	1,994
	<b>7,179</b>	<b>4,963</b>
<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>3,051</b>	<b>(11,107)</b>

### Note to the Statement of Movement on the HRA balance

	2010/11 £000	2009/10 £000
(Surplus)/Deficit for Year on HRA services	(818)	10,400
Net additional amount required by statute to be debited/credited to the HRA	3,051	(11,107)
<b>Decrease / (Increase) in HRA Balance</b>	<b>2,233</b>	<b>(707)</b>
<b>HRA Account Balance B/Fwd</b>	<b>(2,488)</b>	<b>(1,781)</b>
<b>HRA Account Balance C/Fwd</b>	<b>(255)</b>	<b>(2,488)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1 – HOUSING REVENUE ACCOUNT

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local authority housing, and the form and content of the Account is prescribed by statute. The Housing Revenue Account is “ringfenced” and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the Council Fund) are limited to special circumstances.

### NOTE 2 – HOUSING STOCK

The number of dwellings in the Authority’s housing stock, as at 31 March 2011, totalled 3,809 properties. The dwellings are made up as follows:

	31/03/11	31/03/10	31/03/09
<b>Council Owned Stock</b>			
Houses	2,037	2,040	2,044
Bungalows	1,044	1,044	1,044
Flats	721	723	723
Bedsits	7	7	7
<b>Total Council Owned</b>	<b>3,809</b>	<b>3,814</b>	<b>3,818</b>

### NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2010/11	2009/10
	£000	£000
<b>Capital investment</b>		
Operational assets	9,143	9,358
	<b>9,143</b>	<b>9,358</b>
<b>Sources of funding</b>		
Supported Borrowing	(1,000)	(1,000)
Unsupported borrowing	(1,389)	(3,643)
Capital Receipts	(166)	(122)
Major Repairs Reserve	0	0
Government grants and other contributions	(2,640)	(2,600)
Direct Revenue Financing	(3,948)	(1,993)
	<b>(9,143)</b>	<b>(9,358)</b>

The Major Repairs Allowance of £2.6 million was used in full during the year. Borrowing includes both supported (£1.0m) and unsupported borrowing (£1.4m) – (£1.0m supported and £3.6m unsupported borrowing in 2009/10)



**NOTE 4 – CAPITAL RECEIPTS FROM DISPOSAL OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE HOUSING REVENUE ACCOUNT**

	2010/11 No. of Sales	2010/11 £000	2009/10 No. of Sales	2009/10 £000
<b>Council dwellings</b>				
Right to Buy	5	263	4	201
Discounts repaid		8		15
Non-Right to Buy				
<b>Other Receipts</b>				
Land sales	6	98	2	68
Other property sales				
Mortgage Property		1		1
		<b>370</b>		<b>285</b>
Less set aside		(204)		(163)
		<b>166</b>		<b>122</b>

**NOTE 5 – RENT ARREARS AND PROVISIONS FOR BAD AND DOUBTFUL DEBTS**

Rent arrears at 31 March 2011 stood at £605,840 (£580,000 as at 31 March 2010). This excludes prepayments of £94,136 at 31 March 2011 (£73,000 as at 31 March 2010).

Provision has been made in the balance sheet for bad and doubtful debts. These stood at £503,503 against rents and £560,503 in total against rent payers (£436,000 and £465,000 in 2009/10)

**NOTE 6 – DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS**

	2010/11 £000	2010/11 £000	2010/11 £000	2009/10 £000	2009/10 £000	2009/10 £000
	Impairments	Depreciation	Total	Impairments	Depreciation	Total
Land	0	0	0	0	0	0
Houses	(7,290)	2,635	(4,655)	13,376	2,599	15,975
Other Property - Operational Assets	0	130	130	0	124	124
Non Operational	0	0	0	0	0	0
	<b>(7,290)</b>	<b>2,765</b>	<b>(4,525)</b>	<b>13,376</b>	<b>2,723</b>	<b>16,099</b>

## NOTE 7 – PENSION COSTS

As part of the terms and conditions of employment of its officers, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Gwynedd Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge required to be made against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure. The following transactions have been made in the Housing Revenue Account during the year.

	2010/11	2009/10
	£000	£000
HRA Income & Expenditure Account		
Current Service Cost	0	(52)
Employer Contributions actually paid	111	109
Contribution to Pension Reserve	111	57

It has not been possible to determine how much of the pension interest costs and expected return on assets per the actuarial report relate to the Housing Revenue Account, so these have been fully allocated to the Council Fund.

## **FIRST-TIME ADOPTION OF IFRS**

These are the Council's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 April 2009.

The Council's IFRS accounting policies presented in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2011, the comparative information and the opening statement of financial position at the date of transition.

The Council has applied the IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these first IFRS compliant financial statements, except in cases where interpretations or adaptations to fit the public sector, have been prescribed by the Code of Practice on Local Authority Accounting (The Code). Material differences between amounts presented under the SORP 2009 and the IFRS-based Code are explained below.

### **Government Grants**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a result of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures

There is no change to the Council Fund balance, as capital grant income is transferred out of the Council Fund under both the previous and current accounting policies.

### **Short Term Accumulating Absences**

Short-term accumulating compensated absences refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

Regulations have been issued that mean local Councils are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

The following tables summarise the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	STATEMENT OF ACCOUNTS 2009-10			<i>Restatement Adjustments in preparation for IFRS</i>						STATEMENT OF ACCOUNTS 2009-10			
	Expenditure	Income	Net	Finance Lease	Trading Operations	Re classification of non-current Assets	Employee Benefits	Deferred Grants	Capital Grants	Expenditure	Income	Net	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Culture and Related Services	10,328	(4,652)	5,676		0	0	(270)	1	262	0	10,321	(4,652)	5,669
Environmental Services	13,671	(4,885)	8,786		0	0	676	0	353	0	14,018	(4,203)	9,815
Planning and Development Services	6,499	(3,828)	2,671		0	208	(613)	0	40	0	5,926	(3,620)	2,306
Education and Children's Services – Education	60,215	(12,317)	47,898		0	(144)	(3,113)	181	1,083	0	58,222	(12,317)	45,905
Highways and Transport	12,307	(3,931)	8,376		0	0	(636)	(48)	2,635	0	14,258	(3,931)	10,327
Housing Services (Council Fund)	20,188	(17,414)	2,774		0	0	71	(1)	11,884	0	32,142	(17,414)	14,728
Adult Social Care	32,739	(11,753)	20,986		0	(1,698)	(403)	25	197	0	30,860	(11,753)	19,107
Central Services to the Public	6,075	(5,289)	786		0	0	476	(51)	0	0	6,024	(4,813)	1,211
Corporate and Democratic Core	4,282	(882)	3,400		0	0	0	4	1,073	0	5,359	(882)	4,477
Non Distributed Costs	161	0	161		0	0	166	0	0	0	327	0	327
Housing Revenue Account	24,001	(25,026)	(1,025)		0	0	9,381	3	0	0	33,389	(25,030)	8,359
<b>Cost of Services</b>	<b>190,466</b>	<b>(89,977)</b>	<b>100,489</b>		<b>0</b>	<b>(1,634)</b>	<b>5,735</b>	<b>114</b>	<b>17,527</b>	<b>0</b>	<b>210,846</b>	<b>(88,615)</b>	<b>122,231</b>
<u>Other Operating Expenditure</u>													
Precepts and Levies	0	0	9,990		0	0	0	0	0	0	0	0	9,990
Gains/losses on the disposal of non-current assets (including Impairment)	0	0	(640)		0	0	359	0	0	0	0	0	(281)
<b>Other Operating Expenditure</b>	<b>0</b>	<b>0</b>	<b>9,350</b>		<b>0</b>	<b>0</b>	<b>359</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,709</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Expenditure	STATEMENT OF ACCOUNTS 2009-10			Restatement Adjustments in preparation for IFRS						STATEMENT OF ACCOUNTS 2009-10		
	Income	Net	Finance Lease	Operating Leases	Re classification of non-current Assets	Employee Benefits	Deferred Grants	Capital Grants	Expenditure	Income	Net	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<u>Financing and Investment Income and Expenditure</u>												
Interest payable and similar charges	0	0	5,170	0	0	0	0	0	0	0	0	5,170
Interest and income from investments	0	0	(921)	0	0	0	0	0	0	0	0	(921)
Pensions interest cost and expected return on pensions assets	0	0	5,115	0	0	0	0	0	0	0	0	5,115
Changes in the fair value of investment properties	0	0	0	0	0	(204)	0	0	0	0	0	(204)
Gains/losses of Trading Units	0	0	0	0	1,634	0	0	0	0	0	0	1,634
<b>Financing and Investment Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>9,364</b>	<b>0</b>	<b>1,634</b>	<b>(204)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,794</b>
(Surplus) / Deficit of discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0
<u>Taxation and non-specific grant income</u>												
Council Tax Income	0	0	(29,562)	0	0	0	0	0	0	0	0	(29,562)
Non-domestic Rates	0	0	(18,787)	0	0	0	0	0	0	0	0	(18,787)
Government Grants – Revenue	0	0	(75,073)	0	0	0	0	0	0	0	0	(75,073)
Government Grant – Capital	0	0	0	0	0	0	0	0	(11,201)	0	0	(11,201)
<b>Taxation and non-specific grant income</b>	<b>0</b>	<b>0</b>	<b>(123,422)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,201)</b>	<b>0</b>	<b>0</b>	<b>(134,623)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>0</b>	<b>0</b>	<b>(4,219)</b>	<b>0</b>	<b>0</b>	<b>5,890</b>	<b>114</b>	<b>17,527</b>	<b>(11,201)</b>	<b>0</b>	<b>0</b>	<b>8,111</b>
(Surplus) / Deficit on Revaluation of Fixed Assets	0	0	0	0	0	2,431	0	0	0	0	0	2,431
(Surplus) / Deficit on revaluation of available for sale financial assets	0	0	812	0	0	0	0	0	0	0	0	812
Actuarial Gains / Losses on Pension Assets / Liabilities	0	0	66,106	0	0	0	0	0	0	0	0	66,106
<b>Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>66,918</b>	<b>0</b>	<b>0</b>	<b>2,431</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69,349</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>62,699</b>	<b>0</b>	<b>0</b>	<b>8,321</b>	<b>114</b>	<b>17,527</b>	<b>(11,201)</b>	<b>0</b>	<b>0</b>	<b>77,460</b>

**BALANCE SHEET AS AT 31.03.10**

	Statement of Accounts 31.03.10	Re- Classification of Assets	Assets held for Sale	Re- Classification of Grants	Employee Benefits	Long Term / Short Term	Other Adjustments	Re-statement 31.03.10
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Property, Plant and Equipment</b>								
Council Dwellings	95,668	(4,937)	0	0	0	0	0	90,731
Other Land and Buildings	139,287	14,304	0	0	0	0	0	153,591
Infrastructure	42,746	456	0	0	0	0	0	43,202
Vehicles, Plant, Furniture and Equipment	2,803	436	0	0	0	0	0	3,239
Community Assets	18,121	(17,710)	0	0	0	0	0	411
Assets under construction	384	(378)	0	0	0	0	0	6
Suplus assets not held for sale	4,759	(2,548)	0	0	0	0	0	2,211
<b>Total Property, Plant and Equipment</b>	<b>303,768</b>	<b>(10,377)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>293,391</b>
Investment Properties	1,887	5,584	0	0	0	0	0	7,471
Intangible Assets	140	21	0	0	0	0	0	161
Long Term Investments	1	0	0	0	0	0	0	1
Long Term Debtors	475	0	0	0	0	0	0	475
<b>Total Long Term Assets</b>	<b>306,271</b>	<b>(4,772)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>301,499</b>
<b>Current Assets</b>								
Inventories	423	0	0	0	0	0	0	423
Short Term Debtors	25,989	0	0	0	0	0	0	25,989
Short Term Investments	15,741	0	0	0	0	0	0	15,741
Cash and Cash Equivalents	9,109	0	0	0	0	0	(656)	8,453
<b>Current Liabilities</b>								
Creditors	(19,995)	0	0	667	(1,576)		(1,244)	(22,148)
Short Term Provisions	0	0	0	0	0	(94)	0	(94)
Capital Grants Receipts in Advance	0	0	0	(667)	0	0	0	(667)
Short Term Borrowing	(1,727)	0	0	0	0	0	0	(1,727)
Bank Overdraft	(1,900)	0	0	0	0	0	1,900	0
<b>Total Current Assets less Liabilities</b>	<b>333,911</b>	<b>(4,772)</b>	<b>0</b>	<b>0</b>	<b>(1,576)</b>	<b>(94)</b>	<b>0</b>	<b>327,469</b>

**BALANCE SHEET AS AT 31.03.10**

	Statement of Accounts 31.03.10	Re- Classifica- tion of Assets	Assets held for Sale	Re- Classifica- tion of Grants	Employee Benefits	Long Term / Short Term	Other Adjust- ments	Re- statement 31.03.10
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Long Term Liabilities</b>								
Long Term Creditors	0	0	0	0	0	0	(4)	(4)
Long Term Borrowing	(97,608)	0	0	0	0	0	0	(97,608)
Provisions	(2,981)	0	0	0	0	94	0	(2,887)
Deferred Government Grants	(63,249)	0	0	63,245	0	0	4	0
<b>Other Long Term Liabilities</b>								
Pension Liability	(135,891)	0	0	0	0	0	0	(135,891)
<b>Total Assets less Liabilities</b>	34,182	(4,772)	0	63,245	(1,576)	0	0	91,079
<b>Unusable Reserves</b>								
Capital Adjustment Account	138,390	(15,493)		63,245			(110)	186,032
Financial Instruments Adjustment Account	545	0	0	0	0	0	0	545
Revaluation Reserve	4,585	10,721	0	0	0	0	0	15,306
Pensions Reserve	(135,891)	0	0	0	0	0	0	(135,891)
Accumulated Absences Account	0	0	0	0	(1,576)	0	0	(1,576)
<b>Usable Reserves</b>								
Usable Capital Receipts	2,925	0	0	0	0	0	0	2,925
Reserves held by Schools	3,145	0	0	0	0	0	0	3,145
Earmarked Reserves	12,299	0	0	0	0	0	0	12,299
Council Fund	5,808	0	0	0	0	0	(2)	5,806
Council Fund - Housing Revenue Account	2,376	0	0	0	0	0	112	2,488
<b>Total Reserves</b>	34,182	(4,772)	0	63,245	(1,576)	0	0	91,079

**BALANCE SHEET AS AT 31.03.09**

	Statement of Accounts 31.03.09	Re- Classifica- tion of Assets	Assets held for Sale	Re- Classifica- tion of Grants	Employee Benefits	Long Term / Short Term	Other Adjust- ments	Re- statement 31.03.09
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Property, Plant and Equipment</b>								
Council Dwellings	93,225	4,228	0	0	0	0	0	97,453
Other Land and Buildings	141,287	13,505	0	0	0	0	0	154,792
Infrastructure	40,127	292	0	0	0	0	0	40,419
Vehicles, Plant, Furniture and Equipment	2,816	127	0	0	0	0	0	2,943
Community Assets	18,121	(17,710)	0	0	0	0	0	411
Assets under construction	886	10	0	0	0	0	0	896
Surplus assets not held for sale	5,220	(2,706)	0	0	0	0	0	2,514
<b>Total Property, Plant and Equipment</b>	<b>301,682</b>	<b>(2,254)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>299,428</b>
Investment Properties	1,810	5,801	0	0	0	0	0	7,611
Intangible Assets	165	7	0	0	0	0	0	172
Long Term Investments	5,265	0	0	0	0	0	0	5,265
Long Term Debtors	276	0	0	0	0	0	0	276
<b>Total Long Term Assets</b>	<b>309,198</b>	<b>3,554</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>312,752</b>
<b>Current Assets</b>								
Assets held for sale	0	0	0	0	0	0	0	0
Inventories	384	0	0	0	0	0	0	384
Short Term Debtors	21,268	0	0	0	0	0	0	21,268
Short Term Investments	13,345	0	0	0	0	0	0	13,345
Cash and Cash Equivalents	9,976	0	0	0	0	0	(2,566)	7,410
<b>Current Liabilities</b>								
Creditors	(19,694)	0	0	230	(1,462)	0	(1,242)	(22,168)
Short Term Provisions	0	0	0	0	0	(842)	0	(842)
Capital Grants Receipts in Advance	0	0	0	(230)	0	0	0	(230)
Short Term Borrowing	(1,610)	0	0	0	0	0	0	(1,610)
Bank Overdraft	(3,808)	0	0	0	0	0	3,808	0
<b>Total Current Assets less Liabilities</b>	<b>329,059</b>	<b>3,554</b>	<b>0</b>	<b>0</b>	<b>(1,462)</b>	<b>(842)</b>	<b>0</b>	<b>330,309</b>



**BALANCE SHEET AS AT 31.03.09**

	Statement of Accounts 31.03.09	Re- Classifica- tion of Assets	Assets held for Sale	Re- Classifica- tion of Grants	Employee Benefits	Long Term / Short Term	Other Adjustme- nts	Re- statement 31.03.09
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Long Term Liabilities</b>								
Long Term Creditors	(6)	0	0	0	0	0	0	(6)
Long Term Borrowing	(90,115)	0	0	0	0	0	0	(90,115)
Provisions	(3,457)	0	0	0	0	842	0	(2,615)
Deferred Government Grants	(69,567)	0	0	69,567	0	0	0	0
<b>Other Long Term Liabilities</b>	<b>(163,145)</b>	<b>0</b>	<b>0</b>	<b>69,567</b>	<b>0</b>	<b>842</b>	<b>0</b>	<b>(92,736)</b>
Pension Liability	(69,033)	0	0	0	0	0	0	(69,033)
<b>Total Assets less Liabilities</b>	<b>96,881</b>	<b>3,554</b>	<b>0</b>	<b>69,567</b>	<b>(1,462)</b>	<b>0</b>	<b>0</b>	<b>168,540</b>
<b>Unusable Reserves</b>								
Capital Adjustment Account	136,135	(10,039)	0	69,567	0	0	(112)	195,551
Financial Instruments Adjustment Account	679	0	0	0	0	0	0	679
Revaluation Reserve	5,634	13,593	0	0	0	0	0	19,227
Available for Sale Financial Instruments Reserve	812	0	0	0	0	0	0	812
Pensions Reserve	(69,033)	0	0	0	0	0	0	(69,033)
Accumulated Absences Account	0	0	0	0	(1,462)	0	0	(1,462)
<b>Usable Reserves</b>								
Usable Capital Receipts	1,659	0	0	0	0	0	(14)	1,645
Reserves held by Schools	3,246	0	0	0	0	0	0	3,246
Earmarked Reserves	11,217	0	0	0	0	0	0	11,217
Council Fund	4,696	0	0	0	0	0	181	4,877
Council Fund - Housing Revenue Account	1,836	0	0	0	0	0	(55)	1,781
<b>Total Reserves</b>	<b>96,881</b>	<b>3,554</b>	<b>0</b>	<b>69,567</b>	<b>(1,462)</b>	<b>0</b>	<b>0</b>	<b>168,540</b>

## **GLOSSARY**

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **ACCRUALS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

### **ASSET**

An item having value to the Council in monetary terms. Assets are categorised as either current or fixed:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A fixed asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

### **AUDIT OF ACCOUNTS**

An independent examination of the Council's financial affairs.

### **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### **BUDGET**

The forecast of net revenue and capital expenditure over the accounting period.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

## **CAPITAL FINANCING**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

## **CAPITAL PROGRAMME**

The capital schemes the Council intends to carry out over a specific period of time.

## **CAPITAL RECEIPT**

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy

## **COMMUNITY ASSETS**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

## **CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

## **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

## **CONTINGENT LIABILITY**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

**CREDITOR**

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

**DEBTOR**

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

**EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**GOING CONCERN**

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

**GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

**HOUSING BENEFITS**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

**HOUSING REVENUE ACCOUNT (HRA)**

A separate account to the Council Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

**IMPAIRMENT**

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

**INCOME AND EXPENDITURE ACCOUNT**

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

**INFRASTRUCTURE ASSETS**

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

**INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

**INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **INVENTORIES**

Items of raw materials and stores an Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and work in progress.

## **INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## **LIABILITY**

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

## **MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

## **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

## **NEGATIVE SUBSIDY**

The Housing Revenue Account Subsidy calculation shows that the Council's assumed income exceeds expenditure giving rise to a "negative subsidy". In this case the Council must pay an amount equivalent to the deficit, from its Housing Revenue Account to the Welsh Assembly Government.

**NET BOOK VALUE**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

**NET DEBT**

The Council's borrowings less cash and liquid resources.

**NET WORTH**

The Council's value of total assets less total liabilities.

**NON-DISTRIBUTED COSTS**

These are overheads for which no user now benefits and as such are not apportioned to services.

**NATIONAL NON-DOMESTIC RATES (NNDR)**

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of central government and then redistributed back to support the cost of services.

**NON-OPERATIONAL ASSETS**

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

**OPERATING LEASE**

A lease where the ownership of the fixed asset remains with the lessor.

**OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

**PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax on their behalf.

**PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**PUBLIC WORKS LOANS BOARD (PWLB)**

A Central Government Agency which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

**RATEABLE VALUE**

The annual assumed rental of a hereditament, which is used for NNDR purposes.

**RELATED PARTIES**

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

**RELATED PARTY TRANSACTIONS**

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.



**REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (REFCUS)**

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

**REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TRUST FUNDS**

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

**USEFUL ECONOMIC LIFE (UEL)**

The period over which the Council will derive benefits from the use of a fixed asset.

**WORK IN PROGRESS (WIP)**

The cost of work performed on an uncompleted project at the Balance Sheet date.