

ISLE OF ANGLESEY COUNTY COUNCIL		
REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE	
DATE:	21 JULY 2020	
SUBJECT:	SUMMARY OF DRAFT FINAL ACCOUNTS 2019/20	
PORTFOLIO HOLDER(S):	COUNCILLOR ROBIN WYN WILLIAMS - PORTFOLIO HOLDER (RESOURCES)	
HEAD OF SERVICE:	MARC JONES	
REPORT AUTHOR:	CLAIRE KLIMASZEWSKI	
TEL:	01248 751865	
E-MAIL:	ClaireKlimaszewski@ynysmon.gov.uk	
LOCAL MEMBERS:	n/a	
<b>A - Recommendation/s and reason/s</b>		
<p>This report presents the draft Statement of Accounts for 2019/20.</p> <p>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.</p> <p>Recommendations:-</p> <p>1) That the Audit and Governance Committee note the draft unaudited main financial statements for 2019/20.</p>		
<b>B - What other options did you consider and why did you reject them and/or opt for this option?</b>		
n/a		
<b>C - Why is this a decision for the Executive?</b>		
This matter is delegated for scrutiny to the Audit and Governance Committee.		
<b>CH - Is this decision consistent with policy approved by the full Council?</b>		
Yes		
<b>D - Is this decision within the budget approved by the Council?</b>		
Yes		
<b>DD - Who did you consult?</b>		<b>What did they say?</b>
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	No comment
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	No comment
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	

<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 2019/20.</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>• 2019/20 Revenue Budget outturn report 15 June 2020 to the Executive.</li> </ul>		

## 1. PURPOSE

This report presents the draft Statement of Accounts for the financial year 2019/20.

## 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 2019/20 financial year. 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 2019/20 have been completed and the External Auditors, Deloitte LLP, will start the audit of the accounts on Monday, 6 July 2020. The legislation also brings forward the dates for the final audited accounts from 30 September to 15 September for the 2019/20 accounts. 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 2019/20 is presented below as Appendix 2. The final audited accounts will be presented to Audit Committee and full Council in September 2020.

## 3. THE DRAFT COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2019/20

3.1 The draft Comprehensive Income and Expenditure Statement (CIES) 2019/20 is presented on page 21, 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. Costs of services in this statement differ from that reported for draft outturn to the Executive on 15 June 2020 because of 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.

3.3 The CIES shows that the net cost of services was £138.977m with the deficit of £7.683m 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 2019/20 shows £8.782m 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 £7.683m to a surplus of £1.1m, which is an increase in Council reserves. This is due to an underspend on the Council Fund and Housing Revenue Account (HRA) and transfers into earmarked reserves.

3.4 In addition, there is a surplus of £35.844m 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 £28.161m.

3.5 The Revenue Budget Monitoring Report, Quarter 4 2019/20, 15 June 2020, highlighted an estimated net underspend of £0.308m for the Council Fund (page 1 of report). The statement of accounts also highlights that the Council Fund underspend is £0.308m 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 increase by this amount from the financial performance of the Council in 2019/20.

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 2020 was £25.944m, an increase of £1,100k. 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 2019/20**

Summary of Movements in Council Balances/Reserves 2019/2020	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 2019/20	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance 1 April 2019	(5,912)	(8,728)	(8,387)	(631)	(1,186)	(24,844)
Net over/(under)spend 2019/20	(308)	0	(210)	0	0	(518)
<b>Council Balance after overspend</b>	<b>(6,220)</b>	<b>(8,728)</b>	<b>(8,597)</b>	<b>(631)</b>	<b>(1,186)</b>	<b>(25,362)</b>
Net transfers from/(to) Reserves for approved funding	(840)	(32)	0	434	(144)	(582)
Net transfer to HRA reserve for year	0	0	0	0	0	0
<b>General Reserve Balance at 31 March 2020</b>	<b>(7,060)</b>	<b>(8,760)</b>	<b>(8,597)</b>	<b>(197)</b>	<b>(1,330)</b>	<b>(25,944)</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 - Movement in Council Fund and HRA Reserves**

Analysis of the Movement in Council Fund and HRA General Reserves 2019/20	Council Fund £m	HRA £m	Total £m
<b>Opening general reserve 1 April 2019</b>	<b>(5.912)</b>	<b>(8.387)</b>	<b>(14.299)</b>
Net deficit on the provision of services (Statement of Accounts (SOA) page 22)	9.945	(2.262)	7.683
Statutory accounting adjustments cancelled out in the MIRS (SOA page 22, 23 and page 34)	(10.690)	2.052	(8.638)
<b>Net balance before transfers from earmarked reserves to fund earmarked costs within cost of service</b>	<b>(6.657)</b>	<b>(8.597)</b>	<b>(15.254)</b>
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 23)	(0.403)	-	(0.403)
<b>Council Fund General Reserve Balance as at 31 March 2020</b>	<b>(7.060)</b>	<b>(8.597)</b>	<b>(15.657)</b>
Remaining balances within earmarked reserves and school balances	(10.287)	-	(10.287)
<b>Total Usable Reserves available to the Council 31 March 2020</b>	<b>(17.347)</b>	<b>(8.597)</b>	<b>(25.944)</b>

**3.9** In the Executive meeting of 2 March 2020, the recommended minimum General Reserve balance was set at £7.11m. The General Reserve at 31 March 2020 was £7.060m which was slightly below the minimum but, in addition to this, there are £8.760m 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, particularly following the Coronavirus Pandemic, 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 2020

- 4.1 The Balance Sheet as at 31 March 2020 is presented on page 24, within Appendix 2
- 4.2 The overall net assets of the Council increased from £162.456m as at 31 March 2019 to £190.618m as at 31 March 2020. This is due to the addition of the Market Hall, Holyhead and the newly built Ysgol Santes Dwynwen, Newborough; the revaluation of other Council assets and increased current assets such as cash and cash equivalents (deposits / investments due within three months). The Balance Sheet will change once the results of the revised Pensions Valuation has been included in the Statement of Accounts. The decision to review the Pensions Valuation was taken recently to understand the impact of the Pandemic on the pension fund. This will not affect outturn for 2019/20 or the Council's usable reserves which includes the General Reserve.
- 4.3 Long-term borrowing reduced from £127.352m to £124.424m due to the repayment of a loan which matured during 2019/20. Short-term borrowing, which is significantly cheaper to finance than long term borrowing, increased by £9.302m due to the need to convert internal borrowing to external borrowing to maintain the Council's cash balances.

#### 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 2019/20**

	<b>Earmarked Reserves</b>
	<b>£'m</b>
Balance as at 1 April 2019	8.728
Net movement on existing reserves	0.061
Transfer in from General Balances	0.211
Proposed new reserves created during the year from revenue	0.160
Reserves no longer required transferred back to General Balances	-0.400
<b>Balance as at 31 March 2020</b>	<b>8.760</b>

## 6. SCHOOL BALANCES

**6.1** Table 4 provides a summary of school balances which amounted to £0.197m at 31 March 2020 (£0.631m at 31 March 2019). 9 of the 40 primary schools had deficit balances (12 primary schools as at 31 March 2019) and 3 of the secondary schools (3 as at 31 March 2019) were in deficit. The Special School also has a deficit position at the end of the financial year.

**Table 4 – Summary of School Balances**

	Balance 1 April 2018 £'000	Addition / (Reduction) for 2018/19 £'000	Balance 31 March 2019 £'000	Addition / (Reduction) for 2019/20 £'000	Balance 31 March 2020 £'000
Community and Voluntary Primary Schools	1,241	(453)	788	54	842
Community Secondary Schools	410	(668)	(258)	(435)	(693)
Community Special School	79	(139)	(60)	(24)	(84)
Foundation Primary School	139	22	161	(29)	132
<b>Total</b>	<b>1,869</b>	<b>(1,238)</b>	<b>631</b>	<b>(434)</b>	<b>197</b>

The level of school balances has fallen from a peak of £2.46m in 2015/16 to £0.197m at the end of this financial year, a reduction of 92% in 5 years and reflects the financial difficulties facing the majority of the Council's schools.

## 7. HOUSING REVENUE ACCOUNT (HRA) BALANCE

**7.1** The opening balance on the HRA on 1 April 2019 was £8.387m. During the year, there was an underspend of £0.210m due to slipped capital projects resulting in a closing balance of £8.597m. This balance will be reinvested in the HRA in the future.

**Isle of Anglesey County Council Draft Statement of Accounts 2019/20**

# Ynys Môn

THE ISLE OF

# Anglesey

## Draft Statement of Accounts 2019/20



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

[www.ynysmon.gov.uk](http://www.ynysmon.gov.uk)

[www.anglesey.gov.uk](http://www.anglesey.gov.uk)



cyngormon  
ioacc



@cyngormon  
@angleseycouncil

# Contents

Reference	Description	Page
	Narrative Report	1
	The Statement of Responsibilities for the Statement of Accounts	18
	The Independent Auditor's Report	19
	Comprehensive Income and Expenditure Statement	21
	Expenditure and Funding Analysis	22
	Movement in Reserves Statement	23
	Balance Sheet	24
	Cash Flow Statement	25
	Notes to the Accounts	26
Note 1a	Note to the Expenditure and Funding Analysis	28
Note 1b	Segmental Income	29
Note 2a	Accounting Standards that have been issued but have not yet been adopted	29
Note 2b	Accounting Standards that have been issued and adopted	30
Note 3	Critical judgements in applying Accounting Policies	30
Note 4a	Assumptions made about future and other major sources of estimation uncertainty	31
Note 4b	Prior period adjustments, changes in accounting policies and estimates and errors	33
Note 5	Material Items of Income and Expenditure	33
Note 6	Events after Balance Sheet date	33
Note 7	Adjustments between accounting basis and funding basis under Regulations	34
Note 8	Earmarked Reserves	36
Note 9	Schools Balances	36
Note 10	Capital Receipts Reserve	37
Note 11	Unusable Reserves	37
Note 12	Other Operating Expenditure	40
Note 13	Financing and Investment Income and Expenditure	41
Note 14	Taxation and Non-specific Grant Income	41
Note 15	Non-current Assets – Property, Plant and Equipment (PPE)	42
Note 16	Significant Capital Commitments	44
Note 17	Heritage Assets	45
Note 18	Investment Properties	46
Note 19	Intangible Assets	48
Note 20	Capital Expenditure and Financing	49
Note 21	Assets Held for Sale	50
Note 22	Leases	50
Note 23	Inventories	50
Note 24	Debtors	51
Note 25	Cash and Cash Equivalents	51
Note 26	Creditors	51
Note 27	Provisions	52
Note 28	Cash Flow from Operating Activities	53
Note 29	Cash Flow from Investing Activities	53
Note 30	Cash Flow from Financing Activities	53

Reference	Description	Page
Note 31	Nature of Expenses Note	55
Note 32	Trading Operations	57
Note 33	Members' Allowances	57
Note 34	Officers' Remuneration	57
Note 35	Termination Payments	59
Note 36	External Audit Fees	59
Note 37	Grants Income	60
Note 38	Related Parties	62
Note 39	Trust Funds	64
Note 40	Teachers' Pension Scheme	66
Note 41	Local Government Defined Benefit Pension Scheme	66
Note 42	Contingent Liabilities	72
Note 43	Contingent Assets	73
Note 44	Financial Instruments	73
Note 45	The Nature and Extent of Risks arising from Financial Instruments	78
Note 46	Joint Committees	84
Note 47	Houses into Homes	85
Note 48	Council Tax	86
Note 49	Non-Domestic Rates (NDR)	87
Note 50	Maritime	87
Note 51	Accounting Policies	88
HRA Account	Housing Revenue Account (HRA) - Income and Expenditure Statement - Statement of Movement on the HRA balance Notes to the HRA	112
Appendix 1	Related Party disclosure – Stakeholder representation with third party organisations	116
Appendix 2	Glossary	118
Appendix 3	Bibliography	126
	Annual Governance Statement 2019/20	127



## **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. The Statement of Accounts is externally audited before the final version is signed and published to help provide assurance that the accounts show a true and fair view of financial performance of the Council. 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 impacting on the 2019/20 Accounts;
5. Explanation of the Financial Statements;
6. Effect of the Covid-19 Pandemic.

### **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 2020.

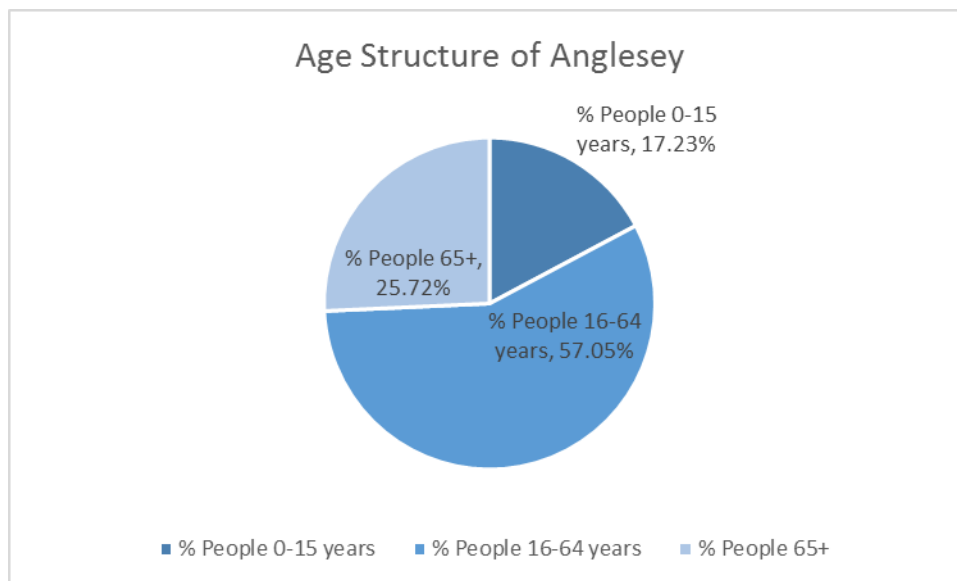
The Accounts and Audit (Wales) Regulations 2014 came into force on 31 March 2015, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018 for the accounts year 2015/16 and future periods. These regulations require Welsh Local Authorities to prepare a Statement of Accounts in accordance 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 2019/20 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**

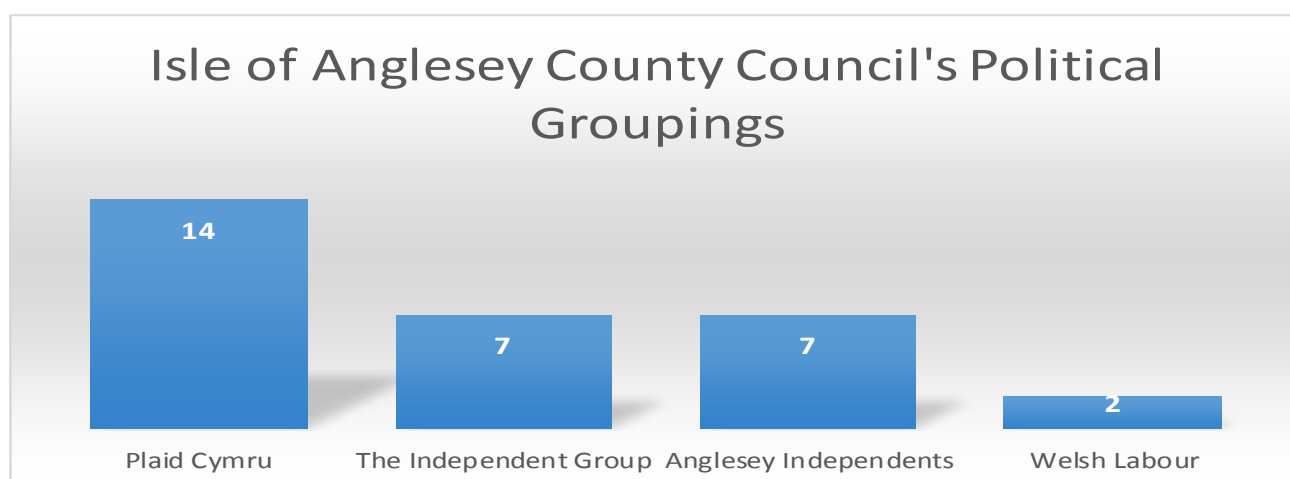
The Isle of Anglesey County Council is an unitary Authority and serves a population of approximately 70,000, situated on the north coast of Wales with an area of 276 square miles. Anglesey is by far the largest island in Wales and the seventh largest in the British Isles. Anglesey is also the largest 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 (20.77%) with 25.72% 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 2020 is shown below:-





### **3. Overview and Performance Analysis**

#### **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 2019/20. 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 2019/20, the Council's net budget was increased by £4.3m to £135.2m, of which £39.4m came from Council Tax. The increase in Council Tax was 9.5%.

The increased budget allowed for an increased investment of £1.4m in Children's Services which, along with other expenditure control measures implemented by the Service, brought the expenditure of the Service broadly in line with the approved budget, which is a significant improvement on the previous financial year. However, the demand for services continued to rise in Adult Services, which saw a budget overspend of £1.138m or 4.5%. The majority of the Council's other services maintained their expenditure on or around the approved budget or had significant underspends. The overall position at the end of the financial year was an underspend of £0.308m with the Council's General Balances at £7.060m. School balances also fell to £197k and the level of earmarked and designated reserves stood at £8.760m.

The results of the year highlight the continuing financial pressure which the Council faces and, although additional funding was allocated to services in 2020/21, 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. The uncertainty arising from the Coronavirus emergency, the income lost and what expenditure will be required during the recovery phase adds to the uncertainty.

The position of the Council's Housing Revenue Account is healthy, with the reserve balance currently standing at £8.597m. 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 coronavirus emergency combined with the decision to leave the European Union will have on the UK economy. The UK Government's Comprehensive Spending Review is yet to be published but it 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 and the additional financial pressures incurred through the Coronavirus pandemic, 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 2020**

## **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, with the biggest challenge for the Authority, its partners as well as communities being the wide-reaching health, wellbeing and economic impact of the Coronavirus. The Council, working together with the people, communities and partner agencies of Anglesey, is doing all it can to protect business, employees and support vulnerable individuals from this uniquely serious crisis.

### **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. The Coronavirus pandemic is adding increased pressure, both financially and operationally on the Council and it is unclear at this stage to what extent these financial pressures will be alleviated through additional funding. 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 (September 2019) included an assumption that there would be no increase in the Aggregate External Finance received from Welsh Government. The final settlement for 2020/21 resulted in an increase of 3.8% in the AEF. No indication has been given by Welsh Government as to the level of future funding and no assumption has been made at this point. The situation will be reviewed prior to the Executive approving the next MTFP in September 2020. It is likely that the demand for Council services will continue to increase, as will pay and price inflation. Some of these additional costs can be offset by increasing Council Tax but it is likely that further revenue budget savings will be required over the medium term. The Council will deliver the required savings by:-

- 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.

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

During 2019/20, 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** The refurbishment of the Holyhead Market Hall was completed and the Holyhead Library has moved into the building. This releases both the former library site and the Ysgol y Parc site in the centre of Holyhead and the Council have commenced a feasibility study on how to re-develop this site.
- 3.3.1.2** Progress continues on a flood alleviation scheme for the town of Beaumaris, which has been, in the main, funded from a Welsh Government grant. It is planned to complete the works during the summer of 2020.
- 3.3.1.3** In addition to the completion and letting of new business units in Llangefni in 2019, work has commenced on the building of additional units on the Penrhos Business Park in Holyhead. The project has been funded by means of an agreement between the Council and the Welsh Government in addition to EU funding.

- 3.3.1.4** Work has commenced on a temporary site for Gypsies and Travellers. The work involves the creation of a site at Star to house up to 10 Gypsy and Traveller families at any one time. The project has yet to be tendered but it is planned for work to commence later in 2020, with the site becoming operational in 2021.
- 3.3.1.5** A number of schemes have commenced during 2019/20 across the Island to provide new social housing units. In addition to the Council developing and building its own units, it is working with private developers and purchasing completed units at agreed prices.
- 3.3.1.6** A new initiative by the Children's Services is being implemented where Out of County placements will be placed in Housing on the Island. It is anticipated that this will yield reduced costs of between £150k and £200k during 2020/21 financial year.

### **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 became operational during 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. Additional funding was provided for Children's Services during 2019/20 but Adult Services significantly overspent its allocated budget. The Welsh Government increased the Council's Aggregate External Funding by 3.8% in 2020/21 and this and an increase of 4.5% in Council Tax, has allowed the Council to allocate an £1.028m to the Service in 2020/21 in addition to funding pay and price inflation. The Council implemented £2.56m of revenue savings in 2019/20 with a further £0.306m of revenue savings planned for 2020/21.
- 3.3.3.2** The Council's general balance is £7.060m, which is 4.9% of its net revenue budget for 2020/21, and the balances of the reserves has continued its recent trend of reducing year on year. The continued demand for services above the level allowed for in the current year revenue budget increases the risk that these balances will fall still further to a level which places the Council at significant financial risk.
- 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, along with the impact of the Coronavirus pandemic, could also affect 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 2019/20, the Council reported an underspend of £0.308k against a planned activity of £135.210m (net budget) and achieved £2.205m of savings. The table below reflects the final budget for 2019/20 and actual income and expenditure against it.

Services	Annual Budget £'000	Outturn £'000	Variance £'000
Lifelong Learning	50,916	50,673	-243
Adult Services	25,205	26,290	1,085
Children's Services	10,274	10,430	156
Housing	1,220	1,143	-77
Highways, Waste, Property	14,662	14,305	-357
Regulation	3,926	3,809	-117
Transformation	4,516	4,205	-311
Resources	3,050	2,880	-170
Council Business & Corporate Finance	21,438	20,956	-274
<b>Total Council Fund</b>	<b>135,207</b>	<b>134,691</b>	<b>308</b>

#### Subjective Analysis

Services	Annual Budget £'000	Outturn £'000	Variance £'000
Employee	88,157	89,933	1,776
Premises	8,424	8,766	342
Transport	4,032	5,399	1,367
Supplies and Services	30,436	31,173	737
Third Party Payments	45,909	47,070	1,161
Transfer Payments	25,790	24,969	-821
Fees and Charges	-10,062	-11,984	-1,922
Rental Income	-1,507	-1,401	106
Transfers and Grants	-55,195	-58,170	-2,975
Other Adjustments	-777	-1,064	-79
<b>Total Council Fund</b>	<b>135,207</b>	<b>134,691</b>	<b>-308</b>

The impact of an overspend means that the Council increased its general reserves by £0.308k.

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 2019/20, the Council approved a Capital Programme for non-housing services of £17.282m and approved a Capital Programme for the HRA of £13.110m. In addition, in June 2019, the Council approved Capital Slippage of £3.065m to be brought forward from 2018/19. Since the budget setting process, there have been additional schemes added onto the programme, most of which are grant funded, which amounted to £10.450m. This brings the total Capital Budget for 2019/20 to £43.907m.

The programme has made steady progress in year, achieving a delivery rate of 68.36%. It is expected that the most of the remaining schemes will be delivered over the coming few years.

From this total spend of £30.015m, £19.345m 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 (£1.388m) or did not increase the value to the capital assets (£9.282m).

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

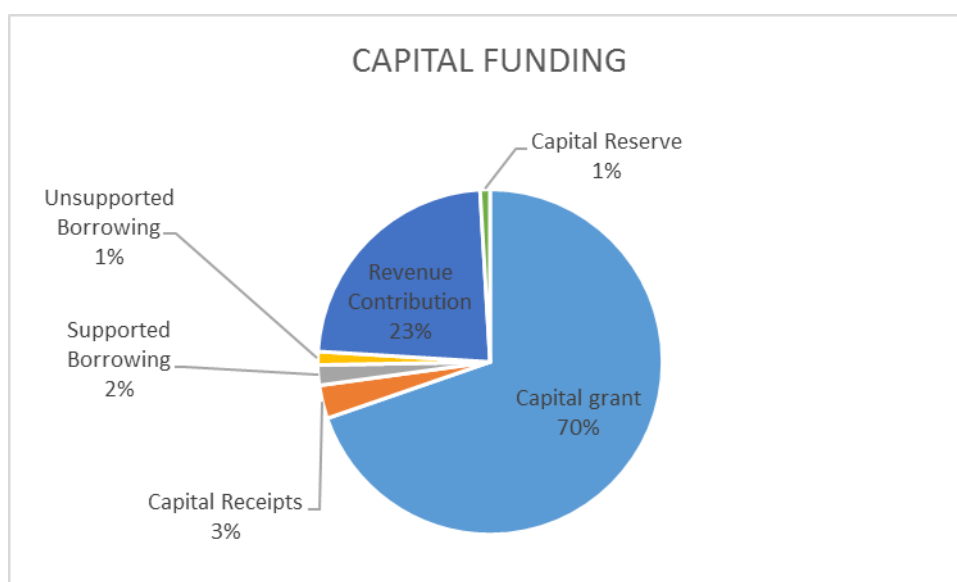
<b>Scheme</b>	<b>Amount (£'000)</b>
Band A 21st Century School – Ysgol Santes Dwywnwen	243
Band A 21st Century School – Ysgol Llangefni: Corn Hir and Bodffordd	14
Modular Building (Morswyn) – Child Care for children between 2 and 11 years old	464
Modular Building (Pencarnisiog) – Child Care for children between 2 and 11 years old	416
Modular Building (Y Tywyn) – Child Care for children between 2 and 11 years old	127
Modular Building (Esceifiog) – Child Care for children between 2 and 11 years old	30
David Hughes 3G pitch	76
Plas Arthur Fitness Room	27
Holyhead Basketball Equipment	16
Penrhos Industrial Units	1,945
Llangefni Industrial Units	75
Planning System	42
Economic Stimulus – Bryn Cefni Gateway Site	532

<b>Scheme</b>	<b>Amount (£'000)</b>
Vehicles	103
Highways Resurfacing	1,848
Llangefni Cycle Route	151
Active Travel Mapping	350
Llangefni Link Road	103
Local Transport Fund - School Drop Offs	50
A545 Resilience Study	44
Maes Awyr Mon	312
Small Scale works - Preswylfa	111
Maes Hafoty Llansadwrn – Flood Alleviation	145
Beaumaris Flood Alleviation	2,346
Pentraeth Flood Alleviation	403
Drainage studies – Holyhead and Amlwch	40
Gaerwen Park and Ride	601
Invest to Save Vehicles	77
Small Scale Works - Mill Lane Grillage	95
Road Safety	228
New Loading Shovel	180
Smallholdings	88
IT Projects	1,297
Market Hall	689
Residential Site for Gypsies & Travellers	255
Compulsory Purchase – Housing Pilot Scheme	223
Acquisition of Existing Properties and Development of New Properties	5,599
<b>Total</b>	<b>19,345</b>



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

<b>Funded By</b>	<b>Amount (£'000)</b>
Unsupported Borrowing	243
Supported Borrowing	364
Capital Grant	13,484
Capital Receipts	605
Revenue Contribution	4,468
Capital Reserve	181
<b>Total</b>	<b>19,345</b>



As at 31 March 2020, the Authority had £139.232m 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 £136.904m. In early March 2020, the Council borrowed an additional £10m to fund planned capital expenditure to the end of the financial year, but the global pandemic meant that capital expenditure in the final month was lower than anticipated, which resulted in external borrowing exceeding the CFR. The loan was for a one year period and will be repaid in 2020/21. The level of external borrowing will fall below the CFR during 2020/21 as external borrowing is repaid and capital expenditure is incurred. In the Treasury Management Strategy Statement for 2020/21, the Authorised Borrowing Limit approved by the Council was £178m, 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 2020, the Authority's internal sources of funds were cash deposits at bank and other investments of £23.045m. The external borrowing figure was £139.232m.

### **3.4.3 Balance Sheet**

The Council's Balance Sheet demonstrates a good financial position at the end of 2019/20 with a net value of £190.618m. This is an increase of £28.162m from last year. The value of the Council's long-term assets (property, plant etc.) increased by £18m. This included the addition of Market Hall, Holyhead, which attracted significant grant funding and is operational. It also includes the newly built Ysgol Santes Dwynwen, Newborough, which is a 21<sup>st</sup> Century School project funded in partnership with the Welsh Government. Existing assets were also revalued. Short-term assets also increased, such as cash which increased by circa £7m.

The details of the Council's long-term and short-term assets and liabilities are shown in the Balance Sheet as at 31 March 2020.

#### **Reserves**

The £28.162m increase in the Council's net worth set out above is the result of a £26.762m increase in unusable reserves linked to the increases in long-term assets discussed above and a £1.100m increase in usable balances (including the HRA).

## **4. Main Issues from the 2019/20 Accounts**

The Council set a net budget of £135.210m for 2019/20 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 £2.561m, which was incorporated into the individual service budgets. The outturn position was an underspend of £0.308k. The underspend is made up of departmental under or overspends, unused contingencies and any other one-off items identified during the financial year.

### **Coronavirus**

The Council's finances were fairly stable during the financial year. However, the coronavirus crisis affecting the Council in the final month of the financial year 2019/20 is the single biggest issue now facing the Council.

### **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. The potential impact of the Covid-19 crisis will be included in the final version of these accounts. 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).

Hyman Robertson LLP Professional Actuarial Consultants revalued the Gwynedd Pension Fund, of which the Council is part of, as at 31 March 2019. This reviewed current funding plans and set new contribution rates for each Gwynedd Pension Fund employer for the period from 1 April 2020 to 31 March 2023.

The valuation report predicts an improved position compared to the last valuation in 2016 which predicted that the Pension Fund was underfunded by £145m (funded by 91%). This led to increased contributions for employers. The 2019 valuation estimates that the pension fund is 108% funded by £156m. This has led to reduced contributions for the next three financial years.

Since this valuation, the Coronavirus Pandemic has caused significant market volatility which in the short-term, has caused a 12% reduction in investment return. However, a long-term view is taken for the pension fund and the valuation report and contribution rates still stand. If there is a more significant decline in the medium term, for example, in 18 months' time, then an interim valuation will be completed to review the funding of the Pension Fund and ongoing contribution rates.

In addition, the LGPS benefit structure is being reviewed since the McCloud judgement ruled that the 2015 Public Sector Pension reforms introduced unlawful age discrimination. The full financial effect of this judgement is not yet known but it will cause increased costs for each Pension Fund Employer. The valuation report takes a prudent approach to estimating contributions, therefore, building in some increased costs. However, the measurement of the Pension Fund as at 31 March 2019 does not include an allowance for McCloud.

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 £5.234m at 1 April 2019. During the year, the balance reduced by £0.054m to £5.180m. The insurance provision was increased to £0.337m in accordance with estimated need. Short-term provisions amounted to £0.414m in total, to provide for future expected costs which might arise from a past obligations. A total of £39k of the Penhesgyn provision was used to fund costs relating to the landfill site during 2019/20.

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

## **Going Concern**

The accounts are prepared on the 'going concern' basis. This means that the accounts have been prepared on the basis of the Council continuing in its current form into the future. The Isle of Anglesey County Council was created by statute/law in 1996 and will continue in its current form until changed by statute.

## Materiality

Items of expenditure and income are considered material if the amount would change the true and fair view of the accounts. If a material item was excluded from the accounts, it would significantly change individuals' understanding and the accuracy of the accounts. The Council has set its materiality limit as the lower of 5% of materiality or £200k. Amounts less than this are deemed to be immaterial and will not be adjusted for should any error or omission emerge.

## 5. Explanation of the Financial Statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2019/20 and its Balance Sheet as at 31 March 2020. 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 Director 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. **Notes to the Accounts** – 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 2019/20.

The Statement of Accounts concludes with the Annual Governance Statement (AGS) 2019/20. 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.

### **6. Impact of the Covid -19 Pandemic**

#### **Provision of Services**

The Covid-19 pandemic has resulted in the temporary closure of a number of Council services, including schools, leisure centres, libraries, social care day centres, waste recycling centres, museums and the main Council reception. The closure of these facilities has reduced the Council's monthly income by approximately £400k per month but this loss is partially offset by a reduction in energy costs, transport costs and some staffing costs.

The Council has responded to the pandemic by providing more support in the community, including food banks, assisting people who are shielding and providing food parcels or direct payments to parents whose children receive free school meals (approximately 1,500 pupils). All additional costs are reimbursed to the Council by the Welsh Government.

The majority of the Council's schools have remained closed since 20 March 2020 and will not reopen until the Welsh Government instruct the Council to do so. A small number of schools have remained open to provide care to children of key workers and to vulnerable children.

The Council is administering a business support grant on behalf of the Welsh Government to provide grants of £10,000 to businesses whose property has a rateable value of £12,000 or less and are in receipt of Small Business Rate Relief and a grant of £25,000 to businesses whose property has a rateable value of between £12,001 and £51,000 and who operate in the retail, leisure or hospitality sectors. It is estimated that the Council will pay out in the region of £27m when all the applications have been processed.

The Council is planning the resumption of all services after the end of the lockdown period whilst taking into account the need to maintain social distancing. This may result in an increase in the cost of providing services, but it is not possible to determine the additional cost at this stage.

#### **Council Workforce**

The majority of the Council staff worked from home during the lockdown and the additional costs of enabling this to happen in terms of additional IT costs has been funded by the Welsh Government. Around 6% of the Council's workforce were not able to work during the lockdown and were not transferred to undertake any other duties. The Council did not furlough these staff as the funding for these staff was still received i.e. RSG and Council Tax and the Council would not have made the staff redundant because of the lockdown. The Council needed to ensure that the staff were also available to undertake other duties should sickness levels increase during the pandemic. The instances of staff contracting Covid-19 were low and did not result in a significant increase in sickness levels.

The Council has outsourced a number of its main contracts, including Highway Maintenance, Refuse Collection and School Meals catering. The Council continued to pay these contractors in accordance with the requirements set out in the Cabinet Office's Procurement Policy Note PPN 02/20.

### **Supply Chain**

As the majority of the Council's services are outsourced, the responsibility for ensuring an adequate supply chain rests with the contractors and not the Council. The Council has not experienced any significant difficulties with its main supply chains and each service have plans in place should essential suppliers fail to deliver.

The major supply chain priority during the pandemic has been in respect of PPE for social care workers and for workers working in the community. The Council had to resort to placing orders with new suppliers without following the Council's normal procurement processes. This may have resulted in the Council paying higher prices than normal for certain items.

### **Reserves, financial performance and financial position**

The Council's General Fund balance as at 31 March 2020 stood at £7.060m, which equates to 4.9% of the net revenue budget for 2020/21. The Council's financial strategy aims to hold a minimum of 5% of the net revenue budget as General Balances (£7.1m). As a result, the Council's General Balance is slightly lower than the target.

The financial performance for 2019/20 showed a net underspend of £0.308m and was not unduly affected by the commencement of the pandemic.

Moving into 2020/21 has seen the suspension of a number of services, which has resulted in a loss of income for the Authority, mainly from leisure centres, car parking fees, school meals and seasonal fees linked to the tourism industry. Initial estimates put the loss of income at £0.4m per month. There are some savings in expenditure as a result of the lockdown, but they will not fully offset the loss of income.

The pandemic will have a negative impact on the economy with increases expected in the number of Council Tax payers eligible for help with their Council Tax bills under the Council Tax Reduction Scheme. The Welsh Government's funding for the Scheme has been incorporated into the Revenue Support Grant and any increases in the costs of the Scheme will fall on the Council. The current budget for the Scheme is £6m. The economic downturn will also impact on people's ability to pay their Council Tax. The Council allows for a 1.5% loss in setting the taxbase each year and collection rates for Council Tax normally result in about 0.7% of the debt being written off. It is anticipated that the write off of debt will be higher for 2020/21.

The Council only planned a small amount of revenue savings in 2020/21 (£0.31m) and the implementation of these savings proposals are not affected by the pandemic.

It is unclear at the moment as to whether any additional funding will be received from the Welsh Government to meet the cost of the loss in income or to meet any increases in the cost of providing services whilst still meeting the requirements in respect of social distancing. If the Welsh Government do not provide any financial assistance, it is likely that the Council will overspend its net revenue budget in 2020/21, with the sum of the overspend being funded from the General Reserves.

The Council's Housing Revenue Account balance stood at £8.597m as at 31 March 2020. The reserve is earmarked to fund the cost of the development of new properties as set out in the Council's 30 HRA Business Plan. Any significant reduction in the HRA reserve as a result of the pandemic will lead to a reduction in the planned new development programme.

The Council's debt management strategy for 2020/21 was approved by the Council on 11 March 2020. It continued the strategy over recent years of using surplus cash balances to fund capital expenditure wherever possible (internal loans) and to invest surplus cash in ways which are low risk and allow ready access to the cash. At the beginning of the pandemic, £10m of internal loans were externalised and all surplus cash was held in the Council's bank accounts. Welsh Government also paid instalments of RSG early, which improved the Council's cash flow during the lockdown period. Cash balances were monitored on a daily basis during the lockdown and the healthy cash balance ensured that no remedial action was required to resolve any significant falls in cash balances.

The Council's capital programme for 2020/21 is funded mainly from government grants (school modernisation, highway refurbishment and flood relief work), European funded schemes (construction of business units, improvements to town centres), HRA funded projects (new developments, planned maintenance of existing properties) and schemes funded from supported borrowing and general capital grants (maintenance of existing buildings, IT equipment and purchase of new vehicles). Although work on all schemes stopped during the lockdown, they will commence again in 2020/21. Any slippage will not result in any loss of funding.

The financial effects of the Pandemic have been considered carefully when preparing the accounts for 2019/20 and, where necessary, adjustments have been made based on information available at the time. Four issues in particular have been reviewed, namely its effect on pension valuations, its effect on income owed to the Council, its effect on asset valuation and its effect on investments. At the time of preparation, the effect on investments and asset valuation were considered minimal while a review of the pension fund is continuing and may not become apparent for several months. Provisions for bad debts have been adjusted for possible loss of income owed to the Authority on 31 March 2020.

## **Conclusion**

The pandemic will impact on the Council's financial position in terms of the loss of income and additional expenditure during the lockdown and will result in the provision of services becoming more costly in the future as the Council has to adjust to the requirements of social distancing. The availability of capital funding may also be reduced, which will impact on the Council's capital programme and, in particular, the two main priorities, school modernisation and the building of new homes.

## **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 Director 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 2020.

**Signed:** \_\_\_\_\_

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

**Signed** \_\_\_\_\_

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

**Dated: 8 September 2020**



**The independent auditor's report of the Auditor General for Wales to the Members of Isle of Anglesey County Council.**

**Report on the audit of the financial statements – KEEP BLANK UNTIL FINAL AUDIT REPORT**

Date:

CF11 9LJ

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2020

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.

2019/20			Services	Note	2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
73,291	(15,907)	57,384	Lifelong Learning		70,793	(14,660)	56,133
40,699	(11,431)	29,268	Adult Services		37,503	(8,952)	28,551
11,753	(1,072)	10,681	Children's Services		11,876	(1,199)	10,677
5,983	(4,098)	1,885	Housing		4,949	(3,966)	983
26,793	(6,390)	20,403	Highways, Property and Waste		24,934	(5,570)	19,364
12,291	(6,317)	5,974	Regulation and Economic Development		12,694	(7,272)	5,422
5,666	(261)	5,405	Transformation		5,548	(226)	5,322
26,947	(17,679)	9,268	Resources		28,187	(19,454)	8,733
2,245	(412)	1,833	Council Business		1,790	(253)	1,537
1,936	(332)	1,604	Corporate and Democratic Costs		2,148	(1,144)	1,004
482	-	482	Corporate Management		579	-	579
953	-	953	Non-distributed costs		134	-	134
12,554	(18,717)	(6,163)	Housing Revenue Account (HRA)		12,079	(17,843)	(5,764)
<b>221,593</b>	<b>(82,616)</b>	<b>138,977</b>	<b>Deficit on Continuing Operations</b>		<b>213,214</b>	<b>(80,539)</b>	<b>132,675</b>
		23,105	Other operating expenditure	12			22,129
		8,982	Financing and investment income and expenditure	13a			10,405
		(163,381)	Taxation and non-specific grant Income	14			(157,047)
		<b>7,683</b>	<b>Deficit on Provision of Services</b>				<b>8,162</b>
		(13,487)	Surplus on revaluation of non-current assets	11c, 15 & 17			(6,152)
		(22,357)	Re-measurement of net Pension liability	11ch & 41			18,734
		<b>(35,844)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>12,582</b>
		<b>(28,161)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>20,744</b>

## EXPENDITURE AND FUNDING ANALYSIS

2019/20			Services	2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balances - A = C - B	Adjustments between Funding and Accounting Basis - B	Net Expenditure in the Comprehensive Income and Expenditure Statement - C		Net Expenditure Chargeable to the General Fund and HRA Balances - A = C - B	Adjustments between Funding and Accounting Basis - B	Net Expenditure in the Comprehensive Income and Expenditure Statement - C
£'000	£'000	£'000		£'000	£'000	£'000
50,198	7,186	57,384	Lifelong Learning	50,382	5,751	56,133
26,601	2,667	29,268	Adult Services	26,387	2,164	28,551
10,496	185	10,681	Children's Services	10,671	6	10,677
1,508	377	1,885	Housing	749	234	983
14,464	5,939	20,403	Highways, Property and Waste	14,473	4,891	19,364
3,895	2,079	5,974	Regulation and Economic Development	3,799	1,623	5,422
4,276	1,129	5,405	Transformation	4,422	900	5,322
8,619	649	9,268	Resources	8,219	514	8,733
1,524	309	1,833	Council Business	1,367	170	1,537
1,881	(277)	1,604	Corporate and Democratic Costs	1,286	(282)	1,004
482	-	482	Corporate Management	579	-	579
-	953	953	Non-distributed costs	-	134	134
(4,111)	(2,052)	(6,163)	Housing Revenue Account (HRA)	(7,675)	1,911	(5,764)
<b>119,833</b>	<b>19,144</b>	<b>138,977</b>	<b>Net Cost of Services</b>	<b>114,659</b>	<b>18,016</b>	<b>132,675</b>
(120,933)	(10,362)	(131,295)	Other Income and Expenditure	(115,434)	(9,079)	(124,513)
<b>(1,100)</b>	<b>8,782</b>	<b>7,683</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(775)</b>	<b>8,937</b>	<b>8,162</b>
(24,844)			Opening General Fund and HRA balance at 1 April	(24,069)		
(1,100)			Less Surplus on General Fund and HRA Balance in Year	(775)		
<b>(25,944)</b>			<b>Closing Council Fund Balances and HRA Balance at 31 March</b>	<b>(24,844)</b>		

## MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2020

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 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>
<b>Movement in reserves during the year</b>										
Surplus/(Deficit) on provision of services	(9,944)	-	2,262	-	-	-	-	(7,682)	-	(7,682)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	35,844	35,844
<b>Total Comprehensive Income and Expenditure</b>	<b>(9,944)</b>	<b>-</b>	<b>2,262</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,682)</b>	<b>35,844</b>	<b>28,162</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	10,690	-	(2,052)	144	-	-	-	8,782	(8,782)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>746</b>	<b>-</b>	<b>210</b>	<b>144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,100</b>	<b>27,062</b>	<b>28,162</b>
Transfers to/(from) Earmarked Reserves (Note 8)	402	32	-	-	(434)	-	-	-	-	-
<b>Increase/(Decrease) In Year</b>	<b>1,148</b>	<b>32</b>	<b>210</b>	<b>144</b>	<b>(434)</b>	<b>-</b>	<b>-</b>	<b>1,100</b>	<b>27,062</b>	<b>28,162</b>
<b>Balance 31 March 2020</b>	<b>7,060</b>	<b>8,760</b>	<b>8,597</b>	<b>1,330</b>	<b>197</b>	<b>-</b>	<b>-</b>	<b>25,944</b>	<b>164,674</b>	<b>190,618</b>

## BALANCE SHEET AS AT 31 MARCH 2020

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 2020 £'000	31 March 2019 £'000
Property, plant and equipment	15	414,585	396,452
Heritage assets	17	3,640	3,676
Investment property	18	6,189	6,000
Intangible assets	19	501	701
Long-term debtors	24	166	266
<b>Long-term Assets</b>		<b>425,081</b>	<b>407,095</b>
Assets held for sale	21	763	1,557
Inventories	23	333	300
Short-term debtors	24	32,606	29,653
Cash and cash equivalents	25	23,045	15,825
<b>Current Assets</b>		<b>56,747</b>	<b>47,335</b>
Short-term borrowing	44	(16,837)	(7,535)
Short-term creditors	26	(20,429)	(18,151)
Short-term provisions	27	(413)	(429)
Capital grants receipts in advance	37	(1,993)	(2,815)
<b>Current Liabilities</b>		<b>(39,672)</b>	<b>(28,930)</b>
Long-term creditors	26	(159)	(157)
Long-term provisions	27	(4,766)	(4,805)
Long-term borrowing	44	(124,424)	(127,352)
Other long-term liabilities	41	(122,189)	(130,730)
<b>Long-term Liabilities</b>		<b>(251,538)</b>	<b>(263,044)</b>
<b>Net Assets</b>		<b>190,618</b>	<b>162,456</b>
Usable reserves	MIRS	25,944	24,844
Unusable reserves	11	164,674	137,612
<b>Total Reserves</b>		<b>190,618</b>	<b>162,456</b>

## CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2020

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	2019/20 £'000	2018/19 £'000
Net Deficit on the provision of services		(7,683)	(8,162)
Adjustments to net surplus or deficit on the provision of services for non- cash movements	28	37,094	29,452
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(19,351)	(18,221)
<b>Net cash flows from operating activities</b>		<b>10,060</b>	<b>3,069</b>
<b>Net cash flows from investing activities</b>	29	<b>(9,276)</b>	<b>(10,503)</b>
<b>Net cash flows from financing activities</b>	30	<b>6,436</b>	<b>15,470</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>7,220</b>	<b>8,036</b>
Cash and cash equivalents at the beginning of the financial year		15,825	7,789
<b>Cash and cash equivalents at the end of the financial year</b>	25	<b>23,045</b>	<b>15,825</b>

## **NOTES TO THE ACCOUNTS**

### **Expenditure and Funding Analysis**

The Expenditure and Funding Analysis (EFA) on page 22 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 £7.682m. This is also shown in column C, called Net Expenditure in the Comprehensive Income and Expenditure Statement, within the EFA on page 22. To ensure that these accounting costs do not affect council tax payers and Council funds, these costs of £8.782m are cancelled out in the EFA and are also shown in the Movement in Reserves Statement (MIRS) on page 23. These are shown in column B in the EFA on page 22 called Adjustments between Funding and Accounting Basis. Column A on the EFA on page 22 shows the costs properly incurred against Council Funds. This shows a surplus balance of £1.1m 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.

	£'000
<b>Council usable reserves 1 April 2019</b>	<b>(24,844)</b>
Deficit/(surplus) on the Provision of Services 2019/20 – CIES	7,682
Adjustments to remove impact of accounting adjustments which do not affect the Council Fund – see Note 7	(8,782)
<b>Revised deficit/(surplus) affecting Council balances (including HRA)</b>	<b>(1,100)</b>
<b>Council usable reserves/balances 31 March 2020</b>	<b>(25,944)</b>

The above table shows that, when all the accounting adjustments (detailed in Note 7) are cancelled out, there was an underspend (surplus of income over expenditure) of £1.1m. This, therefore, led to an increase in Council usable balances to £25.944m. This is due to an underspend on the HRA of £210k, an underspend of £308k on the Council Fund and the release of earmarked reserves. The net underspend for the Council from 2019/20 budgeted funding was £0.518m. However, use of Council earmarked and HRA reserves, which total £0.583m, were also used to fund some costs during 2019/20. This led to the increase in the total reserves to £1.1m, rather than £0.518m. This is shown in the summary of usable reserves below.



## Summary of Movements in Council Reserves 2019/20

Summary of Movements in Council Balances/Reserves 2019/20	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 2019/20	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance on Council General Reserve 1 April 2019	(5,912)	(8,728)	(8,387)	(631)	(1,186)	(24,844)
Net overspend/(underspend) 2019/20	(308)	-	(210)	-	-	(518)
<b>Council Balance after over (under)spend</b>	<b>(6,220)</b>	<b>(8,728)</b>	<b>(8,597)</b>	<b>(631)</b>	<b>(1,186)</b>	<b>(25,361)</b>
Net transfers from/(to) Reserves for approved funding	(840)	(32)	-	(434)	(144)	(582)
<b>General Reserve Balance at 31 March 2020</b>	<b>(7,060)</b>	<b>(8,760)</b>	<b>(8,597)</b>	<b>(197)</b>	<b>(1,330)</b>	<b>(25,944)</b>

## NOTE 1 – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

### NOTE 1a – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS 2019/20

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	4,188	2,700	298	7,186
Adult Services	347	2,257	63	2,667
Children's Services	-	197	(12)	185
Housing	6	353	18	377
Highways, Property and Waste	4,750	1,115	74	5,939
Regulation and Economic Development	828	1,182	69	2,079
Transformation	491	588	50	1,129
Resources	16	626	7	649
Council Business	1	273	35	309
Corporate and Democratic Costs	-	(277)	-	(277)
Corporate Management	-	-	-	-
Non-distributed costs	-	953	-	953
Housing Revenue Account (HRA)	(2,711)	587	72	(2,052)
				-
<b>Net Cost of Services</b>	<b>7,916</b>	<b>10,554</b>	<b>674</b>	<b>19,144</b>
Other Income and Expenditure from the Funding Analysis	(13,620)	3,258	-	(10,362)
<b>Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit</b>	<b>(5,704)</b>	<b>13,812</b>	<b>674</b>	<b>8,782</b>

### 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)
<b>Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit</b>	<b>(848)</b>	<b>9,808</b>	<b>(23)</b>	<b>8,937</b>

## NOTE 1b – SEGMENTAL INCOME

Services	2019/20 Income from Services £'000	2018/19 Income from Services £'000
Lifelong Learning	(1,390)	(1,528)
Adult Services	(5,301)	(4,538)
Children's Services	-	-
Housing	(70)	(65)
Highways, Property and Waste	(2,788)	(2,795)
Regulation and Economic Development	(2,778)	(2,825)
Transformation	(45)	-
Resources	(151)	(154)
Council Business	(402)	(242)
Corporate and Democratic Costs	(111)	(1,047)
Corporate Management	-	-
Non-distributed costs	-	-
Housing Revenue Account (HRA)	(18,585)	(17,607)
<b>Total Income</b>	<b>(31,621)</b>	<b>(30,801)</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 2019/20 (the Code) requires disclosure of the expected impact of any accounting standards that have been issued but not yet adopted.

The new or amended standards which have been issued but not yet adopted are:-

- *IAS 28 Investments in Associates and Joint Ventures*: IAS 28 states that an organisation should use the equity method when accounting for investment in an associate or joint venture unless the investment qualifies as an exemption. The Council does not have investments of this type and so this has no impact on the Authority's accounts.
- *Annual Improvements to IFRS Standards 2015-2017 Cycle*. This includes amendments to *IFRS 3* and *IFRS 11* as well as *IAS 12* and *IAS 23*.  
IFRS 3 and IFRS 11 state that when a party to a joint operation obtains control of that joint operation that is a business, then it must re-measure that interest in the joint operation at fair value as the nature of its interest has changed. However, when a party that participates in (but does not have joint control over) a joint operation, now obtains joint control over a joint operation that is a business, it must not re-measure the interest it previously had in that business. The Council is reviewing its accounting treatment of this requirement.  
IAS 12 states that an entity must recognise all income tax consequences of dividends, in profit or loss, other comprehensive income or equity, depending on where the transaction originated to generate the profit giving the dividend. This does not affect the Council as it does not have such investments.  
IAS 23 states that an entity must include all outstanding borrowing costs relating to a recognised asset even when it is ready for use or sale. The Council is reviewing its accounting treatment of this requirement.

- *IAS 19 Employee Benefits*: If a plan amendment, curtailment or settlement occurs, then it will be mandatory for the current service costs and interest for the period after the event to be re-measured. Amendments have also been included to clarify the effect these events will have on the requirements regarding the asset ceiling. The Council is reviewing its accounting treatment of this requirement.
- *IFRS 16 – Leases*: The requirement to adopt IFRS 16 has been deferred to 2021/2022 following the Covid-19 outbreak and will, therefore, not be applicable until the 2021/22 Statement of Accounts. This IFRS will have an impact on the Council as it may need to amend the way it accounts for leased assets such as photocopiers, buildings and machinery. The Council is reviewing its accounting treatment of this requirement.

## **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 2019.

- *IFRS 16 – Leases*. The requirement to adopt IFRS16 has been deferred to 2021/20 following the Covid-19 outbreak and will not apply to the Statement of Accounts until 2021/22.

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 usually a high degree of uncertainty about future levels of funding for local government. In normal circumstances, this would not be sufficient enough 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. However, the Coronavirus crisis has led to such significant global uncertainty that the Council has considered its impact on four main areas, namely on plant, property and equipment valuation; on investments; on the pension fund and on debts owed to the Council. Some of this review is ongoing but, at the time of issuing the draft accounts, the Authority had decided that the impairment on the Council's plant, property and equipment as well as on investments would be minimal, but the Council has increased the impairment on debts owed to it by £49k. The Council is waiting for Actuary revaluations on its pension fund and will assess the impact of that assessment.

#### **NOTE 4**

##### **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 2020 may be considered to be most vulnerable for estimating error in the forthcoming financial year:-

#### **Brexit**

The United Kingdom left the European Union on 31 January and is now in a transition period with the E.U. until 31 December 2020. During the transition period most arrangements will remain the same with the E.U. and the period will allow the United Kingdom and the European Union to negotiate and agree a deal on their future relationship. Brexit remains a significant area of uncertainty in terms of impact on Local Government and in particular the Irish border issue may impact on Anglesey through Holyhead Port and ferries from and to Ireland. Potential impacts on IoACC Services are continually monitored by the EU Coordinator and escalated where necessary. A separate Brexit Risk register has been created in addition to the Corporate Risk Register and both are updated regularly. Corporate and Service Business Continuity Plans have been amended to account for any potential impacts of Brexit. A recent audit of the Council's preparedness has found Reasonable Assurance that suitable measures are in place.

**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.

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 2020, the Council had a net debtor balance of £32.772m. A review of arrears balance suggested that impairment for doubtful debts of £5.618m 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.

**Fair Value Measurement** - Fair value measurement will be in accordance with IFRS 13 Fair Value Measurement as reported in the CIPFA Code of Practice 2019/20. In most cases, fair value is a market-based measurement. IFRS 13 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**

No items were reinstated in 2019/20.

#### **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 8 September 2020. 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 2020, 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 2020 and 8 September 2020 have occurred which affect the Council and are important to highlight to readers of the Statement of Accounts:-

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

2019/20	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><i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>					
Charges for depreciation, impairment and amortisation of non-current assets	9,872	3,776	-	-	(13,648)
Revaluation losses on Property, Plant and Equipment	945	(31)	-	-	(914)
Movements in the market value of Investment Properties loss/(gain)	(295)	-	-	-	295
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(13,954)	(4,202)	-	-	18,156
Revenue expenditure funded from capital under statute	125	-	-	-	(125)
Derecognition - replaced parts	3,281	6,213	-	-	(9,494)
Carrying amount of non-current assets sold	1,062	-	-	-	(1,062)
<b><i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>					
Minimum Revenue Provision for Capital Funding	(2,654)	(816)	-	-	3,470
Capital expenditure charged against the Council Fund and HRA balances	(224)	(7,609)	-	-	7,833
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Proceeds from Sale of Non-Current Assets	(1,194)	-	1,194	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(1,050)	-	1,050
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	(101)	(42)	-	-	143
<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)	21,739	587	-	-	(22,326)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,514)	-	-	-	8,514
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>					
Adjustments in relation to short-term compensated absences	602	72	-	-	(674)
<b>Total Adjustments</b>	<b>10,690</b>	<b>(2,052)</b>	<b>144</b>	<b>-</b>	<b>(8,782)</b>



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>

## NOTE 8 – EARMARKED RESERVES

	Balance as at 01/04/2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance as at 31/03/2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance as at 30/03/2020 £'000
Capital - Revenue contributions unapplied	1,137	192	(218)	1,111	180	(448)	843
Restricted Reserves	3,625	3,241	(1,533)	5,333	1,981	(1,260)	6,054
Invest-to-save	653	-	(251)	402	-	(89)	313
Equal Pay	814	-	(450)	364	-	(314)	50
Recycling	122	250	(104)	268	250	(268)	250
Insurance Fund	1,250	161	(161)	1,250	-	-	1,250
<b>Total</b>	<b>7,601</b>	<b>3,844</b>	<b>(2,717)</b>	<b>8,728</b>	<b>2,411</b>	<b>(2,379)</b>	<b>8,760</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 2018 £'000	Addition / (Reduction) for 2018/19 £'000	Balance 31 March 2019 £'000	Addition / (Reduction) for 2019/20 £'000	Balance 31 March 2020 £'000
Community and Voluntary Primary Schools	1,241	(453)	788	54	842
Community Secondary Schools	410	(668)	(258)	(435)	(693)
Community Special School	79	(139)	(60)	(24)	(84)
Foundation Primary School	139	22	161	(29)	132
<b>Total</b>	<b>1,869</b>	<b>(1,238)</b>	<b>631</b>	<b>(434)</b>	<b>197</b>

At 31 March 2020, 9 of the 40 primary schools had balances in a deficit position (12 as at 31 March 2019). 3 of the 5 secondary schools are in a deficit position at the end of the financial year (3 as at 31 March 2019), the Special School is also in a deficit position at 31<sup>st</sup> March 2020. The combined value of the schools in deficit is £1.2m (£0.93m as at 31 March 2019). 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 £1.330m will be carried forward to 2020/21 to help fund next year's capital programme.

	2019/20 £'000	2018/19 £'000
<b>Balance 1 April</b>	1,186	320
Capital Receipts in year (net of reduction for administration costs)	1,194	1,592
	<b>2,380</b>	<b>1,912</b>
<b>Less:</b>		
Receipts set aside to repay debt	-	-
Capital Receipts used for financing	(1,050)	(726)
Other	-	-
<b>Balance 31 March</b>	<b>1,330</b>	<b>1,186</b>

## NOTE 11 – UNUSABLE RESERVES

	31/03/2020 £'000	31/03/2019 £'000
a) Capital Adjustment Account	146,341	137,949
b) Financial Instruments Adjustment Account	(431)	(574)
c) Revaluation Reserve	142,402	131,743
ch) Pensions Reserve	(122,188)	(130,730)
d) Accumulating Compensated Absences Adjustment Account	(1,450)	(776)
<b>Total Unusable Reserves</b>	<b>164,674</b>	<b>137,612</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 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2019/20		2018/19	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		137,949		134,369
<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	(13,648)		(13,195)	
De-recognised assets	(9,494)		(9,417)	
Revaluation losses on Property, Plant and Equipment	(914)		(206)	
Revenue expenditure funded from capital under statute	(125)		(25)	
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	(1,062)		(1,675)	
		(25,243)		(24,518)
Adjusting amounts written out of the Revaluation Reserve		2,831		2,608
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		(22,412)		(21,910)
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,050		726	
Use of capital reserve	224		-	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	18,156		16,629	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	3,470		3,296	
Capital expenditure charged against the Council Fund and HRA balances	7,609		6,357	
		30,509		27,008
Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement		295		(1,518)
<b>Balance at 31 March</b>		146,341		137,949

## NOTE11b – FINANCIAL INSTRUMENTS 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.

Financial Instruments Adjustment Account	2019/20	2018/19
	£'000	£'000
<b>Balance at 1 April</b>	(574)	(450)
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	143	(124)
<b>Balance at 31 March</b>	(431)	(574)

## NOTE 11 c – 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.

Revaluation Reserve	2019/20 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>131,743</b>	<b>128,199</b>
Revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	13,487	6,152
Difference between fair value depreciation and historical cost depreciation	(2,053)	(1,914)
Revaluation balances on assets scrapped or disposed of	(775)	(694)
<b>Balance at 31 March</b>	<b>142,402</b>	<b>131,743</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.

Pensions Reserve	2019/20 £'000	2018/19 £'000
<b>Balance at 1 April</b>	<b>(130,730)</b>	<b>(102,188)</b>
Re-measurement of net defined liability	(22,330)	(18,734)
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	22,358	(18,175)
Employers' pension contribution and direct payment to pensioners payable in the year	8,514	8,367
<b>Balance at 31 March</b>	<b>(122,188)</b>	<b>(130,730)</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 – 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>2019/20 £'000</b>	<b>2018/19 £'000</b>
Settlement or cancellation of accrual made at the end of the preceding year	(776)	(799)
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	(674)	23
<b>Amounts accrued at the end of the current year</b>	<b>(1,450)</b>	<b>(776)</b>

#### **NOTE 12 – OTHER OPERATING EXPENDITURE**

	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Precept paid to North Wales Police Authority	8,780	7,944
Precept paid to Community Councils	1,441	1,306
(Surplus)/ Losses on the disposal of non-current assets (Including De-recognition)	9,356	9,518
Levies	3,528	3,361
<b>Total</b>	<b>23,105</b>	<b>22,129</b>

## NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

### 13a – Financing and Investment Income

	2019/20 £'000	2018/19 £'000
Interest payable and similar charges	6,012	5,871
Net interest on the defined liability	3,260	2,850
Interest receivable and similar income	(112)	(64)
Income and Expenditure in relation to investment properties and changes in their fair value	(499)	1,282
De-recognition and impairment of Financial Assets	321	466
<b>Total</b>	<b>8,982</b>	<b>10,405</b>

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

	2019/20 £'000	2018/19 £'000
<b>(Income)/Expenditure from Investment Properties:</b>		
Income including rental income	(349)	(347)
Expenditure	140	129
<b>Net Expenditure/(Income) from investment properties</b>	<b>(209)</b>	<b>(218)</b>
<b>(Surplus) / Deficit on sale of Investment Properties:</b>		
Proceeds from sale	(100)	(160)
Carrying amount of investment properties sold	105	142
<b>(Surplus) / Deficit on sale of Investment Properties</b>	<b>5</b>	<b>(18)</b>
<b>Changes in Fair Value of Investment Properties</b>	<b>(295)</b>	<b>1,518</b>
<b>Total</b>	<b>(499)</b>	<b>1,282</b>

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

	2019/20 £'000	2018/19 £'000
Council Tax Income	49,433	44,606
Non-Domestic Rates Redistribution	22,754	22,574
Revenue Support Grant	73,037	73,238
Other Government Grants	-	-
Capital Grants Applied To Fund Capital Expenditure	18,156	16,629
<b>Total</b>	<b>163,380</b>	<b>157,047</b>

## NOTE 15

2019/20	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 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>
Adjustment opening balance	-	-	-	-	-	-	-	-
Additions (Note 20)	11,812	4,749	6,515	1,534	-	3,836	-	28,446
Revaluation inc./(decr.) to Revaluation Reserve	-	8,525	-	-	-	-	411	8,936
Revaluation inc./(decr.) to (Surplus) / Deficit on the Prov. of Services	-	(1,113)	-	-	-	-	17	(1,096)
De-recognition - Disposals	-	-	-	-	-	-	-	-
De-recognition - other	-	-	-	-	-	-	-	-
De-recognition - replaced parts	(6,213)	(3,069)	-	-	-	-	-	(9,282)
Reclassification	-	10,732	-	-	-	(11,267)	535	-
Reclassifications & Transfers from Assets Held for Sale	-	-	-	-	-	-	108	108
Reclassification to Assets Held for Sale	-	(270)	-	-	-	-	-	(270)
Reclassified from Investment Property	-	-	-	-	-	-	-	-
Reclassified to Investment Property	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2020</b>	<b>153,573</b>	<b>199,299</b>	<b>102,764</b>	<b>15,109</b>	<b>9</b>	<b>3,791</b>	<b>4,517</b>	<b>479,062</b>
<b>Depreciation and Impairment</b>								
<b>At 1 April 2019</b>	<b>7,149</b>	<b>9,092</b>	<b>30,071</b>	<b>9,401</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>55,768</b>
Adjustment Cost and Depreciation	-	-	-	-	-	-	-	-
Depreciation Charge	3,521	5,317	3,570	1,009	-	-	8	13,425
Depreciation written out to Revaluation Reserve	-	(4,525)	-	-	-	-	(8)	(4,533)
Depreciation written out to (Surplus) or Deficit on the Provision of Services	-	(183)	-	-	-	-	-	(183)
De-recognition - Disposals	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-
Reclassification to Investment Property	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2020</b>	<b>10,670</b>	<b>9,701</b>	<b>33,641</b>	<b>10,410</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>64,477</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2020</b>	<b>142,903</b>	<b>189,598</b>	<b>69,123</b>	<b>4,699</b>	<b>9</b>	<b>3,791</b>	<b>4,462</b>	<b>414,585</b>
<b>Balance as at 31 March 2019</b>	<b>140,825</b>	<b>170,653</b>	<b>66,178</b>	<b>4,174</b>	<b>9</b>	<b>11,222</b>	<b>3,391</b>	<b>396,452</b>



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	-	(96)	-	-	-	-	-	(96)
Reclassification	-	-	-	-	-	-	-	-
Reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-
Reclassification to Investment Property	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2019</b>	<b>7,149</b>	<b>9,092</b>	<b>30,071</b>	<b>9,401</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>55,768</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2019</b>	<b>140,825</b>	<b>170,653</b>	<b>66,178</b>	<b>4,174</b>	<b>9</b>	<b>11,222</b>	<b>3,391</b>	<b>396,452</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>

## Revaluations

The Council has £418.224m recognised as Property, Plant and Equipment and Heritage Assets on its Balance Sheet as at the valuation date of 31 March 2020. 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 IFRS 13. 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 2020, 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 £7.560m in 2020/21 and future years as shown in the table below. Similar commitments to 31 March 2019 were £0.681m.

	Commitment into 2020/21 & future years as at 31 March 2020 £'000	Commitment into 2019/20 & future years as at 31 March 2019 £'000
Band A Ysgol 21ain Ganrif – Ysgol Santes Dwywnwen	-	152
Market Hall Holyhead - Phase II	-	422
Planned Maintenance Contracts - HRA	3,843	107
Development of New Properties - HRA	2,210	-
Holyhead Strategic Infrastructure	1,396	-
Beaumaris Flood Alleviation	111	-
<b>Total</b>	<b>7,560</b>	<b>681</b>

## NOTE 17 – HERITAGE ASSETS

2019/20

	Art Collection and Civic Regalia £'000	Heritage Land & Buildings £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>			
<b>At 1 April 2019</b>	2,110	1,941	4,051
<b>Adj to opening</b>	-	(75)	(75)
Additions	-	-	-
Disposal	-	-	-
Revaluation	-	17	17
Accumulated Depreciation written out	-	(17)	(17)
<b>At 31 March 2020</b>	2,110	1,866	3,976
<b>Accumulated Depreciation and Impairment</b>			
<b>At 1 April 2019</b>	-	375	375
<b>Adj to opening</b>	-	(75)	(75)
Depreciation Charge	-	53	53
Accumulated Depreciation written out	-	(17)	(17)
<b>At 31 March 2020</b>	-	336	336
<b>Net Book Value</b>			
<b>At 31 March 2020</b>	2,110	1,530	3,640
<b>At 31 March 2019</b>	2,110	1,566	3,676

2018/19

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

## Revaluation of Heritage Assets

A number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. At 31 March 2020, there were four such assets (unchanged from 31 March 2019):-

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

Beaumaris Gaol and Courthouse are in the process of being transferred freehold to Beaumaris Town Council.

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, with those over £500k being revalued during 2019/20 as per the Council's revaluation procedures.

A valuation for the Art Collections was obtained during 2017/18 and the resulting value has been reflected in the 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

	2019/20 £'000	2018/19 £'000
<b>Balance at start of the year</b>	6,000	5,791
Additions:		
- Subsequent expenditure	-	-
Disposals	(105)	(142)
Net gains/(losses) from fair value adjustments	294	(1,518)
Transfers:		
- (to)/from Asset held for Sale	-	-
- (to)/from Property, Plant and Equipment	-	1,869
<b>Balance at end of the year</b>	<b>6,189</b>	<b>6,000</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 one contractual obligation to construct and develop an industrial unit at Penrhos, Holyhead as part of a joint venture with the Welsh Government.

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

**2019/20 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 2020
	£'000	£'000	£'000	£'000
Retail Properties	-	810	-	810
Office units	-	848	-	848
Commercial units	-	4,531	-	4,531
<b>Total</b>	-	<b>6,189</b>	-	<b>6,189</b>

**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>

**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 18d – EXPENDITURE AND INCOME ON INVESTMENT PROPERTIES

Expenditure and Income on Investment Properties	2019/20 £000	2018/19 £000
<b>Expenditure</b>	<b>140</b>	<b>129</b>
<b>Income</b>	<b>(349)</b>	<b>(346)</b>
<b>Net Expenditure/(Income)</b>	<b>(209)</b>	<b>(217)</b>

#### 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 £169k charged to revenue in 2019/20 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:-

	2019/20 £'000	2018/19 £'000
<b>Balance at start of year:</b>		
Gross carrying amounts	1,969	1,835
Accumulated amortisation	(1,268)	(1,079)
<b>Net carrying amount at start of year</b>	<b>701</b>	<b>756</b>
Additions	181	134
Derecognition	(310)	-
Amortisation for the financial year	(169)	(189)
Amortisation - Derecognition	98	-
<b>Net carrying amount at end of year</b>	<b>501</b>	<b>701</b>
<b>Comprising:</b>		
Gross carrying amounts	1,840	1,969
Accumulated amortisation	(1,339)	(1,268)
<b>Net carrying amount at end of year</b>	<b>501</b>	<b>701</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.

Capital Expenditure and Financing	2019/20 £'000	2018/19 £'000
<b>Opening Capital Financing Requirement</b>	<b>138,662</b>	<b>136,866</b>
<b>Capital Invested in Year</b>		
Property, Plant and Equipment	28,446	28,589
Intangible Assets	181	135
Heritage Assets	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	1,388	1,954
<b>Total</b>	<b>30,015</b>	<b>30,678</b>
<b>Source of Finance</b>		
Capital receipts	(1,050)	(726)
Reserve	(224)	-
Government Grants and Contributions	(18,156)	(16,629)
Revenue Provisions	(7,609)	(6,357)
Loan	-	-
Insurance	-	-
REFCUS Grants	(1,263)	(1,928)
Minimum Revenue Provision and Set Aside	(3,471)	(3,242)
<b>Total</b>	<b>(31,773)</b>	<b>(28,882)</b>
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>(1,758)</b>	<b>1,796</b>
<b>Closing Capital Financing Requirement</b>	<b>136,904</b>	<b>138,662</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow supported by Government assistance	817	402
Increase in underlying need to borrow unsupported by Government assistance	300	4,267
Loan	596	369
Minimum Revenue Provision and Voluntary Set Aside	(3,471)	(3,242)
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>(1,758)</b>	<b>1,796</b>

## NOTE 21 – ASSETS HELD FOR SALE

	Current		Non-Current	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Balance outstanding at start of year	1,557	2,442	-	-
Assets newly classified as held for sale:				
Transferred from Property, Plant and Equipment during the year	270	-	-	-
Transfer to Property, Plant and Equipment	(108)	-	-	-
Transfer to Investment Property	-	-	-	-
Costs of Assets Sold	(957)	(864)	-	-
Revaluation	-	(21)	-	-
Balance outstanding at year-end	762	1,557	-	-

## NOTE 22 – LEASES

### Operating Leases

The Council had leased 1 property at 31 March 2020 for its homelessness function (5 properties at 31 March 2019) and the lease rentals for the year totalled £0.028m (£0.052m in 2018/19).

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 £0.175m in 2019/20 (£0.097m in 2018/19).

During the year, the Council leased out 1 property on long term lease, however, it was already taken off the Balance Sheet in 2005, with the creation of a new lease in 2019/20 to incorporate a name change. 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 has two vehicles leased in until April and July 2020, after which a decision will then be made whether to purchase or return them to the supplier. Consequently, they are not on the Council's balance sheet but an annual charge of £10k is incurred for these vehicles.

As at 31<sup>st</sup> March 2020, the transfer of Beaumaris Gaol & Court and the leasing out of Melin Llynnon were not yet complete and, therefore, were still in the Council's ownership. 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. The transfer of these assets are expected to complete in early 2020/21.

## 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 2020 £'000	31 March 2019 £'000
Salt Stock	137	120
Gofal Môn - Social Services Supplies	62	62
Other - Stationery and other consumables, fuel and goods held for resale	132	118
<b>Total</b>	<b>332</b>	<b>300</b>



## NOTE 24 – DEBTORS

	31 March 2020 £'000	31 March 2019 £'000
Trade Receivables	3,131	4,761
Prepayments	1,342	901
Other Receivable Amounts	28,299	24,257
<b>Total</b>	<b>32,772</b>	<b>29,919</b>

The above debtors' figures are net of bad debt provisions totalling £5.618m in 2019/20 (£5.639m in 2018/19), which can be analysed as follows:-

	31 March 2020 £'000	31 March 2019 £'000	Movement in Year
Council Tax	1,839	1,699	140
NDR	391	561	(170)
Rents	544	472	72
Trade Debtors	1,368	1,347	21
Other	1,476	1,560	(84)
<b>Total</b>	<b>5,618</b>	<b>5,639</b>	<b>(21)</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 2020 £'000	31 March 2019 £'000
Cash and Bank balances	23,045	15,825
Bank Overdraft	-	-
<b>Total</b>	<b>23,045</b>	<b>15,825</b>

## NOTE 26 – CREDITORS

	31 March 2020 £'000	31 March 2019 £'000
Trade Creditors	2,130	1,187
Other Payables	18,458	17,121
<b>Total</b>	<b>20,588</b>	<b>18,308</b>

## NOTE 27 – PROVISIONS

	Balance at 1 April 2018 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2019 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2020 £'000
Insurance Claims Provision	265	354	(349)	270	345	(278)	337
Penhesgyn Waste Site	4,631	278	(104)	4,805	-	(39)	4,766
Caterlink Pension Provision	75	-	(75)	-	-	-	-
Home Carers Travel Provision	159	-	-	159	-	(119)	40
Supreme Court Judgement - Nursing Care	196	-	(196)	-	-	-	-
G & A Additional Learning Needs & Inclusion Service	-	-	-	-	37	-	37
<b>Total</b>	<b>5,326</b>	<b>632</b>	<b>(724)</b>	<b>5,234</b>	<b>382</b>	<b>(436)</b>	<b>5,180</b>
<b>Short-Term Provisions</b>	<b>695</b>	<b>354</b>	<b>(620)</b>	<b>429</b>	<b>382</b>	<b>(397)</b>	<b>414</b>
<b>Long-Term Provisions</b>	<b>4,631</b>	<b>278</b>	<b>(104)</b>	<b>4,805</b>	<b>-</b>	<b>(39)</b>	<b>4,766</b>
<b>Total</b>	<b>5,326</b>	<b>632</b>	<b>(724)</b>	<b>5,234</b>	<b>382</b>	<b>(436)</b>	<b>5,180</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 2019/20

One short-term provision was brought forward from 2018/19, and one new short-term provision was created during 2019/20, for liabilities the Council is likely to incur due to past events.

A provision of £159k held in relation to Home Carer's Travel was brought forward from 2018/19. The first wave of payments have been made and settled by the Council. The expected value of the settlements for the second wave of payments has been reviewed, and is expected to be in the region of £40k. Settlement for this liability was originally delayed and has taken longer than anticipated as a result of a settlement offer being rejected. Settlement is expected to be made within 12 months of the reporting date.

A provision of £37k has been created within 2019/20 as the Council is liable to contribute towards the central services costs of the Gwynedd and Anglesey Additional Learning Needs and Inclusion Service, a service that is hosted by Gwynedd Council.

## NOTE 28 – CASH FLOW FROM OPERATING ACTIVITIES

	2019/20 £'000	2018/19 £'000
<b>Adjustment to surplus or deficit on the Provision of Services for non-cash movements</b>		
Depreciation, Impairment and amortisation	13,648	13,195
Downward/(upwards) revaluations and non-sale de-recognitions	10,408	9,623
(Increase)/Decrease in Inventories	(31)	85
(Increase)/Decrease in Debtors	(2,951)	(5,280)
Increase/(Decrease) in impairments for Bad Debts	(21)	96
Increase/(Decrease) in Creditors	2,338	(94)
Increase/(Decrease) in Capital Grants receipts in advance	(822)	(1,082)
Transactions within the CIES relating to retirement benefits	13,812	9,808
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	1,062	1,675
Contributions to/(from) Provisions	(54)	(92)
Movement in value of investment properties - Impairment and downward revaluations (and non-sale de-recognitions)	(295)	1,518
<b>Total</b>	<b>37,094</b>	<b>29,452</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	(1,195)	(1,592)
Capital grants included in "Taxation and non-specific grant income"	(18,156)	(16,629)
<b>Total</b>	<b>(19,351)</b>	<b>(18,221)</b>

## NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

	2019/20 £'000	2018/19 £'000
Purchase of Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets	(28,627)	(28,724)
Short-Term Investments (not considered to be cash equivalents)	-	-
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	1,195	1,592
Capital Grants and Contributions Received	18,156	16,629
<b>Net Cash flows from Investing Activities</b>	<b>(9,276)</b>	<b>(10,503)</b>

## NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

### NOTE 30a – CASH FLOW FROM FINANCING ACTIVITIES

	2019/20 £'000	2018/19 £'000
Cash Receipts from Short and Long-Term Borrowing	6,684	15,520
Cash movements on Houses into Homes agency schemes	2	220
Other	(250)	(270)
<b>Net Cash flows from Financing Activities</b>	<b>6,436</b>	<b>15,470</b>

## NOTE 30b - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITY

2019/20

Reconciliation of Liabilities Arising from Financing Activities	2019/20 1 April £'000	Financing Cash Flows £'000	Non-Cash Changes	2019/20 31 March £'000
Long-term borrowings	127,352	(2,928)	-	124,424
Short-term borrowings	7,535	9,612	(309)	16,838
<b>Net Cash flows from Financing Activities</b>	<b>134,887</b>	<b>6,684</b>	<b>(309)</b>	<b>141,262</b>

2018/19

Reconciliation of Liabilities Arising from Financing Activities	2018/19 1 April £'000	Financing Cash Flows £'000	Non-Cash Changes	2018/19 31 March £'000
Long-term borrowings	106,913	20,439	-	127,352
Short-term borrowings	12,413	(4,919)	41	7,535
<b>Net Cash flows from Financing Activities</b>	<b>119,326</b>	<b>15,520</b>	<b>41</b>	<b>134,887</b>

## 30c - INTEREST RECEIVED AND PAID ON FINANCING ACTIVITIES

	2019/20 £'000	2018/19 £'000
Interest Received	(112)	(64)
Interest Paid	6,012	5,870

## NOTE 31 – NATURE OF EXPENSES NOTE

### NOTE 31a

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.

	2019/20 £'000	2018/19 £'000
<b>Expenditure</b>		
Employee benefits	98,951	94,305
Other services	109,000	105,715
Depreciation, amortisation, impairment and revaluations	13,353	14,713
Interest payments	9,266	8,720
De-recognition and Impairment of Financial Assets	321	465
Precepts and levies	13,749	12,610
(Gain)/loss on the disposal of assets	9,356	9,518
<b>Total Expenditure</b>	<b>253,996</b>	<b>246,046</b>
<b>Income</b>		
Fees, charges and other service income	(31,621)	(30,801)
Interest and investment income	(316)	(300)
Income from council tax, non-domestic rates	(72,187)	(67,180)
Government grants and contributions	(142,189)	(139,603)
<b>Total Income</b>	<b>(246,313)</b>	<b>(237,884)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>7,683</b>	<b>8,162</b>

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

#### Income from service recipients

Local authorities were required to implement a new financial standard, IFRS 15 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, Non Domestic Rates (NDR) and fines are excluded from IFRS 15 and are not included in any of the information about income from service recipients. Grants and contributions are also excluded. The Council receives significant grants and contributions each year. Note 37 provides details of grants and contributions received by the Council for 2019/20 and 2018/19.

**Table 31b.1** below summarises the income received from service recipients in accordance with IFRS 15:-

<b>Revenue From Contracts with Service Recipients</b>	<b>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Revenue From Contracts with Service Recipients	(31,621)	(30,597)
Impairment of receivables or contract assets	(2)	290
<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>(31,623)</b>	<b>(30,307)</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>2019/20</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Receivables, which are included in debtors (Note 24)	6,078	5,981
Contract Assets	-	-
Contract Liabilities	-	-
<b>Total included in Net Assets</b>	<b>6,078</b>	<b>5,981</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/Council-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 2019 to 31 March 2020. 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 Services does recognise this income each financial year, despite it being deferred to match with the period when the care is provided.

## NOTE 32 – TRADING OPERATIONS

Part 3.4.6.2 of the Cipfa Code 2019/20 removed the need to disclose trading operations in English, Northern Irish and Welsh Authorities from 2019/20 onwards.

## NOTE 33 - MEMBERS' ALLOWANCES

A total of £0.700m (£0.686m in 2018/19) was paid in respect of allowances to Council Members during the year as follows:-

	2019/20 £'000	2018/19 £'000
Basic and Special responsibility allowances	582	569
Chairman and Deputy Chairman's Allowance	12	6
Pension Costs	48	45
National Insurance Costs	46	45
Travel Costs	6	8
Subsistence	1	2
Miscellaneous	5	11
<b>Total</b>	<b>700</b>	<b>686</b>

In addition, the Council spent £24,025 on expenses for lay members (£21,853 in 2018/19).

## NOTE 34 – OFFICERS' REMUNERATION

The number of employees whose actual remuneration paid was more than £60k but not more than £150k in 2019/20, excluding pension contributions but including severance pay, is as follows:-

Officer Remuneration	Non-Schools 2019/20 Number of Employees	Non-Schools 2018/19 Number of Employees	Schools 2019/20 Number of Employees	Schools 2018/19 Number of Employees
£60,000 to £64,999	1	-	3	5
£65,000 to £69,999	-	-	3	3
£70,000 to £74,999	1	2	1	3
£75,000 to £79,999	4	4	1	-
£80,000 to £84,999	-	1	1	2
£85,000 to £89,999	2	2	1	1
£90,000 to £94,999	-	-	-	-
£95,000 to £99,999	-	-	-	-
£100,000 to £104,999	-	-	-	-
£105,000 to £109,999	1	-	-	-
£110,000 to £114,999	-	-	-	-
£115,000 to £119,999	-	1	-	-
£120,000 to £124,999	-	-	1	-
<b>Total</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>14</b>

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 2019/20	Salary, Fees and Allowances £'000	Expenses Allowances £'000	Compensation for loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive *	59	-	-	11	70
Chief Executive **	59	-	-	11	70
Deputy Chief Executive ***	40	-	-	7	47
Assistant Chief Executive ***	47	-	-	9	56
Head of Council Business	78	-	-	15	93
Head of Resources and Section 151 Officer	87	1	-	16	104
Head of Profession HR & Transformation Services	76	1	-	14	91
Head of Housing	75	1	-	14	90
Head of Regulation and Economic Development	64	1	-	12	77
Head of Lifelong Learning	83	1	-	15	99
Head of Children's Services	78	1	-	15	94
Head of Adult Services	87	1	-	16	104
Head of Highways, Property and Waste	74	1	-	14	89
<b>Total</b>	<b>907</b>	<b>8</b>	<b>-</b>	<b>169</b>	<b>1,084</b>

\* Note: Chief Executive in post since 1/10/19. Returning Officer element of Chief Executive salary is £2,224 and is not included in the figures above.

\*\* Note: Chief Executive left post on 30/9/19. Returning Officer element of Chief Executive salary is £2,224 and is not included in the figures above.

\*\*\* Note: Assistant Chief Executive left post on 30/09/2019 and Deputy Chief Executive commenced on 04/11/2019.

Comparative figures for 2018/19 are shown in the following table:-

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	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
Head of Corporate Transformation	-	-	-	-	-
Chief Planning Officer - Energy Island	-	-	-	-	-
<b>Total</b>	<b>944</b>	<b>8</b>	<b>-</b>	<b>176</b>	<b>1,128*</b>

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



The remuneration ratio of the Chief Executive to the median remuneration of all employees during 2019/20 is 6.24:1 (6.35:1 in 2018/19).

### 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	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20 £'000	2018/19 £'000
£0 - £20,000	44	36	33	19	77	55	315	342
£20,001 - £40,000	1	5	5	8	6	13	175	343
£40,001 - £60,000	-	-	-	3	-	3	-	141
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £250,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>45</b>	<b>41</b>	<b>38</b>	<b>30</b>	<b>83</b>	<b>71</b>	<b>490</b>	<b>826</b>

### NOTE 36 – EXTERNAL AUDIT FEES

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

	2019/20 £'000	2018/19 £'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	-	-
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	135
<b>Total</b>	<b>427</b>	<b>427</b>

## NOTE 37 – GRANTS INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20 and 2018/19 as follows:-

	Note	2019/20 £'000	2018/19 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>			
Revenue Support Grant (Non-ring-fenced Government Grants)	14	73,037	73,238
Capital Grants and Contributions	14	13,954	13,958
Grant - HRA (Capital Grants and Contributions)	14	4,202	2,671
Other (Non-ring-fenced Government Grants)	14	-	-
<b>Total</b>		<b>91,193</b>	<b>89,867</b>
<b>Credited to Services</b>			
<b>Grants:</b>			
Post-16 Grant (Education)		2,320	2,356
Flying Start (Education)		1,410	1,419
Foundation Phase Grants (Education)		-	-
Education Improvement Grant (Education)		6,587	2,751
Pupil Development Grant (Education)		1,685	1,687
Concessionary Fares Grant		728	722
Housing Benefit Subsidy		16,774	18,370
Supporting People Grant (SPG & SPRG)		2,644	2,708
Environment and Sustainable Development Grant		691	479
<b>Total</b>		<b>32,838</b>	<b>30,492</b>
<b>Other Grants:</b>			
Lifelong Learning		1,020	3,256
Adult Services		1,008	585
Children's Services		897	900
Housing		1,330	1,146
Highways, Property and Waste		1,922	1,460
Economic Development and Regulatory		2,609	1,094
Corporate Transformation		222	220
Resources		600	578
Council Business		10	11
Corporate and Democratic Costs		10	100
Corporate Finance		-	-
Housing Revenue Account		13	88
<b>Total</b>		<b>9,642</b>	<b>9,438</b>
<b>Contributions:</b>			
		<b>8,515</b>	<b>9,809</b>
<b>Total</b>		<b>142,188</b>	<b>139,606</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	2019/20 £'000
<b>Welsh Government Capital Grants and Contributions Received in Advance:</b>	
TMF Grant	124
Welsh Government contribution to Construction of Penrhos Industrial Units, Holyhead	713
21st Century Schools	388
Affordable Housing Scheme	155
Childcare small grant scheme	52
Local Transport Fund	87
Contaminated Land	35
Small Grant Scheme	100
Area of Outstanding Natural Beauty Grant	100
Community Disabled Hub Grant	10
<b>Capital Grants and Contributions Received in Advance from other Organisations:</b>	
Holyhead Gateway Reclamation	139
Sports Council for Wales	5
Market hall HLF	54
Section 106 Commuted Sum Herb Garden	12
Young People - Housing Regeneration Investment Wales	19
<b>Total</b>	<b>1,993</b>

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>

## 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 2019/20, a total of £3.087m was paid in grants for the purchase of services from these bodies (£2.891m in 2018/19). A summary of the individual organisations (where not disclosed elsewhere) which have transactions with the Council in excess of £0.02m: -

### **2019/20**

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	242	2	4
Medrwn Môn	Member appointed by the Council to be a representative	221	-	-
University Of Wales - Bangor	Member appointed by the Council to be a representative	70	-	2
Ynys Môn C A B Ltd	Member appointed by the Council to be a representative	107	-	-
		<b>640</b>	<b>2</b>	<b>6</b>

### **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 Môn	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>

The Council is a member of the Welsh Local Government Association, to which subscriptions of £0.096m were paid in 2019/20 (£0.097m in 2018/19).

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 £0.838m was paid by the Council in 2019/20 in relation to these interests (£0.686m in 2018/19).

### **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 2019/20.

### **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 2019/20 to BCUHB amounted to £1.162m (£1.160m in 2018/19) and £0.348m was owing at year-end. Receipts taken in by the Council from BCUHB came to £4.210m (£2.077m in 2018/19), with £1.632m 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 2018/19 show a net loss of £0.175m (£0.148m loss 2017/18). The turnover for 2018/19 was £2.188m (£2.396m 2017/18). The company's published accounts show net liabilities of £0.782m as at 31 March 2019 (net liabilities were £0.131m at 31 March 2018).

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 2019 is not qualified. During the 2019/20 financial year, the Council accounted for costs of £0.625m (£0.583m in 2018/19) 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 2019/20 financial year, the Council accounted for £0.402m (£0.377m 2018/19) for purchase of services from the company.

The company accounts for 2017/18 (that is to year ended 30 September) show a net positive movement in funds of £7.774m (net positive movement in funds of £20.390m 2016/17). The turnover for 2017/18 was £45.114m (£44.977m 2016/17) and net assets amounted to £47.232m as at 30 September 2018 (£39.458m as at 30 September 2017).

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 2018 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 2020. 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 2019/20 financial year, the Council made payments of £0.100m to the company in support of the activities (£0.124m 2018/19).

The company accounts for the financial year ended 31 December 2018 shows net loss of £0.146m (net profit before tax of £0.083m in 2017). The turnover for 2018 was £5.050m (£2.674m in 2017) and net assets amounted to £0.206m as at 31 December 2018 (net assets of £0.176m in 2017).

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 2018 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 £0.725m at 31 March 2020 (£0.785m at 31 March 2019), 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, Anglesey 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 2019/20, 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 and 1174536)**

In previous years, the Council has been 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. During 2019/20, the Trust established a Charitable Incorporated Organisation, which will be known as the "The Isle of Anglesey Charitable Association". The new Organisation is a separate legal entity with the same charitable purposes as the Isle of Anglesey Charitable Trust. The existing assets and liabilities of the Isle of Anglesey Charitable Trust have been transferred to the new entity from 1 October 2019 following a formal resolution by the Trustees on 24 September 2019. Financial information of the Isle of Anglesey Charitable Trust and the Isle of Anglesey Charitable Association are shown separately in the table below.

The objectives of the Charitable Trust is 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 organisation.

In 2019/20, the Council received £0.215m (£0.215m in 2018/19) from the Trust towards the running costs of Oriel Ynys Môn.

### **Welsh Church Fund**

Previously, investments of this fund were administered by Gwynedd Council on behalf of the successor authorities of Gwynedd County Council but, from 2019/20, Anglesey's share of the Welsh Church Fund has been transferred to the Isle of Anglesey County Council to administer.

### **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 2020, the estimated balances of these Trust funds (at market value of the assets) are:-

<b>Pre Audited Statement Summary</b>	<b>2019/20 Income £'000</b>	<b>2019/20 Expenditure £'000</b>	<b>2019/20 Assets £'000</b>	<b>2019/20 Liabilities £'000</b>
Isle of Anglesey Charitable Trust	420	503	22,381	1,036
The Isle of Anglesey Charitable Association	269	292	19,350	822
Welsh Church Fund	514	9	573	21
Anglesey Further Education Trust Fund	136	186	3,203	15

<b>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	21,728	610
Welsh Church Fund	7	8	900	31
Anglesey Further Education Trust Fund	288	118	3,257	16

The total value of the other funds, including investments at market value, is £0.106m as at 31 March 2020 (£0.102m as at 31 March 2019).

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.

#### **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 2019/20, the Council paid £4.612m to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 20.05% of pensionable pay (£3.712m and 15.95% in 2018/19). The Employers Teachers’ Pension Contributions increased 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:-

	2019/20 £'000	2018/19 £'000
<b>Service cost comprising:</b>		
Current service cost	18,117	15,191
Losses on settlements or curtailments	953	134
<b>Total Service cost</b>	<b>19,070</b>	<b>15,325</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest cost on defined benefit obligation	10,787	10,638
Interest Income on scheme Assets	(7,527)	(7,788)
<b>Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service</b>	<b>22,330</b>	<b>18,175</b>
Return on Plan Assets (excluding amounts included in net interest expense)	43,616	(15,916)
Actuarial losses / (gains) arising on changes in demographic assumptions	(15,239)	-
Actuarial losses / (gains) arising on changes in financial assumptions	(37,220)	34,236
Other	(13,515)	414
<b>Total re-measurement of net defined benefit liability</b>	<b>(22,358)</b>	<b>18,734</b>
<b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(28)</b>	<b>36,909</b>
Reversal of net charges made for retirement benefits in accordance with the code	13,816	9,808
<b>Actual amount charged against the Council Fund balance for pensions in the year:</b>		
Employers' contributions payable to scheme	8,514	8,367
<b>Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service</b>	<b>22,330</b>	<b>18,175</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 2019.

Amounts included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows:	31 March 2020 £'000	31 March 2019 £'000
Present Value of Scheme Assets	277,358	312,536
Present Value of Scheme Liabilities	(399,546)	(443,266)
<b>Net liability arising from defined obligation</b>	<b>(122,188)</b>	<b>(130,730)</b>

### Reconciliation of Present Value of the Scheme Liabilities

	2019/20 £'000	2018/19 £'000
<b>Balance as at 1 April</b>	<b>443,266</b>	<b>390,612</b>
Current service cost	18,117	15,191
Interest cost	10,787	10,638
Contributions from scheme participants	2,511	2,418
Remeasurement losses / (gains)	(65,974)	34,650
Past service costs	953	134
Estimated unfunded benefits paid	(1,009)	(996)
Estimated benefits paid	(9,105)	(9,381)
<b>Balance as at 31 March</b>	<b>399,546</b>	<b>443,266</b>

### Reconciliation of Present Value of the Scheme Assets

	2019/20 £'000	2018/19 £'000
<b>Opening Fair Value of Scheme Assets as at 1 April</b>	<b>312,536</b>	<b>288,424</b>
Interest Income	7,527	7,788
Return on plan assets (excl. net interest expense)	(43,616)	15,916
Contributions by members	2,511	2,418
<b>Contributions by employer</b>	<b>7,505</b>	<b>7,371</b>
Contributions in respect of unfunded benefits	1,009	996
Unfunded benefits paid	(1,009)	(996)
Benefits paid	(9,105)	(9,381)
<b>Balance as at 31 March</b>	<b>277,358</b>	<b>312,536</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 2020 and 31 March 2019.

	2019/20 Prices Quoted in Active Markets £'000	2019/20 Prices not quoted in Active Markets £'000	2018/19 Prices Quoted in Active Markets £'000	2018/19 Prices not quoted in Active Markets £'000
<b>Cash and cash equivalents</b>	1,453	-	8,039	-
<b>Equity investment (by industry type)</b>				
Consumer	-	-	7,778	-
Manufacturing	-	-	9,356	-
Financial Institutions	-	-	3,648	-
Energy and utilities	-	-	-	-
Health and care	-	-	19,983	-
Information technology	-	-	5,467	-
Other	-	-	10,612	-
<b>Debt Securities - Other</b>	-	-	-	45,414
<b>Private Equity</b>	-	17,355	-	16,966
<b>Investment Funds and Unit Trusts</b>				
Equities	-	185,101	60,808	89,570
Infrastructure	-	6,297	-	6,153
Other	-	39,915	-	-
<b>Real Estate</b>				
UK Property	-	27,205	9,938	18,638
Overseas property	-	32	-	166
<b>Total Value – All Assets</b>	<b>1,453</b>	<b>275,905</b>	<b>135,629</b>	<b>176,907</b>
<b>Total Value of Active and Non-Active Assets</b>		<b>277,358</b>		<b>312,536</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 2020	31 March 2019
Cash and cash equivalents	1%	3%
<b>Equity investment (by industry type)</b>		
Consumer	0%	3%
Manufacturing	0%	3%
Financial institutions	0%	1%
Energy and utilities	0%	0%
Health and care	0%	6%
Information technology	0%	2%
Other	0%	3%
<b>Debt Securities - Other</b>	0%	15%
<b>Private equity</b>	6%	5%
<b>Investment Funds and Unit Trusts</b>		
Equities	67%	48%
Infrastructure	2%	2%
Other	14%	0%
<b>Real Estate</b>		
UK Property	10%	9%
Overseas property	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## ch) Scheme History

Analysis of scheme assets and liabilities:-

Amounts included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows:	31 March 2020 £'000	31 March 2019 £'000
Present Value of Scheme Assets	277,358	312,536
Present Value of Scheme Liabilities	(399,546)	(443,266)
<b>Net liability arising from defined obligation</b>	<b>(122,188)</b>	<b>(130,730)</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 £399.546m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £122.188m.

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:-**

	2019/20	2018/19
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	21.3 years	22.0 years
Women	23.4 years	24.2 years
<i>Longevity at 65 for future pensioners:</i>		
Men	22.2 years	24.0 years
Women	25.1 years	26.4 years
Inflation/Pension Increase Rate	1.90%	2.50%
Salary Increase Rate	2.20%	2.50%
Expected Return on Assets	-6.30%	8.20%
Rate for discounting scheme liabilities	2.30%	2.40%
<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 £40.347m 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 £4.859m. A 0.5% increase in the pensions' rate, could increase liabilities by £35.087m. The estimations in the sensitivity analysis have been calculated in accordance with professional actuarial assumptions, IAS 19 and FRS 102. 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. 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	10%	40,347
0.5% increase in the salary increase rate	1%	4,859
0.5% increase in pension increase rate	9%	35,087

**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 2022.

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 £122.188m 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 2019/20**

The Council anticipates paying £7.658m contributions to the scheme in 2020/21.

The amount outstanding to Gwynedd Council in respect of the LGPS contributions for 2019/20 as at 31 March 2020 is £0.829m 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.

Following the closure of some of the Island's schools and subsequent rationalisation of staff, the Authority may be liable to pay any tribunal costs that may arise from future appeals. The Authority is unable to predict the timing, outcome or costs of any tribunal at this time.

## **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 IFRS 9 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 £14.208m 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 IFRS 9 and the value of the Council's financial assets at 31 March 2020. 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 IFRS 9 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 then 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 of 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 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Fair value through profit or loss	-	-	-	-
Amortised Cost	23,045	15,825	6,078	5,981
Fair value through other comprehensive income - designated equity instruments	-	-	-	-
Fair value through other comprehensive income - other	-	-	-	-
<b>Total Financial Assets</b>	<b>23,045</b>	<b>15,825</b>	<b>6,078</b>	<b>5,981</b>
Non-financial assets	426,011	408,687	26,694	24,004
<b>Total</b>	<b>449,056</b>	<b>424,512</b>	<b>32,772</b>	<b>29,985</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 2020. The financial assets are split between investments and debtors. The fair value of the Council investments is only £11k 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 Council also lent £6m in short-term loans to other local authorities. 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	Short-term				Long-term				Total			
	31/03/2020		31/03/2019		31/03/2020		31/03/2019		31/03/20		31/03/19	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets held at amortised cost</b>												
<b>Cash and cash equivalents</b>												
Cash and cash equivalents - deposits	14,208	14,212	14,333	14,336	-	-	-	-	14,208	14,212	14,333	14,336
Other Cash and cash equivalents	2,837	2,837	1,492	1,492	-	-	-	-	2,837	2,837	1,492	1,492
Loans to other Local Authorities	6,000	6,007	-	-					6,000	6,007	-	-
<b>Total</b>	<b>23,045</b>	<b>23,056</b>	<b>15,825</b>	<b>15,828</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,045</b>	<b>23,056</b>	<b>15,825</b>	<b>15,828</b>
<b>Debtors</b>												
Rents	460	460	394	394	-	-	-	-	460	460	394	394
Employee loans	197	197	181	181	152	152	187	187	349	349	368	368
Trade Debtors	3,131	3,131	2,062	2,062	-	-	-	-	3,131	3,131	2,062	2,062
Other Debtors	2,138	2,138	3,078	3,078			79	79	2,138	2,138	3,157	3,157
<b>Total</b>	<b>5,926</b>	<b>5,926</b>	<b>5,715</b>	<b>5,715</b>	<b>152</b>	<b>152</b>	<b>266</b>	<b>266</b>	<b>6,078</b>	<b>6,078</b>	<b>5,981</b>	<b>5,981</b>
<b>Total Financial Assets</b>	<b>28,971</b>	<b>28,982</b>	<b>21,540</b>	<b>21,543</b>	<b>152</b>	<b>152</b>	<b>266</b>	<b>266</b>	<b>29,123</b>	<b>29,134</b>	<b>21,806</b>	<b>21,809</b>

## Financial Liabilities

All of the Council's Financial Liabilities are classified as Financial Liabilities 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 2020 includes the Pension Fund Liability of £122.189m.

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

Financial Liabilities	Non-Current			
	Borrowings		Creditors	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
Fair value through profit or loss	-	-	-	-
Amortised Cost	141,261	134,887	13,926	12,286
<b>Total Financial Liabilities</b>	<b>141,261</b>	<b>134,887</b>	<b>13,926</b>	<b>12,286</b>
Non-financial Liabilities	-	-	136,023	144,868
<b>Total</b>	<b>141,261</b>	<b>134,887</b>	<b>149,949</b>	<b>157,154</b>

Note 44ch below details the types of financial liabilities held by the Council. The Council's borrowing liabilities amounted to £141.262m at 31 March 2020. 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 2021. 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 45c. 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 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 for goods and services provided in 2019/20 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 2020.

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 £187.518m, significantly higher than the carrying value on the Balance Sheet of £141.262m at 31 March 2020. 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 2020 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	Short-term				Long-term				Total			
	31/03/2020		31/03/2019		31/03/2020		31/03/2019		31/03/2020		31/03/2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Financial liabilities held at amortised cost</b>												
<b>Borrowing</b>												
PWLB	16,542	16,759	7,350	7,428	121,891	168,335	126,403	182,090	138,433	185,094	133,753	189,518
Welsh Government	44	43	44	43	-	-	44	43	44	43	88	86
Salix	252	223	142	127	2,533	2,158	904	808	2,785	2,381	1,046	935
Other Loans	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16,838</b>	<b>17,025</b>	<b>7,536</b>	<b>7,598</b>	<b>124,424</b>	<b>170,493</b>	<b>127,351</b>	<b>182,941</b>	<b>141,262</b>	<b>187,518</b>	<b>134,887</b>	<b>190,539</b>
<b>Creditors</b>												
Accumulated Absences	1,450	1,450	776	776	-	-	-	-	1,450	1,450	776	776
Rents	-	-	31	31	-	-	-	-	-	-	31	31
Trade Creditors	2,130	2,130	2,737	2,737	-	-	-	-	2,130	2,130	2,737	2,737
Other Creditors	8,991	8,991	8,585	8,585	159	159	157	157	9,150	9,150	8,742	8,742
<b>Total</b>	<b>12,571</b>	<b>12,571</b>	<b>12,129</b>	<b>12,129</b>	<b>159</b>	<b>159</b>	<b>157</b>	<b>157</b>	<b>12,730</b>	<b>12,730</b>	<b>12,286</b>	<b>12,286</b>
<b>Total Financial Liabilities</b>	<b>29,409</b>	<b>29,596</b>	<b>19,665</b>	<b>19,727</b>	<b>124,583</b>	<b>170,652</b>	<b>127,508</b>	<b>183,098</b>	<b>153,992</b>	<b>200,248</b>	<b>147,173</b>	<b>202,825</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 2019/20.

The table shows that the Council was charged £322k (£466k in 2018/19) 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 £112k (£64k in 2018/19) in interest from its deposits in UK banks and loans to other local authorities.

The interest payable on borrowing relating to 2019/20 was £6,012k (£5,871k in 2018/19).

	2019/2020		2018/2019	
Income, Expense, Gains and Losses	Surplus or Deficit on the Provision of £'000	Other Comprehensive Income and £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and £'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)	322	-	466	-
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>322</b>	<b>-</b>	<b>466</b>	<b>-</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	112	-	64	-
Other financial assets measured at fair value through other comprehensive income	-	-	-	-
<b>Total interest revenue</b>	<b>112</b>	<b>-</b>	<b>64</b>	<b>-</b>
<b>Interest expense:</b>				
Financial liabilities measured at amortised cost	6,012	-	5,871	-
<b>Total interest expense</b>	<b>6,012</b>	<b>-</b>	<b>5,871</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 IFRS 9 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 88.

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 2019/20.

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

Asset Class (amortised cost)	2019/20	2018/19
	Lifetime expected credit losses - not credit impaired	Lifetime expected credit losses - not credit impaired
	£'000	£'000
Opening Balance as at 1 April 2019	3,417	3,127
Deposits in UK Banks	-	-
Trade debtors (excluding public sector and taxation)	(32)	238
Soft Loans	(6)	33
Rents	36	19
<b>Total Impairment Allowance 31 March 2020</b>	<b>3,415</b>	<b>3,417</b>
Financial Assets that have been derecognised	324	176
<b>Total Impairment and Derecognition charged</b>	<b>322</b>	<b>466</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 £331k is charged to revenue to account for this risk of debts not being paid. This would be £248k for this band of debt. However, the Council would still actively pursue the debt.

	Credit Risk Rating	Gross Carrying Value  £000	Impairment Allowance required 2019/20 £0
12-month expected credit losses	-	-	
	-	-	
Significant increase in credit risk since initial recognition	-	-	
	-	-	
Credit Impaired at 31 March	-	-	
	-	-	
<b>Simplified Approach - Council Policy</b>			
Day 1 to 14	2%	89	2
Outstanding 15-45 days	2.50%	385	10
Outstanding 46-75 days	4.50%	268	12
Outstanding 76-105 days	7.50%	170	13
Outstanding 106 - 182 days	15%	252	38
Outstanding 183 - 365 days	50%	318	159
Outstanding 366 - 730 days	75%	331	248
Outstanding 731 days or more	100%	787	787
			-
<b>Housing Benefits Overpayments</b>	90%	1,639	1,475
<b>Deferred income - Social Services</b>	10%	456	46
<b>Additional credit risk from Covid-19</b>			
Day 1 to 14	2%	89	2
Outstanding 15-45 days	2.50%	385	10
Outstanding 46-75 days	4.50%	268	12
Outstanding 76-105 days	7.50%	170	13
Outstanding 106 - 182 days	5%	252	13
Rent	NA	NA	544
Soft Loans and other	15%	219	33
		6,078	3,415
<b>Total</b>		6,078	3,415

## 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 REPAID BY THE COUNCIL

	2019/20 Outstanding Principal	2019/20 Accrued Interest	2019/20 Cost less accumulated amortisation	2018/19 Outstanding Principal	2018/19 Accrued Interest	2018/19 Cost less accumulated amortisation
	£'000	£'000	£'000	£'000	£'000	£'000
>50 years	-	-	-			
36 - 50 Years	49,964	-	49,964	52,976	-	52,976
26-35 years	44,703	-	44,703	42,713	-	42,713
16-25 years	13,553	-	13,553	13,167	-	13,167
11-15 years	4,105	-	4,105	4,934	-	4,934
6-10 years	6,227	-	6,227	4,256	-	4,256
3-5 years	3,236	-	3,236	4,608	-	4,608
1-2 years	2,636	-	2,636	4,698	-	4,698
<b>Total Long-Term Borrowing</b>	<b>124,424</b>	<b>-</b>	<b>124,424</b>	<b>127,352</b>	<b>-</b>	<b>127,352</b>
<b>Total Short-Term Borrowing (&lt; 1 year)</b>	<b>14,808</b>	<b>2,030</b>	<b>16,838</b>	<b>5,197</b>	<b>2,338</b>	<b>7,535</b>
<b>Total</b>	<b>139,232</b>	<b>2,030</b>	<b>141,262</b>	<b>132,549</b>	<b>2,338</b>	<b>134,887</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 £27.628m. The rate increase would have a positive impact on the Council's deposits as an extra £142k 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**

<b>Impact of a 1% interest rate increase</b>	<b>£'000</b>
Increase in value of fixed rate investment assets	142
<b>Impact on other Comprehensive Income and Expenditure</b>	<b>142</b>
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)	<b>27,628</b>

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%. The Covid-19 pandemic, which is discussed in detail in the narrative report, is resulting in a shock even more significant than Brexit. While the full extent of the economic impact of Covid-19 is still not known, it was initially compared with the financial crisis in 2008. However, it is now being compared with the Great Depression in the 1930s. To help the economy, the Bank of England cut the base rate to a new all-time low at 0.1% in March 2020.

Source: <https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate>, retrieved 2 June 2020.

## **Brexit**

The UK formally left the European Union (EU) on 31 January 2020 and is in a transitional year while a formal trading agreement and terms of departure are being negotiated. There has been very little economic impact during the transitional year. The impact on the economy will depend on the final agreement and also trade agreements with countries outside of the EU. The impact of the Covid-19 Pandemic will impact the economy more significantly, as mentioned above. The long-term outlook ratings for the UK banks as a whole have been downgraded to a negative outlook. A collapse of the banking sector would undermine the deposits held in UK banks (circa £17m at 31 March 2020). 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.

The Council receives regular market information and advice from its treasury management consultants and potential outcomes in relation to Brexit and Covid-19.

The Council has benefitted from very low interest rates on the borrowing that Council has taken out during the latter part of the year.

## **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 2019/20 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 2019/20 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 North Wales Residual Waste Treatment Project (NWRWTP) entered a new phase during 2019/20 as the Parc Adfer waste treatment facility became operational. Deliveries of waste from the 5 partner authorities commenced on 27 August 2019 as the commissioning phase began, and the plant became fully operational on 20 December 2019. Service costs are now being incurred and are reflected under the Highways, Property and Waste part of the Comprehensive Income and Expenditure Statement. Flintshire Council will continue to act as lead authority on this project and the Joint Committee arrangements will remain in the future. Isle of Anglesey County Council's share of the joint committee costs for 2019/20 were £448.

The Isle of Anglesey County Council is also involved in various joint arrangements with neighbouring North Wales Councils and Health Board 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);
- Galw Gofal (Lead: Conwy Parties: Gwynedd, Flintshire);
- Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between North Wales local authorities and the Betsi Cadwaladr University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1<sup>st</sup> April 2019. Denbighshire County Council is acting as host authority during the initial term of the agreement (2019/20 to 2021/22). The Transactions for Isle of Anglesey County Council are included under Adult Services in the Comprehensive Income and Expenditure Statement.

## **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 2019/20, £0.106m (£0.087m in 2018/19) 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 2019/20 was 31,571.46 (30,773.31 in 2018/19).

The amount for a band D property in 2019/20, £1,572.32 (£1,440.78 in 2018/19), 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:-

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	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	14	4,194	6,098	6,195	6,793	5,158	2,533	1,018	157	46	
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
Band "D" Equivalent	7.92	2,796.23	4,742.97	5,506.22	6,793.00	6,304.71	3,658.42	1,696.75	313.50	108.38	31,928.10

	2019/20	2018/19
Band D equivalent as above	31,928.10	31,118.10
Collection Rate	98.50%	98.50%
Revised Band D equivalent	31,449.18	30,651.33
MoD Properties – Band D equivalent	122.28	121.98
<b>Council Tax Base</b>	<b>31,571.46</b>	<b>30,773.31</b>

In 2013/14, the Welsh Assembly Government introduced the Council Tax Reduction Scheme to replace the Council Tax benefit scheme. £5.778m of council tax reductions were awarded in 2019/20 (£5.381 m in 2018/19).

Analysis of the net proceeds from Council Tax:	2019/20 £'000	2018/19 £'000
Gross Council Tax	49,618	44,797
Add/Less: provision for non-payment not required or not previously accounted for	(185)	(191)
<b>Council Tax collectable</b>	<b>49,433</b>	<b>44,606</b>
Less Council Tax Reduction awarded to residents	(5,778)	(5,381)
<b>Net Proceeds from Council Tax</b>	<b>43,655</b>	<b>39,225</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 – 54.5p in 2019/20 (51.4p in 2018/19), 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 £14.239m for 2019/20 (£14.404m in 2018/19) and was based on rateable value at the year-end of £39.915m (£39.107m in 2018/19).

<b>Analysis of the net proceeds from non-domestic rates:</b>	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Non-domestic rates collectable	14,239	14,404
Cost of collection allowance	(159)	(154)
Interest paid on overpayments		-
Provision for bad debts	15	(173)
Contribution to cost of charitable relief/rural rate relief	63	60
High Street and Retail Relief met from grant	440	48
<b>Payments into national pool</b>	<b>14,598</b>	<b>14,185</b>
<b>Redistribution from national pool</b>	<b>22,754</b>	<b>22,574</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 2019/20, the turnover on maritime services was £48,361.45 (£50,732 in 2018/19). Costs incurred during the year were £83,439.77 (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 2019/20 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 2019/20 and the CIPFA Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS). All principal accounting policies have been applied consistently throughout the year. The Statement of Accounts has been prepared on a "going concern" basis.

## 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**

IFRS 13 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-minimis amount is £10k. Expenditure on the acquisition, creation or enhancement of non-current assets which cost £10k 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.

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 IAS 36.

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 IFRS 13 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. The useful economic life of intangible assets is determined by the relevant professional leading on the purchase of/development of the intangible asset. The useful economic life of intangible assets is shorter than tangible assets, for example, between 5 to 7 years. Intangible assets are amortised on a straight-line basis over the useful economic life of the asset.

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 2019/20, 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.

IFRS 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 IFRS 9, revised impaired loss allowances are required and the following considerations are made to arrive at the revised allowances.

IFRS 9 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:-

- Day 1 to 14 days from invoice being raised – 2%;
- 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%.

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 (FVPL)**

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 of 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 2019/20.

## **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 it wishes 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 – Minimum Revenue Provision (MRP)**

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 (HRA)

### Income and Expenditure Statement for the year ended 31 March 2020

	2019/20 £'000	2018/19 £'000
<b>Expenditure</b>		
Management and Maintenance - Repairs and Maintenance	3,511	3,684
Management and Maintenance - Supervision and Management	5,134	4,572
Rents, Rates, Taxes and Other Charges	61	39
Depreciation, Impairment and Revaluation Losses of Non-current Assets	9,989	11,372
Debt Management Costs	12	12
Movement in the Impairment Allowance for Bad Debts	118	89
Movement in the Accumulated Absences Accrual	72	(51)
<b>Total Expenditure</b>	<b>18,897</b>	<b>19,717</b>
<b>Income</b>		
Dwelling Rents	(18,025)	(17,089)
Non-dwelling Rents	(219)	(215)
Charges for Services and Facilities	(209)	(174)
Contributions towards Expenditure	(92)	(168)
Other	(172)	(308)
<b>Total Income</b>	<b>(18,717)</b>	<b>(17,954)</b>
<b>Net Expenditure of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>	<b>180</b>	<b>1,763</b>
HRA Services' Share of Corporate and Democratic Core	56	56
<b>Net Expenditure of HRA Services</b>	<b>236</b>	<b>1,819</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	-	-
Revaluation of Assets	(31)	7
Interest Payable and Similar Charges	1,773	1,765
Interest and Investment Income	(38)	(16)
Capital Grants and Contributions receivable:	-	-
- Major Repairs Allowance	(2,660)	(2,664)
- Other	(1,542)	(7)
<b>Deficit for the Year on HRA Services</b>	<b>(2,262)</b>	<b>904</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

	2019/20 £'000	2018/19 £'000
<b>Balance on the HRA at the end of the Previous Reporting Period</b>	<b>(8,387)</b>	<b>(7,380)</b>
(Surplus)/Deficit for the Year on HRA Services	(2,262)	904
Adjustments between Accounting and Funding Bases under Statute	2,052	(1,911)
<b>Net (increase)/decrease before Transfers to/from Reserves</b>	<b>(210)</b>	<b>(1,007)</b>
Transfers to/(from) Earmarked Reserves	-	202
<b>Net (Increase)/Decrease in Year on the HRA</b>	<b>(210)</b>	<b>(805)</b>
<b>Adjustment to Reserve</b>	<b>-</b>	<b>(202)</b>
<b>Balance on the HRA at the end of the Current Reporting Period</b>	<b>(8,597)</b>	<b>(8,387)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

### 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

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 2019/20, 20 such properties were purchased (12 in 2018/19). Additionally, the Council has recommenced the building of new HRA dwellings, 20 such units being added in 2019/20. As at 31 March 2020, the number of dwellings totalled 3,858, with the split by type of dwelling made up as follows:-

	31 March 2020	31 March 2019
<b>Council Owned Stock</b>		
Houses	2,045	2,028
Bungalows	1,055	1,045
Flats	751	738
Bedsits	7	7
<b>Total Council Owned</b>	<b>3,858</b>	<b>3,818</b>

### NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2019/20 £'000	2018/19 £'000
<b>Capital investment</b>		
Houses	11,811	9,028
<b>Sources of funding</b>		
Capital Receipts	-	-
Government grants and other contributions	(4,202)	(2,671)
Direct Revenue Financing	(7,609)	(6,357)
<b>Total</b>	<b>(11,811)</b>	<b>(9,028)</b>

The Major Repairs Allowance for 2019/20 of £2.660m was used in full during the year (£2.659m in 2018/19).

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

	2019/20 Derecognition £'000	2019/20 Depreciation £'000	2019/20 Total £'000	2018/19 Derecognition £'000	2018/19 Depreciation £'000	2018/19 Total £'000
Land	-	-	-	-	-	-
Dwellings	6,213	3,533	9,746	7,504	3,572	11,076
Other Property - Operational Assets	-	243	243	-	297	297
	6,213	3,776	9,989	7,504	3,869	11,373

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

	2019/20 No. of Sales	2019/20 £'000	2018/19 No. of Sales	2018/19 £'000
<b>Council dwellings</b>				
Right to Buy	-	-	-	-
Discounts repaid	1	(4)	-	-
<b>Other Receipts</b>				
Land sales	-	-	-	-
Other property sales	-	-	-	-
Mortgage Property	-	(4)	-	-
Less set aside	-	-	-	-
<b>Total</b>		<b>(4)</b>		<b>-</b>



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

During 2020/21, total rent arrears increased by £0.133m. A summary of rent arrears and prepayments is shown in the following table:-

<b>Rent Arrears</b>	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>
Current Tenant Arrears	550	429
Former Tenant Arrears	275	250
<b>Total Rent Arrears</b>	<b>825</b>	<b>679</b>
Prepayments	(229)	(216)
<b>Total Debt</b>	<b>596</b>	<b>463</b>

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £0.544m against rents (£0.462m in 2018/19).

## 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>2019/20 £'000</b>	<b>2018/19 £'000</b>
Current Service Cost	(587)	(407)
Employer Contributions actually paid	587	407
<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.

## APPENDIX 1

<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 Citizens Advice	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

RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS	
North Wales Fire and Rescue Authority Executive Panel	Richard Griffiths, Eric Wyn Jones
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**

This 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.

**Bibliography**

CIPFA 2019. Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. CIPFA. London.

CIPFA 2019. Disclosure Checklist 2019/20. CIPFA. London.

CIPFA 2019. Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 - Guidance Notes for Practitioners. CIPFA. London.

CIPFA 2019. Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 – Update to the 2019/20 Edition.

CIPFA 2020. Bulletin 4: Closure of the 2019/20 Financial Statements. CIPFA. London.

CIPFA 2019. Accounts Closedown Workshops 2019/20 - Post-Series Update and Frequently Asked Questions. CIPFA. London.

CIPFA 2014. LAAP Bulletin 99: Local Authority Reserves and Balances. CIPFA. London.

CIPFA 2016. The Role of the Chief Financial Officer in Local Government. CIPFA. London.

HM Treasury 2015. Financial Reporting Manual (FReM) 2015/16.

Welsh Government, Statistics for Wales, Summary Statistics for Welsh Economic Regions, North Wales, 30 May 2019 release.

Welsh Government 2014. The Accounts and Audit (Wales) Regulations 2014 No. 3362 (W337), Welsh Government.

Welsh Government 2018. The Accounts and Audit (Wales) (Amendment) Regulations 2018 No. 91 (W22).

# Annual Governance Statement 2019/20

Principle	Assurance
Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Assured Page 134
Principle B - Ensuring openness and comprehensive stakeholder engagement	Assured Page 136
Principle C - Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits	Assured Page 138
Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes	Assured Page 140
Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	Assured Page 144
Principle F - Managing risks and performance through robust internal control and strong public financial management	Assured Page 147
Principle G - Implementing good practices in transparency, reporting, and audit to deliver	Assured Page 149

## Contents

Introduction .....	129
Scope of Responsibility .....	132
The Governance Framework.....	132
Analysis of the Governance Framework 2019/20.....	134
Principle A	134
Principle B	136
Principle C	138
Principle D	140
Principle E	144
Principle F	147
Principle G	149
Review of Effectiveness .....	152
Significant Governance Issues .....	153
Governance matters identified .....	153
Progress on Identified Governance Matters 2018/19	158
Certifying the Annual Governance Statement .....	156

## 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 has been in place since 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*

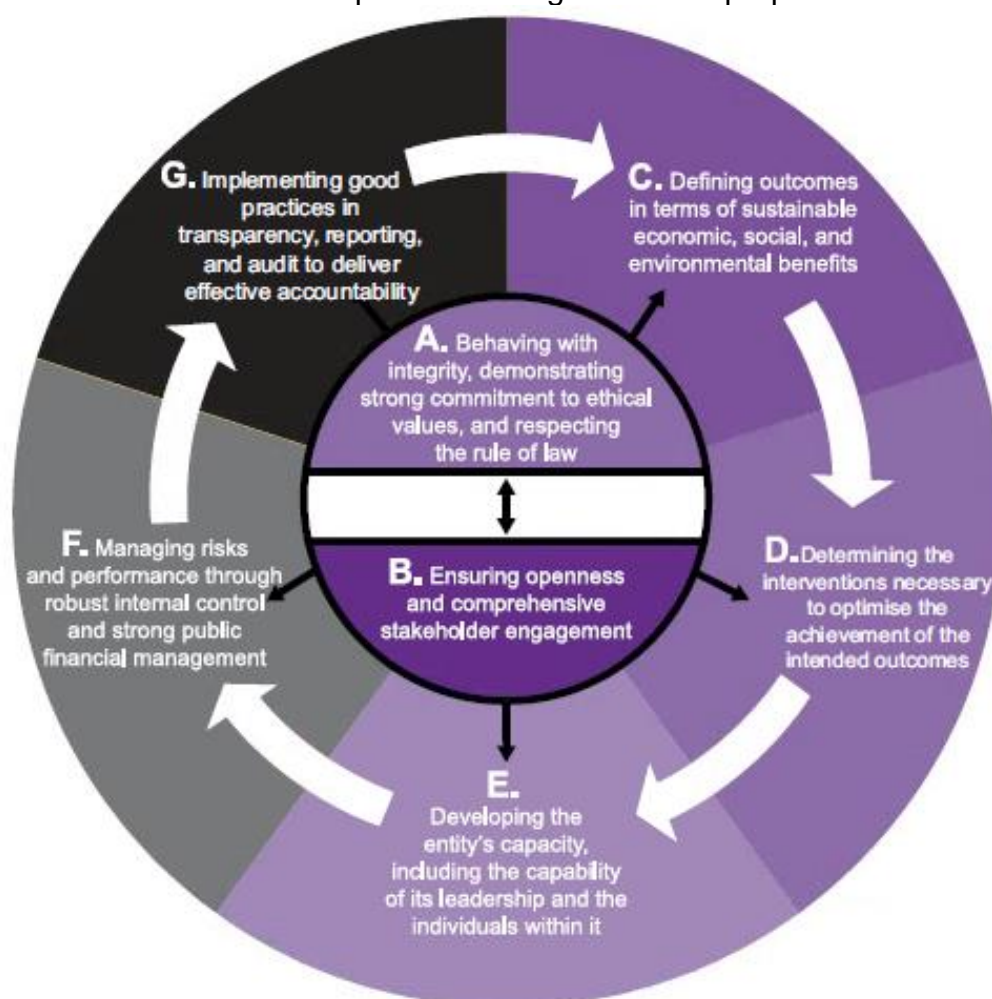
### **5. Committed to Partnership**

*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.*

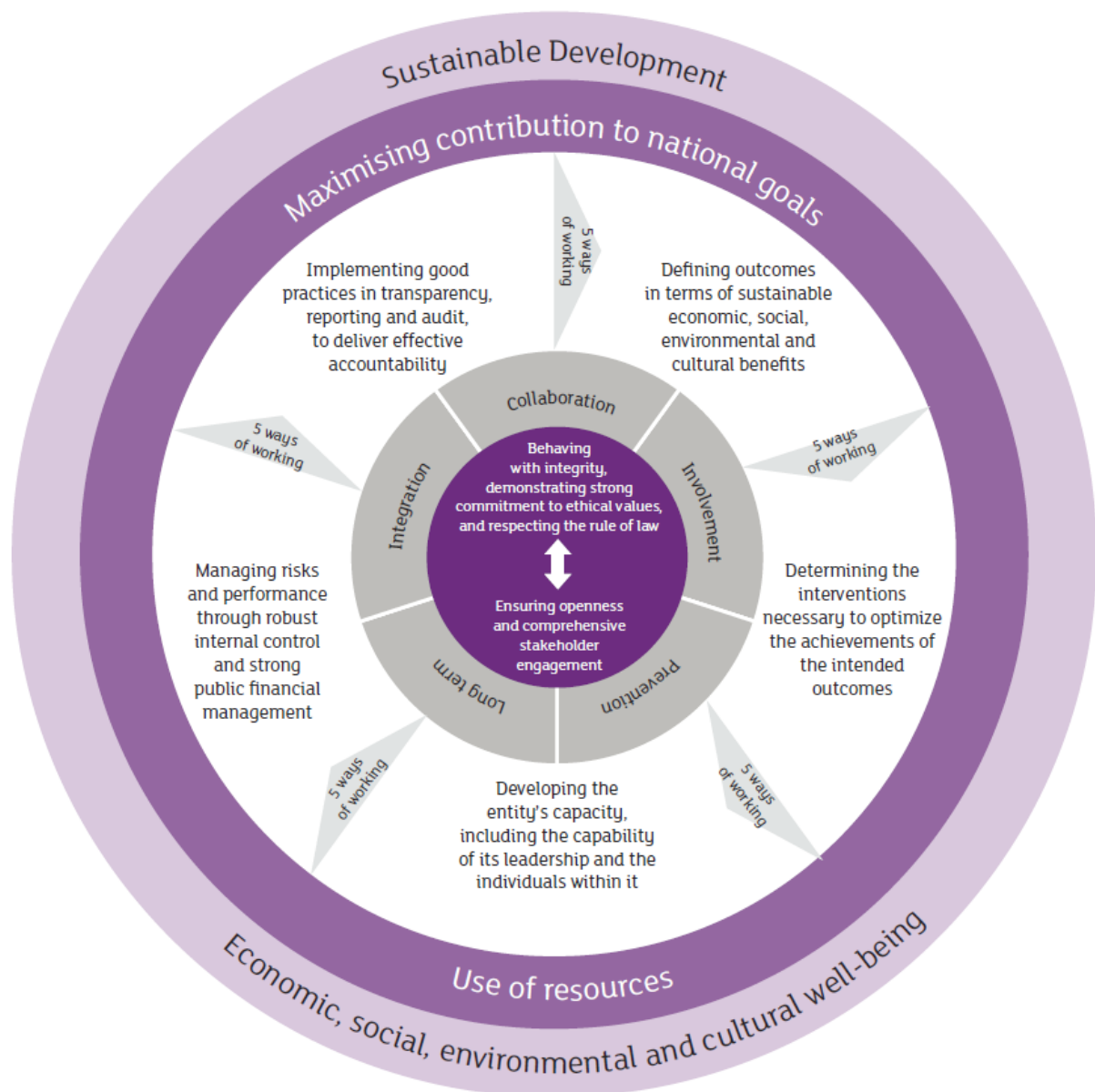
These can be aligned to the seven core principles in the CIPFA/SOLACE framework. These are contained within 'Delivering Good Governance in Local Government (Wales) 2016 that have been adapted for local government purposes:-



*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 2019/20. It is important to note however, that this year's statement is drafted at a time when normal, day to day governance structures and systems have been disrupted due to our response in tackling the COVID-19 pandemic.

This rapid response (overnight) during the 4<sup>th</sup> week of March, involved new ways of working in dealing with a very uncertain future which has been realised through the emergency governance framework that was established and the commitment and diligence of the workforce and partners.

This was led by our Senior Leaders through the establishment of the Emergency Management Response Team and certain delegated powers which were delegated to the relevant Officers and elected Members.

## 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.

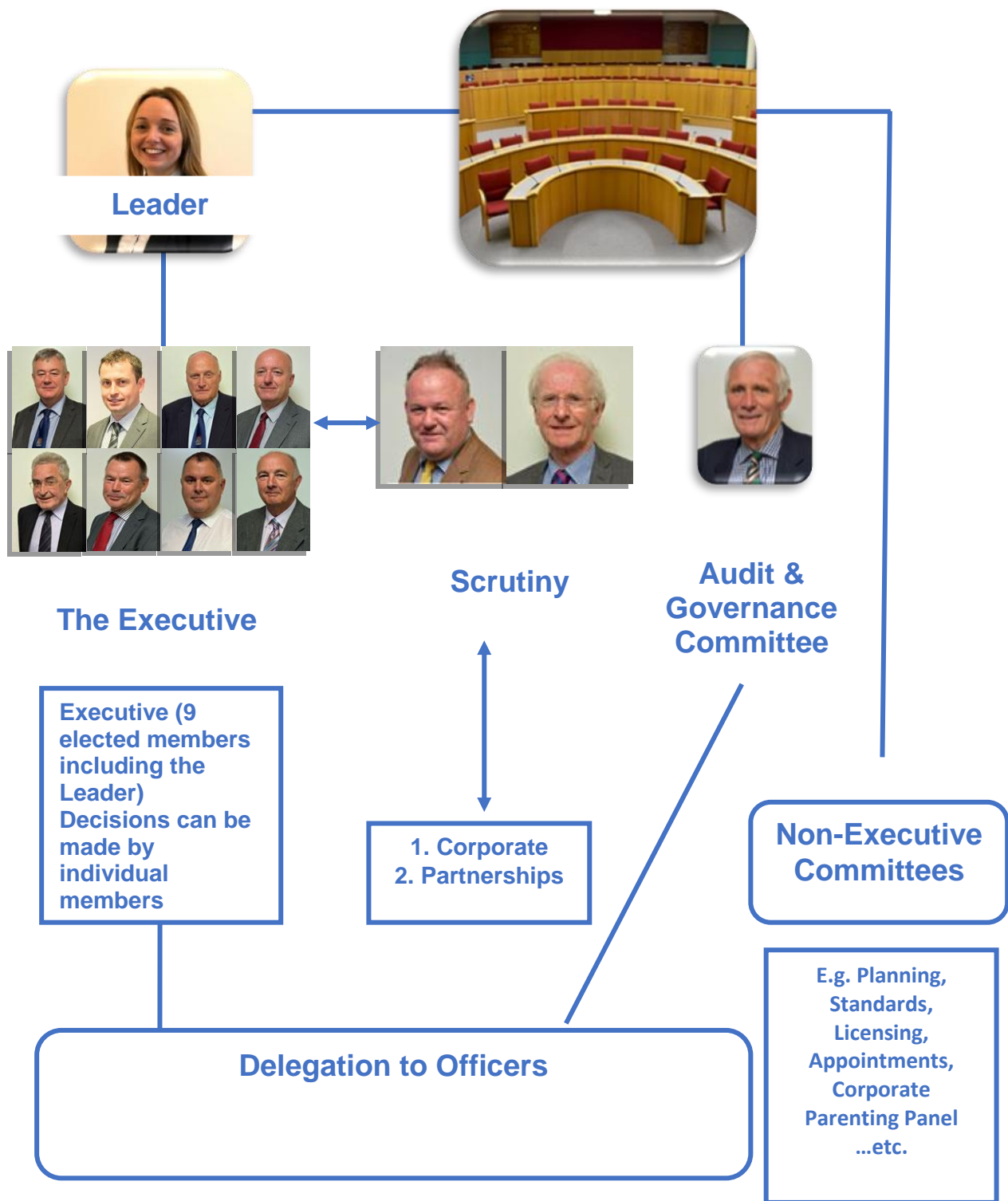
The Council has approved and adopted a local code of corporate governance that is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. This local code is to be revised during 2020/21.

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 2019/20

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 2019/20 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 during 2018/19.

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.

The Standards committee forum also undertakes annual learning sessions and a Report on the Standards Committee Forum and learnings from the Forum is received by the Committee itself. Examples of the types of learning achieved as part of this forum during the year are noted as follows –

- Presentation by the PSOW
- Lessons from the Committee on Standards in Public Life's Review of the Code of Conduct in England
- Joint Standards Committee discussion on creation of a joint regional Standards Committee/s
- Discussion regarding WAO Reports in relation to two community councils within the IOACC.
- Review the three registers of interests of all elected and co-opted members of the County Council and report individually to those members and collectively on findings and recommendations for improvements and sharing good practice.
- Supporting the Standards Committee Chair in dealing with local resolution complaints.

In addition to the above, and is a continuation from 2018/19, there is joint working between the two management teams through the Penaethiaid (Heads of Service) meetings and members of the Senior Leadership Team who act as link officers with Heads of Service to ensure clear communication on how strategic/corporate priorities are being implemented within Services.

With the appointment of the new Chief Executive during the year, further strategic forums have been established between Senior Officers and the Executive to provide strategic direction on a number of work-streams. These include strategic Senior Leadership Team meetings every fortnight together with strategic Executive discussions as and when required.

## 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 Budgets
- School Modernisation – Llangefni Area

However, the Council continues to recognise that there is always room for further improvement in widening the cohort of citizens who actively engage (including hard to reach groups) and the standardised and simplified process for engagement across the public and third sector has become operational.

The **community engagement model** is being used to improve the corporate approach to community engagement. 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 the Deputy Chief Executive and with membership from external organisations such as Medrwn Môn.

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.

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 is responsible for all aspects of Customer Service and monitors our customer experience improvements for our residents with the focus being placed in the first instance during 2019/20 on

- Identifying and implementing priorities related to the implementation of the Digital Strategy as outlined by the Penaethiaid thereby making it easier for residents to engage with the Council virtually through an increased number of digital channels

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 and under the Transforming Business Processes Board the requirement to update the strategy as a collective whole is a key aim for 2020/21. The output of which will need to take into consideration the 'new world' by which we'll be operating as a result of the current pandemic and its impact on social / face to face activity.

The webcasting of meetings has demonstrated a positive example of how Anglesey has progressed its openness and customer / citizen focus 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 and ensure a greater degree of stakeholder involvement.

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 thereby emphasising the accountability and openness of the Council's work.

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	
<b>Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits</b>	
<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 2019/20.

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 other annual corporate priorities which are defined in terms of the Annual Delivery Document and demonstrates succinctly our aims in terms of economic, social, cultural and environmental benefits. One area which has been wanting is a corporate climate change strategy to provide future direction on environmental matters. This will be realised during 2020/21.



All services 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, and is considered by Scrutiny and The Executive which is transmitted live via webcasting.

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 continues to play an integral part of 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.

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 such as Arfor, 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.

The Council is currently in the process of developing a climate change action plan which will guide decisions related to climate change over the forthcoming term. It is being developed via a cross-council approach under the leadership of our Deputy Chief Executive and seeks to learn from and build on the climate benefits created by many in the workforce.

Principle D	
Determining the interventions necessary to optimise the achievement of the intended outcomes	
Related Key Themes:	Innovative, Ambitious and Outward Looking
Conclusion of Self-Assessment:	<b>Assured</b> – The County Council takes decisions on interventions based on its clear vision for services, the way it engages 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.

**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 eight further Portfolio Holders, who 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.

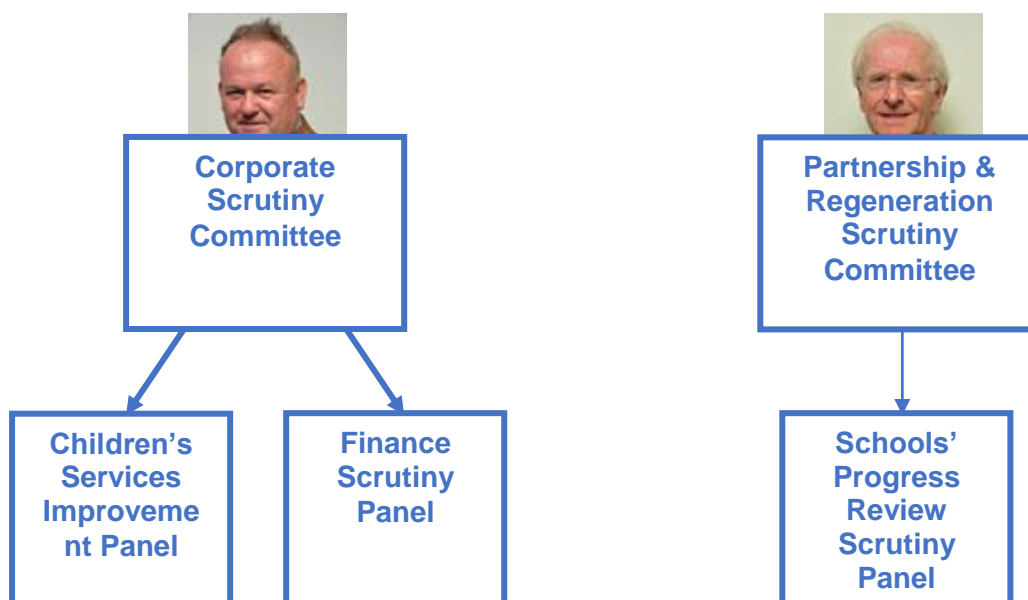
**The Audit and Governance Committee** is a key component of the authority's governance framework. The committee has two lay co-opted Members which serves to widen its independent knowledge and experience base. These appointments are appointed for the term of the current Council.

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. 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 three 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.

We have recently adopted a development programme which provides the framework to prioritise a number of key themes. Over the past 12 months or so our focus has been on:

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
--	--	---	--	---

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** are as follows -

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 few of years.

Examples (non-exhaustive) of intended outcomes which have been realised through this framework include –

- Confirming our position as a good performing Council in Wales
- The opening of Ysgol Santes Dwynwen, Newborough
- The continued realisation of nearly 70% household waste being recycled annually
- The opening of our the revamped Market Hall, Holyhead with the new town library

Further work is being progressed across different programmes and projects but the COVID-19 pandemic has brought a halt to day to day proceedings in a number of areas due to the fact that a number of staff members have been re-directed to projects and programmes developed to deal with the outbreak and ensure the residents of Anglesey and Council staff are protected and being kept as safe as possible whilst also being supported accordingly.

The way by which the Council has reacted to the emergency situation of COVID-19 has been supported by –

- Robust governance for its emergency response
- Robust and effective IT provision which underpins the current emergency response arrangements
- An effective process for gathering, analysing and sharing local, regional, and national sources of information to enable informed local decision-making.
- Effectively engaging and collaborating with regional emergency response structures and arrangements in order to learn about good practice from other authorities and emergency response organisations

The above demonstrates that the Council has appropriate systems and structures in place to determining the interventions necessary to optimise the achievement of the intended outcomes even at times when it is faced with an international emergency situation such as COVID-19. It also outlines how the internal governance will be utilised to inform, influence, monitor and driven forward the authorities activities to ensure the Island recovers from the emergency.

Principle E	
Developing the entity's capacity, including the capability of its leadership and the individuals within it	
Related Key Themes:	Valuing and Developing our People
Conclusion of Self-Assessment:	<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.

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. 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 continues to support the Council's 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** continues with revised vigour and is now led by the Head of Children's Services in collaboration with Officers. As part of their activity, individuals across the authority have been given an opportunity to work on corporate projects and strategies.

The [staff awards ceremony](#) continues 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.

During 2019 a staff survey was undertaken and we're awaiting the publication of the results. This has been postponed as a result of the Council's response to the Coronavirus pandemic.

The Council has a strategic ***Equalities Plan 2020-24*** adopted by the Executive in March 2020, 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 and review post the pandemic using the learning acquired to become even more effective and efficient with our **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 Môn as a newsletter

Whilst corporate internal communication has improved significantly under the leadership of the revised SLT under the new Chief Executive – it is still felt that this is an ever improving area of work which is developing under the opportunities afforded by improvements in technologies. The introduction of MS Teams and youtube presentations are an example of this and have been instrumental in the way the Council has been able to conduct its business during the said pandemic.

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

Related Key Themes:	Professional and Well Run
Conclusion of Self-Assessment:	<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:

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 includes 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. During 2019/20, a series of Service Reviews was undertaken which covered –

- (i) Efficiencies and Service Budgets (June-July 2019)
- (ii) Performance (November 2019 - January 2020).

The Performance Review concluded that there was evidence throughout that there was continuous improvement being shown by Services This has been achieved as a result of the consistent commitment and buy-in of The Executive and Elected Members, Senior Leadership Team and Heads of Service to drive improvements and objectives

The **Risk Management Policy and Framework** review in 2017 concluded that whilst work remains to be done to fully embed risk management throughout the Council, progress has been made and is continuing. This continues to be the case currently in 2020 and can be evidenced in the way the County Council has co-ordinated its efforts in dealing with the COVID 19 pandemic.

Risk management software was implemented during 18/19, which has helped 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 has improved the assurance provided to those charged with governance that the Council's risks are being effectively managed.

SLT continues to review 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 2019/20, the Audit and Governance Committee have been presented with updates on the Corporate Risk Register.

Since the outbreak of the pandemic, the Emergency Management Response Team (EMRT) have considered the evolving risks associated with the pandemic and are managing it effectively to mitigate with the continued health of citizens, staff and elected members utmost in their decision making.

The Executive approved the **Medium Term Financial Plan (MTFP)** for the period 2019 to 2021/22 in September 2019. The MTFP identified the potential savings required over the three-year period and set the strategy for the 2019/20 budget. The annual budget was approved by the full Council at its meeting in March 2020. The requirement to implement budget cuts and efficiencies was a pivotal part of the budget setting and 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, especially in light of recent developments and having to cope with additional expenses as a result of our approach to dealing with the worldwide pandemic.

The Budget Planning Process was undertaken from June 2019 to March 2020. This Included consultation with statutory groups, including the Schools Forum, Town and Community Councils and businesses, as well as other stakeholders. 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. These include -

- **Quarterly financial reports** (Revenue and Capital)
- 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 **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.
- The council continued to make progress on **information governance** during the year. Under the leadership of the appointed Senior Information Risk Owner (SIRO), the 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 – [to be inserted.....](#)

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 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 **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 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 – **need to insert link here.....**

During 2019/20 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.

In addition, the activities involved in managing risks have been recognised as playing a central and essential role in maintaining a sound system of internal control.

While the responsibility for identifying and managing risks belongs to management, one of the key roles of internal audit is to provide assurance that the management of those risks have been properly managed.

A professional internal audit activity can best achieve its mission as a cornerstone of governance by positioning its work in the context of the organisation's own risk management framework.

Risk-based internal auditing allows internal audit to provide assurance to 'those charged with governance' that risk management processes are managing risks effectively, in relation to the risk appetite. It also seeks at every stage to reinforce the responsibilities of management and the elected members for managing risk.

As a result, the Internal Audit plan changes regularly during the year following the Head of Audit and Risk's visits to services and changes to the corporate risk register.

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.

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 continued on the good work already undertaken by the service and developed at the start of the financial year a new Service Development Plan which included the areas for development identified by CIW following the re-inspection. This is monitored regularly by the Children's Improvement Panel which as a membership of Officers and elected Members.

Welsh Government has judged that the vast majority of Anglesey schools are now performing effectively (yellow and green rated schools) with 13 of these schools placed in the highest category (green) in 2019 (compared to 11 in 2018). The number of primary schools in the red category (i.e. schools needing significant support) remains zero.

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 six schools in 2019/20 and results show that five schools did not require follow-up activity, while one schools required an Estyn review. Currently two schools continue to be in Estyn follow-up categories compared to three schools in 2018, 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;
- 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.



## Significant Governance Issues

Our own Internal Audit report for 2019/20 came to the following conclusion –

**There are no issues which are of a significantly high risk or impact that warrant inclusion in the Annual Governance Statement.**

During 2019-20, we have found senior management at the Council to be supportive and responsive to the issues we have raised. We have a good relationship with management; they openly share the areas where they perceive to be potential problems and take on board the results of our work as an opportunity for making improvements. We have also been commissioned to undertake advisory work in the year at the request of management, which gives a strong indicator that managers are willing to engage with Internal Audit to establish good risk and control environments.

## Governance matters identified

### Progress on Identified Governance Matters 2018/19

The table below outlines the Governance Matters identified during 2018/19 and an update on progress during 2019/20:

Actions identified to address weaknesses	Lead Officer / Service / Board	Update on progress
<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	Training implemented as appropriate throughout the year through the Learning Pool. To be a regular annual module in future years.
<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 the Medium Term Financial Strategy</li> </ul>	S151 Officer	<p>2019/20 draft outturn figures show an overall underspend of £250k.</p> <p>The current pandemic has changed the Council's financial position significantly and this may significantly reduce the balances. Further work will have to take place</p>
<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	Service Development Plan has been in place since April 2019. This is reviewed at the Social Services Panel on a monthly basis.

<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	Resources have reviewed all external services and a contract is in place for all services
<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	The WAO have taken over the auditing the outstanding subsidies (17/18 and 18/19). The work has moved ahead and we are close to completing the 17/18 subsidy which will release around £6m in subsidy withholds
<ul style="list-style-type: none"> <li>Agreeing a new Corporate Customer Service strategy</li> </ul>	Transforming Business Processes Project Board	A strategic direction for customer service has been developed under the Board and has been signed off by the Penaethiaid.
<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	<p>The Universal Credit rollout and Council lead for this work is the Service Manager, Community Housing</p> <p>A multi-agency Universal Credit hub meeting is scheduled regularly – a review is required</p> <p>O'Toole Services continuing to meet the demand of welfare rights / Advice support for Island-wide residents. Four outreaches have been developed to ensure we support those who struggle with Transport and to ensure a Community-led approach is in place</p> <p>Relationship with DWP is excellent.</p> <p>Frequent Corporate updates to ensure Council staff are aware on where to turn should UC support be required for any resident</p> <p>Post implementation action plan reviewed bi-monthly and progress reported to the UC Hub</p>



<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	A working group now meets quarterly under the Chairmanship of the Revenues and Benefits Manager. All staff have received the necessary training and the appropriate risk assessments are undertaken to ensure continued compliance.
--	--------------	---

## 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.

**On behalf of the Isle of Anglesey County Council**

**Leader, Anglesey County Council  
XX August 2020**

**Chief Executive, Anglesey County Council  
XX August 2020**