

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>23 JULY 2019</b>
<b>SUBJECT:</b>	<b>DRAFT FINAL ACCOUNTS 2018/19</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR ROBIN WYN WILLIAMS - PORTFOLIO HOLDER (RESOURCES)</b>
<b>HEAD OF SERVICE:</b>	<b>MARC JONES</b>
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<b>LOCAL MEMBERS:</b>	n/a

### A - Recommendation/s and reason/s

This report presents the draft Statement of Accounts for 2018/19.

It is important to note that these figures are unaudited and may, therefore, be subject to change. A report will be presented to the Council following the completion of the External Audit.

Recommendations:-

- 1) That the Audit and Governance Committee note the draft unaudited main financial statements for 2018/19.

### B - What other options did you consider and why did you reject them and/or opt for this option?

n/a

### C - Why is this a decision for the Executive?

This matter is delegated for scrutiny to the Audit and Governance Committee.

### CH - Is this decision consistent with policy approved by the full Council?

Yes

### D - Is this decision within the budget approved by the Council?

Yes

### DD - Who did you consult?

### What did they say?

	Who did you consult?	What did they say?
1	<b>Chief Executive / Strategic Leadership Team (SLT)</b> (mandatory)	No comment
2	<b>Finance / Section 151</b> (mandatory)	n/a – this is the Section 151 Officer's report
3	<b>Legal / Monitoring Officer</b> (mandatory)	No comment
4	<b>Human Resources (HR)</b>	
5	<b>Property</b>	
6	<b>Information Communication Technology (ICT)</b>	
7	<b>Scrutiny</b>	
8	<b>Local Members</b>	
9	<b>Any external bodies / other/s</b>	

<b>E - Risks and any mitigation (if relevant)</b>	
<b>1</b>	<b>Economic</b>
<b>2</b>	<b>Anti-poverty</b>
<b>3</b>	<b>Crime and Disorder</b>
<b>4</b>	<b>Environmental</b>
<b>5</b>	<b>Equalities</b>
<b>6</b>	<b>Outcome Agreements</b>
<b>7</b>	<b>Other</b>
<b>F - Appendices:</b>	
<ul style="list-style-type: none"> <li>• Appendix 1 - Report summarising the main financial statements and impact on reserves.</li> <li>• Appendix 2 – Draft Statement of Accounts 2018/19.</li> </ul>	
<b>FF - Background papers (please contact the author of the Report for any further information):</b>	
<ul style="list-style-type: none"> <li>• 2018/19 Revenue Budget outturn report 17 June 2019 to the Executive.</li> </ul>	

## 1. PURPOSE

This report presents the draft Statement of Accounts for the financial year 2018/19.

## 2. BACKGROUND

Historically, the Council has been required by law to produce a draft set of accounts which must be signed by the Section 151 Officer by the following 30 June. The Accounts and Audit (Wales)(Amendment) Regulations 2018 has brought forward the deadline for completion and signing of the draft accounts to 15 June for the financial years 2018/19 and 2019/20. This reduces, again by law, for the accounts for 2020/21 and beyond where the draft Statement of Accounts must be signed by 31 May each year. The draft accounts for 2018/19 have been completed and the external auditors, Deloitte LLP, will start the audit of the accounts on Monday, 1 July 2019. The legislation also brings forward the dates for the final audited accounts from 30 September to 15 September for the accounts relating to 2018/19 and 2019/20. The final audited accounts will need to be completed and signed by 31 July 2021 for Statement of Accounts relating to 2020/21 onwards.

2.1 The full draft Statement of Accounts 2018/19 is presented below as Appendix 2. The final audited accounts will be presented to Audit Committee and full Council in September 2019.

## 3. THE DRAFT COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2018/19

3.1 The draft Comprehensive Income and Expenditure Statement (CIES) 2018/19 is presented on page 18, within Appendix 2.

3.2 This statement shows the cost of providing services in the year in accordance with the statutory accounting requirements and covers both the Council Fund and the Housing Revenue Account (HRA) in one financial statement. This presents the costs of services differently from that reported for draft outturn to the Executive on 17 June 2019.

3.3 Outturn is reported on the basis of the structure of organisation and reports on costs funded through the Revenue Support Grant and Council Tax, etc. The service headings on the CIES are also organised based on the organisation's structure at Service/Function level. However, the CIES also includes statutory accounting adjustments such as depreciation and pension adjustments which do not affect outturn, so the outturn report and the CIES are not directly comparable.

The CIES shows that the net cost of services was £132.675m with the deficit of £8.162m on the provision of services. The Government accepts that council tax payers should not be required to fund accounting adjustments such as depreciation. Therefore, local authority accounts exclude the impact of these in the note called Adjustments between Accounting Basis and Funding Basis under Regulations (note 7 in the Authority's Statement of Accounts). This note for 2018/19 shows £8.937m of accounting adjustments which are cancelled out in the Movement in Reserves Statement (MIRS). This means that the true impact on the Council and HRA reserves from the provision of services is reduced from a deficit on the provision of services of £8.162m to a surplus of £0.775m, which is an increase in Council reserves. This is due to an underspend in the Housing Revenue Account (HRA) and transfers into earmarked reserves.

3.4 In addition, there is a deficit of £12.582m on other comprehensive income and expenditure from accounting adjustments relating to the revaluation of non-current assets, such as Land and Buildings, and the re-measurement of the Pension Liability. The total comprehensive income and expenditure on the CIES is a surplus on services of £20.744m. This mainly relates to accounting adjustments rather than true cost of services.

3.5 The Revenue Budget Monitoring Report, Quarter 4 2018/19, 17 June 2019, highlighted an estimated net overspend of £0.633m for the Council Fund (page 1 of report). The statement of accounts also highlights that the Council Fund overspend is £0.633m at the start of audit period. However, this may be subject to change if the auditors recommend any further post-audit adjustments. The Council's Council Fund General Reserve will decrease by this amount from the financial performance of the Council in 2018/19.

Table 1 below shows the movement in the Council's useable reserves during the year and the balance of all useable reserves as at 31 March 2019 was £24.844m, an increase of £775k (3.2%). It should be noted that the HRA Reserve, School Balances and Capital Receipts Reserve are ring fenced reserves and can only be used for the designated purpose.

**Table 1 - Movements from the Council Fund General Reserve during 2018/19**

Summary of Movements in Council Balances/reserves 2018/19	Council Fund General Reserve	Council Fund Earmarked Reserves	Housing Revenue Account (HRA) reserve	School Reserves	Capital receipts reserve	Total Usable Reserves
Items impacting on the Council's Reserve 2018/19	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Balance 1 April 2018</b>	<b>(6,899)</b>	<b>(7,601)</b>	<b>(7,380)</b>	<b>(1,869)</b>	<b>(320)</b>	<b>(24,069)</b>
Net overspend/(underspend) 2018/19	633	-	(805)	-	-	(172)
<b>Council Balance after overspend</b>	<b>(6,266)</b>	<b>(7,601)</b>	<b>(8,185)</b>	<b>(1,869)</b>	<b>(320)</b>	<b>(24,241)</b>
Net transfers from/(to) Reserves for approved funding	354	(1,127)	(202)	1,238	(866)	(603)
<b>General Reserve Balance at 31 March 2019</b>	<b>(5,912)</b>	<b>(8,728)</b>	<b>(8,387)</b>	<b>(631)</b>	<b>(1,186)</b>	<b>(24,844)</b>

3.6 Table 1 above is a summary of the movement in the reserves due to the financial performance of the year and net movements to/from reserves. Table 2 below summarises the movement in reserves using information from the Statement of Accounts. This is a different way to present it but both tables 1 and 2 result in the same reserve balances.

**Table 2**

Analysis of the Movement in Council Fund and HRA General Reserves 2018/19	Council Fund £m	HRA £m	Total £m
<b>Opening general reserve 1 April 2018</b>	<b>(6.899)</b>	<b>(7.380)</b>	<b>(14.279)</b>
Net deficit on the provision of services (Statement of Accounts (SOA) page 18)	7.258	0.904	8.162
Statutory accounting adjustments cancelled out in the MIRS (SOA page 19, 20 and page 31)	(6.160)	(1.911)	(8.071)
Net balance before transfers from earmarked reserves to fund earmarked costs within cost of service	(5.801)	(8.387)	(14.188)
Use of earmarked reserves to fund earmarked costs within the cost of services (excluding movements between the general reserve and earmarked reserves noted above) (SOA page 20)	(0.111)	-	(0.111)
<b>Council Fund General Reserve Balance as at 31 March 2019</b>	<b>(5.912)</b>	<b>(8.387)</b>	<b>(14.299)</b>
Remaining balances within earmarked reserves and school balances (SOA page 20)	(10.545)	-	(10.545)
<b>Total Usable Reserves available to the Council 31 March 2019</b>	<b>(16.457)</b>	<b>(8.387)</b>	<b>(24.844)</b>

- 3.9** In the Executive meeting of 18 February 2018, the recommended minimum General Reserve balance was set at £6.76m. The General Reserve at 31 March 2019 was £5.912m which was below this but, in addition to this, there are £8.728m of earmarked reserves relating to the Council Fund. These figures do not include the items identified post draft statement of accounts.

Given the current financial difficulties faced by the Council, with reducing budgets and pressure on service budgets, it is important to ensure that the level of the Council's General Reserve is maintained on or around the minimum recommended level. This will ensure that the Council has sufficient funding to meet any unexpected expenditure and can fund any future budget overspends. Over the years, under utilised budgets have been removed and there is an increased risk that services will overspend their budgets, particularly in those services which are demand led. Ensuring that the Council maintains a healthy level of General Reserves mitigates the impact of that risk.

#### **4. DRAFT BALANCE SHEET AS AT 31 MARCH 2019**

- 4.1** The Balance Sheet as at 31 March 2019 is presented on page 21, within Appendix 2
- 4.2** The overall net assets of the Council fell from £183.20m as at 31 March 2018 to £162.46m as at 31 March 2019. Increases in the value of non current and current assets were offset by an increase in long term borrowing and an increase in the pension deficit.
- 4.3** The increase in long term borrowing was in line with the Council's Treasury Management Strategy and reflected the need to replenish the Council's cash balances by converting internal borrowing into external borrowing. The pension deficit is a measure at one point in time and is based on a number of factors and actuarial assumptions. The triennial valuation of the Council's Pension Fund will take place during 2019 and this will give a truer reflection of the deficit.

#### **5. EARMARKED RESERVES**

- 5.1** Earmarked reserves are an essential part of the funding of the Council and ensure that specific funds are allocated to meet known or potential future commitments, to fund longer term projects which span more than one financial year and to hold unspent grants received which may be clawed back at some point in the future. The movement in the Earmarked Reserves is shown in Table 3 below.

**Table 3 – Movement in Earmarked Reserves 2018/19**

	Earmarked Reserve (Excluding Pension Deficit Reserve)	Pension Deficit Reserve	Total Earmarked Reserves
	£'m	£'m	£'m
Balance as at 1 April 2018	9.911	(2.310)	7.601
Movements During the Year			
Transfer In from General Balances	0.441	-	0.441
Proposed New Reserves Created During the Year	1.270	-	1.270
Transfer into Existing Reserves from Revenue	0.979	-	0.979
Reserves Utilised During the Year	(2.490)	1.155	(1.335)
Reserves no longer required transferred back to General Balances	(0.228)	-	(0.228)
<b>Balance as at 31 March 2019</b>	<b>9.883</b>	<b>(1.155)</b>	<b>8.728</b>

## 6. SCHOOL BALANCES

Table 4 provides a summary of school balances which amounted to £0.631m at 31 March 2019 (£1.869m at 31 March 2018). 12 of the 43 primary schools had deficit balances (3 primary schools as at 31 March 2018) and 3 of the secondary schools (1 as at 31 March 2018) were in deficit. The Special School started the year with £0.156m in surplus, however, at year-end the school was £0.060m in deficit.

### 6.1 Table 4

Description	Balance 1 April 2018	Movement to Earmarked Reserves	Movements from Earmarked Reserves	Balance at 31 March 2019
	£'000	£'000	£'000	£'000
Primary Schools	(1,380)	(1,104)	1,534	(950)
Secondary Schools	(410)	(562)	1,231	259
Special Schools	(79)	-	139	60
	<b>(1,869)</b>	<b>(1,666)</b>	<b>2,904</b>	<b>(631)</b>

The level of school balances has fallen from a peak of £2.46m in 2015/16 to £0.63m at the end of this financial year, a reduction of 74% in 4 years and reflects the financial difficulties facing the majority of the Council's schools. Schools plan to use over half of the reserves in order to balance the budget in 2019/20.

## 7. HOUSING REVENUE ACCOUNT (HRA) BALANCE

7.1 The opening balance on the HRA on 1 April 2018 was £7.380m. During the year, there was an underspend of £0.805m due to slipped capital projects. In addition, £0.202m of reserves were transferred resulting in a closing balance of £8.357m. This balance will be reinvested in the HRA in the future.









# Ynys Môn

## THE ISLE OF Anglesey

### Draft Statement of Accounts 2018/19



CYNGOR SIR  
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COUNTY COUNCIL

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## **Narrative Report**

The Statement of Accounts is produced annually to give electors, local taxpayers, Members of the Council, employees and other interested parties clear information about the Council's finances. This narrative report, which is a key section of the accounts, aims to provide an effective guide to the most significant matters reported in the accounts. This is in order to provide a fair, balanced and easy to understand explanation of the Council's financial position and to assist in the interpretation of the financial statements. It also contains additional information about the Council in general and the main influences on the financial statements which link between the Council's activities and challenges and how these impact on its financial resources.

The narrative report is structured as follows:-

1. The Statutory Framework;
2. About the Isle of Anglesey County Council;
3. Overview and performance analysis;
4. Main issues from the 2018/19 Accounts;
5. Explanation of the Financial Statements.

### **1. The Statutory Framework**

The Council has a statutory duty to approve and publish a Statement of Accounts. The following pages relate to the Statement of Accounts for the Isle of Anglesey County Council for the year ended 31 March 2019.

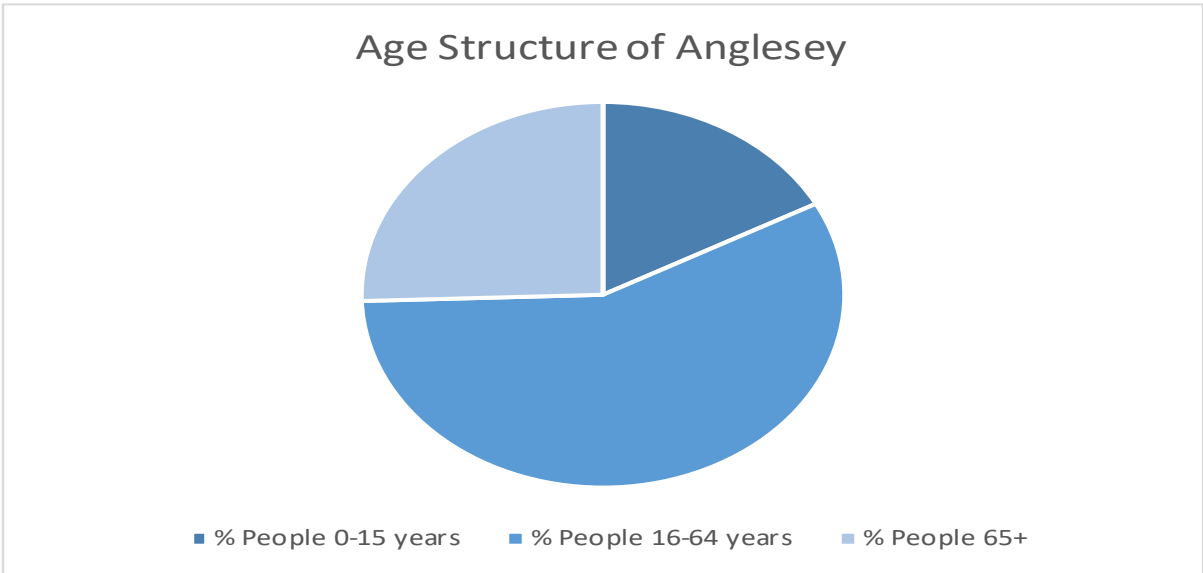
The Accounts and Audit (Wales) Regulations 2014 came into force on 31 March 2015, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018 for the accounts year 2015/16 and future periods. These regulations require Welsh Local Authorities to prepare a Statement of Accounts in accordance with these regulations and proper practices.

Regulation 25 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (SI 2003/3239 (W.319), as amended) identifies proper practices for the preparation of the Statement of Accounts. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 issued by CIPFA, supported by International Financial Reporting Standards (IFRS). In addition, this narrative incorporates guidance from HM Treasury's Financial Reporting Manual (FRM), Sections 5.2.1 to 5.2.10 as encouraged by the CIPFA code.

### **2. About The Isle of Anglesey County Council**

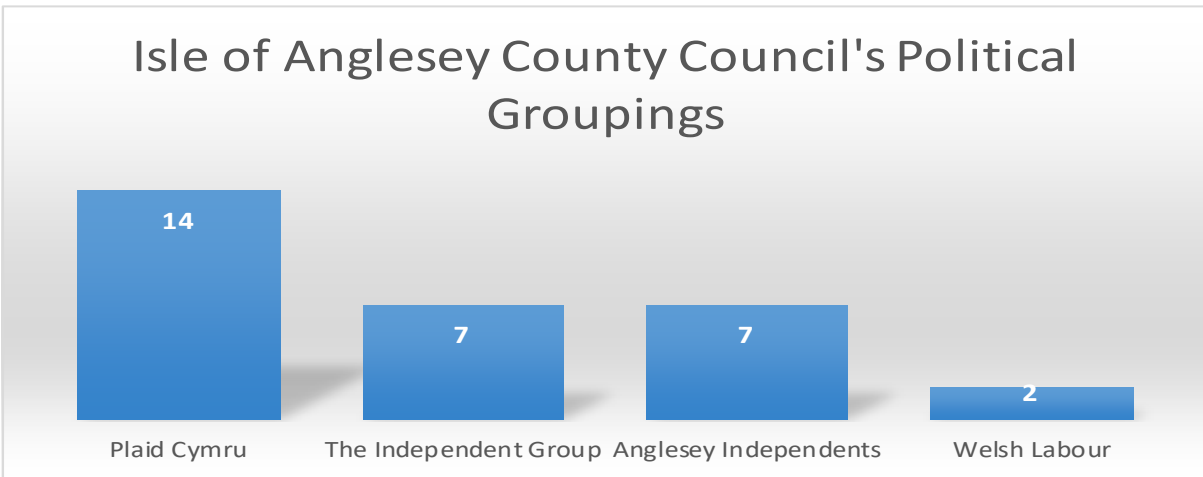
The Isle of Anglesey County Council is a unitary authority and serves a population of approximately 69,794, situated on the north coast of Wales with an area of 276 square miles. Anglesey is by far the largest island in Wales and the seventh largest in the British Isles. Anglesey is also the largest island in the Irish Sea by area, and the second most populous island in the British Isles.

Anglesey has a relatively older population than the Wales average (20.58%) with 25.52% of the population aged 65+. This figure reflects in the Council's plan to support people to live well and for longer.



The Council is responsible for ensuring a wide range of services is provided to the residents, businesses and visitors to the Island. These include education, safeguarding vulnerable children and adults, social care, public health, highways, leisure, culture, waste collection, planning, administration of housing, benefits, regeneration and community engagement. In addition to providing services. The Council is also responsible for the collection of local taxation in the form of Council Tax and Non-Domestic Rates on behalf of Welsh Government.

The Council is a politically-led organisation and has adopted a Leader and Cabinet model. It has 30 elected Members representing 11 multi-Member wards across the County. Following the election in May 2017, the Council has operated under a Plaid Cymru and The Independents Group coalition administration. The political make-up of the Council as at 31 March 2019 is shown below:-



### 3. Overview

#### 3.1 Statement from the Leader of the Council

As Leader of the Council, it is my responsibility to ensure that the important milestone of producing the Annual Statement of Accounts is achieved on time each year. The accounts provide a large amount of financial information on how the Council was funded and how it spent that money during 2018/19. It is important in terms of accountability for the Council to provide this information to residents, local Council Tax payers, businesses who pay the Non-Domestic Rates and other stakeholders including the Welsh Government.

The Council's funding is a mixture of funding from the Welsh Government via the Revenue Support Grant and the Council's share of the Non Domestic Rates pool, local taxation through Council Tax and the fees and charges paid by the Council's customers. In 2018/19, the Council's net budget was £130.9m, of which £35.1m came from Council Tax. The increase in Council Tax was 4.8%.

Financial monitoring during the year identified continuing budget pressures in both Children's and Adult Services due to increasing demand for services and the results at the end of the financial year are in line with those forecasts. At the end of the financial year, Children's Services expenditure exceeded the budget by £1.836m and Adults Services expenditure exceeded the budget by £1.173m. The Central Education Service expenditure also exceeded the budget by £349k, mainly due to increased costs relating to school transport and out of county education fees. The majority of other services maintained expenditure within their budget. The overall position at the end of the financial year is that the Council overspent its budget by £633k. This overspend is funded from the Council's general reserves, which fell to £5.912m at 31 March 2019. School balances also fell to £631k and the level of earmarked and designated reserves stood at £8.728m

The results of the year highlight the growing financial pressure which the Council faces and, although additional funding was allocated to services in 2019/20, it may be that this additional money will not be sufficient to meet the cost of the increased demand for Council services which the Council may face in 2019/20.

The position of the Council's Housing Revenue Account is healthy, with the reserve balance currently standing at £8.387m. This is higher than planned due to a slippage in the programme of building new properties. The balance of this reserve will reduce over the forthcoming years as the development programme is accelerated. The use of the Housing Revenue Account is set out in the Council's 30 year business plan which is reviewed and approved by the Welsh Government annually.

The future for public sector funding still remains uncertain and in particular what impact the decision to leave the European Union will have on the UK economy. The UK Government's Comprehensive Spending Review, which will be completed during 2019, will provide a clearer indication of the future funding for Wales. However, the Council is not planning for any significant rises in Welsh Government funding over the next 3 years and this assumption is reflected in the Council's Medium Term Financial Strategy, which highlights the need for further reductions in revenue expenditure. As the Council's reserves have diminished there is little scope to use reserves as a short term source of funding. Therefore, the Council is currently reviewing all the services it delivers and looking at alternative methods of delivery which will allow the services to continue but at a lower cost. This will include working more in partnership with Town and Community Councils, Community and Voluntary Organisations and Third Sector Organisations.

Despite the funding difficulties faced by the Council, as Leader of the Council, I am committed to deliver the key objectives of the Council's Corporate Plan and also working with the other five North Wales local authorities and other partners to secure additional Government funding to deliver the projects set out in the North Wales Growth Bid.

The financial standing of an organisation is seen as a key indicator of the overall standard of corporate governance. I am confident that, through the continued sound financial management, the Council will continue to be financially strong and sustainable into the future.

**Llinos Medi Huws**  
**Leader of the Council**

**May 2019**



## **3.2 Key purpose and activities of the Council**

The Corporate Plan was approved by Council on 27 September 2017. It is a plan that sets a target to work towards. It is ambitious, however, it is realistic.

The plan informs the decision-making process at all levels in the Council, and

- Sets the framework we use to plan, drive and deliver our services;
- Influences how and the way that we shape our budget annually; and
- Helps to monitor progress and assess what we achieve annually.

The key theme throughout the plan is the ambition to work collaboratively with our fellow citizens, communities and partners to ensure high quality services that will improve the quality of life for everyone on the Island.

The priorities that the Authority has set itself during this period are to:-

- Create the conditions for everyone to achieve their long-term potential;
- Support vulnerable adults and families and keep them safe, healthy and as independent as possible;
- Working in partnership with our communities to ensure that they can cope effectively with change and developments whilst protecting our natural environment.

The plan has been developed and shaped by the views of local people, our partners as well as by local and national political priorities such as the Well-Being Agenda.

Public services across Wales and the UK are continuing to plan for cuts in funding that we receive, and there will be more difficult decisions ahead about the services that we provide and how we provide them. We will continue to take those decisions in consultation with local people and with the best interest of Anglesey and its people at heart.

The Council will continue to look for ways to improve services, making them more efficient and of the best quality. These improvements include continuing to modernise the way we work.

There are many challenges ahead but, by working together with the people and communities of Anglesey, every effort will be made to deliver on this new plan.

### **3.2.1 Financial Scenario**

In common with all Local Authorities in Wales, the Isle of Anglesey County Council needs to manage a situation whereby the costs and demands of services are growing but the amount of funding available is reducing year-on-year. Against this backdrop, the Council needs to manage growing demands for services, inflationary pressures, a need to invest in the local economy to promote growth and a desire to continually improve services.

The Council has responded to the reduction in funding by making substantial savings in the last three years and continues to ensure, wherever possible, these are found through improving efficiency rather than impacting on services. The Council's Medium Term Financial Plan (MTFP) is reviewed and reported to Members in September and February each year to help plan how the Council will manage its finances with on-going budgetary pressures and funding risks.

The Council's most recent MTFP (February 2019) identified that the actual settlement for 2019/20 reduced the Aggregate External Finance (AEF) by 0.3% which had a significant impact on the MTFP. No indication has been given by Welsh Government as to the level of future funding and, in the absence of this information, therefore, the MTFP continues to assume no increase in the level of the AEF over the next 3 years. Assuming a year-on-year increase in Council Tax of 5%, there is still a funding gap. Consideration has also been given to the increased budgetary pressures in the National Living Wage, Teachers' Pay Award, Teachers' increased Pension Costs, significant demand for statutory services particularly Children's Social Care, revenue costs arising from the 21st Century Schools Programme, a reduction in specific grants and inflationary pressures. The MTFP predicts the following shortfall in funding for 2020/21 to 2022/23:-

### Estimated Funding Gap

	2020/21 £'m	2021/22 £'m	2022/23 £'m
Estimated Standstill Budget	138.41	140.68	142.79
Estimated Funding	137.18	139.25	141.42
Annual Savings Requirement	1.23	1.43	1.37
% Savings Requirement	0.88%	1.01%	0.96%

The savings required from the current MTFP forecast are significant with £1.23m predicted for 2020/21 alone. The total savings required over the three-year period is estimated to be £4.03m. The future funding of Local Government in Wales is very uncertain and accurately forecasting future funding levels is difficult. However, even if the Welsh Government releases additional funds for local government, it is unlikely that any increase will be sufficient to bridge the funding gap. Significant cuts to budgets will still need to take place over the next three years. Therefore, the key focuses for the Medium Term Financial Plan are:-

- Seeking to transfer provision of some services away from the Council, for example, to Town and Community Councils or the Third Sector;
- Creating other bodies controlled by the Council to deliver services for some non-statutory services;
- To continue to modernise and review schools;
- To manage demand for social care and continue to transform care for the elderly through extra-care facilities which promote independence and will reduce residential care placements;
- Increasing the charges made to service users;
- Stopping the provision of some non-statutory services;
- To continue to modernise the administration of the services and increase transactions with the Council online or via AppMôn.

In addition, the Council's balances have reduced since 2017/18 with a reduction of £633k in 2018/19, mainly due to costs exceeding the allocated budget in Children's Services, Adult Services and Education. Budget increases in 2019/20 are designed to ensure that allocated budgets reflect more closely the services' requirements to meet increasing demands for services. However, if these demands continue to grow, it may result in further uses of general balances as a source of funding.

## **Council Usable Reserves 2016/17 to 2018/19**

<b>Council Reserves</b>	<b>2016/17 £'m</b>	<b>2017/18 £'m</b>	<b>2018/19 (draft) £'m</b>
Council Fund general balances	8.355	6.899	5.912
Earmarked reserves	13.357	7.601	8.728
School balances	2.089	1.869	0.631
Housing Revenue Account (HRA) balances	7.544	7.38	8.387
Capital Receipts Reserve (for capital expenditure only)	-	0.32	1.186
<b>Total usable revenue reserves</b>	<b>31.345</b>	<b>24.069</b>	<b>24.844</b>

### **3.3 Key achievements, issues and risks affecting the Council**

During 2018/19, work began on these priorities with the following key achievements achieved during the financial year:-

#### **3.3.1 Proposed and Completed Projects**

- 3.3.1.1** Work is complete at Ysgol Santes Dwynwen, which is a new school under the Welsh Government's 21st Century Schools Programme. The school opened on 29 April 2019 and results in the closure of 4 smaller schools in the area (Niwbwrch, Dwyran, Llangaffo and Bodorgan).
- 3.3.1.2** The building of Llangefni Extra Care in partnership with a Registered Social Landlord has been completed and residents are now settling into their new homes. This scheme is the start of transforming the delivery of Adult Social Care.
- 3.3.1.3** Phase 2 of the refurbishment of Market Hall in Holyhead is currently underway and is expected to be completed during 2019/20.
- 3.3.1.4** During 2018/19, work was completed on new business units at Llangefni and construction of new units in Holyhead has commenced. These schemes are funded through a combination of European and Welsh Government funding.
- 3.3.1.5** The final phase of the Llangefni Link Road was completed and opened in January 2019. The road links the A55 to the Llandrillo/Menai College site. The majority of the funding for this project came from the Welsh Government, with a small contribution being made from the Council's own funds.
- 3.3.1.6** The Council has commenced on the provision of new social housing units on the Island, with schemes commencing during 2019/20 across the Island. The building of new homes will be funded partly from the Housing Revenue Accounts own reserves and partly through additional borrowing and Welsh Government grant funding.

### **3.3.2 Working with Partners**

**3.3.2.1** The Council has been working with four other local authorities in establishing a new waste recycling plant Parc Adfer. The new recycling Plant will be operational from 2019/20, this has been a project which has spanned several years in which the Authority has been working in partnership with the other Authorities to develop this site. The introduction of this new recycling plant will lead to improved recycling targets for the Authority.

**3.3.2.2** The Council is currently working in partnership with the five other North Wales authorities on the North Wales Growth Bid. The bid, if successful, will attract over £240m of UK and Welsh Government funding along with private sector investment. As with any large scale funding projects, there are risks surrounding project delivery and financing any borrowing that is required.

### **3.3.3 The Council's Financial Standing and Associated Risks**

**3.3.3.1** The Council is experiencing increased demand for social care services and this combined with no significant increase in central government funding has required the Council to continue to identify significant revenue savings. The Council delivered £2.522m of revenue savings in 2018/19 and identified a further £2.561m in setting the 2019/20 budget. Although this has required an above-inflation increase in Council Tax of 9.5%, Anglesey's Band D equivalent continues to be one of the lowest in Wales.

**3.3.3.2** The Revenue Support Grant from Welsh Government reduced by 0.3% in 2019/20 and there is still uncertainty as to the position beyond 2019/20. This combined with increasing demand for services, in particular social care, will put the council under considerable financial pressure. In previous years, the Council has been able to maintain a high level of general balances but in 2018/19 these balances fell and are currently below the minimum level set by the Council. As the financial pressures increase, the risk that these balances continue to fall is high and that they will not provide the level of financial security the Council requires.

**3.3.3.3** The UK leaving the European Union (EU) could lead to a number of risks. The Council will no longer receive European grant funding and there is no certainty on any replacement funding. The impact on the economy from leaving the EU could also impact on the Council as weaker economic growth will reduce the Welsh Government's ability to increase funding for Local Government.

## **3.4 Summary of Performance**

### **3.4.1 Revenue Expenditure**

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The Council measures financial performance against planned activity in the form of the Council's management accounts. In 2018/19, the Council reported an overspend of £633k against a planned activity of £130.9m (net budget) and achieved £2.064m of savings. The table below reflects the final budget for 2018/19 and actual income and expenditure against it.

Services	Annual Budget £'000	Outturn £'000	Variance £'000
Lifelong Learning	48,959	49,183	224
Adult Services	24,921	26,094	1,173
Children's Services	8,729	10,565	1,836
Housing	1,091	802	(289)
Highway's, Waste, Property	14,884	14,690	(194)
Regulation	3,820	3,646	(174)
Transformation	4,431	4,322	(109)
Resources	2,840	2,886	46
Council Business & Corporate Finance	21,225	19,345	(1,880)
<b>Total Council Fund</b>	<b>130,900</b>	<b>131,533</b>	<b>633</b>

### Subjective Analysis

Services	Annual Budget £'000	Outturn £'000	Variance £'000
Employee	83,448	84,514	1,066
Premises	8,197	8,362	165
Transport	3,922	2,312	(1,610)
Supplies and Services	30,611	25,176	(5,435)
Third Party Payments	41,675	43,353	1,678
Transfer Payments	23,254	26,221	2,967
Fees and Charges	(10,284)	(12,250)	(1,966)
Rental Income	(1,469)	(1,293)	176
Transfers and Grants	(47,761)	(43,546)	4,215
Other Adjustments	(693)	(1,316)	(623)
<b>Total Council Fund</b>	<b>130,900</b>	<b>131,533</b>	<b>633</b>

The impact of an overspend means that the Council reduced its General reserves by £633k.

The table above reflects how costs are categorised, monitored and managed within the Council. The following Accounts report the same expenditure and income but in a different format to comply with the statutory external reporting requirements. This incorporates additional costs such as depreciation or changes in the value of property, which, under regulation, are not chargeable to useable reserves in the year.

### 3.4.2 Capital Expenditure

The capital programme supports the Council's wider objective to deliver services and to support economic growth. In 2018/19, the Council approved a Capital Programme for non-housing services of £37.017m and approved a Capital Programme for the HRA of £12.417m. In addition, in June 2018, the Council approved Capital Slippage of £9.348m to be brought forward from 2017/18. Since the budget setting process, there have been additional schemes added onto the programme, most of which are grant funded which amounted to £5.058m, and revision of certain budgets amounting to a reduction of £0.959m. This brings the total Capital Budget for 2018/19 to £62.881m.

The programme has made steady progress in year, achieving a delivery rate of 48.78%. It is expected that the most of the remaining schemes will be delivered over the coming few years. However, one scheme 'the New Highway to Wylfa Newydd' is on hold, and one scheme 'the Extra Care in Seiriol' will now be funded through a different funding source.

From this total spend of £30.678m, £19.307m was capitalised and added to the value of assets in the Council's Balance Sheet. The remainder was charged to the Comprehensive Income and Expenditure Statement as it was either in support of assets that are not in direct Council ownership (£1.954m) or did not increase the value to the capital assets (£9.417m).

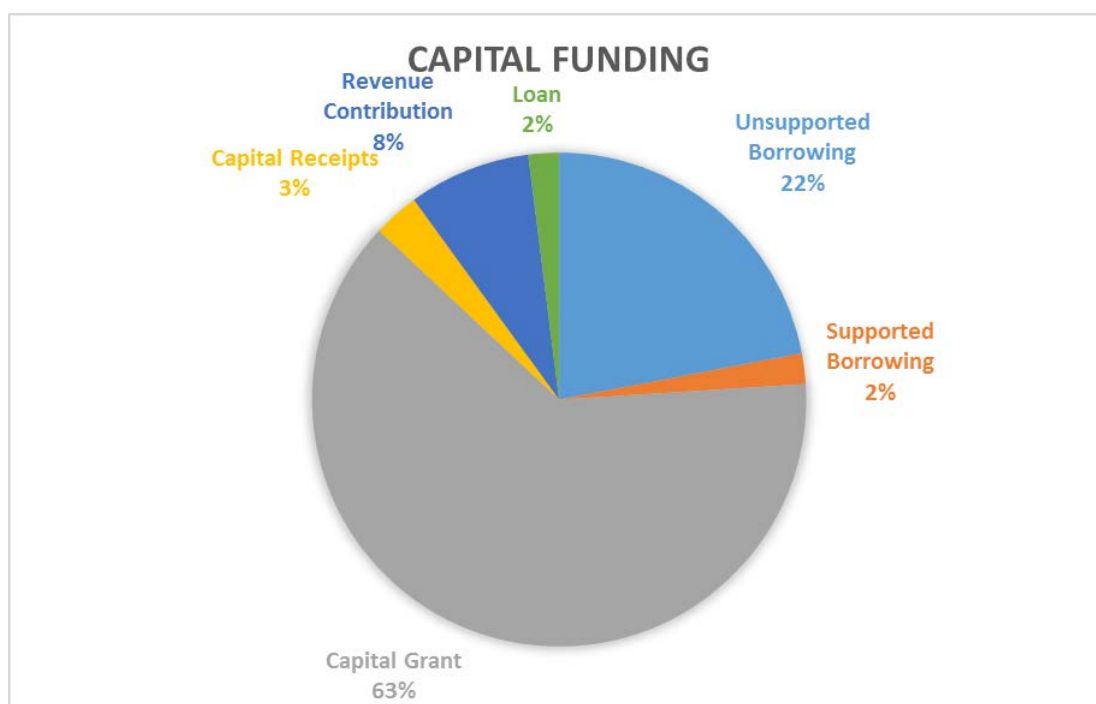
Scheme	Amount (£'000)
Band A 21st Century School – Ysgol Cybi	118
Band A 21st Century School – Ysgol Rhyd y Llan	131
Band A 21st Century School – Ysgol Brynsiencyn	258
Band A 21st Century School – Ysgol Santes Dwynwen	5,185
Band A 21st Century School – Ysgol Llangefni: Corn Hir and Bodffordd	421
Band A 21st Century School – Ysgol Llangefni: Y Graig	11
Band A 21st Century School – Seiriol	2
Salix Funding LED Lights	5
Holyhead Fitness Equipment	200
Llangefni 3G pitch	200
Llangefni Golf Course - Mower	5
Penrhos Industrial Units	211
Llangefni Industrial Units	3,250
Planning System	12

<b>Scheme</b>	<b>Amount (£'000)</b>
Vehicles	118
Highways Resurfacing	1,531
Llangefni Link Road	2,078
Active Travel Mapping	56
Street Lighting Salix	364
A545 Beaumaris	104
A545 Resilience Study	42
Beaumaris Flood Alleviation	416
Flood defence work in Llangefni	73
Gaerwen Park & Ride	59
Road Safety	201
New Weighbridge	29
New Equipment in Penhesgyn	55
Smallholdings	177
IT Projects	448
Market Hall	1,782
WiFi Canolfan Byron	11
Compulsory Purchase - Pilot Scheme	176
Residential Site for Gypsies & Travellers	53
Acquisition of Existing Properties and Development of New Properties	1,525
<b>Total</b>	<b>19,307</b>

The table below analyses the expenditure that has been capitalised:-

Funded By	Amount (£'000)
Unsupported Borrowing	4,202
Supported Borrowing	402
Capital Grant	12,167
Capital Receipts	642
Revenue Contribution	1,525
Loan	369
<b>Total</b>	<b>19,307</b>

A note of the Authority's current borrowing facilities and capital borrowing :-



As at 31 March 2019, the Authority had £132.461m of External Borrowing. At this time, the Authority's Capital Financing Requirement (CFR), which essentially is a measure of the Council's underlying borrowing need, was £138.662m. In the Treasury Management Strategy Statement for 2018/19, the Authorised Borrowing Limit approved by the Council was £177m, therefore, the Authority is well within its borrowing limit.

**A summary of the Authority's internal and external sources of funds available to meet its capital expenditure plans and other financial commitments.**

As at 31 March 2019, the Authority's internal sources of funds were cash deposits at bank of £14.333m. The external borrowing figure was £132.461m.



### 3.4.3 Balance Sheet

The Council's Balance Sheet demonstrates a good financial position at the end of 2018/19 with a net value of £162.5m. This is a decrease of £20.744m from last year, mainly due to externalising debt in order to replenish cash balances following years of borrowing internally.

The details of the Council's long-term and short-term assets and liabilities are shown in the Balance Sheet as at 31 March 2019 on page 21.

#### Reserves

The £20.744m reduction in the Council's net worth set out above is the result of a £21.519m decrease in unusable reserves and a £0.775m increase in usable balances (including the HRA).

## 4. Main Issues impacting on the 2018/19 Accounts

The Council set a net budget of £130.9m for 2018/19 to be funded from a combination of Council Tax Income, NDR and general grants. The budget included a requirement to achieve a savings figure of £2.522m, which was incorporated into the individual service budgets. The outturn position was an overspend of £633k. The overspend is made up of departmental under or overspends, unused contingencies and any other one-off items identified during the financial year.

#### Pensions

**Teachers' Pension Scheme** - 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.

**Local Government Pension Scheme** - As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits by participating 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. Benefits will not actually be payable until employees retire but the Council has a commitment to make the payments to the Pension Fund that need to be disclosed at the time that the employees earn their future entitlement.

The current economic climate continues to have an impact on the net Pensions Liability. One of the changes on the Balance Sheet relates to the Council's pensions' reserve, where the Council's liability has increased from £102.188m to £130.730m, an increase of £28.542m. It is important to note that the increased liability in the pension position is based on actuarial valuations. The Council's actual payments to the Pension Fund are reviewed every three years as part of the triennial valuation of the Pension Fund. An investment strategy is then determined which aims to recover any deficits over the period as determined by the Pension Fund's Actuary (Hymans Robertson LLP).

The most recent valuation was completed in 2016 which identified a funding gap on historic pension cost obligations of £3.882m. This was due to be funded over the three year period 2017/18 to 2019/20 by an increased percentage to the employers' contribution to the Gwynedd Pension Fund. It was identified that the Council could make a saving of approximately £200k if a lump sum payment was made instead as this would increase investment income to the fund and reduce the Council's pension liability by the amount of the lump sum payment. The Council, therefore, made a payment of £3.666m in April 2017 which was charged to Non Distributable Costs and the Housing Revenue Account (HRA) in the Comprehensive Income and Expenditure Statement. The next actuarial valuation will be completed during 2019 and any new pension contribution rates will be effective from 1 April 2020.

The Movement-in-Reserves Statement and the Comprehensive Income and Expenditure Statement show the pensions benefits earned in the year, adjusted as necessary to reflect that part of the pensions costs that is not met from Council Taxpayers.

### **Provisions**

Total provisions held by the Council amounted to £5.326m at 1 April 2018. During the year, the balance reduced by £0.092m to £5.234m. The insurance provision was increased to £0.27m in accordance with estimated need. Three new short-term provisions were created during 17/18 year amounting to £0.430m in total, to provide for future expected costs which might arise from a past obligation. Two of the three have now been removed. The Penhesgyn provision funded costs related to the landfill site for 2018/19 of £104k. The provision has since been increased by £278k for future potential costs. The net change in the Penhesgyn provision was £174k.

Details of the movements in provisions are shown in Note 27 to the Accounts.

## **5. Explanation of the Financial Statements**

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2018/19 and its Balance Sheet as at 31 March 2019. These statements include the General Fund and the Housing Revenue Account (HRA). They set out the respective responsibilities of the Council and the Council's Head of Function (Resources), who is the designated Section 151 Officer.

### **Core Financial Statements:-**

The Statement of Accounts includes the core financial statements, which are:-

- 1. The Comprehensive Income and Expenditure Statement (CIES)** – 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.
- 2. Expenditure and Funding Analysis (EFA)** – shows the information in the CIES but also provides the accounting adjustments which are cancelled out in Note 7 to ensure that these adjustments are not funded by Council Tax Payers. The first column of the Expenditure and Funding Analysis provides the real impact of the year's financial performance on the Council and HRA's balances and reserves.
- 3. The Movement in Reserves Statement (MIRS)** – shows the movement in the year of reserves held by the Council, analysed between 'usable' and 'unusable' reserves. The statement shows the true economic cost of providing the Authority's services and how those costs are funded from the various reserves.

4. **The Balance Sheet** – shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets are matched by reserves held by the Authority.
5. **The Cash Flow Statement** – shows the changes in cash and cash equivalents of the Council during the reporting period.
6. **The Notes** – the notes to the core Financial Statements provide more details about the Council's accounting policies and items contained in the statements.

#### **Supplementary Financial Statements**

1. **The Statement of Responsibilities for the Statement of Accounts** – explains the responsibilities of the Council and the Section 151 Officer.
2. **The Housing Revenue Account (HRA)** is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. The Housing Revenue Account is ring-fenced from the Council's General Fund.
3. **Auditor's Opinion** - as the Council's External Auditor, the Auditor General for Wales will carry out the statutory audit and sign the Statement of Accounts following the Section 151 Officer signing and dating the Statement of Accounts. They then issue an opinion as to whether the Accounts need to be qualified or are unqualified. The deadline for this opinion is 15 September following the year-end.
4. **Changes in Accounting Policy**  
There are no material changes to accounting treatment required for 2018/19.

The Statement of Accounts concludes with the Annual Governance Statement (AGS) 2018/19. This is found on page 126 to page 166. The AGS provides an overview of the Council's governance framework. It also provides a summary of reports and reviews which comment on governance and performance issues relating to the Council.

## THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Isle of Anglesey County Council'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 Council, that officer is the Head of Function (Resources) who is also the designated Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

### The Section 151 Officer's responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("The Code").

In preparing this Statement of Accounts, the Section 151 Officer has:-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with CIPFA Local Authority Code of Practice.

The Section 151 Officer has also:-

- kept proper accounting 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 2019.

Signed 

**Richard Marc Jones FCPFA**  
**HEAD OF FUNCTION (RESOURCES) AND SECTION 151 OFFICER**

Signed \_\_\_\_\_

**Councillor Margaret Murley Roberts**  
**CHAIR ISLE OF ANGLESEY COUNTY COUNCIL**

**Dated: 10 September 2019**

# **Proposed Audit Report of the Auditor General to the Members of Isle of Anglesey County Council**

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## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2019

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. The Council raises taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2018/19			Services	Note	2017/18		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
70,793	(14,660)	56,133	Lifelong Learning		82,552	(14,508)	68,044
37,503	(8,952)	28,551	Adult Services		34,329	(10,505)	23,824
11,876	(1,199)	10,677	Children's Services		10,388	(710)	9,678
4,949	(3,966)	983	Housing		4,647	(3,768)	879
24,934	(5,570)	19,364	Highways, Property and Waste		29,430	(8,404)	21,026
12,694	(7,272)	5,422	Regulation and Economic Development		12,529	(5,950)	6,579
5,548	(226)	5,322	Transformation		7,432	(209)	7,223
28,187	(19,454)	8,733	Resources		28,097	(19,815)	8,282
1,790	(253)	1,537	Council Business		2,182	(353)	1,829
2,148	(1,144)	1,004	Corporate and Democratic Costs		2,541	(707)	1,834
579	-	579	Corporate Management		596	(9)	587
134	-	134	Non-distributed costs		3,724	-	3,724
12,079	(17,843)	(5,764)	Housing Revenue Account (HRA)		10,841	(16,778)	(5,937)
<b>213,214</b>	<b>(80,539)</b>	<b>132,675</b>	<b>Deficit on Continuing Operations</b>		<b>229,288</b>	<b>(81,716)</b>	<b>147,572</b>
		22,129	Other operating expenditure	12			23,148
		10,405	Financing and investment income and expenditure	13a			8,628
		(157,047)	Taxation and non-specific grant Income	14			(146,749)
		<b>8,162</b>	<b>Deficit on Provision of Services</b>				<b>32,599</b>
		(6,152)	Surplus on revaluation of non-current assets	11c, 15 & 17			(41,122)
		18,734	Re-measurement of net Pension liability	11ch & 41			(9,858)
		<b>12,582</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(50,980)</b>
		<b>20,744</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(18,381)</b>

## EXPENDITURE AND FUNDING ANALYSIS 2018/19

2018/19			Services	2017/18		
Net Expenditure Chargeable to the General Fund and HRA Balances - A = C - B £'000	Adjustments between Funding and Accounting Basis - B £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement - C £'000		Net Expenditure Chargeable to the General Fund and HRA Balances - A = C - B £'000	Adjustments between Funding and Accounting Basis - B £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement - C £'000
50,382	5,751	56,133	Lifelong Learning	46,952	21,092	68,044
26,387	2,164	28,551	Adult Services	22,519	1,305	23,824
10,671	6	10,677	Children's Services	9,926	(248)	9,678
749	234	983	Housing	724	155	879
14,473	4,891	19,364	Highways, Property and Waste	16,437	4,589	21,026
3,799	1,623	5,422	Regulation and Economic Development	3,739	2,840	6,579
4,422	900	5,322	Transformation	4,038	3,185	7,223
8,219	514	8,733	Resources	7,998	284	8,282
1,367	170	1,537	Council Business	1,689	140	1,829
1,286	(282)	1,004	Corporate and Democratic Costs	2,142	(308)	1,834
579	-	579	Corporate Management	587	-	587
-	134	134	Non-distributed costs	3,464	260	3,724
(7,675)	1,911	(5,764)	Housing Revenue Account (HRA)	(6,718)	781	(5,937)
<b>114,659</b>	<b>18,016</b>	<b>132,675</b>	<b>Net Cost of Services</b>	<b>113,497</b>	<b>34,075</b>	<b>147,572</b>
(115,434)	(9,079)	(124,513)	Other Income and Expenditure	(106,221)	(8,752)	(114,973)
<b>(775)</b>	<b>8,937</b>	<b>8,162</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>7,276</b>	<b>25,323</b>	<b>32,599</b>
(24,069)			Opening General Fund and HRA balance at 1 April	(31,345)		
(775)			Less Deficit on General Fund and HRA Balance in Year	7,276		
<b>(24,844)</b>			<b>Closing Council Fund Balances and HRA Balance at 31 March</b>	<b>(24,069)</b>		

## MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2019

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/(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 Statement. This is different from the statutory amounts required to be charged to the Council Fund Balance for Council Tax setting purposes and the Housing Revenue Account for rent setting purposes. The 'Net Increase/(Decrease) before transfers to earmarked reserves' line shows the in-year movement on the Council Fund and Housing Revenue Account balances before any discretionary transfers to or from earmarked reserves are made by the Council.

	Council Fund Balance £'000	Earmarked Council Fund Reserves (Note 8) £'000	HRA Balance (Supplementary Financial Statements) £'000	Capital Receipts Reserve (Note 10) £'000	Schools Balances (Note 9) £'000	Capital Grants Unapplied (Note 14) £'000	HRA Earmarked Reserve (Note 8) £'000	Total Usable Reserves £'000	Total Unusable reserves (Note 11) £'000	Total Reserves (of the Council) £'000
<b>Balance 1 April 2017</b>	8,355	13,357	7,544	-	2,089	-	-	31,345	133,474	164,819
<b>Movement in reserves during the year</b>										
Surplus/(Deficit) on provision of services	(31,789)	-	(810)	-	-	-	-	(32,599)	-	(32,599)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	50,980	50,980
<b>Total Comprehensive Income and Expenditure</b>	<b>(31,789)</b>	<b>-</b>	<b>(810)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,599)</b>	<b>50,980</b>	<b>18,381</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	24,215	-	781	327	-	-	-	25,323	(25,323)	-
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>(7,574)</b>	<b>-</b>	<b>(29)</b>	<b>327</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,276)</b>	<b>25,657</b>	<b>18,381</b>
Transfers to/(from) Earmarked Reserves (Note 8)	6,118	(5,756)	(135)	(7)	(220)	-	-	-	-	-
<b>Increase/(Decrease) In Year</b>	<b>(1,456)</b>	<b>(5,756)</b>	<b>(164)</b>	<b>320</b>	<b>(220)</b>	<b>-</b>	<b>-</b>	<b>(7,276)</b>	<b>25,657</b>	<b>18,381</b>
<b>Balance 31 March 2018</b>	<b>6,899</b>	<b>7,601</b>	<b>7,380</b>	<b>320</b>	<b>1,869</b>	<b>-</b>	<b>-</b>	<b>24,069</b>	<b>159,131</b>	<b>183,200</b>
<b>Movement in reserves during the year</b>										
Surplus/(Deficit) on provision of services	(7,258)	-	(904)	-	-	-	-	(8,162)	-	(8,162)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(12,582)	(12,582)
<b>Total Comprehensive Income and Expenditure</b>	<b>(7,258)</b>	<b>-</b>	<b>(904)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,162)</b>	<b>(12,582)</b>	<b>(20,744)</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	6,160	-	1,911	866	-	-	-	8,937	(8,937)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(1,098)</b>	<b>-</b>	<b>1,007</b>	<b>866</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>775</b>	<b>(21,519)</b>	<b>(20,744)</b>
Transfers to/(from) Earmarked Reserves (Note 8)	111	1,127	-	-	(1,238)	-	-	-	-	-
<b>Increase/(Decrease) In Year</b>	<b>(987)</b>	<b>1,127</b>	<b>1,007</b>	<b>866</b>	<b>(1,238)</b>	<b>-</b>	<b>-</b>	<b>775</b>	<b>(21,519)</b>	<b>(20,744)</b>
<b>Balance 31 March 2019</b>	<b>5,912</b>	<b>8,728</b>	<b>8,387</b>	<b>1,186</b>	<b>631</b>	<b>-</b>	<b>-</b>	<b>24,844</b>	<b>137,612</b>	<b>162,456</b>



## BALANCE SHEET AS AT 31 MARCH 2019

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council 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 can only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold (for example the Revaluation Reserve); 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 2019 £'000	31 March 2018 £'000
Property, plant and equipment	15	396,452	386,886
Heritage assets	17	3,676	3,645
Investment property	18	6,000	5,791
Intangible assets	19	701	756
Long-term investments	44	-	1
Long-term debtors	24	266	608
<b>Long-term Assets</b>		<b>407,095</b>	<b>397,687</b>
Short-term investments	44	-	5
Assets held for sale	21	1,557	2,442
Inventories	23	301	385
Short-term debtors	24	29,653	24,031
Cash and cash equivalents	25	15,825	7,789
<b>Current Assets</b>		<b>47,336</b>	<b>34,652</b>
Short-term borrowing	44	(7,535)	(12,413)
Short-term creditors	26	(18,151)	(18,251)
Short-term provisions	27	(429)	(695)
Capital grants receipts in advance	37	(2,815)	(3,897)
<b>Current Liabilities</b>		<b>(28,930)</b>	<b>(35,256)</b>
Long-term creditors	26	(157)	(151)
Long-term provisions	27	(4,805)	(4,631)
Long-term borrowing	44	(127,352)	(106,913)
Other long-term liabilities	41	(130,731)	(102,188)
<b>Long-term Liabilities</b>		<b>(263,045)</b>	<b>(213,883)</b>
<b>Net Assets</b>		<b>162,456</b>	<b>183,200</b>
Usable reserves	MIRS	24,844	24,069
Unusable reserves	11	137,612	159,131
<b>Total Reserves</b>		<b>162,456</b>	<b>183,200</b>

## CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2019

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council'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 Council.

	Note	2018/19 £'000	2017/18 £'000
<b>Net Deficit on the provision of services</b>		<b>(8,162)</b>	<b>(32,599)</b>
Adjustments to net surplus or deficit on the provision of services for non- cash movements	28	22,501	39,406
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(18,221)	(14,583)
<b>Net cash flows from operating activities</b>		<b>(3,882)</b>	<b>(7,776)</b>
<b>Net cash flows from investing activities</b>	29	<b>(10,503)</b>	<b>(10,745)</b>
<b>Net cash flows from financing activities</b>	30	<b>22,421</b>	<b>11,370</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>8,036</b>	<b>(7,151)</b>
Cash and cash equivalents at the beginning of the financial year		7,789	14,940
<b>Cash and cash equivalents at the end of the financial year</b>	25	<b>15,825</b>	<b>7,789</b>

## **NOTES TO THE ACCOUNTS**

### **Expenditure and Funding Analysis**

The Expenditure and Funding Analysis (EFA) on page 19 aims to show the real impact of the year's financial performance on the Council's balances. The Comprehensive Income and Expenditure Statement (CIES) includes many accounting adjustments such as depreciation and pension adjustments, which, by law, are not allowed to be funded by Council Tax. These are not true costs which affect Council usable balances. The CIES shows a deficit on the provision of services of £8.162m. This is also shown in column C, called Net Expenditure in the Comprehensive Income and Expenditure Statement, within the EFA on page 19. To ensure that these accounting costs do not affect council tax payers and Council funds, these costs of £8.937m are cancelled out in the EFA and are also shown in the Movement in Reserves Statement (MIRS) on page 20. These are shown in column B in the EFA on page 19 called Adjustments between Funding and Accounting Basis. Column A on the EFA on page 19 shows the costs properly incurred against Council Funds. This shows a surplus balance of £0.775m and it is calculated by deducting column B from column C. This helps to identify usable Council balances without these accounting adjustments. The impact of these statutory accounting adjustments are shown in the unusable reserves column in the Movement in Reserves Statement. Note 1a summarises the type of accounting adjustments which are not funded by the Council.

The CIES and the removal of accounting adjustments, when added together, show the impact for the year on Council funds

	<b>£'000</b>
Council usable reserves 1 April 2018	(24,069)
Deficit/(surplus) on the Provision of Services 2018/19 – CIES	8,162
Adjustments to remove impact of accounting adjustments which do not affect the Council Fund – see Note 7 on page 31 for more detail	(8,937)
Revised deficit/(surplus) affecting Council balances (including HRA)	(775)
Council usable reserves/balances 31 March 2019	(24,844)

The above table shows that, when all the accounting adjustments (detailed in Note 7 on page 31) are cancelled out, there was an underspend (surplus of income over expenditure) of £0.775m. This, therefore, led to an increase in Council usable balances to £24.844m. This is due to an underspend on the HRA due to delays in capital expenditure on new housing and refurbishments of Council Housing stock and the release of earmarked reserves. The net underspend for the Council from 2018/19 budgeted funding was £0.172m. However, use of Council earmarked and HRA reserves, which total £0.603m, were also used to fund some costs during 2018/19. This led to the increase in the total reserves to £0.775m rather than £0.172m. This is shown in the summary of usable reserves below.

## Summary of Movements in Council Reserves 2018/19

Summary of Movements in Council Balances/reserves 2018/19	Council Fund General Reserve	Council Fund Earmarked Reserves	Housing Revenue Account (HRA) reserve	School Reserves	Capital Receipts Reserve	Total Usable Reserves
Items impacting on the Council's Reserve 2018/19	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance on Council General Reserve 1 April 2018	(6,899)	(7,601)	(7,380)	(1,869)	(320)	(24,069)
Net overspend/(underspend) 2018/19	633	-	(805)	-	-	(172)
Council Balance after over(under)spend	(6,266)	(7,601)	(8,185)	(1,869)	(320)	(24,241)
Net transfers from/(to) Reserves for approved funding	354	(1,127)	(202)	1,238	(866)	(603)
General Reserve Balance at 31 March 2018	(5,912)	(8,728)	(8,387)	(631)	(1,186)	(24,844)

**NOTE 1a - Note to the Expenditure and Funding Analysis  
2018/19**

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Lifelong Learning	3,583	1,939	229	5,751
Adult Services	611	1,623	(70)	2,164
Children's Services	-	20	(14)	6
Housing	1	246	(13)	234
Highways, Property and Waste	4,090	826	(25)	4,891
Regulation and Economic Development	759	948	(84)	1,623
Transformation	465	421	14	900
Resources	16	478	20	514
Council Business	1	198	(29)	170
Corporate and Democratic Costs	-	(282)	-	(282)
Corporate Management	-	-	-	-
Non-distributed costs	-	134	-	134
Housing Revenue Account (HRA)	1,555	407	(51)	1,911
				-
<b>Net Cost of Services</b>	<b>11,081</b>	<b>6,958</b>	<b>(23)</b>	<b>18,016</b>
Other Income and Expenditure from the Funding Analysis	(11,929)	2,850	-	(9,079)
Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit	(848)	9,808	(23)	8,937

**2017/18**

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Lifelong Learning	20,430	1,064	(402)	21,092
Adult Services	344	935	26	1,305
Children's Services	-	(271)	23	(248)
Housing	8	150	(3)	155
Highways, Property and Waste	4,183	490	(84)	4,589
Regulation and Economic Development	2,350	537	(47)	2,840
Transformation	2,934	276	(25)	3,185
Resources	16	270	(2)	284
Council Business	1	116	23	140
Corporate and Democratic Costs	-	(308)	-	(308)
Corporate Management	-	-	-	-
Non-distributed costs	-	260	-	260
Housing Revenue Account (HRA)	524	229	28	781
<b>Net Cost of Services</b>	<b>30,790</b>	<b>3,748</b>	<b>(463)</b>	<b>34,075</b>
Other Income and Expenditure from the Funding Analysis	(8,923)	2,789	(2,618)	(8,752)
Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (surplus) or Deficit	21,867	6,537	(3,081)	25,323

## NOTE 1b – SEGMENTAL INCOME

Services	2018/19 Income from Services £'000	2017/18 Income from Services £'000
Lifelong Learning	(1,528)	(1,475)
Adult Services	(4,538)	(4,734)
Children's Services	-	-
Housing	(65)	(162)
Highways, Property and Waste	(2,795)	(3,711)
Regulation and Economic Development	(2,825)	(2,723)
Transformation	-	-
Resources	(154)	(159)
Council Business	(242)	(331)
Corporate and Democratic Costs	(1,047)	(71)
Corporate Management	-	(9)
Non-distributed costs	-	-
Housing Revenue Account (HRA)	(17,607)	(16,566)
<b>Total Income</b>	<b>(30,801)</b>	<b>(29,941)</b>

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) requires disclosure of the expected impact of any accounting standards that have been issued but not yet adopted.

The standards which have been issued but not yet adopted by the CIPFA code and may be introduced in the CIPFA 2019/20 code are:-

- Amendments to IAS40 Investment Property: Transfers of Investment Property – this will not affect the Council's net Balance Sheet position but provides clarity on when and where an entity should be transferred to or from Investment Property. Transfers should only occur when there is a change in use, this means that if the property meets, or ceases to meet, the definition of investment property. This will help increase the accuracy of classification of non-current assets.
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle – analysis of the three standards covered in this cycle i.e. IFRS1, IFRS12 and IAS28 highlight that there will be no impact on the Council's Statement of Account.
- IFRIC22 Foreign Currency Transactions and Advance Consideration – this will not apply to the Council as no foreign currency transactions occurred during the year.
- IFRIC23 Uncertainty over Income Tax Treatments – this does not apply to the Council.
- Amendments to IFRS9 Financial Instruments: Prepayment Features with Negative Compensation – this does not apply to the Council as the Council does not hold this type of financial instrument.

The CIPFA Code for 2020/21 will adopt IFRS16 – Leases, which will have the impact of bringing operating leases the Council leases onto the Council Balance Sheet. For example, the value of printers/photocopiers, if material, will be added to the Balance Sheet as though they belong to the Council. This will apply to the Statement of Accounts for 2020/21.

## **NOTE 2b – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED AND ADOPTED**

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 introduced the new requirements below for Councils to comply with due to updated reporting standards that have been adopted. The relevant changes relate to the following standards, all of which will, where they apply, amend the accounts produced for financial periods starting after 1 April 2018:-

- IFRS9 Financial Instruments – the Council's financial instruments are fairly straightforward and have all been classified as Financial Assets and Liabilities at Amortised Cost. IFRS9 also introduced a new approach for providing for bad debts called Impairment Loss Allowance. This approach requires earlier allowances for potential credit losses. The Council's Impairment Allowance has, therefore, increased. This has been charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is a departure from previous accounting for changes in the bad debt provision, which were charged to the cost of services in the Comprehensive Income and Expenditure Statement. This standard impacts on the financial statements and disclosure Note 44 and 45.
- IFRS15 Revenue from Contracts with Customers, including amendments to IFRS15 clarifications to IFRS Revenues from Contracts with Customers – this standard does not significantly impact on the Council as the Authority has always accounted for income on the accruals basis. There are additional disclosure notes in the Statement of Accounts due to the implementation of this standard (note 31b).
- Amendments to IAS12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised losses – this has no impact on the Council's Statement of Accounts as the Council does not have any debt instruments measured at fair value.
- Amendments to IAS7 Statement of Cash Flows: Disclosure Initiative – the disclosures included in IAS7 will be reflected in the notes to the Cash Flow.

Any changes required due to these standards are reflected in the main financial statements and disclosure notes as relevant.

## **NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 51, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:-

- The Accounts have been prepared on a going-concern basis, which assumes that the functions and services provided by the Council will continue in operational existence for the foreseeable future. The Council is a local government body created by the Local Government (Wales) Act 1994. The Council operates within a difficult financial climate, similar to all local authorities in Wales. However, there are no indications from either the financial performance of the Authority or Welsh Government plans, which undermine the view that the Council will continue as a going-concern into the future.
- The Council has determined that a number of assets which are used for social or economic development purposes are not solely held for income generation or capital appreciation purposes and, therefore, do not meet the definition of investment properties. As a consequence, these assets are shown as Non-Current Assets - Property, Plant and Equipment within the Balance Sheet. In accordance with current guidance regarding the treatment of certain types of schools, only the value of the land for Voluntary-Controlled schools is included in the Balance Sheet where the voluntary body has significant control over

the building. As the Council does not own these types of schools, and does not have access to them for valuation purposes, the value of the buildings is excluded from the Balance Sheet. In addition to this, as regards Voluntary-Aided and Foundation Schools, neither the value of land nor the buildings are included on the Balance Sheet.

- Capital and revenue grants are reviewed regularly to assess whether the terms and conditions attached to the respective grants have been met. If the terms and conditions have been met, they will be recognised within the Comprehensive Income and Expenditure Statement in the year. If not, they will be carried within the Balance Sheet within creditors until such time as either the terms and conditions associated with the grant are met or the grant is repaid to the grant provider should the terms and conditions not be met. This treatment can result in material balances being carried in the Balance Sheet as deferred income.
- The group requirements have been reviewed using the criteria outlined in the relevant accounting standards and Code of Practice; the Council has not identified any companies or organisations that would require it to complete group accounts.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### **NOTE 4a - 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 Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The following items in the Council's Balance Sheet at 31 March 2019 may be considered to be most vulnerable for estimating error in the forthcoming financial year:-

**Non-Current Assets - 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 15 on page 40.

Where an item of Property, Plant and Equipment (Non-Current Asset) has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Applying this in practice requires an assessment against the below criteria, to establish if:-

- The economic useful life is significantly different from the other components of the asset i.e. 15 years or more;
- The value of the asset is £2m or greater and the component is over 25% of the total value of the asset;
- The economic useful life is significantly different but the value represents less than 25% of the total value of the asset, the component will be separately identified if, in the valuer's judgement, it is deemed to be material e.g. where the value of a component is, say, £3m (10%) of the depreciating asset that has a total value of £30m.



If the depreciating asset is part of a wider group held for the same purpose, for example, leisure centres, this recommended policy on componentisation will be applied to the total of this wider group and not to each individual depreciating asset within the group.

**Replacement of Assets** – where an asset is replaced which was part of a much larger asset but is not significant enough to be componentised, the cost of the new replacement part/asset will be used as a proxy value when the old part/asset is de-recognised.

**Council Housing** - The Council's Housing stock is valued under a standard methodology, part of which requires the application of an adjustment factor to allow for the difference between rents and yields on private sector and social housing. There is currently no published adjustment factor for Wales and, therefore, the Council has selected the most comparable of the English regions and applied the published factor for that, which was 41%. Should a specific factor be published, either for Wales as a whole or on a regional basis, then this will be applied.

**Provisions** – The Council has made provision for a series of uncertainties which could result in significant costs in later years. These principally relate to after-care costs for the Penhesgyn landfill site and potential liabilities arising from insurance claims. Full details are contained in Note 27.

**Pensions Liability** – The Pension Liability position, as contained within the accounts, is based on a number of complex assessments and judgements relating to discount rates, projected salary increases, changes in retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged by the administering Council to provide expert advice on the assumptions to be applied. Further details are contained in Note 41.

**Impairment Loss Allowance** – As at 31 March 2019, the Council had a short-term net debtor balance of £29.919m. A review of arrears balance suggested that impairment for doubtful debts of £5.639m was appropriate. Any differences between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Impairment loss allowances/provision for bad debts are contained within the figures for Short-Term Debtors contained in Note 24 on page 49.

**Fair Value Measurement** - Fair value measurement will be in accordance with IFRS13 Fair Value Measurement as reported in the CIPFA Code of Practice 2018/19. In most cases, fair value is a market-based measurement. IFRS13 provides more direction and clarity in relation to valuation of assets and liabilities. However, where there is no observable market to value against, this will involve professional judgement. When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data but, where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities. The depreciated replacement cost (DRC) model is used to measure the fair value of some of the Authority's investment properties.

Where Level 1 inputs are not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Authority's Senior Valuation Officer).

The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant

changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

#### **NOTE 4b - PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

The following item was restated during 2018/19:-

Note 1b discloses income received from the provision of services. In 2017/18 this excluded rental income which should have been reported in this note. For 2018/19, 1b includes all rental income as well as other Council fees and charges. 2017/18 has been restated as it was understated by approximately £16m.

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

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 Council's Section 151 Officer on 10 September 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The following events between 31 March 2019 and 10 September 2019 have occurred which affect the Council and are important to highlight to readers of the Statement of Accounts:-

- 1) The Executive recently agreed to recommence statutory consultation on the 21 Century Schools programme in relation to the Llangefni and Seiriol schools. The Council may not go ahead with these plans and this would lead to the capital costs incurred to date being recharged to revenue which would be a budgetary pressure.
- 2) The construction company Dawnus which held several contracts with the Council has gone into administration. The Council's two main contracts with Dawnus has been novated by the administrators and there are no outstanding claims with Dawnus.
- 3) Welsh Church Fund – Gwynedd County Council has paid over Anglesey's share.
- 4) The Council has agreed the method and amount of holiday back pay due to individuals who have worked overtime.

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

2018/19	Usable Reserves				Movement in Unusable Reserves £'000
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation, impairment and amortisation of non-current assets	9,327	3,868			(13,195)
Revaluation losses on Property, Plant and Equipment	199	7			(206)
Movements in the market value of Investment Properties loss/(gain)	1,518	-			(1,518)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(13,958)	(2,671)			16,629
Revenue expenditure funded from capital under statute	25	-			(25)
Derecognition - replaced parts	1,913	7,504			(9,417)
Carrying amount of non-current assets sold	1,675	-			(1,675)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Minimum Revenue Provision for Capital Funding	(2,463)	(833)			3,296
Capital expenditure charged against the Council Fund and HRA balances	-	(6,357)			6,357
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Proceeds from Sale of Non-Current Assets	(1,592)		1,592		-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(726)		726
Use of capital reserve to finance capital expenditure	-	-	-		-
Other Capital Receipts	-	-	-		-
<b>Adjustments involving the Financial Instruments Adjustment Account:</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	87	37			(124)
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	17,768	407			(18,175)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,367)				8,367
<b>Adjustment involving Unequal Back-Pay Adjustment Account</b>					
Amounts charged to CIES that are different from the cost of settlements chargeable in year in accordance with statutory requirements	-	-	-	-	-
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>					
Adjustments in relation to short-term compensated absences	28	(51)			23
<b>Total Adjustments</b>	<b>6,160</b>	<b>1,911</b>	<b>866</b>	<b>-</b>	<b>(8,937)</b>

2017/18	Usable Reserves				Movement in Unusable Reserves £'000
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation, impairment and amortisation of non-current assets	9,298	3,082	-	-	(12,380)
Revaluation losses on Property, Plant and Equipment	18,403	-	-	-	(18,403)
Movements in the market value of Investment Properties loss/(gain)	152	-	-	-	(152)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(9,110)	(2,691)	-	-	11,801
Revenue expenditure funded from capital under statute	2,566	-	-	-	(2,566)
Derecognition - replaced parts	1,766	7,582	-	-	(9,348)
Carrying amount of non-current assets sold	4,362	-	-	-	(4,362)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Minimum Revenue Provision for Capital Funding	(3,638)	(850)	-	-	4,488
Capital expenditure charged against the Council Fund and HRA balances	-	(6,600)	-	-	6,600
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Proceeds from Sale of Non-Current Assets	(2,782)	-	2,782	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(2,455)	-	2,455
Use of capital reserve to finance capital expenditure	-	-	-	-	-
Other Capital Receipts	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</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	45	20	-	-	(65)
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	17,917	230	-	-	(18,147)
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,610)	-	-	-	11,610
<b>Adjustment involving Unequal Back-Pay Adjustment Account</b>					
Amounts charged to CIES that are different from the cost of settlements chargeable in year in accordance with statutory requirements	(2,663)	-	-	-	2,663
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>					
Adjustments in relation to short-term compensated absences	(491)	8	-	-	483
<b>Total Adjustments</b>	<b>24,215</b>	<b>781</b>	<b>327</b>	<b>-</b>	<b>(25,323)</b>

## NOTE 8 – EARMARKED RESERVES

	Balance as at 01/04/2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance as at 31/03/2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance as at 31/03/2019 £'000
Capital - Revenue contributions unapplied	899	238	-	1,137	192	(218)	1,111
Penhesgyn Waste Landfill Site Reserve	2,000	-	(2,000)	-	-	-	-
Restricted Reserves	6,659	1,408	(4,442)	3,625	3,241	(1,533)	5,333
Invest-to-save	971	-	(318)	653	-	(251)	402
Job Evaluation	-	-	-	-	-	-	-
Equal Pay	1,060	-	(246)	814	-	(450)	364
Recycling	397	112	(387)	122	250	(104)	268
Insurance Fund	1,371	-	(121)	1,250	161	(161)	1,250
<b>Total</b>	<b>13,357</b>	<b>1,758</b>	<b>(7,514)</b>	<b>7,601</b>	<b>3,844</b>	<b>(2,717)</b>	<b>8,728</b>

### Purpose of Earmarked Revenue Reserves

**Capital - Revenue contributions unapplied** - 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.

**Restricted Reserves** – specific earmarked reserves within service areas.

**Invest-to-save** – this reserve has been created to fund invest-to-save projects where the reserves will be invested in projects which will lead to efficiency savings in the future.

**Equal Pay** – this reserve is to fund costs arising from equal pay claims such as legal fees and claims.

**Recycling** - resources ring-fenced solely for the purpose of waste recycling projects.

**Insurance Fund** - the Council runs an internal insurance account to cover the cost of uninsured losses and liabilities. Services are charged an “additional premium” in order to fund this account. Losses and liabilities that are known losses at year end are provided for. Any losses or liabilities that arise from incidents having occurred during the year but not presented until a later date are covered by the insurance reserve. This is made up of the surplus on the internal insurance account and interest balances.

## NOTE 9 – SCHOOLS BALANCES

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

	Balance 1 April 2017 £'000	Addition / (Reduction) for 2017/18 £'000	Balance 31 March 2018 £'000	Addition / (Reduction) for 2018/19 £'000	Balance 31 March 2019 £'000
Community and Voluntary Primary Schools	1,422	(181)	1,241	(453)	788
Community Secondary Schools	228	182	410	(668)	(258)
Community Special School	156	(77)	79	(139)	(60)
Foundation Primary School	283	(144)	139	22	161
<b>Total</b>	<b>2,089</b>	<b>(220)</b>	<b>1,869</b>	<b>(1,238)</b>	<b>631</b>

At 31 March 2019, 12 of the 43 primary schools had balances in a deficit position (3 as at 31 March 2018). Three of the five secondary schools are in a deficit position at the end of the financial year (1 as at 31 March 2018), the special school is also in a deficit position at 31<sup>st</sup> March 2019. The combined value of the schools in deficit is £0.93m (£0.24m as at 31 March 2018). Copies of the Section 52 Statements, which each Council 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 Accountancy Section, Resources Function, County Offices, Llangefni, Anglesey, LL77 7TW.

## NOTE 10 – CAPITAL RECEIPTS RESERVE

These are cash receipts from the sale of Council assets. These are used to fund capital expenditure in the year or to carry forward for future years. A balance of £1.185m will be carried forward to 2019/20 to help fund next year's capital programme.

	2018/19 £'000	2017/18 £'000
<b>Balance 1 April</b>	320	-
Capital Receipts in year (net of reduction for administration costs)	1,592	2,782
	<b>1,912</b>	<b>2,782</b>
<b>Less:</b>		
Receipts set aside to repay debt	-	-
Capital Receipts used for financing	(726)	(2,455)
Other	-	(7)
<b>Balance 31 March</b>	<b>1,186</b>	<b>320</b>

## NOTE 11 – UNUSABLE RESERVES

	31/03/2019 £'000	31/03/2018 £'000
a) Capital Adjustment Account	137,949	134,369
b) Financial Instruments Adjustment Account	(574)	(450)
c) Revaluation Reserve	131,743	128,199
ch) Pensions Reserve	(130,730)	(102,188)
d) Accumulating Compensated Absences Adjustment Account	(776)	(799)
<b>Total Unusable Reserves</b>	<b>137,612</b>	<b>159,131</b>

## NOTE 11a 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 costs such as depreciation, impairment losses and amortisations that are charged to the Comprehensive Income and Expenditure Statement and postings from the Revaluation Reserve to convert fair value figures to historic cost.

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties. 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 on page 31 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2018/19		2017/18	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>134,369</b>		<b>151,541</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and amortisation of non-current assets	(13,195)		(12,380)	
De-recognised assets	(9,417)		(9,348)	
Revaluation losses on Property, Plant and Equipment	(206)		(18,403)	
Revenue expenditure funded from capital under statute	(25)		(2,566)	
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	(1,675)		(4,362)	
		<b>(24,518)</b>		<b>(47,059)</b>
Adjusting amounts written out of the Revaluation Reserve		2,608		4,695
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(21,910)</b>		<b>(42,364)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	726		2,455	
Use of capital reserve	-		-	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	16,629		11,801	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	3,296		4,488	
Capital expenditure charged against the Council Fund and HRA balances	6,357		6,600	
		<b>27,008</b>		<b>25,344</b>
Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement		<b>(1,518)</b>		<b>(152)</b>
<b>Balance at 31 March</b>		<b>137,949</b>		<b>134,369</b>

## NOTE 11b – FINANCIAL ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account (FIAA) 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 provision. The Council uses the Account to manage premiums paid and penalties charged on the early

redemption of loans. Premiums and Penalties are charged to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the FIAA in the Movement in Reserves Statement. Over time, the charge is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

<b>Financial Instruments Adjustment Account</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
<b>Balance at 1 April</b>	<b>(450)</b>	<b>(385)</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	(124)	(65)
<b>Balance at 31 March</b>	<b>(574)</b>	<b>(450)</b>

### **NOTE 11c – REVALUATION RESERVE**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Heritage 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.

<b>Revaluation Reserve</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
<b>Balance at 1 April</b>	<b>128,199</b>	<b>91,772</b>
Revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	6,152	41,122
Difference between fair value depreciation and historical cost depreciation	(1,914)	(1,933)
Revaluation balances on assets scrapped or disposed of	(694)	(2,762)
<b>Balance at 31 March</b>	<b>131,743</b>	<b>128,199</b>



## NOTE 11ch – 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.

<b>Pensions Reserve</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(102,188)</b>	<b>(105,509)</b>
Re-measurement of net defined liability	(18,734)	9,858
Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(18,175)	(18,147)
Employers' pension contribution and direct payment to pensioners payable in the year	8,367	11,610
<b>Balance at 31 March</b>	<b>(130,730)</b>	<b>(102,188)</b>

The Council 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 Council 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 difference in the benefits earned by past and current employees and the resources the Council 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.

## NOTE 11d – UNEQUAL PAY RESERVE

The Back-Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back-pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. The Unequal Pay Unusable Reserve, similar to the Equal Pay Provision in Note 27, has been reduced to nil as Equal Pay costs paid in 2018/19 have been funded from capital following a Capitalisation Directive from Welsh Government. Some smaller residual costs will be funded from the Equal Pay earmarked reserve. Therefore, the Unequal Pay Unusable Reserve and the Equal Pay Provision are no longer required. However, the Council has retained the Equal Pay earmarked reserve of £363k as highlighted above in Note 8. This is to fund any outstanding equal pay claims and related legal costs which might arise.

<b>Unequal Pay Reserve</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	-	<b>(2,663)</b>
(Increase)/Decrease in provision for back-pay in relation to Equal Pay cases	-	2,663
Cash settlements paid in the year	-	-
<b>Balance at 31 March</b>	-	-

## NOTE 11dd – 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.

<b>Accumulating Compensated Absences Adjustment Account</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Settlement or cancellation of accrual made at the end of the preceding year	(799)	(1,282)
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	23	483
<b>Amounts accrued at the end of the current year</b>	<b>(776)</b>	<b>(799)</b>

## NOTE 12 – OTHER OPERATING EXPENDITURE

	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Precept paid to North Wales Police Authority	7,943	7,674
Precept paid to Community Councils	1,306	1,230
(Surplus)/ Losses on the disposal of non-current assets (Including De-recognition)	9,519	10,909
Levies	3,361	3,335
<b>Total</b>	<b>22,129</b>	<b>23,148</b>

## NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

### 13a – Financing and Investment Income

	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Interest payable and similar charges	5,871	5,863
Net interest on the defined liability	2,850	2,789
Interest receivable and similar income	(64)	(31)
Income and Expenditure in relation to investment properties and changes in their fair value	1,282	7
De-recognition and impairment of Financial Assets	466	177
<b>Total</b>	<b>10,405</b>	<b>8,805</b>

### 13b – Income, Expenditure and Changes in the Fair Value of Investment Properties

	2018/19 £'000	2017/18 £'000
<b>Income/Expenditure from Investment Properties:</b>		
Income including rental income	(347)	(331)
Expenditure	129	164
<b>Net Expenditure/Income from investment properties</b>	<b>(218)</b>	<b>(167)</b>
<b>Deficit on sale of Investment Properties:</b>		
Proceeds from sale	(160)	(105)
Carrying amount of investment properties sold	142	127
<b>Deficit on sale of Investment Properties</b>	<b>(18)</b>	<b>22</b>
<b>Changes in Fair Value of Investment Properties</b>	<b>1,518</b>	<b>152</b>
<b>Total</b>	<b>1,282</b>	<b>7</b>

### NOTE 14 - TAXATION AND NON-SPECIFIC GRANT INCOME

	2018/19 £'000	2017/18 £'000
Council Tax Income	44,606	42,295
Non-Domestic Rates Redistribution	22,574	23,002
Revenue Support Grant	73,238	69,650
Other Government Grants	-	-
Capital Grants Applied To Fund Capital Expenditure	16,629	11,801
<b>Total</b>	<b>157,047</b>	<b>146,748</b>

**NOTE 15 – NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT- (PPE)**

2018/19	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2018</b>	146,450	176,934	90,617	12,827	9	4,502	3,122	434,461
Adjustment opening balance	-	-	-	-	-	-	-	-
Additions (Note 20)	9,028	4,769	2,845	748	-	11,199	-	28,589
Revaluation inc./((decr.) to Revaluation Reserve	-	1,396	-	-	-	-	153	1,549
Revaluation inc./((decr.) to (Surplus) / Deficit on the Prov. of Services	-	(328)	-	-	-	-	(1)	(329)
De-recognition - Disposals	-	(765)	-	-	-	-	-	(765)
De-recognition - other	-	-	-	-	-	-	-	-
De-recognition - replaced parts	(7,504)	(1,913)	-	-	-	-	-	(9,417)
Reclassification	-	(348)	2,787	-	-	(2,611)	172	-
Reclassifications & Transfers from Assets Held for Sale	-	-	-	-	-	-	-	-
Reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-
Reclassified from Investment Property	-	-	-	-	-	-	-	-
Reclassified to Investment Property	-	-	-	-	-	(1,868)	-	(1,868)
<b>Balance as at 31 March 2019</b>	<b>147,974</b>	<b>179,745</b>	<b>96,249</b>	<b>13,575</b>	<b>9</b>	<b>11,222</b>	<b>3,446</b>	<b>452,220</b>
<b>Depreciation and Impairment</b>								
<b>At 1 April 2018</b>	3,577	8,801	26,693	8,436	-	-	68	47,575
Adjustment Cost and Depreciation	-	-	-	-	-	-	-	-
Depreciation Charge	3,572	4,981	3,378	965	-	-	9	12,905
Depreciation written out to Revaluation Reserve	-	(4,391)	-	-	-	-	(22)	(4,413)
Depreciation written out to Surplus or Deficit on the Provision of Services	-	(203)	-	-	-	-	-	(203)
De-recognition - Disposals	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-
Reclassification to Investment Property	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2019</b>	<b>7,149</b>	<b>9,188</b>	<b>30,071</b>	<b>9,401</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>55,864</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2019</b>	<b>140,825</b>	<b>170,557</b>	<b>66,178</b>	<b>4,174</b>	<b>9</b>	<b>11,222</b>	<b>3,391</b>	<b>396,356</b>
<b>Balance as at 31 March 2018</b>	<b>142,873</b>	<b>168,133</b>	<b>63,924</b>	<b>4,391</b>	<b>9</b>	<b>4,502</b>	<b>3,054</b>	<b>386,886</b>

2017/18	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2017</b>	<b>109,028</b>	<b>186,600</b>	<b>85,528</b>	<b>11,768</b>	<b>9</b>	<b>13,895</b>	<b>2,185</b>	<b>409,013</b>
Adjustment opening balance	-	-	-	-	-	-	-	-
Additions (Note 20)	9,354	3,185	2,000	1,059	-	9,736	-	25,334
Revaluation inc./((decr.) to Revaluation Reserve	35,650	(3,486)	-	-	-	-	136	32,300
Revaluation inc./((decr.) to (Surplus) / Deficit on the Prov. of Services	-	(19,440)	-	-	-	-	(25)	(19,465)
De-recognition - Disposals	-	(2,351)	-	-	-	-	(9)	(2,360)
De-recognition - other	-	-	-	-	-	-	-	-
De-recognition - replaced parts	(7,582)	(1,766)	-	-	-	-	-	(9,348)
Reclassification	-	15,088	3,089	-	-	(19,129)	952	-
Reclassifications & Transfers from Assets Held for Sale	-	-	-	-	-	-	254	254
Reclassification to Assets Held for Sale	-	(917)	-	-	-	-	(371)	(1,288)
Reclassified from Investment Property	-	21	-	-	-	-	-	21
Reclassified to Investment Property	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2018</b>	<b>146,450</b>	<b>176,934</b>	<b>90,617</b>	<b>12,827</b>	<b>9</b>	<b>4,502</b>	<b>3,122</b>	<b>434,461</b>
<b>Depreciation and Impairment</b>								
<b>At 1 April 2017</b>	<b>3,577</b>	<b>10,595</b>	<b>23,482</b>	<b>7,556</b>	<b>-</b>	<b>-</b>	<b>67</b>	<b>45,277</b>
Adjustment Cost and Depreciation	-	-	-	-	-	-	-	-
Depreciation Charge	2,812	5,213	3,211	880	-	-	14	12,130
Depreciation written out to Revaluation Reserve	(2,812)	(5,599)	-	-	-	-	(10)	(8,421)
Depreciation written out to Surplus or Deficit on the Provision of Services	-	(1,148)	-	-	-	-	(3)	(1,151)
De-recognition - Disposals	-	(260)	-	-	-	-	-	(260)
Reclassification	-	-	-	-	-	-	-	-
Reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-
Reclassification to Investment Property	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2018</b>	<b>3,577</b>	<b>8,801</b>	<b>26,693</b>	<b>8,436</b>	<b>-</b>	<b>-</b>	<b>68</b>	<b>47,575</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2018</b>	<b>142,873</b>	<b>168,133</b>	<b>63,924</b>	<b>4,391</b>	<b>9</b>	<b>4,502</b>	<b>3,054</b>	<b>386,886</b>
<b>Balance as at 31 March 2017</b>	<b>105,451</b>	<b>176,005</b>	<b>62,046</b>	<b>4,212</b>	<b>9</b>	<b>13,895</b>	<b>2,118</b>	<b>363,736</b>

## Revaluations

The Council has £400.129m recognised as Property, Plant and Equipment and Heritage Assets on its Balance Sheet as at the valuation date of 31 March 2019. The Council has now adopted a five-year rolling programme for the valuation of its land and property. However, PPE assets with a fair value of £500k or more are revalued each year. The programme is constructed in such a way as to ensure that entire classes of assets within its land and property portfolio greater than £500k are revalued in a single year. The valuations are undertaken by the Council's in-house valuation team who are members of the Royal Institute of Chartered Surveyors (RICS). The valuations have been completed in accordance with IFRS13. Non-property assets have not been revalued as the Council has judged that the carrying value of these assets is approximate to fair value, given their relatively short useful economic lives and the relative value of these assets. Additional information on the Council's policy on the measurement and valuation of non-current assets is included in sections 7 to 10 of Note 51 Accounting Policies.

## NOTE 16 - SIGNIFICANT CAPITAL COMMITMENTS

At 31 March 2019, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment giving rise to significant capital commitments of £0.681m in 2019/20 and future years as shown in the table below. Similar commitments to 31 March 2018 were £10.637m. The significant decrease is the result of the completion of the Llangefni Link Road and the Llangefni Strategic Infrastructure projects, and that Ysgol Santes Dwynwen was nearly complete. No new significant capital contracts were entered into during the year.

	<b>Commitment into 2019/20 &amp; future years as at 31 March 2019 £'000</b>	<b>Commitment into 2018/19 &amp; future years as at 31 March 2018 £'000</b>
21st Century Schools - Dwynwen	152	4,609
Llangefni Link Road - Section 3	-	748
Market Hall Holyhead - Phase II	422	2,045
Llangefni Strategic Infrastructure	-	2,485
Planned Maintenance Contracts - HRA	107	750
<b>Total</b>	<b>681</b>	<b>10,637</b>

**NOTE 17 – HERITAGE ASSETS  
2018/19**

	<b>Art Collection and Civic Regalia £'000</b>	<b>Heritage Land &amp; Buildings £'000</b>	<b>Total Heritage Assets £'000</b>
<b>Cost or Valuation</b>			
<b>At 1 April 2018</b>	<b>2,110</b>	<b>1,910</b>	<b>4,020</b>
Additions	-	-	-
Disposal	-	-	-
Revaluation	-	132	132
Accumulated Depreciation written out	-	(101)	(101)
<b>At 31 March 2019</b>	<b>2,110</b>	<b>1,941</b>	<b>4,051</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>At 1 April 2018</b>	-	<b>375</b>	<b>375</b>
Depreciation Charge	-	101	101
Accumulated Depreciation written out	-	(101)	(101)
<b>At 31 March 2019</b>	-	<b>375</b>	<b>375</b>
<b>Net Book Value</b>			
<b>At 31 March 2019</b>	<b>2,110</b>	<b>1,566</b>	<b>3,676</b>
<b>At 31 March 2018</b>	<b>2,110</b>	<b>1,535</b>	<b>3,645</b>

**2017/18**

	<b>Art Collection and Civic Regalia £'000</b>	<b>Heritage Land &amp; Buildings £'000</b>	<b>Total Heritage Assets £'000</b>
<b>Cost or Valuation</b>			
<b>At 1 April 2017</b>	<b>1,834</b>	<b>1,960</b>	<b>3,794</b>
Additions	-	-	-
Disposal	-	-	-
Revaluation	276	14	290
Accumulated Depreciation written out	-	(64)	(64)
<b>At 31 March 2018</b>	<b>2,110</b>	<b>1,910</b>	<b>4,020</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>At 1 April 2017</b>	-	<b>340</b>	<b>340</b>
Depreciation Charge	-	99	99
Accumulated Depreciation written out	-	(64)	(64)
<b>At 31 March 2018</b>	-	<b>375</b>	<b>375</b>
<b>Net Book Value</b>			
<b>At 31 March 2018</b>	<b>2,110</b>	<b>1,535</b>	<b>3,645</b>
<b>At 31 March 2017</b>	<b>1,834</b>	<b>1,620</b>	<b>3,454</b>

## Revaluation of Heritage Assets

A number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. At 31 March 2019, there were four such assets (unchanged from 31 March 2018):-

Beaumaris Gaol  
Beaumaris Courthouse  
Melin Llynnon Mill  
Pilot Cottages, Ynys Llanddwyn

The revaluation of these assets follows the Council's standard revaluation procedures for land and property. The Heritage Assets were last revalued in 2018/19.

A valuation for the Art Collections was obtained during 2017/18 and the resulting value has been reflected in the 2018/19 Accounts. The valuation is based on a representative sample of the collections. The valuation was carried out by Bonhams of London, a firm of international Art Auctioneers and Valuers.

## NOTE 18 – INVESTMENT PROPERTIES

### a) Investment Properties

	2018/19 £'000	2017/18 £'000
<b>Balance at start of the year</b>	5,791	6,092
Additions:		
- Subsequent expenditure	-	-
Disposals	(142)	(128)
Net gains/(losses) from fair value adjustments	(1,518)	(152)
Transfers:		
- (to)/from Asset held for Sale	-	-
- (to)/from Property, Plant and Equipment	1,869	(21)
<b>Balance at end of the year</b>	<b>6,000</b>	<b>5,791</b>

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 carry out repairs, maintenance or enhancement to existing investment properties.



**b) Fair Value Measurement of Investment Properties**

**2018/19 Fair Value Hierarchy**

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair Value as at 31 March 2019
	£'000	£'000	£'000	£'000
Retail Properties	-	820	-	820
Office units	-	658	-	658
Commercial units	-	4,522	-	4,522
<b>Total</b>	-	<b>6,000</b>	-	<b>6,000</b>

**2017/18 Fair Value Hierarchy**

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair Value as at 31 March 2018
	£'000	£'000	£'000	£'000
Retail Properties	-	136	-	136
Office units	-	832	-	832
Commercial units	-	4,823	-	4,823
<b>Total</b>	-	<b>5,791</b>	-	<b>5,791</b>

**c) Valuation Approaches used in the Valuation of Investment Properties**

**Retail**

The fair value for the retail properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Local Authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs is significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

**Investment Properties**

The office and commercial units located in the Local Authority area are measured using the income approach, by means of the discounted cash flow method, where the agreed cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. Yields have been derived from comparable observable valuations/sales. The Authority's investment properties are, therefore, categorised as Level 2 in the fair value hierarchy as the measurement technique uses observable inputs to determine the fair value measurements. In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is their current use.

The fair value of the Authority's investment property is measured annually at each reporting period. All valuations are carried out internally in accordance with the methodologies and base for estimations set out in the professional standards of the Royal

Institute of Chartered Surveyors. The Authority's valuations experts work closely with finance officers, reporting directly to the Section 151 Officer on a regular basis regarding all valuation matters.

## NOTE 19 – INTANGIBLE ASSETS

The Council 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 within Property, Plant and Equipment.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £190k charged to revenue in 2018/19 was charged to the IT Administration cost centre within Transformation line of the Net Expenditure of Services.

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 Council. The useful lives assigned to the major software suites used by the Council are five years.

### The Movement in Intangible Assets for the Year is as follows:-

	2018/19 £'000	2017/18 £'000
<b>Balance at start of year:</b>		
Gross carrying amounts	1,835	1,538
Accumulated amortisation	(1,079)	(932)
<b>Net carrying amount at start of year</b>	<b>756</b>	<b>606</b>
Additions	135	297
Amortisation for the financial year	(190)	(147)
<b>Net carrying amount at end of year</b>	<b>701</b>	<b>756</b>
<b>Comprising:</b>		
Gross carrying amounts	1,970	1,835
Accumulated amortisation	(1,269)	(1,079)
<b>Net carrying amount at end of year</b>	<b>701</b>	<b>756</b>

## NOTE 20 - 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.

<b>Capital Expenditure and Financing</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
<b>Opening Capital Financing Requirement</b>	<b>136,866</b>	<b>134,014</b>
<b>Capital Invested in Year</b>		
Property, Plant and Equipment	28,589	25,334
Intangible Assets	134	297
Heritage Assets	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	1,954	3,724
<b>Total</b>	<b>30,677</b>	<b>29,355</b>
<b>Source of Finance</b>		
Capital receipts	(726)	(2,457)
Reserve	-	-
Government Grants and Contributions	(16,629)	(11,801)
Revenue Provisions	(6,357)	(6,600)
Loan	-	-
Insurance	-	-
REFCUS Grants	(1,928)	(1,157)
Minimum Revenue Provision and Set Aside	(3,242)	(4,488)
<b>Total</b>	<b>(28,882)</b>	<b>(26,503)</b>
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>1,795</b>	<b>2,852</b>
<b>Closing Capital Financing Requirement</b>	<b>138,661</b>	<b>136,866</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow supported by Government assistance	402	402
Increase in underlying need to borrow unsupported by Government assistance	4,267	6,043
Loan	369	895
Minimum Revenue Provision and Voluntary Set Aside	(3,242)	(4,488)
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>1,796</b>	<b>2,852</b>

## NOTE 21 – ASSETS HELD FOR SALE

	Current		Non-Current	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Balance outstanding at start of year	2,442	3,524	-	-
<b>Assets newly classified as held for sale:</b>				
Transferred from Property, Plant and Equipment during the year	-	1,288	-	-
Transfer to Property, Plant and Equipment	-	(254)	-	-
Transfer to Investment Property	-	-	-	-
Costs of Assets Sold	(864)	(2,135)	-	-
Revaluation	(21)	19	-	-
<b>Balance outstanding at year-end</b>	<b>1,557</b>	<b>2,442</b>	<b>-</b>	<b>-</b>

## NOTE 22 – LEASES

### Operating Leases

The Council had leased 5 properties at 31 March 2019 for its homelessness function (3 properties at 31 March 2018) and the lease rentals for the year totalled £0.052m (£0.077m in 2017/18).

The Council also holds certain items of plant and equipment under operating leases or rental agreements within schools and other Council departments. The charge to revenue for these items is £0.097m in 2018/19 (£0.135m in 2017/18).

During the year, the Council leased out 3 properties on long term leases and were taken off the Council's Balance Sheet. The Council also leased out a number of other assets on short-term leases and have, therefore, remained on the Council's Balance Sheet.

The Council currently have two vehicles leased in until April and July 2020, and will be returned to the supplier at this end date, therefore are not on the Council's Balance Sheet. An annual charge of £9k is made for these vehicles.

At at 31<sup>st</sup> March 2019 there were ongoing discussion about leasing out Beaumaris Gaol & Court, and Melin Llynnon, however, they were still in the Council's ownership on this date. It is likely that Melin Llynnon will be leased as an operating lease and will remain on the Balance Sheet. The Gaol and Court will be transferred to Beaumaris Town Council on a freehold basis and will be taken off the Balance Sheet.

## NOTE 23 – INVENTORIES

In undertaking its work, the Council holds reserves of inventories together with amounts of uncompleted work (work in progress). The figure shown in the Balance Sheet may be subdivided as follows:

	31 March 2019 £'000	31 March 2018 £'000
Salt Stock	120	-
Central Stores - Housing Maintenance Unit	-	152
Gofal Môn - Social Services Supplies	62	97
Other - Stationery and other consumables, fuel and goods held for resale	118	136
<b>Total</b>	<b>300</b>	<b>385</b>

## NOTE 24 – DEBTORS

	31 March 2019 £'000	31 March 2018 £'000
Trade Receivables	4,761	3,559
Prepayments	901	1,372
Other Receivable Amounts	24,257	19,041
<b>Total</b>	<b>29,919</b>	<b>23,972</b>

The above debtors' figures are net of bad debt provisions totalling £5.639m in 2018/19 (£5.543m in 2017/18), which can be analysed as follows:-

	31 March 2019 £'000	31 March 2018 £'000	Movement in Year
Council Tax	1,699	1,621	78
NDR	561	585	(24)
Rents	472	506	(34)
Trade Debtors	1,347	1,418	(71)
Other	1,560	1,413	147
<b>Total</b>	<b>5,639</b>	<b>5,543</b>	<b>96</b>

## NOTE 25 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flow can be reconciled to the related items in the Balance Sheet as follows:

	31 March 2019 £'000	31 March 2018 £'000
Cash and Bank balances	15,825	7,789
Bank Overdraft	-	-
<b>Total</b>	<b>15,825</b>	<b>7,789</b>

## NOTE 26 – CREDITORS

	31 March 2019 £'000	31 March 2018 £'000
Trade Creditors	1,187	517
Other Payables	19,936	17,675
<b>Total</b>	<b>21,123</b>	<b>18,192</b>

## NOTE 27 – PROVISIONS

	Balance at 1 April 2017 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2018 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2019 £'000
Insurance Claims Provision	168	535	(438)	265	354	(349)	270
Penhesgyn Waste Site	2,631	2,229	(229)	4,631	278	(104)	4,805
Equal Pay	2,663	-	(2,663)	-	-	-	-
Caterlink Pension Provision	-	75	-	75	-	(75)	-
Home Carers Travel Provision	-	159	-	159	-	-	159
Supreme Court Judgement - Nursing Care	-	196	-	196	-	(196)	-
<b>Total</b>	<b>5,462</b>	<b>3,194</b>	<b>(3,330)</b>	<b>5,326</b>	<b>632</b>	<b>(724)</b>	<b>5,234</b>
<b>Short-Term Provisions</b>	<b>2,831</b>	<b>965</b>	<b>(3,101)</b>	<b>695</b>	<b>354</b>	<b>(620)</b>	<b>429</b>
<b>Long-Term Provisions</b>	<b>2,631</b>	<b>2,229</b>	<b>(229)</b>	<b>4,631</b>	<b>278</b>	<b>(104)</b>	<b>4,805</b>
<b>Total</b>	<b>5,462</b>	<b>3,194</b>	<b>(3,330)</b>	<b>5,326</b>	<b>632</b>	<b>(724)</b>	<b>5,234</b>

### Purpose of Main Provisions

#### Insurance Claims Provision

The Council's external insurance policies have excess deductible amounts, which mean that the first part of 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

The provision is for the aftercare of the areas of the site formerly used for landfill. There is no defined timescale for this work to be completed although, for management purposes, a time span of 30 years has been used on an ongoing basis until there is evidence that a shorter period would be sufficient.

#### Other Short-term Provisions created in 2018/19

There were no new short-term provisions created in 2018/19 for liabilities the Council is likely to incur due to past events. There were three other short-term provisions brought forward from 2017/18, two of which have been utilised in year as noted below and the third is still held at the end of 2018/19 in full.

The provisions held for Caterlink Pension costs following the transfer of staff under TUPE and for Nursing Care costs following a Supreme Court Judgement have been utilised in 2018/19 as settlement for these liabilities have been made.

The final provision of £159k held in relation to Home Carer's Travel has been reviewed. Settlement for this liability is delayed and had taken longer than originally anticipated as a result of a settlement offer being rejected. Settlement is expected to be made within 12 months of the

reporting date.

## NOTE 28 – CASH FLOW FROM OPERATING ACTIVITIES

	2018/19 £'000	2017/18 £'000
<b>Adjustment to surplus or deficit on the Provision of Services for non-cash movements</b>		
Depreciation, Impairment and amortisation	13,195	12,380
Downward/(upwards) revaluations and non-sale de-recognitions	206	18,403
(Increase)/Decrease in Inventories	85	(18)
(Increase)/Decrease in Debtors	(5,682)	(3,794)
Increase/(Decrease) in impairments for Bad Debts	96	(110)
Increase/(Decrease) in Creditors	2,774	(1,995)
Increase/(Decrease) in Capital Grants receipts in advance	(1,082)	3,624
Transactions within the CIES relating to retirement benefits	9,808	6,537
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	1,675	4,363
Contributions to/(from) Provisions	(92)	(136)
Movement in value of investment properties - Impairment and downward revaluations (and non-sale de-recognitions)	1,518	152
<b>Total</b>	<b>22,501</b>	<b>39,406</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 the sale of Property, Plant and Equipment, investment property and assets held for sale	(1,592)	(2,782)
Capital grants included in "Taxation and non-specific grant income"	(16,629)	(11,801)
<b>Total</b>	<b>(18,221)</b>	<b>(14,583)</b>

## NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

	2018/19 £'000	2017/18 £'000
Purchase of Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets	(28,724)	(25,333)
Short-Term Investments (not considered to be cash equivalents)	-	5
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	1,592	2,782
Capital Grants and Contributions Received	16,629	11,801
<b>Net Cash flows from Investing Activities</b>	<b>(10,503)</b>	<b>(10,745)</b>

## NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

	2018/19 £'000	2017/18 £'000
Cash Receipts from Short and Long-Term Borrowing	20,564	11,173
Difference between cash paid and received as part of NDR Pool 2017/18	1,331	129
Cash movements on Houses into Homes agency schemes	220	218
Other	307	(150)
<b>Net Cash flows from Financing Activities</b>	<b>22,421</b>	<b>11,370</b>

	2018/19 £'000	2017/18 £'000
Interest Received	(64)	(31)
Interest Paid	5,870	5,862

## NOTE 31 – NATURE OF EXPENSES NOTE

The Comprehensive Income and Expenditure Statement provides financial information in relation to expenditure and income per service. This nature of expenses note provides financial information per type of expenditure rather than by service. The 2017/18 figures in this note have been re-stated to enable comparability. Re-stated figures are due to the reallocation of central support cost contributions under the HRA on to their relevant nature of expense, as well as identifying de-recognition and impairment of financial assets as a separately identified expense.

	2018/19 £'000	2017/18 £'000
<b>Expenditure</b>		
Employee benefits	94,305	91,480
Other services	105,715	124,921
Depreciation, amortisation, impairment and revaluations	14,713	12,380
Interest payments	8,720	8,825
De-recognition and Impairment of Financial Assets	465	177
Precepts and levies	12,610	12,239
(Gain)/loss on the disposal of assets	9,518	10,909
<b>Total Expenditure</b>	<b>246,046</b>	<b>260,931</b>
<b>Income</b>		
Fees, charges and other service income	(30,801)	(29,609)
Interest and investment income	(300)	(198)
Income from council tax, non-domestic rates	(67,180)	(65,297)
Government grants and contributions	(139,603)	(133,228)
<b>Total Income</b>	<b>(237,884)</b>	<b>(228,332)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>8,162</b>	<b>32,599</b>

## NOTE 31b - REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

### Income from service recipients

Local authorities were required to implement a new financial standard, IFRS15 Revenue from Contracts with Customers from 1 April 2018. This applies to income from individuals or organisations who have contracted to receive a service or goods from the Council as part of the Authority's normal operating activities. The term 'Contracts' is interpreted widely to include most of the Council's fees, charges and rents where services/goods are provided for those fees, charges and rents. Contracts can be written, oral or implied by the Council's normal business practices. Statutory charges such as Council Tax, National Domestic Rates (NDR) and fines are excluded from IFRS15 and are not included in any of the information about income from service recipients. Grants and contributions are also excluded.



**Table 31b.1** below summarises the income received from service recipients in accordance with IFRS15

<b>Revenue From Contracts with Service Recipients</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Revenue From Contracts with Service Recipients	(30,597)	(29,694)
Impairment of receivables or contract assets	290	(11)
<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>(30,307)</b>	<b>(29,705)</b>

**Table 31b.2** - Amounts included in the Balance Sheet for Amounts owed for Contracts with Service Recipients

<b>Amounts included in the Balance Sheet for Contracts with Service Recipients</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Receivables, which are included in debtors (Note 24)	5,981	5,130
Contract Assets	-	-
Contract Liabilities	-	-
<b>Total included in Net Assets</b>	<b>5,981</b>	<b>5,130</b>

Most transactions the Council enter into with service recipients are straightforward. All transaction prices are based on the Council's Fees and Charges booklet which has been approved by the Executive and which are outlined on the Council's website at the following link/web address <https://www.anglesey.gov.uk/en/Council/Council-finances/Fees-and-charges.aspx>. Service recipients typically are given 14 days to pay the Council fees and charges owed. This excludes fees and charges payable at the point of provision of the goods/services.

Contracts can relate to the financial year from 1 April 2018 to 31 March 2019 such as refuse collection from businesses. Any income not received by the end of March is accrued to match with the services provided. Some income is received at the same time as the service/good is provided, for example, sale of gifts in the Oriel shop, admission for a swimming session at the Leisure Centres. One of the most complex income types relates to fees and charges for complex Adults Social Care placements. These charges can be deferred until income is available from sale of property. The Adults Service does recognise this income each financial year despite it being deferred to match with the period when the care is provided.

The table below highlights the more material/significant amounts of income per service, which relate to fees, charges and rents from service recipients. Income types per service which amount to £100k or more are included and are considered material.

### 31b.3 - Material types of revenue recognised from service recipients

Material Income from Service Recipients by Service	2018/19 £'000	2017/18 £'000	Comments re timing of income compared to when service provided, nature of services, performance over a period time of at point in time when income received. Obligations and warranties if relevant
<b>Lifelong Learning</b>			
Galleries and Museums shop sales	(115)	(93)	Income received at point of sale
School meals inclusive of milk	(845)	(815)	Income received at point of sale
Learning	(960)	(908)	
<b>Adult Services</b>			
Sales - finished goods	(143)	(116)	Income received at point of sale
Council owned residential homes	(1,332)	(1,550)	Invoices raised in the month the service is provided and accruals are made at yearend for any uninviced amounts
Domilicary care	(732)	(640)	linvoices raised in the month the service is provided and accruals are made at yearend for any uninviced amounts
Private residential homes	(1,356)	(1,379)	All income is invoiced four weeks in arrears and yearend accruals are completed for uninviced amounts
Private Nursing homes	(437)	(459)	All income is invoiced four weeks in arrears and yearend accruals are completed for uninviced amounts
Deferred charges	(381)	(358)	All income relating to up to 31 March 2019 has been accounted for in 2018/19
Gofal Mon - lifeline	(95)	(107)	Most income is invoiced and accounted for in April and May each financial year
Adult Services	(4,000)	(4,609)	
Housing non-HRA dwellings	(65)	(149)	Rents paid and accounted for weekly in advance
<b>Highways, Waste and Property</b>			
Sale of electricity	(103)	(181)	Income is accounted for quarterly in arrears and yearend accruals are completed to bring outstanding income into the correct financial year.
Temporary Road Closures	(280)	(288)	Income is collected immediately before the service has been delivered
Car parking fees	(571)	(528)	Income is received at point of sale
Expenditure reclaimed from third parties	(272)	(666)	All income relating to up to 31 March 2019 has been accounted for in 2018/19
Recycling Paper	(169)	(224)	Income is accounted for quarterly in arrears and yearend accruals are completed to bring outstanding income into the correct financial year.
Recyling Cans	(103)	(151)	Income is accounted for quarterly in arrears and yearend accruals are completed to bring outstanding income into the correct financial year.
Rents	(659)	(973)	Rents from investment properties are paid in advance. Rent from smallholdings is in arrears six monthly, accruals are made to ensure all rents to 31 March 2019 is accounted for in 2018/19
Highways, Waste and Property	(2,157)	(3,012)	

<b>Material Income from Service Recipients by Service</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>	<b>Comments re timing of income compared to when service provided, nature of services, performance over a period time of at point in time when income received. Obligations and warranties if relevant</b>
<b>Regulation and Economic Development</b>			
Leisure membership fees paid monthly by direct debit	(847)	(701)	Income relates to same month the service is provided
Leisure Facilities Admission Fees	(319)	(260)	Income collected at point of service
Planning Fees	(467)	(646)	The income is received when the application is submitted
Building Regulation Fees	(189)	(176)	Part of the fees are paid on application and the remaining fee is paid when the first inspection is undertaken
Fees Registrar of Births, Marriages and Deaths	(100)	(89)	Income is recorded in the same period the service is provided
Regulation and Economic Development	(1,922)	(1,873)	
<b>Council Business</b>			
Land charges fees	(137)	(154)	The income is received throughout the year as land charge searches are performed
<b>Housing Revenue Account (HRA)</b>			
Housing rents dwellings	(17,089)	(16,126)	Rents are paid and accounted for one week in advance
Housing rents - garages	(215)	(216)	Rents are paid and accounted for one week in advance
Service charges	(180)	(97)	Rents are paid and accounted for one week in advance
Housing Revenue Account (HRA)	(17,484)	(16,439)	-
	(26,725)	(27,144)	

## NOTE 32 – TRADING OPERATIONS

The Council has no Trading Operations.

## NOTE 33 - MEMBERS' ALLOWANCES

A total of £0.686m (£0.660m in 2017/18) was paid in respect of allowances to Council Members during the year as follows:-

	2018/19 £'000	2017/18 £'000
Basic and Special responsibility allowances	569	539
Chairman and Deputy Chairman's Allowance	6	6
Pension Costs	45	51
National Insurance Costs	45	41
Travel Costs	8	7
Subsistence	2	1
Miscellaneous	11	15
<b>Total</b>	<b>686</b>	<b>660</b>

In addition, the Council spent £21,853 on expenses for lay members (£14,648 in 2017/18).

## NOTE 34 – OFFICERS' REMUNERATION

The number of employees whose actual remuneration paid was more than £60k but not more than £150k in 2018/19, excluding pension contributions but including severance pay, is as follows:-

Officer Remuneration	Non-Schools 2018/19 Number of Employees	Non-Schools 2017/18 Number of Employees	Schools 2018/19 Number of Employees	Schools 2017/18 Number of Employees
£60,000 to £64,999	-	4	5	4
£65,000 to £69,999	-	1	3	1
£70,000 to £74,999	2	3	3	3
£75,000 to £79,999	4	1	-	1
£80,000 to £84,999	1	1	2	2
£85,000 to £89,999	2	2	1	-
£90,000 to £94,999	-	-	-	-
£95,000 to £99,999	-	-	-	-
£100,000 to £104,999	-	-	-	-
£105,000 to £109,999	-	-	-	-
£110,000 to £114,999	-	1	-	-
£115,000 to £119,999	1	-	-	-
<b>Total</b>	<b>10</b>	<b>13</b>	<b>14</b>	<b>11</b>

There are no officers whose remuneration exceeds £120k.

The following table provides details of remuneration paid to senior employees who are employed on a permanent basis and whose annual salaries and other benefits exceed £60k per annum. Senior employees whose remuneration exceeds £150k per annum are also named individually to comply with statutory requirements:-

Senior Officer Remuneration 2018/19	Salary, Fees and Allowances £'000	Expenses Allowances £'000	Compensation for loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive *	116	1	-	21	138
Assistant Chief Executive	88	1	-	17	106
Assistant Chief Executive	80	2	-	15	97
Head of Council Business	77	-	-	14	91
Head of Resources and Section 151 Officer	84	1	-	16	101
Head of Profession HR & Transformation Services	71	-	-	13	84
Head of Housing	63	1	-	12	76
Head of Regulation and Economic Development	75	-	-	14	89
Head of Lifelong Learning	73	-	-	14	87
Head of Children's Services	76	1	-	14	91
Head of Adult Services	77	-	-	14	91
Head of Highways, Property and Waste	64	1	-	12	77
<b>Total</b>	<b>944</b>	<b>8</b>	<b>-</b>	<b>176</b>	<b>1,128</b>

\* Note: Returning Officer element of Chief Executive salary is £1,305 and is not included in the figures above.

\* During the financial year two heads of services posts became one, to create Head of Profession HR & Transformation Services

**Comparative figures for 2017/18 are shown in the following table:-**

Senior Officer Remuneration 2017/18	Salary, Fees and Allowances £'000	Expenses Allowances £'000	Compensation for loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive *	113	1	-	21	135
Assistant Chief Executive	87	1	-	16	104
Assistant Chief Executive	87	2	-	16	105
Head of Council Business	75	-	-	14	89
Head of Resources and Section 151 Officer	83	1	-	15	99
Head of Profession HR	64	-	-	12	76
Head of Housing	69	1	-	12	82
Head of Regulation and Economic Development	73	1	-	14	88
Head of Lifelong Learning	73	-	-	14	87
Head of Children's Services	66	-	-	13	79
Head of Adult Services	72	-	-	13	85
Head of Highways, Property and Waste	67	2	-	12	81
Head of Corporate Transformation	61	-	-	11	72
Chief Planning Officer - Energy Island	-	-	-	-	-
<b>Total</b>	<b>990</b>	<b>9</b>	<b>-</b>	<b>183</b>	<b>1,182</b>

\* Note: Within the Chief Executive's salaries, fees and allowances a Returning Officer payment of £1,305 is included.

The remuneration ratio of the Chief Executive to the median remuneration of all employees during 2018/19 is 6.35:1 (6.51:1 in 2017/18).

### NOTE 35 - TERMINATION PAYMENTS

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:-

Exit Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19 £'000	2017/18 £'000
£0 - £20,000	36	21	19	54	55	75	342	362
£20,001 - £40,000	5	4	8	11	13	15	343	437
£40,001 - £60,000	-	-	3	1	3	1	141	44
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £250,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>41</b>	<b>25</b>	<b>30</b>	<b>66</b>	<b>71</b>	<b>91</b>	<b>826</b>	<b>843</b>

### NOTE 36 – EXTERNAL AUDIT FEES

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

	2018/19 £'000	2017/18 £'000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	192	192
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for prior years	-	15
Fees payable to Wales Audit Office in respect of statutory inspections	100	100
Fees payable to Wales Audit Office for the certification of grant claims and returns for the year	135	115
<b>Total</b>	<b>427</b>	<b>422</b>

## NOTE 37 – GRANTS INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19 and 2017/18 as follows:-

### 2018/19

	Note	2018/19 £'000	2017/18 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>			
Revenue Support Grant (Non-ring-fenced Government Grants)	14	73,238	69,650
Capital Grants and Contributions	14	13,958	9,110
Grant - HRA (Capital Grants and Contributions)	14	2,671	2,691
Other (Non-ring-fenced Government Grants)	14	-	-
<b>Total</b>		<b>89,867</b>	<b>81,451</b>
<b>Credited to Services</b>			
<b>Grants:</b>			
Post-16 Grant (Education)		2,356	2,523
Flying Start (Education)		1,419	1,379
Foundation Phase Grants (Education)		-	-
Education Improvement Grant (Education)		2,751	2,969
Pupil Development Grant (Education)		1,687	1,654
Concessionary Fares Grant		722	717
Housing Benefit Subsidy		18,370	18,493
Supporting People Grant (SPG & SPRG)		2,708	2,549
Environment and Sustainable Development Grant		479	1,601
<b>Total</b>		<b>30,491</b>	<b>31,885</b>
<b>Other Grants:</b>			
Lifelong Learning		3,256	1,707
Adult Services		585	1,994
Children's Services		900	890
Housing		1,146	1,104
Highways, Waste and Property		1,460	2,197
Economic Development and Regulatory		1,094	700
Corporate Transformation		220	202
Resources		578	600
Council Business		11	22
Corporate and Democratic Costs		100	374
Corporate Finance		-	-
Housing Revenue Account		88	39
<b>Total</b>		<b>9,436</b>	<b>9,829</b>
<b>Contributions:</b>			
		<b>9,808</b>	<b>10,063</b>
<b>Total</b>		<b>139,603</b>	<b>133,228</b>

## Capital Grants Received in Advance

The following capital grants were received in advance and have not been applied to the Comprehensive Income and Expenditure Statement.

Capital Grants and Contributions Received in Advance	2018/19 £'000
<b>Welsh Government Capital Grants and Contributions Received in Advance:</b>	
TMF Grant	124
MALD Grant - Market Hall	152
Welsh Government contribution to Construction of Penrhos Industrial Units, Holyhead	1,511
21st Century Schools	402
Affordable Housing Scheme	155
Childcare small grant scheme	165
<b>Capital Grants and Contributions Received in Advance from other Organisations:</b>	
Holyhead Gateway Reclamation	306
<b>Total</b>	<b>2,815</b>

Capital Grants and Contributions Received in Advance	2017/18 £'000
<b>Welsh Government Capital Grants and Contributions Received in Advance:</b>	
TMF Grant	124
MALD Grant for Market Hall	152
Welsh Government contribution to Construction of Penrhos Industrial Units, Holyhead	1,600
21st Century Schools Programme	86
ERDF Grant for Llangefni Infrastructure	1,699
<b>Capital Grants and Contributions Received in Advance from other Organisations:</b>	
Other Grants	236
<b>Total</b>	<b>3,897</b>



## NOTE 38 – RELATED PARTIES

The Council is required to disclose information in relation to the Authority's transactions and outstanding balances with its related parties. The materiality of individual transactions arising through related parties and the following disclosures are concerned with transactions between the Council and its related parties.

### Members

The Council appoints members to certain public, charitable and voluntary bodies, which are independent from the Council but have an impact on its service areas. In order that the Council can maintain effective partnerships with a number of these organisations, representatives of the Council, usually elected Councillors, sit on the various committees and forums that are responsible for them. A list of the outside bodies and the Council's representation can be found in Appendix 1.

During 2018/19, a total of £2.891m was paid in grants for the purchase of services from these bodies (£3.559m in 2017/18). A summary of the individual organisations (where not disclosed elsewhere) which have transactions with the Council in excess of £0.02m:

#### 2018/19

Related Party	Relationship	Payments Made £'000	Amount owed by the Council £'000	Amounts owing to the Council £'000
Grwp Llandrillo Menai	Member appointed by the Council to be a representative	282	-	10
Medrwn Mon	Member appointed by the Council to be a representative	123	-	-
University Of Wales - Bangor	Member appointed by the Council to be a representative	32	36	19
Ynys Môn C A B Ltd	Member appointed by the Council to be a representative	93	-	-
		<b>530</b>	<b>36</b>	<b>29</b>

#### 2017/18

Related Party	Relationship	Payments Made £'000	Amount owed by the Council £'000	Amounts owing to the Council £'000
Age UK / Age Cymru (Age Concern)	Member appointed by the Council to be a representative (Member lost seat in May 2017)	56	14	4
Anglesey Citizens Adyice Bureau	Member appointed by the Council to be a representative	85	-	-
Carers Trust North Wales Crossroads Care	Member appointed by the Council to be a representative	32	2	-
Grwp Llandrillo Menai	One Member is member of the site committee & another Member employed by the company	224	2	9
Medrwn Môn	Member appointed by the Council to be a representative	111	-	-
		<b>508</b>	<b>18</b>	<b>13</b>

The Council is a member of the Welsh Local Government Association, to which subscriptions of £0.097m were paid in 2018/19 (£0.098m in 2017/18).

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 £0.686m was paid by the Council in 2018/19 in relation to these interests (£0.785m in 2017/18).

### **Senior Officers**

Senior Officers are required to complete a personal declaration of interest, stating any interests they may hold with any organisation which may receive payments from the Council. No material related party transaction occurred in relation to senior officers in 2018/19.

### **Government**

Betsi Cadwalader University Health Board, through common control by central Government, is a related party to the Council. Payments made by the Council for 2018/19 to BCUHB amounted to £1.160m (£0.993m in 2017/18) and £0.160m was owing at year-end. Receipts taken in by the Council from BCUHB came to £2.077m (£3.768m in 2017/18), with £2.231m due from our related party at year-end.

### **INTERESTS IN COMPANIES**

The Council has an interest in the following company where the other member is Gwynedd Council, but it does not have significant influence over the company:-

#### **Cwmni Cynnal Cyf**

This company was established jointly by the Isle of Anglesey and Gwynedd County 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 £1.

The company accounts for 2017/18 show a net loss of £0.148m (£0.156m loss in 2016/17). The turnover for 2017/18 was £2.396m (£2.348m 2016/17). The company's published accounts show net liabilities of £0.131m as at 31 March 2018 (net liabilities were £0.383m at 31 March 2017).

Copies of the financial statements are available from Cwmni Cynnal Cyf, Plas Llanwnda, Caernarfon, Gwynedd. The auditor's report on the accounts for the financial year ended 31 March 2018 is not qualified. During the 2018/19 financial year, the Council accounted for costs of £0.583m (£0.757m in 2017/18) relating to the purchase of services from the company.

This company appointed Ieuan Williams as their Chief Executive Officer in 2017. Ieuan Williams is a Councillor of the Authority and holds the role of Deputy Leader and Portfolio Holder for Service Transformation and the Welsh Language.

The Council also has interests in the following companies:-

### **Welsh Joint Education Committee - WJEC CBAC Limited**

The Council is a member of WJEC CBAC Limited, a charitable company whose members are the twenty-two 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 £1.

During the 2018/19 financial year, the Council accounted for £0.377m (£0.463m 2017/18) for purchase of services from the company.

The company accounts for 2016/17 (that is to year ended 30 September) show a net positive movement in funds of £20.390m (net negative movement in funds of £12.785m 2015/16). The turnover for 2016/17 was £44.977m (£41.364m 2015/16) and net assets amounted to £39.458m as at 30 September 2017 (£19.068m as at 30 September 2016).

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 financial year ended 30 September 2017 is not qualified.

### **Menter Môn Cyfyngedig**

The Council is a member of Menter Môn Cyf, and was one out of a total of three members at 31 March 2019. 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 £1.

During the 2018/19 financial year, the Council made payments of £0.124m to the company in support of the activities (£0.239m 2017/18).

The company accounts for the financial year ended 31 December 2017 shows net profit before tax of £0.083m (net loss before tax of £0.192 in 2016/17). The turnover for 2017 was £2.674m (£1.746m in 2016) and net assets amounted to £0.176m as at 31 December 2017 (net liabilities of £0.854m in 2016).

Copies of the company's accounts can be obtained from Menter Môn, Llangefni Town Hall, Buckley Square, Llangefni, Anglesey, LL77 7LR. The auditor's report on the accounts for the financial year ended 31 December 2017 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, represent only the net current assets. The school also has non-current assets that are stated on the school's Balance Sheet at £0.785m at 31 March 2018 (£0.631m at 31 March 2017), on a combination of valuation and historical cost, less depreciation. The non-current assets are vested in the school's Governing Body and are not consolidated in this Council's Balance Sheet.

### **NOTE 39 - TRUST FUNDS**

The Council acts as trustee for a number of trust funds. Their accounts are available from the Accountancy Section, Resources, Council Offices, Isle of Anglesey County Council, Llangefni, LL77 7TW. Besides the legacies left for purposes such as prize funds at schools and comforts and improvements in Social Services establishments, the Council is also responsible for the following Trust funds.

During 2018/19, the Head of Function (Resources)/Section 151 Officer had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners. The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one:-

#### **The Isle of Anglesey Charitable Trust (Reg. No. 1000818)**

The Council is the sole trustee of the Isle of Anglesey Charitable Trust, which was established to administer investments purchased from monies received from Shell U.K. Limited when the company ceased operating an oil terminal on Anglesey. The objectives of the Charitable Trust are to provide amenities and facilities for the general public benefit of persons resident in the Isle of Anglesey. This is achieved by contributing towards spending on public services and by making grants to charitable and voluntary organisations.

In 2018/19, the Council received £0.215m (£0.215m in 2017/18) from the Trust towards the running costs of Oriel Ynys Môn.

#### **Welsh Church Fund**

The investments of this fund are currently being administered by Gwynedd Council on behalf of the successor authorities of Gwynedd County Council. In the future, Anglesey's share of the Welsh Church Fund will be transferred to the Isle of Anglesey County Council to administer. This is to occur early in the 2019/20 financial year.

#### **Anglesey Further Education Trust Fund (Reg. No. 525254)**

75% of net income from the David Hughes Charity Estate forms part of the Anglesey Further Educational Trust Fund, of which the Council is Trustee. The income is used for specified educational purposes. The other 25% is paid to the "David Hughes Charity for the Poor", which is not administered by the Council.

On 31 March 2019, the estimated balances of these Trust funds (at market value of the assets) are:-

<b>Pre Audited Statement Summary</b>	<b>2018/19 Income £'000</b>	<b>2018/19 Expenditure £'000</b>	<b>2018/19 Assets £'000</b>	<b>2018/19 Liabilities £'000</b>
Isle of Anglesey Charitable Trust	592	995	21,788	610
Welsh Church Fund	7	8	900	31
Anglesey Further Education Trust Fund	288	118	3,257	16

<b>Audited Statement Summary</b>	<b>2017/18 Income £'000</b>	<b>2017/18 Expenditure £'000</b>	<b>2017/18 Assets £'000</b>	<b>2017/18 Liabilities £'000</b>
Isle of Anglesey Charitable Trust	615	855	21,536	669
Welsh Church Fund	7	8	893	22
Anglesey Further Education Trust Fund	128	191	3,140	16

The total value of the other funds, including investments at market value, is £0.102m as at 31 March 2019 (£0.101m as at 31 March 2018).

Trust Fund balances are not included in the Balance Sheet as these represent assets held in trust for third parties rather than in ownership of the Council. A summary performance of the larger Charitable Trusts is shown in the table above.

The Isle of Anglesey Charitable Trust has had a change of legal status. The Charity will from 2019/20, become a Charitable Incorporated Organisation (ICO).

#### **NOTE 40 – TEACHERS’ PENSION SCHEME**

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 the 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 2018/19, the Council paid £3.712m to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 15.95% of pensionable pay (£3.691m and 16.55% in 2017/18). It has been announced that the Employers Teachers’ Pension Contributions will increase to 23.6% from September 2019.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers’ scheme. These costs are accounted for on a defined benefits basis and detailed in Note 41 below.

#### **NOTE 41 – LOCAL GOVERNMENT DEFINED BENEFIT PENSION SCHEME**

##### **Retirement Benefits**

##### **Participation in the Local Government 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.

##### **a) Transactions Relating to Post-Employment Benefits**

The cost of retirement benefits is recognised in the reported cost of services when the employees earn them, rather than when they are eventually paid as pensions. However, the charge made against the Council Fund is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund through the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance through the Movement in Reserves Statement during the year:-

	2018/19 £'000	2017/18 £'000
<b>Service cost comprising:</b>		
Current service cost	15,191	15,098
Losses on settlements or curtailments	134	260
<b>Total Service cost</b>	<b>15,325</b>	<b>15,358</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest cost on defined benefit obligation	10,638	9,987
Interest Income on scheme Assets	(7,788)	(7,198)
<b>Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service</b>	<b>18,175</b>	<b>18,147</b>
Return on Plan Assets (excluding amounts included in net interest expense)	(15,916)	(2,232)
Actuarial (gains) and losses arising on changes in financial assumptions	34,236	(7,671)
Other	414	46
<b>Total re-measurement of net defined benefit liability</b>	<b>18,734</b>	<b>(9,857)</b>
<b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>36,909</b>	<b>8,290</b>
Reversal of net charges made for retirement benefits in accordance with the code	9,808	6,537
<b>Actual amount charged against the Council Fund balance for pensions in the year:</b>		
Employers' contributions payable to scheme	8,367	11,610
<b>Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service</b>	<b>18,175</b>	<b>18,147</b>

## b) Pension Assets and Liabilities recognised in the Balance Sheet

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the Scheme as at 31 March 2016.

Amounts included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows:	31 March 2019 £'000	31 March 2018 £'000
Present Value of Scheme Assets	312,536	288,424
Present Value of Scheme Liabilities	(443,266)	(390,612)
<b>Net liability arising from defined obligation</b>	<b>(130,730)</b>	<b>(102,188)</b>

## Reconciliation of Present Value of the Scheme Liabilities

	2018/19 £'000	2017/18 £'000
<b>Balance as at 1 April</b>	<b>390,612</b>	<b>380,591</b>
Current service cost	15,191	15,098
Interest cost	10,638	9,987
Contributions from scheme participants	2,418	2,321
Remeasurement (gains) and losses	34,650	(7,625)
Past service costs	134	260
Estimated unfunded benefits paid	(996)	(987)
Estimated benefits paid	(9,381)	(9,033)
<b>Balance as at 31 March</b>	<b>443,266</b>	<b>390,612</b>

## Reconciliation of Present Value of the Scheme Assets

	2018/19 £'000	2017/18 £'000
<b>Opening Fair Value of Scheme Assets as at 1 April</b>	<b>288,424</b>	<b>275,083</b>
Interest Income	7,788	7,198
Return on plan assets (excl. net interest expense)	15,916	2,232
Contributions by members	2,418	2,321
<b>Contributions by employer</b>	<b>7,371</b>	<b>10,623</b>
Contributions in respect of unfunded benefits	996	987
Unfunded benefits paid	(996)	(987)
Benefits paid	(9,381)	(9,033)
<b>Balance as at 31 March</b>	<b>312,536</b>	<b>288,424</b>

**c) Fair Value of Scheme Assets**

The Council Pension Scheme assets comprise:-

Major categories of the fund's assets at quoted prices as at 31 March 2019 and 31 March 2018.

	2018/19	2018/19	2017/18	2017/18
	Prices Quoted in Active Markets £'000	Prices not quoted in Active Markets £'000	Prices Quoted in Active Markets £'000	Prices not quoted in Active Markets £'000
<b>Cash and cash equivalents</b>	8,039	-	10,862	-
<b>Equity investment (by industry type)</b>				
Consumer	7,778		8,567	
Manufacturing	9,356		9,462	
Financial Institutions	3,648		5,102	
Energy and utilities	-		903	
Health and care	19,983		14,646	
Information technology	5,467		10,966	
Other	10,612		995	
<b>Debt Securities - Other</b>	-	45,414	-	41,928
<b>Private Equity</b>	-	16,966	-	11,216
<b>Investment Funds and Unit Trusts</b>				
Equities	60,808	89,570	58,556	87,909
Infrastructure	-	6,153	-	5,038
<b>Real Estate</b>				
UK Property	9,938	18,638	6,737	15,271
Overseas property	-	166	-	266
<b>Total Value – All Assets</b>	<b>135,629</b>	<b>176,907</b>	<b>126,796</b>	<b>161,628</b>
<b>Total Value of Active and Non-Active Assets</b>		<b>312,536</b>		<b>288,424</b>



## 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 March 2019	31 March 2018
<b>Cash and cash equivalents</b>	3%	4%
<b>Equity investment (by industry type)</b>		
Consumer	3%	3%
Manufacturing	3%	3%
Financial institutions	1%	2%
Energy and utilities	0%	0%
Health and care	6%	5%
Information technology	2%	4%
Other	3%	0%
<b>Debt Securities - Other</b>	15%	14%
<b>Private equity</b>	5%	4%
<b>Investment Funds and Unit Trusts</b>		
Equities	48%	51%
Infrastructure	2%	2%
<b>Real Estate</b>		
UK Property	9%	8%
Overseas property	0%	0
<b>Total</b>	<b>100%</b>	<b>100%</b>

### ch Scheme History

Analysis of scheme assets and liabilities:-

	31 March 2019	31 March 2018	31 March 2017	31 March 2016	31 March 2015
	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets in pension scheme	312,536	288,424	275,083	231,770	224,961
Present Value of Defined Benefit Obligation	(443,266)	(390,612)	(380,591)	(326,792)	(350,438)
<b>(Deficit)/Asset in the Scheme</b>	<b>(130,730)</b>	<b>(102,188)</b>	<b>(105,508)</b>	<b>(95,022)</b>	<b>(125,477)</b>

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The present value of defined benefit obligations of £443.266m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £130.730m.

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.

**d) The Significant Assumptions used by the actuary have been:-**

	2018/19	2017/18
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	22.0 years	22.0 years
Women	24.2 years	24.2 years
<i>Longevity at 65 for future pensioners:</i>		
Men	24.0 years	24.0 years
Women	26.4 years	26.4 years
Inflation/Pension Increase Rate	2.50%	2.40%
Salary Increase Rate	2.50%	2.40%
Expected Return on Assets	8.20%	3.40%
Rate for discounting scheme liabilities	2.40%	2.70%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2008	50.00%	50.00%
Service post April 2008	75.00%	75.00%

**dd) Sensitivity Analysis**

The sensitivity analysis below is based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It assumes for each change in assumption that all the other assumptions remain constant. The sensitivity analysis shows that the impact of a 0.5% decrease in the real discount rate due to potential market changes could increase the fund's liabilities by £47.538m as a higher value is placed on benefits paid in the future. A 0.5% increase in the salary increase rate could increase the fund's costs by £7.634m. A 0.5% increase in the pensions' rate could increase liabilities by £39.076m. The estimations in the sensitivity analysis have been calculated in accordance with professional actuarial assumptions, IAS19 and FRS102. This means that the use of the 0.5% assumptions below were selected by the specialist actuary in accordance with his/her professional judgement. The Actuary would have taken into account current and past information and the fact that there has been only modest changes e.g. interest rates changed by 0.25%. Information about people's lifespans and demographic information would have also influenced this.

Change in assumptions as at 31 March 2019	Approximate % increase to employer	Approximate Monetary Amount £'000
0.5% decrease in real discount rate	11%	47,538
0.5% increase in the salary increase rate	2%	7,634
0.5% increase in pension increase rate	9%	39,076

**e) Impact on the Authority's Cash Flows**

The objective of the scheme is to keep employers' contributions at as constant a rate as possible. The Council has a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation was due to be completed by 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013.

Under the Act, the LGPS in England and Wales, and other main existing public service schemes, may not provide benefits in relation to service after 31 March 2014 (or Service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for schemes' regulation to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The liabilities show underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £130.730m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary; finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

**f) Estimated contributions to be paid to Gwynedd Pension Fund in 2018/19**

The Council anticipates paying £8.665m contributions to the scheme in 2018/19. The weighted average duration of the defined benefit obligation for scheme members is 19 years.

The amount outstanding to Gwynedd Council in respect of the LGPS contributions for 2018/19 as at 31 March 2019 is £0.773m and is included in the short-term creditors' disclosure note.

## **NOTE 42 – CONTINGENT LIABILITIES**

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

Following judgements confirmed at the House of Lords and a 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. Whilst a number of cases have been settled historically, the total potential liability is difficult to quantify. During 2018/19 a claim for compensation under S117 was successful against the Council and the Council paid compensation and interest to the claimant. This was funded by an earmarked reserved which now has a nil balance.

### **Property Search Claims**

“A group of property search companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only if proceedings are not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present, it is not possible to put a final value on these potential liabilities and so the Council, therefore, considers this to be a contingent liability”.

(1) Bevan Brittan LLP, 2015, General advice regarding authorities' published accounts and the property searches claims, London

## **NOTE 43 – CONTINGENT ASSETS**

### **Legal Charges**

The Council retains a number of legal charges over privately owned residential properties, where it provided support to the buyers under schemes for assisted home purchase, with the Council being entitled to a share of proceeds on the sale of the properties. The actual amount that will be received will vary, dependent upon both the selling prices of individual properties and the nature of any other legal charges against them which may take precedence over the Council's. The timing of any receipts is dependent upon the occurrence of sales.

## **NOTE 44 – FINANCIAL INSTRUMENTS**

2018/19 was the first year local authorities were required to implement a new Financial Standard called IFRS9 Financial Instruments. This introduced new classifications and accounting requirements for these instruments. Financial instruments are contractual agreements between two or more parties regarding a right to payment of money. One party would have a financial asset where money or other financial asset is given to the other party, in exchange for the agreed return of the money or financial instrument, often with interest or a favourable return on the investment. The transaction would be a financial liability for the other party or parties. This would be the agreement to repay the money at the contracted time and for the agreed return. For example, the Council's main financial assets are its investments in bank deposits. Table 44b shows that Council had financial assets of £14.33m in bank deposit accounts. In exchange for these, the Council will have the money returned when requested and will also earn interest at a fixed rate for the duration of the investments. These transactions are financial liabilities for the UK banks the Council has deposits with, as the money will be repaid to the Council. The cost of this liability to the banks is the interest it pays to the Council. Examples of financial assets are cash, bank deposits, trade receivables (debtors), equities, bonds and derivatives. Examples of financial liabilities are borrowing, trade payables (creditors) and any contractual obligation to deliver cash or financial asset to another entity.

### **Financial Assets**

Note 44a shows the different categories of financial assets required by IFRS9 and the value of the Council's financial assets at 31 March 2019. It also provides the value of non-financial assets,

which includes the value of Land and Property and other assets. The Council can only enter into financial assets and liabilities in accordance with the Council's Treasury Management Strategy Statement. The Strategy specifies strict criteria, therefore, the Council can only invest in financial assets which are highly secure and which can be accessed when the Council needs the cash. Most investments are deposits in UK banks which meet the Council's credit rating criteria or loans to other local authorities. These all fall under the IFRS9 classification of Financial Assets measured at Amortised cost as highlighted by Note 44a. Measurement by Amortised cost starts with the initial acquisition amount and is the reduced (impaired) for any expected credit losses. If the Council held more complex financial assets, such as equities or money market instruments, these would be measured at fair value and classified as one the differing fair value categories as relevant.

#### NOTE 44a – SUMMARY OF CATEGORIES OF FINANCIAL ASSETS HELD BY THE COUNCIL

Financial Assets	Non-Current			
	Investments		Debtors	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£000	£000	£000	£000
Fair value through profit or loss	-	-	-	-
Amortised Cost	15,825	7,789	5,981	5,130
Fair value through other comprehensive income - designated equity instruments	-	-	-	-
Fair value through other comprehensive income - other	-	-	-	-
<b>Total Financial Assets</b>	<b>15,825</b>	<b>7,789</b>	<b>5,981</b>	<b>5,130</b>
Non-financial assets	408,687	399,910	24,004	19,509
<b>Total</b>	<b>424,512</b>	<b>407,699</b>	<b>29,985</b>	<b>24,639</b>

Note 44b provides a more detailed breakdown of the Council's financial assets. The table shows the carrying amount of the financial assets. This is the value of the financial assets in the balance sheet based on amortised cost. The fair value is also provided, this is a more current value which would be the price to sell the financial assets on 31 March 2019. The financial assets are split between investments and debtors. The fair value of the Council investments is only £3k different to the balance sheet value. The investments are the cash deposits in UK banks and a minor amount in cash. The other cash and cash equivalents relate to the amounts held for operational banking and payment of day-to-day costs. The amounts held as cash and cash equivalents in UK bank deposit accounts are surplus to the day-to-day needs but which will be required in the future. These earn interest for the period invested. The other category of financial assets are debtors. These relate to organisations or individuals who owe the Council money. The most significant are trade debtors and other debtors which relate to amounts due for services received. Employee loans are also shown, these are soft loans which mainly relate to car loans for members of staff who travel more extensively on Council business. The loans were provided at lower than market value rate due to the need for work-related travel. Debtors exclude transactions with government departments, and income and payments arising from taxation, including Council Tax and business rates.

**NOTE 44b – DETAILS OF TYPES OF FINANCIAL ASSEST HELD BY THE COUNCIL**

Financial Assets	31/03/2019		31/03/2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<b>Financial assets held at amortised cost</b>				
<b>Investments</b>				
Other Cash and cash equivalents	1,492	1,492	1,796	1,796
Cash and cash equivalents - deposits	14,333	14,336	5,993	6,008
<b>Total</b>	<b>15,825</b>	<b>15,828</b>	<b>7,789</b>	<b>7,804</b>
<b>Debtors</b>				
Rents	394	394	262	262
Employee loans - due in less than 12 months	181	181	166	166
Employee loans - due in more than 12 months	187	187	211	211
Other Debtors	3,078	3,078	4,094	4,094
Trade Debtors	2,062	2,062	-	
Other Long-term Debtors	79	79	397	397
<b>Total</b>	<b>5,981</b>	<b>5,981</b>	<b>5,130</b>	<b>5,130</b>
<b>Total</b>	<b>21,806</b>	<b>21,809</b>	<b>12,919</b>	<b>12,934</b>

**Financial Liabilities**

All of the Council's Financial Liabilities are classified as Financial Assets at Amortised Cost. This is shown in Note 44c. The note shows the value of non-financial liabilities. The non-financial liabilities at 31 March 2019 includes the Pension Fund Liability of £130m.

**NOTE 44c – SUMMARY OF CATEGORIES OF FINANCIAL LIABILITIES HELD BY THE COUNCIL**

Financial Liabilities	Non-Current			
	Borrowings		Creditors	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Fair value through profit or loss	-	-	-	-
Amortised Cost	134,888	119,327	12,286	12,317
<b>Total Financial Liabilities</b>	<b>134,888</b>	<b>119,327</b>	<b>12,286</b>	<b>12,317</b>
Non-financial Liabilities	-	-	144,868	117,496
<b>Total</b>	<b>134,888</b>	<b>119,327</b>	<b>157,154</b>	<b>129,813</b>

Note 44ch below details the types of financial liabilities held by the Council. The Council's borrowing liabilities amounted to £134.888m at 31 March 2019. This is the borrowing taken out over the years to fund capital expenditure on the construction of or refurbishment of Council assets. The short-term loans are the amounts due to be repaid by 31 March 2020. The long-term loans are due to be paid in more than one year's time. A summary of the Council's loans portfolio and maturity profile is provided in note 45. The main provider of loans to the Council is the Public Works Loans Board (PWLB) which is part of Central Government's Treasury Department. The Council owes £126m in long-term loans to the PWLB. The PWLB short-term loans include an amount of £5m which is due to be repaid in 2019. It also includes accrued interest of £2.338m, which is interest which relates to 2018/19 but which is due to be paid in 2019/20. The Council has also borrowed from Welsh Government and Salix, at 0% interest which was used to fund energy efficient LED lighting. The remaining financial liabilities relate to creditors which are the individuals and/or organisations to which the Council owes money to for goods and services provided in 2018/19 or earlier. These are the invoices which are sent to the Council after the end of the financial year or where payment is due beyond 31 March 2019.

The fair value of the Council's borrowing was calculated by the Council's Treasury Management consultants, Link Asset Services. The total fair value on the Council's borrowing was £190.539m, significantly higher than the carrying value on the Balance Sheet of £134.888m at 31 March 2019. 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 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.

The fair value was 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 certainty rates (discounted by 0.2%) at 31 March 2019 for loans from the (PWLB) 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 twelve months, carrying amount is assumed to be approximate to fair value; and
- The fair value of short-term debtors and creditors is deemed to be equivalent to their carrying amount at the Balance Sheet date.

## NOTE 44ch – DETAILS OF TYPES OF FINANCIAL LIABILITIES HELD BY THE COUNCIL

Financial Liabilities	31 March 2019		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Financial liabilities held at amortised cost</b>				
<b>Borrowing</b>				
PWLB Short-term loans	7,350	7,428	7,308	7,435
Welsh Government loans	44	43	44	44
Other short-term loans	-	-	5,000	5,127
Salix short-term loans	142	127	62	62
PWLB Long-term loans	126,404	182,090	106,415	158,979
Welsh Government long-term loans	44	43	88	88
Salix long-term loans	904	808	410	410
<b>Total</b>	<b>134,888</b>	<b>190,539</b>	<b>119,327</b>	<b>172,145</b>
<b>Creditors</b>				
Accumulated absences	776	776	799	799
Other creditors	8,585	8,585	11,367	11,367
Rents	31	31	-	-
Trade creditors	2,737	2,737	-	-
Long-term creditors	157	157	151	152
<b>Total</b>	<b>12,286</b>	<b>12,286</b>	<b>12,317</b>	<b>12,318</b>
<b>Total</b>	<b>147,174</b>	<b>202,825</b>	<b>131,644</b>	<b>184,463</b>

## NOTE 44d – INCOME, EXPENDITURE, GAINS AND LOSSES

The table below shows the impact of the Council's financial instruments held, on the Council's annual revenue account for 2018/19.

The table shows that the Council was charged £466k (£177k in 2017/18) for the impairment and de-recognition of the financial assets noted above in Notes 44a and 44b. This reduced the value of the assets by this amount and charged the Comprehensive Income and Expenditure Statement (CIES). However, the Council received £64k (£32k in 2017/18) in interest from its deposits in UK banks and loans to other local authorities.

The interest payable on borrowing relating to 2018/19 was £5,870k (£5,863k in 2017/18).



Income, Expense, Gains and Losses	2018/19		2017/18	
	Surplus or Deficit on the provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the provision of Services £'000	Other Comprehensive Income and Expenditure £'000
<b>Net (gain)/losses on:</b>				
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at amortised cost (impairment loss allowance and derecognition)	466	-	177	-
Investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Financial liabilities measured at fair value through profit or loss	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-	-
<b>Total net gains/losses</b>	<b>466</b>	<b>-</b>	<b>177</b>	<b>-</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	64	-	32	-
Other financial assets measured at fair value through other comprehensive income	-	-	-	-
<b>Total interest revenue</b>	<b>64</b>	<b>-</b>	<b>32</b>	<b>-</b>
<b>Interest expense:</b>				
Financial liabilities measured at amortised cost	5,871	-	5,863	-
<b>Total interest expense</b>	<b>5,871</b>	<b>-</b>	<b>5,863</b>	<b>-</b>

Where financial instruments have been organised through a broker, fees are charged by the broker. In addition, fees are also incurred on new PWLB loans. However, these fees are not material and have been expensed in the CIES during the year. If the fees had been material, these would have been added onto the carrying value of the relevant financial instrument.

## **NOTE 45 - THE 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 because of changes in such measures as interest rates.

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 the full Council. The new financial standard IFRS9 Financial Instruments effective from 1 April 2018 aims to make organisations account for risks earlier. This standard has a limited impact on the Council, which has not invested in more risky or complex investments. The Council has only invested in UK banks and other local authorities during the year.

### **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). The standard requires the Council to provide for potential credit losses from potential non-payment of income due to the Council earlier. This is called the Impairment loss allowance (ILA). Instead of basing potential losses on historic information only, the Council will take into account potential future credit losses earlier and have revised the impairment policy to impair for potential credit losses on more current debtors. The revised policy can be found in note 51 Accounting Policies on page 87.

The Council has assessed the credit risk of bank deposits on the likelihood of the bank defaulting in repaying the investment. There are increased risks to the banking sector from Brexit, however, the risk of default is still considered low. This is due to banks increased financial resilience following new legislation following the 2008 banking crises. The bank deposits have, therefore, not been impaired. 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. The Council 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. All deposits outstanding at year-end were originally made for less than one year.

There were no material breaches of credit limits during the financial year and there were no breaches of the counterparty criteria. The Council 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 credit losses. In some circumstances, the Council obtains a legal charge on property to cover deferred debts such as self-funding of residential care. The Council also has a number of longer-term debtors, including mainly car loans to employees and residual mortgages from a closed scheme offering home loans to tenants and to members of the public. The residual mortgages are low risk due to the charge held by the Council on mortgaged properties. The car loans are considered 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. However, the risk of default on employee loans increases sharply despite these measures if the employee leaves the Council's employment. Therefore, an impairment loss allowance of 10% has been applied to the current balance on employee car loans.

Note 45a below shows the increases in impairment loss allowances for 2018/19.

#### NOTE 45a – IMPAIRMENT AND DE-RECOGNITION OF FINANCIAL ASSETS

Asset Class (amortised cost)	2018/19	2017/18
	Lifetime expected credit losses - not credit impaired	Lifetime expected credit losses - not credit impaired
	£000	£000
Opening Balance as at 1 April 2018	3,265	3,276
Deposits in UK Banks	-	-
Trade debtors (excluding public sector and taxation)	238	115
Soft Loans	33	-
Rents	19	(126)
<b>Total Impairment Allowance 31 March 2019</b>	<b>3,555</b>	<b>3,265</b>
Financial Assets that have been derecognised	176	188
<b>Total Impairment and Derecognition charged 2018/19</b>	<b>466</b>	<b>177</b>

#### NOTE 45B – VALUE OF TRADE RECEIVABLES AT 31 MARCH 2019 AND PERCENTAGE APPLIED PER BAND AS IMPAIRMENT LOSS ALLOWANCE

The table below shows that all amortised financial assets were impaired using the simplified approach as the financial assets requiring impairment related to trade receivables. This is the recommended approach for outstanding amounts due to the Council. The table shows the outstanding value of amounts due to the Council for the amount of time the debt has been outstanding. The credit risk rating relates to the percentage of the value of outstanding debt for the differing ages of the debt that the Council applies for the impairment loss allowance. For example, for debt outstanding for 366 to 730 days, 75% of the £235,407 is charged to revenue to account for this risk of debts not being paid. This would be £235,407 for this band of debt. However, the Council would still actively pursue the debt.

**NOTE 45b – TRADE RECEIVABLES AT 31 MARCH 2019 AND PERCENTAGE APPLIED PER BAND AS IMPAIRMENT LOSS ALLOWANCE**

	<b>Credit Risk Rating</b>	<b>Gross Carrying Value £000</b>
<b>12-month expected credit losses</b>	-	-
	-	-
<b>Significant increase in credit risk since initial recognition</b>	-	-
	-	-
<b>Credit Impaired at 31 March</b>		
	-	-
<b>Simplified Approach</b>		
15-45 days overdue	2.50%	20,618
46-75 days overdue	4.50%	16,833
76-105 days overdue	7.50%	4,897
106 - 182 days overdue	15%	22,178
183 - 365 days overdue	50%	94,684
366 - 730 days overdue	75%	253,407
731 days or more overdue	100%	861,767
		<b>1,274,383</b>
<b>Total</b>		<b>1,274,383</b>

**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. The key aims of the Treasury Management Strategy are to ensure the Authority is exposed to low risk and to ensure liquidity. The majority of the Authority's investments are in instant access deposit accounts. Therefore, there is a reduced risk that it will be unable to raise finance to meet its commitments under financial instruments. However, there is often a risk that the Council will need to renew a significant proportion of its borrowings at a time of high interest rates. The practice is to ensure that not more than 20% of loans are repayable within any two-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. The current low interest rates would reduce interest rates on new loans that are taken out to repay the debt maturing. To assist in achieving this, the Council uses external treasury management advisors. The maturity analysis of outstanding loans is shown in Note 44b. Trade and other payables are due to be paid in less than one year.

## NOTE 45c – PROFILE OF WHEN LOANS ARE DUE TO BE REPAYED BY THE COUNCIL

	2018/19 Outstanding Principal	2018/19 Accrued Interest	2018/19 Cost less accumulated amortisation	2017/18 Outstanding Principal	2017/18 Accrued Interest	2017/18 Cost less accumulated amortisation
	£'000	£'000	£'000	£'000	£'000	£'000
>50 years	-	-	-	-	-	-
36 - 50 Years	52,976	-	52,976	27,976	-	27,976
26-35 years	42,713	-	42,713	43,732	-	43,732
16-25 years	13,167	-	13,167	12,783	-	12,783
11-15 years	4,934	-	4,934	4,586	-	4,586
6-10 years	4,256	-	4,256	5,662	-	5,662
3-5 years	4,608	-	4,608	7,056	-	7,056
1-2 years	4,654	-	4,654	5,117	-	5,117
<b>Total Long-Term Borrowing</b>	<b>127,308</b>	<b>-</b>	<b>127,308</b>	<b>106,912</b>	<b>-</b>	<b>106,912</b>
<b>Total Short-Term Borrowing (&lt; 1 year)</b>	<b>5,197</b>	<b>2,338</b>	<b>7,535</b>	<b>10,116</b>	<b>2,297</b>	<b>12,413</b>

### 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 Statement 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 Statement would rise; and
- Investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value as these are carried at Amortised Cost in accordance with the CIPFA code. Therefore, nominal gains and losses on fixed rate borrowings would not affect 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 affect 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, 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 outcome being that fixed rate funding would be drawn down 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.

All of the Council's current and long-term borrowing are held at fixed rates. This helps reduce the impact of bank rate changes on the Council. Note 45ch shows the impact of a 1% interest rate increase on the fair value of the Council Financial Instruments. The value of the loans in the Balance Sheet would remain the same due to the interest rates being fixed. However, the fair value would reduce by £29.354m. The rate increase would have a positive impact on the Council's deposits as an extra £143k interest receivable would be received if there was a 1% increase in interest rates.

**NOTE 45ch – ESTIMATED IMPACT OF A ONE PERCENT INCREASE IN INTEREST RATES ON FINANCIAL ASSETS**

Impact of potential 1% interest rate increase on the Council's Financial Assets	£'000
Increase in value of fixed rate investment assets	143
Impact on other Comprehensive Income and Expenditure	143
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income)	29,354

Interest rates have remained low and stable since 2009. This is due to the global financial crisis, which was triggered by the banking crises from September 2008. The base rate fell from 5% in 2008 prior to the crisis to 0.50% in March 2009 where it remained at 0.5% until 2016. It was reduced to 0.25% in August 2016 in response to the economic shock from the result of the referendum to leave the European Union. The rate was returned to 0.5% in November 2017. The base rate saw its first real increase since 2009 on 2 August 2018 where it was increased slightly to 0.75%.

Source: <https://www.bankofengland.co.uk/boeapps/iadb/Repo.asp>

**Brexit**

The EU referendum result to leave the European Union created an economic shock in 2016 which impacted on markets and many aspects of the economy. The long-term outlook ratings for the UK banks as a whole were downgraded to a negative outlook. A collapse of the banking sector would undermine the deposits held in UK banks (circa £15m at 31/03/19). This is being monitored closely and reassuringly the credit ratings of the banks in which the Authority holds deposits remain at an acceptable level in accordance with the Treasury Management Strategy. If the credit ratings fall below the acceptable level, the Authority would seek to place the balances in alternative investments, which must be in accordance with the Treasury Management Strategy. During the financial year, the Bank of England increased the official bank rate from 0.50% to 0.75%. This action shows that there is greater confidence in the UK economy. There have been suggestions of further increases, however, the significant uncertainty arising from Brexit may keep the rates low as the Bank of England and Government supports the economy through its monetary policy.

The Council receives regular market information and advice from its treasury management consultants and potential outcomes in relation to Brexit.

The Council has benefitted from very low interest rates on the borrowing that Council has taken out during the latter part of the year. The Council had used its cash balances (internal borrowing) to fund capital expenditure to minimise interest costs for a number of years. The Council externalised this internal borrowing due to reduced cash balances. The borrowing was taken out when interest rates reduced due to the uncertainty of Brexit in the days leading up to the original planned exit date of 29 March 2019 which has since been postponed.

## **NOTE 46 - JOINT COMMITTEES**

### **Joint Planning Committee**

The Isle of Anglesey County Council and Gwynedd Council are parties to the Joint Planning Committee.

Gwynedd Council is responsible for the operation of this committee and the year-end balances are reflected in its Balance Sheet. The 2018/19 accounts for the committee can be viewed by following:-

<https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/Joint-Planning-Policy-Committee.aspx>

### **GwE**

The Isle of Anglesey Council and the Councils of Gwynedd, Conwy, Flintshire, Wrexham and Denbighshire are parties to a joint committee relating to GwE (Gwasanaeth Effeithiolrwydd a Gwella Ysgolion Rhanbarthol) (Regional School Effectiveness and Improvement Service).

Gwynedd Council is responsible for the operation of this committee, and the year-end balances are reflected in its Balance Sheet. The 2018/19 accounts for the committee can be viewed by following:-

<https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/GwE-Joint-Committee.aspx>

### **North Wales Economic Ambition Board**

The Council is part of the North Wales Economic Ambition Board which is comprised of representatives from all six of the North Wales Local Authorities. A key role of this committee is to coordinate the planning and delivery of the Growth Vision for North Wales, with an initial emphasis on the Growth Deal. The Growth Deal is a package of funding from Central Government and the Welsh Government with a budget of £240m to deliver projects across Wales to deliver sustainable and economic growth.

Additional information about the Joint Committee can be found on Gwynedd County Council's website at the following web address/link

<https://democracy.cyngor.gwynedd.gov.uk/ielistmeetings.aspx?cid=418&year=0>

### **North Wales Residual Waste Treatment Project**

The Isle of Anglesey County Council and the Councils of Flintshire, Conwy, Denbighshire and Gwynedd are parties relating to the North Wales Residual Waste Treatment Project Joint Committee (NWRWTP).

Flintshire County Council is responsible for the operation of the NWRWTP joint committee and the year-end balances are reflected in its Balance Sheet, details of which are shown in the table below:

<b>North Wales Residual Waste Treatment Project</b>		
	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Short Term Debtors	95	109
Short Term Creditors	(95)	(109)
<b>Net Assets</b>	<b>-</b>	<b>-</b>

The Isle of Anglesey County Council is also involved in various joint arrangements with neighbouring North Wales Councils as follows:-

- North Wales Adoption Service (Lead: Wrexham. Parties: Flintshire, Denbighshire, Conwy, Gwynedd);
- Minerals and Waste Service (Lead: Flintshire. Parties: Denbighshire, Conwy, Gwynedd);
- Regional Emergency Planning Service (Lead: Flintshire. Parties: Wrexham, Denbighshire, Conwy, Gwynedd); and
- Galw Gofal (Lead: Conwy Parties: Gwynedd, Flintshire).

#### **NOTE 47 – HOUSES INTO HOMES**

The Council acts as an agent for Welsh Government for the provision of loans to individuals for renovation of empty homes in order to reduce the number of empty homes on Anglesey and increase housing opportunities. In 2018/19, £0.087m (£0.094m in 2017/18) was utilised in the renovations of empty homes.

#### **NOTE 48 – 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 the 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. The Council Tax base for 2018/19 was £30,773.31 (£30,794.83 in 2017/18).

The amount for a band D property in 2018/19, £1,440.78 (£1,377.15 in 2017/18), is multiplied by the proportion specified for the particular band to give the amount due by band. Individual amounts due are calculated by applying discounts and benefits to the amount due by band.

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

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



The Council's Council Tax Base is calculated as follows:-

Band	A*	A	B	C	D	E	F	G	H	I	Total
Total Dwellings	13.00	4,049.00	5,916.00	6,034.00	6,640.00	5,051.00	2,467.00	998.00	153.00	44.00	31,365.00
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
Band "D" Equivalent	7.22	2,699.00	4,601.14	5,363.33	6,639.75	6,173.44	3,562.72	1,663.33	305.50	102.67	31,118.10

	2018/19	2017/18
Band D equivalent as above	31,118.10	31,136.57
Collection Rate	98.50%	98.50%
Revised Band D equivalent	30,651.33	30,669.52
MoD Properties – Band D equivalent	121.98	125.31
<b>Council Tax Base</b>	<b>30,773.31</b>	<b>30,794.83</b>

In 2013/14, the Welsh Assembly Government introduced the Council Tax Reduction Scheme to replace the Council Tax benefit scheme. £5.381m of council tax reductions were awarded in 2018/19 (£5.432m in 2017/18).

Analysis of the net proceeds from Council Tax:	2018/19 £'000	2017/18 £'000
Gross Council Tax	44,797	42,295
Less Council Tax Reduction awarded to residents	(5,381)	(5,342)
<b>Council Tax collectable</b>	<b>39,416</b>	<b>36,953</b>
Add/Less: provision for non-payment not required or not previously accounted for	(191)	(50)
<b>Net Proceeds from Council Tax</b>	<b>39,225</b>	<b>36,903</b>

#### NOTE 49 - NON-DOMESTIC RATES (NDR)

NDR is organised on a national basis.

Non-domestic properties are normally assessed every five years for the purpose of calculating liability for NDR. A new list came into force on 1 April 2017. Revaluations do not raise extra revenue overall but reflect changes in the property market values across the country, redistributing the same total tax liability for NDR. Some rates bills will rise and some will fall but the average national bill will only change with inflation.

The Welsh Government specifies an amount for the rate – 51.4p in 2018/19 (49.9p in 2017/18), 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 NDR pool administered by the Welsh Government. The Welsh Government then redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

NDR income, after reliefs and provisions (including Small Business Rates Relief provided by the Welsh Government), totalled £14,404m for 2018/19 (£11.777m in 2017/18) and was based on rateable value at the year-end of £39,107m (£38.262m in 2017/18).

<b>Analysis of the net proceeds from non-domestic rates:</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Non-domestic rates collectable	14,404	11,777
Cost of collection allowance	(154)	(149)
Interest paid on overpayments		-
Provision for bad debts	(173)	(254)
Contribution to cost of charitable relief/rural rate relief	60	59
<b>Payments into national pool</b>	<b>14,137</b>	<b>11,433</b>
<b>Redistribution from national pool</b>	<b>22,574</b>	<b>23,002</b>

#### **NOTE 50 - MARITIME**

The Council, as a Harbour Authority, is responsible for the following maritime services: Beaumaris, Fryars Bay, Glyn Garth, Menai Bridge, Red Wharf Bay and Amlwch Harbour. The Statutory Harbour Undertakings (Accounts, etc.) Regulations 1983, no. 931, exempts harbour authorities with a turnover of less than £250,000 from the requirement to prepare separate harbour accounts under the Harbours Act 1964. The income and expenditure for Maritime Services are, instead, included in these accounts within the expenditure and income for the Regulation and Economic Development Service. In 2018/19, the turnover on maritime services was £50,732 (£48,934 in 2017/18). Costs incurred during the year were £143,709 (which includes £18,809 of loan interest/capital repayment).

## NOTE 51 – ACCOUNTING POLICIES

This section discloses the specific accounting policies adopted by the Council for completion of the accounts.

Policy Reference	Policy Title
1	General Principles
2	Accruals of Income and Expenditure
3	Events After the Balance Sheet Date
4	Jointly Controlled Operations and Jointly Controlled Assets
5	Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
6	Value Added Tax (VAT)
7	Fair Value Measurement
8	Non-Current Assets (Property, Plant and Equipment)
9	Investment Properties
10	Intangible Assets
11	Inventories and Long-term Contracts
12	Cash and Cash Equivalents
13	Financial Instruments
14	Provisions, Contingent Liabilities and Contingent Assets
15	Reserves
16	Revenue Recognition
17	Internal Interest
18	Leases
19	Charges to Revenue for Non-Current Assets - Minimum Revenue Provision (MRP)
20	Government Grants and Contributions
21	Revenue Expenditure Funded from Capital Under Statute (REFCUS)
22	Overheads and Support Services
23	Foreign Currency
24	Employee Benefits
25	Exceptional Items
26	Accounting for NDR
27	Agency Income and Expenditure

## **1. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its financial position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations and the Accounts and Audit (Wales) (Amendment) Regulations 2018. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the CIPFA Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS). All principal accounting policies have been applied consistently throughout the year.

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

Transactions are accounted for in the year that they take place, not simply when cash payments are made or received. This accruals accounting approach provides a more complete basis for reporting the Council's financial performance as it includes the Council's future commitments to pay/receive cash for goods and services received but not paid by 31 March 2019. Income and expenditure is accounted for in the year the activity it relates to takes place, not simply when cash is paid or received, i.e. on an accruals basis. This means income is recorded when it is earned not received and expenditure when it is incurred not when it is paid. Income from the sale of goods is included in the accounts when the sale is completed, not when the cash is received. Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and, as a result of this, the Council is due income in return for the services provided. In addition:-

- 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 bank deposits and payable on borrowings (including bank overdrafts) is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than necessarily the cash flows fixed or determined by the contract; and
- 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. Events after the Balance Sheet Date**

Events can occur after the year-end which might have a significant effect on the financial results for that year. Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the Statement of Accounts is authorised for issue. The Statement of Accounts is authorised for issue when the final audited accounts are signed by the Section 151 Officer, after the accounts are approved by full Council. The law requires that the audited, authorised final accounts are completed by 30 September following the year-end. Two types of events can be identified:-

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

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

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

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet its share of the assets and the liabilities that it incurs. The Comprehensive Income and Expenditure Statement is debited with the expenditure it incurs and credited with 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 Council 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 Council 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.

#### **5. 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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, other events and the conditions on the Council'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.

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

#### **6. 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 & Customs. VAT receivable is excluded from income.

## **7. Fair Value Measurement**

IFRS13 Fair Value Measurement requires most non-current assets, liabilities and financial instruments to be valued at fair value, often with regard to an active market value where available. For operational assets, the standard introduces the concept of fair value being based on current value (often value in use) for revaluations of Property, Plant and Equipment. This means measurement should reflect the market conditions for the service or function at the reporting date. The standard provides different fair valuation approaches to differing asset types. For non-operational assets, i.e. investment assets, assets held for sale and surplus assets, these are valued at their highest and best use. Where there is an alternative use which would be of a higher fair value, that is the fair value which would be used for the valuation of non-operational assets. The code does not require infrastructure assets to be revalued at current value. Infrastructure assets are, instead, valued at depreciated historical cost.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## **8. Non- Current Assets (Plant, Property and Equipment)**

### **8.1 Recognition**

Non-current assets - Plant, Property and Equipment (PPE) - are physical assets which last a year or more and will be used by the Council in support of its provision of goods and services. The Council has set a minimum amount for expenditure on assets to be classed as capital expenditure. This de-minimus amount is £30k. Expenditure on the acquisition, creation or enhancement of non-current assets which cost £30k or more is capitalised on an accruals basis providing that it meets the above definition of a non-current asset. Plant, Property and Equipment would include assets such as machinery; it would not typically include assets held for sale as they would normally be expected to be disposed of within 12 months.

The costs of these assets may include initial costs of acquisition and construction and subsequent costs to enhance or replace part of the asset. All other expenditure arising from day-to-day servicing of assets, including repairs and maintenance, is recognised in the Comprehensive Income and Expenditure Statement as the costs are incurred.

### **8.2 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; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located in cases where, in order to bring an asset into use, any relocation of the asset is required.

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

The cost of assets acquired other than by purchase is deemed to be their 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 Council). 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 Council.

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

- Infrastructure, community assets and assets under construction are valued at depreciated historical cost;
- Council dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- Council offices – current value, determined by the amount that would be paid for the asset in its existing use;
- School buildings – would be valued at current value in use but, because of their specialist nature, are measured at depreciated replacement cost;
- Surplus assets – the current value measurement is fair value, estimated at the highest and best use from a market participant’s perspective;
- All other operational assets have been measured at current value based on existing use value (EUV). This means that the current value of land and buildings would be that amount which would be exchanged for an asset in its existing use. If there is no market evident for an asset due to its specialist nature or if the type of asset is rarely sold, the Authority estimates the current value using a depreciated replacement cost approach. For example, for property comprising land and buildings, depreciated replacement cost would be the market value for the existing use for the land on which the building sits plus the current gross replacement cost of the building less allowances for physical deterioration, obsolescence and optimisation;
- 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 and Expenditure line of the Comprehensive Income and Expenditure Statement. Where there are conditions on any donated assets, the gain is instead credited to the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement;
- Where a part or component of an asset is replaced, the carrying value of the old part/component is derecognised to avoid double counting. The new component is added to the carrying amount. If it is not practicable to determine the carrying amount of the replaced part, the cost of the new part is used as an indication of the cost of the replaced part; and
- Where an asset is not held for the purpose of generating cash flows, value in use is assumed to be at least equal to the cost of replacing the asset’s service potential.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. ‘Short Useful life’ typically means seven years or less, although it may be longer for specialist items of plant and equipment.

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. In practice, the Council undertakes valuations of its Property, Plant and Equipment assets based on a five-year rolling programme. However, assets with a carrying value over £500k are revalued each year. Increases in asset values are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, revaluation 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); and
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement (CIES).

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.

### **8.3 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 occurred include:-

- significant decline (i.e. 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 Council to undertake a significant reorganisation; and
- a significant adverse change in the statutory or other regulatory environment in which the Council 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 on revalued assets, they are accounted for by:-

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the impairment against 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, the impairment against the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, to the extent that the original loss was recognised in the CIES, adjusted for depreciation that would have been charged if the loss had not been recognised. Any excess is recognised in the Revaluation Reserve.

Where the impairment is on a non-revalued asset (i.e. an asset with a carrying value based on historical cost), the impairment is recognised in the Comprehensive Income and Expenditure Statement.

#### **8.4 Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets in order to allocate their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) 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 periods of up to 75 years, as estimated by the Valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over 5 to 15 years;
- infrastructure – straight-line allocation over periods of up to 30 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. Refer to Note 4a.

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.

Depreciation is not charged in the year an asset is acquired.

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

These assets are actively marketed for sale and where the Council expects that sale will go through in the next 12 months. The assets are identified separately as the value in the Balance Sheet will be recovered principally through a sale transaction rather than future continued use. 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. Fair value of non-current assets held for sale is measured at the highest and best use. 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held-for-Sale.

If assets (or a 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 Council 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 IAS36.

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

## **8.6 Disposals of Non-current Assets**

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. This cost is subsequently transferred to the Capital Adjustment Account in the Movement in Reserves Statement.

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 £10k are categorised as capital receipts and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts 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 non-current 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.

## **8.7 Surplus Assets**

The fair value of surplus assets is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This will be based on the highest and best use.

## **8.8 Heritage Assets**

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives to preserve the heritage of the Isle of Anglesey. The Council owns a number of tangible heritage assets such as historical buildings and works of art.

Operational Heritage Assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Council for other activities or to provide other services) are valued and accounted for as operational assets, in the same way as other assets of that general type (e.g. operational buildings).

Heritage Assets are valued on the basis that is most appropriate and relevant in respect of the individual asset or class of assets. Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, Heritage Assets are measured at historical cost (less any accumulated depreciation, amortisation and impairment losses as appropriate). Where Heritage Assets are measured at valuation, then the carrying amount is measured with sufficient frequency to ensure that the valuations remain current, and at intervals of no greater than five years. Where a cost or valuation cannot be determined for a Heritage Asset without disproportionate cost, the assets will not be recognised in the Balance Sheet. Instead, the asset will be disclosed in the notes to the accounts.

Where a Heritage Asset has a finite life, depreciation is provided for on the same basis as for other classes of asset (for detail see Accounting Policy for Depreciation, 8.4 above).

Depreciation is not provided on Heritage Assets which have indefinite lives and a high residual value. The carrying amount of a Heritage Asset is reviewed where there is evidence of impairment, for example, where it has suffered physical deterioration or breakage or new doubts arise as to its authenticity. Any impairment is recognised on the same basis as for other classes of asset (for detail see under Accounting Policy 8.3, Impairment). The Council does not currently actively seek further acquisitions of Heritage Assets, but responds to opportunities to enhance its portfolio as they arise. The art collections are housed at Oriel Ynys Môn, with maintenance work being carried out as required. Parts of the collection are on display at any one time, while access to the remainder is available by arrangement. The Heritage Properties are managed and maintained, with due regard for their heritage characteristics, as part of the Council's overall portfolio of land and buildings.

## **8.9 Treatment of School Assets**

Local Authority maintained schools are deemed to be in the control of local authorities. The assets, liabilities, reserves and cash flows of the Authority's maintained schools are, therefore, included in the Council's financial statements.

Land and buildings of voluntary aided and foundation schools are owned and controlled by the trustees of the schools or the foundation body and are, therefore, not shown on the Balance Sheet of the Council.

Capital expenditure on community schools is added to the balances for those schools. Individual schools' balances at 31 March 2019 are included in the Balance Sheet of the Council as any unspent delegated schools' budgets remain the property of the Council.

For accounting purposes, the status of the assets of voluntary controlled and voluntary aided schools are as follows:-

- Voluntary Controlled Schools: the land has been included on the Balance Sheet but not the buildings;
- Voluntary Aided Schools: neither the land nor the buildings are included in the Balance Sheet; and
- Additionally, neither the land nor the buildings of Caergeiliog Foundation School are included on the Balance Sheet, as these assets vest with the trustees of the school.

## **9. Investment Properties**

Investment properties are those land and buildings 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 recognised when it is probable that future planned economic benefits will flow to the Authority and that the cost or fair value of the investment property can be reliably measured. 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. The Code requires that Investment Properties be valued at their highest and best use regardless of the intentions of the Council. This means that alternative uses have been considered for each investment property and, if there is an alternative use that would maximise fair value, then that is the fair value which is to be used. The properties are not depreciated but are revalued annually in accordance with IFRS13 according to market conditions at the Balance Sheet date. 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 £10k) the Capital Receipts Reserve.

## **10. Intangible Assets**

Intangible assets are non-current, non-financial assets which are separately identifiable but which do not have physical substance (for example, computer software). These are controlled by the Council as a result of past events. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Expenditure on intangible assets is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and they are, therefore, carried at cost less accumulated amortisation. 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. Intangible assets are tested for any impairment annually and whenever there is an indication that an 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 £10k) the Capital Receipts Reserve.

## **11. 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 'First In, First Out' (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.

## **12. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## **13. Financial Instruments**

### **13.1 Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument, 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 (CIES) 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 CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General 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 CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **13.2 Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets :-

- amortised cost ;

- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are, therefore, classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost 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 (CIES) 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 financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Authority has made a number of loans to employees at less than market rates (soft loans). The Council uses HMRC's rate for beneficial employee loans as a proxy for market value/effective interest rate. Where the difference between the discounted rate and the effective interest rate is more than £100k, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the employees, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

### **13.3 Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The simplified lifetime basis expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

The Council will also extend the simplified approach to lease receivables and trade receivables and contract assets where there is a significant financing component.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

For 2018/19 in respect of Sundry Debtors the following bad debt percentages applied –

6 months to 1 year: 50%;  
1 year to 2 years: 75%;  
Over 2 years: 100%.

Higher percentages would apply for certain debtors taking regard of individual circumstances e.g. company liquidation, personal bankruptcy.

Debtors which had been deferred i.e. Social Services residential fees that had been deferred pending sale of property (where a charge on the property applied), a provision of 10% applied irrespective of age – although a higher provision would apply in certain circumstances e.g. current state of property or property value or dispute.

FRS requires earlier recognition of debt (current practice does not provide for debts earlier than 6 months old, although a provision would be made for known individual debtor circumstances e.g. bankruptcy, aged less than this) and public sector debts are to be excluded (currently debts for local health board, major and local preceptors (councils)/levying bodies etc. and central/devolved administrations etc. are included). Having regard to IFRS9, revised impaired loss allowances are required and the following considerations are made to arrive at the revised allowances.

IFRS9 does not define default of a debt but requires an organisation to provide such a definition consistent with its credit management purposes. The following definition is used for the purposes of impaired loss allowance requirement for Sundry Debt, which is simple enough and is consistent with this Authority's credit management –

A debtor is in default of a debt (for impaired loss allowance purposes in respect of Sundry Debt) if payment has not been received against a debt in the Civica Debtor system (by 31 March each year) where the age of the debt is more than 14 calendar days from the tax point date.

The following allowances are proposed for periods up to 6 months –

- 1 – 30 days past due date i.e. 15 days to 45 days from tax point date – 2.5%;
- 31 – 60 days past due date i.e. 46 days to 75 days from tax point date – 4.5%;
- 61 – 90 days past due date i.e. 76 days to 105 days from tax point date – 7.5%;
- 91 – 168 days past due date i.e. 106 days to 182 days from tax point date – 15.0%

The Council would then continue to apply the current percentages for debts older than 6 months from the tax point date i.e.

- 183 – 365 days from tax point date – 50%;
- 366 – 730 days from tax point date – 75%;
- 731 days or more from tax point date – 100%.

### **Deferred charges**

These from 183 days from tax point date are to be applied at 10% ONLY and not at the higher rates shown. No provision for deferred debts aged less than 6 months old. The Council has legal charges secured against individuals' homes, hence the reduced amount for impairment.

The annual impairment gain or loss will be the change in lifetime expected credit losses over the year.

## **13.4 Financial Assets Measured at Fair Value through Profit of Loss**

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:-

Instruments with quoted market prices – the market price other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels: -

**Level 1 inputs** – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date.

**Level 2 inputs** – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

**Level 3 inputs** – unobservable inputs for the asset.

## **13.5 The Financial Statements**

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

## **13.6 Available-for-Sale Financial Assets**

The Council does not have any available-for-sale financial assets and are unlikely to have any in the short-term as these financial assets are not included in the Treasury Management Strategy Statement 2018/19.



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

### **14.1 Provisions**

Provisions are made where an event has taken place that gives the Council 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 Council 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 service line in the Comprehensive Income and Expenditure Statement in the year that the Council 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 (e.g. 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 Council settles the obligation.

The Authority has made a provision for the costs of settling claims for back-pay arising from discriminatory payments incurred before the Authority implemented its Equal Pay Strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is, therefore, balanced by an Unequal Pay Back-Pay Account which, effectively, cancels the provision to zero. If any equal pay claims are funded from the general reserve in the year, these payments are deducted off the Equal Pay Provision and the Unequal Pay- Back Pay unusable reserve. Similarly, if a capitalisation directive is applied during the year, both the Equal Pay Provision and the Unequal Pay Back Pay unusable reserve will be reduced accordingly for the amount which is funded by capitalisation directive. The balance on the provision and the relevant reserve should reflect only any unsettled claims and future new claims.

### **14.2 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council 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 Council. 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.

Material contingent liabilities are not recognised in the Balance Sheet but disclosed as a note in the accounts (Note 42).

### **14.3 Contingent Assets**

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

Material 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 (Note 43).

## **15. Reserves**

The Council maintains a range of reserves, reflecting both the extent to which its overall assets exceed its liabilities and any restrictions, either statutory or voluntary, which are placed upon the usage of these balances. The Council has discretion to set aside specific amounts as reserves where they wish to earmark available funds for future policy purposes, to cover contingencies or manage cash flow. These are summarised in the Movement in Reserves Statement.

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 Council – these reserves are explained in the relevant policies and notes.

## **16. Revenue Recognition**

Revenue is recognised in the Comprehensive Income and Expenditure Statement for the year in which it is earned rather than when the cash is received. This relates to income from the sale of goods (produced by the Council for the purpose of sale or purchased for resale), the provision 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 also recognised on gains which may or may not arise from ordinary activities such as gains on the revaluation of non-current assets, gains on the sale of non-current assets and gains on available-for-sale financial assets. Where the Authority is acting as an agent, only the income the Council is paid for its role of agent will be recognised in the accounts. The amount relating to the third party (the principal) will not be included in the accounts.

Revenue is recognised and measured at the fair value of the consideration receivable. This is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Rebates and cash settlements, where relevant, will be taken into account in measuring the fair value of the consideration received.

If payment is on deferred terms, the consideration receivable is discounted to present value in order to achieve a fair value. 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.

## **17. Internal Interest**

The Council invests its cash balances in accordance with its Treasury Management and Investment Policies and the interest is accrued and credited to the Comprehensive Income and Expenditure Statement. Interest is credited to trust funds and other third party funds based on the average rate of interest earned by the Council. Some reserves receive interest by way of an appropriation calculated on the same basis.

## **18. Leases**

Where applicable and material, 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. The Council does not hold any leases of this type and, therefore, the leases that the Council does hold 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 fulfilment of the arrangement is dependent on the use of specific assets. Leases have been reviewed taking into account the materiality level of both annual rentals and capital values and inclusion in the accounts is based on these levels.

### **18.1 The Council as Lessee**

#### **18.1.1 Finance Leases**

If applicable and of a material value, items of Property, Plant and Equipment held under finance leases would be 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 Council 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 or 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.

If Property, Plant and Equipment are recognised under finance leases, they would be 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 Council at the end of the lease period).

The Council 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 General 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.

### **18.1.2 Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from 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 (e.g. there is a rent-free period at the commencement of the lease).

## **18.2 The Council as Lessor**

### **18.2.1 Finance Leases**

If the Council 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. If applicable, 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 General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General 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 General 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are, therefore, appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **18.2.2 Operating Leases**

Where the Council grants an 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. Charges to Revenue for Non-Current Assets**

Services and support services are charged with the following amounts to record the real cost of holding non-current assets during the year:-

- Depreciation of assets used by the 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; and
- Amortisation of intangible assets attributable to the Service.

The Council is not required to raise council tax to cover these costs. However, it is required to set aside an annual contribution from revenue towards its overall borrowing requirement. These costs are, therefore, replaced by the Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Welsh Government issued new regulations in 2008/09 requiring local authorities in Wales to make a prudent provision for MRP, including an option to provide an MRP over the life of an asset. The policy also allows MRP to be deferred until the asset is commissioned.

The Housing Revenue Account (HRA) provision is calculated as being 2% of the opening HRA Capital Financing Requirement (CFR). The Council reviewed its MRP policy and changed the method of calculation of MRP for the Council Fund element from 1 April 2018. The Council previously calculated MRP on a 4% reducing balance basis for supported borrowing and an asset life basis for capital items funded by unsupported borrowing. The new method provides a consistent approach and expenditure funded by supported borrowing will also be charged on the asset-life basis. For assets funded by supported borrowing at 1 April 2018 the asset –life of these have been assumed as 50 years as the borrowing would have funded a number of assets. Any new assets after 1 April 2018 funded from supported borrowing and unsupported borrowing will be based on actual expected asset life for that asset. The MRP methodology was changed to ensure a consistent and a more prudent approach which more accurately matches the MRP with the life of the asset which is being funded.

An exception to this policy arises in respect of expenditure which is subject to a capitalisation direction issued under Section 40(6) of the Local Government and Housing Act 1989. Any such expenditure will be amortised either in accordance with the above policy or over the number of years specified within the direction.

Transactions in relation to investment properties are recorded against the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

## **20. Government Grants and Contributions**

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

- the Council 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 the conditions attached to the grant or contribution have been met. Grant conditions are the requirements which have to be met in order to qualify for the grant, for example, the building of a school or key outcomes specified within the conditions. 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-ring-fenced 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.

Some grants' bodies impose restrictions which limit or direct the purposes for which the grant may be used but do not stipulate that the grant is to be repaid.

## **21. 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 Council 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.

## **22. Overheads and Support Services**

The costs of overheads and support services are charged to services that benefit from the supply or service in accordance with the Authority's arrangements for accountability and financial performance for the purpose of full-cost accounting for the statutory statistical returns, for example, the annual RA and RO Government returns. However, for budget monitoring and the statutory annual accounts, recharges are excluded and the corporate and support services are reported as service segments and held accountable for budget management.

## **23. Foreign Currency**

The Council has a diminishing number of European grant aided schemes where the grants may be denominated in Euros. A Euro Bank account was opened to support these schemes. The balance on this bank account at the year-end is converted at the spot exchange rate at 31 March with resulting gains or losses being recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **24. Employee Benefits**

### **24.1 Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, 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 Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year.

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. To prevent fluctuations from impacting on Council Tax, the year-on-year change in cost generated by this accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Accumulating Absences Adjustment Account, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The Council does not award long-term employee benefits, i.e. those which are not expected to be paid or settled within 12 months of the Balance Sheet date.

### **24.2 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. These benefits are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

### **24.3 Post-Employment Benefits**

Employees of the Council are entitled to be members of two separate pension schemes:-

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education; and
- The Local Government Pension Scheme, administered by Gwynedd Council.

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

### **24.4 Teachers' Pension Scheme**

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 Lifelong Learning Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Agency in the year.

### **24.5 The Local Government Pension Scheme**

All employees (other than teachers) and Councillors, subject to certain qualifying criteria, are able to join the Local Government Pension Scheme. The Scheme is known as the Gwynedd Pension Fund and is administered by Gwynedd Council in accordance with the Local Government Pension Scheme Regulations 2013 on behalf of all participating employers. Under International Accounting Standard (IAS19), 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 that is based on the indicative rate of return on UK Government bonds adjusted for an addition to the yield that reflects the extra risk involved in using AA Corporate Bond yields – known as the credit spread.



The assets of Gwynedd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:-

- Quoted securities - current bid price;
- Unquoted securities - professional estimate;
- Unitised securities - current bid price; and
- Property - market value.

The change in the net pension liability is analysed into four components:-

- a) 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;
- b) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs. Net interest on the net defined benefit liability, i.e. the net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, to the net defined liability at the beginning of the period (taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments);
- c) Re-measurement comprising:-
  - The return on plan assets (excluding amounts already included in the net interest on net defined benefit) which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- ch) 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 General 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 transfers 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 General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## 24.6 Discretionary Benefits

The Council 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.

## **25. Exceptional Items**

Where items of income and expense are material in the context of these accounts, 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 Council's financial performance.

## **26. Accounting for NDR (Non-Domestic Rates)**

As the Council acts as an agent in the collection of NDR income, it does not include the financial position with regard to the ratepayers and only reports the net cash position with Central Government in its Balance Sheet. Therefore, if the amount collected from NDR taxpayers by the Authority (net of the cost of collection allowance) exceeds that paid to Welsh Government at 31 March, the amount not yet paid to the Welsh Government is included in the Balance Sheet as a creditor. Similarly, if the cash paid to Welsh Government exceeds the cash collected from NDR taxpayers (net of the cost of collection allowance), the excess is included in the Balance Sheet as a debtor. The Council maintains records of NDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records; however, for final accounts purposes these balances are consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool. The cost of collection allowance received by the Isle of Anglesey County Council is the billing Council's income and is included in the Comprehensive Income and Expenditure Statement.

Cash collected from NDR taxpayers is not included in the Cash Flow Statement except for the cash retained in respect of the cost of collection allowance. Any difference between the cash collected from NDR taxpayers and the cash paid into the NDR Pool is included within financing activities in the Cash Flow Statement.

## **27. Agency Income and Expenditure**

Under various statutory powers, a Council may agree with other local authorities, water companies and government departments to do work on their behalf. The body carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution towards administrative costs. Only the amounts relating to the Council, for example the fees earned for providing the agency services, will be included in the Council's Comprehensive Statement of Income and Expenditure.

The Isle of Anglesey County Council has acted as an agent during the year on behalf of:-

Welsh Government - Collecting Non-Domestic Rates (NDR) and paying the sums collected over to Welsh Government, less the amount retained in respect of the cost of collection allowance;

Welsh Government – Empty Homes' Loans, where the Council acts as agent between Welsh Government and recipients of Empty Homes' Loans.

**SUPPLEMENTARY FINANCIAL STATEMENT  
HOUSING REVENUE ACCOUNT**

**Income and Expenditure Statement for the year ended 31 March 2019**

	2018/19 £'000	2017/18 £'000
<b><u>Expenditure</u></b>		
Management and Maintenance - Repairs and Maintenance	3,684	3,322
Management and Maintenance - Supervision and Management	4,572	4,422
Rents, Rates, Taxes and Other Charges	39	3
Depreciation, Impairment and Revaluation Losses of Non-current Assets	11,372	10,652
Debt Management Costs	12	12
Movement in the Impairment Allowance for Bad Debts	89	(52)
Movement in the Accumulated Absences Accrual	(51)	8
<b>Total Expenditure</b>	<b>19,717</b>	<b>18,367</b>
<b><u>Income</u></b>		
Dwelling Rents	(17,089)	(16,125)
Non-dwelling Rents	(215)	(216)
Charges for Services and Facilities	(174)	(97)
Contributions towards Expenditure	(168)	(128)
Other	(308)	(202)
<b>Total Income</b>	<b>(17,954)</b>	<b>(16,768)</b>
<b>Net Expenditure of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>	<b>1,763</b>	<b>1,599</b>
HRA Services' Share of Corporate and Democratic Core	56	56
<b>Net Expenditure of HRA Services</b>	<b>1,819</b>	<b>1,655</b>
<b>HRA Share of the Operating Income and Expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		
(Gain) on sale of HRA Non-current Assets	-	(2)
Revaluation of Assets	7	-
Interest Payable and Similar Charges	1,765	1,858
Interest and Investment Income	(16)	(10)
Capital Grants and Contributions receivable:	-	-
- Major Repairs Allowance	(2,664)	(2,659)
- Other	(7)	(32)
<b>Deficit for the Year on HRA Services</b>	<b>904</b>	<b>810</b>

## Statement of Movements on the HRA Balance

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

	2018/19 £'000	2017/18 £'000
<b>Balance on the HRA at the end of the Previous Reporting Period</b>	<b>(7,380)</b>	<b>(7,544)</b>
(Surplus)/Deficit for the Year on HRA Services	904	810
Adjustments between Accounting and Funding Bases under Statute	(1,911)	(781)
<b>Net Decrease/(increase) before Transfers to/from Reserves</b>	<b>(1,007)</b>	<b>29</b>
Transfers to/(from) Earmarked Reserves	202	135
<b>Net Decrease/(Increase) in Year on the HRA</b>	<b>(805)</b>	<b>164</b>
<b>Adjustment to Reserve</b>	<b>(202)</b>	<b>-</b>
<b>Balance on the HRA at the end of the Current Reporting Period</b>	<b>(8,387)</b>	<b>(7,380)</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 Council housing, and the form and content of the Account is prescribed by statute. The Housing Revenue Account is “ring-fenced” 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

During 2018/19, the Council sold no dwellings under the Right-to-Buy Scheme and has suspended the right to buy scheme. Following the buyout from the Housing Subsidy scheme, the Council has a policy of purchasing suitable former Council dwellings and returning them to Council housing stock. During 2018/19, 12 such properties were purchased. As at 31 March 2019, the number of dwellings totalled 3,818, with the split by type of dwelling made up as follows:-

	31 March 2019	31 March 2018
<b>Council Owned Stock</b>		
Houses	2,028	2,016
Bungalows	1,045	1,044
Flats	738	736
Bedsits	7	7
<b>Total Council Owned</b>	<b>3,818</b>	<b>3,803</b>

### NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2018/19 £'000	2017/18 £'000
<b>Capital investment</b>		
Houses	9,028	9,291
<b>Sources of funding</b>		
Capital Receipts	-	(14)
Government grants and other contributions	(2,671)	(2,677)
Direct Revenue Financing	(6,357)	(6,600)
<b>Total</b>	<b>(9,028)</b>	<b>(9,291)</b>

The Major Repairs Allowance for 2018/19 of £2.659m was used in full during the year (£2.660m in 2017/18).

### NOTE 4 – DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

	2018/19 Derecognition £'000	2018/19 Depreciation £'000	2018/19 Total £'000	2017/18 Derecognition £'000	2017/18 Depreciation £'000	2017/18 Total £'000
Land	-	-	-	-	-	-
Dwellings	7,503	3,572	11,075	7,582	2,812	10,394
Other Property - Operational Assets		297	297	-	258	258
	<b>7,503</b>	<b>3,869</b>	<b>11,372</b>	<b>7,582</b>	<b>3,070</b>	<b>10,652</b>

### NOTE 5 – CAPITAL RECEIPTS FROM DISPOSAL OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE HOUSING REVENUE ACCOUNT

	2018/19 No. of Sales	2018/19 £'000	2017/18 No. of Sales	2017/18 £'000
<b>Council dwellings</b>				
Right to Buy	-	-	-	-
Discounts repaid	-	-	2	10
<b>Other Receipts</b>				
Land sales	-	-	2	4
Other property sales	-	-	-	-
Mortgage Property		-	-	-
				<b>14</b>
Less set aside		-		-
<b>Total</b>				<b>14</b>

## NOTE 6 – RENT ARREARS AND BAD AND DOUBTFUL DEBTS

During 2018/19, total rent arrears decreased by £0.050m. A summary of rent arrears and prepayments is shown in the following table:-

<b>Rent Arrears</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Current Tenant Arrears	429	394
Former Tenant Arrears	250	257
<b>Total Rent Arrears</b>	<b>679</b>	<b>651</b>
Prepayments	(216)	(186)
<b>Total Debt</b>	<b>463</b>	<b>465</b>

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £0.462m against rents (£0.462m in 2017/18).

## 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 pension's liabilities with investment assets.

The costs 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:-

<b>HRA Income and Expenditure Account</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Current Service Cost	(407)	(318)
Employer Contributions actually paid	407	318
<b>Contribution to Pension Reserve</b>	<b>-</b>	<b>-</b>

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.

<b>RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS</b>	
Anglesey Access Group	Robert G Parry OBE FRAGS
Anglesey Agricultural Show	Kenneth P Hughes
Anglesey and Gwynedd Safer Communities Partnership	Llinos Medi Huws
Anglesey CAB	Nicola Roberts
Anglesey Language Forum	Lewis Davies, Gwilym O Jones, R Meirion Jones, Ieuan Williams, Bryan Owen
Area of Outstanding Natural Beauty Joint Advisory Committee (Ynys Môn)	Richard Dew, Eric Wyn Jones, Dafydd Roberts, Nicola Roberts, Robin Wyn Williams.
Betsi Cadwaladr Stakeholder Reference Group	Llinos Medi Huws
Carers' Champion	Robert G Parry OBE FRAGS
Champion for Adults Safeguarding	Llinos Medi Huws
Champion for Children in Care	Richard Griffiths
Champion for Diversity	Margaret Murley Roberts
Champion for Equality	Nicola Roberts
Champion for Members	Robert Llewelyn Jones
Champion for Older People	Robert Llewelyn Jones
Champion for Scrutiny	Gwilym O Jones
Champion for the Armed Forces	Richard Dew
Children and Young People's Champion	Llinos Medi Huws
Court of Governors, University of Wales, Bangor	R Meirion Jones
Cwmni CYNNAL AGM	Margaret Murley Roberts
Cwmni Frân Wen	Vaughan Hughes
CYNNAL Management Committee	R Meirion Jones, Dafydd Roberts
Destination Anglesey Partnership (DAP)	Richard Dew
Fostering Panel	Richard Griffiths
Grwp Llandrillo/Menai	R Meirion Jones
GwE Joint Committee	R Meirion Jones
Gwynedd & Anglesey Adoption Panel	Dylan Rees
Gwynedd & Anglesey Youth Justices Service	Llinos Medi Huws
Gwynedd Pensions Fund Committee (Gwynedd Council)	Robin Wyn Williams
Joint Council for Wales	John Griffith, Dafydd Rhys Thomas
Medrwn Môn	Llinos Medi Huws
Member Board of the Consortium of Local Authorities in Wales (CLAW)	Robert G Parry OBE FRAGS
Menter Môn	Ieuan Williams
North and Mid Wales Trunk Road Joint Committee	Robert G Parry OBE FRAGS
North Wales Community Health Council (Anglesey Local Committee)	Trefor Lloyd Hughes MBE, Glyn Haynes, Dylan Rees
North Wales Economic Ambitions Board	Llinos Medi Huws
North Wales Fire and Rescue Authority	Richard Griffiths, Dylan Rees, Eric Wyn Jones
North Wales Fire and Rescue Authority Audit Committee	Dylan Rees
North Wales Fire and Rescue Authority Executive Panel	Richard Griffiths, Eric Wyn Jones

<b>RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS</b>	
North Wales Housing Association	Alun Wyn Mummery
North Wales Leadership Board	Llinos Medi Huws
North Wales Police and Crime Panel	Dylan Rees
North Wales Regional Waste Plan Review Steering Group	Robert G Parry OBE FRAGS
North Wales Residual Waste Treatment Joint Committee	Richard Dew, Robert G Parry OBE FRAGS
North Wales Safer Communities Board	Llinos Medi Huws
North Wales Tourism Partnership	Carwyn Jones
Owen Lloyd, Penrhoslligwy Educational Trust	Vaughan Hughes
Public Service Board Anglesey and Gwynedd	Llinos Medi Huws
Regional Partnership Board	Llinos Medi Huws
Sustainable Development Fund Partnership	Richard Dew
The Harbour Trust, Caernarfon	Robert G Parry OBE FRAGS
Voluntary Sector Liaison Committee	Llinos Medi Huws, Aled Morris Jones, Gwilym O Jones, R Meirion Jones, Alun Mummery
Welsh Local Government Association	Llinos Medi Huws, Ieuan Williams
Wylfa Newydd Project Liaison Group	John Griffith, Richard Griffiths, Kenneth P Hughes, Llinos Medi Huws, Aled Morris Jones, Richard Owain Jones, Dafydd Rhys Thomas
Wylfa Site Stakeholder Group	John Griffith, Richard Griffiths, Kenneth P Hughes, Llinos Medi Huws, Aled Morris Jones, Gwilym O Jones, Richard Owain Jones



## GLOSSARY

### 12-MONTH EXPECTED CREDIT LOSSES

This is the portion of lifetime expected credit losses that represent the expected credit losses that result from default on a financial instrument which are possible within the twelve months after the reporting date

### ACCOUNTING PERIOD

This is 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, usually 31 March of the following year.

### ACCRUALS

Sums included in the final accounts to recognise goods/services received in the year or 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.

### AGENCY SERVICES

These are the services provided by the Council to a third party on behalf of another organisation.

### APPROPRIATIONS

These are the amounts transferred between the Comprehensive Income and Expenditure Statement and revenue or capital reserves.

### ASSET

An asset is an item having value to the Council in monetary terms. Assets are categorised as either current or non-current:-

- A current asset will be used or be of minimal value within the next financial year (e.g. cash and inventories);
- A non-current 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

This is an independent examination of the Council's financial affairs.

### BALANCE SHEET

The Balance Sheet is a statement of the true and fair value of the recorded assets, liabilities and other balances at the end of the financial year.

### BUDGET

The Budget is a statement of how much the Council has allocated to each service and function to spend or raise in income for the financial year.

## **CAPITAL EXPENDITURE**

Capital expenditure is expenditure on the purchase of a non-current asset, which will be used in providing services beyond the current financial year, or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. Examples include: the building of a new school, the purchase of IT equipment, a major refurbishment of a care home.

## **CAPITAL FINANCING**

Funds that are available 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 FINANCING COSTS**

Capital Financing costs are any additional costs arising from borrowing to fund capital projects. These tend to be interest payable on loans taken out and the Marginal Revenue Provision (MRP) charge on projects finance by borrowing. The MRP is 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.

## **CAPITAL PROGRAMME**

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

## **CAPITAL RECEIPTS**

Capital receipts represent the proceeds from the disposal of land or other non-current 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.

## **CASH AND CASH EQUIVALENTS**

This is cash-in-hand, cash overdrawn, cash held in bank accounts and short-term (for example three months) investments which are readily converted into known amounts of cash.

## **CASH FLOW STATEMENT**

The cash flow statement shows the changes in cash and cash equivalents of the Council during the financial year.

## **CIPFA**

This is The Chartered Institute of Public Finance and Accountancy, the lead professional and regulatory body for local Authority accounting.

## **COMMUNITY ASSETS**

Community assets are 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.

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

The is one of the main financial statements of the Council which records all the income and expenditure for the Council categorised on the basis of standard CIPFA requirements to enable comparisons to be made between authorities.

## **CONSISTENCY**

This represents the concept that the accounting treatment of like items, within a financial year and from one year to the next, is 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 is, 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.

### **CREDIT LOSS**

This is the difference between the cash amounts due to the authority in accordance with the contract and all cash flows that the authority expects to receive, discounted at the original effective interest rate.

### **CREDITOR**

The amount owed to individuals or other organisations by the Council for work done, goods received or services provided within the financial year but for which payment has not been made by the end of that financial year.

### **CURRENT SERVICE COST (PENSIONS)**

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

### **DEBTOR**

The amount owed to the Council from individuals or other organisations for works done, goods received or services provided within the financial year, but for which payment has not been received by the end of that financial year.

### **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 non-current assets during the financial year, whether from use, the passage of time or obsolescence through technical or other changes.

### **DISCRETIONARY BENEFITS (PENSIONS)**

These represent the 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 Final Statement of Accounts is authorised for issue.

## **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.

## **EXPENDITURE AND FUNDING ANALYSIS**

This statement aims to show how annual expenditure is used and funded from resources. The first column, the net expenditure chargeable to the General Fund and HRA balances, shows the true impact of the cost of providing services for the year excluding accounting adjustments.

## **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 Finance Lease is one that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

## **GOING CONCERN**

This represents 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.

## **HERITAGE ASSETS**

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

## **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)**

The HRA is a separate account to the Council Fund, and includes the income and expenditure arising from the provision of housing accommodation by the Council.

## **IMPAIRMENT**

Impairment is a reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet. This is usually due to an event which has substantially reduced the value of the asset for example, a fire or if an asset has become obsolete.

## **INFRASTRUCTURE ASSETS**

Non-current 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 financial year of the present value of the scheme liabilities because the benefits are one financial year closer to settlement.

### **INVENTORIES**

Items of raw materials and stores a 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 share of the pension scheme assets associated with their underlying obligations.

### **INTEREST RECEIVABLE OR PAYABLE**

The effective interest rate method is used to measure the carrying value of a financial asset or liability measured at cost less accumulated amortisation, 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.

### **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 financial year, 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 financial year.

### **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.

### **MOVEMENT IN RESERVES STATEMENT**

This statement shows the movement from the start of the year to the end of the year for all the usable reserves held by the Council which can be used to fund Council costs or reduce local taxation, and unusable reserves.

### **NET BOOK VALUE**

The amount at which non-current 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 Net Debt is the Council's borrowings less cash and liquid resources.

### **NET WORTH**

The Net Worth is the Council's value of total assets less total liabilities.

### **NON-DISTRIBUTED COSTS**

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

### **NON-DOMESTIC RATES (NDR)**

The 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**

Non-current 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**

An Operating lease is where the ownership of the non-current asset remains with the lessor.

### **OPERATIONAL ASSETS**

Non-current 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 financial years arising in the current financial year 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**

A Prior Year Adjustment is a material adjustment applicable to previous years arising from changes in accounting policy or from the correction of a fundamental error. 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/or more 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 NDR purposes.

#### **RELATED PARTIES**

There is a detailed definition of related parties in IAS 24. For the Council's purposes, related parties are deemed to include Central Government, Local Authorities and other bodies, either precepting or levying demands on the Council. Related Parties can also include subsidiary and associated companies, joint venture and joint venture parties and particularly Members and chief officers of the Council.

When considering who is a related party, regard is also taken of transactions involving members of the close family or household of any individual listed.

#### **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**

Reserves are 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 Revaluation Reserve, cannot be used to meet current expenditure.

#### **RESIDUAL VALUE**

The residual value of an asset is 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**

Revenue Expenditure represents 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.

#### **SUPPORTED BORROWING**

The Council borrows money to fund part of its capital programme. This borrowing is recognised by Central Government in its calculation of formula funding for the Council.

#### **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.

#### **UNSUPPORTED BORROWING**

The Council can borrow additional money to the borrowing supported by Government to finance its capital expenditure as long as it is affordable and sustainable. This power is governed by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code, with which the Council fully complies.

#### **UNUSABLE RESERVES**

Unusable Reserves are those reserves used to absorb the differences between the outcome of applying proper accounting practices and the requirement of statutory arrangements for funding expenditure. Such reserves include the unrealised gains and losses in relation to revaluations of property, plant and equipment where the value only becomes available if the asset is sold.

#### **USABLE RESERVES**

Specific amounts set aside for future policy purposes or to cover contingencies. They can be used to fund expenditure or reduce taxation.

#### **USEFUL ECONOMIC LIFE (UEL)**

The period over which the Council will derive benefits from the use of a non-current asset.

#### **WORK IN PROGRESS (WIP)**

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



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# Annual Governance Statement 2018/2019

Principle	Assurance
Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<b>Assured</b>
Principle B - Ensuring openness and comprehensive stakeholder engagement	<b>Assured</b>
Principle C - Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits	<b>Assured</b>
Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes	<b>Assured</b>
Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	<b>Assured</b>
Principle F - Managing risks and performance through robust internal control and strong public financial management	<b>Assured</b>
Principle G - Implementing good practices in transparency, reporting, and audit to deliver	<b>Assured</b>

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## Introduction

To demonstrate good governance, the Authority must show that it is complying with the core (and supporting) principles contained within the Framework for Delivering Good Governance in Local Government (CIPFA / Solace, 2016). This statement has been prepared in accordance with those principles

Aspects of the Council's governance arrangements have been strengthened and modernised in recent years across a number of governance themes. The current Council plan was adopted in the autumn of 2017 and this places an emphasis on our governance structures to enable the outcomes of the plan to be delivered.

<https://www.anglesey.gov.uk/documents/Docs-en/Council/Democracy/Council-Plan/Council-Plan-2017-2022-Plan.pdf>

In addition, over the last few years six key themes have been developed by staff and management to support our aims and objectives -

### **1. Professional and Well Run**

*We are committed to developing a democratic and professional partnership that will deliver effective, strong leadership and establish the necessary professional, and organisational behaviours required, to secure improvement*

### **2. Innovative, Ambitious and Outward Looking**

*We will establish an environment and culture that encourages and nurtures, innovative and creative, ideas and solutions looking beyond the organisation to seek ambitious solutions that benefit our customers, citizens and communities*

### **3. Customer, Citizen and Community Focused**

*We will actively engage with communities, citizens and customers, seek their views, understand their needs and respond accordingly fully explaining and communicating our actions*

### **4. Valuing and Developing our People**

*We will value and develop our people, so that they are skilled and motivated, and always professional in the way that they work. We will recognise success, innovation and a commitment to providing exceptional customer service*

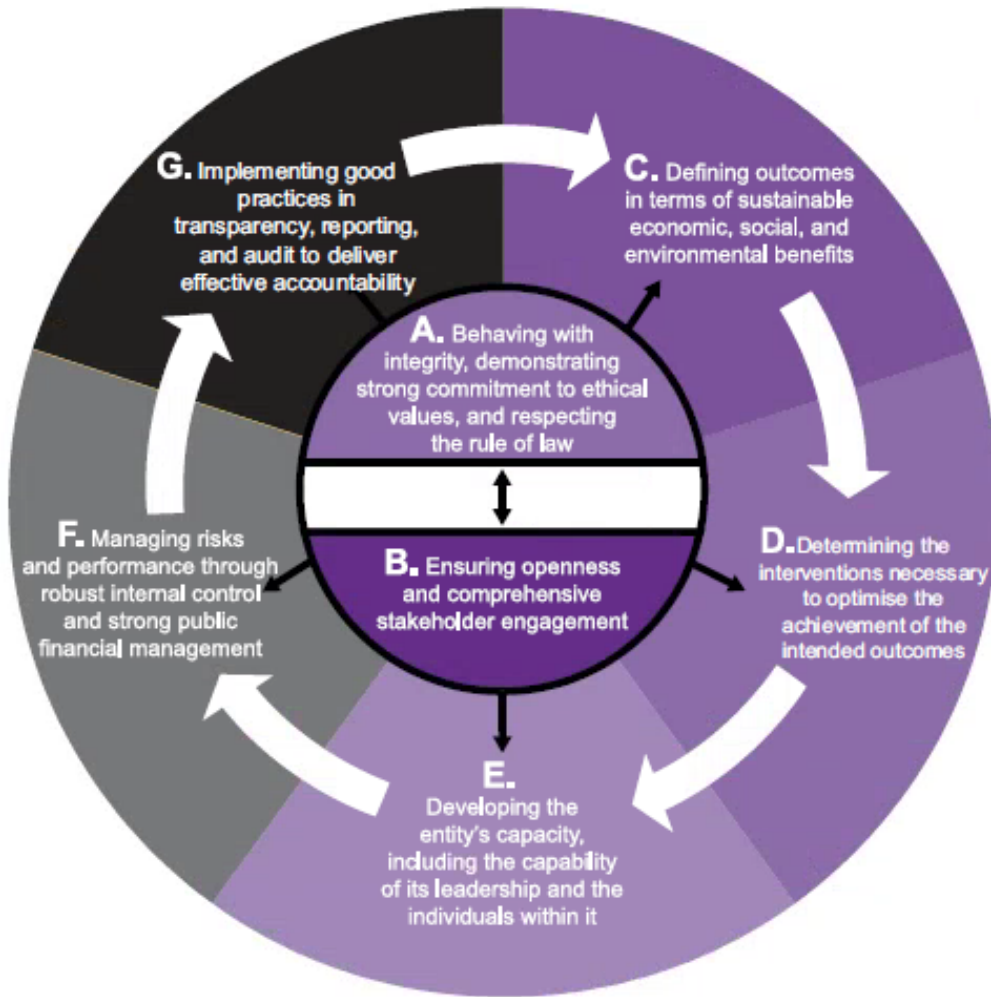
### **5. Committed to Partnership**

*We understand that we cannot deliver the required transformation on our own and are committed to working in partnership with public, voluntary and private sector partners in order to deliver sustainable growth and development*

### **6. Achieving**

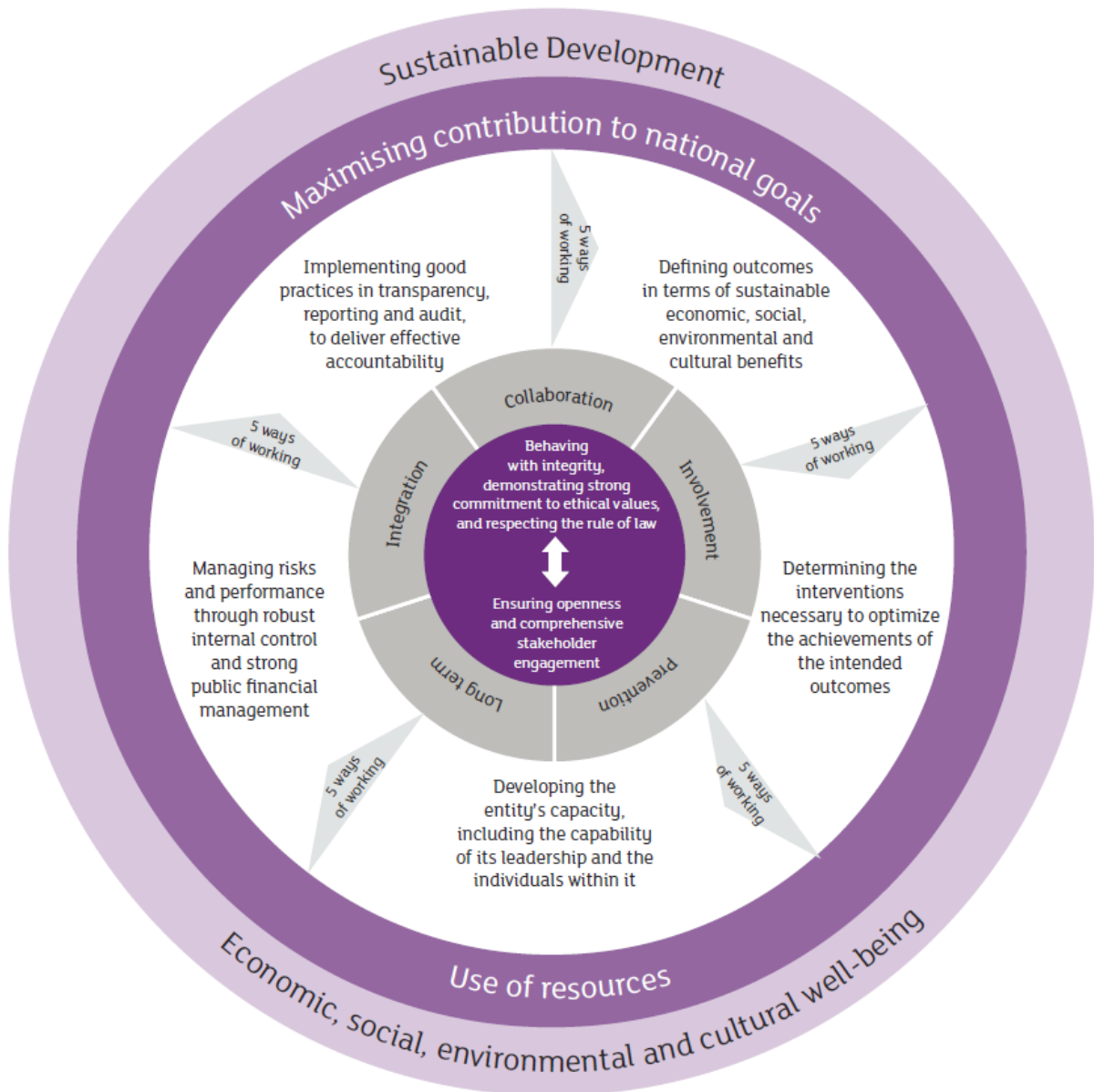
*We are results and outcome orientated and strive to improve our performance in the important areas of our work*

These can be aligned to the seven core principles in the CIPFA/SOLACE framework. These are contained within 'Delivering Good Governance in Local Government (Wales) 2016 that have been adapted for local government purposes:-



*Source: Delivering Good Governance in Local Government: Framework (2016 Edition)*

The Council aims to achieve good standards of governance by adhering to the seven core principles above and also adhering to the Wellbeing of Future Generations (Wales) Act 2015 principles which together form the basis of the Council's Code of Corporate Governance.



Source: *Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities (2016 Edition)*

We have sought within this Annual Governance Statement to show how all the above key themes and principles have been central to all our endeavours during 2018/19

## Scope of Responsibility

The Isle of Anglesey County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure **continuous improvement** in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness

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

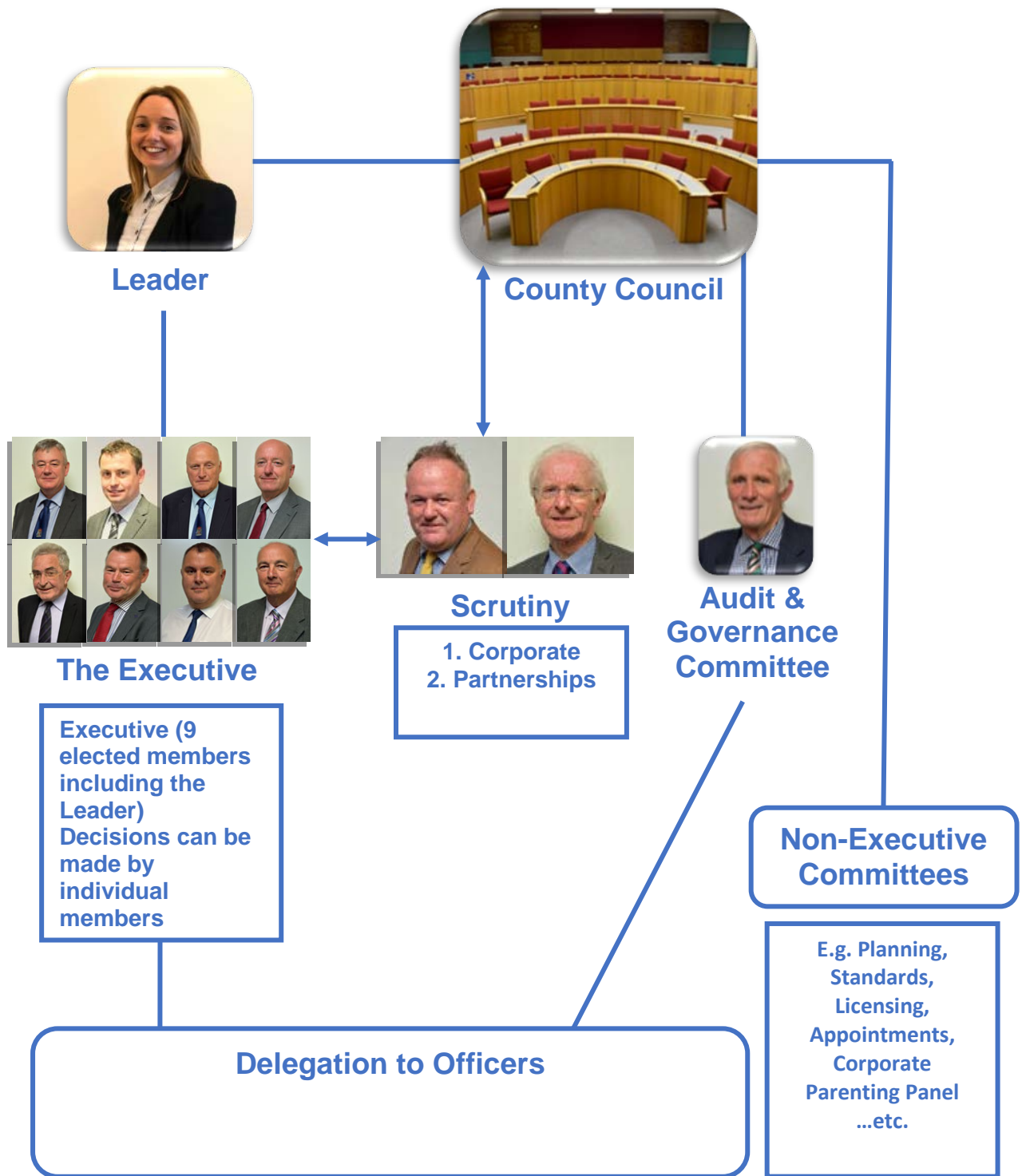
The Council has approved and adopted a local code of corporate governance that is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government.

This statement explains how the Council has complied with the code and meets the requirements of non-statutory proper practice encouraging the publication of an Annual Governance Statement. It also meets the requirement of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2014 in relation to the publication of a statement on internal control.

## The Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable and not absolute assurance of effectiveness. A broad overview of structure of IoACC Political Management arrangements can pictorially be represented as follows –



The governance framework has been in place at the Council for the year ended 31 March 2019 and remains applicable up to the date of the approval of the Statement of Accounts. Where any new arrangements have been introduced during the year this has been noted.



## Analysis of the Governance Framework 2018/19

The current framework as it relates to each of the seven Corporate Governance principles is described in the interlinked topics as outlined and available at

<https://www.anglesey.gov.uk/en/Council/Council.aspx#as?folderIds=2864,3428>

The following summary focuses on the work to develop and strengthen the framework and outlines areas of weakness identified during the 2018/19 financial year.

Principle A	
<b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	
<b>Related Key Theme:</b>	Professional and Well Run
<b>Conclusion of Self-Assessment:</b>	<b>Assured</b> – The County Council has clear, transparent decision-making processes which incorporate strong ethical values and are lawful. The codes of conduct set out expectations for behaving with integrity.

### How we do this:

The six key themes incorporated within the revised Council Plan for 2017-22 set out the Council's values and these are embedded in the Council's transformational activity and future vision for delivery. As a result, the Six Key Themes continue to underpin the corporate way of working and the importance of good governance is emphasised in the Council Plan.

There are a number of codes of conduct and protocols in place as part of the Constitution to ensure high standards of conduct and behaviour. There is a Policy for the Prevention of Fraud and Corruption in the Constitution with subsidiary plans in place. This includes the Officers' Code of Conduct, which is statutory. Local Guidance has now been published and circulated to all staff.

The Monitoring Officer acts as the lead officer for the Standards Committee (SC), with seven of its nine members external appointments, and the remainder being Elected Members. The Committee develops and supports independence and objectivity rather than political governance and achieves this in the following ways:

- Chairman's Annual Report to Council
- Work Programme approved annually by the Council

- Four quarterly meetings and as many extraordinary meetings as are necessary to deal with referrals from the PSOW and applications for dispensations
- Dealing with any matters referred under the Local Resolution Protocol
- Dealing with any Public Services Ombudsman Wales local view requests
- Training and development arranged by the SC and/or undertaken by the SC.

To supplement training for Members, briefing notes have been published on the following subject areas:

- Gifts and Hospitality
- Individual Rights as Members
- Call Ins

Undertaking an annual review of **Registers of Members interests** and publishing its findings and advisory note to all Members. The focus of the registers this year was to undertake sample audits of declarations of interest at Community Council meetings. The review is deemed to have been a beneficial exercise. The Standards Committee was generally pleased with the findings made as several good practices were noted. Some common areas of concern were also identified and, as explained in [the report](#), required attention.

In addition to the above, there is joint working between the two management teams through the Penaethiaid meetings and members of the SLT who act as link officers with Heads of Service to ensure clear communication on how strategic/corporate priorities are being implemented within Services.

## Principle B

### Ensuring openness and comprehensive stakeholder engagement

<b>Related Key Theme:</b>	Customer, Citizen and Community Focused
<b>Conclusion of Self-Assessment:</b>	<b>Assured</b> – The Council exists to serve its residents and is dependent on a wide variety of stakeholders for working effectively in partnership. Engagement and consultation mechanisms are in place.

#### How we do this:

All **Executive** and Council meetings are held in public (with the exception of exempt items) and all papers are published on the Council website. All reports to committees are accompanied with a cover report, which details a summary of the report, the recommendations seeking approval and a rationale for why that recommendation has been made, in order to show the reasoning and evidence for decisions.

A Combined **Forward Work Programme** for the Executive and Scrutiny Committees is publicly available and published on the Council's website. There are clear timescales for the submission, publication and distribution of reports.

As in previous years and in the current financial climate the Council recognises that it needs to work closely with its key partners in this area of work to avoid duplication and utilise its resources effectively.

There is evidence of good engagement practice at service level which demonstrates how the Council shares its decisions, and there is a growing culture of trust and understanding with its citizens e.g.

- Consultation on the Budget – where in excess of 5000 responses were received
- Regional Homeless Strategy 2018-2022
- Bus Service Consultation
- Amlwch and North Anglesey Regeneration Plan Survey
- Toilet Strategy Needs Assessment

However, the Council recognises that there is always room for further improvement in widening the cohort of citizens who actively engage (including hard to reach groups). As a result, Senior Officers have now recognised the opportunities to create a standardised and simplified process for engagement across the public and third sector.

The **community engagement model** is used to improve the corporate approach to community engagement. This model is essential in order to identify those communities and groupings that will have an interest in taking over responsibilities for delivery of local type needs in their communities. The model has since its inception been tailored for use in different engagement and consultation work. This model has been signed off by the revised **Engagement & Consultation Board** led by an Assistant Chief Executive.

The Engagement and Consultation Board provides a cross Council approach to engagement and stakeholder involvement which reduces duplication, ensures a collective approach to engagement and improves our area based intelligence as a Council.

The Public Services Boards for Gwynedd and Ynys Môn local authority areas became a statutory body under the Well-being of Future Generations (Wales) Act 2015. The PSB's Wellbeing Assessment was published for the wellbeing areas of Gwynedd and Anglesey in May 2017, and following a series of consultation and engagement sessions the Well-being Plan was published in 2018. The Well-being Plan confirms the two objectives and six priority areas for which it was agreed that the Board could collaborate in order to ensure the best results for the residents of Gwynedd and Anglesey. The PSB established sub-groups led by Board members to lead on the work.

Four sub-groups have been established under Objective 1 (Objective 1 - Communities which thrive and are prosperous in the long-term) as follows:

- Climate Change sub-group
- The Welsh Language sub-group
- Homes for local people sub-group
- Poverty sub-group

The two priority areas of ' health and care of adults ' and ' the welfare and achievement of children and young people' contribute towards Objective 2 - Healthy and independent residents with a good quality of life. It was agreed to establish one sub-group to address the two priorities – The West integrated Health and Social Care Group.

The five sub-groups are accountable to the Public Service Board in relation to delivering any work commissioned. The sub-group leaders are expected to report progress every quarter to the Gwynedd and Anglesey Public Services Board. The sub groups take account of the work already being undertaken by the members of the Board to promote the above objectives, in order to identify and deliver on how the Board can add value to the work already undertaken.

The Board's work is overseen regularly by the Scrutiny Committees of Gwynedd Council and the Isle of Anglesey County Council.

To assist the Council to contribute to its theme of achieving '*excellent customer, citizen and community focus*' (6 Key Themes), the **Transforming Business Processes Board** was established in January 2019 to replace the Customer Service Excellence Board. It will be responsible for all aspects of Customer Service and will be used to monitor and improve the customer experience for our residents with its focus prioritised in the first instance to the following during the last quarter of 2018/19 and on to 2019/20 –

- Drafting, consulting and agreeing a new Corporate Customer Service strategy
- Identifying and implementing priorities related to the implementation of the Digital Strategy as outlined by the Penaethiaid
- Tracking and reporting on the improvements identified within the invest to save projects

The **Customer Service Charter** was agreed in 2015 following consultation with front line stakeholder groups, officers, Elected Members, staff and trade union. It continues to outline our promises to the customer on how we will deal with their requests and also outlines the expectations we have of our service users to ensure that a clear understanding is established at the outset. The values embraced in the Charter include 'putting the customer first' and demonstrating a 'can do' attitude. In accordance with its language policy, the Council is committed to ensuring that service provision is available in the chosen language of the service user (Welsh or English).

A **mystery shop exercise** was undertaken in 2018 to audit the Council's adherence to the **Welsh Language Standards** and the **Customer Service Charter**. The Welsh Language (Wales) Measure 2011 establishes a legal framework to impose a duty on the Council to comply with standards of conduct on the Welsh Language. The standards mean that the Council should not treat the Welsh Language less favourably than the English language, together with promoting and facilitating the use of the Welsh Language. This piece of work concluded that results are positive in relation to the Authority's adherence to the Welsh Language Standards and Customer Service Charter and recommendations put forward will be tracked and realised as part of the Corporate Governance Programme Board remit.

The webcasting of meetings has demonstrated a positive example of how Anglesey has progressed its customer / citizen focused electronic approach by webcasting Executive, Planning & Orders and Council meetings. This continues to be the case and it also adds to the transparency of decision making and involves a much wider audience for debates. This is an effective example of the channel shift agenda and the Council's continuous drive to address democratic renewal.

Arrangements are in place to engage with Welsh Government, External Audit, other regulators and WLGA on a regular basis. These have been significantly strengthened over the last few years and have been sustained under our new Administration (elected May 2017) as part of the continuing governance arrangements.

A staff survey was reported upon during January / February of 2017 and the results have been used to inform varying agendas across the council. The results of the survey were encouraging, showing that the council had made good strides in terms of informing, listening to and supporting our workforce. A further survey is planned for 2019/20.

Work continues on refining the **Internal Communication Framework**. We value the views and opinions of staff and Members in contributing to the agenda. Opportunities have been provided through a range of fora in which staff and members have been encouraged to actively participate. A cohort of future leaders recognised amongst staff have been proactive in critiquing current arrangements and proposing future improvements. These proposed improvements will be part of an action plan to improve internal communications during 2019/20. For Members, regular informal briefing sessions have been held on a range of subjects. This enables them to better understand specific areas of work and allows them to prepare for informed scrutiny and decision-making. For the 18/19 Council year, there was full and varied agenda for the monthly briefing sessions.

Annual reports on their work were published by Scrutiny as well as the Standards and Audit and Governance Committees. Since June 2014, individual Elected Members have also published annual reports.

There are longstanding arrangements for engaging with employees: with Trade Unions through the Local Joint Consultative Committee and less formal meetings, and communication with staff generally through e.g. monthly staff bulletins. Managers and staff have been consulted and involved in a number of decision making matters as part of the developing agenda.

A **Concerns and Complaints Policy** is operational and provides an emphasis on; Customer Care, the systematic recording of all concerns, early resolution, and the demonstration of lessons learnt and the implementation of improvements. The Policy is based on that of the Public Services Ombudsman for Wales as required by the Welsh Government.

Statistical information about service complaints are published monthly on the Council's website and form part of an annual report to the Audit and Governance Committee which also deals any complaints dealt with under the Whistleblowing Policy.

## Principle C

### Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits

<b>Related Key Themes:</b>	Customer, Citizen and Community Focused Committed to Partnership Achieving
<b>Conclusion of Self-Assessment:</b>	<b>Assured</b> – The County Council works with communities to plan outcomes. In setting policies and strategies, the County Council take a long term view about outcomes, taking into account sustainable economic, social, cultural and environmental benefits.

#### How we do this:

The Council's adopted Plan 2017-22 (September 2017) guides the work of the Council and provided certainty of direction for the local area during 2018/19.

It is a Plan which describes priorities succinctly and clearly and explains how the priorities reflect the views of the citizen and is aligned to the ever developing medium term financial strategy. This highlights the resources which are required to realise the current council plan. The Council Plan provides the framework that helps shape budgets, and against which the Authority can assess and account to the community on the level of progress made against targets set, and inform them about areas for further improvement. The **Medium Term Financial Strategy** is also reviewed annually, in line with the corporate priorities.

All services also produce an annual **Service Delivery Plan** that shows clearly how they contribute towards achieving our corporate priorities. All service plans contain measures to evidence how actions will make a difference. As indicated, service plans are reviewed annually and are also subject to regular monitoring through the production of a quarterly scorecard – which looks at how services are delivering on the priorities in their plan. The scorecard is reported to the Senior Leadership Team, Scrutiny and The Executive.

Services are also subject to six monthly **service reviews** – looking specifically at the budget and expenditure in June and on performance and outcomes between November and January. Members of the Senior Leadership Team and elected members, from both the Executive and Shadow Executive, rigorously challenge service performance at the service review sessions. Actions to address issues or improve performance against set targets are then agreed at the meetings for implementation over the next 12 months.

Partnership and collaboration is integral to the way the Council seeks to achieve its ambitions and its corporate agenda. For a 'small' Council it is an important means of building capacity and is fundamental to our approach of achieving shared priorities.

We believe that successful partnership working is essential to the delivery of better services to our customers and a successful Anglesey. Improving the well-being of our citizens under the new legislation, will increasingly depend on us working in partnership with others.

The Council continues to actively engage in a number of strategic partnerships at national, regional and local level. The criteria and reasoning for entering into partnerships has been reviewed recently as part of the partnerships policy and guidance, and still stands.

The Anglesey **Energy Island Programme** (EIP) is an economic development programme, established in 2010 by the Isle of Anglesey County Council as a result of major employers' closures / job losses (e.g. Anglesey Aluminium). It aims to attract and de-risk strategic major strategic investment, influencing potential developers, whilst enabling the economy, people and businesses to capitalise.

The EIP has brought together public, private and third sector partners in collaboration to achieve our vision - "To establish Anglesey and North Wales as a world-renowned centre of excellence for Research & Development, Production and Servicing of Low Carbon Energy creating a once-in-a-lifetime opportunity for jobs, economic growth and prosperity through capitalising on a number of transformational projects on Anglesey".

The Programme collaborates with a number of key stakeholders. As some of these are private sector partners; engaging in multi-billion pound developments, customer focus is paramount in order to gain the credibility and trust of companies through helping de-risk their very substantial investments and presenting a 'seamless' join in terms of public sector engagement and support. It has called for true partnership working with the UK and Welsh Government Ministers and Senior Officials, other North Wales Local Authorities, Further and Higher Education, Skills providers, the supply chain and the Third Sector.

The EIP brand is now recognised far and wide, and the success of the Programme is acknowledged and identified as good practice in terms of the seamless join of public and private sector engagement and success, with many people asking how the Governance of the Programme work.

Anglesey Social Services are committed to partnership working on both a local, sub regional, regional and national basis in order to deliver outcomes which are of benefit to citizens and communities. This has been recognised as a strength in external inspection reports for us to build on. Both Children and Adult Services remain actively involved in the All Wales and the North Wales agendas to improve the delivery of social services through a collaborative approach.

Governance arrangements are in place via the **North Wales Social Care and Wellbeing Improvement Collaborative (NWSWIC)** and the **Regional Partnership Board**. NWSWIC has in place a comprehensive programme of improvement through collaboration focused on the requirements under Part 9 of the **Social Services and**



**Wellbeing (Wales) Act 2014.** This partnership ethos can be further evidenced through the collaboration of the Council's Social Services with Betsi Cadwaladr University Health Board (BCUHB) via the Integrated Delivery Board (IDB).

The **Welsh language** is central to the life of the island of Anglesey and is part of its rich cultural heritage. To promote the Welsh Language strategically at a community level, the Council has established a Language Forum in collaboration with its key partners. Its role includes identifying opportunities for collaborative projects, assisting to assess the impact of large scale economic projects on the Welsh Language and scrutinising the work of the Council in promoting language issues.

The Council has adopted a **Welsh Language strategy** with the aim of increasing the use of the welsh language within our communities to 60% by 2021. This together with meeting the expectations of the Welsh language standards provides a robust framework for the future partnership work to embed the use of Welsh across services and provision within communities.

## Principle D

### Determining the interventions necessary to optimise the achievement of the intended outcomes

<b>Related Key Themes:</b>	Innovative, Ambitious and Outward Looking
<b>Conclusion of Self-Assessment:</b>	<b>Assured</b> – The County Council takes decisions on interventions based on its clear vision for services, engaging with communities, regulators and practical expertise of professional service officers. This combination leads to optimizing the achievement of intended outcomes.

#### How we do this:

The Isle of Anglesey County Council has an approved **Constitution** that sets out clearly how the Council operates and how decisions are made and procedures need to be followed to ensure efficiency transparency and accountability.

The arrangements for delegation of Executive decisions to individual Members are now well established across the Authority.

Members and the public have had the full benefit of access to committee papers and supporting information for a number of years. Members also continue to enjoy direct access to this electronic system during meetings as they now have all been issued with tablet / laptops.

**Policy approval and decision-making** is undertaken by Elected Members, the meetings of which are open to the public except where exempt matters are being discussed under Schedule 12A Local Government Act 1972.

The Council, meets a minimum of four times a year. It approves overall policies and sets the budget each year. The Council agrees the form of the Authority's Committees (in accordance with the provisions of the Local Government (Wales) Measure 2011 where appropriate), appoints the Leader of the Council (who in turn appoints the Council's Executive) and carries out all other functions assigned to it under the Constitution.

Political governance within the authority has been embedded since the last elections and a cross-party ruling group of 21 members now leads the Council. Specific changes were made to the Constitution, such as the introduction of a four / five year term for the Leader of the Council, which has enabled political stability.

These foundations have created a structure which allows for effective political governance. The evidence from the last few years demonstrates a functioning and

effective decision making process, with appropriate mechanisms for assurance and improved performance.

The approach incorporates **Council, the Executive, the Audit and Governance Committee, Democratic Services Committee, Planning & Licensing, Scrutiny, and the Standards Committee.**

The **Council** has responsibility for the policy and budget framework. Key governance reports are matters for Council, and Council agree the annual revenue and capital budget.

The **Executive** is the key decision making body and consists of the Leader (who takes the Social Services portfolio) and 8 further Portfolio Holders, which take responsibility for the following portfolios:

- Education, Libraries, Youth & Culture
- Planning and Public Protection
- Service Transformation & Welsh Language
- Finance
- Corporate
- Highways, Property and Waste Management
- Major Projects & Economic Development
- Housing & Supporting Communities

The membership of the Executive was revised following the election (May 2017) and its growing effectiveness is starting to become evident. Where appropriate, the Executive can delegate decision making powers to the relevant Portfolio Holder(s).

**The Audit and Governance Committee** is a key component of the authority's governance framework. The committee has two lay co-opted Members which serves to widen its independent knowledge and experience base. These appointments are appointed for the term of the current Council.

The Committee provides independent assurance to the Council and its statutory officers on; the adequacy of the governance and risk management frameworks, the internal control environment, and the integrity of the financial reporting. By overseeing internal and external audit and other regulators it makes an important contribution to ensuring that effective assurance arrangements are in place.

The Committee undertakes an annual self-assessment on its performance which is reported to Council and informs its forward work plan.

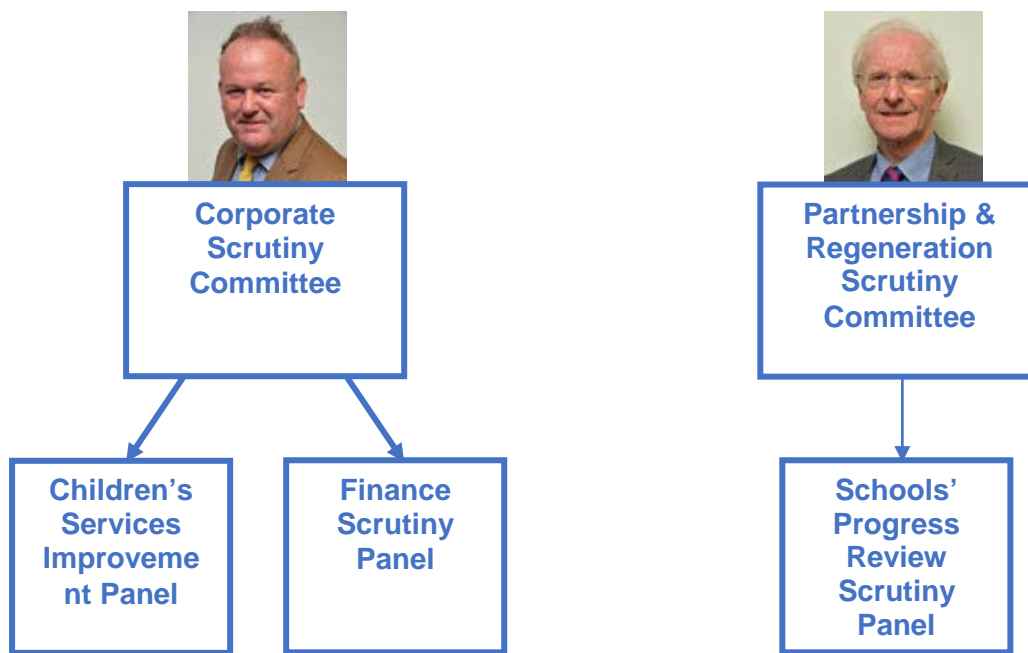
The **Democratic Services Committee** meets on a quarterly basis and is responsible for reviewing the adequacy and support for Members which covers; Member development, staffing resources, facilities. The Chair of the Committee has been

issued with a specific job description, and members of the Committee have a separate job description setting out roles and responsibilities. The Chair also acts as the Member Development Champion and participates in WLGA network meetings where best practice is shared.

The Committee has developed an annual work programme and the Chair reports annually to Council's Annual General Meeting (AGM), including a report on the Member Development Plan. Themes associated with the WLGA Member Development Charter form an integral part of its work, including Member development.

Scrutiny committees form part of the way in which the Council operates. Their prime role is to hold the decision-makers to account, drive improvement, act as the voice of the community and play a role in policy development and review. In ensuring robust and effective decision-making, Member scrutiny makes a crucial contribution to effective governance arrangements.

The scrutiny function at the Council continues to be delivered through a structure comprising of two parent committees and 3 panels:



The focus of work of the **Corporate Scrutiny Committee** is to provide assurance regarding:

- performance and delivery of all services
- ensure the Council achieves its corporate and service objectives
- support and make recommendations for continuous improvement

The primary focus of the **Partnership and Regeneration Scrutiny Committee** is to ensure that the interests of the citizens of the Island are promoted and that best use is made of Council resources, in line with the Council's priorities, that demonstrate added value from working with partners. The remit of the committee includes regional and

national arrangements as well as local arrangements. The committee is also the nominated Crime and Disorder Committee as required under the Police and Justice Act 2006 and the designated committee for scrutinising the work of the Ynys Môn and Gwynedd Public Services Board.

Following a locally commissioned review of our scrutiny arrangements, an improvement programme was put in place to build on and further strengthen the overview and scrutiny function in the Council. This programme has been running for 18 months and has provided a strong basis upon which to move forward, ensuring the role that Member scrutiny plays in the Authority's governance arrangements:

- supports robust and effective decision-making
- makes a tangible contribution to the Council's improvement priorities
- continues to evolve

**Wales Audit Office (WAO)** completed a review of our scrutiny arrangements during 2018 and report was positive with some aspects of good practice:

- I. the Council has strengthened its scrutiny function and is making arrangements to meet future challenges
  - II. the Council is supportive of scrutiny, and arrangements necessary to help scrutiny members meet future challenges are being put in place
  - III. scrutiny committee practice is improving, the range of evidence they draw on has increased and scrutiny committees forward work programmes align with the work of the Executive
  - IV. the scrutiny function is contributing to improvements in performance and decision-making and the Council regularly evaluates its effectiveness
- WAO also presented proposals for improvement:

1. the Council's scrutiny function should further improve arrangements for promoting the engagement of the public and other stakeholders in scrutiny activity
2. the Council should build on its experience through self-assessment, to consider more innovative methods of undertaking scrutiny activity

To access the full review follow this link:

<http://democracy.anglesey.gov.uk/documents/s13512/793A2018-19 IoA Scrutiny Final.pdf?LLL=0>

We have recently adopted a development programme which provides a local framework within which to continue with our scrutiny journey. The Wales Audit Office proposals for improvement have been included in this programme.

Our development programme provides the framework to prioritise a number of key themes over the next two years:

Reinforcing a “whole Council” approach to Scrutiny	Improving the impact of Scrutiny	Building capacity & capability for effective Scrutiny	Improving public engagement in our Scrutiny work	Wellbeing of Future Generations and Scrutiny
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Members represent Scrutiny on various internal Boards and review groups, the purpose of this being to promote inclusion, add value to the discussion and to report back to their Scrutiny Committee on progress and to raise areas which may require formal Scrutiny. Each of the two Scrutiny Committees reports their activity to the Council at its annual meeting.

In order to drive the change agenda and deliver the Council’s Plan, a Programme Management framework is in operation.

Two **Corporate Transformation Programme Boards** were re-established post May 2017 elections -

1. Corporate Governance Programme Board, and
2. Transforming Services Programme Board

These have an overview of a number of high priority projects which the Council is committed to achieving and are responsible for setting a direction for them.

Each of the Corporate Transformation Boards includes representatives of both Scrutiny Committees and the Executive, providing an opportunity to identify areas where the Members’ role can add value either on the Boards themselves or through the Scrutiny process.

The corporate method of managing projects and programmes is maturing year on year as a result of strengthening our Governance arrangements. Welsh Government has identified good practice in some of our programmes and other projects and programmes have gained national success and UK wide recognition over the past couple of years.

## Principle E

**Developing the entity's capacity, including the capability of its leadership and the individuals within it**

<b>Related Key Themes:</b>	Valuing and Developing our People
<b>Conclusion of Self-Assessment:</b>	<b>Assured</b> – The County Council have the appropriate structures and leadership in place and people with the right skillsets and qualifications to ensure it is operating efficiently and effectively to achieving intended outcomes. There are clear policies and strategies in place to demonstrate that it has the capacity to fulfil its mandate and that management has the operational capacity.

### How we do this:

The Council has achieved the **WLGA Charter for Member Support** in recognition of the work that we have undertaken to provide a high standard of support to Members to undertake their diversity of roles ranging from that of community leader, to their special responsibilities within the Council. A re-submission to the WLGA for re-assessment for the Charter will take place during 2019/20.

In addition, most of the Members have undertaken professional development reviews (PDRs) and training needs have been identified from these. Whilst still in its infancy at Anglesey, such a development is seen as key to enabling Members to be more effective in their role. This includes independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair. During 2017/18, this practise continued to be further embedded. Member training is monitored by the Council's Democratic Services Committee.

The Council has continued over the past 12 months to use the now well-established all-member briefing sessions on major developments / key strategies and budget proposals. This has proved useful in increasing the wider appreciation and understanding of different initiatives prior to further debates and scrutiny in public forums.

The Council's People Strategy was reviewed independently in 2016. That independent review confirmed that the strategy remained "fit for purpose" to take the Council forward to 2020 as it continues to support the Councils vision and provides a framework for moving our people management forward.

The People Strategy has five key priorities:

- Recruiting and retaining the best (innovative, ambitious and outward looking)
- Inspiring service excellence (customer/citizen and community focused)
- Building Organisational effectiveness (professional and well run)

- Engaging, developing and managing our Talent (valuing and developing our people)
- Developing the skills and capacity of our workforce (valuing and developing our people)

The **Managers Forum** was reviewed during the year by members of the Future Leaders group. They were tasked to review the membership, agenda and occurrence of the forum and undertook their review via a survey to the current members and leadership teams. The recommendations were accepted and have since been implemented. The **Ignite Club** was also reviewed during the year due to the decreasing number of attendees. The decision at the end of the review was to disband the club and replace it with sessions on Staff Wellbeing. As part of the activity on the Corporate Plan and staff engagement activity, individuals across the authority have been given an opportunity to work on corporate projects and strategies.

The **staff awards ceremony** continues apace and recognises, celebrates and promotes the achievements of Council staff. Every day our staff work hard to deliver public services for the people of Anglesey, and the staff awards are an opportunity to showcase good work and demonstrate how much we value our people. There are six categories of award which mirror the '*Six Key Themes*'. During 2018 the ceremony was expanded to include staff recognition to include Welsh learner of the Year, the Leader Award, The Executive's award and the Chairman's Award.

The results of our staff survey reported in 2017 demonstrated that -

- 90% of staff enjoy their work with
- 95% knowing what's expected of them and of those who responded
- 53% feel valued by the Council (this is in-keeping with the results of 2013).

However, there appeared to be a decreasing understanding amongst our staff of what is happening corporately with only 34% feeling well-informed about what's going on in the Council on the whole.

Additional comments from the survey were also collected by 193 respondents informing the organisation of where more work needs to be done. A further survey is planned for 2019/20.

The Council has a strategic **Equalities Plan 2016-2020** adopted by the Executive which highlights our commitment to equality, both in the provision of services and as a major employer, and to the elimination of unfair and unlawful discrimination in all our policies, procedures and practices. Progress on its key priorities are included in its annual monitoring report to the Equalities Commission and the Council is a key member of the North Wales Equalities network.



Internal engagement is essential in developing a 'Team Môn' culture and there is a need to further refine **Internal Communication Framework** to enable and secure a greater level of participation from Officers at all levels within the Council. The views and opinions of staff and Members in contributing to the corporate agenda are welcomed and valued. Current opportunities include:

- Monthly Penaethiaid meetings
- Quarterly Managers Forum
- Member Briefing Sessions
- Thematic Workshops (i.e. budget)
- Service Management Meetings
- Annual Service Reviews
- Team Meetings
- One to One Supervisions
- Employee appraisals
- Staff suggestion schemes
- Use of Y Ddolen to keep abreast of corporate initiatives
- Use of Medra Mon as a newsletter

Whilst corporate internal communication has improved significantly under the leadership of the SLT – it is still felt that the SLT needs to improve its visibility and communications methods with staff below Management and with those staff located outside the Council HQ through new technologies, social media and face to face.

The regular informal briefing sessions for Members (outlined previously) enables a better understanding of specific work areas and allows them to prepare for informed scrutiny and decision making.

We are a fully bilingual Council and a high proportion of our staff and most Members are first language Welsh speakers. All corporate communications are therefore produced bilingually, providing staff and Members with the ability to communicate in the language of their choice. Non-fluent Welsh speakers are supported to improve their Welsh language skills in an inclusive environment.

## Principle F

### Managing risks and performance through robust internal control and strong public financial management

<b>Related Key Themes:</b>	Professional and Well Run
<b>Conclusion of Self-Assessment:</b>	<b>Assured</b> – The Council has an effective performance management system that facilitates effective and efficient delivery of services. Risk management and internal control are integral and important parts of the performance management system and are crucial to achieving the outcomes of the Council Plan.

#### How we do this:

The **Risk Management Policy** was adopted by the Executive on 26th May 2015 and both the Policy and associated guidance have been uploaded to Monitor (the council's intranet). The key objectives of the Council's risk management policy are to:

1. Develop a consistent approach to risk management across the Council.
2. Embed risk management as an integral part of the management process within the Council, and ensure clear links with Service Plans.
3. Ensure a proactive risk aware culture across all parts of the Council, where risk is taken (and not taken) knowledgeably in all major decisions and actions.
4. Maintain and improve customer confidence in our ability to deliver on our commitments.
5. Reduce the possibility of unplanned activity or financial costs, and the impact of such surprises on the Council's reputation and ability to deliver our objectives.
6. Manage risk in accordance with best practice, statutory obligations and the Wales Programme for Improvement.
7. Work with our partners and providers to develop a common approach to achieving these risk management objectives.

The Risk Management Policy and Framework were reviewed on 5<sup>th</sup> December 2017 by the Audit and Governance Committee and Senior Leadership Team (SLT). The review concluded that while work remains to be done to fully embed risk management throughout the Council, progress has been made and is continuing. These documents align the Risk Management and Performance Management frameworks. During 2018/19, the Council commissioned its insurers, Zurich Municipal, to undertake an independent risk management health check, which concluded that risk management was at a 'Managed' level within the Council, and at level three of its five-level rating. The Head of Audit and Risk has drawn up an Action Plan to respond to the recommendations for improvement.

Risk management software was implemented during the year, which will help to improve the effective management of the Council's risks by improving the recording, assessment, monitoring and reporting of risks and further embedding risk management into the Council's processes. In addition, the software provides the facility to record the 'three lines of assurance', which will improve the assurance provided to those charged with governance that the Council's risk are being effectively managed.

SLT reviews the **Corporate Risk Register** on a quarterly basis. Services are expected to update their risk registers quarterly with any "red" or "amber" risks escalated to SLT to be considered for inclusion on the Corporate Risk Register.

During 2018/19, the Audit and Governance Committee have been presented with two updates on the Corporate Risk Register (19<sup>th</sup> September 2018 and 12<sup>th</sup> February 2019). At both meetings it was resolved that the Audit and Governance "Committee takes assurance that the risks to the Council's aims and objectives are being recognised and managed by the Senior Leadership Team".

A Performance Management Framework is in place which starts with the medium-term Council Plan (the current plan is for the period 2017/2022 as mentioned above) and each subsequent year with an Annual Delivery Plan. These set out what the key priorities of the council are and what it hopes to achieve. The framework also include performance management reports to identify whether the Council is achieving its planned objectives. These reports include quarterly scorecards, half-yearly challenges to Services and regular reports to the Executive and to Scrutiny.

The Performance Framework continues to evolve and to focus on self-assessment by Heads of Service, and on the key areas of risk and transformation. It is also focusing on improvements to reporting of workforce and financial information. During 2018/19, a series of Service Reviews was undertaken which covered -

- (i) Efficiencies and Service Budgets (June-July 2018)
- (ii) Performance (November 2018 - January 2019)

The Performance Review concluded that there was evidence throughout that there was continuous improvement being shown by Services. The continuous improvement shown at a time of financial difficulties the Council faces is positive as many of the services the Council provides are better or more efficient than before despite the financial difficulties. This has been achieved as a result of the commitment and buy-in of The Executive and Elected Members, Senior Leadership Team and Heads of Service to drive improvements and objectives. The Council's Position Statement can be found in Appendix 1.

Whilst we have established strong approaches to ensuring effective governance for new partnerships, governance arrangements for some of the more historical partnership arrangements require strengthening.

An Annual Performance Report, accounting for performance and benchmark with other Authorities is published by 31st October each year. The most recent Annual Performance Report relates to 2017/18 which was completed in 2018/19 and can be found following the below link.

<https://www.anglesey.gov.uk/documents/Docs-en/Council/Democracy/Council-Plan/APR-English-standard-quality.pdf>

The Executive approved the **Medium Term Financial Plan (MTFP)** for the period 2018/19 to 2020/21 in September 2017. The MTFP identified the potential savings required over the three-year period and set the strategy for the 2018/19 budget. The annual budget was approved by the full Council at its meeting of the 28<sup>th</sup> February 2018. The requirement to implement budget cuts and efficiencies was a pivotal part of the budget setting, with an in-year savings target of £4.18m being required to balance the budget. The MTFP was updated at this point, following the completion of the 2018/19 budget, and identified that future budget reductions would range from £2.84m (optimistic scenario) to £5.86m (worst case scenario). The updated plan identifies the continued need to focus on budget reductions and identifying further efficiencies over the next three years in order to ensure the future financial stability of the Council.

The Budget Planning Process was undertaken from May 2018 to February 2019. This included consultation with statutory groups, including the Schools Forum, Town and Community Councils and businesses, as well as other stakeholders such as Llais Ni, Urdd, Young Farmers Club and the Older Persons Forum. This also included an extensive public consultation process where in excess of 5000 responses were received. The comments made during the consultation process were considered by the Executive as they drew up their final budget proposals and it did result in some budget proposals being withdrawn or amended.

The Council has continued to develop and embed structures, systems, processes and supporting arrangements to ensure that they support the demands of a 21<sup>st</sup> Century Local Authority. Formal arrangements are in place for the management of performance, finance, programmes and contracts, which contribute to the upholding of key elements of governance.

**Quarterly financial reports** (Revenue and Capital) were made to the Executive during 2018/19 which included a budget against actual measurement as well as a forecast of the position at the year end, which also covers a range of financial information and plan with corrective measures to bring the budgets back under control if required. The final financial performance for the year 2018/19 was broadly in line with the forecast performance in the quarterly reports. Both the forecasts and actual year-end financial position highlighted significant budgetary pressures arising from increased demand for statutory Children & Family Services, Adult Services and Learning. This information has been used for future planning and budgeting including consideration of different delivery approaches such as increased preventative support and increasing provision on the Island.

The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Audit & Governance Committee, the Executive and the Full Council.

Internal Audit's self-assessment against the Public Sector Internal Audit Standards (PSIAS) shows that, the service is being delivered to the required standard. The Action Plan from the PSIAS External Quality Assessment has been fully implemented.

The External Audit Findings Report for 2017/18 was presented to the Audit and Governance Committee on 19 September 2018 and Full Council on 25 September 2018, reflecting that the prepared accounts represented a true and fair view. There were three accounting corrections highlighted in the audit report. There were no unadjusted misstatements which required restatement for Members to consider. An unqualified opinion was given in respect of both the statement of accounts and the value for money opinion. This means that there were no major concerns raised about the accounts. The action plan set out seven recommendations in relation to accounting and payroll control; two recommendations in relation to IT and four recommendations in relation to Asset Valuation. The recommendations to improve processes and internal controls have been accepted by Management and are in the process of being implemented.

The **procurement strategy** has now been rolled out across the Council which is key to the continuing success of the Authority's procuring of products and services. The Procurement team have developed and put in place new policies, a contracts management strategy, as well as reviewing the contract procedures. Training on the strategy and contract procedure rules has taken place over the year resulting in better compliance.

The **Annual Certificate of Compliance** confirmed that the Council complied with its responsibilities relating to financial reporting, use of resources, improvement planning and performance management.

In light of the new General Data Protection Regulations (GDPR) and the updated Data Protection Act 2018 which were effective from the 25<sup>th</sup> May 2018, the council continued to make progress on **information governance** during the year. Under the leadership of the appointed Senior Information Risk Owner (SIRO), a Corporate Information Governance Board (CIGB) continues to be in place. This Group is an appropriate forum for addressing information governance issues. It receives reports on

how well each Service is performing in key information management areas. It assesses risk, and recommends and monitors remedies to mitigate risks to information assets owned by the relevant Heads of Service. The CIGB may report matters directly to the Council's Senior Leadership Team.

The SIRO considers that there is significant documented evidence to demonstrate that:

- the Council's arrangements for IG and data protection compliance are reasonably effective;
- the Council has successfully met the challenges of implementing the new data protection legislation and it operates in a compliant way;
- the Council has processes in place to demonstrate compliance to the ICO and it complies with the GDPRs accountability principle;
- Data protection remains, and is likely to always remain, a medium risk to the Council because of the sensitivity of the personal data it processes, which varies between the Services

To access the SIROs annual report follow this link -

<http://democracy.anglesey.gov.uk/documents/s13154/SIRO%20REPORT%20S.pdf?LL=0>

## Principle G

### Implementing good practices in transparency, reporting, and audit to deliver

<b>Related Key Themes:</b>	Professional and Well Run
<b>Conclusion of Self-Assessment:</b>	<b>Assured</b> – The Councils Elected Members and Senior Management are accountable for making decisions and delivering services which are supported by both internal and external audits. The activities undertaken are in a transparent and clear manner in which stakeholders are able to understand and respond to.

#### How we do this:

All **agendas and reports are available on the Council Website** unless they contain exempt information. This includes any information on ‘declarations of interest’ that are made at meetings. The Members’ Register of Interests is also published on the Council’s website.

As noted previously in Section D there are two **Scrutiny Committees**; one concerned with the internal working of the Council – *Corporate Scrutiny*, and the second concerned with external partnerships and the impact of the Council on its communities – *Partnership & Regeneration Scrutiny*. These two committees have enabled Members to take a more holistic and corporate view of the Council, its role and impact.

The **Democratic Services Committee** is responsible for reviewing the adequacy and support for Members which covers; Member development, staffing resources, facilities. The Chair of the Committee has been issued with a specific job description, and members of the Committee have a separate job d

escription setting out roles and responsibilities. The Chair also acts as the Member Development Champion and participates in WLGA network meetings where best practice is shared.

The **Audit & Governance Committee** meets regularly to consider the effectiveness of the Council's internal control; risk management and governance arrangements; monitors the work of internal and external auditors and inspectors; monitors the relationships between auditors and staff; and monitors the responses to audit and inspection recommendations.

A number of Members have undertaken professional development reviews (PDRs) and training needs have been identified from these. This has now been extended to include independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair.

The Committee developed a work programme for 2018/19 and the Chair reports annually to Council's Annual General Meeting (AGM), including a report on the Member Development Plan. Themes associated with the WLGA Member Development Charter awarded to the Council form an integral part of its work programme.

The Council has continued with the practice of holding monthly all-member briefing sessions on major developments / key strategies and budget proposals. This has proved useful in increasing the wider appreciation and understanding of different initiatives prior to further debates and scrutiny in public forums.

The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Improvement Report. This can be found here -

[http://www.audit.wales/system/files/publications/anglesey\\_council\\_annual\\_improvement\\_report\\_2018\\_english.pdf](http://www.audit.wales/system/files/publications/anglesey_council_annual_improvement_report_2018_english.pdf)

During 2018/19 Internal Audit continued to operate to the standards set out in the Public Sector Internal Audit Standards (PSIAS) (March, 2017) and the accompanying Local Government Application Note (LGAN). The Internal Audit Charter defines the purpose, authority and responsibility of the internal audit activity, which is led by the Head of Audit & Risk.

An external assessment of the Council's Internal Audit Service conducted in March 2017, provided assurance that the service 'Generally Conforms' with the standards. This is the top assessment available to the assessor. The external assessor raised seven areas of improvement for consideration which have all been fully addressed.

The Senior Leadership Team, Members and officers from Internal Audit and Corporate Transformation meet regularly with external regulators to discuss the Corporate Risk Register, key developments, the findings of all external reports and to update on progress being made to implement recommendations.



Over recent years, the Council has succeeded in managing and evaluating itself regularly and as a result regulators' opinion has been positive in terms of willingness to achieve.

In their annual compliance certificate (February 2019) the Wales Audit Office states:

*“The Council complied with its responsibilities relating to financial reporting and use of resources...The Auditor General is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources...To date my work on behalf of the Auditor General on the certification of grant claims and returns has not identified significant issues that would impact on the 2018/19 accounts or key financial systems”.*

Care Inspectorate Wales inspected the Children & Family Service originally in November 2016 and noted that improvements were required. In their recent follow up report ([Children's Services Inspection Report – October 2018](#)) it noted that:

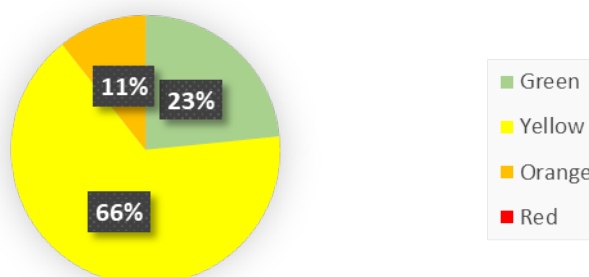
- “Children’s services were able to demonstrate significant improvement in a number of key areas with other areas still requiring further work.
- Staff Morale is high and there is passion and commitment at all levels to continuing to work hard on the journey of improvement to deliver excellent services for children
- There is strong leadership and governance in children’s services. Members of the council were able to demonstrate their contribution to children’s services improvement journey. Senior officers are visible, available and driving improvements”

Children & Family Services will continue on the good work already undertaken by the service and develop a new Service Development Plan which will include the areas for development identified by the CIW following the re-inspection.

School performance on an Authority level for 2017/18, generally, improved in comparison with other Councils and from 2016/17. There was improvement shown in Key Stage 4 (KS4) with Mathematics and numeracy in particular. However KS4 performance in English declined as a result of a change in the way that results are calculated. The Foundation Phase indicators declined significantly on 2016/17 results as over 100 additional pupils were assessed in welsh first language. The Service will continue to work to improve results for 2018/19.

Welsh Government has judged that the vast majority of Anglesey schools (89%) are now performing effectively (yellow and green rated schools) with 11 of these schools placed in the highest category (green) in 2018 (compared to 6 in 2017). It can be seen that the number of schools placed in the red category (i.e. schools needing significant support) has decreased in 2018 from 2 to 0 and the number of schools in the orange category has also decreased from 8 schools in 2017 to 5 schools in 2018. These results are shown in the below chart.

### Welsh Government's Rating of Anglesey Schools



Estyn's Framework for inspecting the authority's schools assesses the standards of teaching, learning and the welfare of pupils in individual schools. Estyn inspected 8 schools in 2017/18 and results show that 6 schools did not require follow-up activity, while 2 schools required Estyn review. Currently 3 schools continue to be in Estyn follow-up categories compared to 4 schools in 2017, and these schools are monitored by the Education Standards Scrutiny Panel.

### Review of Effectiveness

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

The effectiveness of the governance framework has been evaluated by a combination of:-

- the results of the regular in-year review and monitoring by officers and committees;
- a review of relevant documents prepared during the year or relating to the year;
- the review of progress against the Corporate Plan;
- a review of the six themes which underpin the authority's values
- reviews of feedback from Estyn and CIW and the related scrutiny panels on the improvement work in relation to Education and Children's Services;
- a series of interviews with key officers;
- discussion with, and receiving comments from, groups of officers and members including the SLT and the Executive.

In addition, regular in-year review and monitoring includes:-

- formal risk management activity, including specific consideration of those risks linked to governance processes;
- Internal Audit, whose work takes account of identified risks through regular audits of the major systems, establishments, major projects and major governance processes; including risk management, in accordance with the annual internal audit strategy, and which includes ‘follow-up’ work to ensure that senior officers implement agreed recommendations;
- the annual assessment of Internal Audit by the Council’s external auditors;
- the work of the Council’s Scrutiny and other Committees, including its Audit and Governance and Standards committees;
- the opinions and recommendations of the Council’s external auditors and other review agencies and inspectorates;
- the regular monitoring of improvement and performance against the Corporate Plan and its supporting plans and strategies by members and senior managers.

Key policies, and any amendments to them, are approved by the Executive and where appropriate, formally adopted by the County Council.

In May 2017 the Wales Audit Office completed an assessment of the Council’s Governance when Determining Significant Service Changes. The report (concluded that:

*“The Council’s arrangements for decision making on significant service changes are generally effective but it recognises that they could be further strengthened”*

The report acknowledged that the Council has a clear vision and strategy for determining service change proposals. The report commented positively on the Council’s procedures to encourage stakeholders to engage in decision-making and that the Council continues to strengthen engagement arrangements. The report acknowledges that the Council annually reviews the effectiveness of its decision-making arrangements and is aware of areas where it can improve. Areas of improvement were reported such as the Council could do more to review and reflect on service benefits following implementation. The risk of duplication between the transformation boards and scrutiny committees was also highlighted.

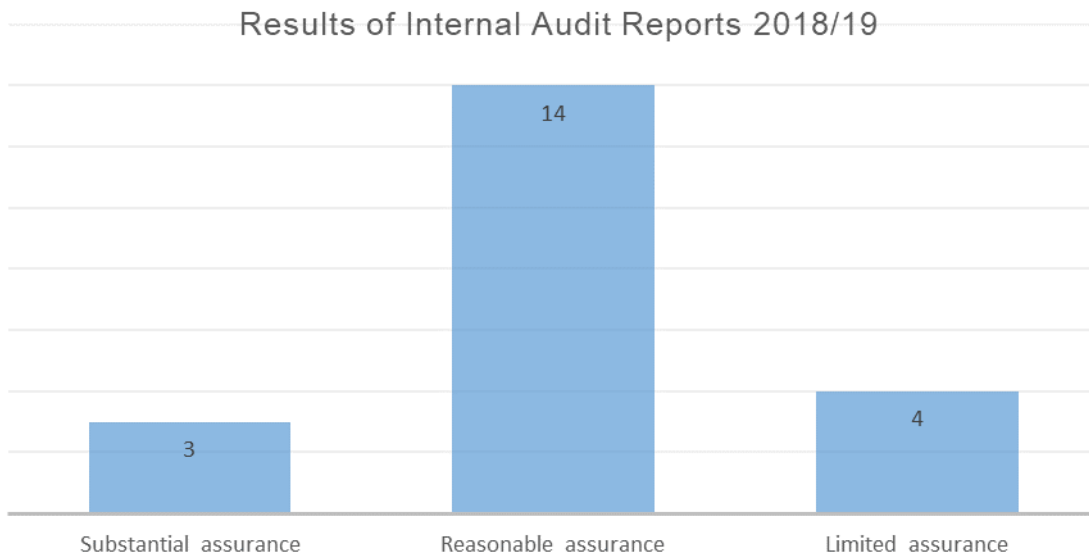
## Significant Governance Issues

Wales Audit Office completes an Annual Improvement Report. The latest Annual Improvement Report 2017/18 was published in August 2018. This highlighted that no formal recommendations were made but some proposals for improvement were suggested. The report commented that the Council's governance arrangements are generally good. This report also usefully summarised the results from all Wales Audit Office specific reports on the Isle of Anglesey County Council during the period 2017/18.

<http://democracy.anglesey.gov.uk/documents/s13161/Isle%20of%20Anglesey%20Annual%20Improvement%20Report%202017.18.pdf?LLL=0>

The Annual Report 2018-19 of the Head of Internal Audit gives assurance on the framework for internal control. The Head of Audit and Risk's opinion for the year ending 31 March 2019 "is that the organisation has an adequate and effective framework for risk management, governance and internal control. Some areas require the introduction or improvement of internal control...these are subject to monitoring...There are no qualifications (major concerns) to this opinion".

The Annual Audit Report identifies that the Function completed 21 audits during the year. The levels of assurance identified in each audit is summarised in the chart below. This highlights that 3 audits received substantial assurance, 14 audits were found to identify reasonable assurance and 4 audits identified areas of more significant improvement required which offered limited assurance.



Therefore, all of the audits performed during the year resulted in positive levels of assurance with the exception of following audits, which were assessed as providing Limited Assurance:

- Direct Payments;
- School Income Collection Arrangements;
- Sundry Debtors Follow Up;
- System Controls – Logical Access and Segregation of Duties Follow Up

The audits listed above will be followed up during 2019/20.

In addition, the internal audit and risk function completed audits arising from 3 referrals; Follow-audit work and general counter fraud work National Fraud Initiative and enquiries. The function reported to Audit and Governance Committee, which included training to members. The function also provided corporate consultancy during the year..

Internal Audit continued to focus resources into grant related areas during 2018/19 to ensure that the risks presented by this type of funding were being appropriately managed. No significant risks were identified in respect of the grants reviewed with three grants audited receiving substantial assurance and one receiving Reasonable Assurance.

To comply with CIPFA's Public Sector Internal Audit Standards 2017 a formal follow up process is in operation within the Service to monitor and confirm that the 'Issues/Risks' raised in Internal Audit reports are addressed by management within agreed timescales. All reports where 'Limited' or 'No' assurance has been given will be formally revisited to ensure all 'Issues/Risks' have been addressed. These visits will continue until Internal Audit is able to provide 'Reasonable Assurance' of the risk management, governance and internal control of the area. All other 'Issues/Risks' raised by Internal Audit will be monitored via the 4action action-tracking system, which nominated officers will populate with progress on addressing the 'Issues/Risks' raised.

The definition of assurance ratings have been revised for 2019/20

Where Internal Audit had identified 'Issues/Risks', management have accepted them all. Management had implemented all of the outstanding 'Red' Issues/Risks, which highlighted that management are responsive to the work of the Audit and Risk Function.

The Annual Audit Report noted that there were no issues judged particularly relevant to the Annual Governance Statement. The report also highlights that there were no 'Red' issues/Risks raised during the year.

## Governance matters identified

### Progress on Identified Governance Matters 2017/18

The table below outlines the Governance Matters identified during 2017/18 and an update on progress during 2018/19:

Significant governance Issues	Actions identified to address weaknesses 2017/18	Progress
<p><b>Corporate Procurement Framework</b></p> <p>Although a procurement framework has been developed within the Authority the level of compliance with the Contract Procedure Rules and EU regulations remains a weakness. The procurement</p>	<p>Social Services are currently developing a work plan to address the issues with a wider contract work plan for both Children's and Adults Services. The Services are working with other North Wales local authorities in joint tenders and frameworks. The services are reviewing safeguarding clauses particularly in relation to requirements for DBS checks.</p>	<p>Services have undertaken significant work to ensure compliance with Contract Procedure Rules. A follow up review conducted by Internal Audit in November 2018 concluded that of the 20 'Issues / Risks' raised during the original review in September 2017, six 'Issues/Risks' remain unaddressed. The Corporate Procurement Manager has extended the deadline dates for addressing these remaining risks,</p>

<p>processes require improvement in Housing, Adults Services and Children and Families Service.</p>		<p>with the latest being in August 2019.</p> <p>An exercise undertaken as part of the Internal Audit review confirmed that all expenditure with individual suppliers over £150k in the period 2017/18 had a contract in place for the goods or service provided. For this level of expenditure, the Council consistently has contracts in place and services are making use of national and regional procurement frameworks to derive savings.</p> <p>Due to the work carried out by services and the results of the testing, Internal Audit concluded that the Council has demonstrated 'good progress' in addressing the Issues/Risks raised and were therefore able to provide 'Reasonable Assurance' that the Council manages its procurement activity effectively.</p>
<p><b>Children's Services – Child Care Court Orders under the Public Law Outline</b> – The Public Law Outline is a protocol attempting to reduce unwarranted delays in family court cases. Weakness were evidenced in record keeping, evidence gathering and court skills, which are deemed crucial to ensure speedy</p>	<p>The audit resulted in a limited assurance rating and will be followed up in 2018. All Support Workers visits are required to comply with the relevant care plan and legislation. Disciplinary proceedings may be followed where there is a failure to comply with care plans.</p>	<p>Internal Audit conducted a follow up visit, which concluded in February 2019 that Children's Services had demonstrated 'good progress' in addressing the Issues/Risks raised in January 2017, and were able to provide Reasonable Assurance that the Council managed this area effectively.</p>

<p>resolution. Support worker visits were not always conducted in accordance with plans to ensure the safety and wellbeing of a child</p>		
<p><b>Payment Card Industry Security Standards (PCI DSS)</b> – The Authority has not identified the level of compliance required or produced a compliance programme to meet PCI DSS requirements.</p>	<p>A cross-departmental working group including the Head of Function (Resources) and Section 151 Officer as champion has been established to ensure PCI DSS compliance.</p>	<p>Work is still in progress and is currently the subject of a follow up review by Internal Audit.</p>

### Governance Matters Identified 2018/19

The table below outlines the Governance Matters Identified that need to be addressed during 2019/20

<b>Governance Matters Identified</b>	<b>Actions identified to address weaknesses</b>	<b>Lead Officer / Service / Board</b>
Corporate Safeguarding	<ul style="list-style-type: none"> <li>• Increase the understanding of Corporate Safeguarding in Services. This should be done with general and advanced training as appropriate</li> </ul>	Corporate Safeguarding Board
Financial Governance	<ul style="list-style-type: none"> <li>• Begin to replenish the general balances by implementing the agreed new budget following the budget setting process.</li> <li>• To continue to review the arrangements for updating, agreeing and monitoring</li> </ul>	S151 Officer



<b>Governance Matters Identified</b>	<b>Actions identified to address weaknesses</b>	<b>Lead Officer / Service / Board</b>
	the Medium Term Financial Strategy	
CIW Childrens & Families Service Inspection	<ul style="list-style-type: none"> <li>Continue on the good work already undertaken by the service and develop a new Service Development Plan following the re-inspection</li> </ul>	Head of Service - Children & Family Services
Corporate Procurement Framework	<ul style="list-style-type: none"> <li>All Services should review their expenditure to ensure fit for purpose contracts are in place</li> </ul>	All Heads of Service
Subsidy With-holds	<ul style="list-style-type: none"> <li>Minimise future subsidy with-holds by agreeing timetable with external auditors and escalate matters as agreed by external auditors if timetable is not being kept.</li> </ul>	S151 Officer
Customer Service Strategy	<ul style="list-style-type: none"> <li>Agreeing a new Corporate Customer Service strategy</li> </ul>	Transforming Business Processes Project Board
Universal Credit	<ul style="list-style-type: none"> <li>Monitor the effects of Universal Credit and how effective mitigation has been</li> </ul>	Head of Service - Housing
Payment Card Industry Data Security Standards (PCI DSS)	<ul style="list-style-type: none"> <li>A cross-departmental working group including the Head of Function (Resources) and Section 151 Officer as champion has been established to ensure PCI DSS compliance.</li> </ul>	S151 Officer

## Certifying the Annual Governance Statement

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

We propose to take appropriate steps to address these and the other weaknesses identified in the Annual Governance Statement and to further enhance our governance and assurance arrangements in the forthcoming year. We will monitor the implementation and operation of improvements through the Audit and Governance Committee and as part of our next annual review.

.....  
**Leader of the Council**

**Date: 2019**

.....  
**Chief Executive**

**Date: 2019**

**On behalf of the Isle of Anglesey County Council**