ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	**ISLE OF ANGLESEY COUNTY COUNCIL**
DATE:	**26 SEPTEMBER 2017**
TITLE OF REPORT:	**FINAL ACCOUNTS 2016/17**
PURPOSE OF REPORT:	**Covering report for the presentation of the Final Statement of Accounts, commenting on the main issues arising from the Audit of the Accounts**
REPORT BY:	**MARC JONES – HEAD OF FUNCTION (RESOURCES) / SECTION 151 OFFICER**
ACTION:	**APPROVE THE ACCOUNTS**

1. BACKGROUND

1.1 The Isle of Anglesey County Council's draft Statement of Accounts 2016/17 was presented for Audit on 28 June 2017. The detailed audit work is now substantially complete and the Auditor's report has been issued and a small number of amendments to the draft have been incorporated into the Accounts.

1.2 Subject to the Isle of Anglesey County Council's confirmation, the Accounts will be signed by the Head of Function (Resources) – Section 151 Officer and the Council's Chairman and will be published following the receipt of the Auditor's Opinion.

2. QUALITY OF PROCESS

2.1 The statutory deadline for the completion of the Audited accounts 2016/17 has yet again been met.

2.2 Improvements have been made which the audit process identified last year and these improvements have continued. All issues that have arisen throughout the audit were dealt with promptly and in a satisfactory manner.

3. AMENDMENTS TO THE ACCOUNTS

3.1 The details of the main amendments to the draft accounts are set out in the Auditor's Report Appendix 3. All amendments which have been agreed as requiring restatement by Deloitte have been processed and are within the Statement of Accounts.

3.2 The significant amendments required to the draft statement have been largely confined to:-

3.2.1 A reduction in fixed assets of £700k for the contribution to the Llangefni Extra Care project which is not owned by the Council. Linked to this, it was also highlighted that the lease for the land transferred for the Llangefni Extra Care project was signed on 24 March 2016. This, therefore, should have been accounted for in 2015/16. However, the audit team agreed that there was little value in restating this, as the balance sheet is correct at 31 March 2017.

3.2.2 £293k of grant income relating to Gwynedd was accounted for incorrectly and has since been corrected.

3.2.3 Deloitte recommended that we review the Penhesgyn Landfill long-term provision calculation and change its basis to a rolling 30-year basis as advised by Environment Agency Guidance. This led to an increase in the Penhesgyn Landfill provision of £217k.

3.2.4 The draft Accounts for 2016/17 reported in June 2017, highlighted a Council Fund General Balance of £8,697k. The above changes and a small number of amendments found by the internal team has reduced the Council General Balance by £342k. The revised balance is £8,255k as at 31 March 2017.

4. THE AUDITOR'S RECOMMENDATIONS

4.1 The Auditors, following their thorough work on our Statement of Accounts, have made:-

- Eight recommendations in relation to accounting and payroll control;
- Five recommendations in relation to IT;
- Eight recommendations in relation to Asset Valuation.

4.2 These recommendations are included in Appendix 4 of the Auditor's report.

5. RECOMMENDATIONS

5.1 To accept the Statement of Accounts 2016/17.

5.2 To note the acceptance of the Annual Governance Statement 2016/17 by Audit and Governance Committee and refer the document to the Leader of the Council and the Chief Executive for signature.

Ynys Môn

THE ISLE OF Anglesey

Statement of Accounts 2016/17

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Narrative Report

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

The narrative report is structured as follows:-

1. The Statutory Framework
2. About the Isle of Anglesey County Council
3. Overview and performance analysis
4. Main issues from the 2016/17 Accounts
5. Explanation of the Financial Statements

1. The Statutory Framework

The Council has a statutory duty to approve and publish a Statement of Accounts. The following pages relate to the Statement of Accounts for the Isle of Anglesey County Council for the year ended 31 March 2017.

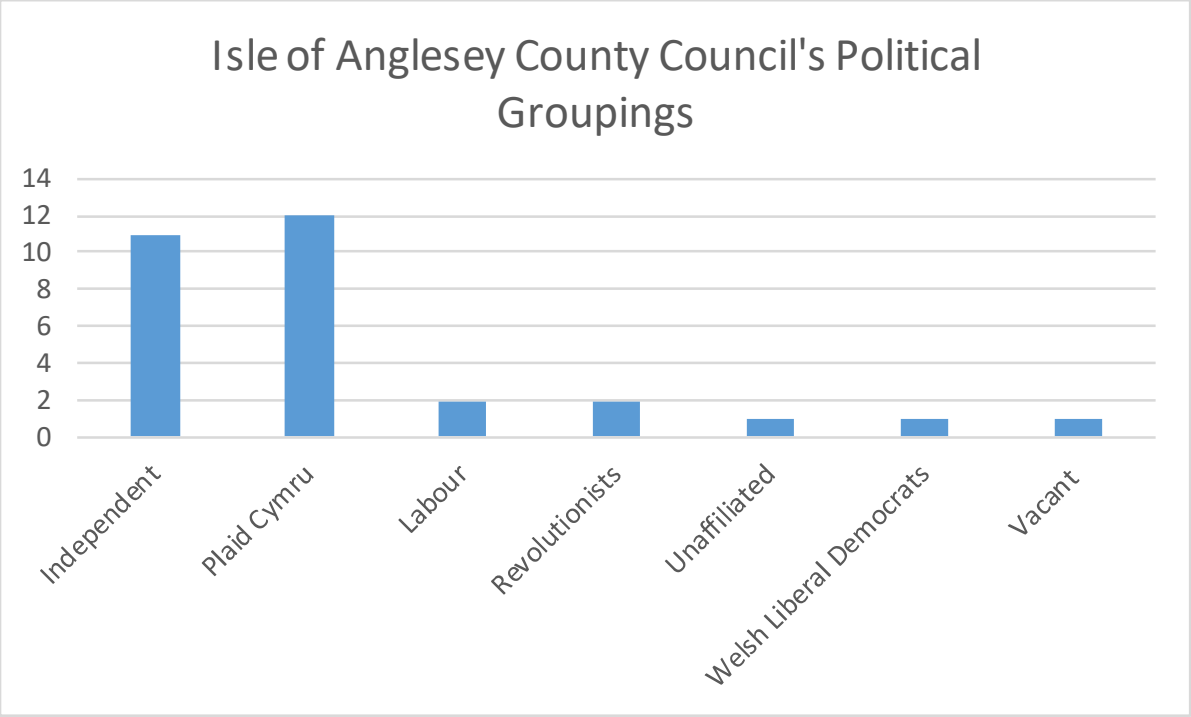
The Accounts and Audit (Wales) Regulations 2014 came into force on 31 March 2015 and, therefore, replaced Regulation 7 of the Accounts and Audit (Wales) Regulations 2005 (SI 2005/368 (W.34), as amended) for the accounts year 2015/16 and future periods. These regulations require Welsh Local Authorities 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 2016/17 and the Service Reporting Code of Practice 2016/17 issued by CIPFA, supported by International Financial Reporting Standards (IFRS). In addition, this narrative incorporates guidance from HM Treasury's Financial Reporting Manual (FReM), sections 5.2.1 to 5.2.10 as encouraged by the CIPFA code.

2. About The Isle of Anglesey County Council

The Isle of Anglesey County Council is a unitary authority and serves a population of 69,979. 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. Throughout 2016/17, the Council operated under an Independent/Labour/Liberal Democratic coalition administration. The political make-up of the Council as at 31 March 2017 is shown below :-



3. Overview

3.1 Statement from the Leader of the Council

As Leader of the Council, it is my responsibility to ensure that the important milestone of producing the Annual Statement of Accounts is achieved on time each year. The accounts provide a large amount of financial information on how the Council was funded and how it spent that money during 2016/17. 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 2016/17, the Council's net budget was £124.0m of which £32.1m came from Council Tax. The increase in Council Tax was 3.5%.

The results for the year highlight the Council's continued prudent financial management and, despite the Council's net budget falling by 0.49% compared to 2015/16, increasing demand for services, notably Children's Services, and the education of pupils out of county, the Council's overall general balance (excluding HRA) reduced by £0.189m, which represented a decrease of 2.13%. However, total usable reserves reduced by £2.743m due to the use of earmarked reserves to fund the expenditure, which the reserves were set aside to fund.

The future for public sector funding still remains uncertain, in particular what impact the decision to leave the European Union will have on the UK economy. It is anticipated that the Council will experience further reductions in funding from central government over the next three years and the Council's Medium Term Financial Strategy has identified the continued need to reduce annual revenue expenditure over this period. Having a healthy level of reserves and balances will help in the short term, but it is not a sustainable 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.

The Council is currently preparing its Corporate Plan which covers the next five-year period and, although the financial situation limits what the Council can achieve, it will not prevent the Council from focusing on its key priorities and investing in areas such as new schools, housing and older people services. We have also invested in Information Technology in order to modernise our business processes and improve our services to our customers and this investment will continue, which will bring further revenue savings and allow the Council to deliver a balanced budget in future years.

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

Ieuan Williams
Leader of the Council **May 2017**

3.2 Key purpose and activities of the Council

Under the Council's Corporate Plan for 2013 – 2017, the aim for the Isle of Anglesey County Council is that by 2017 we will be a professional and well-run Council, innovative and outward looking in our approach, committed to developing our people and partnerships in order to deliver efficient and effective services of good quality, that are highly valued by our citizens.

In order to achieve this, we will need to transform our services and the way the Council works. Transforming our Council will mean that we must listen to what our citizens, service users and businesses say and allow their views to influence what we do.

Some of the most far-reaching engagements and consultations we have ever undertaken have helped to create this plan. Engagement and consultation exercises since 2012 have asked citizens their views about which Isle of Anglesey County Council services were most important to them, and which they felt weren't as important. Across age groups, geographies and different consultation mechanisms, the overwhelming and consistent priorities are:-

- Supporting the most vulnerable
- Developing the economy
- Raising the standards of, and modernising, our schools

These priorities are the basis of our Corporate Plan. The Council, like all other local authorities, is facing significant pressures on budgets and has to focus on greater efficiencies. This will inevitably mean a change to the services we provide and the way in which they are delivered.

The Council will, therefore, work with citizens to change the way we all think about the respective responsibilities of the Council, communities and individuals. Whilst the Council will, of course, continue to be responsible for the bilingual provision of statutory services, the services will increasingly be provided in different ways and, possibly, by other providers. We will manage reducing budgets and increasing demand due to demographic and social changes to enable us to safeguard these priorities.

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. Over the last three years, Welsh Government funding to the Council has fallen by £5.23m in cash terms (5.38%) and it is anticipated that reductions of at least the same scale may be implemented in the next three years. 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 key focuses for the Medium Term Financial Plan are:-

- Redesigning services to intervene earlier, reducing costly reactive services;
- Reviewing all services to ensure that they are delivered in the most effective manner;
- To make the best of property and land to drive efficiency and growth;
- To refocus services to support local growth;
- To have mature conversations with communities to prioritise what matters to them and encourage involvement in solving local problems;
- To root out duplication between services and pursue economies of scale.

3.3 Key achievements, issues and risks affecting the Council

The Council has set seven key priorities for the forthcoming years :-

- Transforming Older Adult Social Care;
- Regenerating Our Communities and Developing the Economy;
- Improving Education, Skills and Modernising our Schools;
- Increasing Our Housing Options and Reducing Poverty;
- Transforming our Leisure and Library Provision;
- Becoming Customer, Citizen and Community Focused;
- Transforming our Information and Communication Technologies (ICT).

During 2016/17, work continued on these seven priorities with the following key achievements achieved during the financial year:-

1. Work has commenced on the building of two new primary schools (Ysgol Cybi and Ysgol Rhyd y Llan) under the Welsh Government's 21st century schools programme. This will see six small primary schools closing with the pupils transferring to two new schools during 2017.

2. The Council has commenced the building of Llangefni Extra Care with a Registered Social Landlord. This will allow the Council to begin the process of transforming the delivery of Adult Social Care. It is estimated that the building will be ready for residents in June 2018.

3. The Council continued to utilise grants under the Vibrant and Viable Places scheme to improve facilities in the Holyhead area. A further £3.2m was spent during 2016/17 which was the final year for the scheme. The whole project has been worth £8.3m to the Authority.

4. Work has been completed on modernising and rationalising the administration of Council Services (Smarter-Working) with improvements being made to the main Council Headquarters and to the Council's IT systems. The changes have allowed staff to work more flexibly without the need to be based in an office. This programme has resulted in the closure of two offices with the majority of the Council's administrative staff being based in one location. This will not only provide a better service to the customer but has also allowed the Council to make substantial savings of £586k.

5. Three-weekly residual waste collection was introduced at the beginning of October 2016. After some initial problems with nappy collection and a huge number of telephone calls, the situation has settled down and the vast majority of the public are now making efforts to recycle. For 2015/16 the Recycling Rate target was 58% and Anglesey achieved 59.5%. For the two quarters from October 2016 onwards, the Recycling Rates have been 65.6% and 65.4%, which is a considerable rise bearing in mind that very little green waste is collected during this six-month period.

6. 7,000 trolley boxes were introduced in October with a further 2,000 in the Holyhead area in February. These proved popular with most of the public and provided very little cross-contamination. Following a successful application to Welsh Government, a further 20,000 trolleys are being introduced by September 2017.

7. Despite the continued reduction in central government funding, the Council delivered £3.4m of revenue savings in 2016/17 and identified a further £2.4m in setting the 2017/18 budget. Although this has required an above-inflation increase in Council Tax, Anglesey's Band D equivalent continues to be one of the lowest in Wales.

8. The Council maintained a healthy level of reserves and general balances. The Council has been able to release £1m from general balances to fund specific projects aimed at improving business processes and services to customers. These projects will also deliver further revenue savings, which will help the Council deal with the difficult financial circumstances it will face over the next three years.

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 2016/17, the Council reported an underspend of £326k against a planned activity of £124.0m (net budget) and achieved £3.4m of savings. The table below reflects the final budget for 2016/17 and actual income and expenditure against it.

Services	Annual Budget £'000	Outturn £'000	Variance £'000
Lifelong Learning	49,019	49,786	767
Adults	22,641	22,115	(526)
Children's	7,785	8,865	1,080
Housing	854	816	(38)
Highways, Waste & Property	14,012	13,598	(414)
Regulation	4,535	4,216	(319)
Transformation	3,749	3,477	(272)
Resources	3,021	3,244	223
Council Business & Corporate Finance	18,421	17,473	(948)
Total Council Fund	**124,037**	**123,590**	**(447)**

The impact of an underspend means that the Council added £447k to the General reserves.

The presentation 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, is 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 2016/17, the Council approved a Capital Programme for non-housing services of £26.933m and approved a Capital Programme for the HRA of £11.636m. Capital commitments were brought forward from 2015/16 of £7.791m and there was a brought forward budget for the smallholdings programme. During the financial year, a further £6.541m worth of Schemes were added to the programme. This brings the capital budget for 2016/17 to £52.901m.

The programme has made excellent progress in year, achieving a delivery rate of 69%. It is expected that the remaining schemes will be delivered over the coming few years.

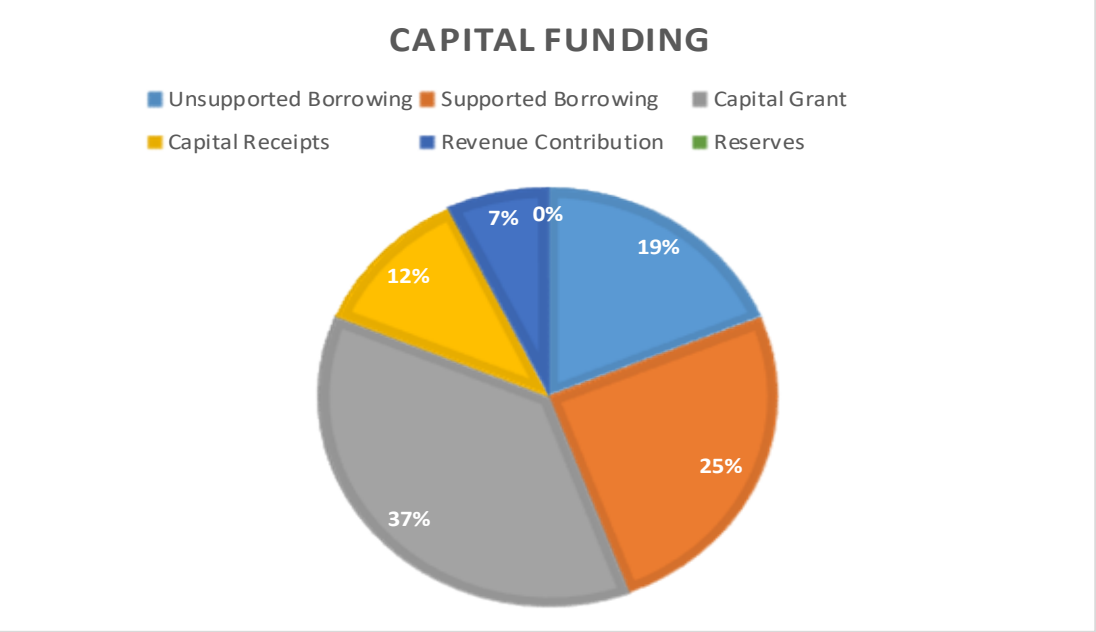
From this total spend of £36.640m, £24.404m was capitalised and added to the value of assets in the Council's Balance Sheet. The remainder was charged to the Comprehensive Income and Expenditure Statement as it was either in support of assets that are not in direct Council ownership (£2.747m) or did not add value to the capital assets (£9.489m).

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

Scheme	Amount (£'000)
21st Century School – Ysgol Cybi	7,024
21st Century School – Ysgol Rhyd y Llan	3,002
21st Century School – Ysgol Parc y Bont	5
21st Century Schools – Ysgol Bro Rhosyr / Aberffraw	228
New Planning System	8
Car Parks	28
Highways County Prudential Borrowing	2,234
Llangefni Link Road	4,783
Beaumaris Flood Alleviation	72
New Highways to Wylfa Newydd	1,049
Road Safety Capital	101
Safer Route In Communities	89
Ravenspoint Road VVP	24
Holyhead Footway Improvement VVP	100
Vehicles	178
New Waste Collection System	480
Llanddona Cemetery	54
Smallholdings	1,135
ICT – Software Licensing	76
ICT – Server Storage	189
CRM System	29
ICT – Backup System	6
ICT - Replacement Servers	108
ICT - Projects	113
Market Hall	572
Intermediate Care Fund Capital	56

Scheme	Amount (£'000)
CCIS	60
Extra Care Home Llangefni	700
Compulsory Purchase Pilot Scheme	121
Residential Site for Gypsies and Travellers	58
Vehicles - HRA	96
Acquisition of Property	1,626
Total	**24,404**

Funded By:	£'000
Unsupported Borrowing	4,590
Supported Borrowing	6,222
Capital Grant	9,026
Capital Receipts	2,836
Revenue Contribution	1,722
Reserves	0,008
Total	**24,404**



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

As at 31 March 2017, the Authority had £116.935m of External Borrowing with the Public Works Loan Board (PWLB). At this time, the Authority's Capital Financing Requirement (CFR), which essentially is a measure of the Council's underlying borrowing need, was £134.014m. In the Treasury Management Statement for 2016/17 the Authorised Borrowing Limit approved by the Council was £169m, 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 2017, the Authority's internal sources of funds were cash deposits at bank of £13.319m and a Capital Expenditure Reserve of £0.946m. The External Borrowing figure was £116.935m and further External Borrowing will be required to meet its future capital expenditure plans.

3.4.3 Balance Sheet

The Council's Balance Sheet demonstrates a good financial position at the end of 2016/17 with a net value of £165.811m, a reduction of £8.249m from last year, mainly due to changes to the financial assumptions used by the pension actuary when calculating the pension net liability.

The details of the Council's long-term and short-term assets and liabilities are shown in the Balance Sheet as at 31 March 2017 on page 18.

Reserves

The £8.249m decrease in the Council's net worth set out above is the result of a £5.506m decrease in unusable reserves and a £2.743m decrease in usable balances (including the HRA).

4. Main Issues impacting on the 2016/17 Accounts

The Council set a net budget of £124.0m for 2016/17 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 £3.4m, which was incorporated into the individual service budgets. The outturn position was an underspend of £447k. The underspend is made up of departmental under or overspends, unused contingencies and any other one-off items identified during the financial year.

Pensions

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

Local Government Pension Scheme - As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits by participating in the Gwynedd Pension Fund administered by Gwynedd Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. Benefits will not actually be payable until employees retire but the Council has a commitment to make the payments to the Pension Fund that need to be disclosed at the time that the employees earn their future entitlement.

The current economic climate continues to have an impact on the net Pensions Liability. One of the significant changes on the Balance Sheet relates to the Council's pensions' reserve, where the Council's liability has increased from £95.022m to £105.509m, an increase of £10.487m. It is important to note that the increased liability in the pension position is based on actuarial valuations. The Council's actual payments to the Pension Fund are reviewed every three years as part of the triennial valuation of the Pension Fund. An investment strategy is then determined which aims to recover any deficits over the period as determined by the Pension Fund's Actuary (Hymans Robertson LLP).

The 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 £5.071m at 1 April 2016. During the year the balance increased by £0.174m to £5.245m. The increase relates to an increase of £513k for the Equal Pay Provision. This increase was offset in part by £704k of provisions used during the year for costs the provisions were originally provided for. This includes the insurance provision, which reduced from £259k to £168k during the year.

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

5. Explanation of the Financial Statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2016/17 and its Balance Sheet as at 31 March 2017. These statements include the General Fund and the Housing Revenue Account (HRA). They set out the respective responsibilities of the Council and the Council's Head of Function (Resources), who is the designated Section 151 Officer.

Core Financial Statements:-

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

1. **The Comprehensive Income and Expenditure Statement (CIES)** – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

2. **Expenditure and Funding Analysis (EFA)** – shows the information in the CIES but also provides the accounting adjustments which are cancelled out in Note 7 to ensure that these adjustments are not funded by Council Tax Payers. The first column of the Expenditure and Funding Analysis provides the real impact of the year's financial performance on the Council and HRA's balances and reserves.

3. **The Movement in Reserves Statement (MIRS)** – shows the movement in the year of reserves held by the Council, analysed between 'usable and unusable' reserves. The statement shows the true economic cost of providing the Authority's services and how those costs are funded from the various reserves.

4. **The Balance Sheet** – shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets are matched by reserves held by the Authority.

5. **The Cash Flow Statement** – shows the changes in cash and cash equivalents of the Council during the reporting period.

6. **The Notes –** the notes to the core Financial Statements provide more details about the Council's accounting policies and items contained in the statements.

Supplementary Financial Statements

1. **The Statement of Responsibilities for the Statement of Accounts –** explains the responsibilities of the Council and the section 151 Officer.

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.

2. Auditor's Opinion - as the Council's appointed External Auditor by the Auditor General for Wales, Deloitte LLP will carry out the statutory audit on behalf of the Auditor General 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 30 September following the year-end.

3. Changes in Accounting Policy

There are no material changes to accounting treatment required for 2016/17.

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Isle of Anglesey County Council's responsibilities

The Isle of Anglesey County Council is required to:-

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Function (Resources) who is also the designated Section 151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Section 151 Officer's responsibilities

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

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

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

The Section 151 Officer has also:-

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

Certificate
I certify that this Statement of Accounts gives a true and fair view of the financial position of the Isle of Anglesey County Council at the accounting date and its income and expenditure for the year ended 31 March 2017.

Signed: _____

Richard Marc Jones CPFA
HEAD OF FUNCTION RESOURCES AND Section 151 OFFICER

Signed _____
Councillor Richard Jones
CHAIRMAN ISLE OF ANGLESEY COUNTY COUNCIL

Dated: 26 September 2017

Proposed audit report of the Auditor General to the Members of Isle of Anglesey County Council

Auditor General for Wales' report to the Members of Isle of Anglesey County Council

I have audited the accounting statements and related notes of Isle of Anglesey County Council for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004. Isle of Anglesey County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on
International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view. My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Isle of Anglesey County Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes. In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Isle of Anglesey County Council

In my opinion the accounting statements and related notes:

• give a true and fair view of the financial position of Isle of Anglesey County Council as at 31 March 2017 and of its income and expenditure for the year then ended; and
• have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

• adequate accounting records have not been kept;
• the accounting statements are not in agreement with the accounting records and returns; or
• I have not received all the information and explanations I require for my audit;
• the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Isle of Anglesey County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
XX September 2017

24 Cathedral Road
Cardiff
CF11 9LJ

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2017

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.

2016/17			Services	Note	2015/16 Restated		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
64,482	(13,974)	50,508	Lifelong Learning		61,525	(15,615)	45,910
32,130	(9,054)	23,076	Adult Services		29,418	(7,286)	22,132
8,902	(466)	8,436	Children's Services		8,108	(327)	7,781
5,993	(3,906)	2,087	Housing		5,448	(3,917)	1,531
29,431	(7,625)	21,806	Highways, Property and Waste		29,237	(7,076)	22,161
11,694	(6,284)	5,410	Regulation and Economic Development		11,078	(5,304)	5,774
4,433	(223)	4,210	Transformation		4,042	(192)	3,850
28,461	(19,598)	8,863	Resources		28,285	(19,490)	8,795
1,994	(458)	1,536	Council Business		1,811	(384)	1,427
2,321	(194)	2,127	Corporate and Democratic Costs		2,333	(26)	2,307
892	(11)	881	Corporate Management		1,273	-	1,273
97	-	97	Non-distributed costs		96	-	96
10,137	(16,285)	(6,148)	Housing Revenue Account (HRA)		31,062	(14,894)	16,168
200,967	**(78,078)**	**122,889**	**Deficit on Continuing Operations**		**213,716**	**(74,511)**	**139,205**
		23,042	Other operating expenditure	12			19,167
		8,861	Financing and investment income and expenditure	13			9,664
		(145,252)	Taxation and non-specific grant Income	14			(144,024)
		9,540	**Deficit on Provision of Services**				**24,012**
		(7,631)	Surplus on revaluation of non-current assets	11c, 15 & 17			(12,825)
		7,333	Re-measurement of net Pension liability	11d & 41			(35,938)
		(298)	**Other Comprehensive Income and Expenditure**				**(48,763)**
		9,242	**Total Comprehensive Income and Expenditure**				**(24,751)**

Refer to Note 4b on page 25 for information about the 2015/16 restated financial information

EXPENDITURE AND FUNDING ANALYSIS 2016/17

2016/17			Services	2015/16 Restated		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
46,832	3,676	50,508	Lifelong Learning	43,924	1,986	45,910
22,379	697	23,076	Adult Services	20,936	1,196	22,132
8,955	(519)	8,436	Children's Services	7,181	600	7,781
1,087	1,000	2,087	Housing	741	790	1,531
17,631	4,175	21,806	Highways, Property and Waste	18,237	3,924	22,161
3,954	1,456	5,410	Regulation and Economic Development	4,597	1,177	5,774
3,897	313	4,210	Transformation	3,838	12	3,850
8,788	75	8,863	Resources	8,716	79	8,795
1,536	-	1,536	Council Business	1,439	(12)	1,427
2,495	(368)	2,127	Corporate Democratic Costs	1,760	547	2,307
881	-	881	Corporate Management	1,269	4	1,273
-	97	97	Non-distributed costs	-	96	96
(7,806)	1,658	(6,148)	Housing Revenue Account (HRA)	(7,573)	23,741	16,168
110,628	**12,260**	**122,889**	**Net Cost of Services**	**105,064**	**34,141**	**139,205**
(107,593)	(5,756)	(113,349)	Other Income and Expenditure	(110,198)	(4,995)	(115,193)
3,036	**6,504**	**9,540**	**(Surplus) or Deficit on the Provision of Services**	**(5,134)**	**29,146**	**24,012**
(34,381)			Opening General Fund and HRA balance at 1 April	(29,247)		
3,036			Less Deficit on General Fund and HRA Balance in Year	(5,134)		
(31,345)			**Closing Council Fund Balances and HRA Balance at 31 March**	**(34,381)**		

Refer to Note 4b page 25 for information about the restated financial information for 2015/16

MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2017

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
Balance 1 April 2015	**7,193**	**15,779**	**2,821**	**-**	**2,438**	**-**	**1,016**	**29,247**	**120,063**	**149,310**
Movement in reserves during the year										
Surplus/(Deficit) on provision of services	(3,491)	-	(20,521)	-	-	-	-	**(24,012)**	**-**	**(24,012)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	**48,763**	**48,763**
Total Comprehensive Income and Expenditure	**(3,491)**	**-**	**(20,521)**	**-**	**-**	**-**	**-**	**(24,012)**	**48,763**	**24,751**
Adjustments between accounting basis and funding basis under regulations (note 7)	5,420	-	23,726	-	-	-	-	**29,146**	**(29,146)**	**-**
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	**1,929**	**-**	**3,205**	**-**	**-**	**-**	**-**	**5,134**	**19,617**	**24,751**
Transfers to/(from) Earmarked Reserves (note 8)	(236)	212	1,016	-	24	-	(1,016)	**-**	**-**	**-**
Increase/(Decrease) In Year	**1,693**	**212**	**4,221**	**-**	**24**	**-**	**(1,016)**	**5,134**	**19,617**	**24,751**
Balance 31 March 2016	**8,886**	**15,991**	**7,042**	**-**	**2,462**	**-**	**-**	**34,381**	**139,680**	**174,061**
Movement in reserves during the year										
Surplus/(Deficit) on provision of services	(8,384)	-	(1,156)	-	-	-	-	**(9,540)**	**-**	**(9,540)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-		**298**	**299**
Total Comprehensive Income and Expenditure	**(8,384)**	**-**	**(1,156)**	**-**	**-**	**-**	**-**	**(9,540)**	**298**	**(9,242)**
Adjustments between accounting basis and funding basis under regulations (note 7)	4,846	-	1,658	-	-	-	-	**6,504**	**(6,504)**	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(3,538)**	**-**	**502**	**-**	**-**	**-**	**-**	**(3,036)**	**(6,206)**	**(9,242)**
Transfers to/(from) Earmarked Reserves (note 8)	3,007	(2,634)	-	-	(373)	-	-	**-**	**-**	**-**
Increase/(Decrease) In Year	**(531)**	**(2,634)**	**502**	**-**	**(373)**	**-**	**-**	**(3,036)**	**(6,206)**	**(9,242)**
Balance 31 March 2017	**8,355**	**13,357**	**7,544**	**-**	**2,089**	**-**	**-**	**31,345**	**133,474**	**164,819**

BALANCE SHEET AS AT 31 MARCH 2017

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 2017 £'000	31 March 2016 £'000
Property, plant and equipment	15	363,736	350,283
Heritage assets	17	3,454	3,194
Investment property	18	6,092	5,983
Intangible assets	19	606	417
Long-term investments	44	1	1
Long-term debtors	24	646	688
Long-term Assets		**374,535**	**360,566**
Short-term investments	44	5	-
Assets held for sale	21	3,524	6,388
Inventories	23	367	452
Short-term debtors	24	20,199	23,358
Cash and cash equivalents	25	14,940	17,624
Current Assets		**39,035**	**47,822**
Short-term borrowing	44	(5,553)	(9)
Short-term creditors	26	(20,231)	(22,130)
Short-term provisions	27	(2,831)	(2,559)
Capital grants receipts in advance	37	(273)	(1,302)
Current Liabilities		**(28,888)**	**(26,000)**
Long-term creditors	26	(166)	(59)
Long-term provisions	27	(2,631)	(2,512)
Long-term borrowing	44	(111,557)	(110,735)
Other long-term liabilities	41	(105,509)	(95,022)
Long-term Liabilities		**(219,863)**	**(208,328)**
Net Assets		**164,819**	**174,060**
Usable reserves	MIRS	31,345	34,381
Unusable reserves	11	133,474	139,679
Total Reserves		**164,819**	**174,060**

CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2017

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	2016/17 £'000	2015/16 £'000
Net Deficit on the provision of services		**(9,540)**	**(24,012)**
Adjustments to net surplus or deficit on the provision of services for non- cash movements	28	33,925	50,453
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(18,593)	(15,322)
Net cash flows from operating activities		**5,791**	**11,119**
Net cash flows from investing activities	29	**(14,595)**	**(4,111)**
Net cash flows from financing activities	30	**6,119**	**(1,789)**
Net (decrease)/increase in cash and cash equivalents		**(2,684)**	**5,219**
Cash and cash equivalents at the beginning of the financial year	25	17,624	12,405
Cash and cash equivalents at the end of the financial year	25	**14,940**	**17,624**

NOTES TO THE ACCOUNTS

NOTE 1a – EXPENDITURE AND FUNDING ANALYSIS – ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

Expenditure and Funding Analysis

The new Expenditure and Funding Analysis 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 which, by law, are not allowed to be funded by Council Tax as these are not true costs which affect Council usable balances.

The CIES shows a deficit on the provision of services of £8.548m. However, the statutory accounting adjustments are cancelled out in the separate financial statement called the Expenditure and Funding Analysis and the Movement in Reserves Statement. 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.

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

	£'000
Total Council (including HRA) usable Reserves and Balances at 1 April 2016	34,381
Deficit on the Provision of Services 2016/17 – CIES	(8,548)
Adjustments to remove impact of accounting adjustments which do not affect the Council Fund – Expenditure and Funding Analysis and Note 7	5,805
Total Increase/(Decrease) in Reserves	(2,743)
Total Council (including HRA) Balances at 31 March 2017	31,638

This shows that, when the accounting adjustments are cancelled out, the true impact on the Council's cost of services (including the Housing Revenue Account) is reduced to £2.743m for the year, resulting in an overall balance of usable reserves of £31.638m. This has reduced from 2015/16 as earmarked reserves have been used to fund costs for which the original reserves were earmarked.

The Movement in Reserves Statement Increase/(Decrease) in the year shows that the General Council Reserve reduced by £0.189m for 2016/17 resulting in a total general reserve of £8.697m. The Housing Revenue Account generated a surplus of £453k, with the total HRA balance at 31 March 2017 of £7.495m.

However, £2.634m of earmarked reserves were used as mentioned above. School balances were also reduced by £0.373m resulting in an overall reduction in usable reserves, despite positive financial performance against 2016/17 budgets.

2016/17

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	3,189	167	320	3,676
Adult Services	1,161	149	(613)	697
Children's Services	21	(540)	-	(519)
Housing	978	23	(1)	1,000
Highways, Property and Waste	4,070	80	25	4,175
Regulation and Economic Development	1,336	91	29	1,456
Transformation	280	41	(8)	313
Resources	16	46	13	75
Council Business	1	19	(20)	-
Corporate Democratic Costs	9	(377)	-	(368)
Corporate Management	-	-	-	-
Non-distributed costs	-	97	-	97
Housing Revenue Account (HRA)	1,586	38	34	1,658
Net Cost of Services	12,647	(166)	(221)	12,260
Other Income and Expenditure from the Funding Analysis	(9,679)	3,320	603	(5,756)
Difference between General Fund and HRA, (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit	2,968	3,154	382	6,504

2015/16

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	2,069	102	(185)	1,986
Adult Services	496	80	620	1,196
Children's Services	2	598	-	600
Housing	783	20	(13)	790
Highways, Property and Waste	3,902	45	(24)	3,924
Regulation and Economic Development	1,205	44	(72)	1,177
Transformation	-	15	(3)	12
Resources	82	18	(21)	79
Council Business	1	7	(20)	(12)
Corporate Democratic Costs	134	413	-	547
Corporate Management	-	4	-	4
Non-distributed costs	-	96	-	96
Housing Revenue Account (HRA)	23,712	-	29	23,741
Net Cost of Services	32,387	1,443	311	34,141
Other Income and Expenditure from the Funding Analysis	(9,843)	4,038	810	(4,995)
Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (surplus) or Deficit	22,544	5,481	1,121	29,146

Note 1b – SEGMENTAL INCOME

Services	2016/17 Income from Services £'000	2015/16 Income from Services £'000
Lifelong Learning	(13,974)	(15,615)
Adult Services	(9,054)	(7,286)
Children's Services	(466)	(327)
Housing	(3,906)	(3,917)
Highways, Property and Waste	(7,625)	(7,076)
Regulation and Economic Development	(6,284)	(5,304)
Transformation	(223)	(192)
Resources	(19,598)	(19,490)
Council Business	(458)	(384)
Corporate Democratic Costs	(194)	(26)
Corporate Management	(11)	-
Non-distributed costs	-	-
Housing Revenue Account (HRA)	(16,285)	(14,894)
Total Income	**(78,078)**	**(74,511)**

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 2017/18 (the Code) will introduce the undermentioned changes in accounting policies. These changes will, in 2016/17, require retrospective implementation from 1 April 2016.

- Amendment to the reporting of pension fund scheme transaction costs;
- Amendment to the reporting of investment concentration.

If any of the above amendments (for pension funds) are expected to have a material impact on information in the financial statements, additional disclosures will be required in line with the Code.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 introduced a number of new requirements for Councils to comply with updated reporting standards that have been adopted. The relevant changes relate to the following standards, all of which will, where they apply, be amended for accounts produced for financial periods starting after 1 April 2016.

a) Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions) – issued November 2013.
b) Annual Improvements to IFRSs 2010–2012 Cycle – issued December 2013.
c) Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations) – May 2014.
d) Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation) – May 2014.
e) Annual Improvements to IFRSs 2012–2014 Cycle – issued September 2014.
f) Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) – Issued December 2014.
g) The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.
h) The changes to the format of the Fund Account and the Net Assets Statement.

Many of the above are unlikely to have a material impact on the information provided in the financial statements. The changes are adopted retrospectively but, as the Statement of Accounts already reflects the requirements of these reporting standards in so much as they apply to the Council, there is no need to restate prior period accounting data for most of these changes. However, in 2016/17 the Comprehensive Income and Expenditure Statement, Movement in Reserves, Expenditure and Funding Analysis and related notes do reflect the comparator 2015/16 in the new formats required from 2016/17.

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

- Capital and revenue grants are reviewed regularly to assess whether the terms and conditions attached to the respective grants have been met. If the terms and conditions have been met, they will be recognised within the Comprehensive Income and Expenditure Statement in the year. If not, they will be carried within the Balance Sheet within creditors until such time as either the terms and conditions associated with the grant are met or the grant is repaid to the grant provider should the terms and conditions not be met. This treatment can result in material balances being carried in the Balance Sheet as deferred income.

- The group requirements have been reviewed using the criteria outlined in the relevant accounting standards and Code of Practice; the Council has not identified any companies or organisations that would require it to complete group accounts.

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

NOTE 4a - ASSUMPTIONS MADE ABOUT FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The following items in the Council's Balance Sheet at 31 March 2017 may be considered to be most vulnerable for estimating error in the forthcoming financial year:-

Non-Current Assets - Property, Plant and Equipment – Assets are depreciated over useful lives in accordance with standard accounting practices. Any difference between the depreciation applied and actual deterioration to assets will naturally reflect in future spending patterns. Information relating to Property, Plant and Equipment is contained in Note 15 on page 36.

'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 three judgements to be made, 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 opinion, 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.

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 31%. 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 equal pay, 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.

Doubtful Debts Impairment/Allowance – As at 31 March 2017, the Council had a short-term net debtor balance of £20.199m. A review of arrears balance suggested that impairment for doubtful debts of £5.7m was appropriate. Any differences between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Doubtful Debts impairments are contained within the figures for Short-Term Debtors contained in Note 24 on page 44.

Fair Value Measurement - Fair value measurement will be in accordance with IFRS13 Fair Value Measurement as reported in the CIPFA Code of Practice 2016/17. In most cases, fair value is a market-based measurement. IFRS13 provides more direction and clarity in relation to valuation of assets and liabilities. However, where there is no observable market to value against, this will involve professional judgement. When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data but, where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities. The depreciated replacement cost (DRC) model is used to measure the fair value of some of the Authority's investment properties and financial assets.

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

The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

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

The accounting treatment of two material items has been changed to more accurately reflect the CIPFA Code requirements in relation to Wales. The Comprehensive Income and Expenditure Statement for 2015/16 has also been restated to reflect these changes. The changes relate to how the items were treated in the Comprehensive Income and Expenditure Statement only and do not affect the Balance Sheet.

1) Accounting for Council Tax Reduction Scheme – in 2015/16 these were treated in accordance with the accounting model for England where the cost of council tax reductions was deducted off the Council Tax collected. However, in Wales there is no separate collection fund and the council tax reductions for 2016/17 have been charged to cost of services and have not been netted off against Council Tax collected.

In 2015/16, £5.343m was debited against the Council Tax collected which reduced the Council Tax income reported from £38.828m to £33.485m. To correct this on the CIES, the Cost of Services - Resources has been increased by £5.343m for these council tax reductions and the Council Tax collected has been increased by the same amount so that it is restated as the correct figure of £38.828m. These two offset each other within the CIES and do not affect the Balance Sheet, as mentioned above.

2) Accounting for de-recognised capital expenditure – in the 2015/16 accounts capital expenditure which should have been de-recognised was treated as impairment. This approach has been amended in 2016/17 to follow the approach recommended in the CIPFA Code of Practice 2016/17. The capital expenditure is now de-recognised within Other Operating Income and Expenditure instead of being charged against the relevant cost of services for impairment.

In 2015/16, £9.943m was charged as impairment against the cost of services. This has been restated for 2015/16 by reducing the amounts charged to the cost of services and by reporting these costs as other expenditure and income instead.

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 26 September 2017. 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 2017, 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 2017 and 26 September 2017 have occurred which affect the Council and are important to highlight to readers of the Statement of Accounts:

1) County Council Elections were held on 4 May 2017. Therefore, the Members of the Council, Lead Member, Chairman and Executive have changed. The notes in relation to Councillors relate to the former Council as at 31 March 2017.
2) To note that the Strategic Outline Programme (SOP) for Band B of the 21 Century Schools Programme, has been approved by the Executive on 17 July 2017 and this has been submitted to Welsh Government. The Band B programme will require significant investment from the Council and Welsh Government. The SOP for Band B shows that the Council's investment for this would be approximately £18m over the five year period 2019/2025.
3) Equal pay legal negotiations are progressing and it is likely that approximately £2.7m will be paid out for equal pay claims;
4) The White Paper for Reforming Local Government: Resilient and Renewed, issued on 31 January 2017 is being consulted on, and if approved will affect the Council in the future by requiring the Council to work more collaboratively with other councils and other stakeholders more closely. Some will be on a compulsory basis and some collaboration will be voluntary arrangements.
5) Market Hall in Holyhead has had some of its external funding package approved. This scheme in total will cost approximately £4m. Approximately £600k of funding is still awaiting approval. If this is not approved this will be a funding gap.
6) Cwmni Gwastraf Company, which was a joint venture in which the Council had a share, will be terminated and the Council will receive approximately £41k relating to its share of the assets.
7) Grenfell Tower Fire 14 June 2017 – this disaster highlighted significant fire risks from synthetic cladding particularly in relation to High-rise accommodation. The Isle of Anglesey County Council have taken certain steps and measures to re-assure tenants and the public should a fire emergency occur at one of our four mid-rise blocks.

   These mid-rise blocks include – Plas Tudur and Glan Cefni in Llangefni, Queens Park Court in Holyhead and Maes y Coed in Menai Bridge.

   The steps taken since this tragic event includes:-

   - Held safety awareness days with all four mid-rise blocks, in partnership with North Wales Fire and Rescue Service. The aim of this risk assessment is to understand personal circumstances and physical abilities, to ensure in the unlikely event of a fire, our tenants would be able to evacuate in a safe manner;
   - Written to all residents of our mid-rise blocks with a letter of re-assurance and support that Isle of Anglesey County Council are taking matters seriously and reducing any risk associated with a fire emergency;
   - Distributed a revised fire safety handbook, which has been developed specifically for our mid-rise blocks on the Island;
   - Continuous partnership working with North Wales Fire and Rescue Service, which includes undertaking urgent fire risk assessments for each block;
   - Provided sample of each block to Building Research Establishment (BRE) for testing. As expected, BRE have confirmed that our blocks do not contain the same material as used for Grenfell Tower in London;
   - Fire risk assessments are carried out on all blocks of flats by industry specialists and our fire management of blocks are periodically checked by North Wales Fire and Rescue. Any recommendations for improvements from these visits are carried out within recommended time scales.

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

2016/17	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation, impairment and amortisation of non-current assets	8,557	3,849	-	-	(12,406)
Revaluation losses on Property, Plant and Equipment	819	-	-	-	(819)
Movements in the market value of Investment Properties loss/(gain)	(298)	-	-	-	298
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(10,629)	(2,727)	-	-	13,356
Revenue expenditure funded from capital under statute	1,685	-		-	(1,685)
Derecognition - replaced parts	2,605	6,884			(9,489)
Carrying amount of non-current assets sold	6,935	326	-	-	(7,261)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Minimum Revenue Provision for Capital Funding	(3,632)	(867)	-	-	4,499
Capital expenditure charged against the Council Fund and HRA balances	(244)	(5,058)	-	-	5,302
Adjustments involving the Capital Receipts Reserve:					
Proceeds from Sale of Non-Current Assets	(4,416)	(821)	5,237	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(5,237)	-	5,237
Use of capital reserve to finance capital expenditure	-	-	-	-	-
Other Capital Receipts	-	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:					
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	91	44	-	-	(135)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	12,158	38	-	-	(12,196)
Employer's pensions contributions and direct payments to pensioners payable in the year	(9,042)		-	-	9,042
					-
Adjustment involving Unequal Back-Pay Adjustment Account					
Amounts charged to CIES that are different from the cost of settlements chargeable in year in accordance with statutory requirements	512	-	-	-	(512)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Adjustments in relation to short-term compensated absences	(255)	(10)	-	-	265
Total Adjustments	**4,846**	**1,658**	**-**	**-**	**(6,504)**

2015/16	Usable Reserves				Movement in Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation, impairment and amortisation of non-current assets	8,576	3,779	-	-	(12,355)
Revaluation losses/(gains) on Property, Plant and Equipment	(765)	(134)	-	-	899
Movements in the market value of Investment Properties	(186)	-	-	-	186
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(8,585)	(2,919)	-	-	11,504
Revenue expenditure funded from capital under statute	880	21,169	-	-	(22,049)
Derecognised Assets - replaced parts	4,454	5,489			(9,943)
Carrying amount of Non-current Assets sold	1,399	285	-	-	(1,684)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Minimum Revenue Provision for Capital Funding	(3,606)	(453)	-	-	4,059
Capital expenditure charged against the Council Fund and HRA balances	(180)	(2,725)	-	-	2,905
Adjustments involving the Capital Receipts Reserve:					
Proceeds from Sale of Non-current Assets	(3,024)	(794)	3,818	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(3,818)	-	3,818
Use of capital reserve to finance capital expenditure	(115)	-	-	-	115
Other Capital Receipts	-	-	-	-	-
Capital Receipts Reserve set aside to repay debt	-	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:					
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	97	38	-	-	(135)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	14,036	228	-	-	(14,264)
Employer's pension contributions and direct payments to pensioners payable in the year	(8,556)	(228)	-	-	8,784
Adjustment involving Unequal Back-Pay Adjustment Account					
Amounts charged to CIES that are different from the cost of settlements chargeable in year in accordance with statutory requirements	713	-	-	-	(713)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Adjustments in relation to short-term compensated absences	282	(9)	-	-	(273)
Total Adjustments	**5,420**	**23,726**	**-**	**-**	**(29,146)**

NOTE 8 – EARMARKED RESERVES

	Balance as at 01/04/2015 £'000	Transfers In 2015/16 £'000	Transfers Out 2015/16 £'000	Balance as at 31/03/2016 £'000	Transfers In 2016/17 £'000	Transfers Out 2016/17 £'000	Balance as at 31/03/2017 £'000
Capital - Revenue contributions unapplied	770	313	(184)	899	-	-	899
Penhesgyn Waste Landfill Site Reserve	2,000	-	-	2,000	-	-	2,000
Restricted Reserves	8,211	1,333	(1,661)	7,883	2,719	(3,943)	6,659
Invest-to-save	-	-	-	-	1,000	(29)	971
Job Evaluation	2,528	244	(2)	2,770	-	(2,770)	-
Equal Pay	-	865	-	865	513	(318)	1,060
Recycling	264	60	-	324	73	-	397
Major Repairs Reserve (HRA)	860	-	(860)	-	-	-	-
Insurance Fund	2,161	175	(1,086)	1,250	356	(235)	1,371
Total	**16,794**	**2,990**	**(3,793)**	**15,991**	**4,661**	**(7,295)**	**13,357**

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.

Penhesgyn Waste Landfill Site Reserve – this reserve has been set up to fund remodelling work relating to groundwork at the landfill site.

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.

Job Evaluation – the reserve for costs arising from the job evaluation exercise which was required by law was fully utilised during the year to fund the additional costs relating to job evaluation in 2016/17.

Equal Pay – this reserve is to fund costs arising from equal pay claims such as legal fees and claims. Some residual job evaluation costs have also been funded from this reserve as they both arise from Single Status legislation.

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

Insurance Fund - the Council runs an internal insurance account which pays for self-insured losses and which receives 'premiums' from service accounts. The known losses at year-end are provided for. This reserve is the surplus on the internal insurance account plus interest on balances and is intended to cover claims which have been incurred but have not been reported.

NOTE 9 – SCHOOLS BALANCES

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

	Balance 1 April 2015 £'000	Addition / (Reduction) for 2015/16 £'000	Balance 31 March 2016 £'000	Addition / (Reduction) for 2016/17 £'000	Balance 31 March 2017 £'000
Community and Voluntary Primary Schools	1,511	205	1,716	(294)	1,422
Community Secondary Schools	629	(325)	304	(76)	228
Community Special School	98	68	166	(10)	156
Foundation Primary School	200	76	276	7	283
Total	**2,438**	**24**	**2,462**	**(373)**	**2,089**

At 31 March 2017, all schools had balances in surplus apart from 4 primary schools (3 as at 31 March 2016) and 1 secondary school (1 as at 31 March 2016), which had a combined deficit of £0.260m (£0.160m as at 31 March 2016). 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 and were used in full in 2016/17.

	2016/17 £'000	2015/16 £'000
Balance 1 April	-	-
Capital Receipts in year (net of reduction for administration costs)	5,237	3,818
	5,237	**3,818**
Less:		
Receipts set aside to repay debt	-	-
Capital Receipts used for financing	(5,237)	(3,818)
Balance 31 March	**-**	**-**

NOTE 11 – UNUSABLE RESERVES

	31/03/2017 £'000	31/03/2016 £'000
a) Capital Adjustment Account	151,541	142,604
b) Financial Instruments Adjustment Account	(385)	(250)
c) Revaluation Reserve	91,772	96,045
d) Pensions Reserve	(105,509)	(95,022)
e) Unequal Pay Reserve	(2,664)	(2,151)
f) Accumulating Compensated Absences Adjustment Account	(1,282)	(1,547)
Total Unusable Reserves	**133,473**	**139,679**

a) 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 and accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 on pages 27 and 28 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2016/17		2015/16	
	£'000	£'000	£'000	£'000
Balance at 1 April		**142,604**		**163,189**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and amortisation of non-current assets	(12,406)		(22,298)	
De-recognised assets	(9,489)		-	
Revaluation losses on Property, Plant and Equipment	(819)		899	
Revenue expenditure funded from capital under statute	(1,685)		(22,048)	
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	(7,261)		(1,684)	
		(31,660)		**(45,131)**
Adjusting amounts written out of the Revaluation Reserve		11,904		1,959
Net written out amount of the cost of non-current assets consumed in the year		**(19,756)**		**(43,172)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	5,237		3,818	
Use of capital reserve	244		115	
Application of grants to capital financing from the Capital Grants unapplied account	-		-	
Capital Receipts Reserve set aside to repay debt	-		-	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,356		11,504	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	4,499		4,059	
Capital expenditure charged against the Council Fund and HRA balances	5,059		2,905	
		28,395		**22,401**
Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement		**298**		**186**
Balance at 31 March		**151,541**		**142,604**

b) 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 provisions. 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	2016/17 £'000	2015/16 £'000
Balance at 1 April	**(250)**	**(115)**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(135)	(135)
Balance at 31 March	**(385)**	**(250)**

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	2016/17 £'000	2015/16 £'000
Balance at 1 April	**96,045**	**85,178**
Revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	7,631	12,826
Difference between fair value depreciation and historical cost depreciation	(1,629)	(1,470)
Revaluation balances on assets scrapped or disposed of	(10,275)	(489)
Balance at 31 March	**91,772**	**96,045**

d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The 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.

Pensions Reserve	2016/17 £'000	2015/16 £'000
Balance at 1 April	**(95,022)**	**(125,477)**
Re-measurement of net defined liability	(7,334)	35,938
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	(12,195)	(14,266)
Employers' pension contribution and direct payment to pensioners payable in the year	9,042	8,783
Balance at 31 March	**(105,509)**	**(95,022)**

e) Unequal Pay Reserve

The Back-Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back-pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

Unequal Pay Reserve	2016/17 £'000	2015/16 £'000
Balance at 1 April	**(2,151)**	**(1,438)**
Increase in provision for back-pay in relation to Equal Pay cases	(513)	(713)
Cash settlements paid in the year	-	-
Balance at 31 March	**(2,664)**	**(2,151)**

f) 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.

Accumulating Compensated Absences Adjustment Account	2016/17 £'000	2015/16 £'000
Settlement or cancellation of accrual made at the end of the preceding year	(1,547)	(1,274)
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	265	(273)
Amounts accrued at the end of the current year	**(1,282)**	**(1,547)**

NOTE 12 – OTHER OPERATING EXPENDITURE

	2016/17 £'000	Restated 2015/16 £'000
Precept paid to North Wales Police	7,264	7,107
Precept paid to Community Councils	1,179	1,059
(Surplus)/ Losses on the disposal of non-current assets (Including De-recognition)	11,533	7,944
Levies	3,195	3,204
Other	(129)	(147)
Total	**23,042**	**19,167**

NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2016/17 £'000	2015/16 £'000
Interest payable and similar charges	6,003	5,985
Net interest on the defined liability	3,321	4,038
Interest receivable and similar income	(54)	(89)
Income and Expenditure in relation to investment properties and changes in their fair value	(409)	(270)
Total	**8,861**	**9,664**

	2016/17 £'000	2015/16 £'000
Income/Expenditure from Investment Properties:		
Income including rental income	(359)	(848)
Expenditure	140	764
Net Expenditure/Income from investment properties	**(219)**	**(84)**
Deficit on sale of Investment Properties:		
Proceeds from sale	(145)	-
Carrying amount of investment properties sold	253	-
Deficit on sale of Investment Properties:	**108**	**-**
Changes in Fair Value of Investment Properties	**(298)**	**(186)**
Total	**(409)**	**(270)**

NOTE 14 - TAXATION AND NON-SPECIFIC GRANT INCOME

	2016/17 £'000	Restated 2015/16 £'000
Council Tax Income	39,968	38,828
Non-Domestic Rates Redistribution	21,309	20,471
Revenue Support Grant	65,520	67,268
Council Tax Reduction Scheme Grant	5,099	5,228
Other Government Grants	-	725
Capital Grants Applied To Fund Capital Expenditure	13,356	11,504
Total	**145,252**	**144,024**

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

2016/17	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
Cost or Valuation								
At 1 April 2016	**107,741**	**188,334**	**76,353**	**10,659**	**9**	**3,759**	**1,187**	**388,042**
Adjustment opening balance	**-**	**-**	**(549)**	**-**	**-**	**549**	**-**	**-**
Additions (Note 20)	8,511	3,971	8,287	1,109	-	11,024	-	**32,902**
Revaluation inc./(decr.) to Rev. Reserve	-	1,122	-	-	-	-	248	**1,370**
Revaluation inc./(decr.) to (Surplus) / Deficit on the Prov. of Services	-	(1,294)	-	-	-	-	(27)	**(1,321)**
De-recognition - Disposals	(340)	(1,219)	-	-	-	-	(115)	**(1,674)**
De-recognition - other	-	(1,595)	-	-	-	-	-	**(1,595)**
De-recognition - Replaced parts	(6,885)	(2,605)	-	-	-	-	-	**(9,490)**
Reclassification	-	(31)	1,437	-	-	(1,437)	31	**-**
Reclassifications & Transfers from Assets Held for Sale	-	-	-	-	-	-	751	**751**
Reclassification to Assets Held for Sale	-	(83)	-	-	-	-	(100)	**(183)**
Reclassified from Investment Property	-	-	-	-	-	-	210	**210**
Reclassified to Investment Property	-	-	-	-	-	-	-	**-**
Balance as at 31 March 2017	**109,027**	**186,600**	**85,528**	**11,768**	**9**	**13,895**	**2,185**	**409,012**
Depreciation and Impairment								
At 1 April 2016	**-**	**10,340**	**20,637**	**6,722**	**-**	**-**	**60**	**37,759**
Adjustment Cost and Depreciation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation Charge	3,591	4,964	2,845	834	-	-	12	**12,246**
Depreciation written out to Revaluation Reserve	-	(3,702)	-	-	-	-	(7)	**(3,709)**
Depreciation written out to Surplus or Deficit on the Provision of Services	-	(634)	-	-	-	-	(3)	**(637)**
De-recognition - Disposals	(14)	(358)	-	-	-	-	-	**(372)**
Reclassification	-	(5)	-	-	-	-	5	**-**
Reclassification to Assets Held for Sale	-	(11)	-	-	-	-	-	**(11)**
Reclassification to Investment Property	-	-	-	-	-	-	-	**-**
Balance as at 31 March 2017	**3,577**	**10,594**	**23,482**	**7,556**	**-**	**-**	**67**	**45,276**
Net Book Value								
Balance as at 31 March 2017	**105,450**	**176,006**	**62,046**	**4,212**	**9**	**13,895**	**2,118**	**363,736**
Balance as at 31 March 2016	**107,741**	**177,994**	**55,716**	**3,937**	**9**	**3,759**	**1,127**	**350,283**

2015/16	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
Cost or Valuation								
At 1 April 2015	**118,255**	**181,586**	**70,265**	**9,584**	**9**	**472**	**1,590**	**381,761**
Adjustment Cost and Depreciation	-	2,336	1,926	10	-	-	(38)	**4,234**
Additions (Note 20)	6,077	4,648	4,162	1,065	-	3,287	-	**19,239**
Revaluation inc./(decr.) to Rev. Reserve	(10,805)	6,105	-	-	-	-	(244)	**(4,944)**
Revaluation inc./(decr.) to Surplus / Deficit on the Prov. of Services	-	223	-	-	-	-	(221)	**2**
De-recognition - Disposals	(297)	(1,224)	-	-	-	-	(50)	**(1,571)**
De-recognition - other (restated)	(5,489)	(4,454)	-	-	-	-	-	**(9,943)**
Reclassifications & Transfers from Assets Held for Sale	-	550	-	-	-	-	-	**550**
Reclassified to Held for Sale Assets	-	(916)	-	-	-	-	-	**(916)**
Reclassified to Surplus Assets	-	(150)	-	-	-	-	150	**-**
Reclassified to Investment Property	-	(370)	-	-	-	-	-	**(370)**
Balance as at 31 March 2016	**107,741**	**188,334**	**76,353**	**10,659**	**9**	**3,759**	**1,187**	**388,042**
Depreciation and Impairment								
At 1 April 2015	**5,520**	**10,190**	**15,900**	**5,962**	**-**	**-**	**112**	**37,684**
Adjustment Cost and Depreciation	**-**	2,336	1,926	10	-	-	(38)	**4,234**
Depreciation Charge	3,607	5,035	2,811	750	-	-	25	**12,228**
Depreciation written out to Revaluation Reserve	(9,115)	(5,682)	-	-	-	-	(48)	**(14,845)**
Depreciation written out to Surplus or Deficit on the Provision of Services	-	(1,377)	-	-	-	-	-	**(1,377)**
De-recognition - Disposals	(12)	(30)	-	-	-	-	-	**(42)**
Reclassification to Assets Held for Sale	-	(19)	-	-	-	-	-	**(19)**
Reclassification to Surplus Assets	-	(9)	-	-	-	-	9	**-**
Reclassification to Investment Property	-	(104)	-	-	-	-	-	**(104)**
Balance as at 31 March 2016	**-**	**10,340**	**20,637**	**6,722**	**-**	**-**	**60**	**37,759**
Net Book Value								
Balance as at 31 March 2016	**107,741**	**177,994**	**55,716**	**3,937**	**9**	**3,759**	**1,127**	**350,283**
Balance as at 31 March 2015	**112,735**	**171,396**	**54,365**	**3,622**	**9**	**472**	**1,478**	**344,077**

Revaluations

The Council has £368.093m recognised as Property, Plant and Equipment and Heritage Assets on its Balance Sheet as at 31 March 2017. The Council has now adopted a five-year rolling programme for the valuation of its land and property. However, PPE assets with a fair value of £500k or more are revalued each year. The programme is constructed in such a way as to ensure that entire classes of assets within its land and property portfolio greater than £500k are revalued in a single year. The valuations are undertaken by the Council's in-house valuation team who are members of the Royal Institute of Chartered Surveyors (RICS). The valuations have been completed in accordance with IFRS13. Non-property assets have not been revalued as the Council has judged that the carrying value of these assets is approximate to fair value, given their relatively short useful economic lives and the relative value of these assets.

NOTE 16 - SIGNIFICANT CAPITAL COMMITMENTS

At 31 March 2017, 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 in 2017/18 and future years as shown in the table below. Similar commitments to 31 March 2016 were £15.1m. The significant increase is the result of progress being made in the rollout of the Authority's 21st Century Schools programme and progress with the Llangefni Link Road. The 21st Century Schools programme and the Link Road will receive significant funding from Welsh Government.

	Commitment into 2017/18 & future years as at 31 March £'000	Commitment into 2016/17 & future years as at 31 March £'000
21st Century Schools - Holyhead	677	7,540
21st Century Schools - Llannau	1,951	4,496
Llangefni Link road	393	3,064
Total	**3,021**	**15,100**

NOTE 17 – HERITAGE ASSETS

2016/17

	Art Collection and Civic Regalia £'000	Heritage Land & Buildings £'000	Total Heritage Assets £'000
Cost or Valuation			
At 1 April 2016	**1,834**	**1,644**	**3,478**
Additions	-	-	-
Disposal	-		-
Revaluation	-	316	**316**
Reclassification from Investment Property	-	-	-
At 31 March 2017	**1,834**	**1,960**	**3,794**
Accumulated Depreciation and Impairment			
At 1 April 2016	-	**284**	**284**
Depreciation Charge	-	56	**56**
At 31 March 2017	-	**340**	**340**
Net Book Value			
At 31 March 2017	**1,834**	**1,620**	**3,454**
At 31 March 2016	**1,834**	**1,360**	**3,194**

2015/16

	Art Collection and Civic Regalia £'000	Heritage Land & Buildings £'000	Total Heritage Assets £'000
Cost or Valuation			
At 1 April 2015	**1,795**	**1,644**	**3,439**
Additions	39	-	**39**
Disposal	-		
Revaluation	-		
Reclassification from Investment Property	-		
At 31 March 2016	**1,834**	**1,644**	**3,478**
Accumulated Depreciation and Impairment			
At 1 April 2015	**-**	**227**	**227**
Depreciation Charge	-	57	**57**
At 31 March 2016	**-**	**284**	**284**
Net Book Value			
At 31 March 2016	**1,834**	**1,360**	**3,194**
At 31 March 2015	**1,795**	**1,417**	**3,212**

Revaluation of Heritage Assets

A number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. At 31 March 2017, there were four such assets (unchanged from 31 March 2016):-

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

The revaluation of these assets follows the Council's standard revaluation procedures for land and property. The Heritage Assets were last revalued in 2016/17.

A valuation for the Art Collections was obtained during 2012/13 and the resulting value was reflected in the 2012/13 Accounts. The last 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.

The Anglesey Art Gallery and museum have had donated a collection of more than 30 paintings by the late Harry Hughes Williams, a painter of the North Wales landscape. The assets are held in trust and have not been included on the Balance Sheet because the cost of obtaining a valuation would not be commensurate with benefits to the users of the financial statements.

NOTE 18– INVESTMENT PROPERTIES

a) Investment Properties

	2016/17 £'000	2015/16 £'000
Balance at start of the year	5,983	7,145
Additions:		
- Subsequent expenditure	-	-
Disposals	(254)	-
Net gains/(losses) from fair value adjustments	298	186
Transfers:		
- (to)/from Asset held for Sale	275	(1,613)
- (to)/from Property, Plant and Equipment	(210)	265
Balance at end of the year	**6,092**	**5,983**

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

b) Fair Value Measurement of Investment Properties

2016/17 Fair Value Hierarchy

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000	Fair Value as at 31 March 2017 £'000
Retail Properties	-	552	-	552
Office units	-	182	-	182
Commercial units	-	5,358	-	5,358
Total	**-**	**6,092**	**-**	**6,092**

2015/16 Fair Value Hierarchy

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000	Fair Value as at 31 March 2016 £'000
Retail Properties	-	1,754	-	1,754
Office units	-	605	-	605
Commercial units	-	3,624	-	3,624
Total	**-**	**5,983**	**-**	**5,983**

c) Valuation approaches used in the valuation of Investment Properties

Residential

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

The fair value of the Authority's investment property is measured annually at each reporting period. All valuations are carried out internally in accordance with the methodologies and base for estimations set out in the professional standards of the Royal Institute of Chartered Surveyors. The Authority's valuations experts work closely with finance officers, reporting directly to the Section 151 Officer on a regular basis regarding all valuation matters.

NOTE 19 – INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item within Property, Plant and Equipment.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £102k charged to revenue in 2016/17 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

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:-

	2016/17 £'000	2015/16 £'000
Balance at start of year:		
Gross carrying amounts	1,247	1,092
Accumulated amortisation	(830)	(760)
Net carrying amount at start of year	**417**	**332**
Additions	291	155
Amortisation for the financial year	(102)	(70)
Net carrying amount at end of year	**606**	**417**
Comprising:		
Gross carrying amounts	1,538	1,247
Accumulated amortisation	(932)	(830)
Net carrying amount at end of year	**606**	**417**

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.

	2016/17 £'000	2015/16 £'000
Opening Capital Financing Requirement	**127,656**	**108,576**
Capital Invested in Year		
Property, Plant and Equipment	32,902	19,239
Intangible Assets	291	155
Heritage Assets	-	39
Revenue Expenditure Funded from Capital Under Statute	3,447	24,542
Total	**36,640**	**43,975**
Source of Finance		
Capital receipts	(5,237)	(3,818)
Reserve	(8)	(115)
Government Grants and Contributions	(13,356)	(11,504)
Revenue Provisions	(5,058)	(2,905)
Loan	(148)	-
Insurance	(236)	-
REFCUS Grants	(1,784)	(2,494)
Minimum Revenue Provision and Set Aside	(4,455)	(4,059)
Total	**(30,282)**	**(24,895)**
Net Increase/(Decrease) in Capital Financing Requirement	**6,358**	**19,080**
Closing Capital Financing Requirement	**134,014**	**127,656**
Explanation of Movement in Year		
Increase in underlying need to borrow supported by Government assistance	6,223	-
Increase in underlying need to borrow unsupported by Government assistance	4,590	23,139
Minimum Revenue Provision and Voluntary Set Aside	(4,455)	(4,059)
Net Increase/(Decrease) in Capital Financing Requirement	**6,358**	**19,080**

NOTE 21 – ASSETS HELD FOR SALE

	Current		Non-Current	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Balance outstanding at start of year	**6,388**	**2,137**	**-**	**-**
Assests newly classified as held for sale:				
Transferred from Property, Plant and Equipment during the year	172	897	-	-
Transferred from Investment Property during the year	-	1,615	-	-
Transfer to Property, Plant and Equipment	(751)	(550)	-	-
Transfer to Investment Property	(275)	-	-	-
Costs of Assets Sold	(4,111)	(155)	-	-
Revaluation	2,101	2,444	-	-
Balance outstanding at year-end	**3,524**	**6,388**	**-**	**-**

NOTE 22 – LEASES

Operating Leases

The Council had leased two properties at 31 March 2017 for its homelessness function (two properties at 31 March 2016) and the lease rentals for the year totalled £0.012m (£0.012m 2015/16).

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 £0.158m in 2016/17 (£0.150m in 2015/16).

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 2017 £'000	31 March 2016 £'000
Work in Progress	-	53
Central Stores - Building Maintenance Unit	140	146
Gofal Môn - Social Services Supplies	87	90
Other - Stationery and other consumables, fuel and goods held for resale	140	163
Total	**367**	**452**

NOTE 24 - DEBTORS

	Long-Term Debtors		Short-Term Debtors	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Government Departments	-	-	7,064	5,430
NDR and Council Tax	-	-	3,595	5,749
Other Local Authorities	-	-	1,277	1,037
Rents	-	-	134	208
Employee Car Loans	248	291	153	135
Health Service/Public Bodies	-	-	1,333	977
VAT	-	-	1,560	2,052
Trusts	-	-	853	534
Trade Debtors	300	299	1,789	2,383
Bodies external to Central Government	-	-	26	-
Other	98	98	2,415	4,853
Total	**646**	**688**	**20,199**	**23,358**

The above debtors' figures are net of bad debt provisions totalling £5.653m in 2016/17 (£5.414m in 2015/16), which can be analysed as follows:-

	31-Mar-17 £'000	31-Mar-16 £'000	Movement in Year
Council Tax	1,571	1,199	372
NDR	731	701	30
Rents	560	608	(48)
Trade Debtors	2,791	2,906	(115)
Total	**5,653**	**5,414**	**239**

NOTE 25 - CASH AND CASH EQUIVALENTS

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

	31 March 2017 £'000	31 March 2016 £'000
Cash and Bank balances	14,940	17,624
Bank Overdraft	-	-
Total	**14,940**	**17,624**

NOTE 26 – CREDITORS

	Long-Term Creditors		Short-Term Creditors	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Government Departments	-	-	6,130	5,541
Other Authorities	-	-	1,554	500
Trust Balances	-	-	1,033	888
Health Service/Public Bodies	-	-	107	144
Accumulated Absences	-	-	1,282	1,547
Receipts in advance	-	-	1,009	645
Trade creditors	-	-	152	3,666
Other	166	59	8,964	9,199
Total Creditors	**166**	**59**	**20,231**	**22,130**

NOTE 27 - PROVISIONS

	Balance at 1 April 2015 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2016 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2017 £'000
Insurance Claims Provision	221	38	-	259	366	(457)	168
Penhesgyn Waste Site	2,569	-	(57)	2,512	217	(98)	2,631
Termination Benefits	23	-	-	23	-	(23)	-
Job Evaluation	2,900	-	(2,774)	126	-	(126)	-
Equal Pay	3,016	-	(865)	2,151	512	-	2,663
Total	**8,729**	**38**	**(3,696)**	**5,071**	**1,095**	**(704)**	**5,462**
Short-Term Provisions	6,160	38	(3,639)	2,559	878	(606)	2,831
Long-Term Provisions	2,569	-	(57)	2,512	217	(98)	2,631
Total	**8,729**	**38**	**(3,696)**	**5,071**	**1,095**	**(704)**	**5,462**

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 from site closure is deemed acceptable.

Termination Benefits

The provision is to meet known future liabilities arising from staff reductions following the restructure of Council departments. Benefits are currently being paid either in the year in which the termination is agreed or by payments in instalments to Gwynedd Pension Fund. The final amount from this provision was used to help fund termination benefits in 2016/17 which has cleared the provision to nil.

Job Evaluation

The provision is to allow for back-pay awarded as a result of a Council-wide review of employee terms and conditions. The remaining balance on the provision was fully utilised in 2016/17 on job evaluation costs.

Equal Pay

This is a provision for ongoing legal claims against the Council in relation to Equal Pay. However, this is offset by the unequal pay unusable reserve, which cancels this provision to zero in the Council fund. This is in accordance with CIPFA guidance, which allows the Council to delay the impact of Equal Pay claims on the Council Fund until the year the claims are settled.

NOTE 28 – CASH FLOW FROM OPERATING ACTIVITIES

	2016/17 £'000	2015/16 £'000
Adjustment to surplus or deficit on the Provision of Services for non-cash movements		
Depreciation and Impairment	12,302	22,298
HRA buy-out	-	21,169
Downward/(upwards) revaluations and non-sale de-recognitions/(gains)	10,308	(899)
Amortisation	102	70
(Increase)/Decrease in Inventories	85	114
(Increase)/Decrease in Debtors	3,202	(2,462)
Increase/(Decrease) in impairments for Bad Debts	239	(28)
Increase/(Decrease) in Creditors	(1,792)	5,890
Increase/(Decrease) in Capital Grants receipts in advance	(1,029)	922
Transactions within the CIES relating to retirement benefits	3,154	5,481
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	7,261	1,684
Contributions to/(from) Provisions	391	(3,600)
Movement in value of investment properties - Impairment and downward revaluations (and non-sale de-recognitions)	(298)	(186)
Total	**33,925**	**50,453**
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	(5,237)	(3,818)
Capital grants included in "Taxation and non-specific grant income"	(13,356)	(11,504)
Total	**(18,593)**	**(15,322)**

NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

	2016/17 £'000	2015/16 £'000
Purchase of Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets	(33,193)	(19,433)
Short-Term Investments (not considered to be cash equivalents)	5	-
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	5,237	3,818
Capital Grants and Contributions Received	13,356	11,504
Net Cash flows from Investing Activities	**(14,595)**	**(4,111)**

NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

	2016/17 £'000	2015/16 £'000
Cash Receipts from Short and Long-Term Borrowing	6,198	-
Difference between cash paid and received as part of NDR Pool 2016/17	(276)	(1,514)
Other	197	(275)
Net Cash flows from Financing Activities	**6,119**	**(1,789)**

	2016/17 £'000	2015/16 £'000
Interest Received	(54)	(88)
Interest Paid	6,003	5,985

NOTE 31 – NATURE OF EXPENSES NOTE

The Comprehensive Income and Expenditure Statement provides financial information in relation to expenditure and income per service. This nature of expenses note provides financial information per type of expenditure rather than by service.

	2016/17 £'000	2015/16 £'000
Expenditure		
Employee benefits	89,160	87,586
Other services expenses	114,463	129,734
Support services recharge	11,636	11,696
Depreciation, amortisation, impairment	13,225	21,399
Interest Payments	9,324	10,023
Precepts and levies	11,509	11,223
Loss / (Gain) on disposal of assets	11,533	(1,999)
Total Expenditure	**260,850**	**269,662**
Income		
Fees, charges and other service income	(55,484)	(52,132)
Interest and investment income	(462)	(359)
Income from council tax, non-domestic rates	(145,252)	(144,024)
Government grants and contributions	(50,112)	(49,135)
Total Income	**(251,310)**	**(245,650)**
(Surplus) or Deficit on the Provision of Services	**9,540**	**24,012**

NOTE 32 – TRADING OPERATIONS

The Council has no Trading Operations.

NOTE 33 - MEMBERS' ALLOWANCES

A total of £0.681m (£0.677m in 2015/16) was paid in respect of allowances to Council Members during the year as follows:-

	2016/17 £'000	2015/16 £'000
Basic and Special responsibility allowances	547	547
Chairman and Deputy Chairman's Allowance	6	6
Pension Costs	57	57
National Insurance Costs	43	38
Travel Costs	6	12
Subsistence	3	4
Miscellaneous	19	11
Total	**681**	**676**

In addition, the Council spent £7,281 on expenses for lay members (£8,814 in 2015/16).

NOTE 34 – OFFICERS' REMUNERATION

The number of employees whose actual remuneration paid was more than £60,000 but not more than £150,000 in 2016/17, excluding pension contributions but including severance pay, is as follows:-

Officer Remuneration	Including Severance Pay 2016/17 Number of Employees	Including Severance Pay 2015/16 Number of Employees	Excluding Severance Pay 2016/17 Number of Employees	Excluding Severance Pay 2015/16 Number of Employees
£60,000 to £65,000	5	5	5	5
£65,001 to £70,000	3	3	3	2
£70,001 to £75,000	7	3	7	3
£75,001 to £80,000	3	-	3	2
£80,001 to £85,000	2	-	2	-
£85,001 to £90,000	2	-	2	-
£90,001 to £95,000	-	1	-	1
£95,001 to £115,000	-	-	1	-
£115,001 to £135,000	1	1	-	-
£135,001 to £155,000	-	-	-	-
Over £155,000	-	1	-	-
Total	**23**	**14**	**23**	**13**

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 £60,000 per annum. Senior employees whose remuneration exceeds £150,000 per annum are also named individually to comply with statutory requirements:-

2016/17

Senior Officer Remuneration	Salary, Fees and Allowances £'000	Expenses Allowances £'000	Pension Contribution £'000	Total £'000
Chief Executive *	121	2	22	145
Assistant Chief Executive	86	1	16	103
Assistant Chief Executive	86	2	16	104
Head of Council Business	75	-	14	89
Head of Resources and S151 Officer	82	1	15	98
Head of Profession - (HR)	63	-	12	75
Head of Housing	66	1	12	79
Head of Regulation and Economic Development	72	2	13	87
Head of Lifelong Learning	72	2	13	87
Head of Children's Services	56	-	14	70
Head of Adult Services	72	-	13	85
Head of Highways, Property and Waste	66	1	12	79
Head of Corporate Transformation	66	-	12	78
Chief Planning Officer - Energy Island	61	-	11	72
Total	**1,044**	**12**	**195**	**1,251**

* Note: Returning officer element of Chief Executive salary is £9,150.

Comparative figures for 2015/16 are shown in the following table:-

Senior Officer Remuneration	Salary, Fees and Allowances £'000	Expenses Allowances £'000	Compensation for loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive - Left 31/05/2015	24	-	-	4	28
Chief Executive - Commenced 01/06/2015	92	1	-	17	110
Assistant Chief Executive - Commenced 01/01/2016	22	-	-	4	26
Assistant Chief Executive - Commenced 02/11/2015	35	7	-	7	49
Director- Community - Left 31/12/2015	75	-	48	14	137
Director - Sustainable Development (Arthur Owen) - Left 31/12/2015	78	-	87	14	179
Head of Function - Legal & Admin	74	-	-	14	88
Head of Function - Resources - Commenced 26/10/2015	35	1	-	7	43
Director - Lifelong Learning - Left 31/05/2015	17	-	-	3	20
Head of Profession - HR	61	-	-	11	72
Head of Service (Housing)	65	1	-	12	78
Head of Service (Economic)	63	1	-	12	76
Head of Service (Learning)	72	2	-	13	87
Head of Service (Children's)	63	1	-	12	76
Head of Service (Adults)	71	-	-	13	84
Head of Service (Planning)	63	-	-	12	75
Head of Service (Environment)	65	1	-	12	78
Total	**975**	**15**	**135**	**181**	**1,306**

* Note: Within the Chief Executive's salaries, fees and allowances a Returning Officer payment of £2,840 is included.

The remuneration ratio of the Chief Executive to the median remuneration of all employees during 2016/17 is 6.47:1 (6.47:1 in 2015/16).

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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £000	2015/16 £000
£0 - £20,000	19	24	19	23	38	47	259	378
£20,001 - £40,000	2	1	6	14	8	15	202	428
£40,001 - £60,000	-	-	-	6	-	6	-	276
£60,001 - £80,000	-	-	-	2	-	2	-	127
£80,001 - £100,000	-	1	-	-	-	1	-	89
£100,001 - £250,000	-	1	-	1	-	2	-	234
Total	**21**	**27**	**25**	**46**	**46**	**73**	**461**	**1,532**

NOTE 36 – EXTERNAL AUDIT FEES

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

	2016/17 £'000	2015/16 £'000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	193	191
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for prior years	-	18
Fees payable to the Wales Audit Office in respect of statutory inspections	114	114
Fees payable to Deloitte for the certification of grant claims and returns for the year	88	106
Total	**395**	**429**

NOTE 37 – GRANTS INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17 and 2015/16 as follows:-

	Note	2016/17 £'000	2015/16 £'000
Credited to Taxation and Non-Specific Grant Income			
Council Tax Reduction Scheme Grant	14	5,099	5,228
Revenue Support Grant (Non-ring-fenced Government Grants)	14	65,520	67,267
Capital Grants and Contributions	14	10,629	8,848
Grant - HRA (Capital Grants and Contributions)	14	2,727	2,656
Other (Non-ring-fenced Government Grants)	14	-	725
Total		**83,975**	**84,724**
Credited to Services			
Grants:			
Post-16 Grant (Education)		2,554	2,616
Foundation Phase Grants (Education)		1,853	1,935
Concessionary Fares Grant		774	735
Housing Benefit Subsidy		18,441	18,694
Supporting People Grant (SPG & SPRG)		2,644	2,644
Sustainable Waste Management		1,654	1,713
Total		**27,920**	**28,337**
Other Grants:			
Central Services		21	77
Cultural and Related Services		259	516
Children and Education Services		5,742	3,379
Highways and Transport Services		1,479	1,532
Other Housing Services		1,654	1,284
Adult Social Care Grants		1,096	779
Planning and Development		469	756
Environmental Services		380	40
Corporate and Democratic Core		322	498
Total		**11,422**	**8,861**
Contributions:		**10,768**	**11,939**
Total		**134,085**	**133,861**

Capital Grants Received in Advance

	2016/17 £'000	2015/16 £'000
Opening balance	1,302	380
Add: new capital grants received in advance (condition of use not met)	9,675	11,555
Capital Grants repaid	(43)	(43)
Less: amounts released to the Comprehensive Income and Expenditure Account (conditions met)	(10,661)	(10,590)
Closing Balance	**273**	**1,302**

NOTE 38 – RELATED PARTIES

The Council appoints members to certain public, charitable and voluntary bodies. During 2016/17, a total of £3.280m was paid in grants for the purchase of services from these bodies (£4.546m 2015/16). The Council has assessed the materiality of individual transactions arising through related parties and the following disclosures are concerned with transactions between the Council and the related party that have a value in excess of £0.02m:-

The Council is a member of the Welsh Local Government Association, to which subscriptions of £0.095m were paid in 2016/17 (£0.079m 2015/16).

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 £nil was paid by the Council in 2016/17 in relation to these interests (£nil 2015/16).

Betsi Cadwalader University Health Board, through common control by central Government, is a related party to the Council. Payments made by the Council for 2016/17 to BCUHB amounted to £1.185m (£1.256m 2015/16) and no further amounts were owed at year-end. Receipts taken in by the Council from BCUHB came to £2.093m (£1.049m 2015/16), with £1.294m (£0.872m 2015/16) due from our related party at year-end.

There are a number of organisations 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.

INTERESTS IN COMPANIES

The Council has an interest in two companies and, in each case, the other member is Gwynedd Council but it does not have significant influence over these companies:-

Cwmni Gwastraff Môn-Arfon Cyf

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

Following a change in legislation, the two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff transferred to the Council in 2008, together with a balancing amount in cash. The investment has been revalued each year and most of the shareholders' funds have been returned to the two Councils. The remaining interest in the company at 31 March 2017 is not material to the accounts of the Council.

Cwmni Cynnal Cyf

This company was established jointly by Ynys Môn and Gwynedd Councils on local government reorganisation. It provides education support services under contract to maintained schools and to the local education authorities and schools inspection services to Estyn. The income of the company can only be applied towards the promotion of its objectives. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound.

The company accounts for 2015/16 show a net loss of £0.124m (£0.09m loss 2014/15). The turnover for 2015/16 was £2.735m (£3.013m 2014/15). The company's published accounts show net liabilities of £0.490m as at 31 March 2016 (net liabilities were £0.508m at 31 March 2015).

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 2016 is not qualified. During 2016/17 financial year, the Council accounted for costs of £0.719m (£0.813m 2015/16) relating to the purchase of services from the company.

The Council 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 2016/17 financial year, the Council accounted for £0.414m (£0.449m 2015/16) for purchase of services from the company.

The company accounts for 2015/16 (that is to year ended 30 September) show a net negative movement in funds of £12.785m (net positive movement in funds of £5.263m 2014/15). The turnover for 2015/16 was £41.364m (£40.704m 2014/15) and net assets amounted to £19.068m as at 30 September 2016 (£31.681m as at 30 September 2015).

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 2016 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 2017. The company's objectives are to promote economic growth in rural Anglesey. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound.

During the 2016/17 financial year, the Council made payments of £0.090m to the company in support of the activities (£0.133m 2015/16).

The company accounts for the financial year ended 31 December 2015 shows net income before tax of £0.365m (net expenditure before tax of £0.115m in 2014/15). The turnover for 2015 was £4.258m (£7.092m in 2014) and net assets amounted to £0.542m as at 31 December 2015 (£0.026m in 2014).

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 2015 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 £0.631m at 31 March 2017 (£0.613m at 31 March 2016), on a combination of valuation and historical cost, less depreciation. The non-current assets are vested in the school's Governing Body and are not consolidated in this Council's Balance Sheet.

NOTE 39 - TRUST FUNDS

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

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

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

In 2016/17, the Council received £0.215m (£0.215m in 2015/16) from the Trust towards the running costs of Oriel Ynys Môn. The Council was also reimbursed for financial management and governance costs.

Welsh Church Fund

The investments of this fund are currently being administered by Gwynedd Council on behalf of the successor authorities of Gwynedd County Council. In the future, Anglesey's share of the Welsh Church Fund will be transferred to the Isle of Anglesey County Council to administer.

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 2017, the balances of these Trust funds (at market value of the assets) are:-

Pre Audited Statement Summary	2016/17 Income £'000	2016/17 Expenditure £'000	2016/17 Assets £'000	2016/17 Liabilities £'000
Isle of Anglesey Charitable Trust	583	648	22,360	578
Welsh Church Fund	6	20	913	20
Anglesey Further Education Trust Fund	163	831	2,503	-

Audited Statement Summary	2015/16 Income £'000	2015/16 Expenditure £'000	2015/16 Assets £'000	2015/16 Liabilities £'000
Isle of Anglesey Charitable Trust	856	822	19,997	928
Welsh Church Fund	6	11	957	20
Anglesey Further Education Trust Fund	106	207	3,242	63

The total value of the other funds, including investments at market value, is £0.136m as at 31 March 2017 (£0.244m as at 31 March 2016).

During 2016/17, 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.

Trust Fund balances are not included 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 2016/17, the Council paid £3.771m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.12% of pensionable pay (£3.502m and 14.79% in 2015/16).

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 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:-

	2016/17 £'000	2015/16 £'000
Service cost comprising:		
Current service cost	8,778	10,132
Losses on settlements or curtailments	97	96
Total Service cost	**8,875**	**10,228**
Financing and Investment Income and Expenditure		
Interest cost on defined benefit obligation	11,440	11,255
Interest Income on scheme Assets	(8,119)	(7,217)
Total Post-employment benefits charged to the Surplus or deficit on Provision of Service	**12,196**	**14,266**
Return on Plan Assets (excluding amounts included in net interest expense)	(34,434)	1,532
Actuarial (gains) and losses arising on changes in financial assumptions	45,047	(33,606)
Other	(3,280)	(3,864)
Total re-measurement of net defined benefit liability	**7,333**	**(35,938)**
Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**19,529**	**(21,672)**
Reversal of net charges made for retirement benefits in accordance with the code	3,154	5,482
Actual amount charged against the Council Fund balance for pensions in the year:		
Employers' contributions payable to scheme	9,042	8,784
Total Post-employment benefits charged to the Surplus or deficit on Provision of Services	**12,196**	**14,266**

b) Pension Assets and Liabilities recognised in the Balance Sheet

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

Amounts included in the Balances Sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows:	31 March 2017 £'000	31 March 2016 £'000
Present Value of Scheme Assets	275,083	231,770
Present Value of Scheme Liabilities	(380,592)	(326,792)
Net liability arising from defined obligation	**(105,509)**	**(95,022)**

Reconciliation of Present Value of the Scheme Liabilities

	2016/17 £'000	2015/16 £'000
Balance as at 1 April	**326,792**	**350,438**
Current service cost	8,778	10,132
Interest cost	11,440	11,255
Contributions from scheme participants	2,202	2,175
Remeasurement (gains) and losses	41,767	(37,470)
Past service costs	97	96
Estimated unfunded benefits paid	(1,004)	(1,027)
Estimated benefits paid	(9,481)	(8,807)
Balance as at 31 March	**380,591**	**326,792**

Reconciliation of Present Value of the Scheme Assets

	2016/17 £'000	2015/16 £'000
Opening Fair Value of Scheme Assets as at 1 April	**231,770**	**224,961**
Interest Income	8,119	7,217
Return on plan assets (excl. net interest expense)	34,434	(1,532)
Contributions by members	2,202	2,174
Contributions by employer	8,038	7,757
Contributions in respect of unfunded benefits	1,004	1,027
Unfunded benefits paid	(1,004)	(1,027)
Benefits paid	(9,481)	(8,807)
Balance as at 31 March	**275,082**	**231,770**

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 2017 and 31 March 2016.

	2016/17 Prices Quoted in Active Markets £'000	2016/17 Prices not quoted in Active Markets £'000	2015/16 Prices Quoted in Active Markets £'000	2015/16 Prices not quoted in Active Markets £'000
Cash and cash equivalents	10,349	-	7,138	-
Equity investment (by industry type)				
Consumer	9,432	-	7,371	-
Manufacturing	8,518	-	-	-
Financial Institutions	5,276	-	3,778	-
Energy and utilities	1,532	-	1,270	-
Health and care	13,577	-	13,363	-
Information technology	11,060	-	7,670	-
Other	754	-	9,234	-
Debt Securities - Other	-	34,365	-	30,975
Private Equity	-	12,426	-	9,418
Investment Funds and Unit Trusts				
Equities	58,797	83,687	47,045	68,204
Infrastructure	-	3,688	-	1,929
Real Estate				
UK Property	6,044	15,020	4,423	19,514
Overseas property	-	559	-	438
Total Value – All Assets	**125,339**	**149,745**	**101,292**	**130,478**
Total Value of Active and Non-Active Assets		**275,084**		**231,770**

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 2017	31 March 2016
Cash and cash equivalents	4%	3%
Equity investment (by industry type)		
Consumer	3%	3%
Manufacturing	3%	0%
Financial institutions	2%	2%
Energy and utilities	1%	1%
Health and care	5%	6%
Information technology	4%	3%
Other	0%	4%
Debt Securities - Other	12%	13%
Private equity	5%	4%
Investment Funds and Unit Trusts		
Equities	52%	50%
Infrastructure	1%	1%
Real Estate		
Property	8%	10%
Overseas property	-	-
Total	**100%**	**100%**

d) Scheme History

Analysis of scheme assets and liabilities

	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2013 £'000
Fair Value of Assets in pension scheme	275,083	231,770	224,961	199,636	190,773
Present Value of Defined Benefit Obligation	(380,591)	(326,792)	(350,438)	(290,788)	(270,807)
(Deficit)/Asset in the Scheme	**(105,508)**	**(95,022)**	**(125,477)**	**(91,152)**	**(80,034)**

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 £380.6m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £105.5m.

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.

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

	2016/17	2015/16
Mortality assumptions:		
Longevity at 65 current pensioners:		
Men	22.0 years	22.0 years
Women	24.2 years	24.0 years
Longevity at 65 for future pensioners:		
Men	24.0 years	24.4 years
Women	26.4 years	26.6 years
Inflation/Pension Increase Rate	2.40%	2.20%
Salary Increase Rate	2.40%	4.20%
Expected Return on Assets	21.50%	2.50%
Rate for discounting scheme liabilities	2.60%	3.50%
Take-up of option to convert annual pension into retirement lump sum:		
Service to April 2008	50.00%	50.00%
Service post April 2008	75.00%	75.00%

f) 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 £37.9m 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 £6.9m. A 0.5% increase in the pensions' rate could increase liabilities by £30.4m. The estimations in the sensitivity analysis have been calculated in accordance with professional actuarial assumptions, IAS19 and FRS102. This means that the use of the 0.5% assumptions, below were selected by the specialist actuary in accordance with his/her professional judgement. The Actuary would have taken into account current and past information and the fact that there has been only modest changes e.g. interest rates changed by 0.25%. Information about people's lifespans and demographic information would have also influenced this.

Change in assumptions as at 31 March 2017	Approximate % increase to employer	Approximate Monetary Amount £'000
0.5% decrease in real discount rate	10%	37,922
0.5% increase in the salary increase rate	2%	6,935
0.5% increase in pension increase rate	8%	30,382

g) 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 is due to be completed by 31 March 2019.

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

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

The liabilities show underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £105.5m 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.

h) Estimated contributions to be paid to Gwynedd Pension Fund in 2017/18

The Council anticipates paying £6.6m contributions to the scheme in 2017/18. The weighted average duration of the defined benefit obligation for scheme members is 19 years.

The amount outstanding to Gwynedd Council in respect of the LGPS contributions for 2016/17 as at 31 March 2017 is £0.827m 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, the total potential liability is difficult to quantify. Whilst there is a sum set aside in an earmarked reserve for such repayments, it is unclear at this stage as to total liability.

Property Search Claims

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

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

NOTE 43 – CONTINGENT ASSETS

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

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

	Long-Term		Current	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Cash balances				
Bank deposits	-	-	14,640	17,844
Total cash and investments	**-**	**-**	**14,640**	**17,844**
Debtors				
Loans and Receivables	646	688	5,369	8,113
Total Debtors	**646**	**688**	**5,369**	**8,113**
Borrowings				
Financial Liabilities at Amortised Cost	111,557	110,735	5,553	9
Total Borrowings	**111,557**	**110,735**	**5,553**	**9**
Creditors				
Financial Liabilities at Amortised Cost	166	59	10,569	15,700
Total Creditors	**166**	**59**	**10,569**	**15,700**

Debtors and creditors within this table exclude transactions with government departments, the notional accrual of the value of accumulated absences due to staff, and income and payments arising from taxation, which also means that transactions involving Council Tax and business rates are excluded.

Income, Expenditure, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:-

	2016/17			2015/16		
	Financial Liabilities Measured at cost less accumulated amortisation £'000	Financial assets, Loans and receivables £'000	Total £'000	Financial Liabilities Measured at cost less accumulated amortisation £'000	Financial assets, Loans and receivables £'000	Total £'000
Interest expense	6,003	-	**6,003**	5,985	-	**5,985**
Total expenditure in Surplus or Deficit on the Provision of Services	**6,003**	**-**	**6,003**	**5,985**	**-**	**5,985**
Interest income	-	(54)	**(54)**	-	(88)	**(88)**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(54)**	**(54)**	**-**	**(88)**	**(88)**
Net (gain)/loss for the year	**6,003**	**(54)**	**5,949**	**5,985**	**(88)**	**5,897**

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2017 of 1.03% to 2.80% for loans from the Public Works Loans Board (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;
- The fair value of short-term debtors and creditors is deemed to be equivalent to their carrying amount at the Balance Sheet date.

Analysis of Loans by Maturity:-

	2016/17 Outstanding Principal £'000	2016/17 Accrued Interest £'000	2016/17 Cost less accumulated amortisation £'000	2015/16 Outstanding Principal £'000	2015/16 Accrued Interest £'000	2015/16 Cost less accumulated amortisation £'000
>25 years	72,708	-	72,708	66,508	-	66,508
15-25 years	12,106	-	12,106	14,056	-	14,056
10-15 years	6,452	-	6,452	5,905	-	5,905
5-10 years	5,611	-	5,611	4,222	-	4,222
2-5 years	9,669	-	9,669	14,534	-	14,534
1-2 years	5,010	-	5,010	5,510	-	5,510
Total Long-Term Borrowing	**111,556**	**-**	**111,556**	**110,735**	**-**	**110,735**
Total Short-Term Borrowing (< 1 year)	**5,553**	**2,119**	**7,672**	**9**	**2,119**	**2,128**

The fair values calculated are as follows:-

	31 March 2017		31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Restated Fair Value
	£'000	£'000	£'000	£'000
Financial liabilities	117,109	173,958	110,744	156,443
Long-term creditors	166	166	-	-

	31 March 2017		31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash on deposit and loans to other local authorities	14,634	14,655	17,844	17,878

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

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2017) attributable to the commitment to receive interest above current market rates.

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 as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

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

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

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 EU referendum result to leave the European Union created an economic shock which impacted on markets and many aspects of the economy. The long-term outlook ratings for the UK banks as a whole were downgraded to a negative outlook. A collapse of the banking sector would undermine the deposits held in UK banks (£8.319m at 31/03/17). 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 reduction in the official bank rate from 0.50% to 0.25% has reduced the interest receivable on deposits. In addition to the bank deposits, the Council lent £5m to another local authority to diversify and reduce risk.

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

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

Liquidity Risk

Liquidity Risk is low as the Council had no difficulty in the past in obtaining finance and has ready access to the Public Works Loans Board (PWLB) as lender of last resort. 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's 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 at note 44. Trade and other payables are due to be paid in less than one year.

Market Risk

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

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Comprehensive Income and Expenditure 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;
- Investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and 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 and bank deposits are held at fixed rates.

The EU referendum result has had a positive impact on the cost of borrowing following the Bank of England's reduction of the official bank interest rate from 0.50% to 0.25%.

NOTE 46 - JOINT COMMITTEES

The Council and Gwynedd Council are parties to joint committees as follows:-

- Joint Planning Committee
- Special Educational Needs Joint Committee

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

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

Gwynedd Council is responsible for the operation of the three joint committees and the year-end balances are reflected in its Balance Sheet. The 2016/17 accounts for these joint committees can be viewed by following the below links:-

Joint Planning Committee

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

Special Educational Needs Joint Committee

https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/Special-Educational-Needs-Joint-Committee.aspx

GwE

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

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

	North Wales Residual Waste Treatment Project	
	2016/17	2015/16
	£'000	£'000
Short Term Debtors	330	270
Short Term Creditors	(330)	(270)
Net Assets	**-**	**-**

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

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

NOTE 47 – HOUSES INTO HOMES

The Council acts as an agent for Welsh Government for the provision of loans to individuals for renovation of empty homes in order to reduce the number of empty homes on Anglesey and increase housing opportunities. In 2016/17 £0.226m (£0.353m in 2015/16) 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 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 2016/17 was £30,250.23 (£30,188.51 in 2015/16).

The amount for a band D property in 2016/17, £1,340.57 (£1,296.08 in 2015/16), 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	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9

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

Band	A*	A	B	C	D	E	F	G	H	I	Total
Total Dwellings	15	3,936	5,919	5,948	6,515	5,007	2,375	965	145	41	**30,866.00**
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
Band "D" Equivalent	8.06	2,624.00	4,603.28	5,286.89	6,514.50	6,119.67	3,430.19	1,607.92	290.50	95.08	**30,580.09**

	2016/17	2015/16
Band D equivalent as above	30,580.09	30,519.95
Collection Rate	98.50%	98.50%
Revised Band D equivalent	30,121.39	30,062.15
MoD Properties – Band D equivalent	128.84	126.36
Council Tax Base	**30,250.23**	**30,188.51**

In 2013/14, the Welsh Assembly Government introduced the Council Tax Reduction Scheme to replace the Council Tax benefit scheme. In 2016/17, Council Tax reductions awarded to residents were 95% funded by a Council Tax Reduction Scheme grant of £5.099m from Welsh Government (see note 14). The Council funded £0.282m (5%) of Council Tax reductions awarded to residents.

Analysis of the net proceeds from Council Tax:	2016/17 £'000	2015/16 £'000
Gross Council Tax	**40,183**	**39,202**
Less Council Tax Reduction awarded to residents	(5,381)	(5,343)
Council Tax collectable	**34,802**	**33,859**
Less: provision for non-payment not previously accounted for	(215)	(374)
Net Proceeds from Council Tax	**34,587**	**33,485**

NOTE 49 - NON-DOMESTIC RATES (NDR)

NDR is organised on a national basis. The Welsh Government specifies an amount for the rate – 48.6p in 2016/17 (48.2p 2015/16), 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 £13.449m for 2016/17 (£11.098m in 2015/16) and was based on rateable value at the year-end of £39.490m (£38.990m in 2015/16).

The average rateable value for the year was £39.252m (£38.943m in 2015/16).

Analysis of the net proceeds from non-domestic rates:	2016/17 £'000	2015/16 £'000
Non–domestic rates collectable	13,449	13,920
Cost of collection allowance	(147)	(145)
Interest paid on overpayments	-	-
Provision for bad debts	(135)	(198)
Contribution to cost of charitable relief/rural rate relief	57	57
Payments into national pool	**13,224**	**13,634**
Redistribution from national pool	**21,309**	**20,472**

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 these maritime services are, instead, included in these accounts under Highways, Roads and Transport in line with the CIPFA SeRCOP. The maritime accounts are, nevertheless, ring-fenced and any accrued deficit/surplus for these harbours is held within the general fund for future investment in maritime services or to repay amounts owed to the Council Fund. In 2016/17, the turnover on maritime services was £47,336. Costs incurred during the year were £122,797 (which includes £58,671 of loan interest/capital repayment). The deficit balance on Maritime services at 31 March 2017 was £476,580. This is the amount owed to the Council general reserve from Maritime services.

NOTE 51 – ACCOUNTING POLICIES

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

Policy Reference	Policy Title
	General Principles
	Accruals of Income and Expenditure
	Events After the Balance Sheet Date
	Jointly Controlled Operations and Jointly Controlled Assets
	Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
	Value Added Tax (VAT)
	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 2016/17 financial year and its financial position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which 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 2016/17 and the CIPFA Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS). All principal accounting policies have been applied consistently throughout the year.

2. Accruals of Income and Expenditure

Transactions are accounted for in the year that they take place, not simply when cash payments are made or received. This accruals accounting approach provides a more complete basis for reporting the Council's financial performance as it includes the Council's future commitments to pay/receive cash for goods and services received but not paid by 31 March 2017. 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 when it 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;

- 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, before the accounts are approved by Members. 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;

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

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

4. Jointly Controlled Operations and Jointly Controlled Assets

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

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

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

6. Value Added Tax (VAT)

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

7. Fair Value Measurement

IFRS13 Fair Value Measurement requires most non-current assets, liabilities and financial instruments to be valued at fair value, often with regard to an active market value where available. For operational assets, the standard introduces the concept of fair value being based on current value (often value in use) for revaluations of Property, Plant and Equipment. This means measurement should reflect the market conditions for the service or function at the reporting date. The standard provides different fair valuation approaches to differing asset types. For non-operational assets, i.e. investment assets, assets held for sale and surplus assets, these are valued at their highest and best use. Where there is an alternative use which would be of a higher fair value that is the fair value which would be used for the valuation of non-operational assets. The code does not require infrastructure assets to be revalued at current value. Infrastructure assets are, instead, valued at depreciated historical cost. This is due to significant changes to the valuation of infrastructure assets (roads, etc.) from 2017/18 onwards.

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.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:-

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;

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

Level 3 – unobservable inputs for the asset or liability.

The Authority is required to use valuation techniques that are appropriate to the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs (levels 1 and 2) and minimising the use of unobservable inputs (level 3). Three widely accepted valuation techniques are:-

- The market approach;
- The cost approach;
- The income approach.

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

8.1 Recognition

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

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

8.2 Measurement

Assets are initially measured at cost, comprising:-

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- 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);
- 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.
- 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 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);
- 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 ocurred include:-

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

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

Where impairment losses are identified on revalued assets, they are accounted for by:-

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the impairment against the asset is written down against that balance (up to the amount of the accumulated gains);

- where there is no balance in the Revaluation Reserve, the impairment against the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, to the extent that the original loss was recognised in the CIES, adjusted for depreciation that would have been charged if the loss had not been recognised. Any excess is recognised in the Revaluation Reserve.

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

8.4 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets in order to allocate their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:-

- dwellings and other buildings – straight-line allocation over periods of up to 75 years, as estimated by the Valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over 5 to 15 years;
- infrastructure – straight-line allocation over periods of up to 30 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Refer to note 4a.

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

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

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

These assets are actively marketed for sale and where the Council expects that sale will go through in the next 12 months. The assets are identified separately as the value in the Balance Sheet will be recovered principally through a sale transaction rather than future continued use. The asset (or disposal group) is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Fair value of non-current assets held for sale is measured at the highest and best use. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held-for-Sale.

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

A 'disposal group' is a group of assets, possibly with some associated liabilities, which the Council intends to dispose of in a single transaction. The measurement basis required for non-current assets classified as held for sale is applied to the group as a whole, and any resulting loss reduces the carrying amount of the non-current assets in the disposal group in the order of allocation required by 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 2017 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;
- Additionally, neither the land nor the buildings of Caergeiliog Foundation School are included on the Balance Sheet, as these assets vest with the trustees of the school.

9. Investment Properties

Investment properties are those land and buildings that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are recognised when it is probable that future planned economic benefits will flow to the Authority and that the cost or fair value of the investment property can be reliably measured. Investment properties are measured initially at cost and, subsequently, at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. The Code requires that Investment Properties be valued at their highest and best use regardless of the intentions of the Council. This means that alternative uses have been considered for each investment property and, if there is an alternative use that would maximise fair value, then that is the fair value which is to be used. The properties are not depreciated but are revalued annually in accordance with IFRS13 according to market conditions at the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance.

The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

10. Intangible Assets

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

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

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

11. Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the 'First In, First Out' (FIFO) costing formula.

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

Work in progress is included in the Balance Sheet at cost.

12. Cash and Cash Equivalents

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

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

13. Financial Instruments

Financial instruments are measured at fair value in accordance with IFRS13. The fair value of financial instruments 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.

13.1 Financial Liabilities

A financial liability is a requirement to transfer economic benefit controlled by the Authority to another entity, for example pay cash or transfer assets/liabilities. The Authority's loans from the PWLB are examples of financial liabilities. Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Some financial liabilities will be carried at amortised cost to reflect the fact that the Council has incurred transaction costs or is required to spread the life of the financial liability across the life of the instrument. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

13.2 Financial Assets

Financial assets are classified into two types:-

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

13.2.1 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. Examples include short-term deposits and investments in instant access accounts. They are subsequently measured at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

The Council has made a limited number of loans to employees and at less than market rates (soft loans for example, the Car Loans Scheme). The Council has determined that the value of the individual loans of notional interest foregone is negligible and so has not adjusted the entries to the Income and Expenditure in respect of these soft loans.

13.2.2 Available-for-Sale Financial Assets

Where applicable and if material, available-for-sale financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Examples of available-for-sale financial instruments include UK Government bonds (gilts) and certifications of deposit. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Available-for-Sale Financial Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:-

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – independent appraisal of company valuations;
- Fair value – a price agreed between both parties.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the 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 along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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 section 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.

14.2 Contingent Liabilities

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

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

14.3 Contingent Assets

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

Material Contingent assets are not recognised in the Balance Sheet, but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential (Note 43).

15. Reserves

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

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

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

16. Revenue Recognition

Revenue is recognised in the Comprehensive Income and Expenditure Statement for the year in which it is earned rather than when the cash is received. This relates to income from the sale of goods (produced by the Council for the purpose of sale or purchased for resale), the provision of services (excluding services directly related to construction contracts), interest, royalties and dividends, non-exchange transactions (i.e. Council Tax) and where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria. Revenue is also recognised on gains which may or may not arise from ordinary activities such as gains on the revaluation of non-current assets, gains on the sale of non-current assets and gains on available-for-sale financial assets. Where the Authority is acting as an agent, only the income the Council is paid for its role of agent will be recognised in the accounts. The amount relating to the third party (the principal) will not be included in the accounts.

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

If payment is on deferred terms, the consideration receivable is discounted to present value in order to achieve a fair value. The difference between this amount and the total payments received is recognised as interest revenue in the Surplus or Deficit on Provision of Services. Short duration receivables with no stated interest rate are measured at original invoice amount where the effect of discounting is immaterial. There is no difference between the delivery and payment dates for non-contractual, non-exchange transactions i.e. revenue relating to Council Tax and general rates and, therefore, these transactions are measured at their full amount receivable.

17. Internal Interest

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

18. Leases

Where applicable and material, leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. The Council does not hold any leases of this type and, therefore, the leases that the Council does hold are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. Leases have been reviewed taking into account the materiality level of both annual rentals and capital values and inclusion in the accounts is based on these levels.

18.1 The Council as Lessee

18.1.1 Finance Leases

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

Lease payments are apportioned between:-

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

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

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

18.1.2 Operating Leases

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

18.2 The Council as Lessor

18.2.1 Finance Leases

If the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. If applicable, at the commencement of the lease the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:-

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

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

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

18.2.2 Operating Leases

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

19. Charges to Revenue for Non-Current Assets - 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.

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 Council, however, continues to calculate using the capital financing requirement methodology as follows:-

The Housing Revenue Account (HRA) provision is calculated as being 2% of the opening HRA Capital Financing Requirement (CFR). The Council Fund provision is based on 4% of the opening non-HRA CFR for all projects with the exception of projects funded by unsupported borrowing. The MRP for these projects is based on the useful life of the asset. 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.

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;
- 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 (IAS 19), 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;
- 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;

d) 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 on behalf of:-

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

SUPPLEMENTARY FINANCIAL STATEMENT
HOUSING REVENUE ACCOUNT

Income and Expenditure Statement for the year ended 31 March 2017

	2016/17 £'000	2015/16 £'000
Expenditure		
Management and Maintenance - Repairs and Maintenance	3,438	3,751
Management and Maintenance - Supervision and Management	3,664	3,099
Rents, Rates, Taxes and Other Charges	22	103
Depreciation, Impairment and Revaluation Losses of Non-current Assets	10,733	9,268
Debt Management Costs	12	12
Movement in the Allowance for Bad Debts	40	54
Movement in the Accumulated Absences Accrual	10	(9)
Sums that are Expenditure in Accordance with the Code as directed by the Welsh Government	-	21,169
Total Expenditure	**17,919**	**37,447**
Income		
Dwelling Rents	(14,954)	(14,308)
Non-dwelling Rents	(219)	(211)
Charges for Services and Facilities	(167)	(215)
Contributions towards Expenditure	(91)	(188)
Other	(174)	(166)
Total Income	**(15,605)**	**(15,088)**
Net (Income)/Expenditure of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement	**2,314**	**22,359**
HRA Services' Share of Corporate and Democratic Core	56	56
Net (Income)/Expenditure of HRA Services	**2,370**	**22,415**
HRA Share of the Operating Income and Expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement:		
(Gain)/Loss on sale of HRA Non-current Assets	(496)	(509)
Revaluation of Assets	-	(134)
Interest Payable and Similar Charges	2,029	1,686
Interest and Investment Income	(20)	(18)
Capital Grants and Contributions receivable:		
- Major Repairs Allowance	(2,660)	(2,650)
- Other	(67)	(269)
(Surplus)/Deficit for the Year on HRA Services	**1,156**	**20,521**

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

	2016/17 £'000	2015/16 £'000
Balance on the HRA at the end of the Previous Reporting Period	**(7,042)**	**(2,821)**
(Surplus)/Deficit for the Year on HRA Services	1,156	20,521
Adjustments between Accounting and Funding Bases under Statute	(1,658)	(23,726)
Net (Increase)/Decrease before Transfers to/from Reserves	**(502)**	**(3,205)**
Transfers to/(from) Earmarked Reserves	-	(1,016)
Net (Increase)/Decrease in Year on the HRA	**(502)**	**(4,221)**
Balance on the HRA at the end of the Current Reporting Period	**(7,544)**	**(7,042)**

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – HOUSING REVENUE ACCOUNT

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

NOTE 2 – HOUSING STOCK

During 2016/17, the Council sold nine dwellings under the Right-to-Buy Scheme (see note 5). Following the buyout from the Housing Subsidy scheme (see note 6), the Council has a policy of purchasing suitable former Council dwellings and returning them to Council housing stock. During 2016/17, 12 such properties were purchased. As at 31 March 2017, the number of dwellings totalled 3,791, with the split by type of dwelling made up as follows:-

	31 March 2017	31 March 2016
Council Owned Stock		
Houses	2,010	2,017
Bungalows	1,044	1,044
Flats	730	720
Bedsits	7	7
Total Council Owned	**3,791**	**3,788**

NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2016/17 £'000	2015/16 £'000
Capital investment		
Houses	**8,606**	**6,438**
Sources of funding		
Capital Receipts	(821)	(794)
Government grants and other contributions	(2,727)	(2,919)
Direct Revenue Financing	(5,058)	(2,725)
Total	**(8,606)**	**(6,438)**

The Major Repairs Allowance for 2016/17 of £2.660m was used in full during the year (£2.656m 2015/16).

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

	2016/17 Derecognition £'000	2016/17 Depreciation £'000	2016/17 Total £'000	2015/16 Derecognition £'000	2015/16 Depreciation £'000	2015/16 Total £'000
Land	-	-	-	-	-	-
Dwellings	6,884	3,594	**10,478**	5,489	3,650	**9,139**
Other Property - Operational Assets	-	255	**255**	-	129	**129**
	6,884	**3,849**	**10,733**	**5,489**	**3,779**	**9,268**

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

	2016/17 No. of Sales	2016/17 £'000	2015/16 No. of Sales	2015/16 £'000
Council dwellings				
Right to Buy	9	804	10	765
Discounts repaid	-	-	-	-
Other Receipts				
Land sales	-	-	1	24
Other property sales	1	17	-	
Mortgage Property	-	-	-	5
		821		**794**
Less set aside		-		-
		821		**794**

NOTE 6 – BUYOUT FROM HOUSING SUBSIDY SCHEME

In April 2015, the Council paid £21.169m to buy out of the HRA Subsidy Scheme, expected to generate savings in excess of £0.700m per annum.

NOTE 7 – RENT ARREARS AND BAD AND DOUBTFUL DEBTS

During 2016/17, total rent arrears decreased by £0.072m. A summary of rent arrears and prepayments is shown in the following table:-

Rent Arrears	2016/17 £'000	2015/16 £'000
Current Tenant Arrears	456	466
Former Tenant Arrears	228	273
Total Rent Arrears	**684**	**739**
Prepayments	(169)	(152)
Total Debt	**515**	**587**

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £0.506m against rents (£0.433m in 2015/16).

NOTE 8 – 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.

HRA Income and Expenditure Account	2016/17 £'000	2015/16 £'000
Current Service Cost	(270)	(228)
Employer Contributions actually paid	270	228
Contribution to Pension Reserve	-	-

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:-

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

RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS	
Age Concern Gwynedd and Anglesey	Jim Evans
Anglesey Access Group	Robert G Parry OBE
Anglesey Agricultural Show	Kenneth P Hughes
Anglesey CAB	Robert Llewelyn Jones
Anglesey Community Health Council	Jeffrey M Evans, Dylan Rees & Dafydd Rhys Thomas
Area of Outstanding Natural Beauty Joint Advisory Committee (Ynys Môn)	Lewis Davies, Richard A Dew, Derlwyn Rees Hughes, Victor Hughes & J Arwel Roberts
Armed Forces Champion	Aled Morris Jones
Betsi Cadwaladr Stakeholder Reference Group	Kenneth P Hughes
Carers' Champion	Robert G Parry OBE
Children and Young People's Champion	Llinos Medi Hughes
Court of Governors, University of Wales, Bangor	Ieuan Williams
Cwmni CYNNAL AGM	Jim Evans
Cwmni Fran Wen	R Meirion Jones
Cymdeithas Tai Eryri	Kenneth P Hughes
CYNNAL Management Committee	R Meirion Jones & Kenneth P Hughes
Diversity Champion	Carwyn Jones
Equalities Champion	Aled Morris Jones
Fostering Panel	Ieuan Williams
Gofal a Thrwsio Môn Management Committee	Aled Morris Jones & Alun Wyn Mummery
Grwp Llandrillo/Menai	Ieuan Williams
Gwynedd & Anglesey Adoption Panel	Jeffrey M Evans
Gwynedd & Anglesey Youth Justices Service	Kenneth P Hughes
Gwynedd Liaison Committee (Superannuation Fund)	Hywel Eifion Jones
Horizon Nuclear Project Liaison Group	John Griffith, Kenneth P Hughes, William Thomas Hughes, Llinos Medi Huws, Aled Morris Jones, Richard Owain Jones & Dafydd Rhys Thomas
Joint Council for Wales	John Griffith
Joint Local Service Board (Anglesey and Gwynedd)	Ieuan Williams
Leader for Adult's Safeguarding	Aled Morris Jones
Medrwn Môn	Ieuan Williams
Member Board of the Consortium of Local Authorities in Wales (CLAW)	Richard A Dew & Kenneth P Hughes
Member Champion	Vaughn Hughes
Menter Môn	Ieuan Williams
North and Mid Wales Trunk Road Joint Committee	J Arwel Roberts
North Wales Economic Forum	Ieuan Williams
North Wales Fire and Rescue Authority	Lewis Davies, Jim Evans & Richard Owain Jones
North Wales Fire and Rescue Authority Audit Committee	Jim Evans
North Wales Fire and Rescue Authority Executive Panel	Lewis Davies & Richard Owain Jones
North Wales Housing Association	Kenneth P Hughes
North Wales Police and Crime Panel	William Thomas Hughes
North Wales Regional Waste Plan Review Steering Group	Richard A Dew & J Arwel Roberts
North Wales Residual Waste Treatment Joint Committee	Richard A Dew & J Arwel Roberts

RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS	
North Wales Tourism Partnership	Ieuan Williams
North Wales Valuation Tribunal – Joint Appointing Panel	Hywel Eifion Jones
Older People's Champion	Robert Llewelyn Jones
Owen Lloyd, Penrhoslligwy Educational Trust	Derlwyn Rees Hughes
Pensions Committee (Gwynedd Council)	Hywel Eifion Jones
Regional School Effectiveness and Improvement Service Joint Committee	Kenneth P Hughes
Regional Techincal Statement (Members' Forum)	J Arwel Roberts
Scrutiny Champion	R Meirion Jones
Service Board (Anglesey and Gwynedd)	Ieuan Williams
TALNET (Joint Bibliographic Society)	Richard A Dew & Vaughan Hughes
Voluntary Sector Liaison Committee	Jim Evans, Aled Morris Jones, Alun Wyn Mummery, Alwyn Rowlands & Ieuan Williams
Welsh Joint Education Committee	Kenneth P Hughes
Welsh Local Government Association	J Arwel Roberts & Ieuan Williams
Wylfa Site Stakeholder Group	John Griffith, Kenneth P Hughes, William Thomas Hughes, Llinos Medi Huws, Aled Morris Jones, Richard Owain Jones & Alwyn Rowlands

APPENDIX 2

GLOSSARY

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

CAPITAL RECEIPTS
Capital receipts represent the proceeds from the disposal of land or other non-current assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used to finance revenue expenditure.

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

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

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

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

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

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

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

CONTINGENT LIABILITY
A contingent liability is either:-

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

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

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 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.

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.

APPENDIX 3

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Annual Governance Statement 2016/2017

1. 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 (2007) and addendum 2012, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). The International Framework Good Governance in the Public Sector (2014) published an updated set of Principles. A revised Framework for Delivering Good Governance in Local Government (Wales) was published in 2016.

This statement has been prepared in accordance with those revised principles.

This is the fourth Governance Statement for the Council elected on new wards in May 2013. It sets out the governance arrangements in place for the year (April 2016 to March 2017) focusing on those current significant governance issues in relation to the authority achieving its vision. It highlights changes made during the year and includes a brief evaluation where weaknesses or significant improvements are identified.

Aspects of the Council's governance arrangements have been strengthened and modernised in recent years across a number of governance themes, and these were then incorporated in the Corporate Plan for the authority which was adopted in January 2013 setting out its work up to and including 2017. It was designed as a programme of change driven by the Council itself.

The Vision for the Council by 2017 was that:-

"we will be a professional and well-run Council, innovative and outward-looking in our approach, committed to developing people and partnerships in order to deliver efficient and effective services of good quality, that are highly valued by our citizens."

We also emphasise that assurance and governance will be key to ensuring the delivery of the Corporate Plan.

"In doing so we said that we would:-

- provide an integrated performance management framework, linking the Corporate Plan to the Medium Term Financial Strategy down to the annual budget setting process and individual performance development reviews;

- collect and use information to monitor our performance and take action to improve where required;

- support the improving strength of the Council's democratic decision-making and scrutiny processes;

- strengthen our engagement with and involvement of Anglesey citizens in the Council's decision- making and accountability processes;

- continue to strengthen our processes around finance and workforce reporting and monitoring;

- put in place robust arrangements for dealing with our financial challenges, ensuring service transformation and innovative delivery is at the heart of what we do.

In addition, over the last few years six key themes have been developed to support our vision:-

1. Professional and Well Run
2. Innovative, Ambitious and Outward Looking
3. Customer, Citizen and Community Focused
4. Valuing and Developing our People
5. Committed to Partnership
6. Achieving

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

Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Principle B. Ensuring openness and comprehensive stakeholder engagement

Principle C. Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits

Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Principle E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Principle F. Managing risks and performance through robust internal control and strong public financial management

Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

We have sought within this Annual Governance Statement to show how all the above key themes and principles are central to all our endeavours during 2016/17

2. 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. A copy of the local code is on our website at http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance

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 2005 in relation to the publication of a statement on internal control.

3. 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.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31 March 2017 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.

The key risks affecting the Authority are:

- Workforce development, recruitment and retention risks;
- Safeguarding children and vulnerable adults risks;
- The impact of major projects on the Island and its citizens though this also presents significant opportunities;
- Rising prices and resource issues from external providers.

These risks are managed and mitigating actions are taken to reduce these risks.

4. ANALYSIS OF THE GOVERNANCE FRAMEWORK 2016/17

The current framework as it relates to each of the seven Corporate Governance principles is described in the interlinked topics as outlined available at http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance-

The following summary focuses on the work to develop and strengthen the framework and outlines areas of weakness identified during the 2016/17 financial year.

Principle A	**Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**
Related Key Theme:	**Professional and Well Run**

Public sector entities are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. Public sector entities are accountable to legislative bodies for the exercise of legitimate authority in society. This makes it essential that each entity as a whole can demonstrate the appropriateness of all of its actions and has mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

The six key themes incorporated within the **Corporate Plan** for 2013-17 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 underpin the corporate way of working and the importance of good governance is emphasised in the Corporate Plan.

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

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

- Chairman's Annual Report to Council
- Work Programme approved annually by the Council
- Four quarterly meetings and as many extraordinary meetings as are necessary to deal with referrals from the PSOW and applications for dispensations
- Dealing with any matters referred under the Local Resolution Protocol
- Dealing with any Public Services Ombudsman Wales local view requests
- Training and development arranged by the SC and/or undertaken by the SC. This year the SC focused on the development of Town Councillors. The focus for 2016/17 will be devising training to be delivered to the new intake of Councillors in May 2017.

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

- Local Council Housing Allocations (Currently under revision to reflect the new Allocations Policy)
- Section 25 Localism Act 2011
- Public Procurement (Currently under revision to reflect the new Contract Procedure Rules)
- Political Freedom of Speech v Code of Conduct
- Gifts and Hospitality
- Dispensations
- Standards Committee Forum

Undertaking an annual review of the three **Registers of Members interests** and publishing its findings and advisory note to all Members. This year the independent Members of the Committee who undertook the review have also contacted each elected Member direct about any specific issues relating to their registration of interests. Written feedback to individual Councillors will now also be provided for the first time but, as the SC also has responsibilities for Community Councillors, the focus of the registers this year will be to undertake sample audits of declarations of interest at Community Council meetings. This process will be carried out on a risk-based approach.

One of the features of the Council in the past was poor behaviour by some members but improvements have been noted over recent years. In the view of the SC this has become an embedded trend with only one matter under investigation by the Ombudsman during 2016/17. It was the view of the SC's Chair, to the Council on 12 May 2016, that self-regulation is now working effectively in Anglesey.

In addition to the above there is joint working between the two management teams through the Penaethiaid meetings and members of the SLT act as link officers to Heads of Service to ensure clear communication on how strategic/corporate priorities are being implemented within Services. Ynys Môn and Gwynedd are also following a joint recruitment process at present to replace our independent members of the Audit and Governance Committee, now that current term of office has ended.

During 2016/17 Internal Audit continued to operate to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006' produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2014/15. The Terms of Reference define the purpose, authority and responsibility of the internal audit activity.

Principle B:	**Ensuring openness and comprehensive stakeholder engagement**
Related Key Theme:	**Customer, Citizen and Community Focused**

As public sector entities are established and run for the public good, their governing bodies should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

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. There are clear timescales for the submission, publication and distribution of reports.

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

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

- Consultation on the Budget
- Primary School Modernisation programme and decision
- Housing Strategy Consultation Programme
- Older Adults Social Care transformation programme and decision
- Wellbeing consultation.

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

Building on the success of the Seiriol pilot project in and around Beaumaris, a new **community engagement model** was used as a baseline to improve a Corporate approach to community engagement. This model is essential in order to identify those communities and groupings that will have an interest in taking over responsibilities for delivery of local type needs in their communities. The model has since its inception been tailored for use in different engagement and consultation work. This model has been signed off by the revised **Engagement & Consultation Board** led by an Assistant Chief Executive.

The establishment of this Board in collaboration with a 3rd sector project *Community Voices* was undertaken to oversee developments and ensure buy-in. Such an approach secures an accurate reflection of Anglesey-wide views from different stakeholders which can be used thereafter to inform the decision-making process. The Board has overseen a number of effective engagement and consultation exercises during 2016/17, inclusive of consultation on the Budget, and an engagement exercise in eight Anglesey areas that asked the views of over 2,600 people about their communities.

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

The Public Services Boards for the Ynys Môn local authority area became a statutory body under the Well-being of Future Generations (Wales) Act 2015. The PSB agreed to work collaboratively with the Board set up for the Gwynedd local authority area and a Joint PSB has been established for Gwynedd and Môn. The Board has met regularly during the 16/17 financial year and during this time the PSB has led on the work of producing the Assessment of Local Well-being for the area.

The Gwynedd and Môn **Public Services Board** has divided the whole area into fourteen smaller areas – eight in Gwynedd and six on Anglesey. Research has been carried out on behalf of the Board on each of the 14 areas to learn and understand more about their well-being.

An information booklet for each area was produced, a number of public drop-in sessions were held, and there was an on-line questionnaire so that residents could have their say about their communities.

The aim of the research and the drop-in sessions was to enable the Board to draw up an assessment that would in the end lead to a plan, which would focus on improving the well-being of Gwynedd and Môn. Two documents have been created – one for Gwynedd and one for Môn and review the information that was gathered as well as the opinions of residents. The next steps for the Public Services Board will be to produce and publish a Well-being Plan for the area in which the Board will agree the collective objective to improving well-being in the area and the steps that the Board will take to achieve the objectives. This plan must be published by April 2018 and will be based on the assessment of well-being as outlined and undertaken above.

To assist the Council to contribute to the corporate aim of achieving '*excellent customer, citizen and community focus'* (6 Key Themes), a **Customer Service Excellence** Project has been established. It contributes towards transforming the way the Council interacts with its customers to provide cost effective and timely services through efficient, demand-led and self-service access channels.

A **Customer Service Excellence Charter** has now been operational since December 2014 following consultation with front line stakeholder groups, officers, Elected Members, staff and trade unions. The Charter outlines our promises to the customer on how we will deal with their requests. It also outlines the expectations we have of our service users to ensure that a clear understanding is established at the outset. The values embraced in the Charter include 'putting the customer first' and demonstrating a 'can do' attitude. In accordance with its language policy, the Council is committed to ensuring that service provision is available in the chosen language of the service user (Welsh or English).

As part of the work commissioned by the Customer Service Excellence Board a mystery shopper exercise was undertaken during 16/17 looking at how well and efficiently services dealt with customer interaction. The mystery shopper exercise was the second piece of such work and concluded that – "Overall the standard of Customer Care within Anglesey Council has improved since the last audit; however, there is still room for improvement", and recommendations of their report can be seen below:-

- All emails to include a signature detailing the officer's name and job role.
- Set up automated acknowledgement responses for all publicly available emails such as housing@ynysmon.gov.uk
- All officers working in a reception area to wear name badges rather than lanyards
- Officers responsible for answering the telephones to be aware of the customer care charter.

A **webcasting** pilot funded by Welsh Government grant was undertaken in June 2014 that demonstrated a positive example of how Anglesey has progressed its customer / citizen focused electronic approach by webcasting Executive, Planning & Orders and Council meetings. This continues to be the case and it also adds to the transparency of decision-making and involves a much wider audience for debates.

This is an effective example of the channel shift agenda and the Council's continuous drive to address democratic renewal.

A **staff survey** was undertaken during the winter of 2016/ 2017 and the results will be used to inform varying agendas across the council. The results of the survey were encouraging, showing that the council had made significant strides in terms of informing, listening to and supporting our workforce. Improvements have been identified by staff and these will be implemented during 17/18.

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

Work continues on refining the **Internal Communication Framework.** We value the views and opinions of staff and Members in contributing to the agenda. Opportunities have been provided through a range of fora in which staff and members have been encouraged to actively participate. For Members, regular informal briefing sessions have been held on a range of subjects. This enables them to better understand specific areas of work and allows them to prepare for informed scrutiny and decision-making. For the 17/18 Council year, there is a full and varied agenda for the monthly briefing sessions.

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

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

A **Concerns and Complaints Policy** was introduced to the Council on 1 April 2013 and places 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.

We have a central Customer Care Officer who administers the system and complaints officers in each service who are responsible for co-ordinating responses and facilitating, where possible, the early resolution of issues raised.

The number of formal complaints were steadily decreasing up to 2015/16 since the introduction of the new policy as many "concerns" are resolved early at service level. However, whilst the number of concerns recorded dropped by 70, the number of formal complaints rose to 71, up 12 on the number dealt with during 2015/16.

The number of complaints referred to the Ombudsman during 2016/17 was 13 but none were taken into investigation by the Ombudsman. Statistical information about service complaints is published monthly on the Council's website and form part of an annual report to the Audit Committee which also deals any complaints dealt with under the Whistleblowing Policy.

Principle C:	**Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits**
Related Key Theme:	**Customer, Citizen and Community Focused Committed to Partnership;** **Achieving**

The long-term nature and impact of many of the public sector's responsibilities mean that it should define and plan outcomes and that these should be sustainable. The governing body should ensure that its decisions further the entity's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

The Council's Corporate Plan 2013-17 (adopted December 2013) continued to guide the work of the Council for the local area during 2016/17. The Wales Audit Office (WAO) reported that the Plan describes the Council's priorities succinctly and clearly and explains how the priorities reflect the views of the public as well as those of the Council and other partners... The Corporate Plan should be read in conjunction with the Medium Term Financial Plan. This highlights the resources which are required to realise the current corporate plan and the new plan which is being developed. The Corporate Plan provides a 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. A **Medium Term Financial Strategy** is also reviewed annually, in line with the corporate priorities.

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

Services are also subject to six-monthly **service reviews** – looking specifically at the budget and spending in June and on performance and outcomes in November. Members of the Senior Leadership team and elected members rigorously challenge service performance at the service review sessions, and actions to address issues or improve performance against set targets are agreed.

Partnership and collaboration is integral to the way the Council seeks to achieve its ambitions and its corporate agenda. For a 'small' Council it is an important means of building capacity and is fundamental to our approach of achieving shared priorities. We believe that successful partnership working is essential to the delivery of better services to our customers and a successful Anglesey. Improving the well-being of our citizens under the new legislation will increasingly depend on us working in partnership with others.

The Council actively engages 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 partnership's policy and guidance, and still stands:-

- There are demonstrable service improvements for Ynys Môn residents and that service provision will not be adversely affected.
- There are resource savings for the Council and the proposed new service model provides a service to residents that is at least as good as the service it proposes to replace.

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

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

The Programme collaborates with a number of key stakeholders to:

- Attract and de-risk major strategic investment
- Influence potential developers
- Support development of competitive people and communities
- Support development of competitive businesses
- Support development of competitive infrastructure
- Realise the benefits major projects can bring and mitigate adverse impacts
- Maximise long-term legacy benefits

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

The EIP brand is now recognised far and wide, and the success of the Programme is acknowledged and identified as good practice in terms of the seamless join of public and private sector engagement and success, with many people asking how the Governance of the Programme works – and even Hitachi in Japan having been in touch.

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 BCUHB via the Integrated Delivery Board (IDB).

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

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

Principle D:	**Determining the interventions necessary to optimise the achievement of the intended outcomes**
Related Key Theme:	Innovative, Ambitious and Outward Looking

The public sector achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of interventions is a critically important strategic choice that governing bodies of public sector entities have to make to ensure they achieve their intended outcomes. Public sector entities need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

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 following guidance that was reissued in August 2013 and management that autumn further reviewed its effectiveness.

In 2012, the Council introduced new systems to ensure easy access to the Council's agendas, papers and minutes and from May 2013 members and the public have had the full benefit of access to committee papers and supporting information. Members also continue to enjoy direct access to this electronic system during meetings as they now have all been issued with tablets/ laptops.

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

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

Political governance within the authority has embedded over the past two years. Specific changes were made to the constitution, such as the introduction of a four-year term for the Leader of the Council, which has enabled political stability.

Building on these foundations we have now created a structure which allows for effective political governance. The evidence from the last two years demonstrates a functioning and effective decision-making process, with appropriate mechanisms for assurance.

The approach incorporates **Council, the Executive, the Audit 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 agrees the annual revenue and capital budget.

The ***Executive*** is the key decision-making body and consists of the Leader and six Portfolio Holders, which take responsibility for the following portfolios:-

- Education
- Planning and Environment
- Social Services and Housing
- Economic Development, Tourism and Leisure
- Finance
- Highways, Property and Waste Management
- Executive Business Manager & Transformation.

The membership of the Executive has been stable since its appointment, and its growing effectiveness is becoming evident. Whilst membership of the Executive has been stable a re-jig of portfolios has occurred which has engendered a wider and broader understanding amongst the committee. Where appropriate, the Executive can delegate decision-making powers to the relevant Portfolio Holder(s).

The Audit 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 are in the process of currently being re-advertised as the term of office for the co-opted lay members has come to an end.

It 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 informs its forward work plan. New guidance on the role of Audit Committees from CIPFA notes a wider governance role than has historically been the case. This wider role needs further reflection so that the Audit Committee can further clarify its role and its remit for the new Council. This evaluation will be led by the S151 Officer.

The ***Democratic Services Committee*** meets on a quarterly basis and is responsible for reviewing the adequacy and support for Members which covers: Member development, staffing resources, facilities. The Chair of the Committee has been issued with a specific job description, and members of the Committee have a separate job description setting out roles and responsibilities. The Chair also acts as the Member Development Champion and participates in WLGA network meetings where best practice is shared.

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

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.

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.

The focus of the ***Corporate Scrutiny Committee:*** on performance has supported the cultural change and contributed significantly to improved governance.

The *Partnerships & Regeneration Scrutiny Committee* have an important and essential role in reviewing our partnership arrangements and activity, and are closing the democratic deficit that partnerships have been criticised for. Over the past two years they have led the formulation of a partnerships register, terms of reference and governance expectations resulting from partnership arrangements.

During 2016/17 the Council commissioned an external review of our scrutiny arrangements in order to make recommendations for consideration by our new Council. The review highlights the need for a new vision for scrutiny to be adopted and greater focus is given on how the scrutiny function can add value to the governance of the Council with greater emphasis on forward work planning and prioritisation. The Council is also preparing for the establishment of three standing panels of scrutiny which will focus on –

1. Improvements in Education Standards
2. Financial scrutiny
3. The Scrutiny of Children's Social Care

Members of the Corporate Scrutiny Committee hold briefing meetings in advance of every committee in order to prepare and focus discussion at the formal meetings of the committee. This is regarded good practice and it is intended to continue with these arrangements in 2017-2018.

A number of significant **outputs** were achieved by Scrutiny during the last municipal year, which go some way in assisting us to assess the impact that the function has had locally:-

- **Forward work programmes** – there is in place a well-established practice of forward work programming to underpin the work of both scrutiny committees. These programmes are an important tool in assisting scrutiny committee members to prioritise their work and have been discussed with the Senior Leadership Team and Heads of Service. Both committees review the content of their forward work programmes at each meeting in order to ensure that they remain relevant and keep abreast with local priorities.

- **Committee meetings –** a total of eighteen scrutiny committee meetings were convened during 2016/17; ten meetings of the Corporate Scrutiny Committee and eight of the Partnership and Regeneration Scrutiny Committee. There are also robust arrangements in place to ensure appropriate air time at the Executive on matters that have been considered by both committees.

The work of the Corporate Scrutiny Committee can be summarised into four main themes:-

- Service Performance
- Budget setting and in-year performance
- Annual reports (social services and libraries)
- Transformation proposals

The work of the Partnership and Regeneration Scrutiny Committee can be summarised into four main themes:

- Partnerships Performance
- Economic regeneration and the Energy Island concept (or successor plans and policies.
- Crime and Disorder matters
- To deal with any matter that is unable to be considered by the Corporate Scrutiny Committee

The Corporate Scrutiny Committee established two scrutiny outcome panels in 2016/17 to consider two areas of policy, namely - Corporate Safeguarding, and the Letting of Local Authority Housing (Voids). During this period the Partnership and Regeneration Scrutiny Committee also continued with its ongoing work through the School Progress Review Group.

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. The focus of the Corporate Scrutiny Committee on performance has supported the cultural change and contributed significantly to improved governance.

Each of the two Scrutiny Committees reports its activity to the Council at its annual meeting.

Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help to ensure that Council employees and members working with children or vulnerable adults are checked for their suitability to do so. The Safeguarding policy was reviewed and approved in 2016.
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In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.

In order to drive the change agenda and deliver the Corporate Plan, a Programme Management framework has been established.

Two **Corporate Transformation Programme Boards** have now been established following a review of the three original boards.

1. Business Processes and Governance Transformation Board, and
2. Service, Community and Partnerships Improvement 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. In the recent past, managers were given the opportunity to become members in order to increase the challenge and corporate awareness by communicating the key messages within their services.

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, e.g. Modernising Schools and its achievement to date. The Gateway Reviews have confirmed that the programme is on the right track to meet its objectives. The Council has integrated the corporate performance and programme management teams in order to further address achievement and performance management. A robust programme and project management approach has also been implemented corporately to ensure delivery where previously this was seen as an area of weakness.

The Council has invested in a Corporate Programme Management Office with Project Managers responsible for specific projects which has been operational since 2013. In-house training is also targeted and all projects are overseen by the Project Managers. The Head of Corporate Transformation was appointed to post in 2015 to take an overarching view across both boards, programmes and projects.

Principle E:	Developing the entity's capacity, including the capability of its leadership and the individuals within it
Related KeyTheme:	Valuing and Developing our People

Public sector entities need appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. The governing body must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that an entity's management has the operational capacity for the entity as a whole. Because both individuals and the environment in which an entity operates will change over time, there will be a continuous need to develop the entity's capacity as well as the skills and experience of the leadership of individual staff members.

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, a number of 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 has now been extended to include independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair. During 2016/17, this practise continued to be further embedded. Member training is monitored by the Council's Democratic Services Committee.

The Council has continued over the past 12 months to use the now well-established all-member briefing sessions on major developments / key strategies and budget proposals. This has proved useful in increasing the wider appreciation and understanding of different initiatives prior to further debates and scrutiny in public forums.

The Council's **People Strategy** was reviewed independently in 2016. That independent review confirmed that the strategy remained "fit for purpose" to take the Council forward to 2020 as it continues to support the 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)

There is a lively Middle Managers forum and the **Ignite Club** provides inspirational learning sessions which are open to all staff. Due to a decreasing number of attendees at the Ignite Club, it is acknowledged this will need to be reviewed during 2017/18 and will be reviewing its appropriateness in terms of TOR / alignment with other activity and timing of scheduled meetings. As part of the activity on the Corporate Plan and staff engagement activity, individuals across the authority have been given an opportunity to work on corporate projects and strategies.

The **staff awards ceremony** continues apace and recognises, celebrates and promotes the achievements of Council staff. Every day our staff work hard to deliver public services for the people of Anglesey, and the staff awards are an opportunity to showcase good work and demonstrate how much we value our people. There are six categories of award which mirror the *'Six Key Themes'*. During 2016 the ceremony was expanded to include staff recognition to those who have gained a professional qualification and to present long service awards.

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The implementation of the 2016 staff survey was led by the Assistant Chief Executive. The results are published via Monitor (April 2017) and demonstrate that –

- 90% of staff enjoy their work *with*
- 95% know what's expected of them *and of those who responded*
- 53% feel valued by the Council (this is in-keeping with the results of 2013).

However, there appears to be a decreasing understanding amongst our staff of what's happening corporately with only 34% feeling well-informed about what's going on in the Council on the whole.

Additional comments from the survey were also collected by 193 respondents informing the organisation, where more work needs to be done. The Senior Leadership at the time of writing this report is considering its response to these issues and what needs to be done in order to improve our collective understanding of what's happening corporately. A demonstration of this is the way by which the Chief Executive has led the staff sessions (12 in all) presenting to the expectations of the proposed corporate plan.

The Council has a strategic ***Equalities Plan* 2016-2020** adopted by the Executive which highlights our commitment to equality, both in the provision of services and as a major employer, and to the elimination of unfair and unlawful discrimination in all our policies, procedures and practices. Progress on its key priorities are included in its annual monitoring report to the Equalities Commission and the Council is a key member of the North Wales Equalities network.

Internal engagement is essential in developing a 'Team Môn' culture and there is a need to further refine **Internal Communication Framework** to enable and secure a greater level of participation from Officers at all levels within the Council. The views and opinions of staff and Members in contributing to the corporate agenda are welcomed and valued. Current opportunities include:

- Monthly Penaethiaid meetings
- Quarterly Managers' Conference
- Ignite Club / Clwb Sbardun
- Member Briefing Sessions
- Thematic Workshops (i.e. budget)
- Service Management Meetings
- Annual Service Reviews

- Team Meetings
- One-to-One Supervisions
- Employee appraisals
- Staff suggestion schemes
- Use of Y Ddolen to keep abreast of corporate initiatives
- Use of Medra Mon as a newsletter

Whilst corporate internal communication has improved significantly under the leadership of the SLT – it is still felt that the SLT needs to improve its visibility and communications methods with staff below Management and with those staff located outside the Council HQ through new technologies, social media and face-to-face.

The regular informal briefing sessions for Members (outlined previously) enables a better understanding of specific work areas and allows them to prepare for informed scrutiny and decision-making.

We are a fully bi-lingual Council and a high proportion of our staff and most Members are first language Welsh speakers. All corporate communications are therefore produced bi-lingually, providing staff and Members with the ability to communicate are 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 Theme:	**Professional and Well Run**

The governing bodies of public sector entities need to ensure that the entities they oversee have Implemented and can sustain an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity's outcomes.

The **Risk Management Policy** was adopted by the Executive on 26 May 2015 and both the Policy and associated guidance have been uploaded to Monitor (the Council's intranet). These documents align the Risk Management and Performance Management frameworks.

SLT reviews the **Corporate Risk Register** on a quarterly basis. Services are expected to update their risk registers quarterly with any "red" or "amber" risks escalated to SLT to be considered for inclusion on the Corporate Risk Register.

During 2016/2017 the Audit & Governance Committee has been presented with two updates on the Corporate Risk Register and during the year work has been ongoing on the management of Partnership risks.

A Performance Management Framework is in place including quarterly scorecards, half-yearly challenges to Services and regular reports to the Executive and to Scrutiny. The framework continues to evolve and to focus on self-assessment by Heads of Service, and on the key areas of risk and transformation. It is also focusing on improvements to reporting of workforce and financial information. During 2016, a series of Service Reviews was undertaken which covered :-

(i) Efficiencies and Service Budgets (June-July 2016)
(ii) Performance (November-December 2016)

Whilst we have established strong approaches to ensuring effective governance for new partnerships, governance arrangements for some of the more historical partnership arrangements require strengthening. A priority for 2016 has been realised in the establishment of a Partnerships Policy which provides a framework for the effective management of partnerships (both existing and new) and offers guidance to those individuals directly involved in partnerships. The policy also outlines governance expectations which ensures partnerships the Council is involved in are managed in an efficient and effective way, focusing on actions and outcomes that support the council to deliver its strategic aims and objectives.

An Annual Report Performance Report**,** accounting for performance and benchmark with other Authorities, is published by 31 October each year.

Procurement is an essential part of service delivery on Anglesey with major service provision externalised, e.g. waste, highways and education advisory support. A national Welsh Government fitness check undertaken by KPMG in 2014 highlighted some significant issues for the Council to address. A formal project was established to address the actions highlighted within the report. The project has addressed the major issues, i.e. developing a corporate procurement strategy, policy and contracts management strategy as well as delivering training on the CPR's, new EU Procurement Legislation to all staff responsible for procurement.

The Executive approved the **Medium Term Financial Plan (MTFP)** for the period 2017/18 to 2019/20 in September 2016. The MTFP identified the potential savings required over the three year period and set the strategy for the 2017/18 budget. The annual budget was approved by the full Council at its meeting of 28 February 2017. The requirement to implement budget cuts and efficiencies was a pivotal part of the budget setting with an in-year savings target of £2.586m being required to balance the budget. The MTFP was updated at this point, following the completion of the 2017/18 budget, and identified that future budget reductions would range from £3.2m (optimistic scenario) to £8.8m (worst-case scenario). The updated plan identifies the continued need to focus on budget reductions and identify further efficiencies over the next three years in order to ensure the future financial stability of the Council.

The Budget Planning Process was undertaken from May 2016 to February 2017. This included consultation with statutory groups, including the Schools Forum, Town and Community, Councils and businesses, as well as other stakeholders such as Llais Ni and the Older Persons' Forum. This also included an extensive public consultation process. 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 21st Century Local Authority. Formal arrangements are in place for the management of performance, finance, programmes and contracts which contribute to the upholding of key elements of governance.

Quarterly financial reports (Revenue and Capital) were made to the Executive during 2016/17 which included a budget against actual measurement as well as a forecast of the position at the year-end, which also covers a range of financial information and plan with corrective measures to bring the budgets back under control if required. The 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. Areas for further improvement are documented in an action plan, which will be shared with the Audit & Governance Committee in June 2017 as part of the review process for agreeing the Final AGS.

The External Audit Findings Report for 2015/16 was presented to the Audit & Governance Committee on 21 September 2016, reflecting the prepared accounts represented a true and fair view, that the accounts had been well prepared, no adjustments had impacted upon Council reserves, there were no unadjusted misstatements for Members to consider and an unqualified opinion was given in respect of both the statement of accounts and the value for money opinion. The action plan set out recommendations to improve financial processes and internal controls, which have been accepted by Management and are in the process of being implemented.

The **procurement strategy** has been developed and is key to the continuing success of the Authority's procuring of products and services. In line with the recommendations of the KPMG Fitness Check report in 2014, the Procurement team has developed and put in place new policies, a contracts management strategy, as well as reviewing the contract procedures. An initial procurement project delivered £500k of cashable savings and the second procurement project is now underway, with savings anticipated; however, the focus will be on compliance of contract procedure rules.

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 has made significant progress on **information governance** over the last two years but it remains a priority. Under the leadership of the appointed Senior Information Risk Owner (SIRO), a large number of staff have undertaken the mandatory training on **data protection** and regular refreshers are scheduled annually.

A follow-up audit in 2015 from ICO highlighted whilst still a concern, the arrangements put in place by the SLT demonstrates the corporate willingness to comply with information governance issues as a priority. Recognising its importance, the SLT also acknowledges the associated risks of Officer and Member non-compliance with corporate policies and procedures, an example of which is the response to Freedom of Information requests within timescales which has been highlighted via the corporate scorecard. The Council as a result, has developed further its information risk management approach, and the Corporate Information Governance Group provides leadership on these matters.

The **Performance Report** (Performance Review) approved by the County Council in October 2016 looked back to assess how we performed against the priorities and targets as set out in our **2015/16 Annual Delivery Document** which delivers the priorities and main aims of our Corporate Business Plan 2013/17. This was assessed by WAO in its Improvement Assessment Letter as the Council having discharged its improvement reporting duties under the Measure and having acted in accordance with Welsh Government guidance.

Principle G:	**Implementing good practices in transparency, reporting, and audit to deliver**
Related KeyTheme:	**Professional and Well Run**

Accountability is about ensuring that those making decisions and delivering services are answerable for them, although the range and strength of different accountability relationships varies for different types of governing bodies. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the entity plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

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 Committee developed a work programme for 2016/17 and the Chair reports annually to Council's Annual General Meeting (AGM), including a report on the Member Development Plan. Themes associated with the WLGA Member Development Charter awarded to the Council form an integral part of its work programme.

The Council has continued with the practice of holding monthly all-member briefing sessions on major developments / key strategies and budget proposals. This has proved useful in increasing the wider appreciation and understanding of different initiatives prior to further debates and scrutiny in public forums.

The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Improvement Report. This can be found on the Council's or WAO's website. The Senior Management Team, Members and officers from Internal Audit and Corporate Transformation meet regularly with external regulators to discuss the Corporate Risk Register, key developments, the findings of all external reports and to update on progress being made to implement recommendations.

Over recent years the Council has succeeded in managing and evaluating itself regularly and as a result regulators' opinion has been positive in terms of willingness to achieve.

In their annual compliance certificate (November 2016) the Wales Audit Office states:

"I am of the opinion that the Council has fulfilled its duties under section 15 (6) to (9) of the measure and that it has acted in accordance with the Welsh Government's guidelines sufficiently to fulfil its duties"

Also, the Care and Social Services Inspectorate Wales noted, in its recent report (Children's Services Inspection Report – March 2017) that the Children's Service has been working in a period of significant change in light of the new social services and welfare act and that

"*senior managers accept the inspection's findings and have committed themselves to achieving the necessary improvements".*

In this context, the Council is fully aware of the need to respond constructively to the recommendations of CSSIW and has drafted a comprehensive work-plan. The responsibility for leading and achieving against this plan would be the Assistant Chief Executive's in collaboration with the Head of Children's Services. Overseeing this work, and acknowledging its importance, the SLT will be taking an active role in regularly ensuring achievements against the plan. This will place greater burden on the SLT's time (capacity) as a team and on an individual basis.

School performance on an Authority level, generally, has dipped in comparison with other Council's. There is a need to keep a close eye on this and try to ensure that performance in the foundation stage and KS4 improves.

According to the Welsh Government it is judged that the vast majority of Anglesey schools are now performing effectively and there has been a further improvement with seven schools placed in the highest category (green) in January 2017 (compared to three in 2015). Whilst this is the case, there is a need to increase the number of schools in the green category.

It can be seen that the number of schools placed in the red category (i.e. schools needing significant support) has fallen further in 2017 (from two to one) and the number of schools in the amber category has also fallen from fifteen schools in 2016 to nine schools in January 2017. Some of these schools take too much resource.

Estyn's Framework for inspecting the authority's schools assesses the standards of teaching, learning and the welfare of pupils in individual schools. It can be reported that there is an improvement in the percentage of schools placed in the most intensive support categories (a reduction from 25.0% in 2014/15 to 15.4% in 2016/17). Currently only three schools continue to be in Estyn follow-up categories compared to five in 2015, and these schools are monitored by the Education Standards Scrutiny Panel.

5. 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;
- a review of progress against the Corporate Plan;
- a review of the six themes which underpin the authority's values;
- reviews of feedback from Estyn and CSSIW and the related recovery boards 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 plan, 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 Standards committees;
- the opinions and recommendations of the Council's external auditors and other review agencies and inspectorates;
- the regular monitoring of improvement and performance against the Corporate Plan and its supporting plans and strategies by members and senior managers.

Key policies, and any amendments to them, are approved by the Executive and where appropriate, formally adopted by the County Council.

In February 2015 a Corporate Assessment was conducted by the Wales Audit Office and the subsequent report (included as part of the WAO Annual Improvement Report 2014-15 published in December 2015) concluded that:

"The Council has improved its self-awareness, making good progress in strengthening its arrangements and improving services, but much remains to be done to use staff and other resources more strategically"

During May 2017 the council also undertook a comprehensive self-assessment against its six key themes in order to assess how well we are delivering and achieving against these all-important key drivers. The draft self-assessment document has also been considered and has contributed to this Annual Governance statement

6. SIGNIFICANT GOVERNANCE ISSUES

The latest official source of analysing progress is therefore the Annual Improvement Report (AIR) issued by WAO in June 2016. That report noted that good progress was made across a number of governance themes during the year and concluded that:

"The Council has continued to make progress in priority areas while restructuring its leadership and governance arrangements and it remains self-aware"

.

The report further stated that the Auditor General had reached this conclusion because:

- the Council continues to improve performance across its priority areas and has complied with the Local Government Measure 2009, although it recognises the need to improve in some service areas;
- the Council has appropriate financial management arrangements which are continuing to improve; and
- members and officers continue to co-operate well within a new leadership and governance framework and it has adequate corporate processes for responding to reports and recommendations from external regulators.

In relation to governance issues specifically, the report notes as follows:

"Members and officers continue to co-operate well within a new leadership and governance framework and corporate processes for responding to reports and recommendations from external regulators are adequate"

During the course of the year, the Auditor General did not make any formal recommendations. However, lower-priority issues, known as proposals for improvement, are contained in other reports and are being addressed by the Council.

The 2017 Annual Report of the Head of Internal Audit gives assurance on the framework for internal control. It identifies that the Service completed 44 audits during the year, six of which were unplanned against a planned target of 63 audits.

All of the audits performed during the year resulted in positive levels of assurance with the exception of following audits, which were assessed as providing Limited Assurance:

- Housing Benefit Key Controls;
- Corporate Safeguarding;
- Child Care Court Orders under the Public Law Outline;
- Payment Card Industry Data Security Standards;
- Extra Care Housing – Commissioning Arrangements;
- Corporate Procurement Framework – Corporate Compliance; and
- Housing Maintenance Unit

The audits listed above will be followed up during 2017/18.

A further review of the Risk Management Framework was undertaken during 2016/17, which demonstrated reasonable process in embedding risk management in the Authority.

Second follow-up audits were undertaken of Business Continuity and ICT Disaster Recovery and reported to the Audit and Governance Committee on 9 February 2017. Business Continuity demonstrated good progress in implementing actions to address the audit recommendations and the level of assurance was reassessed as Substantial. The ICT Disaster Recovery follow-up confirmed that of the eight outstanding recommendations in the initial follow-up; one High level recommendation had been implemented and a further four high rated and three medium rated recommendations were deemed work in progress. The level of assurance remained Reasonable. A further review will be reported to the Audit and Governance Committee on 28 June 2017. The audits listed above will be followed up during 2017/18.

Internal Audit continued to focus resources into grant-related areas during 2016/17 to ensure that the risks presented by the type of funding were being appropriately managed. No significant risks were identified in respect of the grants reviewed**.**

The overall results of the Internal Audit work identified **81.08%** of reviews resulted in 'positive' opinions (Substantial or Reasonable) and **18.92%** resulted in 'negative' assurance opinions. The **18.92%** of reports receiving negative assurance opinions is made up of seven reports (seven Limited, Nil Minimal).

The overall opinion for the systems reviewed is a Reasonable Level of assurance which is consistent with previous years. This overall level of assurance is based on the scope of the work carried out, action recommended to management being implemented and those systems continuing to operate as intended.

To comply with CIPFA's Public Sector Internal Audit Standards 2013 a formal follow-up process is in operation within the Service to confirm that the recommendations made in Internal Audit reports have been implemented by management within agreed timescales. A follow-up audit will, whenever possible, take place six months after the issue of the final report, with the exception of those audits assessed as providing substantial levels of assurance where follow-up work is not performed, in order to maximise audit resource.

The table below summarises the implementation of recommendations as at 31 March 2017.

Table 1 - Status of agreed recommendation as at 31-3-2017				
Status	**High**	**Medium**	**Total**	**%**
Complete	87	305	392	86
Outstanding	20	42	62	14
Total	107	347	454	100

Recommendations are currently rated as red, amber, yellow or green according to the perceived risk. Those rated green are not subject to formal follow-up by Internal Audit and are not included in this analysis. The percentage implementation rate as at 31 March 2017 was **86%** of recommendations having been recorded as implemented.

The report of the Head of Internal Audit also identifies areas where significant weaknesses in control would prevent the Council placing reasonable reliance on the systems of internal control in respect of those systems reviewed during the year. The areas will continue to be a concern for Internal Audit until all significant recommendations have been implemented and assurance can be provided that the frameworks and systems are in place; have been embedded; are robust and effective. The current position on these is provided below:-

Significant governance Issues	Actions identified to address weaknesses
Corporate Procurement Framework – Although a procurement framework has been developed within the Authority the level of compliance with the Contract Procedure Rules and EU regulations remains a weakness. The procurement process is also the weakest element of the Extra Care Housing – Commissioning Arrangements audit.	Following the introduction of the new Contract Procurement Rules a review of the Procurement arrangement has been included in the Internal Audit Operational Plan for 2016/17 to provide assurance that the changes will lead to increased compliance with procurement regulation, policy and procedure.

Corporate Safeguarding – A review of corporate safeguarding arrangements in Welsh Councils published by the WAO in July 2015 recommended councils establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews of the Council's safeguarding practices.	Although responsibility for safeguarding children and adults has been brought together under Head of Service (Children), safeguarding is 'everybody's business', alluding to our collective responsibility. Some services in the Council are slow to embed safeguarding objectives into the business planning processes and embrace safeguarding as a fundamental part of all aspects of work involving children, young people and vulnerable adults. A follow-up of Corporate Safeguarding will be reported to the Audit and Governance Committee on 28 June 2017.
Children's Services – Child Care Court Orders under the Public Law Outline – The Public Law Outline is a protocol attempting to reduce unwarranted delays in family court cases. Weaknesses were evidenced in record keeping, evidence gathering and court skills, which are deemed crucial to ensure speedy resolution. Support worker visits were not always conducted in accordance with plans to ensure the safety and wellbeing of a child.	The audit resulted in a limited assurance rating and will be followed up in July 2017.
The Care and Social Services Inspectorate Wales (CSSIW) undertook an inspection of service for children in Anglesey during November 2016 and concluded that "*management oversight of safeguarding, access and assessment arrangement were insufficient and the pace of change in improving the provision of help, care and support and/or protection for children and families in Anglesey must be accelerated*".	Internal Audit have been requested by the Audit and Governance Committee to provide an update as to the progress made in implementing the resulting improvement plan.
Payment Card Industry Data Security Standards (PCI DSS) – The Authority has not identified the level of compliance required or produced a compliance programme to meet PCI DSS requirements.	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.

Governance - Compliance with Council Policies – The Corporate Assessment 2014/15 identified the requirement to embed a culture of consistent corporate working among staff at all levels and to be held to account for complying with Council policies.	Issues relating to non-compliance with key corporate policies and procedures have been identified in internal audits performed during 2016/17, most notably Corporate Procurement Framework – Corporate Compliance and the Follow Up of HR Policies & Practices for Managing the Workforce.

A number of these areas have previously been identified by the Council's Self-Assessment and good progress has been made on a number of the actions identified in the 2015/16 Annual Governance Statement as Significant

The Audit Opinion from the Head of Internal Audit notes as follows…..

I am satisfied that the internal audit work undertaken during the year allows me to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control processes for those areas reviewed. I am satisfied that the work of the external regulators together with the Authority's service performance reviews allows me to draw a reasonable conclusion that for the 12 months ended 31 March 2017, Anglesey County Council has satisfactory internal control, risk management and corporate governance processes to manage the achievement of the organisation's objectives.

7. 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 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 Committee and as part of our next annual review.

…….. ……

Leader of the Council **Chief Executive**
Date: 2017 **Date: 2017**

On behalf of the Isle of Anglesey County Council

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Isle of Anglesey County Council**

Audit year: 2016-17

Date issued: 14/09/17

Document reference: ##

Purpose of this document

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

. This document is also available in Welsh.

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The Auditor General intends to issue an unqualified audit report on your financial statements, subject to final audit testing being complete, and all items on the outstanding list resolved (See page 4).

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Summary report

Introduction

1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Isle of Anglesey County Council at 31 March 2017 and its income and expenditure for the year then ended.

2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.

3 The quantitative levels at which we judge such misstatements to be material for Isle of Anglesey County Council is £4m. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.

5 This report sets out for consideration the matters arising from the audit of the financial statements of Isle of Anglesey County Council, for 2016-17, that require reporting under ISA 260.

Status of the audit

6 We received the draft financial statements for the year ended 31 March 2017 on 12 June 2017 and have now substantially completed the audit work. At the date of issue of this report the following were outstanding:

a. Finalisation of documentation in relation to provisions, receipt of bank letters, disclosures and the accounting treatment of de-recognised items;

b. Finalisation of Partner and independent quality review process and audit file documentation; and

c. Receipt of letter of representation.

7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with S.151 Officer and Deputy S.151 Officer.

Proposed audit report

8 Subject to satisfactory completion of outstanding work, it is the Auditor General's intention to issue an unqualified audit report on the financial statements once you

have provided us with a Letter of Representation based on that set out in Appendix 1.

9 The proposed audit report is set out in Appendix 2.

Significant issues arising from the audit

Uncorrected misstatements

10 There is one prior year uncorrected misstatement which has been discussed with management but remain uncorrected. We agreed it did not require restatement as there would be no material impact on the balance sheet in 2016-17. Further detail is set out in Appendix 3.

Corrected misstatements

11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in Appendix 3.

Significant Risks

12 In our Financial Audit Plan, we set out information regarding the significant audit risks that were identified during our planning process. The table below sets out the outcome of our audit procedures in respect of those risks. We have conducted our audit in line with the Financial Audit Plan.

Financial audit risk	Proposed audit response
Management override of controls The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	The audit team undertook the following procedures: • testing the appropriateness of journal entries and other adjustments made in preparing the financial statements using enhanced data analytics to analyse the whole journal population for characteristics of audit interest; • performed testing on the design and implementation of controls over journal entries to the financial ledger; • testing the appropriateness of accounting estimates for biases; and • evaluation of the rationale for any significant transactions outside the normal course of business including those with related parties.

Financial audit risk	Proposed audit response
	No issues were identified from our testing.
Completeness and recognition of grant income We have identified completeness and recognition of grant income as a significant risk as there is a need to apply management judgement on recognition of grant income, including determining whether a grant has conditions and whether they have been met to allow recognition. There are two types of grant income which we have considered to be relevant to this risk: , specific revenue grants and capital grants and contributions.	The audit team undertook the following procedures: • carried out detailed testing of grant income to check that recognition of income properly reflects the grant scheme rules, that entitlement is in agreement with the draft or final grant claim and that the grant control account balance has been properly reconciled; • reviewed and validated correspondence attached to specific grants and compared to the Council's accounting treatment; and • tested the design and implementation of controls around recognition of grant income. No issues were identified from our testing.
Pension liability The Council currently holds a material net liability in respect of its pension obligations on the balance sheet, the calculation of which is based on a series of actuarial judgements, and its calculation is sensitive to comparatively small changes in assumptions made about future changes in salaries, discount rates, mortality, and other key variables.	The audit team undertook the following procedures: • obtained the IAS19 valuation as at 31 March 2017, and engaged experts to assist with our review and testing of the appropriateness of the IAS19 valuation bases, assumptions and financial statement disclosures; and • understood and corroborated the exercise undertaken by Council staff to review the accuracy of the data provided to the actuary and considered whether we can obtain assurance over its accuracy and completeness. No issues were identified from our testing.

Other significant issues arising from the audit

13 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

14 **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.

15 **We did not encounter any significant difficulties during the audit.**

16 **There were no significant matters discussed and corresponded upon with management which we need to report to you**.

17 **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**

18 **We did not identify any material weaknesses in your internal controls, although we have identified several areas in which it would be possible to improve control.** These are included in Appendix 4.

19 **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendations arising from our 2016-17 financial audit work

20 The recommendations arising from our financial audit work are set out in Appendix 4. Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

21 As part of the finalisation process, we are required to provide you with representations concerning our independence.

22 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Isle of Anglesey County Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

27 September 2017

Representations regarding the 2016-17 financial statements

This letter is provided in connection with your audit of the financial statements of Isle of Anglesey County Council for the year ended 31 March 2017 the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Isle of Anglesey County Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.

- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All grant income has been recognised in line with the conditions attached.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

We confirm that: all retirement benefits and schemes, including UK, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for; all settlements and curtailments have been identified and properly accounted for; all events which relate to the determination of pension liabilities have been brought to the actuary's attention; the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the managers' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the Council; the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and the amounts included in the financial statements derived from the work of the actuary are appropriate.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Isle of Anglesey County Council on 27 September 2017.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by: ……	Signed by: ……
Marc Jones S.151 Officer Isle of Anglesey County Council	Officer or Member who signs on behalf of those charged with governance
Date: ……	Date: ……

Appendix 2

Proposed audit report of the Auditor General to the Members of Isle of Anglesey County Council

Auditor General for Wales' report to the Members of Isle of Anglesey County Council

I have audited the accounting statements and related notes of Isle of Anglesey County Council for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Isle of Anglesey County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Isle of Anglesey County Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Isle of Anglesey County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Isle of Anglesey County Council as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Isle of Anglesey County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of

Huw Vaughan Thomas

Auditor General for Wales

XX September 2017

24 Cathedral Road

Cardiff

CF11 9LJ

Appendix 3

Summary of uncorrected misstatements which should be drawn to the attention of Audit and Governance Committee

As part of our Asset Held For Sale (AHFS) disposal testing, an AHFS with a value of £3,097k was selected for testing. It was identified that this asset was leased to a Housing Association as part of the extra care scheme for 99 years and although correct to de-recognise the asset, the lease with the Housing Association is signed Mar-16. The disposal therefore relates to the prior period (2015-16).

Summary of corrections made to the draft financial statements which should be drawn to the attention of Audit and Governance Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

CIES DR	CIES CR	BS DR	BS CR	Nature of correction
£'000	£'000	£'000	£'000	
700			700	Capital Additions We identified that a contribution towards the development of social housing was incorrectly capitalised.
293	293			Grant Income We identified that the Council recognised Gwynedd Council's share of a grant as income and the transfer of the share to Gwynedd Council as an expense. The Council should have recognised only its share of the grant income, and treat Gwynedd Councils share as a transfer of cash between Anglesey and Gwynedd councils.
217			217	Provisions We identified though testing that the Landfill Provision was understated due to the calculation not being on a 30 year rolling basis as per Environment Agency Guidance.

CIES – Comprehensive Income and Expenditure Statement

BS – Balance Sheet

Appendix 4

Recommendations arising from our 2016-17 financial audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

Matter arising 1 - Payroll Controls	
Findings	We identified as part of our New Joiners walkthrough that a payroll member of staff can create a new starter and update the individual's bank details in addition to members of the HR department.
Priority	Medium
Recommendation	It is recommended that Payroll members of staff do not have the ability to set up new starters and update the individual's bank details and these functions are reserved to HR staff.
Benefits of implementing the recommendation	This mitigates the risk that cash can be paid to fictitious employees.
Accepted in full by management	Not accepted.
Management response	As from September 2017,HR will be responsible for the setting up the new employees within the system and matching to the appropriate post within the approved establishment. Payroll will be required to complete other items of information including setting up the bank accounts. This provides the required segregation of duties. It is also planned that employees can access some of their own personal information via an electronic portal (My View) and can change information themselves which will include bank details. This change will be introduced over the coming months.
Implementation date	March 2018

Matter arising 2 - Asset Verification and Reconciliations	
Findings	It was identified during the audit of the fixed asset register that significant additional effort had to be made in order to identify some of the assets noted on the register.

DRAFT

Priority	Low
Recommendation	It is recommended that sufficient documentation allowing for efficient identification of assets is maintained.
Benefits of implementing the recommendation	This will improve the efficiency of the audit. .
Accepted in full by management	Accepted
Management response	The team will undertake a review of the fixed asset register before closure of accounts to ensure that assets are identifiable, as far as possible.
Implementation date	February 2018

Matter arising 3 – Calculation of Landfilll Provision	
Findings	It was identified during the audit of provisions that the waste provision was incorrectly calculated, therefore the provision was recalculated based on guidance specific to Landfill provisions.
Priority	Low
Recommendation	It is recommended that that the Landfill provision is calculated on 30 year rolling basis (until the date of closure is known) as set out on the Environment Agency Guidance taking into account the expected annual costs to maintain the site.
Benefits of implementing the recommendation	This will make the calculation in line with CIPFA and relevant guidance.
Accepted in full by management	Accepted
Management response	The landfill provision will be calculated on the thirty year rolling basis as recommended above.
Implementation date	March 2018

Matter arising 4 – Accounting for Grant income	
Findings	We identified that the Council recognised Gwynedd Council's share of a grant as income and the transfer of the share to Gwynedd Council as an expense (gross recognition) The Council should have recognised only its share of the grant income, and treat Gwynedd Councils share as a transfer of cash between Anglesey and Gwynedd councils (net recognition).
Priority	Low
Recommendation	It is recommended that the Council recognises grant income on a net basis.

Benefits of implementing the recommendation	This will not overstate income and expenditure.
Accepted in full by management	Accepted
Management response	Grant income relating to other local authorities will not be treated as grant income to the Council.
Implementation date	October 2017

Matter arising 5 – Asset Recognition	
Findings	We identified that the Council capitalised £700k in relation to a contribution to the development of social housing. This did not meet the CIPFA accounting guidance for capitalising assets. Furthermore we identified that the Council had previously recognised £1,500k of assets that were on further investigation contingent assets and therefore de-recognised in the year. However the derecognition was initially in the category 'de-recognition disposal'
Priority	Low
Recommendation	It is recommended that the Council follows the CIPFA Code when looking to capitalise expenditure and de recognise existing fixed assets.
Benefits of implementing the recommendation	The fixed asset note will be correctly stated and presented.
Accepted in full by management	Accepted
Management response	The team will work more closely with other services to ensure that the ownership of each capital project is established and accounted for correctly.
Implementation date	February 2018

Matter arising 6 – Fair Value of Loans	
Findings	We identified that the Fair Value of the loan portfolio in the prior year includes early repayment penalties, rather than being presented on a market equivalent fair value basis. Per guidance the penalty should not be included.
Priority	Low
Recommendation	It is recommended that the Council follows the CIPFA Code when calculating the fair value of the loan portfolio.

Benefits of implementing the recommendation	The disclosure of the Council's loans will be in line with CIPFA guidance.
Accepted in full by management	Accepted
Management response	The fair value 2015/16 was based on information from the Council's specialist adviser at the time. This has now been corrected and restated. From 2016/17 the fair value of the loan portfolio is based on the market equivalent fair value.
Implementation date	September 2017

Matter arising 7 – Fixed Asset Note Reconciliation	
Findings	It was identified that the brought forward cost and accumulated depreciation per note 15 did not tie in the amounts per the fixed asset register. The brought forward amounts agree to the carry forward amounts for the 15/16 note15, therefore the error lies in the fixed asset register.
Priority	Low
Recommendation	It is recommended that the Council reconciles the fixed asset register and fixed asset note and investigate any differences in a timely manner
Benefits of implementing the recommendation	The fixed asset register will reconcile to the fixed asset note and accounts.
Accepted in full by management	Accepted
Management response	The cost and net books values will be reconciled early during the closure of accounts.
Implementation date	March 2018

Matter arising 8 – Payroll Controls – Processing of timesheets	
Findings	We identified that currently all Payroll officers are responsible for the checking and inputting of timesheets onto the payroll system. At the end of each month one Payroll officer will be responsible for checking the data input into the payroll system (this alternates between the three officers). This means that the member of staff completing the checking will check the data inputted by themselves, and therefore there is not complete segregation of duties
Priority	Medium

Recommendation	It is recommended that the council introduce complete segregation of duties in relation to the processing of timesheets.
Benefits of implementing the recommendation	The Council will mitigate the risk of fraudulent time hours being paid.
Accepted in full by management	Accepted
Management response	The payroll team is a small team but will endeavour to implement segregation of duties as much as possible within the resources available. A project is currently underway to develop and improve the use of the HR/Payroll system. This will lead to staff inputting their own timesheets and expense claims with the information being authorised by line managers electronically. This will then end the need for Payroll staff to input any timesheet information.
Implementation date	June 2018

Recommendations arising from our 2016-17 IT audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

Multiple Systems – Passwords	
Findings	We noted a number of instances where the password parameters enforced in the system were not in line with the Council's Password Policy: - SX3 Application; - SX3 Database; - Resource Link Application; - Resource Link Database. Weaknesses in password controls increases the vulnerability of the system to brute force attacks and hence raises the risk of unauthorised parties gaining access to systems or data. In the current environment, where the prevalence of cyber security attacks is increasing, management should take all opportunities to strengthen system configurations wherever possible. Databases should especially be protected given that they give direct access to the data.
Priority	High
Recommendation	Management should review password parameters on the applications and their supporting infrastructure to ensure that the parameters enforced match the Password Policy wherever the system allows for this. As part of this review, an exercise should be undertaken to ensure that the default accounts on those systems have had their password changed from the default one or are disabled.
Benefits of implementing the recommendation	Maximising system protection will reduce the risk of data being inappropriately accessed.
Accepted in full by management	Partially Accepted

Multiple Systems – Passwords	
Management response	The password length will be change on SX3 as part of the next software upgrade. Historically, the security wrap around on client devices was not as robust with organisations relying on the security model of the business system. However, with advances in technology and inconsistencies in the security model of the business systems greater reliance is placed on client device security such as Active Directory and an increasing number of applications rely upon Windows authentication or Active Directory integration to provide secure authentication into the application. The IT Security Policy states that complex passwords should always be enforced, however in the case of business systems which cannot enforce this requirement; "3.3. Where it is not possible to enforce password complexity within a system, it is the responsibility of the departmental administrator to instruct users that passwords must be manually set to meet these requirements." The ResourceLink relaunch project will include the integration with Active Directory, therefore, the system will be fully tied in to Council's network security protocol.
Implementation date	December 2017

Civica Application– User Management	
Findings	It was noted that there were no documented periodic reviews of Civica access rights held by users. These reviews are performed at an application level and seek to reaffirm current roles and permissions granted to the users. It was noted that a process is in place to authorise access rights at the point of granting, and to disable the accounts of leavers. However without a periodic check of access privileges across the user base, management are not able to ensure that no-one has accumulated excessive rights over time through internal transfers, involvement in projects or cover for colleagues on leave. In addition, we noted that two internal audit accounts have privileged access on Civica application and use the account for both viewing information and resetting the passwords of other users. It is unusual for internal audit to have this level of access, as good practice is to restrict privileged access only to core IT personnel who need it for their day to day system administration activities.
Priority	Medium
Recommendation	A periodic user access review should be implemented by management to ensure that level of access granted to users is revalidated on a regular basis. As part of this, a Segregation of Duties matrix should be developed to identify toxic roles and combinations of privileges which should be avoided where possible, and accounts with privileged access should be reviewed to confirm that all such accounts require that elevated level of access for their normal day to day job roles.
Benefits of implementing the recommendation	An effective access review program ensures that the users do not have permissions exceeding their day to day responsibilities, which in turn may result in manual Segregation of Duties controls being overridden, and that all leaver accounts have been identified and disabled. The fewer privileged accounts that exist, the lower the risk of these accounts being compromised or misused to undermine the integrity of the system configuration or bypass the internal automated controls.
Accepted in full by management	Accepted

Civica Application– User Management	
Management response	It is accepted that Management do need to notify the Civica team of any changes to access rights. The HR/Payroll project includes this as notifications should occur as part of the workflow/electronic documentation/systems which are being improved. In the meantime the Civica works closely with IT, payroll and HR to identify leavers, movers etc. Controls are already in place to ensure segregation of duties and this is subject to regular review. An annual review of authorised signatories takes place each year and Civica is updated on the basis of this. The systems admin access rights which were given to internal audit has since been deleted. When audit users had admin access they were not able to update users' passwords as these are linked to the domain access on the PC/laptop. The only users who can update passwords are officers within IT.
Implementation date	October 2018

SX3 Application – User Management	
Findings	It was noted that no periodic documented user access reviews take place on the application in order to regularly revalidate roles and permissions granted to the users. Where user access reviews are not completed on a timely basis this may result in excessive access rights building up over time.
Priority	Medium
Recommendation	Management should implement a periodic user access review to ensure that the level of access granted to users is reaffirmed on a regular basis. Additionally, a Segregation of Duties matrix should be in place to identify toxic roles and combinations between permissions granted in the system which should be avoided.
Benefits of implementing the recommendation	Regular user access reviews ensures that the users do not have permissions exceeding their day to day responsibilities, which in turn may result in Segregation of Duties conflict. Additionally, periodic reviews ensure that all leaver accounts have been identified and their access removed.
Accepted in full by management	Partially accepted
Management response	Regular reviews are completed but were not previously documented. A control document will be introduced to document regular reviews. A matrix is being produced to ensure segregation of duties within SX3.
Implementation date	April 2018

Resource Link Application – User Management	
Findings	A number of weaknesses were identified in controls over the Resource Link application and supporting infrastructure as follows: • No periodic reviews of user access are performed to revalidate roles and permissions granted to users; • The HR leavers listings are not distributed to the system administrator which in turn results in them having to rely on line mangers notifying them about a staff member leaving. As a result, number of active accounts on the system which belong to leavers might still be on the system. Additionally, we have noted that the requests for deletion and addition of users are not retained for audit trail; • The Head of Payroll has privileged access to the application for the purposes of the setting up and removing user accounts. Good practice is to restrict privileged access to only core IT personnel to ensure segregation of duties between those with powerful rights in the system and those responsible for day to day transaction processing within that system; • All members of the payroll team are assigned supervisor level of access which may grant them excessive privileges compared to those required for their normal job roles. We are aware that there are plans to upgrade ResourceLink later in 2017 however whilst the current version is in use, these risks remain.
Priority	Medium
Recommendation	The upgrade of the system should be used as an opportunity to enhance the control environment around this application. Controls which should be implemented should include: • A period user access review by the business to ensure that level of access granted to users is reaffirmed on a regular basis; • Development of a Segregation of Duties matrix to identifying toxic roles and combinations between permissions granted in the system which should be avoided; • Circulation of the HR leavers listing to the Resource Link system administrator on a regular basis; • Retention of the requests for setting up new users and removing leavers administrator to ensure that appropriate audit trail is maintained; • Tailoring of user access rights for individuals at all levels within the payroll team to match the requirements of their day to day job role and to implement automated segregation of duties through the system.
Benefits of implementing the recommendation	These controls all reduce the risk of inappropriate access to systems and data. Therefore they are part of an effective response to manage the risk of fraud and error.

Resource Link Application – User Management	
Accepted in full by management	Accepted
Management response	These will be considered as part of the HR/Payroll project. It is intended that the system administration role for the Resourcelink system is transferred from Payroll to be part of the duties of the Civica Control Team.
Windows AD – Privileged Access	
Findings	It has been confirmed that the default domain Windows Administrator account has neither been disabled nor has it been renamed. Insufficiently protected or locked default system accounts increase vulnerability toward brute force attacks aimed to access the network by inappropriate parties. Additionally, use of generic accounts limits accountability of the users using them.
Priority	Medium
Recommendation	Management should review whether the default Administrator account on the domains is in use. Access to that account should be restricted and if possible, the account should be disabled. If account is required for system functionality the account should be renamed.
Benefits of implementing the recommendation	Appropriately restricted and renamed default accounts limit the risk towards brute force attacks by inappropriate parties. Additionally, lack of use of generic account increases accountability of the users as the actions on the system can be traced back to specific users.
Accepted in full by management	Accepted
Management response	We accept this recommendation and are in the process or urgently retiring this account in line with industry best practice
Implementation date	March 2018

Estates related recommendations arising from our 2016-17 financial audit work

We set out all the estates related recommendations arising from our audit with management's response to them. The majority (six) of the recommendations relate to the valuation approach and how to improve the accuracy of the valuation of Council assets. The remaining two are procedural in nature. We will follow up these next year and include any outstanding issues in next year's audit report. Outstanding recommendations for 2015/16 have been updated and included in the 2016-17 recommendations.

Title / Area	Finding and Recommendation	Management Response
Procedural matters: RICS Registered Valuer	**It is recommended that the Council valuer registers under the RICS scheme.**	Accepted – this is currently in progress.
Valuation Related Issues : Council Dwellings	**It is recommended that when the Council Dwellings are next due to be revalued as part of the 5 rolling programme, in 2020/21, the valuer undertakes additional detailed analysis to determine whether the adoption of the updated adjustment factor for 'Yorkshire and the Humber' is still applicable.** We did note that the Council's Finance Team detailed in their instructions to the valuer the requirement to revalue the Council Dwellings at 31 March 2017. Having discussed this with the valuer and after seeking confirmation from Audit who in turn raised it with the Finance Team we understand that the inclusion of the requirement to revalue the Council Dwellings in the instructions this year was an error as these assets, including garages and lockups were valued last year (2015/16). We do note that the Department for Communities and Local Government (DCLG) Guidance- Stock Valuation for Resource Accounting- Guidance for Valuers has been updated and new guidance was published in 2016. The guidance includes updated adjustment factors that are often applied when converting Market Values (with vacant possession) of the housing stock to Existing Use Value for Social Housing (EUV-SH). Albeit these adjustment factors are only applicable to housing stock in England. In determining the valuation of the stock last year we understand the valuer adopted adjustment factor applicable for 'Yorkshire and the Humber' as the adjustment factor applicable for this geographical location was selected after various meetings and discussions with previous auditors and valuers of other Welsh authorities	Accepted
Procedural Matters	**It is recommend that a more extensive and documented inspection programme is undertaken to ensure that the majority of assets valued each year have been subject to inspection within the relevant year, even if the inspection is not purely for valuation purposes, i.e. dealing with general management of the assets. This will ensure that all assets are inspected during the 5 year rolling valuation programme**	Partially accepted. Limited council resources prevent full inspection programmes, However, improved communication between services and the property team will help with

	The valuer has confirmed that *'a number of properties were inspected through the year as part of asset management'*	understanding the condition of assets better for the valuation as some inspections do take place by services as part of their asset management.
Valuation Related Issues	**It is recommended again that the resulting land valuations are checked on a rate per acre basis, where possible the valuer should verify that the land values fall within a reasonable range.** It is noted that the valuer provides land and building value apportionments for each asset for depreciation purposes. However, in the case of the non-specialised assets, the land and building value apportionment is based on fixed percentages. In our 2016 review we commented that, whilst this is a recognised approach, we recommended that the land value apportionments are checked against land sales evidence to ensure that the land value/rate per acre is appropriate in each case	Accepted –the valuer will check land values against land sales to ensure that the land/value per acre is appropriate in each case.
Valuation Related Issues	**It is recommended that the valuer provides estimated costs of sale for the assets categorised as Surplus and Assets Held for Sale.** The valuer has confirmed that he has not provided estimated costs of sale for the assets categorised as Surplus and Assets Held for Sale as the Council acts in the sale for these assets. As stated in 2016, it is more common that the hypothetical costs of disposal are also stated together with the valuation for these assets, irrespective of whether the Council acts in the sale or not.	Accepted
Valuation Related Issues	**It is recommended that the valuer use the latest build costs forecast figures from BICS for year end valuations.** For assets valued using the Depreciated Replacement Costs (DRC) approach (Specialised Operational Assets), we note that the valuer has used build cost figures from BCIS dating from December 2016 as opposed to forecasted Q1 2017 build cost figures, which would be more in line with the valuation date. As a consequence of adopting build costs as at December 2016 there would be a requirement to provide an updated valuation if the build cost movement was deemed to be material between the periods of December 2016 and 31 March 2017. We understand from the valuer that updated valuations were offered to Finance in April 2017 (in line with the instruction memo) but it was agreed that these would not be required as the movement in build costs was not considered to be material. This is acceptable, however, it is recommended that the valuer adopts the Q1 forecast BCIS build cost data in future which would negate the need to provide such an update, unless the forecasted BCIS build costs change significantly between the date when the valuations are prepared and the valuation date	Accepted
Valuation Related Issues	**It is recommend that the valuer reviews the approach for assets valued using the Depreciated Replacement Costs (DRC) approach** For assets valued using the Depreciated Replacement Costs (DRC) approach, (Specialised Operational Assets) the valuer has determined the costs for the external works by adding a percentage to the base build costs for the buildings. This is a recognised and acceptable approach, however the valuer adopts a set percentage of 10%, whereas it is more common to vary the percentage depending on the extent of the external works (actual and on an MEA basis).	Accepted
Valuation Related Issues	**It is recommended that the valuer reconsider the level of contingency that is applied in the valuations and confirms the**	Accepted

	position prior to preparing the valuations for the Specialised Operational Assets next year It is noted that, despite our 2016 review commenting on the valuer's adoption of a contingency addition of 10% to the build costs for Specialised Assets valued on a depreciated replacement Cost (DRC) basis, the valuer has continued to adopt this level of contingency addition in 2017. Whilst the approach adopted in DRC valuations is not prescriptive, a contingency addition of 10% is high and typically, if applicable, contingency costs are taken at 5% of build costs. We are also aware that in the valuation of a significant number of Local Authorities asset valuers do not add contingency costs as an assumption is typically made that there would be no unforeseen costs when building a replacement asset (actual or hypothetical MEA).	

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