

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>AUDIT COMMITTEE</b>	
<b>DATE:</b>	<b>23 JUNE 2015</b>	
<b>SUBJECT:</b>	<b>STATEMENT OF ACCOUNTS 2014-15</b>	
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR H E JONES</b>	
<b>HEAD OF SERVICE:</b>	<b>RICHARD MICKLEWRIGHT</b>	<b>(EXT. 2601)</b>
<b>REPORT AUTHOR:</b>	<b>ALAN KING</b>	
<b>TEL:</b>	<b>01248 752643</b>	
<b>E-MAIL:</b>	<b>AlanKing@anglesey.gov.uk</b>	
<b>LOCAL MEMBERS:</b>	<b>n/a</b>	

<b>A - Recommendation/s and reason/s</b>		
<ul style="list-style-type: none"> <li>It is recommended to note the Draft Statement of Accounts 2014-15 prior to review by External Audit.</li> </ul>		
<b>B - What other options did you consider and why did you reject them and/or opt for this option?</b>		
n/a		
<b>C - Why is this a decision for the Audit Committee?</b>		
<ul style="list-style-type: none"> <li>This report sets out the financial performance of the Council for the financial year 1 April 2014 to the 31 March 2015.</li> <li></li> </ul>		
<b>CH - Is this decision consistent with policy approved by the full Council?</b>		
Yes		
<b>D - Is this decision within the budget approved by the Council?</b>		
Final Accounts for period 1 April 2014 to 31 March 2015		
<b>DD - Who did you consult?</b>		<b>What did they say?</b>
1	<b>Chief Executive / Strategic Leadership Team (SLT) (mandatory)</b>	
2	<b>Finance / Section 151 (mandatory)</b>	n/a – this is the Section 151 Officer's report
3	<b>Legal / Monitoring Officer (mandatory)</b>	
4	<b>Human Resources (HR)</b>	
5	<b>Property</b>	
6	<b>Information Communication Technology (ICT)</b>	
7	<b>Scrutiny</b>	
8	<b>Local Members</b>	
9	<b>Any external bodies / other/s</b>	

<b>E - Risks and any mitigation (if relevant)</b>		
<b>1</b>	<b>Economic</b>	
<b>2</b>	<b>Anti-poverty</b>	
<b>3</b>	<b>Crime and Disorder</b>	
<b>4</b>	<b>Environmental</b>	
<b>5</b>	<b>Equalities</b>	
<b>6</b>	<b>Outcome Agreements</b>	
<b>7</b>	<b>Other</b>	
<b>F - Appendices:</b>		
<p>Appendix A – Background  Appendix B - Pre-Audit Statement of Accounts 2014-15</p>		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
<ul style="list-style-type: none"> <li>• Full working papers relating to information contained in the Statement of Accounts are retained within the Finance section.</li> <li>• Revenue and capital outturn reports as presented to the Executive Committee at regular intervals throughout the financial year.</li> </ul>		

**1. BACKGROUND**

- 1.1 The Council has a statutory duty to approve and publish a Statement of Accounts for each financial year. The attached Statement of Accounts is for the period 1 April 2014 to 31 March 2015 and is the pre-audit version. Before the external audit commences the Section 151 Officer is required to sign the 'Statement of Responsibilities for the Statement of Accounts' and this has to be completed before the 30 June 2015.
- 1.2 The Audit Committee is recommended to note the Draft Statement of Accounts prior to external audit.
- 1.3 A final version of the Statement of Accounts will be presented to Council once the external audit is completed. This should occur prior to the 30 September 2015 and will be accompanied by the Independent Auditor's report . At that stage both the Section 151 officer and the Chairman of the Isle of Anglesey County Council will be required to sign the final document.
- 1.4 The Statement of Accounts also contains the Annual Governance Statement 2014-15.

**ISLE OF ANGLESEY  
COUNTY COUNCIL**

**DRAFT  
STATEMENT OF  
ACCOUNTS  
2014/15**

Reference	Description	Page
	Explanatory Foreword	1
	The Statement of Responsibilities for the Statement of Accounts	8
	The Independent Auditors Report	9
	Movement in Reserves Statement	11
	Comprehensive Income and Expenditure Statement	12
	Balance Sheet	13
	Cash Flow Statement	14
Note 1	Statement of Accounting Policies	15
Note 2a	Accounting Standards that have been issued but have not yet been adopted	35
Note 2b	Accounting Standards that have been issued and have been adopted	35
Note 3	Critical judgements in applying Accounting Principles	35
Note 4a	Assumptions made about future and other major sources of estimation uncertainty	36
Note 4b	Prior Period adjustments, changes in accounting policies and estimates and errors	37
Note 5	Material Items of Income and Expenditure	37
Note 6	Events after Balance Sheet date	37
Note 7	Adjustments between accounting basis and funding basis under Regulations	38
Note 8	Earmarked Reserves	40
Note 9	Schools Balances	41
Note 10	Capital Receipts Reserve	41
Note 11	Unusable Reserves	41
Note 12	Other Operating Expenditure	45
Note 13	Financing and Investment Income and Expenditure	45
Note 14	Taxation and Non-specific Grant Income	45
Note 15	Non Current Assets - Property Plant and Equipment (PPE)	46
Note 16	Significant Capital Commitments	48
Note 17	Heritage Assets	48
Note 18	Investment Properties	49
Note 19	Intangible Assets	50
Note 20	Capital Expenditure and Financing	51
Note 21	Assets held for Sale	51
Note 22	Leases	52
Note 23	Inventories	52
Note 24	Debtors	52
Note 25	Cash and Cash Equivalents	53
Note 26	Creditors	53
Note 27	Provisions	54
Note 28	Cash Flow from Operating Activities	55
Note 29	Cash Flow from Investing Activities	55
Note 30	Cash Flow from Financing Activities	55
Note 31	Amounts reported for Resource Allocations Decisions	56
Note 32	Trading Operations	60
Note 33	Members' Allowances	60
Note 34	Officers' Remuneration	60
Note 35	Termination Payments	61
Note 36	External Audit Fees	62

Note 37	Grants Income	62
Note 38	Related Parties	63
Note 39	Trust Funds	65
Note 40	Teacher's Pension Scheme	66
Note 41	Local Government Defined Benefit Pension Scheme	66
Note 42	Contingent Liabilities	71
Note 43	Contingent Assets	71
Note 44	Financial Instruments	72
Note 45	The Nature and Extent of Risks arising from Financial Instruments	74
Note 46	Joint committees	77
Note 47	Houses into Homes	77
Note 48	Council Tax	78
Note 49	National Non-Domestic Rates (NNDR)	79
	Housing Revenue Account (HRA) - Income and Expenditure Statement - Statement of Movement on the HRA balance - Notes to the HRA	80
Appendix 1	Related Party disclosure – Stakeholder representation with third party organisations	85
Appendix 2	Glossary	88
	Annual Governance Statement	

# **EXPLANATORY FOREWORD**

## **1. THE STATUTORY FRAMEWORK**

Like most organisations 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 2015.

Regulations 2,5 to7(2) and 21 to 28 of the Accounts and Audit (Wales) Regulations 2014 came into force on the 31 March 2015 and therefore replace Regulation 7 of the Accounts and Audit (Wales) Regulations 2005 (SI 2005/368 (W.34), as amended) for the accounts year 2014/15 and future periods. These regulations require Welsh Local Authorities to prepare a Statement of Accounts in accordance with proper practices.

Regulation 25 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulation 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 2014/15 and the Service Reporting Code of Practice 2014/15 issued by CIPFA, supported by International Financial Reporting Standards (IFRS).

## **2. WHAT IS CONTAINED IN THE ACCOUNTS?**

The Statement of Accounts for 2014/15 has been prepared using best accounting practice set down by the Chartered Institute of Public Finance and Accountancy (CIPFA). It is, in parts, a complex document which sets out to ensure that the accounts of all Government funded bodies provide comparable and consistent information and comply with International Financial Reporting Standards.

The foreword provides an understandable guide to the most significant matters reported in the Accounts and an overview of the Council's overall financial position.

The Council's Accounts for 2014/15 consist of the following core financial statements and notes:-

- **Statement of Responsibilities for the Statement of Accounts** - which sets out the respective responsibilities of the Council and the Council's Acting Head of Function (Resources) who is the designated Section 151 Officer.
- **Annual Governance Statement** – Statutory regulations require the Council to conduct a review at least once in a year of the effectiveness of its system of internal control. The review of internal controls or internal financial controls provides assurance that the Statement of Accounts gives a true and fair view of the Council's financial position at the reporting date and its financial performance during the year.
- **Auditor's Opinion** – The Council's appointed external Auditors are PricewaterhouseCooperLLP (PwC). P. PwC will be carrying out their statutory audit following the Section 151 officer signing and dating the statement of accounts. They will then issue an opinion as to whether the Accounts need to be qualified or are unqualified. The deadline for this opinion is the 30<sup>th</sup> September following the year end.

- **Core Financial Statements** – the Statement of Accounts includes four core financial statements which are: -
  - **The Movement in Reserves Statement (MIRS)** – which shows the movement in the year of the different reserves held by the Council analysed between usable and unusable reserves. The surplus (or deficit) on the provision of services line shows the true economic cost of providing the Council services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves shows the position before any discretionary transfers to/from Earmarked Reserves are undertaken.
  - **The Comprehensive Income and Expenditure Statement (CIES)** – which shows cost of providing services in the year using accepted accounting practices, rather than the amount to be funded from taxation and general grants in accordance with statutory regulation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
  - **The Balance Sheet** – which sets out the financial position of the Council at 31 March 2015 as reflected in the level of balances and reserves at the Council's disposal and the level of assets and liabilities held by the Council.
  - **The Cash Flow Statement** – The Cash Flow Statement shows the changes on 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.
  - **The Housing Revenue Account** 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.
  - **Notes to the Financial Statements** – which are intended to explain the key figures shown in the financial statements. The notes include the Statement of Accounting Policies, which supports and explains the basis of the figures in the Accounts and it sets out the significant accounting policies and estimation techniques used to prepare the Accounts.

### 3. CHANGES IN ACCOUNTING TREATMENT

There are no material changes to accounting treatment required for 2014/15.

#### **4. SUMMARY OF THE YEAR**

The Council spends money in two ways; revenue and capital. Revenue spending is on items that are used up within a year and is paid for from Council Tax, government grants, rents and other income. Capital spending generally relates to items of expenditure that will give benefits to the Council for a period of more than one year. The financing of capital expenditure is mainly from capital receipts, capital grants and contributions, or borrowing.

#### **5. REVENUE EXPENDITURE AND INCOME 2014/15**

The Council prepared and agreed the annual revenue budget for 2014-15 in February 2014. The budget reflects the expenditure and income expected to be utilised in the provision of services. Expenditure relates to running costs such as employee salaries and overheads, repair and maintenance, energy costs, rates and other costs of occupying Council buildings, the cost of running its vehicle fleet and the cost of supplies and services to support the Council's departments. Income relates to receipts from sales of goods and fees and charges from the Council's service users and grants and contributions from the Welsh Government and other external bodies.

The Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement show our financial performance and the net expenditure to be charged against Council Tax.

##### **REVENUE EXPENDITURE 2014/15**

The Council's revenue budget for 2014/15 was set at £126m (£129m in 2013/14).

The budget was set against a challenging financial settlement of grant support from the Welsh Government and a challenging savings and efficiencies target of £6.3m was implemented in order to set the budget within the available resources.

The budget was closely monitored and controlled throughout the year and reported to the Executive in accordance with approved Council procedures. During the course of the financial year, budgetary overspending pressure was identified within the Finance service under the Directorate of the Deputy Chief Executive which was in relation to additional support to the department. The overspend was reported early in the financial year and projected to be £154k.

Actual net expenditure totalled £132.285m and it is important to note that the Council achieved an overall net spend within the budget. There are variations of over and underspends in individual services.

The Revenue budget for 2014/15 and how these compare with the actual outturn are shown in the following table:-

Directorate	Budget	Provisional	Provisional
		Outturn	Outturn
	£'000	£'000	Variance
Lifelong Learning	53026	53068	42
Communities	30296	29072	-1224
Sustainable Development	25556	25311	-245
Deputy Chief Executive	17405	18233	828
	<b>126283</b>	<b>125684</b>	<b>-599</b>

The budget for 2014/15 included required savings of £6.3m which have, in general been achieved with further savings resulting a projected outturn underspend of £599k.

### Council Fund

At out-turn, the balance on the Council Fund at 31 March 2015 increased by £1.793m, from £5.677m to £7.470m. In-year movements on the Council Fund can be found in Movement in Reserves Statement on page 11.

### CAPITAL EXPENDITURE 2014/15

Capital expenditure relates to the cost of providing or enhancing assets or other spending where the benefits last beyond the financial year in question. The Council approved a capital programme of £25.0m for 2014/15. The only major projects or schemes to commence during the year were the two new 21st century schools in Holyhead and Llannau. The only major project to be completed during the year was the Highways Local Government Borrowing Initiative scheme. The scheme saw a total of £5.3m invested over the three years, resulting in improved functionality and condition of the Authority's highways asset.

The Executive considered a capital out-turn report at its meeting of 15 June 2015, which showed that the Council actually spent £21.3m on capital projects in 2014/15.

Details of spending against individual project budgets are:-

Project	Budget for 2014/15 £000	Actual spend in 2014/15 £000	Variance in Year £000
<b>Housing</b>			
Council Houses	7,085	5,519	(1,566)
General Fund	1,914	1,701	(213)
<b>Education</b>			
21 <sup>st</sup> Century Schools	850	466	(384)
Flying Start	415	415	-
Developing Anglesey Language Centre	139	125	(14)
Other	1,199	1,169	(30)
<b>Regeneration</b>			
Econ Dev. - Strategic Infrastructure	1,881	1,434	(447)
Econ Dev. - Other	1,357	872	(485)

Property - Smallholding improvements	250	843	593
Property – Other	1,202	786	(416)
Planning - Regeneration ( 3 towns)	1,170	1,515	345
Highways – Local Government Borrowing Initiative	1,800	1,804	4
Highways – Other	2,297	1,928	(369)
Waste Management	125	39	(86)
<b>Other</b>			
ICT	606	209	(397)
Social Services	497	493	(4)
Leisure	170	2	(168)
Vibrant & Viable Places	2,050	1,967	(83)
<b>Total</b>	<b>25,007</b>	<b>21,287</b>	<b>(3,720)</b>

Total capital spending of £21.3m was £3.7m less than the approved budget for the capital programme.

## How the capital programme was paid for

Funding for the Capital Programme is dependent on resources from grants, from anticipated capital receipts, and on a level of borrowing close to the level assumed by the Welsh Assembly when calculating revenue support.

	Council Fund £000	Housing Revenue Account £000	Total £000
<b>Capital Expenditure</b>	<b>15,768</b>	<b>5,519</b>	<b>21,287</b>
Grants and Contributions	8,682	2,650	11,332
Revenue Contributions	233	2,869	3,102
Capital Receipts	2,115	0	2,115
Supported Borrowing	2,909	0	2,909
Unsupported Borrowing	1,829	0	1,829
Earmarked Reserves	0	0	0
<b>Total Financing</b>	<b>15,768</b>	<b>5,519</b>	<b>21,287</b>
<b>Resources available at 31 March 2014</b>			
Capital Expenditure Reserve	540	0	540
Leisure Improvement Reserve	196	0	196
Supported Borrowing carried forward	3,935	0	3,935
<b>Total available</b>	<b>4,671</b>	<b>0</b>	<b>4,671</b>

Capital commitments outstanding at the year-end were £3.8m (2013/14: £2.1m). The balance of the current capital commitments and the cost of new projects that are brought forward in future years will be financed from capital grants, receipts from projected asset sales and borrowing.

## MAIN INFLUENCES ON THE 2014/15 ACCOUNTS

There are a number of externally driven factors that have had a significant influence on the 2014/15 accounts and the reported financial position of the Council; the two most significant being the impact of the Economy on the Council's borrowing strategy and also on the pensions deficit.

## TREASURY MANAGEMENT STRATEGY

The Council is required to operate a balanced budget, meaning that total revenue due during the financial year must be sufficient to meet expenditure, and also that actual cash inflows must be adequate to cover cash outflows. A key part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed.

## BORROWING

In line with the approved Treasury Management Strategy, the Council was in an 'under borrowed' (internally borrowed) position at the year end, a position which commenced in 2011/12. This means that the capital borrowing needed (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as a temporary measure. This approach is prudent as investment returns were low, counterparty risk high and forecast interest rates not expected to rise sharply. The Council has sufficient cash balances to operate effectively and, if necessary could access additional funds at short notice with minimal cost.

The Council was in an under-borrowed position at the start of the year (£19.2m). No loans matured during the year and the Council's underlying need to borrow reduced by £0.2m, resulting in an under-borrowed position at the year-end of £19.0m. As a result of the continued internalisation of borrowing, the year-end borrowing was £89.58m (31 March 2014: £89.58m), with an average interest rate of 5.72% (31 March 2014: 5.72%).

## INVESTMENTS (cash held on deposit for more than 3 Months)

The Council operated within its approved Annual Investment Strategy during the year. The investments at the year- end totaled £0.0m (31 March 2014: £9.2m).

## **BALANCE SHEET POSITION AT 31 MARCH 2015**

During 2014/15, the Council's reserves were £156,157m an increase of £4.085m from the previous financial year. This increase was a combination of usable reserves increasing by £5.522m from £27.272m to £32,794m, whilst unusable reserves balance reduced from £124,800m to £123,362m, a decrease of £1.438m. The analysis of the balances of the unusable reserves can be found in note 11 Page 41

The Balance Sheet also shows an increase in long term assets valuations, which amounts to a net increase of £30.180m. Likewise, there has been an increase in current asset balances of £4.856m and a reduction in current liabilities balances of £3,237m. There also has been a material movement in long term liabilities, which have increased by £34.188m, the majority of which related to the pension reserve (as documented below).

## **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 County 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.

International Accounting Standard (IAS) 19 – Employee Benefits applies to all local authorities and relates to the Gwynedd Local Government Pension Fund administered by Gwynedd County Council.

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 which has increased from £91.152m to £125.477m, an increase £34.325m. It is important to note that the apparent deterioration in the pension position is based on actuarial valuations and does not represent an immediate call on the Council's reserves. 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 this deficit over the period as determined by the Pension Fund's Actuary (Hymans Robertson).

The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement shows the pensions benefits earned in the year, adjusted as necessary to reflect that part of the pensions costs that are not met from council taxpayers.

## **PROVISIONS**

Total provisions held by the Council amounted to £5.308m at 1 April 2014. During the year the balance increased by £0.168m to £5.476m, principally due to changes in the Insurance provision and an increase in the Job Evaluation provision.

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

## **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 Acting Head of Function (Resources) who is 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 Acting Section 151 Officer has:-

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

The Acting 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 2015.

**Signed:** .....  
**RICHARD MICKLEWRIGHT**  
**ACTING HEAD OF FUNCTION (RESOURCES) & SECTION 151 OFFICER**

**Dated: 30 September 2015**

### **Approval of Accounts**

In accordance with the Accounts and Audit (Wales) Regulations 2014 I certify that the Statement of Accounts was approved by Full Council on 30 September 2015.

**Signed** .....  
**ROBERT LLEWELYN**  
**CHAIRMAN ISLE OF ANGLESEY COUNTY COUNCIL**  
**Dated: 30 September 2015**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ISLE OF ANGLESEY  
COUNTY COUNCIL**

Leave blank



Leave blank

Leave blank

## MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2015

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

	Council Fund Balance £'000	Earmarked Council Fund Reserves (Note 8) £'000	HRA Balance (Supplementary Financial Statements) £'000	Capital Receipts Reserve (Note 10) £'000	Schools Balances (Note 9) £'000	Capital Grants Unapplied (Note 14) £'000	HRA Earmarked Reserve ( Note 8) £'000	Total Usable Reserves £'000	Total Unusable reserves (Note 11) £'000	Total Reserves of The Council £'000
<b>Balance 1 April 2013</b>	<b>5,910</b>	<b>15,611</b>	<b>482</b>	<b>14</b>	<b>1,184</b>	<b>262</b>	<b>1,016</b>	<b>24,479</b>	<b>125,982</b>	<b>150,461</b>
<b>Movement in reserves during the year</b>										
Surplus/(Deficit) on provision of services	(4,430)	-	(456)	-	-	-	-	(4,886)	-	(4,886)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	6,499	6,499
<b>Total Comprehensive Income and Expenditure</b>	<b>(4,430)</b>	<b>-</b>	<b>(456)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,886)</b>	<b>6,499</b>	<b>1,613</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	6,267	-	1,688	(14)	-	(262)	-	7,679	(7,679)	-
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>1,837</b>	<b>-</b>	<b>1,232</b>	<b>(14)</b>	<b>-</b>	<b>(262)</b>	<b>-</b>	<b>2,793</b>	<b>(1,180)</b>	<b>1,613</b>
Transfers to/(from) Earmarked Reserves (note 8)	(2,070)	1,736	(43)	-	334	-	43	-	(2)	(2)
<b>Increase/(Decrease) In Year</b>	<b>(233)</b>	<b>1,736</b>	<b>1,189</b>	<b>(14)</b>	<b>334</b>	<b>(262)</b>	<b>43</b>	<b>2,793</b>	<b>(1,182)</b>	<b>1,611</b>
<b>Balance 31 March 2014</b>	<b>5,677</b>	<b>17,347</b>	<b>1,671</b>	<b>-</b>	<b>1,518</b>	<b>-</b>	<b>1,059</b>	<b>27,272</b>	<b>124,800</b>	<b>152,072</b>
<b>Movement in reserves during the year</b>										
Surplus/(Deficit) on provision of services	(4,295)	-	(368)	-	-	-	-	(4,663)	-	(4,663)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	8,750	8,750
<b>Total Comprehensive Income and Expenditure</b>	<b>(4,295)</b>	<b>-</b>	<b>(368)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,663)</b>	<b>8,750</b>	<b>4,087</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	8,299	-	1,887	-	-	-	-	10,186	(10,186)	-
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>4,004</b>	<b>-</b>	<b>1,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,523</b>	<b>(1,436)</b>	<b>4,087</b>
Transfers to/(from) Earmarked Reserves (note 8)	(2,209)	1,289	-	-	920	-	-	-	(2)	(2)
<b>Increase/(Decrease) In Year</b>	<b>1,795</b>	<b>1,289</b>	<b>1,519</b>	<b>-</b>	<b>920</b>	<b>-</b>	<b>-</b>	<b>5,523</b>	<b>(1,438)</b>	<b>4,085</b>
<b>Balance 31 March 2015</b>	<b>7,472</b>	<b>18,636</b>	<b>3,190</b>	<b>-</b>	<b>2,438</b>	<b>-</b>	<b>1,059</b>	<b>32,795</b>	<b>123,362</b>	<b>156,157</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2015

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.

2014/15				2013/14		
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
802	(769)	33	Central Services	739	(341)	398
8,205	(3,810)	4,395	Cultural and related services	8,170	(3,452)	4,718
80,423	(21,085)	59,338	Children and educational services	71,884	(12,832)	59,052
17,377	(6,537)	10,840	Highways and transport services	15,443	(3,970)	11,473
16,809	(14,613)	2,196	Council housing (HRA)	15,237	(13,484)	1,753
26,974	(24,156)	2,818	Other housing services	25,862	(23,757)	2,105
31,979	(9,785)	22,194	Adult social care	35,860	(8,421)	27,439
9,650	(4,881)	4,769	Planning and development	10,265	(4,761)	5,504
11,660	(2,430)	9,230	Environmental services	12,836	(2,524)	10,312
22,040	(14,686)	7,354	Corporate and democratic core	7,025	(1,487)	5,538
224	-	224	Non distributed costs	76	-	76
<b>226,143</b>	<b>(102,752)</b>	<b>123,391</b>	<b>Deficit on Continuing Operations</b>	<b>203,397</b>	<b>(75,029)</b>	<b>128,368</b>
		9,616	Other operating expenditure	12		10,403
		9,078	Financing and investment income and expenditure	13		8,566
		(137,422)	Taxation and non-specific grant Income	14		(142,451)
		<b>4,663</b>	<b>Deficit on Provision of Services</b>			<b>4,886</b>
		(39,924)	Surplus on revaluation of non current assets	11c, 15 & 17		(12,516)
		31,174	Re-measurement of net Pension liability	11ch & 41		6,017
		<b>(8,750)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(6,499)</b>
		<b>(4,087)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(1,613)</b>

## BALANCE SHEET AS AT 31 MARCH 2015

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 are 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-Mar-2015 £'000	31-Mar-2014 £'000
Property, plant and equipment	15	346,220	315,636
Heritage assets	17	3,212	3,313
Investment property	18	6,913	7,139
Intangible assets	19	332	379
Long term investments	44	-	-
Long term debtors	24	430	460
<b>Long Term Assets</b>		<b>357,107</b>	<b>326,927</b>
Short term investments	44	-	-
Assets held for sale	21	3,526	1,011
Inventories	23	566	447
Short term debtors	24	20,975	24,701
Cash and cash equivalents	25	12,406	6,459
<b>Current Assets</b>		<b>37,473</b>	<b>32,618</b>
Short term borrowing	44	(8)	(1,688)
Short term creditors	26	(17,831)	(19,395)
Short term Provisions	27	(2,907)	(2,613)
Capital Grants receipts in advance	37	-	(288)
<b>Current Liabilities</b>		<b>(20,746)</b>	<b>(23,984)</b>
Long term creditors	26	(55)	(59)
Long term Provisions	27	(2,569)	(2,695)
Long term borrowing	44	(89,575)	(89,583)
Other long term liabilities	41	(125,478)	(91,152)
<b>Long Term Liabilities</b>		<b>(217,677)</b>	<b>(183,489)</b>
<b>Net Assets</b>		<b>156,157</b>	<b>152,072</b>
Usable reserves	8-10	32,794	27,272
Unusable reserves	11	123,363	124,800
<b>Total Reserves</b>		<b>156,157</b>	<b>152,072</b>

## CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2015

The Cash Flow Statement shows the changes on 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	2014/15 £'000	2013/14 £'000
<b>Net Deficit on the provision of services</b>		<b>(4,760)</b>	<b>(4,886)</b>
Adjustments to net surplus or deficit on the provision of services for non- cash movements	28	28,183	23,261
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(8,521)	(12,290)
<b>Net cash flows from operating activities</b>		<b>14,902</b>	<b>6,085</b>
<b>Net cash flows from investing activities</b>	29	<b>(7,941)</b>	<b>4,604</b>
<b>Net cash flows from financing activities</b>	30	<b>(1,014)</b>	<b>(6,534)</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,947</b>	<b>4,155</b>
Cash and cash equivalents at the beginning of the financial year	25	6,459	2,304
<b>Cash and cash equivalents at the end of the financial year</b>	25	<b>12,406</b>	<b>6,459</b>

## **NOTES TO THE ACCOUNTS**

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

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

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

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

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. All principal accounting policies have been applied consistently throughout the year.

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

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

- 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;
- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- 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 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. 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 are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

#### **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 venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the 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 and Customs. VAT receivable is excluded from income.

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

Expenditure on the acquisition, creation or enhancement of non-current assets is capitalised on an accruals basis, provided that it will yield benefits to the Council for more than one financial year. These include intangible assets, property, plant and equipment, heritage assets and investment properties. It would not typically include assets held for sale, as they would normally be expected to be disposed of within twelve 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 is recognised in the Comprehensive Income and Expenditure Statement as the costs are incurred.

## Recognition

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

## Measurement

Assets are initially measured at cost, comprising:-

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located 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, assets under construction and surplus assets – depreciated historical cost;
- Council dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- Property, plant and equipment – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets 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 7 years or less, although it may be longer for specialist items of plant & 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. Individual items within distinct classes of asset, e.g. primary schools, smallholdings, etc. are valued in a single year, in order to ensure that all assets of any one type are revalued within a short period.

In the years between valuations, reference is made to the relevant indices and adjustments made to valuations if there is any indication of material change. 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.

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

### **Impairment**

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

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

- significant decline (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, 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.

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (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 45 years.

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

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

## **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 twelve months. They are identified separately as the value in the Balance Sheet will be recovered principally through a sale transaction rather than future continued use; it is reclassified as an Asset Held for Sale. The asset (or disposal group) is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any 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.

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

The written-off value of disposals is not a charge against council tax, as the cost of 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.

### **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. Heritage Assets held by the Council include 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). For completeness, information in respect of operational Heritage Assets, in addition to being incorporated into disclosures under the relevant operation heading(s) (e.g. Property, Plant and Equipment), is separately identified and disclosed together with those relating to other Heritage Assets.

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). 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 Heritage Asset has a finite life, depreciation is provided for on the same bases as for other classes of asset (for detail see under Non-Current Assets - Property, Plant and Equipment).

Depreciation is not provided on Heritage Assets which have indefinite lives. 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 'Non-Current Assets Property, Plant and Equipment').

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.

### **Treatment of School Assets**

Land and buildings of voluntary aided and foundation school 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. Capital expenditure on voluntary aided, controlled and foundation schools is treated as "REFCUS" (Revenue Expenditure Funded from Capital under Statute) and written off each year to the comprehensive income and expenditure statement within Education and Children's services.

Individual schools' balances at 31 March 2015 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

## **8. Investment Properties**

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

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

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

The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **9. Intangible Assets**

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

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.

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. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

## **10. 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.

## **11. 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.

## **12. Financial Instruments**

### **Financial Liabilities**

Financial liabilities 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 and are subsequently carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest and 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 that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years. The 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.

### **Financial Assets**

Financial assets are classified into two types:-

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

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. 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. However, the Council has made a limited number of loans to employees and at less than market rates (soft loans). 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.

### **Available for Sale Assets**

Where applicable and if material, available-for-sale 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. 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.

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

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

#### **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.

## **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).

## **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).

## **14. 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.

## **15. Revenue Recognition**

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

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

## 16. Internal Interest

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

## 17. 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 are based on these levels.

### The Council as lessee

#### i. 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 is 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.

## **ii. 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).

### **The Council as lessor**

#### **i. 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. The Council'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.

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.

#### **ii. 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.

## **18. Charges to Revenue for Non - Current Assets - Minimum Revenue Provision (MRP)**

The comprehensive income and expenditure statement is charged with the following amounts to record the real cost of holding non-current assets during the year:-

- Depreciation and Amortisation of assets used by the Service;
- Revaluation and impairment losses on assets used by the Service;
- Profit or loss on disposal of assets.

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 by way of an adjusting entry in the Movement in Reserves Statements.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets are fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement. The Local Government Act 2003 requires the Council to charge the Council Fund a provision for the redemption of debt. This is then reduced by the amount of depreciation charge already made to the Comprehensive Income and Expenditure Account to leave the net MRP chargeable to the Council Fund.

The 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 a 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 up to 2007/08, in line with Regulations implemented under the Local Government Act 2003. Since 2007/08, MRP 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.

## **19. Grants Receivable**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the 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 conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or services potential must be returned to the transferor.

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

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

## **20. 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. This REFCUS expenditure does form part of the Council's Capital Financing Requirement.

## **21. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Chartered Institute of Public Finance Accounting (CIPFA) Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## **22. Foreign Currency**

The Council has a number of grant aided schemes under the 'Interreg' programme where the lead body is an Irish Institution and grants are 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.

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

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

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

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

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

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

## **24. Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the 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.

### **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 and are charged on an accruals basis to the Corporate and Democratic Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

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

### **Post-Employment Benefits**

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

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

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

### **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 Children and Educational Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Agency in the year.

### **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 Pension Regulations 2008 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 six 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;
  - c) 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 during the period as a result of contributions and benefit payments);
- ch) Re-measurement comprising:-
- The return on plan assets (excluding amounts already included in the net interest on net defined benefit) this is charged to the Pensions reserve as Other Comprehensive Income and Expenditure
  - The 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) gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- dd) 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;

Components (a-dd) are charged to the Comprehensive Income and Expenditure Statement in year, but to avoid changes in pensions liabilities having a disproportionate impact on Council Tax, statutory provisions exist that restrict the amount charged against the General Fund to the amount payable by the Council to the Pension Fund (dd). The difference between these two values is adjusted for in the Movement in Reserves Statement. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year not the amount calculated according to the relevant accounting standards.

This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

## **Discretionary Benefits**

The 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. Equal Pay, Single Status and Job Evaluation Claims**

The Council is the subject of equal pay, single status and job evaluation claims from current and former employees that it intends to defend. However, the Council has prudently set up both a reserve and a provision to meet the costs arising from these potential liabilities. The Statement of Accounts therefore does not currently reflect the actual value of the claims but rather an estimate of the financial liability which will arise from them.

## **26. 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.

## **27. Accounting for NNDR**

As the Council acts as an agent in the collection of NNDR 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. The Council maintains records of NNDR 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 Anglesey Council is the billing council's income and is included in the Comprehensive Income and Expenditure Statement.

## **28. 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 toward administrative costs.

Anglesey has acted as an agent on behalf of:-

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

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

The Code of Practice on Local Council Accounting in the United Kingdom 2015/16 (the Code) will introduce the undermentioned changes in accounting policies. These changes will in 2015-16 require retrospective implementation from 1 April 2014.

- IFRS 13 Fair Value Measurement
- Annual improvements to IFRSs (2011-13 Cycle)
- IFRIC 21 Levies.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 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 be amended for accounts produced for financial periods starting after 1 April 2014.

- IFRS 10 - Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 1 - Annual improvements to IFRS (2009-2011 cycle).

The changes are adopted retrospectively meaning that on adoption 2013/14 information included within these accounts will be restated in the 2014/15 accounts to reflect the new reporting requirements.

The first five standards listed above (IFRS 10 to IAS 28) relate to how group accounts are prepared and the consolidation process for reporting interests in other companies. The 2014/15 accounts are not produced on a group accounts basis as the Council's interest in such bodies are considered immaterial. The adoption of the new standards would not have impacted on this judgment.

IAS 1 – Annual improvements to IFRS (2009-2011 cycle) clarify the circumstances where it is necessary to include comparative information in the accounts. Comparative information is already included within these statements in line with the revised requirements.

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

In applying the accounting policies set out in Note 1, 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 school, 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 school 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, Voluntary Aided and Foundation Schools, neither the value of land nor the buildings are included on the Balance Sheet.
- Capital and grants are reviewed regularly to assess if 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 boundaries 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 2015 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 46

The accounting policy for the depreciation of Property, Plant and Equipment (page 17 identifies that:-

'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 two judgements to be made, to establish: -

- the proportion of the cost of an asset which is considered to represent a significant part of the asset, and
- the cost threshold, below which the separate calculation of depreciation on part of an asset would not have a significant effect on the amount of depreciation as a whole.

The Council has set these figures at 20% of the total cost of the asset and £2m respectively. As is stated above in respect of depreciation in general, physical deterioration of the individual parts of an asset may, over time, lead to spending patterns which have not been fully reflected in the levels of depreciation previously provided for.

**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 so 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. Each 1% of any resulting change would increase or decrease the reported value of the stock by approximately £3.5m.

**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, prospective termination benefits for staff leaving the Council and possible liabilities arising from insurance claims. Full details are contained in Note 27. A change in the anticipated value of settlements for legal claims by 10% would increase or decrease the expected value of the liability by approximately £0.015m.

**Pensions Liability** – The Pension Liability position as contained within the accounts is based on a number of complex assessments and judgments 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 the 31 of March 2015 the council had a short-term debtor balance of £20.97m. A review of arrears balance suggested that impairment for doubtful debts of £5.2m 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 52.

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

There are no prior period adjustments made to the accounts this year.

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

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

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

The Statement of Accounts was authorised for issue by the Council's Section 151 Officer on 30 September 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

2014/15	Usable Reserves				Movement in
	Council	Housing	Capital	Capital	Unusable
	Fund	Revenue	Receipts	Grants	Reserves
	Balance	Account	Reserve	Unapplied	
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation impairment and amortisation of non current assets	12,742	8,439			(21,181)
Revaluation losses on Property, Plant and Equipment	1,034				(1,034)
Movements in the market value of Investment Properties	76				(76)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(5,718)	(2,650)			8,368
Revenue expenditure funded from capital under statute	1,862				(1,862)
Carrying amount of non current assets sold	1,111	189			(1,300)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Minimum Revenue Provision For Capital Funding	(3,662)	(1,009)			4,671
Capital expenditure charged against the Council Fund and HRA balances	(230)	(2,633)			2,863
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Proceeds From Sale of Non Current Assets	(2,100)	(474)	2,574		
Use of the Capital Receipts Reserve to finance capital expenditure			(2,427)		2,427
Other Capital Receipts	(96)		96		
Capital Receipts Reserve set aside to repay debt			(243)		243
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
<b>Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements</b>					
	106	31			(137)
<b>Adjustments involving the Pensions Reserve:</b>					
<b>Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)</b>					
	11,703	198			(11,901)
<b>Employer's pensions contributions and direct payments to pensioners payable in the year</b>					
	(8,552)	(198)			8,750
<b>Adjustment involving Unequal Pay Back Adjustment Account</b>					
<b>Amounts charged to CIES that are difference from cost of settlements chargeable in year in accordance with statutory requirements</b>					
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>					
<b>Adjustments in relation to Short-term compensated absences</b>					
	23	(6)			(17)
<b>Total Adjustments</b>	<b>8,299</b>	<b>1,887</b>	<b>-</b>	<b>-</b>	<b>(10,186)</b>

2013/14	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Charges for depreciation impairment and amortisation of non current assets	10,294	5,664	-	-	(15,958)
Revaluation losses on Property, Plant and Equipment	1,377	-	-	-	(1,377)
Movements in the market value of Investment Properties	6	-	-	-	(6)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(8,373)	(2,600)	-	(262)	11,235
Revenue expenditure funded from capital under statute	2,385	-	-	-	(2,385)
Carrying amount of non current assets sold	400	331	-	-	(731)
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Minimum Revenue Provision For Capital Funding	(3,402)	(1,017)	-	-	4,419
Capital expenditure charged against the Council Fund and HRA balances	(479)	(489)	-	-	968
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>					
Proceeds From Sale of Non Current Assets	(787)	(222)	1,009	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(928)	-	928
Other Capital Receipts	(46)	-	46	-	-
Capital Receipts Reserve set aside to repay debt	-	-	(141)	-	141
<b><u>Adjustments involving the Financial Instruments Adjustment Account:</u></b>					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	104	14	-	-	(118)
<b><u>Adjustments involving the Pensions Reserve:</u></b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	13,556	195	-	-	(13,751)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,455)	(195)	-	-	8,650
<b><u>Adjustment involving Unequal Pay Back Adjustment Account</u></b>					
Amounts charged to CIES that are difference from cost of settlements chargeable in year in accordance with statutory requirements	(497)	-	-	-	497
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account</u></b>					
Adjustments in relation to Short-term compensated absences	184	7	-	-	(191)
<b>Total Adjustments</b>	<b>6,267</b>	<b>1,688</b>	<b>(14)</b>	<b>(262)</b>	<b>(7,679)</b>

## NOTE 8 – EARMARKED RESERVES

	Balance as at 01/04/2013 £'000	Transfers In 2013/14 £'000	Transfers Out 2013/14 £'000	Balance as at 31/03/2014 £'000	Transfers In 2014/15 £'000	Transfers Out 2014/15 £'000	Balance as at 01/04/2015 £'000
Capital Expenditure	1,000	904	(1,339)	565	495	(290)	770
Penhesgyn Waste Landfill Site Reserve	-	2,000	-	2,000	-	-	2,000
Service Reserves	1,891	-	(268)	1,623	-	(1,623)	-
Restricted Reserves	5,064	1,996	(754)	6,306	3,545	(1,640)	8,211
Job Evaluation	2,667	-	(311)	2,356	3,317	(245)	5,428
Recycling	789	108	(667)	230	68	(33)	265
Performance Management Reserve	1,440	-	-	1,440	-	(1,440)	-
Major Repairs Reserve (HRA)	860	-	-	860	-	-	860
Insurance Fund	2,351	184	-	2,535	626	(1,000)	2,161
Other	565	11	(85)	491	-	(491)	-
<b>Total</b>	<b>16,627</b>	<b>5,203</b>	<b>(3,424)</b>	<b>18,406</b>	<b>8,051</b>	<b>(6,762)</b>	<b>19,695</b>

### Purpose of Earmarked Revenue Reserves

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

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

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

**Job Evaluation** - As a result of the 'Single Status' agreement, the Council, in common with most other local authorities, was required to introduce a new pay and grading system with effect from 1 April 2007. The extent to which this exercise may involve an obligation to back pay is uncertain. Negotiations are proceeding on a revised pay and grading structure. A sum has been set aside in the Job Evaluation reserve towards the overall cost of the exercise.

**Recycling** - Resources ringfenced solely for the purpose of Waste recycling projects.

**Major Repairs Reserve HRA** – Ring fenced resource within the Housing Revenue Account for the maintenance of property.

**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.

**Performance Management Reserve** – This has reverted to the General Fund Balance

**Other** - These has been reallocated into restricted reserves.

## NOTE 9 – SCHOOLS BALANCES

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

	Balance 01/04/2013	Addition / (Reduction) for 2013/14	Balance 31/03/2014	Addition / (Reduction) for 2014/15	Balance 31/03/2015
	£'000	£'000	£'000	£'000	£'000
Community and Voluntary Primary Schools	846	189	1,035	476	1,511
Community Secondary Schools	160	149	309	320	629
Community Special School	28	(23)	5	93	98
Foundation Primary School	150	19	169	31	200
<b>Total</b>	<b>1,184</b>	<b>334</b>	<b>1,518</b>	<b>920</b>	<b>2,438</b>

At 31 March 2015 all schools had balances in surplus apart from 4 primary schools (5 as at 31 March 2014) and 2 secondary schools (2 as at 31 March 2014), which had a combined deficit of £0.348m (£0.864m as at 31 March 2014). 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 Finance Department.

## NOTE 10 – CAPITAL RECEIPTS RESERVE

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

	2014/15 £'000	2013/14 £'000
<b>Balance 1 April</b>	-	14
Capital Receipts in year (net of reduction for administration costs)	2,670	1,055
	<b>2,670</b>	<b>1,069</b>
<b>Less:</b>		
Receipts set aside to repay debt	(243)	(141)
Capital Receipts used for financing	(2,427)	(928)
<b>Balance 31 March</b>	<b>-</b>	<b>-</b>

## NOTE 11 – UNUSABLE RESERVES

	31/03/2015 £'000	31/03/2014 £'000
a) Capital Adjustment Account	164,818	170,542
b) Financial Instruments Adjustment Account	(115)	22
c) Revaluation Reserve	86,850	48,083
ch) Pensions Reserve	(125,477)	(91,152)
d) Unequal Pay Reserve	(1,438)	(1,438)
dd) Accumulating Compensated Absences Adjustment Account	(1,274)	(1,257)
<b>Total Unusable Reserves</b>	<b>123,364</b>	<b>124,800</b>

## 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 accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 on page 38 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2014/15		2013/14	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>170,542</b>		<b>172,400</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and amortisation of non-current assets	(21,181)		(15,958)	
Revaluation losses on Property, Plant and Equipment	(1,034)		(1,377)	
Revenue expenditure funded from capital under statute	(1,862)		(2,385)	
Amounts of non-current assets written off on disposal or sale (including Impairment) as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,300)		(731)	
		<b>(25,377)</b>		<b>(20,451)</b>
Adjusting amounts written out of the Revaluation Reserve		1,157		910
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(24,220)</b>		<b>(19,541)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	2,427		928	
Application of grants to capital financing from the Capital Grants unapplied account	-		-	
Capital Receipts Reserve set aside to repay debt	243		141	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,368		11,235	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	4,671		4,419	
Capital expenditure charged against the Council Fund and HRA balances	2,863		966	
		<b>18,572</b>		<b>17,689</b>
Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement		(76)		(6)
<b>Balance at 31 March</b>		<b>164,818</b>		<b>170,542</b>

## b) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The 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 Account 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. As a result, the balance on the Account at 31 March 2015 will be charged to the Council Fund over the next 4 years.

	2014/15	2013/14
	£'000	£'000
<b>Balance at 1 April</b>	<b>22</b>	<b>140</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(137)	(118)
<b>Balance at 31 March</b>	<b>(115)</b>	<b>22</b>

## 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.

## ch) 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 pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the 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.

	2014/15	2013/14
	£'000	£'000
<b>Balance at 1 April</b>	<b>(91,152)</b>	<b>(80,034)</b>
Re-measurement of net defined liability	(31,174)	(6,017)
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	(11,901)	(13,751)
Employers pension contribution and direct payment to pensioners Payable in the year	8,750	8,650
<b>Balance at 31 March</b>	<b>(125,477)</b>	<b>(91,152)</b>

- **Unequal Pay Reserve**

The Unequal Pay 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.

	2014/15	2013/14
	£'000	£'000
<b>Balance at 1 April</b>	<b>(1,438)</b>	<b>(1,935)</b>
Increase in provision for back pay in relation to Equal Pay cases	-	(1,438)
Cash settlements paid in the year	-	1,935
<b>Balance at 31 March</b>	<b>(1,438)</b>	<b>(1,438)</b>

dd) **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.

	2014/15	2013/14
	£'000	£'000
Settlement or cancellation of accrual made at the end of the preceding year	1,257	1,066
Amounts accrued at the end of the current year	(1,274)	(1,257)
<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	<b>(17)</b>	<b>(191)</b>

## NOTE 12 – OTHER OPERATING EXPENDITURE

	2014/15	2013/14
	£'000	£'000
Precept paid to North Wales Police	6,844	6,618
Precept paid to Community Councils	1,000	946
(Surplus) / Losses on the disposal of non-current assets (Including De-recognition)	(1,335)	(366)
Levies	3,201	3,218
Other	(94)	(13)
<b>Total</b>	<b>9,616</b>	<b>10,403</b>

## NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2014/15	2013/14
	£'000	£'000
Interest payable and similar charges	5,117	5,274
Net interest on the defined liability	3,903	3,678
Interest receivable and similar income	(91)	(201)
Income and expenditure in relation to investment properties and changes in their fair value	149	(185)
<b>Total</b>	<b>9,078</b>	<b>8,566</b>

	2014/15	2013/14
	£'000	£'000
<b>Income/Expenditure from Investment Properties:</b>		
Income including rental income	(789)	(798)
Expenditure	735	606
<b>Net income from investment properties</b>	<b>(54)</b>	<b>(192)</b>
<b>Deficit on sale of Investment Properties:</b>		
Proceeds from sale	(36)	(50)
Carrying amount of investment properties sold	108	50
<b>Deficit on sale of Investment Properties:</b>	<b>72</b>	<b>1</b>
<b>Changes in Fair Value of Investment Properties</b>	<b>131</b>	<b>6</b>
<b>Total</b>	<b>149</b>	<b>(185)</b>

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

	2014/15	2013/14
	£'000	£'000
Council Tax Income	31,902	29,983
Non Domestic Rates Redistribution	22,368	22,025
Revenue Support Grant	68,827	73,036
Council Tax Reduction Scheme Grant	5,237	5,166
Other Government Grants	720	1,268
Capital Grants Applied to fund Capital Expenditure	8,368	10,973
<b>Total Taxation and Non-Specific Grant Income</b>	<b>137,422</b>	<b>142,451</b>

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

**Current Year**

	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infra-structure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Constr-uction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2014	101,233	185,727	65,778	9,255	9	10	1,263	363,275
Additions (Note 20)	5,519	4,283	4,487	333		1,816		16,438
Revaluation inc. / (decr.) to (Rev. Reserve)	12,030	(615)					31	11,446
Revaluation inc / (decrease) to Surplus / Deficit on the Prov. of Services		(1,238)						(1,238)
Derecognition - Disposals	(217)	(660)					(12)	(889)
Reclassifications & Transfers	22			(4)			(22)	(4)
Reclassified to Held for Sale Assets		(2,888)					(71)	(2,959)
<b>Balance as at 31 March 2015</b>	<b>118,587</b>	<b>184,609</b>	<b>70,265</b>	<b>9,584</b>	<b>9</b>	<b>1,826</b>	<b>1,189</b>	<b>386,069</b>
<b>Depreciation and Impairment</b>								
At 1 April 2014	14,441	15,127	13,012	4,972	-	-	87	47,639
Adjustment between cost/ depreciation								-
Depreciation Charge	2,745	4,619	2,888	987			28	11,267
Depreciation written out to Revaluation Reserve.	(17,185)	(11,229)						(28,414)
Depreciation written out to Surplus or Deficit on the Provision of Services.		(248)						(248)
Impairment losses/referrals to Surplus or Deficit on the Provision of Services	5,519	4,210		4				9,733
Derecognition – Disposals	(28)	(56)						(84)
Reclassifications & Transfers	3						(3)	-
Reclassifications to held for Sale Assets		(43)						(43)
<b>Balance as at 31 March 2015</b>	<b>5,495</b>	<b>12,380</b>	<b>15,900</b>	<b>5,963</b>	<b>-</b>	<b>-</b>	<b>112</b>	<b>39,850</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2015</b>	<b>113,092</b>	<b>172,229</b>	<b>54,365</b>	<b>3,621</b>	<b>9</b>	<b>1,826</b>	<b>1,077</b>	<b>346,219</b>
<b>Balance as at 31 March 2014</b>	<b>86,792</b>	<b>170,600</b>	<b>52,766</b>	<b>4,283</b>	<b>9</b>	<b>10</b>	<b>1,176</b>	<b>315,636</b>

2013/14

	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infra-structure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2013	98,494	161,375	62,113	7,834	9	4,562	2,359	336,746
Additions (Note 20)	2,969	2,779	3,621	1,437	-	6,717	-	17,523
Revaluation inc. / (decr.) to (Rev. Reserve)	-	11,765	44	-	-	-	-	11,809
Revaluation inc / (decrease) to Surplus / Deficit on the Prov. of Services	-	(1,921)	-	-	-	-	-	(1,921)
Derecognition - Disposals	(230)	(206)	-	(16)	-	-	(117)	(569)
Reclassifications & Transfers	-	12,063	-	-	-	(11,269)	-	794
Reclassified to Held for Sale Assets	-	(128)	-	-	-	-	(979)	(1,107)
<b>Balance as at 31 March 2014</b>	<b>101,233</b>	<b>185,727</b>	<b>65,778</b>	<b>9,255</b>	<b>9</b>	<b>10</b>	<b>1,263</b>	<b>363,275</b>
<b>Depreciation and Impairment</b>								
At 1 April 2013	8,937	9,129	10,748	4,271	-	-	124	33,209
Adjustment between cost/ depreciation	-	-	(2)	(2)	-	-	-	(4)
Depreciation Charge	2,565	5,011	2,290	719	-	-	59	10,644
Depreciation written out to Revaluation Reserve.	-	(683)	(24)	-	-	-	-	(707)
Depreciation written out to Surplus or Deficit on the Provision of Services.	-	(544)	-	-	-	-	-	(544)
Impairment losses/referrals to Surplus or Deficit on the Provision of Services	2,969	2,253	-	-	-	-	-	5,222
Derecognition – Disposals	(30)	(24)	-	(16)	-	-	(30)	(100)
Reclassifications to held for Sale Assets	-	(15)	-	-	-	-	(66)	(81)
<b>Balance as at 31 March 2014</b>	<b>14,441</b>	<b>15,127</b>	<b>13,012</b>	<b>4,972</b>	<b>-</b>	<b>-</b>	<b>87</b>	<b>47,639</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2014</b>	<b>86,792</b>	<b>170,600</b>	<b>52,766</b>	<b>4,283</b>	<b>9</b>	<b>10</b>	<b>1,176</b>	<b>315,636</b>
<b>Balance as at 31 March 2013</b>	<b>89,557</b>	<b>152,246</b>	<b>51,365</b>	<b>3,563</b>	<b>9</b>	<b>4,562</b>	<b>2,235</b>	<b>303,537</b>

Details of depreciation and revaluation methodologies are shown in the Accounting Policies Number 7.

The status for accounting purposes of the assets of voluntary controlled & voluntary aided schools is 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.

## Revaluations

The Council has £346.22m recognised as Property, Plant and Equipment on its Balance Sheet as at 31 March 2015. The Council has now adopted a 5-year rolling programme for the valuation of its land and property. The programme is constructed in such a way as to ensure that entire classes of assets within its land and property portfolio (e.g. primary schools, small holdings, car parks) 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). 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.

All land and property assets of the Council were however valued as at 31 March 2011, prior to the implementation of the on-going 5-year rolling programme.

## NOTE 16 - SIGNIFICANT CAPITAL COMMITMENTS

At 31 March 2015, the Council had one significant construction contract in progress giving rise to a capital commitment for financial year 2015/16 as follows (2013/14: £2m):

Contract	Commitment £'000
Planned Maintenance contract	1,232
<b>Total</b>	<b>1,232</b>

## NOTE 17 – HERITAGE ASSETS 2014/15

	Art Collection Oriol Ynys Môn £'000	Heritage Land & Buildings £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>			
<b>At 1 April 2014</b>	1,840	1,644	3,484
Additions	-	-	-
Disposal	-	(45)	(45)
<b>At 31 March 2015</b>	<b>1,840</b>	<b>1,599</b>	<b>3,439</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>At 1 April 2014</b>	-	171	171
Depreciation Charge	-	56	56
<b>At 31 March 2015</b>	-	<b>227</b>	<b>227</b>
<b>Net Book Value</b>			
<b>At 31 March 2015</b>	<b>1,840</b>	<b>1,372</b>	<b>3,212</b>
<b>At 31 March 2014</b>	<b>1,840</b>	<b>1,473</b>	<b>3,313</b>

2013/14

	Art Collection Oriol Ynys Môn £'000	Heritage Land & Buildings £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>			
<b>At 1 April 2013</b>	1,776	1,644	3,420
Additions	64	-	64
<b>At 31 March 2014</b>	1,840	1,644	3,484
<b>Accumulated Depreciation and Impairment</b>			
<b>At 1 April 2013</b>	-	114	114
Depreciation Charge	-	57	57
<b>At 31 March 2014</b>	-	171	171
<b>Net Book Value</b>			
<b>At 31 March 2014</b>	1,840	1,473	3,313
<b>At 31 March 2013</b>	1,776	1,530	3,306

### Revaluation of Heritage Assets

A number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. At 31 March 2015, there were four such assets (unchanged from 31 March 2014):-

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

Revaluation of these assets follows the Council's standard revaluation procedures for land and property. The last revaluation for these properties was carried out as at 1 April 2011.

A valuation for the Art Collections was obtained during the previous year 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. There are no material changes in the Art Collection portfolio in the year.

### Five-Year Summary of Transactions

There have been no transactions in respect of heritage assets during the current or previous four accounting periods that require disclosure other than amounts disclosed in the tables that precede this note.

### NOTE 18 – INVESTMENT PROPERTIES

	2014/15 £'000	2013/14 £'000
Balance at start of the year	7,139	7,991
Additions:		
- Subsequent expenditure		-
Disposals	(108)	(51)
Net losses from fair value adjustments	(131)	(6)
Transfers:		
-(to)/from Property, Plant and Equipment	13	(795)
<b>Balance at end of the year</b>	<b>6,913</b>	<b>7,139</b>

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.

#### 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 of Property, Plant and Equipment.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £71k charged to revenue in 2014/15 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:-

	2014/15 £'000	2013/14 £'000
<b>Balance at start of year:</b>		
Gross carrying amounts	1,068	868
Accumulated amortisation	(689)	(655)
<b>Net carrying amount at start of year</b>	<b>379</b>	<b>213</b>
Additions	24	200
Amortisation for the financial year	(71)	(34)
<b>Net carrying amount at end of year</b>	<b>332</b>	<b>379</b>
Comprising:		
Gross carrying amounts	1,092	1,068
Accumulated amortisation	(760)	(689)
<b>Net carrying amount at end of year</b>	<b>332</b>	<b>379</b>

## NOTE 20 - CAPITAL EXPENDITURE AND FINANCING

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

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

	2014/15 £'000	2013/14 £'000
<b>Opening Capital Financing Requirement</b>	<b>108,825</b>	<b>106,408</b>
<b>Capital Invested in Year</b>		
Property, Plant and Equipment	16,437	17,523
Investment Properties	-	-
Intangible Assets	24	200
Other	-	-
Revenue Expenditure Funded from Capital Under Statute	4,826	5,017
<b>Total</b>	<b>21,287</b>	<b>22,740</b>
<b>Source of Finance</b>		
Capital Receipts and Reserves	(2,427)	(928)
Government Grants and Contributions	(8,368)	(11,235)
Revenue Provisions	(2,863)	(1,668)
REFCUS Grants	(2,964)	(1,932)
Minimum Revenue Provision and Set Aside	(4,671)	(4,560)
<b>Total</b>	<b>(21,293)</b>	<b>(20,323)</b>
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>(6)</b>	<b>2,417</b>
<b>Closing Capital Financing Requirement</b>	<b>108,819</b>	<b>108,825</b>
<b>Explanation of movement in year</b>		
Increase in underlying need to borrow supported by Government assistance	2,399	992
Increase in underlying need to borrow unsupported by Government assistance	2,266	5,985
Minimum Revenue Provision and Voluntary Set Aside	(4,671)	(4,560)
<b>Net Increase in Capital Financing Requirement</b>	<b>(6)</b>	<b>2,417</b>

## NOTE 21 – ASSETS HELD FOR SALE

	Current		Non-Current	
	31-Mar-15 £'000	31-Mar-14 £'000	31-Mar-15 £'000	31-Mar-14 £'000
<b>Balance outstanding at start of year</b>	1,011	196	-	-
<b>Assets newly classified as held for sale:</b>				
Transferred from Property, Plant & Equipment during the year	2,903	1,026	-	-
Cost of Assets Sold	(388)	(211)	-	-
<b>Balance outstanding at year-end</b>	<b>3,526</b>	<b>1,011</b>	<b>-</b>	<b>-</b>



## NOTE 22 – LEASES

### Operating Leases

The Council has leased 9 properties at 31 March 2015 for its homelessness function (32 properties at 31 March 2014) and the lease rentals for the year totalled £0.077m (£0.261m 2013/14). These properties have break clauses at twelve months. The reduction is due to a deliberate policy to return empty leased properties to their owners rather than pay rental on an empty property during the year.

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 £0.170m in 2014/15 (£0.189m 2013/14).

## 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-Mar-15	31-Mar-14
	£'000	£'000
Work In Progress	108	84
Central Stores – Building Maintenance Unit	157	133
Gofal Môn - Social Services supplies	112	87
Other – Stationery and other consumables, fuel and goods held for resale	189	143
<b>Total</b>	<b>566</b>	<b>447</b>

## NOTE 24 - DEBTORS

	Long Term Debtors		Short Term Debtors	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	£'000	£'000	£'000	£'000
Government Departments			8,439	9,868
NNDR and Council Tax			3,901	4,539
Other Local Authorities			1,287	2,150
Rents			512	535
Public Corporations and Trading funds			2	22
Employee Car Loans	235	269	271	178
Health Service /Public Bodies			878	1,553
Vat			2,150	1,382
Prepayments			407	575
Trusts			286	-
Trade Creditors	97	97	1,247	1,311
Bodies external to Central Government			125	-
Other	98	94	1,469	2,588
<b>Total</b>	<b>430</b>	<b>460</b>	<b>20,974</b>	<b>24,701</b>

The above debtors' figures are net of bad debt provisions totalling £5.168m in 2014/15 (£5.602m 2013/14), which can be analysed as follows:-

	31-Mar-15 £'000	31-Mar-14 £'000	Movement in Year
Council Tax	1,954	1,328	626
NNDR	614	708	(94)
Rents	1,300	428	872
Trade Debtors	1,300	3,138	(1,838)
<b>Total</b>	<b>5,168</b>	<b>5,602</b>	<b>(434)</b>

#### NOTE 25 - CASH AND CASH EQUIVALENTS

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

	31-Mar-15 £'000	31-Mar-14 £'000
Cash and Bank balances	13,208	11,498
Bank Overdraft	(803)	(5,039)
<b>Total</b>	<b>12,405</b>	<b>6,459</b>

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

#### NOTE 26 – CREDITORS

	Long Term Creditors		Short Term Creditors	
	31-Mar-15 £'000	31-Mar-14 £'000	31-Mar-15 £'000	31-Mar-14 £'000
Government Departments	-	-	2,177	4,174
Other Authorities	-	-	1,950	256
Public corporations and trading funds	-	-	3	148
Bodies External to Central Government	-	-	1,710	124
Trust Balances	-	-	826	877
Health service/Public Bodies	-	-	115	-
Accumulated Absences	-	-	1,274	1,257
Receipts in advance	-	-	841	1,398
Trade creditors	-	-	1,396	638
Other	55	59	7,537	10,523
<b>Total Creditors</b>	<b>55</b>	<b>59</b>	<b>17,829</b>	<b>19,395</b>

## NOTE 27 - PROVISIONS

	Balance at 01-Apr-13 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31-Mar-14 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31-Mar-15 £'000
Insurance Claims Provision	456	374	229	601	363	(743)	221
Penhesgyn Waste Site	2,669	-	-	2,669	-	(100)	2,569
Termination Benefits	243	-	102	141	24	(142)	23
MMI Scheme of Arrangement	40	-	40	-	-	-	-
Other	4,190	1,438	3,731	1,897	769	(3)	2,663
<b>Total</b>	<b>7,598</b>	<b>1,812</b>	<b>4,102</b>	<b>5,308</b>	<b>1,156</b>	<b>(989)</b>	<b>5,476</b>
<b>Short Term Provisions</b>	<b>4,184</b>	<b>1,812</b>	<b>3,383</b>	<b>2,613</b>	<b>1,156</b>	<b>(863)</b>	<b>2,907</b>
<b>Long Term Provisions</b>	<b>3,414</b>	<b>-</b>	<b>719</b>	<b>2,695</b>	<b>-</b>	<b>(126)</b>	<b>2,569</b>
<b>Total</b>	<b>7,598</b>	<b>1,812</b>	<b>4,102</b>	<b>5,308</b>	<b>1,156</b>	<b>(989)</b>	<b>5,476</b>

### Purpose of Main Provisions

#### Insurance Claims Provision

The Council's external insurance policies have excess deductible amounts which mean that the first part of any loss or claim under these policies is self-insured and protected by means of a stop-loss. The Council's general and education properties are not externally insured against the following perils: escape of water from any tank or pipe, flood, impact, theft, accidental damage, subsidence, ground heave, landslide. 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.

#### Municipal Mutual Insurance (MMI)

The Council utilised the provision during 2013/14.

**Other** – This is a grouping of a number of on-going legal claims against the Council for which provisions have been made.

## NOTE 28 – CASH FLOW FROM OPERATING ACTIVITIES

	2014/15	2013/14
	£'000	£'000
<b>Adjustment to surplus or deficit on the Provision of Services for non cash movements</b>		
Depreciation and Impairment	21,110	15,923
Downward revaluations and non-sale de-recognitions	1,034	1,377
Amortisation	71	35
(Increase)/ Decrease in Inventories	(119)	98
(Increase)/ Decrease in Debtors	3,727	(102)
Increase/(Decrease) in impairments for Bad Debts	(434)	1,199
Increase / (Decrease) in Creditors	(1,566)	1,183
Transactions within the CIES relating to retirement benefits	3,152	5,101
Carrying amount of non-current assets sold	1,300	731
Contributions to Provisions	(168)	(2,290)
Movement in value of investment properties- Impairment and downward revaluations (and non-sale derecognitions)	76	6
	<b>28,183</b>	<b>23,261</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	(153)	(1,055)
Capital grants included in "Taxation and non-specific grant income"	(8,368)	(11,235)
<b>Total</b>	<b>(8,521)</b>	<b>(12,290)</b>

## NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

	2014/15	2013/14
	£'000	£'000
Purchase of Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets	(16,462)	(17,787)
Short Term Investments (not considered to be cash equivalents)	-	10,101
Proceeds from the sale of property, plant and equipment, investment property and assets held for sale	153	1,055
Capital Grants and Contributions Received	8,368	11,235
<b>Net Cash flows from Investing Activities</b>	<b>(7,941)</b>	<b>4,604</b>

## NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

	2014/15	2013/14
	£'000	£'000
Cash Receipts from Short and Long Term Borrowing	-	(27)
Other Payments	(1,014)	(6,507)
<b>Net Cash flows from Financing Activities</b>	<b>(1,014)</b>	<b>(6,534)</b>

**Cash flow from operating activities include the following amounts relating to Interest**

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Interest Received	(215)	(267)
Interest Paid	5,533	5,316

**NOTE 31 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

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

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

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

## Amounts Reported For Resource Allocation Decisions

### 2014/15 – Directorate Analysis

	Education & Lifelong Learning	Community Services	Sustainable Development	Deputy Chief Executive	Corporate and Democratic Core	Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	-	-	-	-	-	-	-
Government Grants	-	-	-	-	-	-	-
<b>Total Income</b>	-	-	-	-	-	-	-
Employee expenses	-	-	-	-	-	-	-
Other Service Expenditure	-	-	-	-	-	-	-
Support Service Expenditure	-	-	-	-	-	-	-
<b>Total Expenditure</b>	-	-	-	-	-	-	-
<b>Net Expenditure</b>	-	-	-	-	-	-	-

### 2013/14 – Directorate Analysis

	Education & Lifelong Learning	Community Services	Sustainable Development	Deputy Chief Executive	Corporate and Democratic Core	Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	(10,698)	(13,224)	(9,828)	(1,846)	-	(22,602)	(58,198)
Government Grants	(9,140)	(6,080)	(6,930)	(19,883)	-	-	(42,033)
<b>Total Income</b>	<b>(19,838)</b>	<b>(19,304)</b>	<b>(16,758)</b>	<b>(21,729)</b>	-	<b>(22,602)</b>	<b>(100,231)</b>
Employee expenses	46,208	19,625	11,437	6,622	-	2,398	86,290
Other Service Expenditure	21,241	33,554	25,476	19,740	7,942	12,017	119,970
Support Service Expenditure	1,137	1,456	815	1	-	1,197	4,606
<b>Total Expenditure</b>	<b>68,586</b>	<b>54,635</b>	<b>37,728</b>	<b>26,363</b>	<b>7,942</b>	<b>15,612</b>	<b>210,866</b>
<b>Net Expenditure</b>	<b>48,748</b>	<b>35,331</b>	<b>20,970</b>	<b>4,634</b>	<b>7,942</b>	<b>(6,990)</b>	<b>110,635</b>

## Reconciliation of the Directorate Analysis to the amounts in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £'000	2013/14 £'000
<b>Net expenditure in the Directorate analysis</b>	-	110,635
Net expenditure of services and support services not included in the analysis	-	21,514
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in	-	1,605
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure	-	(5,386)
<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>	-	<b>128,368</b>

## Reconciliation of the Directorate Analysis to the Deficit on the provision of services within the Comprehensive Income and Expenditure Account

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

### 2014/15

	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Allocation of recharge £'000	Amounts not included in CIES £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	-	-	-	-	-	-	-	-
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	(91)	(91)
Income from council tax	-	-	-	-	-	-	-	-
Government grants and contributions	-	-	-	-	-	-	3,905	3,905
<b>Total Income</b>	-	-	-	-	-	-	<b>3,814</b>	<b>3,814</b>
Employee expenses	-	-	-	-	-	-	-	-
Other service expenses	-	-	-	-	-	-	-	-
Support Service recharges	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment and other capital charges	-	-	-	-	-	-	221	221
Interest Payments	-	-	-	-	-	-	5,121	5,121
Precepts & Levies	-	-	-	-	-	-	10,782	10,782
Payment to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(1,334)	(1,334)
<b>Total expenditure</b>	-	-	-	-	-	-	<b>14,790</b>	<b>14,790</b>
<b>Surplus or deficit on the provision of services</b>	-	-	-	-	-	-	<b>18,604</b>	<b>18,604</b>

2013/14

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of recharge	Amounts not included in CIES	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(58,198)	-	9,802	33,240	-	(15,156)	-	(15,156)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	(201)	(201)
Income from council tax	-	-	-	-	-	-	(29,984)	(29,984)
Government grants and contributions	(42,033)	(261)	(9,802)	-	-	(52,096)	(112,467)	(164,563)
<b>Total Income</b>	<b>(100,231)</b>	<b>(261)</b>	<b>-</b>	<b>33,240</b>	<b>-</b>	<b>(67,252)</b>	<b>(142,652)</b>	<b>(209,904)</b>
Employee expenses	86,290	-	1,605	-	-	87,895	-	87,895
Other service expenses	119,970	5,833	-	(28,634)	(5,386)	91,783	3,665	95,448
Support Service recharges	4,606	-	-	(4,606)	-	-	-	-
Depreciation, amortisation and impairment and other capital charges	-	15,942	-	-	-	15,942	(185)	15,757
Interest Payments	-	-	-	-	-	-	5,274	5,274
Precepts & Levies	-	-	-	-	-	-	10,782	10,782
Payment to Housing Capital Receipts Pool	-	-	-	-	-	-	-	-
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(366)	(366)
<b>Total expenditure</b>	<b>210,866</b>	<b>21,775</b>	<b>1,605</b>	<b>(33,240)</b>	<b>(5,386)</b>	<b>195,620</b>	<b>19,170</b>	<b>214,790</b>
<b>Surplus or deficit on the provision of services</b>	<b>110,635</b>	<b>21,514</b>	<b>1,605</b>	<b>-</b>	<b>(5,386)</b>	<b>128,368</b>	<b>(123,482)</b>	<b>4,886</b>

## NOTE 32 – TRADING OPERATIONS

The Council has no Trading Operations.

## NOTE 33 - MEMBERS' ALLOWANCES

A total of £0.684m (£0.681m in 2013/14) was paid in respect of allowances to Council Members during the year as follows:

	2014/15 £'000	2013/14 £'000
Basic and Special responsibility allowances	555	557
Chairman and Deputy Chairman's Allowance	6	8
Pension Costs	55	62
National Insurance Costs	39	39
Travel Costs	16	12
Miscellaneous	12	3
<b>Total</b>	<b>684</b>	<b>681</b>

## NOTE 34 – OFFICERS' REMUNERATION

The number of employees, whose actual remuneration paid was more than £60,000 but not more than £150,000 in 2014/15, excluding pension contributions but including severance pay are as follows:-

Officer Remuneration	Including Severance Pay 2014/15	Including Severance Pay 2013/14	Excluding Severance Pay 2013/14	Excluding Severance Pay 2012/13
	Number of Employees	Number of Employees	Number of Employees	Number of Employees
£60,000 to £65,000	6	5	5	5
£65,001 to £70,000	3	2	3	2
£70,001 to £75,000	3	1	3	1
£75,001 to £80,000	1	1	1	1
£80,001 to £85,000	1	1	1	1
<b>Total</b>	<b>14</b>	<b>10</b>	<b>13</b>	<b>10</b>

This table excludes reference to the senior staff included in table below.

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

## 2014/15

Senior Officer Remuneration	Salary, Fees and Allowances £'000	Expenses and Allowances £'000	Compensation for loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive (Richard Parry Jones) *	144	1	-	26	171
Deputy Chief Executive	114	-	-	21	135
Director (Lifelong Learning)	99	2	-	18	119
Director (Sustainable Development)	99	1	-	18	118
Head of Function (Resources) (Left 16th July 2014)	23	-	19	4	46
Director (Community)	99	1	-	18	118
Head Of Function – Legal & Administration	72	-	-	14	86
Head of Human Resources	63	1	-	12	76
Head of Service (Housing)	64	1	-	12	77
<b>Total</b>	<b>777</b>	<b>7</b>	<b>19</b>	<b>143</b>	<b>946</b>

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

### Comparative figures for 2013/14 are shown in the following table

Senior Officer Remuneration	Salary, Fees and Allowances £'000	Expenses and Allowances £'000	Compensation for loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive (Richard Parry Jones) **	153	2	-	32	187
Deputy Chief Executive	114	-	-	26	140
Director (Lifelong Learning)	99	2	-	22	123
Director (Sustainable Development)	99	1	-	22	122
Head of Function (Resources)	80	1	-	18	99
Director (Community)	99	-	-	22	121
Head Of Function – Legal & Administration	72	1	-	16	89
Head of Human Resources	61	-	-	14	75
Head of Service (Housing)	60	1	-	14	75
<b>Total</b>	<b>837</b>	<b>8</b>	<b>-</b>	<b>186</b>	<b>1,031</b>

\*\* Note: Within the Chief Executive's salaries fees and allowances payment a Returning Officer payment of £3,000 is included.

### 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 package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15 £'000	2013/14 £'000
£0 - £20,000	9	23	12	3	21	26	142	172
£20,001 - £40,000	-	-	9	1	9	1	232	23
£40,001 - £60,000	-	1	2	-	2	1	94	45
£80,001 - £100,000	-	-	-	1	-	1	-	90
<b>Total</b>	<b>9</b>	<b>24</b>	<b>23</b>	<b>5</b>	<b>32</b>	<b>29</b>	<b>468</b>	<b>330</b>

This amount is included in the total cost of £0.589m charged to the Comprehensive Income and expenditure account for 2014/15. The difference is the cost of a further 4 employees leaving during 2015/16.

## NOTE 36 – EXTERNAL AUDIT FEES

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

	2014/15 £'000	2013/14 £'000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	211	193
Fees payable to the Wales Audit Office in respect of statutory inspections	130	169
Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns for the year	119	145
Fees payable to Wales Audit Office in respect of other services	7	-
Fees payable to PricewaterhouseCoopers LLP for other work as appointed auditor	4	8
<b>Total</b>	<b>471</b>	<b>515</b>

## NOTE 37 – GRANTS INCOME

The Council Credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:-

	Note	2014/15 £'000	2013/14 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>			
Council Tax Reduction Scheme Grant	14	5,237	5,166
Revenue Support Grant (Non-ring-fenced Government Grants)	14	68,827	73,036
Capital Grants and Contributions (Capital Grants and Contributions)	14	5,718	8,373
Grant - Major Repairs Allowance (Capital Grants and Contributions)	14	2,650	2,600
Other (Non-ringfenced Government Grants)	14	720	1,268
<b>Total</b>		<b>83,152</b>	<b>90,443</b>
<b>Credited to Services</b>			
<b>Grants:</b>			
Council Tax Benefit Granted		-	-
Post 16 Grant (Education)		2,711	3,205
Foundation Phase Grants (Education)		2,368	2,385
Concessionary Fares Grant		726	734
Housing Benefit Subsidy		18,186	18,794
Supporting People Grant (SPG & SPRG)		3	3,052
Sustainable Waste Management		1,713	1,722
<b>Total</b>		<b>25,707</b>	<b>29,892</b>
<b>Other Grants:</b>			
Central Services		76	121
Cultural and Related Services		454	467
Children and Education Services		4,080	3,614
Highways and Transport Services		1,210	1,190
Other Housing Services		1,172	455
Adult Social Care Grants		480	1,217
Planning and Development		1,297	3,868
Environmental Services		90	412
Corporate and Democratic Core		565	798
<b>Total</b>		<b>9,424</b>	<b>12,142</b>
<b>Contributions:</b>		<b>13,390</b>	<b>9,802</b>
<b>Total</b>		<b>131,673</b>	<b>142,279</b>

## Capital Grants Received in Advance

	2014/15 £'000	2013/14 £'000
Opening balance	288	71
Add: new capital grants received in advance (condition of use not met)	-	11,285
Capital Grants Repaid	-	-
Less: amounts released to the Comprehensive Income and Expenditure Account (conditions met)	(288)	(11,068)
<b>Closing Balance</b>	<b>-</b>	<b>288</b>

### NOTE 38 – RELATED PARTIES

The Council appoints members to certain public, charitable and voluntary bodies. During 2014/15, a total of £4.556m was paid in grants for the purchase of services from these bodies (£4.407m 2013/14). 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 £0.066m was paid in 2014/15 (£0.069m 2013/14).

Members have declared interests in contracts, or in organisations, which may have dealings with the Council, in the Statutory Register of Members' Interests. A total of £0.066m was paid by the Council in 2014/15 in relation to these interests (£0.240m 2013/14).

Betsi Cadwalader University Health Board, through common control by central Government, is a related party to the Council. Payments made by the Council for 2014/15 to BCUHB amounted to £1.322m, and no further amounts were owed at year-end. Receipts taken in by the Council from BCUHB came to £2,799m with £0.803m 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 a 50% interest in two companies and in each case the other member is Gwynedd Council:-

#### Cwmni Gwastraff Mon-Arffon Cyf

Cwmni Gwastraff Mon-Arffon 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 re-valued each year and most of the shareholders funds have been returned to the two Councils. The remaining interest in the company at the 31<sup>st</sup> March 2015 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 2013/14 show a net income of £0.072m (£0.286m in 2012/13). The turnover for 2013/14 was £3,429m (£5.766m 2012/13). The company's published accounts show net assets of £0.499m as at 31 March 2014 (net assets £1.395m 2012/13).

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 2014 is not qualified. During 2014/15 financial year, the Council accounted for costs of £1.128m relating to purchase of services from the company.

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

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

The Council is a member of WJEC CBAC Limited, a charitable company whose members are the 22 Welsh unitary authorities and whose objectives are to provide examination services and to provide and promote other educational and cultural services. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to £1.

During 2014/15 financial year, the Council accounted for £0.379m (£0.14m 2013/14) for purchase of services from the company.

The Company accounts for 2013/14 (that is to year ending 30 September) show a net positive movement in funds of £x.xxm (net positive movement in funds of £3.06 2012/13). The turnover for 2013/14 was £xx.xxm (£39.90m 2012/13) and net assets totaled £xx.xxxm as at 30 September 2014 (£22.53m as at 30 September 2013).

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 2014 is not qualified.

## **Menter Môn Cyfyngedig**

The Council is a member of Menter Môn Cyf, and was one out of a total of 3 members at 31 March 2015. 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 2014/15 financial year the Council accounted for £0.255m of payments to the company in support of the activities (£1.071m 2013/14).

The company accounts for the financial year ended 31 December 2014 shows net income after tax of £0.003m (net income of £0.223m 2013). The turnover for 2014 was £5.782m (£6.717m 2013) and net assets totaled £0.535m as at 31 December 2014 (£0.631m 2013).

Copies of the company's accounts can be obtained from Menter Môn, Llys Goferydd, Bryn Cefni Industrial Estate, Llangefni, Ynys Môn. The auditor's report on the accounts for the financial year ended 31 December 2014 is not qualified.

### **Caergeiliog Foundation School**

Balances for current assets and liabilities controlled by Caergeiliog Foundation School are included in these accounts, and so the school's reserves as stated in this balance sheet, represents only the net current assets. The school also has non-current assets that are stated on the school's balance sheet at £0.627m at the 31 March 2015 (£0.667m at 31 March 2014) 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 Finance Department. 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 2014/15 the Council received £0.215m (£0.215m 2013/14) towards the running costs of Oriel Ynys Môn.

#### **Welsh Church Fund**

The investments of this fund are currently being administered by Gwynedd Council on behalf of the successor authorities of Gwynedd County Council although there are plans to transfer them to this Council. The scheme for the administration of the fund provides that the income is to be applied to charitable purposes - educational, recreational and social - at the discretion of the Council.

#### **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 2015 the balances of these Trust funds (at market value of the assets) are:-

Pre Audited Statement Summary	2014/15	2014/15	2014/15	2014/15
	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Isle of Anglesey Charitable Trust (*)	1,962	1,065	20,793	1,033
Welsh Church Fund (**)	135	15	934	12
Anglesey Further Education Trust (***)	119	82	2,160	-

Pre Audited Statement Summary	2013/14	2013/14	2013/14	2013/14
	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Isle of Anglesey Charitable Trust (*)	1,176	438	20,816	1,941
Welsh Church Fund (**)	15	19	815	14
Anglesey Further Education Trust (***)	85	160	1,764	-

(\*) 2013/14 figures restated to reflect the final accounts

(\*\*) Council Portion Only

(\*\*\*) Prior year figures subject to Audit

The total value of the other funds including investments at market value is £0.245m as at 31 March 2015 (£0.236m as at 31 March 2014).

#### 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 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 2014/15, the Council paid £2.127m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (£2.99m and 14.17% 2013/14). In addition, payments relating to enhancements for early retirement etc. made on a pay-as-you-go basis amounted to £NIL (nil 2013/14). There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefits basis and detailed in Note 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 County 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 Tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed 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:

	2014/15	2013/14
	£'000	£'000
<b>Service cost comprising:</b>		
Current service cost	7,775	9,996
Losses on settlements or curtailments	224	76
<b>Total Service cost</b>	<b>7,999</b>	<b>10,072</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest cost on defined benefit obligation	12,502	12,275
Interest Income on scheme Assets	(8,599)	(8,596)
<b>Total Post employment benefits charged to the Surplus or deficit on Provision of Service</b>	<b>11,902</b>	<b>13,751</b>
Return on Plan Assets (excluding amounts included in net interest expense)	(16,041)	489
Actuarial losses arising on changes in demographic assumptions	-	5,528
Actuarial gain and losses arising on changes in financial assumptions	48,780	-
Other	(1,565)	-
<b>Total re-measurement of net defined benefit liability comprising</b>	<b>31,174</b>	<b>6,017</b>
<b>Total Post employment benefits charged to the Comprehensive Income and Expenditure</b>	<b>43,076</b>	<b>19,768</b>
Reversal of net charges made for retirement benefits in accordance with the code	3,152	5,101
<b>Actual amount charged against the Council Fund balance for pensions in the year:</b>		
Employers' contributions payable to scheme	8,750	8,650
<b>Total Post employment benefits charged to the Surplus or deficit on provision of Services</b>	<b>11,902</b>	<b>13,751</b>

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

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP and independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2015.

Amounts included in the Balances sheet arising from the Authority's obligation in respect of its defined benefit plan is as follows:	31-Mar-15 £'000	31-Mar-14 £'000
Present Value of Scheme Assets	224,961	199,636
Present Value of Scheme Liabilities	(350,438)	(290,788)
<b>Net liability arising from defined obligation</b>	<b>(125,477)</b>	<b>(91,152)</b>

c) **Reconciliation of Present Value of the Scheme liabilities**

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

	2014/15 £'000	2013/14 £'000
<b>Opening Fair Value of Scheme Plan Assets as at 1 April</b>	<b>199,636</b>	<b>190,773</b>
Interest Income	8,601	8,596
Return on planned assets (excl. net interest expense)	16,041	(489)
Contributions by members	2,095	2,058
Contributions by employer	7,696	7,608
Contributions in respect of unfunded benefits	1,054	1,042
Unfunded benefits paid	(1,054)	(1,042)
Benefits paid	(9,108)	(8,910)
<b>Balance as at 31 March</b>	<b>224,961</b>	<b>199,636</b>

ch) **Fair Value of Plan Assets**

The Council's Pension Scheme assets comprise:

	2014/15 Prices Quoted in Active Markets £'000	2014/15 Prices not quoted in Active Markets £'000	2013/14 Prices Quoted in Active Markets £'000	2013/14 Prices not quoted in Active Markets £'000
Cash and cash equivalents	4,059		4,864	
Equity investment (by industry type)				
Consumer	6,230		3,737	
Financial Institutions	3,508		1,668	
Energy and utilities	4,633		4,779	
Health and care	9,365		8,847	
Information technology	6,540		5,570	
Other	11,403		9,107	
Private Equity investments		9,514		9,554
Equities	51,353	63,910	44,780	58,485
Bonds		31,154		29,673
Infrastructure		1,061		881
<u>Real Estate</u>				
UK Property		21,580		17,181
Overseas property		651		510
<b>Total Value – All Assets</b>	<b>97,091</b>	<b>127,870</b>	<b>83,352</b>	<b>116,284</b>
<b>Total Value of Active and Non Active Assets</b>		<b>224,961</b>		<b>199,636</b>

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

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

<b>Equity investment (by industry type)</b>		
Consumer	2%	2%
Energy and utilities	2%	2%
Financial institutions	1%	1%
Health and care	5%	4%
Information technology	3%	3%
Other	5%	5%
<b>Equity investments</b>	5%	5%
<b>Investment Funds and Unit Trust</b>		
Equities	51%	52%
Bonds	15%	15%
Infrastructure	<1%	<1%
<b>Real Estate</b>		
Property	9%	9%
Overseas property	<1%	<1%
<b>Total</b>	100%	100%

### d) Scheme History

Analysis of scheme assets and liabilities

	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12	31-Mar-11
	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets in pension scheme	224,961	199,636	190,773	167,224	165,562
Present Value of Defined Benefit Obligation	(350,438)	(290,788)	(270,807)	(230,971)	(212,134)
<b>Deficit in the Scheme</b>	<b>(125,477)</b>	<b>(91,152)</b>	<b>(80,034)</b>	<b>(63,747)</b>	<b>(46,572)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The present value of defined benefit obligations of £350,4m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £125,5m.

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.

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

	2014/15	2013/14
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	22.0 years	22.0 years
Women	24.0 years	24.0 years
<i>Longevity at 65 for future pensioners:</i>		
Men	24.4 years	24.4 years
Women	26.6 years	26.6 years
Inflation/Pension Increase Rate	2.40%	2.80%
Salary Increase Rate	4.30%	4.60%
Expected Return on Assets	12.30%	4.30%
Rate for discounting scheme liabilities	3.20%	4.30%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2008	50.00%	50.00%
Service post April 2008	75.00%	75.00%

**e) Sensitivity Analysis**

The sensitivity analysis is based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in previous years. The sensitivities regarding the principle assumptions used to measure the schemes liabilities are set out below:

Change in assumptions as at 31 March 2015	Approximate % increase to employer	Approximate Monetary Amount £'000
0.5% decrease in real discount rate	11%	38,515
1 year increase in members life expectancy	3%	10,513
0.5% increase in the salary increase rate	4%	14,126
0.5% increase in pension increase rate	7%	23,315

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

The objective of the scheme is to keep employers' contributions at a 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 31 March 2016.

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 with in a common framework, to establish new career average re-valued 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 £91.52m 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.

#### **ff) Estimated contributions to be paid to Gwynedd Pension Fund in 2015/16**

The Council anticipates paying £7.8m contribution to the scheme in 2015/16. The weighted average duration of the defined benefit obligation for scheme members is 19.4 years.

The amount outstanding to Gwynedd County Council in respect of the LGPS contributions for 2014/15 as at 31 March is £0.808m and is included in the short term creditors' disclosure note.

### **NOTE 42 – CONTINGENT LIABILITIES**

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

The Council is the subject of a number of equal pay claims from current and former employees. Some of these claims may be settled but the final amount payable is uncertain because of possible variations in settlement amounts for current claims and because of the possibility that some further claims may yet be lodged.

#### **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.

#### **Beaumaris Pier**

Negotiations are ongoing regarding the value of the renovation works carried out by Bam Nuttall Ltd in order to agree a final settlement amount.

### **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. At 31 March 2015 there were 109 such properties and it was estimated that the maximum amount that might potentially be received was approximately £1.18m . However, 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-Mar-2015	31-Mar-2014	31-Mar-2015	31-Mar-2014
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	-	-	-	-
<b>Cash balances</b>				
Bank deposits	-	-	10,983	11,498
<b>Total cash and investments</b>	<b>-</b>	<b>-</b>	<b>10,983</b>	<b>11,498</b>
<b>Debtors</b>				
Loans and Receivables	429	460	5,082	8,337
<b>Total Debtors</b>	<b>429</b>	<b>460</b>	<b>5,082</b>	<b>8,337</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	89,575	89,583	1,725	6,850
<b>Total Borrowings</b>	<b>89,575</b>	<b>89,583</b>	<b>1,725</b>	<b>6,850</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost	-	-	9,774	12,567
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>9,774</b>	<b>12,567</b>

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 also excluded.

### Income, Expenses, Gains and Losses.

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

	2014/15			2013/14		
	Financial Liabilities Measured at cost less accumulated amortisation	Financial assets Loans and receivables	Total	Financial Liabilities Measured at cost less accumulated amortisation	Financial assets Loans and receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	5,123	-	5,123	5,274	-	5,274
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>5,123</b>	<b>-</b>	<b>5,123</b>	<b>5,274</b>	<b>-</b>	<b>5,274</b>
Interest income	-	(97)	(97)	-	(185)	(185)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(97)</b>	<b>(97)</b>	<b>-</b>	<b>(185)</b>	<b>(185)</b>
<b>Net gain/(loss) for the year</b>	<b>5,123</b>	<b>(97)</b>	<b>5,026</b>	<b>5,274</b>	<b>(185)</b>	<b>5,089</b>

## 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<sup>st</sup> March 2015 of 1.37% to 3.12% 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 recognized:
- Where an instrument will mature in the next 12 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:-

	2014/15 Outstanding Principal £'000	2014/15 Accrued Interest £'000	2014/15 Cost less accumulated amortisation £'000	2013/14 Outstanding Principal £'000	2013/14 Accrued Interest £'000	2013/14 Cost less accumulated amortisation £'000
>25 years	55,515	-	55,515	60,514	-	60,514
15-25 years	6,312	-	6,312	2,187	-	2,187
10-15 years	3,494	-	3,494	2,638	-	2,638
5-10 years	8,714	-	8,714	13,707	-	13,707
2-5 years	15,531	-	15,531	10,529	-	10,529
1-2 years	9	-	9	8	-	8
<b>Total Long Term Borrowing</b>	<b>89,575</b>	<b>-</b>	<b>89,575</b>	<b>89,583</b>	<b>-</b>	<b>89,583</b>
<b>Total Short Term Borrowing (&lt; 1 year)</b>	<b>7</b>	<b>1,718</b>	<b>1,725</b>	<b>7</b>	<b>1,681</b>	<b>1,688</b>

The fair values calculated are as follows:-

	31-Mar-15		31-Mar-14	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	90,386	130,719	94,629	115,177
Long term creditors	55	55	59	59

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.

	31-Mar-15		31-Mar-14	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables	13,638	13,720	11,958	12,015

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 2015) 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.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last two decades.

	Amount	Historical Experience of default	Estimated Maximum Exposure	Estimated Maximum Exposure
	£'000	%	2014/15 £'000	2013/14 £'000
Banks and financial institutions (Non National)	12,670	-		-
UK Nationalised / Part Nationalised Banks	538	-		-
<b>UK Local Authorities</b>	-	-		-
<b>Trade Debtors under 1 year</b>	<b>1,124</b>	<b>10</b>	<b>113</b>	<b>315</b>
<b>Trade Debtors between 1-2 years</b>	<b>80</b>	<b>20</b>	<b>16</b>	<b>87</b>
<b>Trade Debtors between 2-6 years</b>	<b>38</b>	<b>30-70</b>	<b>24</b>	<b>419</b>
<b>Trade Debtors 6+ years</b>	<b>5</b>	<b>100</b>	<b>5</b>	<b>138</b>
<b>Total Trade Debtors</b>	<b>1,247</b>		<b>158</b>	<b>959</b>

#### Estimated Maximum Exposure to Default and Uncollectability

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

There were no breaches of credit limits during the financial year and there were no breaches of the counterparty criteria. The 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.

Trade debtors shown in this section relate to debts to be collected only through the Council's sundry debtors system. The debtors figures shown in note 24 to the Statement refer to the full amount due to the Council from all sources, including government grants, council tax and business rates, which are collected separately from sundry debtors.

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

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

	31-Mar-15 £'000	31-Mar-14 £'000
Less than six months	1,039	2,617
Six months to one year	85	529
More than one year	123	1,410
<b>Total</b>	<b>1,247</b>	<b>4,556</b>

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

## Liquidity Risk

Liquidity Risk is low as the Council had no difficulty in the past in obtaining finance and has ready access to the Public Works Loans Board (PWLB) as lender of last resort. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. However, there is a risk that the Council will need to renew a significant proportion of its borrowings at a time of unfavourable interest rates. The practice is to ensure that not more than 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. To assist in achieving this, the Council uses external treasury management advisors. The maturity analysis of outstanding loans is shown at note 44 on page 72. Trade and other payables are due to be paid in less than one year.

## Market Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The Council policy is to borrow mainly at fixed rates , 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 is held at fixed rates. The effect of a 1% increase in interest rates would therefore only affect interest received on its current investments. If interest rates had been 1% higher, with all other variables remaining constant, the financial effects would have been:-

Interest Rate Risk	2014/15	2013/14
	£'000	£'000
Increase in interest payable on current variable rate borrowings	-	-
Increase in interest payable on long-term variable rate borrowing	-	-
Increase in interest receivable on current variable rate investments	241	231
Share of overall impact paid to the Housing Revenue Account	22	10
<b>Net impact on the Comprehensive Income and Expenditure Account</b>	<b>263</b>	<b>241</b>

**Foreign Exchange Risk** – The Council has a number of relatively small grant aided schemes under the ‘Interreg’ programme where the lead body is an Irish Institution and grants are denominated in Euro. A Euro Bank account was opened to support these schemes and to limit the exposure to movements in exchange rates. The balance on this account at year-end was £1.541m Euro (1.323m Euro in 2014/15): equivalent to £1.116m (£1.093m in 2013/14).

#### 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 their balance sheet, details of which are shown in the table below.

Flintshire Council is responsible for the operation of the NWRWTP joint committee and the year end balances are reflected in the balance sheet details of which are shown in the following table.

	Joint Committee - GwE		Joint Planning Committee		Special Educational Needs Joint committee		NWRWTP	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Short-term debtors	5,530	1,041	8	45	456	311	334	474
Short-term creditors	(4,411)	(440)	(60)	(45)	(69)	(34)	(334)	(474)
<b>Net Assets</b>	<b>1,119</b>	<b>601</b>	<b>(52)</b>	<b>-</b>	<b>387</b>	<b>277</b>	<b>-</b>	<b>-</b>

#### NOTE 47 – HOUSES INTO HOMES

The six North Wales councils act as agents of the Welsh Government in providing recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long-term vacant with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and is responsible for administering the fund. There were no further funds received from the Welsh Government during 2014/15, but payments against the fund previously received totalled £0.426m of which £0.075m was allocated to this council. In 2013/14 £2.33m was received from the Welsh Government of which £0.160m was allocated to this Council.

## 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 2014/15 was £30,070.64 (£29,662.00 2013/14).

The amount for a band D property in 2014/15, £1,242.77 (£1,194.14 2013/14) 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	14	3,950	5,856	5,912	6,532	4,932	2,340	978	143	42	30,699
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
Band "D" Equivalent	7.92	2,633.33	4,554.47	5,254.89	6,532.00	6,027.39	3,379.28	1,629.17	285.00	96.83	30,400.28

	2014/15	2013/14
Band D equivalent as above	30,400.28	30,289.72
Collection Rate	98.50%	97.50%
Revised Band D equivalent	29,944.28	29,532.48
MOD Properties – Band D equivalent	126.36	129.52
<b>Council Tax Base</b>	<b>30,070.64</b>	<b>29,662.00</b>

In 2013/14 the Welsh Assembly Government introduced the Council Tax Reduction Scheme to replace the Council Tax benefit scheme. This was partly funded by Council Tax Reduction Scheme grant of £5.237m (see note 14).

Analysis of the net proceeds from Council Tax:	2014/15	2013/14
	£'000	£'000
<b>Gross Council Tax</b>	<b>37,303</b>	<b>35,739</b>
Less Council Tax Reduction awarded to residences	(5,320)	(5,394)
<b>Council Tax collectable</b>	<b>31,983</b>	<b>30,345</b>
Less: provision for non-payment not previously accounted for	(82)	(362)
<b>Net Proceeds from Council Tax</b>	<b>31,901</b>	<b>29,983</b>

#### Note 49 NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate – 47.3p in 2014/15 (46.2p 2013/14), and local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the 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.

NNDR income, after reliefs and provisions (including Small Business Rates Relief provided by the Welsh Government), totalled £13.034m for 2014/15 (£9.651m 2013/14) and was based on rateable value at the year-end of £38.897m (£38.727m 2013/14). During 2014/15 NNDR income was considerably increased due to a significant reduction in previous years adjustment reducing the rateable value of a large energy hereditament.

The average rateable value for the year was £38.806m (£39.103m 2013/14).

Analysis of the net proceeds from non-domestic rates:	2014/15	2013/14
	£'000	£'000
Non – domestic rates collectable	13,034	9,651
Cost of collection allowance	(142)	(142)
Interest paid on overpayments	-	-
Provision for bad debts	(220)	(181)
Contribution to cost of charitable relief/rural rate relief	57	55
Payments into national pool	<b>12,729</b>	<b>9,383</b>
Redistribution from national pool	22,368	22,025

**SUPPLEMENTARY FINANCIAL STATEMENT  
HOUSING REVENUE ACCOUNT**

Income and Expenditure Statement for the year ending 31 March 2015

	2014/15 £'000	2013/14 £'000
<b>Income</b>		
Gross Rent Income:		
-Dwelling rents	(14,086)	(13,022)
-Non Dwelling rents	(206)	(198)
-Charges for facilities and services	(16)	(54)
-Contributions towards expenditure	(157)	(63)
Other	(148)	(147)
<b>Total Income</b>	<b>(14,613)</b>	<b>(13,484)</b>
<b>Expenditure</b>		
Repairs and Maintenance	3,564	4,577
Supervision and Management:		
-General	2,606	2,100
-Special	581	805
Rents, Rates and Taxes	123	72
Housing Revenue Account Subsidy payable	1,559	1,696
Depreciation and Impairment of Non Current Assets	8,439	5,664
Debt Management Costs	12	15
Allowance for Bad Debts	(125)	245
<b>Total Expenditure</b>	<b>16,759</b>	<b>15,174</b>
<b>Net Cost of HRA Services</b>	<b>2,146</b>	<b>1,690</b>
Accumulated absences accrual movement	(6)	7
<b>Net Cost of HRA Services per Comprehensive Income and Expenditure Statement</b>	<b>2,140</b>	<b>1,697</b>
HRA Services Share of Corporate and Democratic Core	56	56
<b>Net Cost of HRA Services</b>	<b>2,196</b>	<b>1,753</b>
Loss on sale of HRA Non Current Assets	(286)	109
Interest Payable and Similar Charges	1,117	1,202
HRA Investment Income	(9)	(8)
Capital grants and contributions receivable	(2,650)	(2,600)
<b>Deficit for Year on HRA Services</b>	<b>368</b>	<b>456</b>

## Statement of Movements on the HRA Balance

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

	2014/15 £'000	2013/14 £'000
Difference between amounts charged to income and expenditure for Amortisation of premiums and discounts determined in accordance with the Code and the charges for the year in accordance with statute	(31)	(13)
Depreciation and Impairment of Non Current Assets	(8,439)	(5,664)
Accumulated absences accrual	6	(7)
Loss on sale of HRA Non Current Assets (including derecognition)	286	(109)
Net charges made for retirement benefits in accordance with IAS 19	-	-
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>	<b>(8,178)</b>	<b>(5,793)</b>
Transfer to reserves	2,650	2,643
HRA Minimum Revenue Provision	1,009	1,017
Employer's contributions payable to the Gwynedd Pension Fund and retirement benefits payable direct to pensioners	-	-
Capital expenditure funded by the HRA	2,632	488
	<b>6,291</b>	<b>4,148</b>
<b>Net additional amount required by statute to be credited to the HRA Balance for the year</b>	<b>(1,887)</b>	<b>(1,645)</b>

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

	2014/15 £'000	2013/14 £'000
Deficit for Year on HRA services	368	456
Net additional amount required by statute to be credited to the HRA	(1,887)	(1,645)
<b>Increase in HRA Balance</b>	<b>(1,519)</b>	<b>(1,189)</b>
<b>HRA Account Balance B/Fwd</b>	<b>(1,671)</b>	<b>(482)</b>
<b>HRA Account Balance C/Fwd</b>	<b>(3,190)</b>	<b>(1,671)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1 – HOUSING REVENUE ACCOUNT

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

### NOTE 2 – HOUSING STOCK

During 2014/15, the Council sold 5 dwellings under the Right-to-Buy Scheme (see note 5). The number of dwellings in the Council’s housing stock, as at 31 March 2015, totalled 3,797 properties, with the split by type of dwelling made up as follows:

	31-Mar 2015	31-Mar 2014
<b>Council Owned Stock</b>		
Houses	2,025	2,030
Bungalows	1,044	1,044
Flats	721	721
Bedsits	7	7
<b>Total Council Owned</b>	<b>3,797</b>	<b>3,802</b>

### NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2014/15 £'000	2013/14 £'000
<b>Capital investment</b>		
Houses	5,519	3,169
<b>Sources of funding</b>		
Unsupported borrowing	-	-
Capital Receipts	(236)	(81)
Government grants and other contributions	(2,650)	(2,600)
Direct Revenue Financing	(2,632)	(488)
<b>Total</b>	<b>(5,518)</b>	<b>(3,169)</b>

The Major Repairs Allowance for 2014/15 of £2.65m was used in full during the year (£2.6m 2013/14).

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

	2014/15 Impairments £'000	2014/15 Depreciation £'000	2014/15 Total £'000	2013/14 Impairments £'000	2013/14 Depreciation £'000	2013/14 Total £'000
Land	-	-	-	-	-	-
Dwellings	5,519	2,790	8,309	2,969	2,565	5,534
Other Property - Operational Assets	-	130	130	-	130	130
	<b>5,519</b>	<b>2,920</b>	<b>8,439</b>	<b>2,969</b>	<b>2,695</b>	<b>5,664</b>

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

	2014/15 No. of Sales	2014/15 £'000	2013/14 No. of Sales	2013/14 £'000
<b>Council dwellings</b>				
Right to Buy	5	315	3	189
Discounts repaid		9		-
<b>Other Receipts</b>				
Land sales	1	150	-	-
Other property sales				
Mortgage Property		5		33
		<b>479</b>		<b>222</b>
Less set aside		(243)		(141)
		<b>236</b>		<b>81</b>

**NOTE 6 – HOUSING SUBSIDY**

In 2014/15, the Council paid housing subsidy to the Welsh Government of £1.559m (£1.696m 2013/14).

**NOTE 7 – RENT ARREARS AND BAD AND DOUBTFUL DEBTS**

During 2014/15 total rent arrears increased by £26k. A summary of rent arrears and prepayments is shown in the following table:

<b>Rent arrears</b>	2014/15 £'000	2013/14 £'000
Current Tenant Arrears	518	512
Former Tenant Arrears	263	235
Total Rent arrears	781	747
Prepayments	(180)	(172)
<b>Contribution to Pension Reserve</b>	<b>601</b>	<b>575</b>

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £0.406m against rents (£0.428m in 2013/14).

**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.

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

<b>HRA Income and Expenditure Account</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Current Service Cost	(198)	(195)
Employer Contributions actually paid	198	195
<b>Contribution to Pension Reserve</b>	<b>-</b>	<b>-</b>

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

**RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS**

Age Concern Gwynedd and Anglesey	Jim Evans
Anglesey Access Group	Robert G Parry OBE
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	Llinos Medi Huws
Court of Governors, University of Wales, Bangor	Ieuan Williams
Cwmni CYNNAL AGM	Jim Evans
Cwmni Fran Wen	R Meirion Jones
Cwmni Prentis Menai	NONE
Cymdeithas Tai Eryri	Kenneth P Hughes
CYNNAL Management Committee	R Meirion Jones & Ieuan Williams
Diversity Champion	Carwyn Jones
Fostering Panel	Ieuan Williams
Gofal a Thrwsio Môn Management Committee	Kenneth P Hughes & Alun Wyn Mummery
Grwp Llandrillo/Menai	Ieuan Williams
Gwynedd & Anglesey Adoption Panel	Jeffrey M Evans
Gwynedd and Anglesey Youth Justices Service	Ieuan Williams
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	Kenneth P Hughes
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
Menai Strait Fishery Order Management Association	NONE
Menter Môn	Aled Morris Jones
North and Mid Wales Trunk Road Joint Committee	Richard A Dew & Victor Hughes
North Wales Economic Forum	Aled Morris Jones & 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	J Arwel Roberts
North Wales Residual Waste Treatment Joint Committee	Richard A Dew & J Arwel Roberts
North Wales Tourism Partnership	Aled Morris Jones
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	Ieuan Williams
Regional Technical Statement (Members Forum)	J Arwel Roberts
Review of The Regional Technical Statement on Aggregates	NONE
Scrutiny Champion	R Meirion Jones
Strategic Partnership Board : Health and Social Care and Wellbeing	NONE
TAITH Joint Committee	Richard A Dew & Robert G Parry OBE
TALNET (Joint Bibliographic Society)	Richard A Dew & Vaughan Hughes
Voluntary Sector Liaison Committee	Jim Evans, Kenneth P Hughes, Alun Wyn Mummery, Alwyn Rowlands & Ieuan Williams
Welsh Joint Education Committee	Ieuan Williams
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

<b>Third Party organisations</b>	<b>Stakeholder</b>
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	Ieuan Williams
Regional Technical Statement (Members Forum)	J Arwel Roberts
TAITH Joint Committee	Richard A Dew & Robert G Parry
TALNET (Joint Bibliographic Society)	Richard A Dew & Vaughan Hughes
Voluntary Sector Liaison Committee	Jim Evans, Kenneth P Hughes, Alun Wyn Mummery, Alwyn Rowlands & Ieuan Williams
Welsh Joint Education Committee	Ieuan Williams
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

# GLOSSARY

Appendix 2

## **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.

## **ACCRUALS**

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

## **ACTUARIAL GAINS AND LOSSES**

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

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

## **ASSET**

An 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 consumed or cease to have material 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 recorded assets, liabilities and other balances at the end of the financial year.

## **BUDGET**

The Budget is a forecast of net revenue and capital expenditure over the financial year.

## **CAPITAL EXPENDITURE**

Capital Expenditure is expenditure on the acquisition 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.

## **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.

## **CIPFA**

This is The Chartered Institute of Public Finance and Accountancy.

## **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.

## **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.

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

## **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 by the Council for work done, goods received or services rendered 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 benefits pension scheme's liabilities, expected to arise from employee service in the current year.

**DEBTOR**

The amount owed to the Council for works done, goods received or services rendered 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.

**EXTRAORDINARY ITEMS**

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

**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 of 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 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.

## **NEGATIVE SUBSIDY**

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

## **NET BOOK VALUE**

The amount at which 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 no user now benefits and as such are not apportioned to services.

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

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

## **NON-OPERATIONAL ASSETS**

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**

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

## **PROVISION**

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

## **PUBLIC WORKS LOANS BOARD (PWLB)**

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

## **RATEABLE VALUE**

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

## **RELATED PARTIES**

There is a detailed definition of related parties in 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.

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TRUST FUNDS**

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

**USEFUL ECONOMIC LIFE (UEL)**

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

**WORK IN PROGRESS (WIP)**

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

# ANNUAL GOVERNANCE STATEMENT – 2014/15

## Final Version (May 2015)

### 1. INTRODUCTION

Regulation 4 of the Accounts and Audit (Wales) Regulation 2005 introduced a requirement for the Authority to be explicitly responsible, as part of its arrangements for corporate governance, for annually reviewing and reporting on internal control. The CIPFA Code of Recommended Practice (the Code) states that the preparation and publication of an Annual Governance Statement (AGS) in accordance with 'Delivering Good Governance in Local Government' fulfils the statutory requirement regarding the production of a statement of internal control in England, Wales and Northern Ireland. The Regulations also state that the AGS must be included in the Council's Statement of Accounts.

This is the second Governance Statement for the Council elected on new wards in May 2013. It sets out the governance arrangements in place for the year (April 2014 to March 2015) 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 had been strengthened and modernised in recent years across a number of governance themes, and these were then incorporated in the Transformation Plan for the authority which was adopted in January 2013 setting out its work up to 2017 and included thereafter a four year Corporate Plan (2013-2017) . It was designed as a programme of change driven by the Council itself.

The Vision for the Council is that by 2017:-

***“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 will:-

- 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 evolving 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”

The six key themes supporting the vision are:-

- 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**

There are six core principles of good governance in the CIPFA/SOLACE framework contained within 'Delivering Good Governance in Local Government' which have been adapted for local government purposes. These can be aligned with the principles and values set out by the Welsh Government (WG) as shown via the wording in italics.

1.	Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area; ( <i>Putting the Citizen First</i> ); ( <i>Achieving Value for Money</i> ).
2.	Members and officers working together to achieve a common purpose with clearly defined functions and roles; ( <i>Knowing Who Does What and Why</i> );
3.	Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour; ( <i>Living Public Service Values</i> );
4.	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk; ( <i>Fostering Innovation Delivery</i> );
5.	Developing the capacity and capability of Members and officers to be effective; ( <i>Being a Learning Organisation</i> );
6.	Engaging with local people and other stakeholders to ensure robust public accountability; ( <i>Engaging with Others</i> );

## **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, and which includes arrangements for the management of risk and adequate and effective financial management.

The Council has approved and adopted a local code of corporate governance which 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 it 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 2015 and remains applicable up to the date of the approval of

the Statement of Accounts. Where new arrangements have been introduced during the year this has been noted.

#### **4. ANALYSIS OF THE GOVERNANCE FRAMEWORK 2014/15**

The current framework as it relates to each of the six 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 2014/15 financial year.

<b>Principle One</b>	<b>Focusing on the purpose of the authority and on outcomes for the community and creating a vision for the local area</b>
<b>Related Key Theme:</b>	<b>Customer, Citizen and Community Focused Committed to Partnership; Achieving</b>

The Council's Corporate Plan 2013-17 (adopted December 2013) continued to guide the work of the Council and creates a vision for the local area. 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 Transformation Programme Boards , which were key to the governance improvements of 2013, continue to support the transformation of the Authority to achieve its Vision and priorities. These strategic aspects are embedded in the Corporate Plan..

A joint Local Services Board for Gwynedd and Ynys Môn (LSB) was established on 1 April, 2013 replacing the previous single county Boards. This step change also included a rationalisation of strategic partnership functions in North West Wales resulting in a joint strategic Partnerships Unit straddling Gwynedd and Ynys Môn.

The new Local Services Board adopted its joint Single Integrated Plan (Gwynedd & Ynys Môn) in March, 2014 and the Plan was subsequently published in August, 2014 as a working document to be revisited over the course of the next year in order to reflect the outcomes of the Board's transformation journey and change programme.

An annual budget and Medium Term Financial Plan was approved by Council in February 2015 following extensive public consultation. Budget cuts and efficiencies continued to dominate the Council's agenda with the aim of delivering significant reductions to spending of £22m over 5 years – the equivalent of 17% whilst only allowing a limited amount of money to transform services in 2015/16.

The Council has managed its resources in a way that has led to a balanced financial position at year end for 2014/15. The Medium Term Financial Plan (MTFP) was further developed which projects the funding gap for the remaining period of this council. To bridge this gap work has been undertaken since summer 2014 in developing, with stakeholders, an Efficiency Strategy. This was formally approved by the Executive in December 2014 after a period of public consultation. This strategy provides the overarching framework of how the council is approaching its efficiency challenge.

Financial Management is fundamental to the running of the Council and improvements have been made in that the accounts, unlike in previous years, were successfully closed on time for both 2012/13 and 2013/14.

The Council however, acknowledges there is a need to further develop the MTFP in more detail in order to set out the future financial position of the Council in the context of the delivery of the Corporate Plan and the investment and disinvestment decisions required in order to achieve this. Whilst a balanced budget was set for 2014/15, both Members and Officers agreed that the process for doing so needed to improve to have better engagement between Members and Senior Officers. For the 2015/16 budget setting process, a Budget Steering Group was established chaired by the Deputy Chief Executive, with representation from all political groups. It met regularly and has overseen the development of the efficiency strategy and its consultation process, in addition to the budget setting process

The Statement of Accounts were published with an unqualified audit opinion at the end of September 2014.

The Performance Report (Performance Review) approved by the County Council in October 2014 looked back to assess how we performed against the priorities and targets as set out in our 2013/14 Corporate Business Plan. 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.

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 2014, a series of Service Reviews was undertaken which covered -

- (i) Efficiencies and Service Budgets (June-July 2014)
- (ii) Performance (November-December 2014)

This further informed the budget setting process. Weaknesses in performance management and accountability had contributed to failings in both the Education and Children Services in recent years but it is now acknowledged that improvements in planning and accountability have improved the prospects for these key services.

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 2015 will be to develop a Partnerships Policy which will provide a framework for the effective management of partnerships (both existing and new) and to offer guidance to those individuals directly involved in partnerships. The policy will also outline the governance arrangements to ensure the 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.

The impact of the implementation of a new ledger system was far greater than was originally envisaged. The implementation was undertaken before revised corporate project management expectations and we are confident that we now have improved our Project Management arrangements so that such an implementation would be better managed in the future. Consistent financial reporting was therefore difficult during 13/14. Due to the problems being experienced and the issues highlighted by internal audit, SLT intervened and the Corporate Director for Sustainable Development was asked to review the situation and agree improvement actions.

These issues are now being addressed by the interim section 151 Officer and confidence in financial reporting has increased. Improvements have been made, with budget reports for services now being produced on a monthly basis. The Finance Service is working with the ledger system supplier to resolve any outstanding problems and a system re-launch is planned for 15/16. This will be a significant piece of work during 2015/16 to increase officer ownership and trust in the system and to ensure robust and timely financial reporting.

Procurement has formed 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 has been established to progress the required actions and the Council has invested in additional staffing to drive this agenda forward and embed working practices, which is already yielding efficiencies. The Audit Committee are monitoring progress on Procurement compliance and the improvements required.

Internal Audit review and report on processes that support the achieving of the Council's objectives and their annual report is an important part of the review of effectiveness described at Section 5 of this Statement.

Managing grant claims has been a weakness over a number of years and there was a large percentage of qualified claims for 2013. This has improved for 2014 with only 27% qualified in the work areas of –

- Learning Pathway
- SEG
- NNDR
- Teachers Pensions
- Anglesey Coastal
- Social Care Workforce Development

This area continues to be monitored by the Audit Committee. There is an action plan in place and new procedures have been issued.

<b>Principle Two:</b>	<b>Members and officers working together to achieve a common purpose with clearly defined functions and roles</b>
<b>Related Key Theme:</b>	<b>Professional and Well Run</b>

The Council has an Executive system with a Leader elected by the Council and an Executive of up to six members appointed by the Leader. The Executive make decisions on key strategic issues and is responsible for implementing the agreed policies of the Council. Each Executive Member has a portfolio for a particular council function. Two scrutiny committees hold the Executive to account; these are made up of councillors not on the Executive. There are also regulatory committees including Planning, Licensing, Appeals and Audit, together with a number of other committees set up for specific purposes.

Arrangements for committees and a scheme of delegation to officers and members are included in the Council’s constitution.

A new Relationship Protocol for Members and Officers and a programme of work supported by the Welsh Local Government Association (WLGA) was implemented during 2013 to help develop the Executive and the way members and senior officers work together; this includes the key roles of Leader and Chief Executive, and the Shadow Executive. This continues to be the case.

Elected Members have also been eager to move on from the past, and have focused their energy on becoming a Council which truly wants to fix problems, modernise service provision and deliver on its promises. Whilst constructive debate and difference of opinion should and does occur, especially with an official opposition in place, there is a greater sense of inclusiveness, of collective responsibility for outcomes and sharing in success. Whilst there is still work to do, there is also more trust and professionalism in the relationship between Members and Officers, and the focus is on delivery of effective services for citizens.

The Council’s new senior leadership structure was completed during 2012. A review of the next tier of Head of Service was undertaken in 2013-14 and this led to a reduction of six posts at this level. The exercise was substantially complete in December 2013, but may be subject to further changes in 2015/16 following the appointment of a new Chief Executive in May 2015.

During 2014/15 the approved senior leadership structure included a Chief Executive who is the designated Head of Paid Service; a Deputy Chief Executive who is responsible for leading the internal functions of the Council and ensuring good corporate governance; and three Directors who lead the agenda for their group of services, taking responsibility for the policy, planning and performance of those functions. These five officers form the Authority’s Senior Leadership Team (SLT).

Heads of Function for Resources and for Council Business are respectively the authority’s designated Chief Financial Officer (CFO) and Monitoring Officer (MO). Whilst the Head of Function for Resources is currently an interim arrangement, they both report directly to the Deputy Chief Executive who is responsible for the

management of their performance and for coordinating their governance roles within the wider corporate governance, performance and change management framework.

The approved management model is that the SLT leads on developing the vision and strategic direction of the Council and is held to account in that role; and that the extended management team has an implementation role. The CFO and MO attend SLT meetings as required and are key members of the Heads of Service management team.

The role of SLT is to provide strategic and corporate leadership, not to be involved in the direct operational management of services. In late November 2013, the review of the Heads of Service structure was undertaken to reflect this changed role for directors. The outcome of the review was revised job descriptions and role of Heads of Service, to be wholly responsible for the operational management, performance and direction of their services. The SLT have also developed strong partnership working with the Executive, which is facilitating a more trusting and transparent environment where officers and Members work together as a team.

*The Audit Committee* is a key component of the authority's governance framework. The committee has two lay co-opted Members which serve to widen its independent knowledge and experience base. It provides independent assurance to the Council and its statutory officers on; 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 envisages a wider governance role than has historically been the case. The Audit Committee in its workshop January 19<sup>th</sup>, 2015 considered new terms of reference in line with this guidance. The suggested amendments were drafted and having been consulted upon, are due to be considered by the Executive on 20<sup>th</sup> April, 2015 and then approval sought by full Council on the 14<sup>th</sup> May, 2015.

The Council implemented the Public Service Internal Audit Standards in April 2013. There is also an expectation that local authorities are compliant with the CIPFA Statement on The Role of the Head of Internal Audit in Public Service Organisations: the Council's arrangements are consistent with the principles set out in the statement.

Allowances are paid to members in accordance with a local scheme based on the decisions of the Independent Remuneration Panel for Wales. The Panel published specific reports for this Council in respect of the year. Decisions on discretionary matters are taken by the Full Council and both the schemes, and the payments made to members under the scheme, are published on the Council's website.

A Pay Policy Statement has been adopted as required and this was reviewed and updated in March 2013 and 2014 and adopted again by the County Council in February 2015.

<b>Principle Three:</b>	<b>Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour</b>
<b>Related Key Theme:</b>	<b>Professional and Well Run</b>

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 drafted on the Officers' Code and amendments and additions have been made following consultation. The Guidance has now been authorised for publication to all staff.

The MO 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 PSOW 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 and Community Council Clerks. Three quarters of the Clerks have undertaken training with the MO and the SC. A new programme has been devised for 2015/16, with the focus to be on Town Councillors.
- To supplement training for Members, briefing notes have been published on the following subject areas:
  - Local Council Housing Allocations
  - Section 25 Localism Act 2011
  - Public Procurement
  - 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.

One of the features of the Council in the past was poor behaviour by some members. The improvement that was witnessed during the time of the Commissioners has been continued. This can be evidenced by comparing a 12 month period prior to intervention, when there were 38 Ombudsman referrals, to the last 12 months when there have been just 4.

<b>Principle Four</b>	<b>Taking informed transparent decisions which are subject to effective scrutiny and managing risk</b>
<b>Related Key Theme::</b>	<b>Innovative, Ambitious and Outward Looking</b>

The arrangements for delegation of Executive decisions to individual Members are now established across the Authority following guidance that was reissued in August 2013 and its effectiveness was further reviewed by management that autumn.

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 since then. Members also have direct access to this electronic system during meetings.

In addition, there are two Scrutiny Committees; one concerned with the internal working of the council and the second concerned with external partnerships and the impact of the Council on its communities. These two new committees have enabled Members to take a more holistic and corporate view of the Council, its role and impact. The Partnerships & Regeneration Scrutiny Committee has an important and essential role in reviewing our partnership arrangements and activity, and are beginning to close the democratic deficit that partnerships have been criticised for. This can be evidenced from the scrutiny it has recently undertaken on Gwasanaeth Effeithiolrwydd a Gwella Ysgolion Rhanbarthol / Regional Schools effectiveness and Improvement Service (GwE) and the Local Service Board. Future planned partnership work will include improving Scrutiny evaluation of regional, sub-regional and local partnership arrangement, developing a communication strategy for LSB, increased pace and intensity of partnership arrangement with Town & Community Councils and developing a Partnership Policy with clear guidance on criteria for entering into partnership and expected governance models..

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 report their activity to the Council at its annual meeting.

A review of the application of the Risk Management Framework was commissioned by SLT in the summer of 2014 as the process of risk management did not appear to be working smoothly. The review confirmed SLT's concerns in that it found:

- The application of risk across the Council is inconsistent
- It is not clear how service and corporate risk registers relate

- Lack of clarity regarding process for escalation or feedback
- Risk is not well aligned with the planning and performance management processes

As a result, the policy and process have been revised and training on these has been delivered to in excess of 55 senior officers and staff. Service Risk registers have been reviewed and incorporated into the Business Planning Process and a revised Corporate Risk Register was in place by the end of March, 2015. In addition, the risk management process has been aligned to the corporate planning and performance management framework and is now an integral component of the regular annual reporting requirements. Roles and responsibilities of different political committees are being clarified and officer responsibilities being revised.

Three overarching Corporate Transformation Programme Boards (CTPBs) have been established: the Island of Enterprise, Service Excellence and Business Transformation. These provide oversight and direction on a number of high-priority projects that the council is committed to delivering. There is representation from both Scrutiny Committees and Executive on all three CTPBs, providing the opportunity for the identification of areas where the role of Members can add value either within the Boards, or through the Scrutiny process.

A robust programme and project management approach was adopted corporately to ensure delivery. Previously, this was an area of weakness. The Council has invested in a Corporate Programme Management Office (CPMO) and targeted training. This disciplined approach is delivering progress as evidenced by the school modernisation programme, older adults transformation and the smarter working business case.

The Audit Committee is a key component of the authority's governance framework. The committee has two lay co-opted Members which serve to widen its independent knowledge and experience base.

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.

A Concerns and Complaints Policy was introduced to the Council on 1st 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.

Progress has been made in that the new policy has been implemented effectively – see the Internal Audit Report (June 2014). In addition, the number of formal complaints have steadily decreased since the introduction of the new policy as many “concerns” are resolved early at service level. The number of complaints to the Ombudsman was again relatively low and none were investigated. Statistical information about service complaints are published monthly on the Council’s website and form part of an annual report to the Audit Committee which also deals with DPA, FOIA and EIR; statistical information for which is also published monthly on the Council’s website.

The Whistleblowing Policy has been amended to take into account legislative changes and has been re-launched. It appears on the Council’s website. A draft Guidance document on the Policy has now been prepared and, following consultation, will be published to coincide with a training event at the Middle Managers Conference on the 19<sup>th</sup> of May, 2015. Further work is required to identify suitable resource to collate and monitor whistleblowing complaints.

<b>Principle Five:</b>	<b>Developing the capacity and capability of Members and Officers to be effective</b>
<b>Related KeyTheme:</b>	<b>Valuing and Developing our People</b>

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 (PDR's) and training needs have been identified from these. Whilst 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 2015, it is intended to improve and embed this practise. Member training is monitored by the Council's Democratic Services Committee.

The Council has during the past 12 months also started to use 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 **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 developed a work programme for 2014/15 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.

Members have modernised the constitution to incorporate new family absence regulations and officer employment procedure rules and, most significantly, have amended the Appeals procedure rules to limit their own involvement in appeals to Heads of Service and above. This is a very significant indicator of trust in officers and acknowledges Members understanding of their strategic rather than operational role.

The Council has a People Strategy which was developed in 2011 and this supports the Council's vision at that time and has provided the framework for moving our people management forward since that time.

The People Strategy has five key priorities:

- Recruiting and retaining the Best
- Inspiring service excellence
- Building Organisational effectiveness
- Engaging, developing and managing our Talent
- Developing the skills and capacity of our workforce

To support our developing approach, the Authority has both a 'Workforce Strategy' and draft 'Talent Management Strategy' which incorporates succession planning and integrates with the competency framework used in the PDR process.

It is however acknowledged that progress on implementing workforce planning has been slow and this is primarily because before a workforce plan can be developed, there needs to be clarity of services direction. We are now in a position where we have this clarity, and therefore are able to progress workforce planning within Anglesey with vigour.

The process of job evaluation and single status has been a challenging and difficult journey. Within the Authority the process came to a halt in 2008 due to issues at a national level from one of the key trade unions.

Recognising that we are one of the last Welsh Authorities to implement job evaluation and single status, through the Authority's Transformation programme this project was restarted in 2013 and significant progress has been made over that period with:

- A quality audit of all data for currency and accuracy
- Delivery of information Roadshows
- Completion of the job evaluation appeals process
- Significant progress on pay modelling
- Significant progress on developing revised terms and conditions of employment
- Settlement of the tranche of initial Equal pay claims
- Developing post job evaluation re-grading process
- Planning for the implementation of the new proposed pay scale and terms and conditions of employment operational during 2015
- Full Council has now approved a new pay scale and new Terms and Conditions thereby authorising Officers to negotiate implementation.

This has all been achieved through team working both within and across services, supported by the trade unions, and has been a significant area of progress.

There is a lively Middle Managers forum and the Ignite Club provides inspirational learning sessions which are open to all staff. As part of the activity on the Transformation Plan and staff engagement activity, individuals across the authority have been given an opportunity to work on corporate projects and strategies.

A staff awards ceremony was introduced in December 2013 and continued in December 2014, to recognise, celebrate and promote 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 2015 the ceremony is to be expanded to include staff recognition to those who have gained a professional qualification and to present long service awards.

<b>Principle Six:</b>	<b>Engaging with local people and other stakeholders to ensure robust accountability</b>
<b>Related Key Theme:</b>	<b>Customer, Citizen and Community Focused</b>

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.

- Older Adults Social Care transformation programme and decision
- Primary School Modernisation programme and decision
- Housing Strategy Consultation Programme

However, the Council recognises that there is room for 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 will be used as a baseline to improve a Corporate approach to community engagement. This model is going to be essential in order to identify those communities and groupings which will have an interest in taking over responsibilities for delivery of local type needs in their communities.

To realise it, the Council is establishing in collaboration with a 3<sup>rd</sup> sector project *Community Voices* a board to oversee developments and ensure buy in. Such an approach will secure an accurate reflection of Anglesey-wide views from different stakeholders which can be used thereafter to inform the decision making process.

This new approach is overseen by the *Corporate Director for Communities*. It is envisaged it will provide a cross Council approach to engagement and stakeholder involvement which will reduce duplication, ensure a collective approach to engagement and improve our area based intelligence as a Council

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 was successfully endorsed and launched in 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).

A two year webcasting pilot funded by Welsh Government grant commenced in June 2014. This is a positive example of how Anglesey has progressed its customer / citizen focused electronic approach by webcasting Executive, Planning & Orders and Council meetings. It also adds to the transparency of decision making and involves a much wider audience for debates. This development is an effective example of the channel shift agenda and the Council's continuous drive to address democratic renewal. Interest has been encouraging to date with in excess of 12,000 views.

A staff survey was undertaken during the summer of 2013. This survey attracted a response rate of 32% and results were encouraging. The key messages from the survey were:

- 71% are proud to work for the Council
- 75% are satisfied with the Council as an employer
- 89% of staff enjoy their work most of the time
- 85% are satisfied with their job.

The survey also highlighted that work needs to be done at all levels to make staff feel valued, to communicate and consult better on major issues affecting staff and to inform them about decisions taken which affect Anglesey as a whole. Improvement in these areas can be evidenced through; the staff awards ceremony, the level of engagement taken on Smarter Working; and our Internal Communication Strategy.

Arrangements are in place to engage with Welsh Government, External Audit and other regulators and WLGA. These have been strengthened during the recent periods of intervention and will be sustained as part of the continuing governance arrangements.

Internal engagement is essential in developing a 'Team Môn' culture and we are in the process of refining the Internal Communication Framework. We value the views and opinions of staff and Members in contributing to the transformation 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 15/16 Council year, monthly briefing sessions will feature in the Council calendar.

Annual reports on their work were published by Scrutiny as well as the Standards and Audit Committees. From June 2014, individual 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 were consulted and involved in decision making as part of the Transformation Programme

## **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;
- the review of progress against the Corporate Plan;
- a review of the six themes which underpin the authority's values
- reviews of feedback from Estyn and 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, (for this, the middle year of a 4 year term of office), we have also completed a self-assessment which depicts how effective we have been in developing as an organisation over the last 20 months.

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. At the time of writing the results of the exercise is unknown, but initial and informal feedback has been generally very positive. The outcome/results of the exercise will be made known in May 2015r and should be published soon thereafter.

The Senior Leadership Team / Penaethiaid were asked for views on the effectiveness and completeness of the assurance and governance framework and comments on a draft version of this AGS before final draft was taken back to the Audit Committee for approval.

## **6. SIGNIFICANT GOVERNANCE ISSUES**

At the time of writing, and as indicated earlier, the Council is awaiting the outcome of the Corporate Assessment carried out by WAO in February 2015 (May / June 2015). The latest official source of analysing progress is therefore the Annual Improvement Report (AIR) issued by WAO in June 2014. That report noted that good progress was made across a number of governance themes during the year. This resulted in an Annual Improvement Report (AIR) from Wales Audit Office (June 2014) concluding "that the Council is likely to make arrangements to secure continuous improvement for 2015/16. [they] found that:-

- "the Council made steady progress in delivering improvements in most of its priority areas for 2012/13 but further improvements are required in some key services.";
- "more thorough and consistent procedures and developing governance arrangements have strengthened the Council's ability to evaluate and improve services."; and
- "if delivered effectively, the Council's plans for improvement and its arrangements to support improvement should help it to meet the financial and other challenges that lie ahead.."

They also made a proposal that "To make progress and achieve the objectives of the Transformational Plan, the Council should:-

- secure sufficient capacity, capability and stability in its corporate finance service; and
- identify and improve weaknesses in the management of the financial ledger system

The Annual Report 2015 of the Head of Internal Audit gives assurance on the framework for internal control. It identifies that out of a total of 46 reviews carried out during the year, four reviews received a “red” assurance opinion. These reviews related to;

1. Agency Staff Arrangements;
2. Logical Access Controls and Segregation of Duties;
3. Third Sector Schemes;
4. the follow up of recommendation implementation for the Logical Access and Segregation of Duties review.

A total of four reviews undertaken in 2014-15 resulted in a ‘Red Amber’ assurance opinion. These related to reviews of follow Up of implementation of recommendations made in the 2013/14 Creditors report; Homelessness Arrangements; Teacher’s Payroll; and Sundry Debtors review 2014/15

The report of the Head of Internal Audit also identifies seven 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. These areas were:-

- Business Continuity
- Risk Management
- Information management
- Governance – non-compliance with key corporate policies
- Corporate Procurement framework
- Partnership framework
- Schools (Internal Audit) Recommendation Implementation

Four 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 2013/14 Annual Governance Statement as Significant Issues:-

- Developed a Medium Term Financial Plan (MTFP) which projects the funding gap for the remaining period of this council
- Formally approved an Efficiency Strategy in December 2014
- Staffing and Capacity - The Interim S151 Officer is working well with the Council to overcome historical capacity and related performance issues. Future capacity and stability is being built through actively developing existing staff, succession planning, and creating a positive learning culture
- Made some progress on information governance over the last 20 months. The final ICO’s follow up report has been received with assurance shifting from red to amber. The CIGB’s work plan has been re-drafted as a result and will continue under the scrutiny of the Business Transformation Programme Board with reports to the SLT and Audit Committee.

Progress is slower on some of the other areas in the Governance and Assurance Action Plan:-

- Risk Management with the embedding and implementation of the practise to be realised during 15/16,
- Business Continuity arrangements now to be progressed on a North Wales basis;
- Compliance with key corporate policies – an Officer working group has now been established to deal with policy compliance matters;

These items are reflected in the report of the Head of Internal Audit; in the Self-assessment; or in the AIR and are included in the governance action plan for 2015/16

Based on the review outlined above, and in particular the annual report of the Head of Internal Audit; the Corporate Self-assessment, and the Annual Improvement Report by the Wales Audit Office, the following areas have been identified as current significant governance issues in relation to the authority achieving its vision:

<b>Significant Governance Issues</b>	
<b>Issue</b>	<b>Actions Identified to Address Weaknesses</b>
<b>Business Continuity</b> – Recommended actions to strengthen controls in this area	Actions have been collated from a number of assurance provider reports, including those of Internal Audit. Progress on arrangements is now being made on a North Wales basis.
<b>Risk Management</b> - The Council is in the process of developing its Risk Management Framework and embedding risk management in the organisation.	<p>A review of the application of the Risk Management Framework was commissioned by SLT in the summer of 2014 as the process of risk management did not appear to be working smoothly. The review confirmed SLT’s concerns in that it found:</p> <ul style="list-style-type: none"> <li>• The application of risk across the Council is inconsistent</li> <li>• It is not clear how service and corporate risk registers relate</li> <li>• Lack of clarity regarding process for escalation or feedback</li> <li>• Risk is not well aligned with the planning and performance management processes</li> </ul> <p>As a result, the policy and process have been revised and training on these has</p>

	<p>been delivered to in excess of 55 senior officers and staff. Service Risk registers are being reviewed and incorporated into the Business Planning Process and a revised Corporate Risk Register will be in place by the end of the first quarter of 2015. Roles and responsibilities of different political committees are being clarified and officer responsibilities being revised.</p> <p>Process and reporting structures to be implemented during 2015/16.</p>
<p><b>Information Management</b> – The Information Commissioner’s Office has undertaken a review in this area and identified similar issues and control weaknesses to those identified by the WAO, PWC and Internal Audit in previous reports</p>	<p>A follow up report from the Information Commissioner’s Office noted that there was lack of progress on previous recommendations and noted the following areas for improvement :-</p> <ul style="list-style-type: none"> <li>• Policy document controls are inconsistent and substantively lacking and there is no regular policy compliance monitoring at loACC, contrary to previous ICO audit recommendations and Undertaking requirements.</li> <li>• There is no forum in place to facilitate operational staff raising data protection issues / concerns.</li> <li>• There is no corporate retention schedule and there are no policies or guidance as to how employees should destroy manual personal data.</li> <li>• Back-up tapes are not tested to ensure that information is recoverable.</li> <li>• There is currently no central register of data security incidents.</li> <li>• loACC do not put a contract in place with the external contractor they select every year to carry out penetration testing.</li> </ul> <p>CIGB workplan re-drafted to address issues outlined above. Regular update reports to SLT and Audit Committee will be implemented.</p>

<p><b>Governance</b> - Issues relating to non-compliance with key corporate policy and procedure have again been identified in 2014-15, for example in relation to corporate procurement; ICT Security; Third Sector Scheme; etc. The Council has stopped the use of its electronic policy compliance and sign off of policies system which recorded users as having read, understood and agreed to abide by policies. Without such record of sign off it is more difficult to show that the policies have been adequately disseminated to relevant staff.</p>	<p>Recent internal audit reports have highlighted elements of non-compliance with a number of corporate policies, from which the SLT have identified this as a key priority for the Council to address.</p> <p>A task has been established under the leadership of the Head of Function Council Business to research and develop appropriate options for Policy Management for the Council.</p> <p>This work will cover the key corporate policies, procedures, protocols that:</p> <ul style="list-style-type: none"> <li>• govern the way we work (where we need to ensure compliance); and</li> <li>• all staff need to be aware of (corporate communication)</li> </ul> <p>Initially, only the Council's main corporate policies will be in-scope.</p> <p>Service-specific policies will be out of scope for the initial phase but the process of defining appropriate options will need to include medium / long-term aspirations.</p>
<p><b>Corporate Procurement Framework</b> – Procurement has formed an essential part of service delivery on Anglesey with major service provision externalised e.g. waste, highways and education advisory support.</p> <p>A national Welsh Government fitness check undertaken by KPMG in 2014 highlighted some significant issues for the Council to address.</p>	<p>A national Welsh Government fitness check undertaken by KPMG in 2014 highlighted some significant issues for the Council to address. A formal project has been established to progress the required actions and the Council has invested in additional staffing to drive this agenda forward and embed working practices, which is already yielding efficiencies.</p> <p>New Contract Procedures Rules are to be introduced and implemented. Procurement Team will draft additional guidance to accompany the CPR's and will arrange with HR a training programme for relevant officers.</p> <p>A review of Procurement arrangements has been included in the Internal Audit</p>

	operational Plan for 2015/16 to provide assurance that the changes made have led to increased compliance with procurement regulation, policy and procedure.
<p><b>Partnerships Framework</b> - The Council does not have a formal Partnership Framework in place to provide assurance that all partnerships have adequate governance, management and performance arrangements in place to meet their stated objectives and that they provide value for money in relation to the Council's financial and other resources invested in them. A review of corporate compliance with guidance issued in relation to the administration of Third Sector Schemes also received a 'Red Assurance' opinion in 2014/15</p>	<p>Partnership working requires a culture of shared ownership and common working across organisations and professional barriers. This needs to be underpinned by effective support to officers and Members involved in the partnership and collaborative agenda, and we recognise the need to strengthen this to maximise the effectiveness of the partnerships we are involved with.</p> <p>A priority for 2015 will be to develop a Partnerships Policy which will provide a framework for the effective management of partnerships (both existing and new) and to offer guidance to those individuals directly involved in partnerships.</p> <p>A follow up of the Internal Audit review of Partnership Arrangements issued in June 2013 is to take place in quarter 1 of 2015/16.</p>
<p><b>Schools Recommendation Implementation</b> – There is a continuing issue with regards to schools implementing internal audit recommendations. These recommendations relate to financial and governance issues within schools which should be of concern to Head Teachers, the Governing Body and to the Education Department. .</p>	<p>These are considered important issues for the Council which need on-going work to address them in 2015/16</p>

**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**  
**Date: 2015**

**Chief Executive**  
**Date: 2015**

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