

Public Document Pack



CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

Dr Gwynne Jones
Prif Weithredwr – Chief Executive
CYNGOR SIR YNYS MÔN
ISLE OF ANGLESEY COUNTY COUNCIL
Swyddfeydd y Cyngor - Council Offices
LLANGFNI
Ynys Môn - Anglesey
LL77 7TW

Ffôn / tel (01248) 752500
Ffacs / fax (01248) 750839

RHYBUDD O GYFARFOD	NOTICE OF MEETING
PWYLLGOR ARCHWILIO A LLYWODRAETHU	AUDIT AND GOVERNANCE COMMITTEE
DYDD MAWRTH, 3 MEDI, 2019 am 1:00 y. p.	TUESDAY, 3 SEPTEMBER 2019 at 1.00 pm
YSTAFELL BWYLLGOR 1, SWYDDFEYDD Y CYNGOR, LLANGFNI	COMMITTEE ROOM 1, COUNCIL OFFICES, LLANGFNI
Swyddog Pwyllgor	Ann Holmes 01248 752518 Committee Officer

AELODAU / MEMBERS

Cynghorwyr / Councillors:-

PLAID CYMRU / THE PARTY OF WALES

John Griffith, Dylan Rees, Alun Roberts, Margaret M. Roberts

Y GRWP ANNIBYNNOL / THE INDEPENDENT GROUP

Gwilym O. Jones, Richard Griffiths

ANNIBYNNWYR MÔN / ANGLESEY INDEPENDENTS

R. Llewelyn Jones, Peter Rogers (*Cadeirydd/Chair*)

AELODAU LLEYG / LAY MEMBERS

Dilwyn Evans
Jonathan Mendoza (*Is-Gadeirydd/Vice-Chair*)

A G E N D A

1 DECLARATION OF INTEREST

To receive any declaration of interest by any Member or Officer in respect of any item of business.

2 MINUTES OF THE PREVIOUS MEETING (Pages 1 - 12)

To present the minutes of the previous meeting of the Audit and Governance Committee held on 23 July, 2019.

3 MATTER ARISING FROM THE MINUTES - TENANT PROFILING UPDATE
(Pages 13 - 18)

To present the report of the Head of Housing Services.

4 STATEMENT OF THE ACCOUNTS 2018/19 AND ISA 260 REPORT (Pages 19 - 216)

- To present the Statement of the Accounts 2018/19.
- To present the report of External Audit on the Financial Statements.

5 INFORMATION GOVERNANCE: ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER (SIRO) 2018/19 (Pages 217 - 234)

To present the Annual Report of the Senior Information Risk Owner.

6 ANNUAL REPORT: CONCERNS, COMPLAINTS AND WHISTLEBLOWING 2018/19 (Pages 235 - 246)

To present the report of the Head of Function (Council Business)/Monitoring Officer.

7 POLICY ACCEPTANCE - YEAR 2 COMPLIANCE DATA (Pages 247 - 262)

To present the report of the Head of Function (Council Business)/Monitoring Officer.

8 CORPORATE HEALTH AND SAFETY ANNUAL REPORT 2018/19 (Pages 263 - 278)

To present the report of the Head of Service (Regulation and Economic Development).

9 INTERNAL AUDIT UPDATE (Pages 279 - 296)

To present the report of the Head of Audit and Risk.

10 OUTSTANDING ISSUES AND RISKS (Pages 297 - 310)

To present the report of the Head of Audit and Risk.

11 **INTERNAL AUDIT CHARTER** (Pages 311 - 324)

To present the report of the Head of Audit and Risk.

12 **FORWARD WORK PROGRAMME** (Pages 325 - 328)

To present the report of the Head of Audit and Risk.

13 **EXCLUSION OF THE PRESS AND PUBLIC** (Pages 329 - 330)

To consider adopting the following:-

“Under Section 100(A)(4) of the Local Government Act 1972, to exclude the press and public from the meeting during the discussion on the following item on the grounds that it may involve the disclosure of exempt information as defined in Schedule 12A of the said Act and in the attached Public Interest Test”.

14 **CORPORATE RISK REGISTER UPDATE** (Pages 331 - 362)

To present the report of the Head of Audit and Risk.

This page is intentionally left blank

AUDIT AND GOVERNANCE COMMITTEE

Minutes of the meeting held on 23 July, 2019

- PRESENT:** Councillor Peter Rogers (Chair)
Mr Jonathan Mendoza (Lay Member) (Vice-Chair)
- Councillors John Griffith, G.O.Jones, R. Llewelyn Jones,
Dylan Rees, Alun Roberts, Margaret Roberts.
- Lay Member: Mr Dilwyn Evans
- IN ATTENDANCE:** Chief Executive
Assistant Chief Executive (Partnerships, Community and
Service Improvement)
Head of Function (Resources) and Section 151 Officer
Head of Internal Audit & Risk (MP)
Programme, Business Planning and Performance Manager
(GM) (for items 4 and 6)
Risk and Insurance Manager (JJ) (for item 8)
Committee Officer (ATH)
- APOLOGIES:** None received
- ALSO PRESENT:** Councillor Robin Williams (Portfolio Member for Finance),
Mr Alan Hughes (Performance Audit Lead - Wales Audit
Office), Accountancy Services Manager (BHO), Finance
Manager (CK), Principal Auditor (NRW), Senior Auditor (SJ),
Senior Auditor (JR) Llinos Joannou (Denu Talent Assistant),
Chris Tidswell (CIPFA Wales)

The Chair in welcoming all those present to this the first meeting of the Audit and Governance Committee of the new municipal year thanked Councillor R. Llewelyn Jones for his support during his term as Vice-Chair of the Committee.

1. DECLARATION OF INTEREST

No declaration of interest was received.

2. MINUTES OF THE 12TH FEBRUARY, 2019 MEETING

The minutes of the previous meetings of the Audit and Governance Committee held on the dates noted below were presented and were confirmed as correct subject to the following –

- 23 April, 2019 with an amendment to the reference under item 4 to the Internal Audit Service being 40% off target with regard to achieving its Operational Plan so that it reads 60% off target.

Arising thereon –

The Head of Audit and Risk updated the Committee with regard to the self-evaluation questionnaire by saying that the Internal Audit Service was working with Chris Tidswell of CIPFA Wales to look at the effectiveness of the Audit Committee. He would be observing today's and the 3 September meetings after which a package of work would be put together to assess how effective the Committee is and how it can fulfil its Terms of Reference.

- 14 May, 2019 (election of Chair and Vice-Chair)

3. DRAFT STATEMENT OF THE ACCOUNTS AND DRAFT ANNUAL GOVERNANCE STATEMENT 2018/19

The report of the Head of Function (Resources) and Section 151 Officers incorporating the draft pre-audit Statement of the Accounts for the 2018/19 financial year along with the draft Governance Statement for 2018/19 was presented for the Committee's consideration.

The Head of Function (Resources)/Section 151 Officer thanked the Accounts and Civica teams for their work in helping to ensure that the draft accounts were completed and issued in line with the statutory deadline which for the 2018/19 and 2019/20 financial years has been brought forward to the 15 June. The draft accounts were actually completed by the end of May in preparation for this becoming the statutory deadline for 2020/21 and beyond. The Statement of the Accounts has been prepared and set out in accordance with accounting regulations and practices and is produced annually to give electors, local taxpayers, Members of the Council, employees and other interested parties information about the Council's finances and how it spends public money. The Officer referred to the main financial statements and highlighted the key points arising therefrom as follows –

- Narrative report – tells the story of the Council's financial performance for the year and provides a guide to the more significant matters reported in the accounts including the key achievements, issues and risks affecting the Council. In 2018/19, the Council reported an overspend of £633k against a planned activity of £130.9m (net budget) and achieved £2.064m of savings. The table at 3.4.1 reflects the final budget for 2018/19 and actual income and expenditure against it. The Capital Budget was underspent in the year with the total spend amounting to £30.678m against a total Capital Budget for 2018/19 of £62.881m.
- Comprehensive Income and Expenditure Statement – shows the accounting cost in the year of providing services in accordance with accounting practices rather than the amount to be funded from taxation, hence the deficit figure of £20.744m which reflects the inclusion of items of non-cash expenditure required by accounting practice (pension liability, depreciation, revaluation of assets) rather than the Council's real cash outflow position.
- Summary of Movements in Council Reserves (page 24 of the accounts) – shows the net overspend of £633k for the year in line with the revenue outturn report presented to the Executive as part of the financial monitoring process and the impact on the General Fund reserve. This figure represents the difference between budgeted and actual expenditure for the year. The Summary of Movements table also shows that the Housing Revenue Account balances had a surplus of £805k for the year and that the Council's total usable reserves as at 31 March, 2019 stood at £24.844m compared to £24.069m as at 1 April, 2018.
- The Balance Sheet – shows the value of the assets and liabilities (what the Council owns and what it owes but not including highways and bridges etc.) recognised by the Council on the Balance Sheet date i.e. 31 March, 2019. What the Council is worth has reduced from £183.2m as at 31 March, 2018 to £162.456m as at 31 March, 2019 mainly as a result of the £28.5m increase in the deficit on the Local Government Defined Pension Scheme Fund.

- The Cash Flow Statements – shows the changes in the Council’s cash and cash equivalents during the financial year divided into operating, investing and financing activities.
- Notes to the core Financial Statements – provide additional information and context to the figures in the main financial statements. Attention was drawn to specific notes elaborating on the Council’s earmarked reserves and their purpose (N8); school balances position (N9); taxation and non-specific grant income (including £44.606m collected as Council Tax income in 2018/19) (N14); non-current assets – property, plant and equipment providing details of assets acquired and disposed of during the year, revaluation and depreciation (N15); provisions (N27); income from service recipients (N31b); Members’ allowances (N33); Officers’ remuneration (N34); Grants income (N37); Teachers’ Pension Scheme and the Local Government Pension Scheme (N40 and 41).
- Annual Governance Statement – sets out the process, systems, principles and values by which the Council is directed and controlled including the arrangements it had in place in the year to manage and mitigate risks in carrying out its responsibilities and activities.

In considering the report, the Committee discussed the following –

- The deterioration in the overall school balances position with 12 out of the 43 primary schools and 3 of the 5 secondary schools as well as the special school in a deficit position as at 31 March, 2019 compared to 3 primaries and 1 secondary as at 31 March, 2018. In light of the above, the Committee was concerned about the Council’s ability to sustain its smallest schools long-term. The Committee further referred to the recent announcement of a 2.75% pay rise for teachers and queried whether the increase would be fully funded by Welsh Government.

The Head of Function (Resources)/Section 151 Officer advised that schools’ financial position is becoming more difficult to manage as budgets continue to reduce with schools finding it increasingly difficult to balance their budgets without resorting to cutting teaching staff. Smaller schools tend to be more acutely affected because they have fewer staff meaning that any reduction in staffing leads to increased class sizes. For the Council, sustaining a model of primary education provision made up of 40 primary schools is also becoming more difficult in the current financial climate not least because of the cost of maintaining 40 buildings; money saved through reducing the school buildings portfolio could otherwise be spent on education provision. With regard to teachers’ pay which is now a devolved matter, Welsh Government yesterday announced a 5% increase for newly qualified teachers and a 2.75% increase for all other school teachers but did not specify how the increase would be funded. In making its own announcement about the public sector pay rise last week the Westminster Government indicated that it would have to be funded from Departments’ existing budgets which suggests that no additional funding will be made available to cover the cost of the increase meaning also that no additional allocation will be provided to Welsh Government. Should that be the case, Welsh Government can either fund the cost of the pay increase by cutting elsewhere within its budget or can pass the cost onto the councils leaving them to find the extra cash through increased Council Tax and/or reducing school budgets which in turn would lead to greater financial pressure on schools.

The Assistant Chief Executive advised that the Council’s Schools Modernisation Strategy formulated in 2012 and revised and updated in 2018 seeks to address amongst other things, the issues in relation to the quality and cost-effectiveness of the primary education provision on the Island whilst also having specific regard to the requirements of the Schools Organisation Code 2018 which stipulates that when considering small schools all viable alternatives to closure must be given consideration.

- Pension Scheme Fund liabilities. The Committee noted that the Council has no input in terms of how and where the Fund's monies are invested.

The Head of Function (Resources)/Section 151 Officer advised that whilst the Pension Scheme is administered by Gwynedd Council, this Council is represented on the Gwynedd Pensions Committee by the Portfolio Member for Finance. The Portfolio Member for Finance confirmed that the Pensions Committee meets around every two to three months and is due over the course of the next few months to meet with some of the Investment Managers who manage the Fund's investments. The Portfolio Member said that part of the Fund's assets has been pooled with the assets of the other local government pension funds in Wales and that he together with Gwynedd Council's Section 151 Officer and other members of the Gwynedd Pension Committee would be meeting with Russell Investments, one of managers of the pooled funds before the end of the year. The next actuarial valuation of the Pension Fund is due to take place in March, 2020.

- Debtors. The Committee queried whether there was a link between the £266k against long term debtors in the Balance Sheet and the £5.639m bad debt provision referred to in Note 24 (Debtors). The Committee further noted that receipts taken in by the Council from the Betsi Cadwalader University Health Board (which through common control by central Government is a related party to the Council) came to £2.077m (£3.768m in 2017/18), with £2.231m due from the related party at year-end. The Committee sought an explanation of the position with regard to the money owing and whether the situation is likely to become more complex as the Council's collaboration with the Health Board increases.

The Head of Function (Resources)/Section 151 Officer clarified that Note 24 provides a breakdown of the £29.9m short-term debtors (a year or less) which is net of bad debt provisions totalling £5.539m. This is an estimate of monies owing that have been assessed as unlikely to be collected for which a provision in the accounts is made but does not mean that the debts are disregarded or that the Council ceases to pursue them. The more debt the Council succeeds in recovering then the greater the reduction in bad debt provision and the less the impact on the revenue budget. With regard to BCUHB, the Officer advised that he had held discussions with the BCUHB's new Director of Finance recently following which he had confirmed the amount owing by the Health Board which at the time came to approximately £600k. There are also historical debts that need to be addressed; the resolution of these is potentially more difficult as the Health Board requires corroborating evidence of an agreement to pay which when a length of time has passed or where an agreement was based on a verbal understanding, might not be available. Where the Council collaborates with the Health Board for the provision of services then such an arrangement would be supported from the outset by a service agreement setting out the division of costs and the responsibility for payments. A grey area is the differentiation between health and social care costs with a number of debts arising from individual cases where no agreement has been reached as to whether the costs incurred are due to health needs payable by the Health Board or due to social care needs payable by the local authority (unless the client is self-funding.)

The Officer said that in general the Council's debt collection rate is good and stands at 99.3% over a three year period with regard to Council Tax and Business Rates. (The income which the Council collects in Council Tax is £44m – Note 14). For other debt the collection rate is approximately 85%. The Council has engaged an officer to help address historical debts which although the project is nearing its end is continuing to deliver monthly on the recovery of debt. The Council is also adopting a more proactive approach with regard to other forms of debt e.g. for the recovery of social care costs.

- Provisions. The Committee queried the increase of £278k for future potential costs at the Penhesgyn landfill site. The Head of Function (Resources)/Section 151 Officer advised that there are costs associated with the maintenance of the Penhesgyn site specifically in relation to the culvert which runs beneath the site. The provision is made to cover any potential costs that may arise from the failure of the culvert.

Having considered the report, the Committee resolved to note the draft unaudited financial statements for 2018/19.

NO ADDITIONAL PROPOSAL WAS MADE

4. EXTERNAL AUDIT: ISLE OF ANGLESEY ANNUAL IMPROVEMENT REPORT

External Audit's Annual Improvement Report for 2018/19 in respect of the Isle of Anglesey County Council was presented for the Committee's consideration. The report summarised the work carried out since the last Annual Improvement report including that of the relevant regulators.

Mr Alan Hughes, Performance Audit Lead (WAO) reported that the Council is meeting its statutory requirements in relation to continuous improvement but, as with all councils in Wales, it faces challenges going forward. It is the Auditor General's view that based on and limited to the work carried out by the Wales Audit Office and relevant regulators, the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2019/20. However, it is recognised that all councils face significant financial pressures which will need continued attention in the short and medium term to enable them to reach a stable and sustainable financial position. Whilst the Auditor General did not make any formal recommendations during the course of the year, a number of proposals for improvement were made and these are reproduced in the report. Progress against these proposals and against the relevant recommendations from national reports (Appendix 3 to the report) will be monitored by External Audit as part of its improvement assessment work.

It was resolved to accept and to note the External Audit's Isle of Anglesey Annual Improvement Report.

NO ADDITIONAL PROPOSAL WAS MADE

5. INTERNAL AUDIT PROGRESS UPDATE

The report of the Head of Audit and Risk which provided an update on Internal Audit's latest progress with regard to service delivery, assurance provision and reviews completed was presented for the Committee's consideration.

The Head of Audit and Risk highlighted the main points as follows –

- That three audit reports were finalised in the period. The first relating to CONTEST – Counter Terrorism resulted in a Reasonable Assurance opinion with the review finding that the Council is making good progress in implementing an effective framework of controls to ensure that it can successfully discharge its statutory "Prevent" responsibilities in respect of HM Government's Counter Terrorism Strategy (CONTEST) 2018. The second report was in relation to Welfare Reform – Housing Rent Income which also resulted in a Reasonable Assurance opinion with the review concluding that the Council has a number of effective operational controls in place to manage the impact on the Council's ability to collect Housing Rent income. For both reviews, Internal Audit identified scope for improving controls in future in the areas audited which is reflected in

action plans agreed with Management (available to the Committee's members on request to the Head of Audit and Risk). Internal Audit raised 4 major Risk/Issues on the CONTEST – Counter Terrorism review and 1 Major and 3 Moderate Issues/Risks on the Welfare Reform – Housing Rent Income which the Officer elaborated upon. The third audit report completed was a health check of information governance and General Data Protection Regulation embedding across all the schools on the Island conducted by Strategic Risk Practice of Zurich Risk Engineering (ZRE) which as a consultancy piece of work for internal information only, did not provide an assurance rating.

- That one Follow-up review was finalised in the period relating to Payment Card Industry Data Security Standard Compliance which resulted in the original Limited Assurance rating being upgraded to a Reasonable Assurance opinion. Follow-up reviews of Primary Schools Income Collection (*First Follow-up*) and Sundry Debtors (*Second Follow-up*) are currently in progress. A further three Follow-ups are scheduled for the remainder of the year in connection with the areas listed in paragraph 21 of the report.
- That there had been a slight dip in addressing High/Red/Amber issues/risks from 89% in Quarter 4 of 2018/19 to 87% in Quarter 1 of 2019/10 although no High or Red issues/risk remain unaddressed. The decline is accounted for in paragraph 23 of the report.
- That Internal Audit was hoping to finalise and report the outcome of four audits to the Committee at this meeting (Business Continuity Arrangements, Corporate Safeguarding Follow-up, IT Resilience and Corporate Information Governance Health Check) but due to the reasons outlined in paragraph 29 of the report this has not been possible. Following the recommendation made in the Corporate Risk Management Health Check that the corporate risk register be reviewed and the corporate risks rationalised, the Senior Leadership Team reviewed the Corporate Risk Register and reduced the corporate risks by approximately half. This is reflected in the internal audit priorities going forwards. The Head of Audit and Risk referred to the Operational Plan under Appendix A highlighting the changes made and the reasons therefore whilst also drawing attention to the fact that the Plan provides the Committee with assurance about when the corporate risks on the Corporate Risk Register were last reviewed.
- The Committee at its previous meeting sought clarification of whether there is a standard national definition of assurance ratings, and if there was not, whether in the interests of benchmarking and consistency this should be introduced. Internal Audit confirmed that a standard definition for assurance ratings was not in use and further, the Service sent a query to all heads of audit across Wales as well as the Governance Advisor at CIPFA's Better Governance Forum to determine whether there was support for the introduction of the same. The exercise confirmed that councils' definitions are not dissimilar and that of the 14 responses received, only one supported the idea of standardised assurance ratings with the remainder in favour of retaining local flexibility to report conclusions in the way most suited for their organisation.
- CIPFA launched its Statement on the role of the Head of Internal Audit in April 2019 which sets out five principles aligned with the UK Public Sector Internal Audit Standards that outline the key expectations of heads of internal audit and the conditions that will allow them to thrive. The Head of Audit and Risk said that it was her opinion that the role of Head of Internal Audit at the Council satisfies the five principles and, in the context of "leading and directing an Internal Audit Service that is resourced appropriately, sufficiently and effectively", she confirmed that a neighbouring authority will be able to provide a resource for Anglesey's Internal Audit Service to backfill some of the resources that the Service is missing through maternity absence and long-term sickness absence.

The Committee discussed the following issues –

- The Committee welcomed the confirmation of a temporary additional staffing resource for the Internal Audit Service to bridge the gap created by staff absence reaffirming its view that the Internal Audit function needs to be adequately resourced to provide the

information for the Committee to be able to do its job properly but querying whether in light of the staff shortage it was feasible for the Service to be undertaking the Corporate Information Governance Health Check referred to in paragraph 29 of the report instead of using an external assurance provider. The Head of Audit and Risk said that the Internal Audit Service's familiarity with the Council's internal processes and personnel has its advantages over an external assurance provider and in the case of the Corporate Information Governance Health Check and following consultation with the Information Governance Manager, it was felt that this piece of work could be done more effectively internally.

- With regard to the audit review of Welfare Reform – Housing Rent Income, the Committee noted that system issues had hindered the Council's ability to monitor the performance of those tenants on Universal Credit, and that further, the Council had not fully profiled its tenants (the Committee was updated that the response to letters requesting this information was 40%) meaning that without accurate knowledge and information about the demographics of the Island, it could hamper the Council's ability to forward plan and gather intelligence to shape services for the future. The Committee was concerned that without this information which it felt should have been obtained as part of the preparatory work, the Council is not able to assess the impact of Universal Credit on housing rent arrears with possible implications for its income. The Committee proposed that the Head of Housing Services be asked to attend the next meeting to provide an update on the tenant profiling position.

The Head of Audit and Risk clarified that the Housing Service did not support an initial proposal for a dedicated profiling officer on the basis that the role was incorporated within the job descriptions of the Customer Care team who are now carrying out the task as part of their day to day contact with housing tenants.

It was resolved that having considered the information presented and the clarifications provided by Officers, the Audit and Governance Committee accepts and notes Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

ADDITIONAL ACTION PROPOSED: Head of Housing Services to be asked to attend the Committee's next meeting to provide an update on the tenant profiling position.

6. EXTERNAL AUDIT: AN EXAMINATION OF "TO PROMOTE ANGLESEY TO ENCOURAGE MAJOR DEVELOPERS TO INVEST IN THE ISLAND"

The report of External Audit on the findings of its examination of a step the Council is taking to meet its well-being objectives, namely to promote Anglesey to encourage major developers to invest in the Island and use this as a catalyst for business development and jobs on the Island was presented for the Committee's consideration.

Mr Alan Hughes, Performance Audit Lead (WAO) reported that in accordance with the Well-being of Future Generations Act the Auditor General for Wales is statutorily required to examine public bodies to assess the extent to which they have acted in accordance with the sustainable development principle when setting their well-being objectives and taking steps to meet them. In the report above, the External Auditor has sought to establish whether the Council is acting in accordance with the sustainable development principle in its step to promote Anglesey to encourage major developers to invest in the Island. In order to act in accordance with the sustainable development principle, public bodies must take account of the "five ways of working" as defined in the Welsh Government's Well-being of Future Generations (Wales) Act 2015 The Essentials document which relate to safeguarding the ability to meet *long-term* needs; acting to *prevent* problems occurring or getting worse;

considering *integrating* the public body's well-being objectives with their other objectives or other public body's objectives; acting in *collaboration* with any other person or different parts of the body itself and *involving* persons with an interest in achieving the well-being goals ensuring that those persons reflect the diversity of the area which the body serves.

The report found that –

- The Council has acted in accordance with the sustainable development principle in developing the step, but there are opportunities to further embed the five ways of working.
- The Council has sought to obtain a thorough understanding of the adverse effects of a large scale project and understands the importance of gathering data to inform its preventative activities.
- The Council considers how its step could contribute to the seven national well-being goals and its other well-being objectives, but it has not formally considered how the development will impact other public bodies' well-being objectives.
- The Council has taken steps to collaborate with partners and reflect the needs and wishes of local communities, but could improve how it reviews the effectiveness of collaboration.
- The Council has involved stakeholders in the Wylfa Newydd project, but needs to develop its approach to involving the full diversity of the community.

Following the conclusion of the fieldwork, External Audit's findings were presented to Council Officers at a workshop in March, 2019 where the Council began to consider its response to the findings. As a result of discussions at the workshop and further reflection on the findings, the Council has developed a series of actions under specific themes which are set out in the table in Part 2 of the report.

The Chief Executive commented that the examination sought to ask whether the Council has started to espouse the principles of the Well-being of Generations Act in its day to day work which is the main focus of the report. The report finds that the Council has begun to successfully apply those principles highlighting a number of strengths in the work which the Council has undertaken in relation to the subject matter of this study but recognising also that there needs to be a balance between Future Generations Act related work and the Council's other wider demands and priorities. In terms of Wylfa Newydd the Council has learnt a great deal both from working on the project itself and from co-operating with the Wales Audit Office on the study above. The actions which the Council has developed in response to the report as at paragraph 32 explicitly confirm the Council's commitment to promoting the Island as a destination for large scale energy related developments.

The Committee accepted the report as providing a positive assessment overall of the Council's work in applying the sustainable development principle in its approach to the promotion of Anglesey to encourage major developers to invest in the Island.

It was resolved to accept External Audit's report on its examination of "To Promote Anglesey to encourage Major Developers to Invest in the Island."

NO ADDITIONAL PROPOSAL WAS MADE

7. RISK MANAGEMENT POLICY STATEMENT

The report of the Head of Audit and Risk incorporating a Risk Management Statement setting out the responsibilities within the Council for identifying, managing and monitoring risks was presented for the Committee's consideration.

The Head of Audit and Risk reported that as part of its arrangements for good corporate governance, the Council needs to have a clear statement of its overall policy in relation to managing risk in the achievement of its objectives and the delivery of its services. As a large and diverse organisation, appetite for risk will vary according to the activity undertaken and different appetites and tolerances to risk apply throughout the organisation. It is recognised that the Council must accept some risk so that it can achieve its objectives. Therefore, the policy is to ensure a culture of knowledgeable risk taking. An organisation's risk appetite helps it determine what a material risk is; what a high risk is and what a low risk is. By deciding risk appetite, the Council is able to more effectively prioritise risk for mitigation and better allocate resources.

The Officer said that establishing the Council's risk appetite is a piece of work which the Head of Audit and Risk in conjunction with Members and with the Senior Leadership Team would like to undertake so that a clear risk appetite statement can be formulated and approved. The Council's current risk appetite position is reflected in the Risk Management Assessment Matrix at the end of the report and this will continue to be used until such time as a policy statement is issued. Different risk tolerance levels will apply throughout the Council depending on the individual service e.g. Social Services will have a different risk tolerance level to that of Highways Services.

It was resolved to accept the Risk Management Policy Statement as presented and to recommend its approval by the Executive.

NO ADDITIONAL PROPOSAL WAS MADE

8. ANNUAL INSURANCE REPORT 2018/19

The report of the Head of Audit and Risk incorporating the Annual Insurance report for 2018/19 was presented for the Committee's consideration.

The Risk and Insurance Manager reported that the report provides a summary of claims against the Council's external and internal based insurance arrangements for the period 1 April, 2014 to 31 March 2019 based on the date the incident occurred and not on the date of the making or presentation of the claim, and for claims presented before 1 April, 2019. The report also provides a commentary on claim trends and future challenges. The summary of claims included in Appendix A to the report provides a breakdown per policy, per financial year for the Council as a whole of the number of claims that have been paid; claims that have been settled without cost or payment being made, or where the claim has not yet been settled. The summary includes the amount paid in respect of those settled claims and the amount reserved against those claims not yet settled.

In response to queries by the Committee, the Risk and Insurance Manager clarified the following –

- That the Council has personal injury insurance to cover staff and volunteers acting on behalf of the Council wherever that may be. The insurance would not apply however in the case of professional tradesperson volunteering their services e.g. an electrician volunteering to do a job of work at a school.
- That the £174,199 in reserve for public liability claims for 2018/19 although higher than the sums in reserve for the previous years is set against the correspondingly higher figure of 39 claims still open in 2018/19 which include more recent claims which will take longer to close down be they settled with or without cost.
- That the majority (over 50%) of public liability claims are highways related e.g. slips, trips or falls on a Council controlled slipway and pothole damage to vehicles.

- That the Council endeavours to learn from claims made. In cases where claims are the result of errors by Council drivers for example, the Highways Service arranges driver training to try to reduce the likelihood of errors occurring and therefore claims arising therefrom.

It was resolved to accept and to note the Annual Insurance Report 2018/19.

NO ADDITIONAL PROPOSAL WAS MADE

9. ANNUAL TREASURY MANAGEMENT REVIEW 2018/19

The report of the Head of Function (Resources)/Section 15 Officer incorporating the Treasury Management Review for 2018/19 was presented for the Committee's consideration.

The Head of Function (Resources)/Section 151 Officer highlighted the following -

- That in light of the ongoing uncertainty surrounding the economy over Brexit and continuing low interest rates the Treasury Management Strategy has remained to borrow only when required and to invest on the basis of safety and liquidity ensuring that the Council's invested cash is readily available.
- The Council's strategy over a number of years has been to utilise its own cash resources to fund capital expenditure where possible. However, due to low cash balances during the year, it was decided to externalise borrowing taking out two long term loans with the PWLB – £15m in January, 2019 over 50 years at an interest rate of 2.49% (£5m of which was used to repay a maturing loan) and £10m in March 2019 over 46 years at an interest rate of 2.24%.
- At the beginning of the year, the internal borrowing position was £19.9m. By taking out the loans referred to above, the internal borrowing position at 31 March, 2019 was reduced to £6.2m.
- During that year, the Council also entered into two short-term borrowings – for £5m in October, 2018 for 3 months with North Yorkshire County Council with an interest rate of 0.85% and for £5m in December, 2018 for 1 month with Tyne and Wear Pension Fund with an interest rate of 0.8%. These borrowings were taken out to cover short-term cash flow difficulties.
- During 2018/19, the Council complied with its legislative and regulatory requirements. The forecast Capital Financial Requirement (CFR – the Council's underlying need to borrow) at the time of producing the prudential indicators for 2018/19 was £148.940m. The actual CFR was significantly lower at £138.660m. Neither were the Authorised Borrowing Limit (£177m) nor the Operational Boundary (£172m) breached during the year, with the amount of external debt peaking at £134.4m only. The performance against the Prudential Indicators set by the Council show that the Council's Treasury Management activities are being undertaken in a controlled way which ensure the financial security of the Council and do not place the Council at any significant financial risk in term of unaffordable or excessive borrowing.
- Looking forward the strategy will likely remain low risk, low return investments and a planned approach to borrowing to minimise interest charges.

*It was highlighted at this point that as the Committee had now been in session for three hours, under the provisions of paragraph 4.1.10 of the Council's Constitution, a resolution by the majority of those Members of the Committee present to continue with the meeting was required. **It was agreed that the meeting should continue.***

In response to points raised by the Committee, the Head of Function (Resources)/Section 151 Officer further clarified -

- That the underspend on the capital budget relates mostly to schemes that are funded by capital grants. The Council's approach to borrowing is on the basis of cash flow aims and need rather than on a per project basis i.e. the Council will borrow when it does not have cash available to fund capital expenditure.
- That the charge to Revenue for the cost of borrowing is made through the Minimum Revenue Provision (MRP). The MRP policy has been amended in order to link borrowing to the life of the asset borrowed for in order that the charge to revenue provides enough at the end of the borrowing term to repay the loan when it becomes due.

It was resolved –

- **To note that the outturn figures in the report will remain provisional until the audit of the 2018/19 Statement of Accounts is completed and signed off; any resulting significant adjustments to the figures included in the report will be reported as appropriate.**
- **To note the provisional 2018/19 prudential and treasury indicators in the report.**
- **To accept the Treasury Management Annual Review report for 2018/19, and to recommend it to the Executive without comment.**

10. FORWARD WORK PROGRAMME 2019/20

The Committee's Forward Work programme was presented **and was accepted and noted without amendment.**

**Councillor Peter Rogers
Chair**

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	3 rd September 2019
Subject:	Tenant Profiling Update
Head of Service:	Ned Michael Head of Housing 01248 752289 nedmichael@anglesey.gov.uk
Report Authors:	Llinos Wyn Williams BA (Hons) 01248 752190 lwwhp@anglesey.gov.uk
Nature and Reason for Reporting:	
<p>This report provides information on work carried out by the Community Housing department in relation to tenant profiling. It follows an internal audit report submitted to the Audit and Governance Committee meeting of 23 July, which raised the lack of tenant profiling as an 'Issue/Risk'. Following a discussion, members requested the Head of Housing to attend the Committee's next meeting to provide an update on the tenant profiling position.</p>	

1. INTRODUCTION

During February - June 2019, the internal audit team undertook an internal audit in respect of a key corporate risk, Welfare Reform. The final audit report was presented to the Audit and Risk Committee in July 2019.

The Welfare Reform audit highlighted 'Issues/Risks' including:

- Improving tenant profiling information in order to support future service delivery – this is directly linked to how we forecast and focus our efforts in supporting tenants who are live or will go live onto Universal Credit
- Improve management reports in order to monitor tenant-related performance of Universal Credit (to include arrears, operational issues)
- Ensure formal guidelines were in place and communicated to operational staff and partners
- Improve the housing Client Relationship Management system, Orchard to ensure the accurate and swift reporting structure was in place and moving away from the existing time consuming manual approach

All actions to address the 'Issues/Risks' are underway and are being led by the Community Housing Service Manager.

In July 2019, the Audit & Governance Committee voiced concern regarding the lack of progress made with tenant profiling in housing services.

Isle of Anglesey County Council's housing department is the landlord to 3,812 properties. Each council property is recorded on our Orchard Client Relationship Management system. Information regarding name of tenants, address, contact details, age and number within the household is held within Orchard. Orchard

also captures tenancy history, arrears information, officer interactions, tenancy breach recording, financial inclusion analysis and much more. This is what is called tenant profiling.

The Chartered Institute of Housing (CIH) (September 2010) describes tenant profiling as the collection, grouping and analysing information regarding tenants. This in turn provides a greater understanding on the demographics, motivations, needs, attitudes, lifestyles and behaviours of our tenants. Having accurate tenant profiling can support the department to develop future services alongside existing services, such as the response to Universal Credit.

The ever-changing landscape of our socio-demographics on Anglesey means we are continuously responding to these changing needs in order to meet our customer demand, improve our services and adapt our approaches to support our most vulnerable. For example, we expect a 30% increase in our over 65's by 2039.

No one household on the Island has the same profile. This makes our communities excitingly diverse. Reversely, this can provide additional challenges in managing resources within our service delivery such as hot spot areas for anti-social behaviour (ASB)

With this, ensuring our services are tailored to each tenant is important to ensure we meet the outcomes expected; our tenants are feeling safe and well, are listened to and are provided with a service based on their needs.

Tenant profiling also supports with:

- Evaluating our existing services to ensure we meet demands as they change
- Plan accommodation needs within our 30 Year business plan
- Manage resource effectively and opportunity to transform our approaches with customer care
- Improved & prioritise decisions
- Be more consultative in our approaches to ensure changes are developed in partnership with our tenants & partners
- Overcoming barriers
- Communication
- Targeting resources to specific locations
- Improve quality of our services
- Manage risks
- Improve access to innovative and affordable housing
- Respond to criminal matters such as County Lines / Cuckooing

The implementation of critical Welsh Government Acts, Wellbeing of Future Generations Act 2015 and Social Services & Wellbeing Act 2014, ensures public bodies to act earlier and preventatively also placing more emphasis on co-production resulted in a Pan-Wales population needs assessment.

The population needs assessment has provided housing with useful information in order to identify key areas where poverty, health, education and wellbeing data in order to consider our approaches when delivering tenants participation services, plus also ensuring a targeted approach between agencies is in place to deliver on improving matters that are of concern to individuals / areas.

Other methods of capturing data and information to develop our services, which are beneficial to housing services, includes-

- The Looked After Children population
- The Older Persons Strategy

- STAR surveys – Satisfaction survey for tenants & residents
- Anti-social behaviour surveys
- Population Needs Assessments
- Office of National Statistics

Operationally, tenant profiling is the responsibility of the customer service team. The customer service team consists of six full time equivalent officers dealing with day-to-day maintenance response queries, first contact response for housing allocations, homelessness alongside tenant profiling.

Customer care staffing levels have fluctuated throughout the Year. This through one member of staff going on a secondment alongside two officers on maternity leave. This has been a barrier to capturing tenant profiling on a continuous basis. The customer service team currently operate from two offices, split into three officers at each location per working day.

Homeless presentation levels have increased thus resulting in more incoming calls to our customer care team in order to support those who are threatened with or are homeless. There is also a drive to attract new tenants onto our housing waiting list, which increases challenges due to the existing demand-led approach.

Working from two offices is viewed as a challenge. Having a dispersed team with fluctuating staffing levels means, the teams' priority has been responding to incoming calls.

Going forward, the Housing Senior Management Team have agreed to locate the customer care team from one location and discussions are underway as to which office would be the most suitable longer term – Llangefni or the Housing Maintenance Unit in Gaerwen. Once the team have one location, one officer will concentrate on profiling per day, alternating on a rota basis. It is viewed the customer care team, working from one location, will create greater resilience allowing for a more proactive approach to operations.

The majority of tenants continue to contact housing services by phone. The service is continuously reactive to calls. From January 2020, the focus will be on a 2 Year plan in tenants reporting issues and managing their tenancies on a digital platform, linked to Orchard. The target of tenants using the digital tenants' portal by 2022 is 75% of customer care related interactions.

As assurance to the Audit and Governance committee, housing services work closely with the Department for Work & Pensions, O'Toole and CAB concerning Universal Credit. The Council has commissioned Policy into Practice reports three times per Year, which outlines hot spot areas concerning Universal Credit. The Universal Credit hub has been refreshed to focus on post-UC implementation factors, which includes sharing information, intelligence, data and information regarding those affected by the change in benefit circumstances.

The following figures have been extracted from Orchard, however the integrity of the accuracy of these figures is questionable:

Survey Year	Number of surveys recorded
2012	82
2013	362
2014	160
2015	166
2016	203
2017	228
2018	229
2019	63
Total	1493

2 – Pre-audit tenant profiling approaches (pre-June 2019)

Approach one – mailshot all tenants in the post and setting an incentive for completed and returned questionnaires. We received 1,200 responses which is 33% of our stock.

Approach two – in 2014-15, housing services employed three tenant profiling officers over a period of 18 months to ensure the information was as up to date as possible. Profiling officers were targeted to complete 15 profiles per day and were visible across our estates.

3 – Post-audit tenant profiling approaches (post-June 2019)

Customer care officers have been targeted to undertake ten tenant-profiling calls per month from August 2019 onwards. Three attempts will be made by phone and a letter will be sent requesting the tenant to complete and return the profiling form by a specific date.

New tenants are requested to complete and bring their profiling questionnaire to a property sign-up. In the event a new tenant does not provide this information at the sign up point, the relevant Housing Management Officer (HMO) will direct themselves to the customer care team to follow up.

An increase in visibility on our estates by our customer care team to support our vulnerable tenants in completing the profiling questionnaire

4 – Future tenant profiling approaches

- To develop a tenant profiling strategy - in partnership with our tenant group
- To launch the strategy externally with tenants and provide frequent updates on the importance on tenant profiling / tenants keeping housing updated regarding their personal information
- To launch the strategy internally and work on mainstreaming tenant profiling with housing services
- Tenants completing their own profile on the digital tenant portal – January 2020 onwards
- Customer care officers targeting tenants through increasing visibility on housing estates / arranging specific days when they'll be on an estate undertaking profiling

5- Conclusion

Housing services are committed to improving tenant profiling in order to support our services – this includes our integral support for Universal Credit.

It is recognised that operations are currently reactive to inbound calls and managed accordingly. Once the customer care team are located in one location, measures will be in place to ensure more of a proactive approach to profiling.

5 - Recommendations

- Agree that measures are in place to improve the tenant profiling within the department
- Agree that a tenant profiling strategy needs to be developed to ensure this aspect is mainstreamed within the department
- Agree that tenant profiling needs to be reviewed by the internal Housing Services Board on a quarterly basis for the initial 12 month period

BIBLIOGRAPHY

Foster, et, al (September 2010) – Tenant Insight – A toolkit for landlords (CIH, Housemark, Tenant Services Authority)

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	3 SEPTEMBER 2018
SUBJECT:	FINAL ACCOUNTS 2018/19
PORTFOLIO HOLDER(S):	COUNCILLOR ROBIN W. WILLIAMS – PORTFOLIO HOLDER (RESOURCES)
LEAD OFFICER(S):	R MARC JONES
CONTACT OFFICER(S):	BETHAN HUGHES OWEN / CLAIRE KLIMAZEWSKI 01248 752663 / 01248 751865 BethanOwen2@ynysmon.gov.uk ClaireKlimazewski@ynysmon.gov.uk
Nature and reason for reporting	
Covering report for the presentation of the Final Statement of Accounts, commenting on the main issues arising from the Audit of the Accounts	

1. Background

- 1.1 The Isle of Anglesey County Council's draft Statement of Accounts 2018/19 was presented for Audit on the 23 July 2019. The detailed audit work is now substantially complete and the Auditor's report has been issued and a small number of amendments to the draft have been incorporated into the Accounts.
- 1.2 Subject to the Isle of Anglesey County Council's confirmation, the Accounts will be signed by the Director of Function (Resources)/Section 151 Officer and the Council's Chairman and will be published following the receipt of the Auditor's Opinion.

2. Quality of Process

- 2.1 The statutory deadline for the completion of the Audited Accounts 2018/19 has yet again been met.
- 2.2 Improvements have been made which the audit process identified last year and these improvements have continued. All issues that have arisen throughout the audit were dealt with promptly and in a satisfactory manner.

3. Amendment to the Accounts

- 3.1 Details of the main amendments to the draft accounts are set out in the Auditor's Report Appendix 3. All amendments which have been agreed as requiring restatement by Deloitte have been processed and are within the Statement of Accounts.
- 3.2 No significant amendments were required to the draft statement and have been largely confined to amendments to a small number of disclosure notes and the Cash Flow Statement. At this stage no financial changes have been made to revenue or capital, therefore, the main financial statements remain the same. The audit report highlights an ongoing uncorrected misstatement from 2017/18 on page 5 relating to the accounting of the pensions lump sum for unfunded historic pension costs. This relates to differing interpretations of the accounting arrangements for the lump sum paid in 2017/18 for these costs which led to a saving of approximately £200k. This was not amended due to the differences in our interpretation of written audit guidance on the issue.

4. Auditor's Recommendations

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

Three recommendations in relation to accounting and payroll control;
One recommendations in relation to IT.
One recommendation in relation to corporate controls.

4.2 These recommendations are included in Appendix 3 of the Auditor's report.

5. Recommendations

5.1 It is proposed that the Audit Committee makes a recommendation to the County Council to confirm the acceptance of the 2018/19 Statement of Accounts.

5.2 The Audit Committee to approve the Annual Governance Statement and refer the document to the Leader of the Council and the Chief Executive for signature.

MARC JONES
DIRECTOR OF FUNCTION (RESOURCES)/SECTION 151 OFFICER

3 SEPTEMBER 2019

Ynys Môn

THE ISLE OF Anglesey

Statement of Accounts 2018/19



CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

www.ynysmon.gov.uk

www.anglesey.gov.uk



[cyngormon](https://www.facebook.com/cyngormon)

[ioacc](https://www.facebook.com/yoacc)

Page 21



[@cyngormon](https://twitter.com/cyngormon)

[@angleseycouncil](https://twitter.com/angleseycouncil)

Contents

Reference	Description	Page
	Narrative Report	1
	The Statement of Responsibilities for the Statement of Accounts	16
	The Independent Auditor's Report	17
	Comprehensive Income and Expenditure Statement	20
	Expenditure and Funding Analysis	21
	Movement in Reserves Statement	22
	Balance Sheet	23
	Cash Flow Statement	24
	Notes to the Accounts	25
Note 1a	Note to the Expenditure and Funding Analysis	27
Note 1b	Segmental Income	28
Note 2a	Accounting Standards that have been issued but have not yet been adopted	28
Note 2b	Accounting Standards that have been issued and adopted	29
Note 3	Critical judgements in applying Accounting Policies	29
Note 4a	Assumptions made about future and other major sources of estimation uncertainty	30
Note 4b	Prior period adjustments, changes in accounting policies and estimates and errors	32
Note 5	Material Items of Income and Expenditure	32
Note 6	Events after Balance Sheet date	32
Note 7	Adjustments between accounting basis and funding basis under Regulations	34
Note 8	Earmarked Reserves	36
Note 9	Schools Balances	37
Note 10	Capital Receipts Reserve	37
Note 11	Unusable Reserves	37
Note 12	Other Operating Expenditure	41
Note 13	Financing and Investment Income and Expenditure	41
Note 14	Taxation and Non-specific Grant Income	42
Note 15	Non-current Assets – Property, Plant and Equipment (PPE)	43
Note 16	Significant Capital Commitments	45
Note 17	Heritage Assets	46
Note 18	Investment Properties	47
Note 19	Intangible Assets	49
Note 20	Capital Expenditure and Financing	50
Note 21	Assets Held for Sale	51
Note 22	Leases	51
Note 23	Inventories	51
Note 24	Debtors	52
Note 25	Cash and Cash Equivalents	52
Note 26	Creditors	52
Note 27	Provisions	53
Note 28	Cash Flow from Operating Activities	54
Note 29	Cash Flow from Investing Activities	54
Note 30	Cash Flow from Financing Activities	55

Reference	Description	Page
Note 31	Nature of Expenses Note	56
Note 32	Trading Operations	58
Note 33	Members' Allowances	58
Note 34	Officers' Remuneration	58
Note 35	Termination Payments	60
Note 36	External Audit Fees	60
Note 37	Grants Income	61
Note 38	Related Parties	63
Note 39	Trust Funds	66
Note 40	Teachers' Pension Scheme	67
Note 41	Local Government Defined Benefit Pension Scheme	67
Note 42	Contingent Liabilities	74
Note 43	Contingent Assets	74
Note 44	Financial Instruments	74
Note 45	The Nature and Extent of Risks arising from Financial Instruments	80
Note 46	Joint Committees	85
Note 47	Houses into Homes	86
Note 48	Council Tax	86
Note 49	Non-Domestic Rates (NDR)	87
Note 50	Maritime	88
Note 51	Accounting Policies	89
HRA Account	Housing Revenue Account (HRA) - Income and Expenditure Statement - Statement of Movement on the HRA balance Notes to the HRA	113
Appendix 1	Related Party disclosure – Stakeholder representation with third party organisations	117
Appendix 2	Glossary	119
Appendix 3	Bibliography	127
	Annual Governance Statement 2018/19	128

Narrative Report

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

The narrative report is structured as follows:-

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

1. The Statutory Framework

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

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

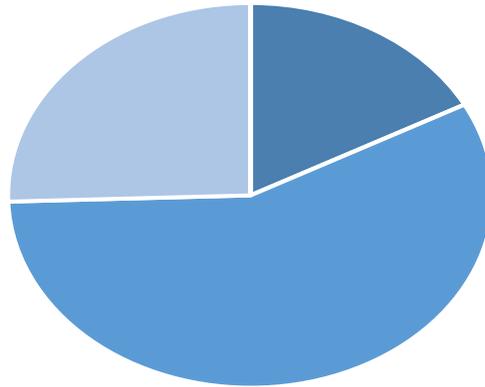
Regulation 25 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (SI 2003/3239 (W.319), as amended) identifies proper practices for the preparation of the Statement of Accounts. These practices primarily comprise the Code of Practice on Local Authority Accounting in the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

2. About The Isle of Anglesey County Council

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

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

Age Structure of Anglesey

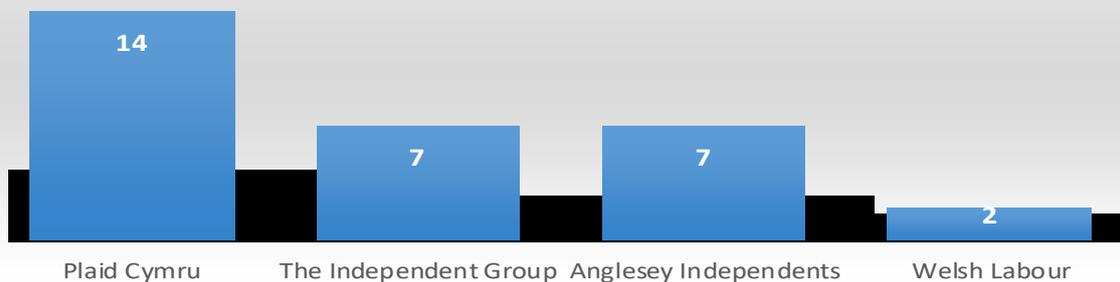


■ % People 0-15 years ■ % People 16-64 years ■ % People 65+

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

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

Isle of Anglesey County Council's Political Groupings



3. Overview and Performance Analysis

3.1 Statement from the Leader of the Council

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

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

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

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

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

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

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

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

Llinos Medi Huws
Leader of the Council

May 2019

3.2 Key purpose and activities of the Council

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

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

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

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

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

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

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

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

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

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

3.2.1 Financial Scenario

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

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

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

Estimated Funding Gap

	2020/21 £'m	2021/22 £'m	2022/23 £'m
Estimated Standstill Budget	138.41	140.68	142.79
Estimated Funding	137.18	139.25	141.42
Annual Savings Requirement	1.23	1.43	1.37
% Savings Requirement	0.89%	1.01%	0.96%

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

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

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

Council Usable Reserves 2016/17 to 2018/19

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

3.3 Key achievements, issues and risks affecting the Council

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

3.3.1 Proposed and Completed Projects

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

3.3.2 Working with Partners

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

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

3.3.3 The Council's Financial Standing and Associated Risks

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

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

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

3.4 Summary of Performance

3.4.1 Revenue Expenditure

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

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

Subjective Analysis

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

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

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

3.4.2 Capital Expenditure

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

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

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

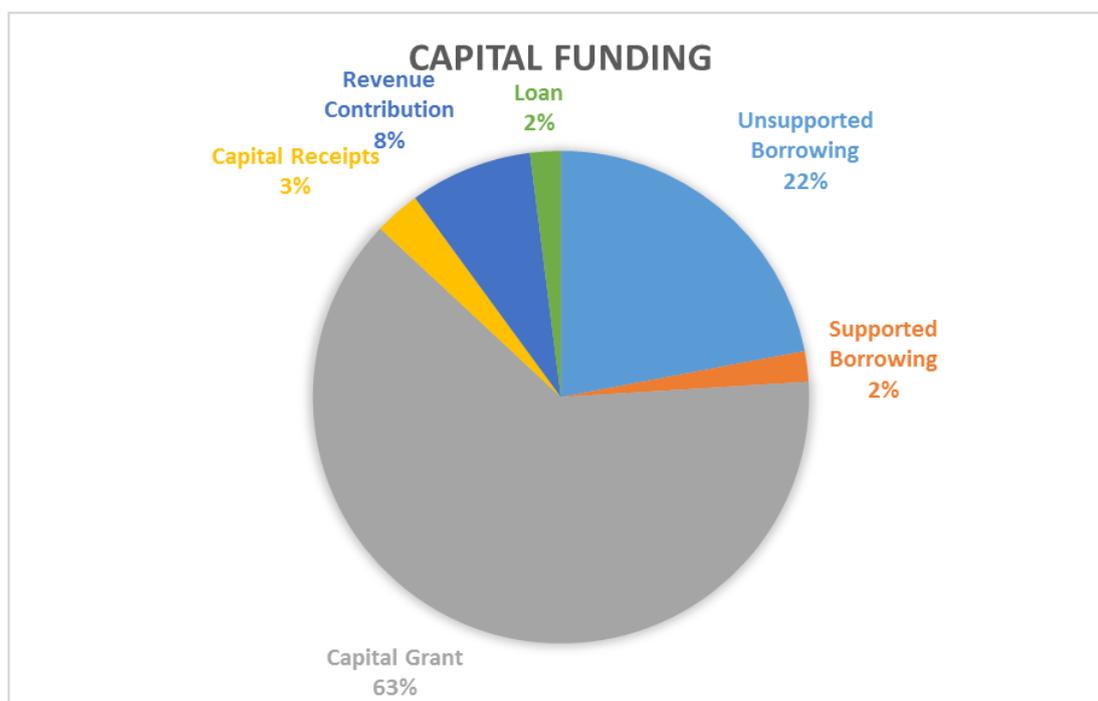
Scheme	Amount (£'000)
Band A 21st Century School – Ysgol Cybi	118
Band A 21st Century School – Ysgol Rhyd y Llan	131
Band A 21st Century School – Ysgol Brynsiencyn	258
Band A 21st Century School – Ysgol Santes Dwynwen	5,185
Band A 21st Century School – Ysgol Llangefni: Corn Hir and Bodffordd	421
Band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

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

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

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

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



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

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

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

3.4.3 Balance Sheet

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

The details of the Council's long-term and short-term assets and liabilities are shown in the Balance Sheet as at 31 March 2019 on page 23.

Reserves

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

4. Main Issues from the 2018/19 Accounts

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

Pensions

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

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

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

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

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

Provisions

Total provisions held by the Council amounted to £5.326m at 1 April 2018. During the year, the balance reduced by £0.092m to £5.234m. The insurance provision was increased to £0.27m in accordance with estimated need. Three new short-term provisions were created during 2017/18 year amounting to £0.430m in total, to provide for future expected costs which might arise from a past obligation. Two of the three have now been removed. The Penhesgyn provision funded costs related to the landfill site for 2018/19 of £104k. The provision has since been increased by £278k for future potential costs. The net change in the Penhesgyn provision was £174k.

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

Going Concern

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

Materiality

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

5. Explanation of the Financial Statements

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

Core Financial Statements:-

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

1. **The Comprehensive Income and Expenditure Statement (CIES)** – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
2. **Expenditure and Funding Analysis (EFA)** – shows the information in the CIES but also provides the accounting adjustments which are cancelled out in Note 7 to ensure that these adjustments are not funded by Council Tax Payers. The first column of the Expenditure and Funding Analysis provides the real impact of the year's financial performance on the Council and HRA's balances and reserves.
3. **The Movement in Reserves Statement (MIRS)** – shows the movement in the year of reserves held by the Council, analysed between 'usable' and 'unusable' reserves. The statement shows the true economic cost of providing the Authority's services and how those costs are funded from the various reserves.
4. **The Balance Sheet** – shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets are matched by reserves held by the Authority.
5. **The Cash Flow Statement** – shows the changes in cash and cash equivalents of the Council during the reporting period.
6. **Notes to the Accounts** – the notes to the core Financial Statements provide more details about the Council's accounting policies and items contained in the statements.

Supplementary Financial Statements

1. **The Statement of Responsibilities for the Statement of Accounts** – explains the responsibilities of the Council and the Section 151 Officer.
2. **The Housing Revenue Account (HRA)** is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. The Housing Revenue Account is ring-fenced from the Council's General Fund.
3. **Auditor's Opinion** - as the Council's External Auditor, the Auditor General for Wales will carry out the statutory audit and sign the Statement of Accounts following the Section 151 Officer signing and dating the Statement of Accounts. They then issue an opinion as to whether the Accounts need to be qualified or are unqualified. The deadline for this opinion is 15 September following the year-end.
4. **Changes in Accounting Policy**
There are no material changes to accounting treatment required for 2018/19 with the exception of changes resulting from the implementation of IFRS 9 Financial Instruments and IFRS 15 Revenue from Service Recipients. Note 51 Accounting Policies is amended to reflect the changes arising from these financial standards.

The Statement of Accounts concludes with the Annual Governance Statement (AGS) 2018/19. This is found on page 128 to page 169. The AGS provides an overview of the Council's governance framework. It also provides a summary of reports and reviews which comment on governance and performance issues relating to the Council.

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Isle of Anglesey County Council's responsibilities

The Isle of Anglesey County Council is required to:-

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

The Section 151 Officer's responsibilities

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

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

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

The Section 151 Officer has also:-

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

Certificate

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Isle of Anglesey County Council at the accounting date and its income and expenditure for the year ended 31 March 2019.

Signed: _____

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

Signed _____

Councillor Margaret Murley Roberts
CHAIR ISLE OF ANGLESEY COUNTY COUNCIL

Dated: 10 September 2019

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Isle of Anglesey County Council for the year ended 31/3/2019 under the Public Audit (Wales) Act 2004.

Isle of Anglesey County Council financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Isle of Anglesey County Council as at 31/3/2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the [council [and its group] in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:-

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 1 to 169 the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
Date:

24 Cathedral Road
Cardiff
CF11 9LJ

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2019

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2018/19			Services	Note	2017/18		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
70,793	(14,660)	56,133	Lifelong Learning		82,550	(14,508)	68,042
37,503	(8,952)	28,551	Adult Services		34,304	(10,505)	23,799
11,876	(1,199)	10,677	Children's Services		10,388	(710)	9,678
4,949	(3,966)	983	Housing		4,623	(3,768)	855
24,934	(5,570)	19,364	Highways, Property and Waste		29,364	(8,404)	20,960
12,694	(7,272)	5,422	Regulation and Economic Development		12,509	(5,950)	6,559
5,548	(226)	5,322	Transformation		7,430	(209)	7,221
28,187	(19,454)	8,733	Resources		28,057	(19,815)	8,242
1,790	(253)	1,537	Council Business		2,182	(353)	1,829
2,148	(1,144)	1,004	Corporate and Democratic Costs		2,541	(707)	1,834
579	-	579	Corporate Management		587	(9)	578
134	-	134	Non-distributed costs		3,724	-	3,724
12,079	(17,843)	(5,764)	Housing Revenue Account (HRA)		10,841	(16,778)	(5,937)
213,214	(80,539)	132,675	Deficit on Continuing Operations		229,100	(81,716)	147,384
		22,129	Other operating expenditure	12			23,148
		10,405	Financing and investment income and expenditure	13a			8,816
		(157,047)	Taxation and non-specific grant Income	14			(146,749)
		8,162	Deficit on Provision of Services				32,599
		(6,152)	Surplus on revaluation of non-current assets	11c, 15 & 17			(41,122)
		18,734	Re-measurement of net Pension liability	11ch & 41			(9,858)
		12,582	Other Comprehensive Income and Expenditure				(50,980)
		20,744	Total Comprehensive Income and Expenditure				(18,381)

**EXPENDITURE AND FUNDING ANALYSIS
2018/19**

2018/19			Services	2017/18		
Net Expenditure Chargeable to the General Fund and HRA Balances - A = C - B	Adjustments between Funding and Accounting Basis - B	Net Expenditure in the Comprehensive Income and Expenditure Statement - C		Net Expenditure Chargeable to the General Fund and HRA Balances - A = C - B	Adjustments between Funding and Accounting Basis - B	Net Expenditure in the Comprehensive Income and Expenditure Statement - C
£'000	£'000	£'000		£'000	£'000	£'000
50,382	5,751	56,133	Lifelong Learning	46,950	21,092	68,042
26,387	2,164	28,551	Adult Services	22,494	1,305	23,799
10,671	6	10,677	Children's Services	9,926	(248)	9,678
749	234	983	Housing	700	155	855
14,473	4,891	19,364	Highways, Property and Waste	16,371	4,589	20,960
3,799	1,623	5,422	Regulation and Economic Development	3,719	2,840	6,559
4,422	900	5,322	Transformation	4,036	3,185	7,221
8,219	514	8,733	Resources	7,958	284	8,242
1,367	170	1,537	Council Business	1,689	140	1,829
1,286	(282)	1,004	Corporate and Democratic Costs	2,142	(308)	1,834
579	-	579	Corporate Management	578	-	578
-	134	134	Non-distributed costs	3,464	260	3,724
(7,675)	1,911	(5,764)	Housing Revenue Account (HRA)	(6,718)	781	(5,937)
114,659	18,016	132,675	Net Cost of Services	113,309	34,075	147,384
(115,434)	(9,079)	(124,513)	Other Income and Expenditure	(106,033)	(8,752)	(114,785)
(775)	8,937	8,162	(Surplus) or Deficit on the Provision of Services	7,276	25,323	32,599
(24,069)			Opening General Fund and HRA balance at 1 April	(31,345)		
(775)			Less Deficit on General Fund and HRA Balance in Year	7,276		
(24,844)			Closing Council Fund Balances and HRA Balance at 31 March	(24,069)		

MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2019

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

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

BALANCE SHEET AS AT 31 MARCH 2019

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that can only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold (for example the Revaluation Reserve); and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Note	31 March 2019 £'000	31 March 2018 £'000
Property, plant and equipment	15	396,452	386,886
Heritage assets	17	3,676	3,645
Investment property	18	6,000	5,791
Intangible assets	19	701	756
Long-term investments	44	-	1
Long-term debtors	24	266	608
Long-term Assets		407,095	397,687
Short-term investments	44	-	5
Assets held for sale	21	1,557	2,442
Inventories	23	300	385
Short-term debtors	24	29,653	24,031
Cash and cash equivalents	25	15,825	7,789
Current Assets		47,335	34,652
Short-term borrowing	44	(7,535)	(12,413)
Short-term creditors	26	(18,151)	(18,251)
Short-term provisions	27	(429)	(695)
Capital grants receipts in advance	37	(2,815)	(3,897)
Current Liabilities		(28,930)	(35,256)
Long-term creditors	26	(157)	(151)
Long-term provisions	27	(4,805)	(4,631)
Long-term borrowing	44	(127,352)	(106,913)
Other long-term liabilities	41	(130,730)	(102,188)
Long-term Liabilities		(263,044)	(213,883)
Net Assets		162,456	183,200
Usable reserves	MIRS	24,844	24,069
Unusable reserves	11	137,612	159,131
Total Reserves		162,456	183,200

CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2019

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Note	2018/19 £'000	2017/18 £'000
Net Deficit on the provision of services		(8,162)	(32,599)
Adjustments to net surplus or deficit on the provision of services for non- cash movements	28	29,452	39,405
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(18,221)	(14,583)
Net cash flows from operating activities		3,069	(7,777)
Net cash flows from investing activities	29	(10,503)	(11,042)
Net cash flows from financing activities	30	15,470	11,668
Net (decrease)/increase in cash and cash equivalents		8,036	(7,151)
Cash and cash equivalents at the beginning of the financial year		7,789	14,940
Cash and cash equivalents at the end of the financial year	25	15,825	7,789

NOTES TO THE ACCOUNTS

Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) on page 21 aims to show the real impact of the year's financial performance on the Council's balances. The Comprehensive Income and Expenditure Statement (CIES) includes many accounting adjustments such as depreciation and pension adjustments, which, by law, are not allowed to be funded by Council Tax. These are not true costs which affect Council usable balances. The CIES shows a deficit on the provision of services of £8.162m. This is also shown in column C, called Net Expenditure in the Comprehensive Income and Expenditure Statement, within the EFA on page 21. To ensure that these accounting costs do not affect council tax payers and Council funds, these costs of £8.937m are cancelled out in the EFA and are also shown in the Movement in Reserves Statement (MIRS) on page 22. These are shown in column B in the EFA on page 21 called Adjustments between Funding and Accounting Basis. Column A on the EFA on page 21 shows the costs properly incurred against Council Funds. This shows a surplus balance of £0.775m and it is calculated by deducting column B from column C. This helps to identify usable Council balances without these accounting adjustments. The impact of these statutory accounting adjustments are shown in the unusable reserves column in the Movement in Reserves Statement. Note 1a summarises the type of accounting adjustments which are not funded by the Council.

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

	£'000
Council usable reserves 1 April 2018	(24,069)
Deficit/(surplus) on the Provision of Services 2018/19 – CIES	8,162
Adjustments to remove impact of accounting adjustments which do not affect the Council Fund – see Note 7 on page 34 for more detail	(8,937)
Revised deficit/(surplus) affecting Council balances (including HRA)	(775)
Council usable reserves/balances 31 March 2019	(24,844)

The above table shows that, when all the accounting adjustments (detailed in Note 7 on page 34) are cancelled out, there was an underspend (surplus of income over expenditure) of £0.775m. This, therefore, led to an increase in Council usable balances to £24.844m. This is due to an underspend on the HRA due to delays in capital expenditure on new housing and refurbishments of Council Housing stock and the release of earmarked reserves. The net underspend for the Council from 2018/19 budgeted funding was £0.172m. However, use of Council earmarked and HRA reserves, which total £0.603m, were also used to fund some costs during 2018/19. This led to the increase in the total reserves to £0.775m rather than £0.172m. This is shown in the summary of usable reserves below.

Summary of Movements in Council Reserves 2018/19

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

NOTE 1 – Note to the Expenditure and Funding Analysis

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

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

2017/18

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

NOTE 1b – SEGMENTAL INCOME

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

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

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

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

- Amendments to IAS 40 Investment Property: Transfers of Investment Property – this will not affect the Council's net Balance Sheet position but provides clarity on when and where an entity should be transferred to or from Investment Property. Transfers should only occur when there is a change in use, this means that if the property meets, or ceases to meet, the definition of investment property. This will help increase the accuracy of classification of non-current assets.
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle – analysis of the three standards covered in this cycle i.e. IFRS 1, IFRS 12 and IAS 28 highlight that there will be no impact on the Council's Statement of Account.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration – this will not apply to the Council as no foreign currency transactions occurred during the year.
- IFRIC 23 Uncertainty over Income Tax Treatments – this does not apply to the Council.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation – this does not apply to the Council as the Council does not hold this type of financial instrument.

The CIPFA Code for 2020/21 will adopt IFRS 16 – Leases, which will have the impact of bringing operating leases the Council leases onto the Council Balance Sheet. For example, the value of printers/photocopiers, if material, will be added to the Balance Sheet as though they belong to the Council. This will apply to the Statement of Accounts for 2020/21.

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

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

- IFRS 9 Financial Instruments – the Council’s financial instruments are fairly straightforward and have all been classified as Financial Assets and Liabilities at Amortised Cost. IFRS 9 also introduced a new approach for providing for bad debts called Impairment Loss Allowance. This approach requires earlier allowances for potential credit losses. The Council’s Impairment Allowance has, therefore, increased. This has been charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is a departure from previous accounting for changes in the bad debt provision, which were charged to the cost of services in the Comprehensive Income and Expenditure Statement. This standard impacts on the financial statements and disclosure Note 44 and 45.
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15 clarifications to IFRS Revenues from Contracts with Customers – this standard does not significantly impact on the Council as the Authority has always accounted for income on the accruals basis. There are additional disclosure notes in the Statement of Accounts due to the implementation of this standard (note 31b).
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised losses – this has no impact on the Council’s Statement of Accounts as the Council does not have any debt instruments measured at fair value.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative – the disclosures included in IAS7 will be reflected in the notes to the Cash Flow.

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

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- The Accounts have been prepared on a going-concern basis, which assumes that the functions and services provided by the Council will continue in operational existence for the foreseeable future. The Council is a local government body created by the Local Government (Wales) Act 1994. The Council operates within a difficult financial climate, similar to all local authorities in Wales. However, there are no indications from either the financial performance of the Authority or Welsh Government plans, which undermine the view that the Council will continue as a going-concern into the future.

- The Council has determined that a number of assets which are used for social or economic development purposes are not solely held for income generation or capital appreciation purposes and, therefore, do not meet the definition of investment properties. As a consequence, these assets are shown as Non-Current Assets - Property, Plant and Equipment within the Balance Sheet. In accordance with current guidance regarding the treatment of certain types of schools, only the value of the land for Voluntary-Controlled schools is included in the Balance Sheet where the voluntary body has significant control over the building. As the Council does not own these types of schools, and does not have access to them for valuation purposes, the value of the buildings is excluded from the Balance Sheet. In addition to this, as regards Voluntary-Aided and Foundation Schools, neither the value of land nor the buildings are included on the Balance Sheet.
- Capital and revenue grants are reviewed regularly to assess whether the terms and conditions attached to the respective grants have been met. If the terms and conditions have been met, they will be recognised within the Comprehensive Income and Expenditure Statement in the year. If not, they will be carried within the Balance Sheet within creditors until such time as either the terms and conditions associated with the grant are met or the grant is repaid to the grant provider should the terms and conditions not be met. This treatment can result in material balances being carried in the Balance Sheet as deferred income.
- The group requirements have been reviewed using the criteria outlined in the relevant accounting standards and Code of Practice; the Council has not identified any companies or organisations that would require it to complete group accounts.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

NOTE 4

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

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

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

Brexit

Brexit is a significant area of uncertainty in terms of timing and impact which will differ depending on whether a deal is reached with the European Union or not. An immediate economic shock is predicted by the Bank of England in the event of a 'No Deal' exit on 31 October 2019. The issue in relation to the Irish border will impact on Anglesey due to the Holyhead Port and ferries from and to Ireland. The Council continues to monitor the situation and will respond to challenges as they arise.

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 43.

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

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

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

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

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

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

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

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

Impairment Loss Allowance – As at 31 March 2019, the Council had a short-term net debtor balance of £29.919m. A review of arrears balance suggested that impairment for doubtful debts of £5.639m was appropriate. Any differences between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Impairment loss allowances/provision for bad debts are contained within the figures for Short-Term Debtors contained in Note 24 on page 52.

Fair Value Measurement - Fair value measurement will be in accordance with IFRS 13 Fair Value Measurement as reported in the CIPFA Code of Practice 2018/19. In most cases, fair value is a market-based measurement. IFRS 13 provides more direction and clarity in relation to valuation of assets and liabilities. However, where there is no observable market to value against, this will involve professional judgement. When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data but, where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities. The depreciated replacement cost (DRC) model is used to measure the fair value of some of the Authority's investment properties.

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

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

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

The following item was restated during 2018/19:-

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

NOTE 5 – MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

NOTE 6 – EVENTS AFTER BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Council's Section 151 Officer on 10 September 2019. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

- 1) The Executive recently agreed to recommence statutory consultation on the 21 Century Schools programme in relation to the Llangefni and Seiriol schools. The Council may not go ahead with these plans and this would lead to the capital costs incurred to date being recharged to revenue which would be a budgetary pressure.
- 2) The construction company Dawnus which held several contracts with the Council has gone into administration. The Council's two main contracts with Dawnus has been novated by the administrators and there are no outstanding claims with Dawnus.
- 3) Welsh Church Fund – Gwynedd County Council has paid over Anglesey's share.
- 4) The Council has agreed the method and amount of holiday back pay due to individuals who have worked overtime.
- 5) The Council's Housing Benefits claim for 2015/16 has been audited and the Council was recently informed that approximately £400k of additional grant is due to the Council. It is also anticipated that the grant claim for 2016/17 will be completed in this financial year. If this is the case the adjustments from the final audits for both years will be completed in 2019/20.
- 6) During the post-audit period, the policy for Expected Credit Losses/Impairment was further revised due to the requirements of IFRS 9 Financial Instruments. The accounting policy and note 45b have been amended to reflect this. However, the accounts have not been amended as this would amount to an extra £40k charge to revenue to increase the Impairment Loss Allowance. This amount is considered immaterial as it does not affect the true and fair view of the accounts.

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

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

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

NOTE 8 – EARMARKED RESERVES

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

Purpose of Earmarked Revenue Reserves

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

Restricted Reserves – specific earmarked reserves within service areas.

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

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

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

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

NOTE 9 – SCHOOLS BALANCES

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

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

At 31 March 2019, 12 of the 43 primary schools had balances in a deficit position (3 as at 31 March 2018). Three of the five secondary schools are in a deficit position at the end of the financial year (1 as at 31 March 2018), the special school is also in a deficit position at 31st March 2019. The combined value of the schools in deficit is £0.93m (£0.24m as at 31 March 2018). Copies of the Section 52 Statements, which each Council is required to prepare after the end of each financial year under Section 52(2) of the School Standards and Framework Act 1998, can be obtained from the Accountancy Section, Resources Function, County Offices, Llangefni, Anglesey, LL77 7TW.

NOTE 10 – CAPITAL RECEIPTS RESERVE

These are cash receipts from the sale of Council assets. These are used to fund capital expenditure in the year or to carry forward for future years. A balance of £1.186m will be carried forward to 2019/20 to help fund next year's capital programme.

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

NOTE 11 – UNUSABLE RESERVES

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

NOTE 11a CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with costs such as depreciation, impairment losses and amortisations that are charged to the Comprehensive Income and Expenditure Statement and postings from the Revaluation Reserve to convert fair value figures to historic cost.

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 on page 34 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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

NOTE11 b – FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provision. The Council uses the Account to manage premiums paid and penalties charged on the early redemption of loans. Premiums and Penalties are charged to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the FIAA in the Movement in Reserves Statement. Over time, the charge is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

Financial Instruments Adjustment Account	2018/19	2017/18
	£'000	£'000
Balance at 1 April	(450)	(385)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(124)	(65)
Balance at 31 March	(574)	(450)

NOTE 11 c – REVALUATION RESERVE

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

The balance is reduced when assets with accumulated gains are:-

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

NOTE 11 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.

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

The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or, eventually, pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve, therefore, shows a substantial difference in the benefits earned by past and current employees and the resources the Council has set aside to meet them.

The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

NOTE 11d – UNEQUAL PAY RESERVE

The Back-Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back-pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. The Unequal Pay Unusable Reserve, similar to the Equal Pay Provision in Note 27, has been reduced to nil as Equal Pay costs paid in 2018/19 have been funded from capital following a Capitalisation Directive from Welsh Government. Some smaller residual costs will be funded from the Equal Pay earmarked reserve. Therefore, the Unequal Pay Unusable Reserve and the Equal Pay Provision are no longer required. However, the Council has retained the Equal Pay earmarked reserve of £364k as highlighted above in Note 8. This is to fund any outstanding equal pay claims and related legal costs which might arise.

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

NOTE 11dd – ACCUMULATING COMPENSATED ABSENCES ADJUSTMENT ACCOUNT

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

Accumulating Compensated Absences Adjustment Account	2018/19 £'000	2017/18 £'000
Settlement or cancellation of accrual made at the end of the preceding year	(799)	(1,282)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	23	483
Amounts accrued at the end of the current year	(776)	(799)

NOTE 12 – OTHER OPERATING EXPENDITURE

	2018/19 £'000	2017/18 £'000
Precept paid to North Wales Police Authority	7,944	7,674
Precept paid to Community Councils	1,306	1,230
(Surplus)/ Losses on the disposal of non-current assets (Including De-recognition)	9,518	10,909
Levies	3,361	3,335
Total	22,129	23,148

NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

13a – Financing and Investment Income

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

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

	2018/19 £'000	2017/18 £'000
(Income)/Expenditure from Investment Properties:		
Income including rental income	(347)	(331)
Expenditure	129	164
Net Expenditure/(Income) from investment properties	(218)	(167)
(Surplus) / Deficit on sale of Investment Properties:		
Proceeds from sale	(160)	(106)
Carrying amount of investment properties sold	142	128
(Surplus) / Deficit on sale of Investment Properties	(18)	22
Changes in Fair Value of Investment Properties	1,518	152
Total	1,282	7

NOTE 14 - TAXATION AND NON-SPECIFIC GRANT INCOME

	2018/19 £'000	2017/18 £'000
Council Tax Income	44,606	42,296
Non-Domestic Rates Redistribution	22,574	23,002
Revenue Support Grant	73,238	69,650
Other Government Grants	-	-
Capital Grants Applied To Fund Capital Expenditure	16,629	11,801
Total	157,047	146,749

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

2018/19	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2018	146,450	176,934	90,617	12,827	9	4,502	3,122	434,461
Adjustment opening balance	-	-	-	-	-	-	-	-
Additions (Note 20)	9,028	4,769	2,845	748	-	11,199	-	28,589
Revaluation inc./((decr.) to Revaluation Reserve	-	1,396	-	-	-	-	153	1,549
Revaluation inc./((decr.) to (Surplus) / Deficit on the Prov. of Services	-	(328)	-	-	-	-	(1)	(329)
De-recognition - Disposals	-	(765)	-	-	-	-	-	(765)
De-recognition - other	-	-	-	-	-	-	-	-
De-recognition - replaced parts	(7,504)	(1,913)	-	-	-	-	-	(9,417)
Reclassification	-	(348)	2,787	-	-	(2,611)	172	-
Reclassifications & Transfers from Assets Held for Sale	-	-	-	-	-	-	-	-
Reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-
Reclassified from Investment Property	-	-	-	-	-	-	-	-
Reclassified to Investment Property	-	-	-	-	-	(1,868)	-	(1,868)
Balance as at 31 March 2019	147,974	179,745	96,249	13,575	9	11,222	3,446	452,220
Depreciation and Impairment								
At 1 April 2018	3,577	8,801	26,693	8,436	-	-	68	47,575
Adjustment Cost and Depreciation	-	-	-	-	-	-	-	-
Depreciation Charge	3,572	4,981	3,378	965	-	-	9	12,905
Depreciation written out to Revaluation Reserve	-	(4,391)	-	-	-	-	(22)	(4,413)
Depreciation written out to Surplus or Deficit on the Provision of Services	-	(203)	-	-	-	-	-	(203)
De-recognition - Disposals	-	(96)	-	-	-	-	-	(96)
Reclassification	-	-	-	-	-	-	-	-
Reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-
Reclassification to Investment Property	-	-	-	-	-	-	-	-
Balance as at 31 March 2019	7,149	9,092	30,071	9,401	-	-	55	55,768
Net Book Value								
Balance as at 31 March 2019	140,825	170,653	66,178	4,174	9	11,222	3,391	396,452
Balance as at 31 March 2018	142,873	168,133	63,924	4,391	9	4,502	3,054	386,886

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

Revaluations

The Council has £400.129m recognised as Property, Plant and Equipment and Heritage Assets on its Balance Sheet as at the valuation date of 31 March 2019. The Council has now adopted a five-year rolling programme for the valuation of its land and property. However, PPE assets with a fair value of £500k or more are revalued each year. The programme is constructed in such a way as to ensure that entire classes of assets within its land and property portfolio greater than £500k are revalued in a single year. The valuations are undertaken by the Council's in-house valuation team who are members of the Royal Institute of Chartered Surveyors (RICS). The valuations have been completed in accordance with IFRS 13. Non-property assets have not been revalued as the Council has judged that the carrying value of these assets is approximate to fair value, given their relatively short useful economic lives and the relative value of these assets. Additional information on the Council's policy on the measurement and valuation of non-current assets is included in sections 7 to 10 of Note 51 Accounting Policies.

NOTE 16 - SIGNIFICANT CAPITAL COMMITMENTS

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

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

**NOTE 17 – HERITAGE ASSETS
2018/19**

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

2017/18

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

Revaluation of Heritage Assets

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

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

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

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

NOTE 18 – INVESTMENT PROPERTIES

a) Investment Properties

	2018/19 £'000	2017/18 £'000
Balance at start of the year	5,791	6,092
Additions:		
- Subsequent expenditure	-	-
Disposals	(142)	(128)
Net gains/(losses) from fair value adjustments	(1,518)	(152)
Transfers:		
- (to)/from Asset held for Sale	-	-
- (to)/from Property, Plant and Equipment	1,868	(21)
Balance at end of the year	5,999	5,791

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

b) Fair Value Measurement of Investment Properties

2018/19 Fair Value Hierarchy

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair Value as at 31 March 2019
	£'000	£'000	£'000	£'000
Retail Properties	-	820	-	820
Office units	-	658	-	658
Commercial units	-	4,521	-	4,521
Total	-	5,999	-	5,999

2017/18 Fair Value Hierarchy

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

c) Valuation Approaches used in the Valuation of Investment Properties

Retail

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

Investment Properties

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

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

NOTE 18d – EXPENDITURE AND INCOME ON INVESTMENT PROPERTIES

Expenditure and Income on Investment Properties	2018/19 £000	2017/18 £000
Expenditure	129	164
Income	(346)	(331)
Net Expenditure/(Income)	(217)	(167)

NOTE 19 – INTANGIBLE ASSETS

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

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

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

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

	2018/19 £'000	2017/18 £'000
Balance at start of year:		
Gross carrying amounts	1,835	1,538
Accumulated amortisation	(1,079)	(932)
Net carrying amount at start of year	756	606
Additions	134	297
Amortisation for the financial year	(189)	(147)
Net carrying amount at end of year	701	756
Comprising:		
Gross carrying amounts	1,969	1,835
Accumulated amortisation	(1,268)	(1,079)
Net carrying amount at end of year	701	756

NOTE 20 - CAPITAL EXPENDITURE AND FINANCING

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

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

Capital Expenditure and Financing	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	136,866	134,014
Capital Invested in Year		
Property, Plant and Equipment	28,589	25,334
Intangible Assets	135	297
Heritage Assets	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	1,954	3,722
Total	30,678	29,353
Source of Finance		
Capital receipts	(726)	(2,455)
Reserve	-	-
Government Grants and Contributions	(16,629)	(11,801)
Revenue Provisions	(6,357)	(6,600)
Loan	-	-
Insurance	-	-
REFCUS Grants	(1,928)	(1,157)
Minimum Revenue Provision and Set Aside	(3,242)	(4,488)
Total	(28,882)	(26,501)
Net Increase/(Decrease) in Capital Financing Requirement	1,796	2,852
Closing Capital Financing Requirement	138,662	136,866
Explanation of Movement in Year		
Increase in underlying need to borrow supported by Government assistance	402	402
Increase in underlying need to borrow unsupported by Government assistance	4,267	6,043
Loan	369	895
Minimum Revenue Provision and Voluntary Set Aside	(3,242)	(4,488)
Net Increase/(Decrease) in Capital Financing Requirement	1,796	2,852

NOTE 21 – ASSETS HELD FOR SALE

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

NOTE 22 – LEASES

Operating Leases

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

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

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

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

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

NOTE 23 – INVENTORIES

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

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

NOTE 24 – DEBTORS

	31 March 2019 £'000	31 March 2018 £'000
Trade Receivables	4,761	3,559
Prepayments	901	1,372
Other Receivable Amounts	24,257	19,708
Total	29,919	24,639

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

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

NOTE 25 - CASH AND CASH EQUIVALENTS

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

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

NOTE 26 – CREDITORS

	31 March 2019 £'000	31 March 2018 £'000
Trade Creditors	1,187	517
Other Payables	17,121	17,885
Total	18,308	18,402

NOTE 27 – PROVISIONS

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

Purpose of Main Provisions

Insurance Claims Provision

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

Penhesgyn Waste Site

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

Other Short-term Provisions created in 2018/19

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

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

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

NOTE 28 – CASH FLOW FROM OPERATING ACTIVITIES

	2018/19 £'000	2017/18 £'000
Adjustment to surplus or deficit on the Provision of Services for non-cash movements		
Depreciation, Impairment and amortisation	13,195	12,380
Downward/(upwards) revaluations and non-sale de-recognitions	9,623	18,403
(Increase)/Decrease in Inventories	85	(18)
(Increase)/Decrease in Debtors	(5,280)	(3,794)
Increase/(Decrease) in impairments for Bad Debts	96	(110)
Increase/(Decrease) in Creditors	(94)	(1,995)
Increase/(Decrease) in Capital Grants receipts in advance	(1,082)	3,624
Transactions within the CIES relating to retirement benefits	9,808	6,537
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	1,675	4,362
Contributions to/(from) Provisions	(92)	(136)
Movement in value of investment properties - Impairment and downward revaluations (and non-sale de-recognitions)	1,518	152
Total	29,452	39,405
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	(1,592)	(2,782)
Capital grants included in "Taxation and non-specific grant income"	(16,629)	(11,801)
Total	(18,221)	(14,583)

NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

	2018/19 £'000	2017/18 £'000
Purchase of Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets	(28,724)	(25,630)
Short-Term Investments (not considered to be cash equivalents)	-	5
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	1,592	2,782
Capital Grants and Contributions Received	16,629	11,801
Net Cash flows from Investing Activities	(10,503)	(11,042)

NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

NOTE 30a – CASH FLOW FROM FINANCING ACTIVITIES

	2018/19 £'000	2017/18 £'000
Cash Receipts from Short and Long-Term Borrowing	15,520	11,173
Cash movements on Houses into Homes agency schemes	220	218
Other	(270)	277
Net Cash flows from Financing Activities	15,470	11,668

Note 30b RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITY

2018/19

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

2017/18

Reconciliation of Liabilities Arising from Financing Activities	2017/18 1 April £'000	Financing Cash Flows £'000	Non-Cash Changes	2017/18 31 March £'000
Long-term borrowings	111,557	(4,644)	-	106,913
Short-term borrowings	7,672	4,563	178	12,413
Net Cash flows from Financing Activities	119,229	(81)	178	119,326

30c INTEREST RECEIVED AND PAID ON FINANCING ACTIVITIES

	2018/19 £'000	2017/18 £'000
Interest Received	(64)	(31)
Interest Paid	5,870	5,863

NOTE 31 – NATURE OF EXPENSES NOTE

NOTE 31a

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

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

NOTE 31b - REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

Income from service recipients

Local authorities were required to implement a new financial standard, IFRS 15 Revenue from Contracts with Customers from 1 April 2018. This applies to income from individuals or organisations who have contracted to receive a service or goods from the Council as part of the Authority's normal operating activities. The term 'Contracts' is interpreted widely to include most of the Council's fees, charges and rents where services/goods are provided for those fees, charges and rents. Contracts can be written, oral or implied by the Council's normal business practices. Statutory charges such as Council Tax, National Domestic Rates (NDR) and fines are excluded from IFRS 15 and are not included in any of the information about income from service recipients. Grants and contributions are also excluded. The Council receives significant grants and contributions each year. Note 37 on page 61 provides details of grants and contributions received by the Council for 2018/19 and 2017/18.

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

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

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

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

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

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

NOTE 32 – TRADING OPERATIONS

The Council has no Trading Operations.

NOTE 33 - MEMBERS' ALLOWANCES

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

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

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

NOTE 34 – OFFICERS' REMUNERATION

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

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

There are no officers whose remuneration exceeds £120k.

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

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

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

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

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

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

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

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

NOTE 35 - TERMINATION PAYMENTS

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

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

NOTE 36 – EXTERNAL AUDIT FEES

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

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

NOTE 37 – GRANTS INCOME

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

2018/19

	Note	2018/19 £'000	2017/18 £'000
Credited to Taxation and Non-Specific Grant Income			
Revenue Support Grant (Non-ring-fenced Government Grants)	14	73,238	69,650
Capital Grants and Contributions	14	13,958	9,110
Grant - HRA (Capital Grants and Contributions)	14	2,671	2,691
Other (Non-ring-fenced Government Grants)	14	-	-
Total		89,867	81,451
Credited to Services			
Grants:			
Post-16 Grant (Education)		2,356	2,523
Flying Start (Education)		1,419	1,379
Foundation Phase Grants (Education)		-	-
Education Improvement Grant (Education)		2,751	2,969
Pupil Development Grant (Education)		1,687	1,654
Concessionary Fares Grant		722	717
Housing Benefit Subsidy		18,370	18,493
Supporting People Grant (SPG & SPRG)		2,708	2,549
Environment and Sustainable Development Grant		479	1,601
Total		30,492	31,885
Other Grants:			
Lifelong Learning		3,256	1,707
Adult Services		585	1,994
Children's Services		900	890
Housing		1,146	1,104
Highways, Waste and Property		1,460	2,197
Economic Development and Regulatory		1,094	700
Corporate Transformation		220	202
Resources		578	600
Council Business		11	22
Corporate and Democratic Costs		100	374
Corporate Finance		-	-
Housing Revenue Account		88	39
Total		9,438	9,829
Contributions:			
		9,808	10,063
Total		139,606	133,228

Capital Grants Received in Advance

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

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

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

NOTE 38 – RELATED PARTIES

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

Members

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

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

2018/19

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

2017/18

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

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

Members have declared interests in contracts or in organisations which may have dealings with the Council in the Statutory Register of Members' Interests. A total of £0.686m was paid by the Council in 2018/19 in relation to these interests (£0.785m in 2017/18).

Senior Officers

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

Government

Betsi Cadwalader University Health Board, through common control by central Government, is a related party to the Council. Payments made by the Council for 2018/19 to BCUHB amounted to £1.160m (£0.962m in 2017/18) and £0.160m was owing at year-end. Receipts taken in by the Council from BCUHB came to £2.077m (£3.768m in 2017/18), with £2.231m due from our related party at year-end.

INTERESTS IN COMPANIES

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

Cwmni Cynnal Cyf

This company was established jointly by the Isle of Anglesey and Gwynedd County Councils on local government reorganisation. It provides education support services under contract to maintained schools and to the local education authorities and schools inspection services to Estyn. The income of the company can only be applied towards the promotion of its objectives. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to £1.

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

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

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

The Council also has interests in the following companies:-

Welsh Joint Education Committee - WJEC CBAC Limited

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

During the 2018/19 financial year, the Council accounted for £0.377m (£0.462m 2017/18) for purchase of services from the company.

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

Copies of the company's accounts can be obtained from WJEC CBAC Limited, 245 Western Avenue, Llandaff, Cardiff, CF5 2YX. The auditor's report for the financial year ended 30 September 2017 is not qualified.

Menter Môn Cyfyngedig

The Council is a member of Menter Môn Cyf, and was one out of a total of three members at 31 March 2019. The company's objectives are to promote economic growth in rural Anglesey. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to £1.

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

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

Copies of the company's accounts can be obtained from Menter Môn, Llangefni Town Hall, Buckley Square, Llangefni, Anglesey, LL77 7LR. The auditor's report on the accounts for the financial year ended 31 December 2017 is not qualified.

Caergeiliog Foundation School

Balances for current assets and liabilities controlled by Caergeiliog Foundation School are included in these accounts and so the school's reserves, as stated in this Balance Sheet, represent only the net current assets. The school also has non-current assets that are stated on the school's Balance Sheet at £0.785m at 31 March 2018 (£0.631m at 31 March 2017), on a combination of valuation and historical cost, less depreciation. The non-current assets are vested in the school's Governing Body and are not consolidated in this Council's Balance Sheet.

NOTE 39 - TRUST FUNDS

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

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

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

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

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

Welsh Church Fund

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

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

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

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

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

Audited Statement Summary	2017/18 Income £'000	2017/18 Expenditure £'000	2017/18 Assets £'000	2017/18 Liabilities £'000
Isle of Anglesey Charitable Trust	615	855	21,536	669
Welsh Church Fund	7	8	893	22
Anglesey Further Education Trust Fund	114	159	3,006	-

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

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

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

NOTE 40 – TEACHERS’ PENSION SCHEME

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

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers’ contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts it is, therefore, accounted for on the same basis as a defined contribution scheme.

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

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

NOTE 41 – LOCAL GOVERNMENT DEFINED BENEFIT PENSION SCHEME

Retirement Benefits

Participation in the Local Government Pension Scheme

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

a) Transactions Relating to Post-Employment Benefits

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

	2018/19 £'000	2017/18 £'000
Service cost comprising:		
Current service cost	15,191	15,098
Losses on settlements or curtailments	134	260
Total Service cost	15,325	15,358
Financing and Investment Income and Expenditure		
Interest cost on defined benefit obligation	10,638	9,987
Interest Income on scheme Assets	(7,788)	(7,198)
Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service	18,175	18,147
Return on Plan Assets (excluding amounts included in net interest expense)	(15,916)	(2,232)
Actuarial losses/(gains) arising on changes in financial assumptions	34,236	(7,671)
Other	414	45
Total re-measurement of net defined benefit liability	18,734	(9,858)
Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	36,909	8,289
Reversal of net charges made for retirement benefits in accordance with the code	9,808	6,537
Actual amount charged against the Council Fund balance for pensions in the year:		
Employers' contributions payable to scheme	8,367	11,610
Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service	18,175	18,147

b) Pension Assets and Liabilities recognised in the Balance Sheet

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

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

Reconciliation of Present Value of the Scheme Liabilities

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

Reconciliation of Present Value of the Scheme Assets

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

c) Fair Value of Scheme Assets

The Council Pension Scheme assets comprise:-

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

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

Major categories of plan assets as percentage of total plan assets

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

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

ch Scheme History

Analysis of scheme assets and liabilities:-

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

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

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

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

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

dd) **Sensitivity Analysis**

The sensitivity analysis below is based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It assumes for each change in assumption that all the other assumptions remain constant. The sensitivity analysis shows that the impact of a 0.5% decrease in the real discount rate due to potential market changes could increase the fund's liabilities by £47.538m as a higher value is placed on benefits paid in the future. A 0.5% increase in the salary increase rate could increase the fund's costs by £7.634m. A 0.5% increase in the pensions' rate could increase liabilities by £39.076m. The estimations in the sensitivity analysis have been calculated in accordance with professional actuarial assumptions, IAS 19 and FRS 102. This means that the use of the 0.5% assumptions below were selected by the specialist actuary in accordance with his/her professional judgement. The Actuary would have taken into account current and past information and the fact that there has been only modest changes e.g. interest rates changed by 0.25%. Information about people's lifespans and demographic information would have also influenced this.

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

e) Impact on the Authority's Cash Flows

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

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

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

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

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

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

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

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

NOTE 42 – CONTINGENT LIABILITIES

Section 117 Mental Health Act 1983

Following judgements confirmed at the House of Lords and a report by the Local Government Ombudsman on test cases elsewhere, there was no power to charge for services provided under Section 117 of the Mental Health Act 1983 and the Council is liable to repay any such charges. Whilst a number of cases have been settled historically, the total potential liability is difficult to quantify. During 2018/19 a claim for compensation under S117 was successful against the Council and the Council paid compensation and interest to the claimant. This was funded by an earmarked reserved which now has a nil balance.

Property Search Claims

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

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

NOTE 43 – CONTINGENT ASSETS

Legal Charges

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

NOTE 44 – FINANCIAL INSTRUMENTS

2018/19 was the first year local authorities were required to implement a new Financial Standard called IFRS 9 Financial Instruments. This introduced new classifications and accounting requirements for these instruments. Financial instruments are contractual agreements between two or more parties regarding a right to payment of money. One party would have a financial asset where money or other financial asset is given to the other party, in exchange for the agreed return of the money or financial instrument, often with interest or a favourable return on the investment. The transaction would be a financial liability for the other party or parties. This would be the agreement to repay the money at the contracted time and for the agreed return. For example, the Council's main financial assets are its investments in bank deposits. Table 44b shows that Council had financial assets of £14.33m in bank deposit accounts. In exchange for these, the Council will have the money returned when requested and will also earn interest at a fixed rate for the duration of the investments. These transactions are financial liabilities for the UK banks the Council has deposits with, as the money will be repaid to the Council. The cost of this liability to the banks is the interest it pays to the Council. Examples of financial assets are cash, bank deposits, trade receivables (debtors), equities, bonds and derivatives. Examples of financial liabilities are borrowing, trade payables (creditors) and any contractual obligation to deliver cash or financial asset to another entity.

Financial Assets

Note 44a shows the different categories of financial assets required by IFRS 9 and the value of the Council's financial assets at 31 March 2019. It also provides the value of non-financial assets, which includes the value of Land and Property and other assets. The Council can only enter into financial assets and liabilities in accordance with the Council's Treasury Management Strategy Statement. The Strategy specifies strict criteria, therefore, the Council can only invest in financial assets which are highly secure and which can be accessed when the Council needs the cash. Most investments are deposits in UK banks which meet the Council's credit rating criteria or loans to other local authorities. These all fall under the IFRS 9 classification of Financial Assets measured at Amortised cost as highlighted by Note 44a. Measurement by Amortised cost starts with the initial acquisition amount and is the reduced (impaired) for any expected credit losses. If the Council held more complex financial assets, such as equities or money market instruments, these would be measured at fair value and classified as one the differing fair value categories as relevant.

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

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

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

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

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

Financial Liabilities

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

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

Financial Liabilities	Non-Current			
	Borrowings		Creditors	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£000	£000	£000	£000
Fair value through profit or loss	-	-	-	-
Amortised Cost	134,887	119,326	12,286	12,317
Total Financial Liabilities	134,887	119,326	12,286	12,317
Non-financial Liabilities	-	-	144,868	117,496
Total	134,887	119,326	157,154	129,813

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

The fair value of the Council's borrowing was calculated by the Council's Treasury Management consultants, Link Asset Services. The total fair value on the Council's borrowing was £190.539m, significantly higher than the carrying value on the Balance Sheet of £134.888m at 31 March 2019. The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay, if the lender requested, or agreed to, early repayment of loans.

The fair value was assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:-

- Estimated ranges of interest rates at certainty rates (discounted by 0.2%) at 31 March 2019 for loans from the (PWLB) based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next twelve months, carrying amount is assumed to be approximate to fair value; and
- The fair value of short-term debtors and creditors is deemed to be equivalent to their carrying amount at the Balance Sheet date.

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

Financial Liabilities	31 March 2019		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial liabilities held at amortised cost				
Borrowing				
PWLB Short-term loans	7,350	7,428	7,308	7,435
Welsh Government loans	44	43	44	44
Other short-term loans	-	-	5,000	5,127
Salix short-term loans	142	127	62	62
PWLB Long-term loans	126,403	182,090	106,414	158,979
Welsh Government long-term loans	44	43	88	88
Salix long-term loans	904	808	410	410
Total	134,887	190,539	119,326	172,145
Creditors				
Accumulated absences	776	776	799	799
Other creditors	8,585	8,585	11,367	11,367
Rents	31	31	-	-
Trade creditors	2,737	2,737	-	-
Long-term creditors	157	157	151	152
Total	12,286	12,286	12,317	12,318
Total	147,173	202,825	131,643	184,463

NOTE 44d – INCOME, EXPENDITURE, GAINS AND LOSSES

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

The table shows that the Council was charged £466k (£177k in 2017/18) for the impairment and de-recognition of the financial assets noted above in Notes 44a and 44b. This reduced the value of the assets by this amount and charged the Comprehensive Income and Expenditure Statement (CIES). However, the Council received £64k (£31k in 2017/18) in interest from its deposits in UK banks and loans to other local authorities.

The interest payable on borrowing relating to 2018/19 was £5,870k (£5,862k in 2017/18).

Income, Expense, Gains and Losses	2018/19		2017/18	
	Surplus or Deficit on the provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the provision of Services £'000	Other Comprehensive Income and Expenditure £'000
Net (gain)/losses on:				
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at amortised cost (impairment loss allowance and derecognition)	466	-	177	-
Investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Financial liabilities measured at fair value through profit or loss	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-	-
Total net gains/losses	466	-	177	-
Interest revenue:				
Financial assets measured at amortised cost	64	-	31	-
Other financial assets measured at fair value through other comprehensive income	-	-	-	-
Total interest revenue	64	-	31	-
Interest expense:				
Financial liabilities measured at amortised cost	5,871	-	5,862	-
Total interest expense	5,871	-	5,862	-

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

NOTE 45 - THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

Market Risk – the possibility that financial loss might arise for the Council because of changes in such measures as interest rates.

The overall management of significant risks arising from Financial Instruments is supported by the Council's Treasury Management Strategy Statement and Annual Investment Strategy which is approved by the full Council. The new financial standard IFRS 9 Financial Instruments effective from 1 April 2018 aims to make organisations account for risks earlier. This standard has a limited impact on the Council, which has not invested in more risky or complex investments. The Council has only invested in UK banks and other local authorities during the year.

Credit Risk

Credit Risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers (debtors on the Balance Sheet). The standard requires the Council to provide for potential credit losses from potential non-payment of income due to the Council earlier. This is called the Impairment loss allowance (ILA). Instead of basing potential losses on historic information only, the Council will take into account potential future credit losses earlier and have revised the impairment policy to impair for potential credit losses on more current debtors. The revised policy can be found in note 51 Accounting Policies on page 89.

The Council has assessed the credit risk of bank deposits on the likelihood of the bank defaulting in repaying the investment. There are increased risks to the banking sector from Brexit, however, the risk of default is still considered low. This is due to banks increased financial resilience following new legislation following the 2008 banking crises. The bank deposits have, therefore, not been impaired. Deposits are not made with banks and financial institutions unless, having been rated independently, they have attained a minimum credit rating or level of government guarantee, and credit limits are set for each counterparty. The Council has set a number of limits based on credit quality for different types of institutions, different periods and amounts and has a policy of not lending more than £10m to any one institution other than the UK government. The Council monitors credit ratings regularly and is alerted to changes by its Treasury Management consultants. Appropriate action is taken following any changes in accordance with the Annual Investment Strategy. An Annual Treasury Report is produced to report on investment activity. All deposits outstanding at year-end were originally made for less than one year.

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

The Council does not generally allow credit for customers; it has prescribed collection procedures for amounts owed by its customers and appropriate provisions are made for potential credit losses. In some circumstances, the Council obtains a legal charge on property to cover deferred debts such as self-funding of residential care. The Council also has a number of longer-term debtors, including mainly car loans to employees and residual mortgages from a closed scheme offering home loans to tenants and to members of the public. The residual mortgages are low risk due to the charge held by the Council on mortgaged properties. The car loans are considered low risk due to the ability to deduct repayments of car loans from employees' salaries, reciprocal arrangements with other local authorities for any staff transferring with outstanding car loans, insurance for loans unpaid due to death in service and normal debt recovery procedures for any employees who leave local government employment. However, the risk of default on employee loans increases sharply despite these measures if the employee leaves the Council's employment. Therefore, an impairment loss allowance of 10% has been applied to the current balance on employee car loans.

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

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

Asset Class (amortised cost)	2018/19	2017/18
	Lifetime expected credit losses - not credit impaired	Lifetime expected credit losses - not credit impaired
	£000	£000
Opening Balance as at 1 April 2018	3,337	3,351
Deposits in UK Banks	-	-
Trade debtors (excluding public sector and taxation)	238	40
Soft Loans	33	-
Rents	19	(54)
Total Impairment Allowance 31 March 2019	3,627	3,337
Financial Assets that have been derecognised	176	188
Total Impairment and Derecognition charged 2018/19	466	174

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

The table below shows that all amortised financial assets were impaired using the simplified approach as the financial assets requiring impairment related to trade receivables. This is the recommended approach for outstanding amounts due to the Council. The table shows the outstanding value of amounts due to the Council for the amount of time the debt has been outstanding. The credit risk rating relates to the percentage of the value of outstanding debt for the differing ages of the debt that the Council applies for the impairment loss allowance. For example, for debt outstanding for 366 to 730 days, 75% of the £253k is charged to revenue to account for this risk of debts not being paid. This would be £176k for this band of debt. However, the Council would still actively pursue the debt.

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

	Credit Risk Rating	Gross Carrying Value £000
12-month expected credit losses	-	-
	-	-
Significant increase in credit risk since initial recognition	-	-
	-	-
Credit Impaired at 31 March	-	-
	-	-
Simplified Approach		
Day 1 to 14	2%	2,021
Outstanding 15-45 days	2.50%	21
Outstanding 46-75 days	4.50%	17
Outstanding 76-105 days	7.50%	5
Outstanding 106 - 182 days	15%	22
Outstanding 183 - 365 days	50%	95
Outstanding 366 - 730 days	75%	253
Outstanding 731 days or more	100%	862
		3,296

Liquidity Risk

Liquidity Risk is low as the Council had no difficulty in the past in obtaining finance and has ready access to the Public Works Loans Board (PWLB) as lender of last resort. The key aims of the Treasury Management Strategy are to ensure the Authority is exposed to low risk and to ensure liquidity. The majority of the Authority's investments are in instant access deposit accounts. Therefore, there is a reduced risk that it will be unable to raise finance to meet its commitments under financial instruments. However, there is often a risk that the Council will need to renew a significant proportion of its borrowings at a time of high interest rates. The practice is to ensure that not more than 20% of loans are repayable within any two-year period and to continuously assess the market rates and forecasts in order to replace maturing loans or reschedule existing loans at the most beneficial time. The current low interest rates would reduce interest rates on new loans that are taken out to repay the debt maturing. To assist in achieving this, the Council uses external treasury management advisors. The maturity analysis of outstanding loans is shown in Note 44b. Trade and other payables are due to be paid in less than one year.

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

	2018/19 Outstanding Principal	2018/19 Accrued Interest	2018/19 Cost less accumulated amortisation	2017/18 Outstanding Principal	2017/18 Accrued Interest	2017/18 Cost less accumulated amortisation
	£'000	£'000	£'000	£'000	£'000	£'000
>50 years	-	-	-	-	-	-
36 - 50 Years	52,976	-	52,976	27,976	-	27,976
26-35 years	42,713	-	42,713	43,733	-	43,733
16-25 years	13,167	-	13,167	12,783	-	12,783
11-15 years	4,934	-	4,934	4,586	-	4,586
6-10 years	4,256	-	4,256	5,662	-	5,662
3-5 years	4,608	-	4,608	7,056	-	7,056
1-2 years	4,698	-	4,698	5,117	-	5,117
Total Long-Term Borrowing	127,352	-	127,352	106,913	-	106,913
Total Short-Term Borrowing (< 1 year)	5,197	2,338	7,535	10,116	2,297	12,413

Market Risk

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

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

Borrowings are not carried at fair value as these are carried at Amortised Cost in accordance with the CIPFA code. Therefore, nominal gains and losses on fixed rate borrowings would not affect the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance.

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

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

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

Impact of a 1% interest rate increase	£'000
Increase in value of fixed rate investment assets	143
Impact on other Comprehensive Income and Expenditure	143
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income)	30,375

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

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

Brexit

The EU referendum result to leave the European Union created an economic shock in 2016 which impacted on markets and many aspects of the economy. The long-term outlook ratings for the UK banks as a whole were downgraded to a negative outlook. A collapse of the banking sector would undermine the deposits held in UK banks (circa £15m at 31 March 2019). This is being monitored closely and reassuringly the credit ratings of the banks in which the Authority holds deposits remain at an acceptable level in accordance with the Treasury Management Strategy. If the credit ratings fall below the acceptable level, the Authority would seek to place the balances in alternative investments, which must be in accordance with the Treasury Management Strategy. During the financial year, the Bank of England increased the official bank rate from 0.50% to 0.75%. This action shows that there is greater confidence in the UK economy. There have been suggestions of further increases, however, the significant uncertainty arising from Brexit may keep the rates low as the Bank of England and Government supports the economy through its monetary policy.

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

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

NOTE 46 - JOINT COMMITTEES

Joint Planning Committee

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

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

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

GwE

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

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

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

North Wales Economic Ambition Board

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

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

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

North Wales Residual Waste Treatment Project

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

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

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

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

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

NOTE 47 – HOUSES INTO HOMES

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

NOTE 48 – COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the Council and the North Wales Police Authority for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The Council Tax base for 2018/19 was £30,773.31 (£30,794.83 in 2017/18).

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

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

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

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

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

Analysis of the net proceeds from Council Tax:	2018/19 £'000	2017/18 £'000
Gross Council Tax	44,797	42,346
Add/Less: provision for non-payment not required or not previously accounted for	(191)	(50)
Council Tax collectable	44,606	42,296
Less Council Tax Reduction awarded to residents	(5,381)	(5,343)
Net Proceeds from Council Tax	39,225	36,953

NOTE 49 - NON-DOMESTIC RATES (NDR)

NDR is organised on a national basis.

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

The Welsh Government specifies an amount for the rate – 51.4p in 2018/19 (49.9p in 2017/18), and local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NDR pool administered by the Welsh Government. The Welsh Government then redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

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

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

NOTE 50 - MARITIME

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

NOTE 51 – ACCOUNTING POLICIES

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

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

1. General Principles

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

2. Accruals of Income and Expenditure

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and bank deposits and payable on borrowings (including bank overdrafts) is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than necessarily the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.

3. Events after the Balance Sheet Date

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

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

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

4. Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

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

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

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

6. Value Added Tax (VAT)

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

7. Fair Value Measurement

IFRS 13 Fair Value Measurement requires most non-current assets, liabilities and financial instruments to be valued at fair value, often with regard to an active market value where available. For operational assets, the standard introduces the concept of fair value being based on current value (often value in use) for revaluations of Property, Plant and Equipment. This means measurement should reflect the market conditions for the service or function at the reporting date. The standard provides different fair valuation approaches to differing asset types. For non-operational assets, i.e. investment assets, assets held for sale and surplus assets, these are valued at their highest and best use. Where there is an alternative use which would be of a higher fair value, that is the fair value which would be used for the valuation of non-operational assets. The code does not require infrastructure assets to be revalued at current value. Infrastructure assets are, instead, valued at depreciated historical cost.

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

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

8.1 Recognition

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

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

8.2 Measurement

Assets are initially measured at cost, comprising:-

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located in cases where, in order to bring an asset into use, any relocation of the asset is required.

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In practice, the Council undertakes valuations of its Property, Plant and Equipment assets based on a five-year rolling programme. However, assets with a carrying value over £500k are revalued each year. Increases in asset values are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, revaluation gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:-

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement (CIES).

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

8.3 Impairment

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

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

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

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

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

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

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

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

8.4 Depreciation

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

Depreciation is calculated on the following bases:-

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

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

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

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

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

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

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

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

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

8.6 Disposals of Non-current Assets

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held-for-Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. This cost is subsequently transferred to the Capital Adjustment Account in the Movement in Reserves Statement.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement.

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

8.7 Surplus Assets

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

8.8 Heritage Assets

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

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

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

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

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

8.9 Treatment of School Assets

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

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

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

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

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

9. Investment Properties

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

Investment properties are recognised when it is probable that future planned economic benefits will flow to the Authority and that the cost or fair value of the investment property can be reliably measured. Investment properties are measured initially at cost and, subsequently, at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. The Code requires that Investment Properties be valued at their highest and best use regardless of the intentions of the Council. This means that alternative uses have been considered for each investment property and, if there is an alternative use that would maximise fair value, then that is the fair value which is to be used. The properties are not depreciated but are revalued annually in accordance with IFRS 13 according to market conditions at the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

10. Intangible Assets

Intangible assets are non-current, non-financial assets which are separately identifiable but which do not have physical substance (for example, computer software). These are controlled by the Council as a result of past events. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Expenditure on intangible assets is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. The useful economic life of intangible assets is determined by the relevant professional leading on the purchase of/development of the intangible asset. The useful economic life of intangible assets is shorter than tangible assets, for example, between 5 to 7 years. Intangible assets are amortised on a straight-line basis over the useful economic life of the asset.

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

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

11. Inventories and Long-Term Contracts

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

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

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

12. Cash and Cash Equivalents

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

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

13. Financial Instruments

13.1 Financial Liabilities

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

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

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

13.2 Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

13.3 Expected Credit Loss Model

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

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

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

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

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

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

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

FRS requires earlier recognition of debt (current practice does not provide for debts earlier than 6 months old, although a provision would be made for known individual debtor circumstances e.g. bankruptcy, aged less than this) and public sector debts are to be excluded (currently debts for local health board, major and local preceptors (councils)/levying bodies etc. and central/devolved administrations etc. are included). Having regard to IFRS 9, revised impaired loss allowances are required and the following considerations are made to arrive at the revised allowances.

IFRS 9 does not define default of a debt but requires an organisation to provide such a definition consistent with its credit management purposes. The following definition is used for the purposes of impaired loss allowance requirement for Sundry Debt, which is simple enough and is consistent with this Authority's credit management –

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

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

- Day 1 to 14 days from invoice being raised – 2%
- 1 – 30 days past due date i.e. 15 days to 45 days from tax point date – 2.5%;
- 31 – 60 days past due date i.e. 46 days to 75 days from tax point date – 4.5%;
- 61 – 90 days past due date i.e. 76 days to 105 days from tax point date – 7.5%;
- 91 – 168 days past due date i.e. 106 days to 182 days from tax point date – 15%

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

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

Deferred charges

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

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

13.4 Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

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

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

Level 3 inputs – unobservable inputs for the asset.

13.5 The Financial Statements

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

13.6 Available-for-Sale Financial Assets

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

14. Provisions, Contingent Liabilities and Contingent Assets

14.1 Provisions

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

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

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

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

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

14.2 Contingent Liabilities

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

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

14.3 Contingent Assets

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

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

15. Reserves

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

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

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

16. Revenue Recognition

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

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

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

17. Internal Interest

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

18. Leases

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

18.1 The Council as Lessee

18.1.1 Finance Leases

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

Lease payments are apportioned between:-

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

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

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

18.1.2 Operating Leases

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

18.2 The Council as Lessor

18.2.1 Finance Leases

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

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

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

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

18.2.2 Operating Leases

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

19. Charges to Revenue for Non-Current Assets – Minimum Revenue Provision (MRP)

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

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

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

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

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

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

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

20. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the conditions attached to the grant or contribution have been met. Grant conditions are the requirements which have to be met in order to qualify for the grant, for example, the building of a school or key outcomes specified within the conditions. Monies advanced as grants and contributions, for which conditions have not been satisfied, are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

21. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

22. Overheads and Support Services

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

23. Foreign Currency

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

24. Employee Benefits

24.1 Benefits Payable during Employment

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

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

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

24.2 Termination Benefits

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

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

24.3 Post-Employment Benefits

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

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

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

24.4 Teachers' Pension Scheme

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified to the Council. The scheme is, therefore, accounted for as if it was a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Lifelong Learning Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Agency in the year.

24.5 The Local Government Pension Scheme

All employees (other than teachers) and Councillors, subject to certain qualifying criteria, are able to join the Local Government Pension Scheme. The Scheme is known as the Gwynedd Pension Fund and is administered by Gwynedd Council in accordance with the Local Government Pension Scheme Regulations 2013 on behalf of all participating employers. Under International Accounting Standard (IAS19), the Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Gwynedd Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a real discount rate that is based on the indicative rate of return on UK Government bonds adjusted for an addition to the yield that reflects the extra risk involved in using AA Corporate Bond yields – known as the credit spread.

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

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

24.6 Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any employee (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

25. Exceptional Items

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

26. Accounting for NDR (Non-Domestic Rates)

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

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

27. Agency Income and Expenditure

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

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

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

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

**SUPPLEMENTARY FINANCIAL STATEMENT
HOUSING REVENUE ACCOUNT (HRA)**

Income and Expenditure Statement for the year ended 31 March 2019

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

Statement of Movements on the HRA Balance

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

	2018/19 £'000	2017/18 £'000
Balance on the HRA at the end of the Previous Reporting Period	(7,380)	(7,544)
(Surplus)/Deficit for the Year on HRA Services	904	810
Adjustments between Accounting and Funding Bases under Statute	(1,911)	(781)
Net (increase)/decrease before Transfers to/from Reserves	(1,007)	29
Transfers to/(from) Earmarked Reserves	202	135
Net (Increase)/Decrease in Year on the HRA	(805)	164
Adjustment to Reserve	(202)	-
Balance on the HRA at the end of the Current Reporting Period	(8,387)	(7,380)

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

NOTE 1 – HOUSING REVENUE ACCOUNT

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

NOTE 2 – HOUSING STOCK

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

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

NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

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

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

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

	2018/19 Derecognition £'000	2018/19 Depreciation £'000	2018/19 Total £'000	2017/18 Derecognition £'000	2017/18 Depreciation £'000	2017/18 Total £'000
Land	-	-	-	-	-	-
Dwellings	7,504	3,572	11,076	7,582	2,812	10,394
Other Property - Operational Assets		297	297	-	258	258
	7,504	3,869	11,373	7,582	3,070	10,652

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

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

NOTE 6 – RENT ARREARS AND BAD AND DOUBTFUL DEBTS

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

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

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

NOTE 7 – PENSION COSTS

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

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

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

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

APPENDIX 1

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

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

GLOSSARY

12-MONTH EXPECTED CREDIT LOSSES

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

ACCOUNTING PERIOD

This is the period of time covered by the accounts, normally a period of twelve months, commencing on 1 April. The end of the accounting period is the Balance Sheet date, usually 31 March of the following year.

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

AGENCY SERVICES

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

APPROPRIATIONS

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

ASSET

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

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

AUDIT OF ACCOUNTS

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

BALANCE SHEET

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL FINANCING COSTS

Capital Financing costs are any additional costs arising from borrowing to fund capital projects. These tend to be interest payable on loans taken out and the Marginal Revenue Provision (MRP) charge on projects finance by borrowing. The MRP is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

CAPITAL PROGRAMME

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

CAPITAL RECEIPTS

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

CASH AND CASH EQUIVALENTS

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

CASH FLOW STATEMENT

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

CIPFA

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:-

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

CORPORATE AND DEMOCRATIC CORE

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

CREDIT LOSS

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the financial year, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

EXPENDITURE AND FUNDING ANALYSIS

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

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVENTORIES

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

INVESTMENTS (PENSION FUND)

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

INTEREST RECEIVABLE OR PAYABLE

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

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

MOVEMENT IN RESERVES STATEMENT

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

NET BOOK VALUE

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

NET DEBT

The Net Debt is the Council's borrowings less cash and liquid resources.

NET WORTH

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

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

A Prior Year Adjustment is a material adjustment applicable to previous years arising from changes in accounting policy or from the correction of a fundamental error. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

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

PUBLIC WORKS LOANS BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

Revenue Expenditure represents the day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (REFCUS)

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does

not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

REVENUE SUPPORT GRANT

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

SUPPORTED BORROWING

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

UNSUPPORTED BORROWING

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

USEFUL ECONOMIC LIFE (UEL)

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

WORK IN PROGRESS (WIP)

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

Bibliography

CIPFA 2018. Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. CIPFA. London.

CIPFA 2018. Disclosure Checklist 2018/19. CIPFA. London.

CIPFA 2018. Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 Guidance Notes for Practitioners. CIPFA. London.

CIPFA 2019. Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 – Update to the 2018/19 Edition

CIPFA 2017. IFRS 9 Financial Instruments – An Early Guide for Local Authority Practitioners – Amended version

CIPFA 2018. Bulletin 3: Closure of the 2018/19 Financial Statements. CIPFA. London.

CIPFA 2019. Accounts Closedown Workshops 2018/19 Post-Series Update and Frequently Asked Questions. CIPFA London.

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

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

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

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

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

Annual Governance Statement 2018/2019

Principle	Assurance
Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Assured page 133
Principle B - Ensuring openness and comprehensive stakeholder engagement	Assured page 135
Principle C - Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits	Assured page 139
Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes	Assured page 142
Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	Assured page 147
Principle F - Managing risks and performance through robust internal control and strong public financial management	Assured page 150
Principle G - Implementing good practices in transparency, reporting, and audit to deliver	Assured page 155

Contents

Introduction	130
Principle A	135
Principle B	137
Principle C	141
Principle D	144
Principle E	149
Principle F	152
Principle G	157
Governance matters identified.....	166
Progress on Identified Governance Matters 2017/18	166
Governance Matters Identified 2018/19	168

Introduction

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

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

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

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

1. Professional and Well Run

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

2. Innovative, Ambitious and Outward Looking

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

3. Customer, Citizen and Community Focused

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

4. Valuing and Developing our People

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

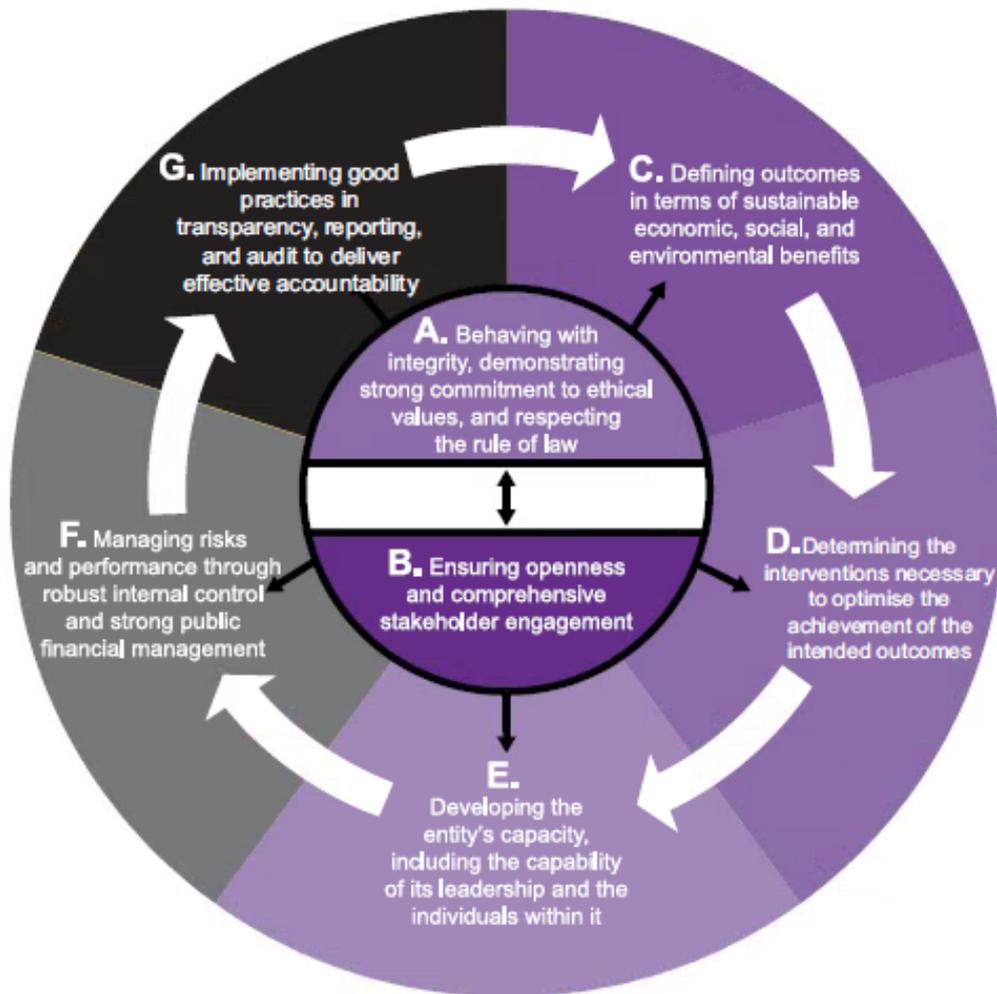
5. Committed to Partnership

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

6. Achieving

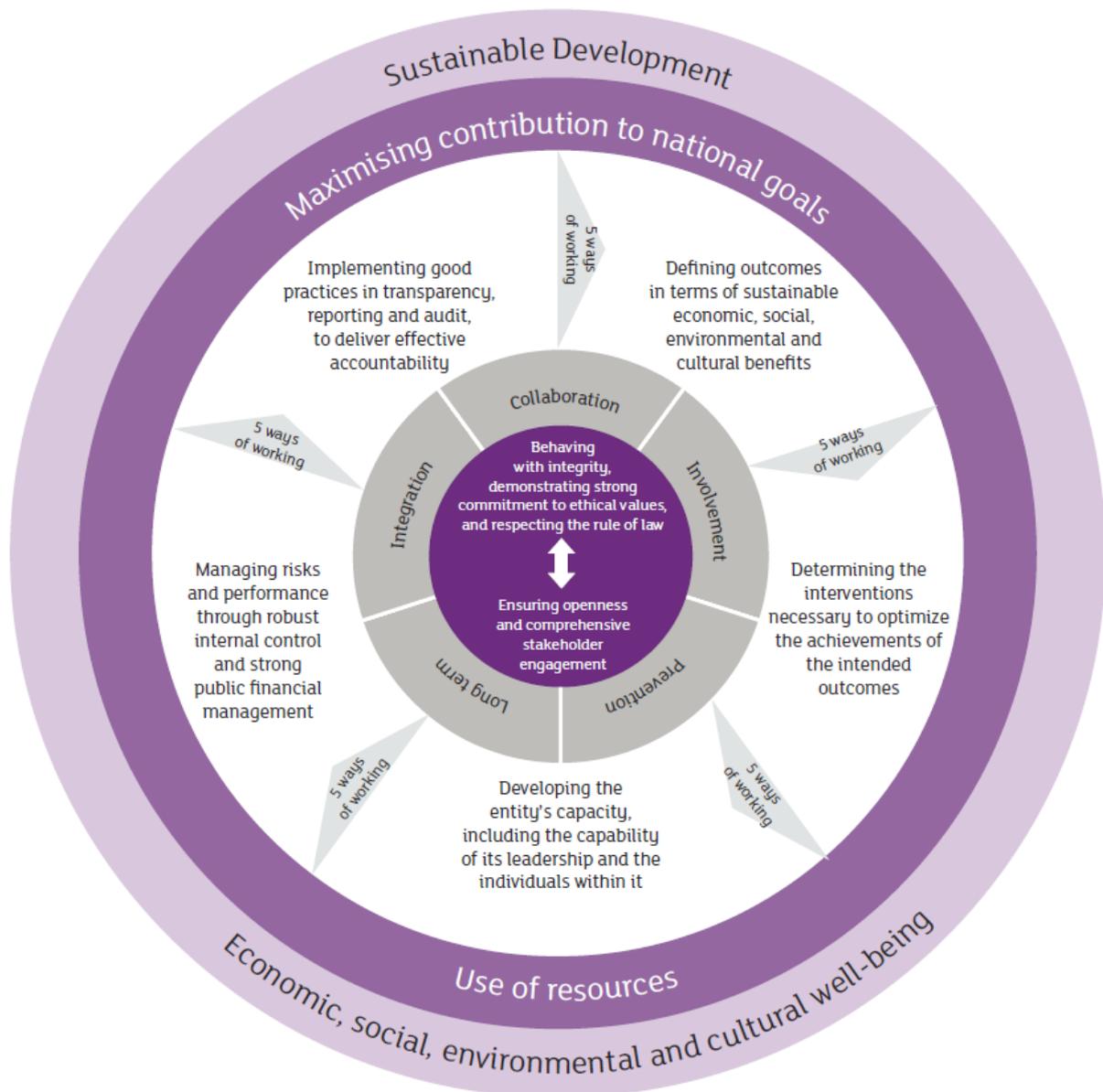
We are results and outcome orientated and strive to improve our performance in the important areas of our work.

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



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

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



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

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

Scope of Responsibility

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

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

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

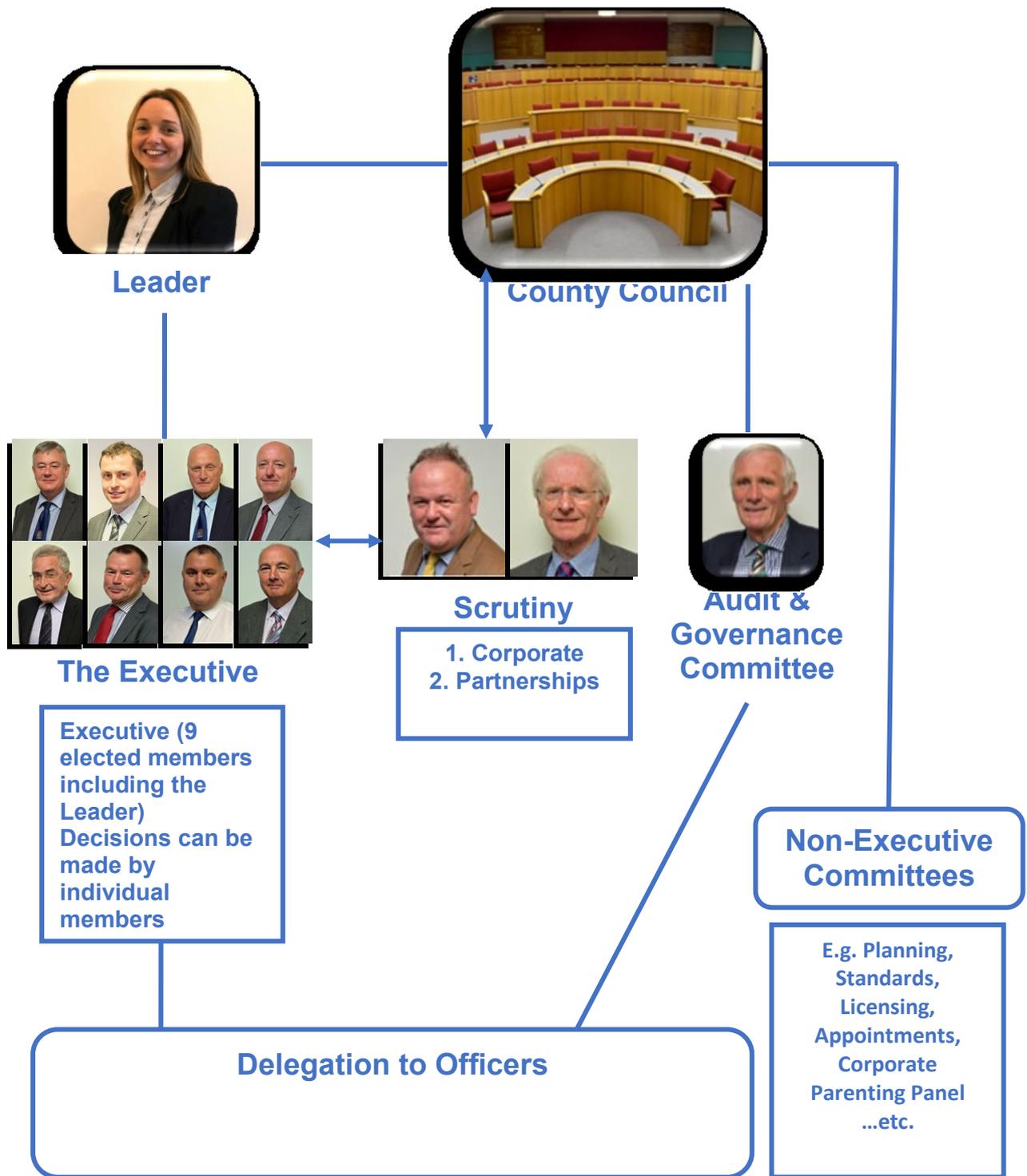
The Council has approved and adopted a local code of corporate governance that is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government.

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

The Governance Framework

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

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



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

Analysis of the Governance Framework 2018/19

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

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

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

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

How we do this:

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

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

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

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

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

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

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

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

Principle B

Ensuring openness and comprehensive stakeholder engagement

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

How we do this:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Principle C

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

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

How we do this:

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

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

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

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

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

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

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

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

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

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

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

Governance arrangements are in place via the **North Wales Social Care and Wellbeing Improvement Collaborative (NWSWIC) and the Regional Partnership Board**. NWSWIC has in place a comprehensive programme of improvement through collaboration focused on the requirements under Part 9 of the **Social Services and Wellbeing (Wales) Act 2014**. This partnership ethos can be further evidenced through the collaboration of the Council's Social Services with Betsi Cadwaladr University Health Board (BCUHB) via the Integrated Delivery Board (IDB).

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

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

Principle D

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

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

How we do this:

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

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

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

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

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

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

These foundations have created a structure which allows for effective political governance. The evidence from the last few years demonstrates a functioning and effective decision making process, with appropriate mechanisms for assurance and improved performance.

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

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

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

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

The membership of the Executive was revised following the election (May 2017). Where appropriate, the Executive can delegate decision making powers to the relevant Portfolio Holder(s).

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

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

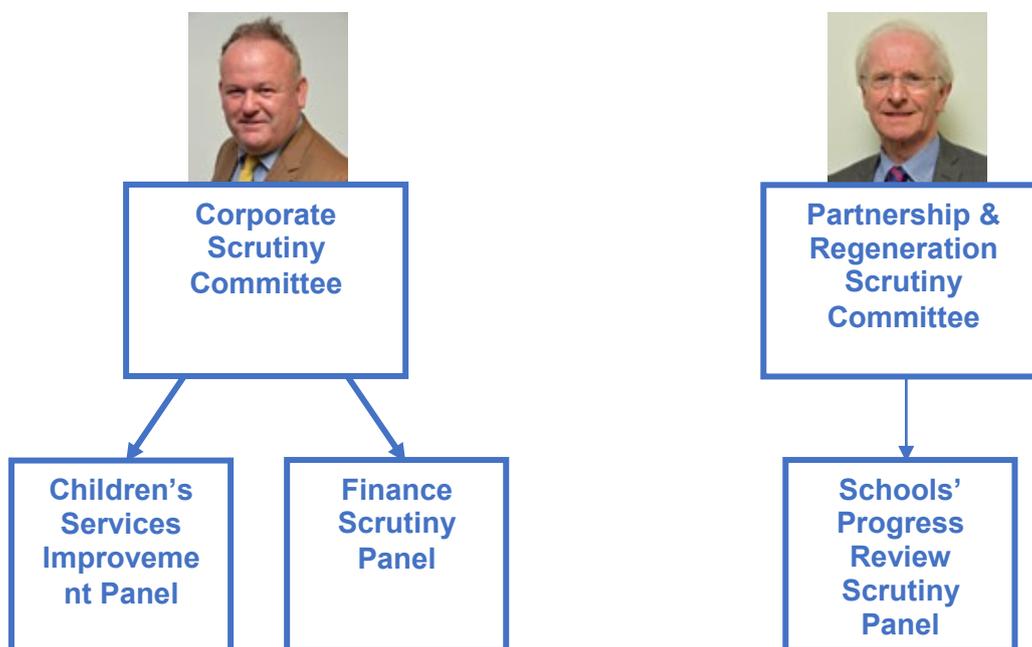
The Committee undertakes an annual self-assessment on its performance which is reported to Council and informs its forward work plan.

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

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

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

The scrutiny function at the Council continues to be delivered through a structure comprising of two parent committees and three panels:



The focus of work of the **Corporate Scrutiny Committee** is to provide assurance regarding:

- performance and delivery of all services
- ensure the Council achieves its corporate and service objectives
- support and make recommendations for continuous improvement.

The primary focus of the **Partnership and Regeneration Scrutiny Committee** is to ensure that the interests of the citizens of the Island are promoted and that best use is made of Council resources, in line with the Council's priorities, that demonstrate added value from working with partners. The remit of the committee includes regional and national arrangements as well as local arrangements. The committee is also the nominated Crime and Disorder Committee as required under the Police and Justice Act 2006 and the designated committee for scrutinising the work of the Ynys Môn and Gwynedd Public Services Board.

Following a locally commissioned review of our scrutiny arrangements, an improvement programme was put in place to build on and further strengthen the overview and scrutiny function in the Council. This programme has been running for 18 months and has provided a strong basis upon which to move forward, ensuring the role that Member scrutiny plays in the Authority’s governance arrangements:

- supports robust and effective decision-making
- makes a tangible contribution to the Council’s improvement priorities
- continues to evolve

Wales Audit Office (WAO) completed a review of our scrutiny arrangements during 2018 and report was positive with some aspects of good practice:

- I. the Council has strengthened its scrutiny function and is making arrangements to meet future challenges
- II. the Council is supportive of scrutiny, and arrangements necessary to help scrutiny members meet future challenges are being put in place
- III. scrutiny committee practice is improving, the range of evidence they draw on has increased and scrutiny committees forward work programmes align with the work of the Executive
- IV. the scrutiny function is contributing to improvements in performance and decision-making and the Council regularly evaluates its effectiveness.

WAO also presented proposals for improvement:

1. the Council’s scrutiny function should further improve arrangements for promoting the engagement of the public and other stakeholders in scrutiny activity
2. the Council should build on its experience through self-assessment, to consider more innovative methods of undertaking scrutiny activity.

To access the full review follow this link:

http://democracy.anglesey.gov.uk/documents/s13512/793A2018-19_IoA_Scrutiny_Final.pdf?LLL=0

We have recently adopted a development programme which provides a local framework within which to continue with our scrutiny journey. The Wales Audit Office proposals for improvement have been included in this programme.

Our development programme provides the framework to prioritise a number of key themes over the next two years:

Reinforcing a “whole Council” approach to Scrutiny	Improving the impact of Scrutiny	Building capacity & capability for effective Scrutiny	Improving public engagement in our Scrutiny work	Wellbeing of Future Generations and Scrutiny
--	----------------------------------	---	--	--

Members represent Scrutiny on various internal Boards and review groups, the purpose of this being to promote inclusion, add value to the discussion and to report back to their Scrutiny Committee on progress and to raise areas which may require formal Scrutiny. Each of the two Scrutiny Committees reports their activity to the Council at its annual meeting.

In order to drive the change agenda and deliver the Council's Plan, a Programme Management framework is in operation.

Two **Corporate Transformation Programme Boards** were re-established post May 2017 elections -

1. Corporate Governance Programme Board, and
2. Transforming Services Programme Board.

These have an overview of a number of high priority projects which the Council is committed to achieving and are responsible for setting a direction for them.

Each of the Corporate Transformation Boards includes representatives of both Scrutiny Committees and the Executive, providing an opportunity to identify areas where the Members' role can add value either on the Boards themselves or through the Scrutiny process.

The corporate method of managing projects and programmes is maturing year on year as a result of strengthening our Governance arrangements. Welsh Government has identified good practice in some of our programmes and other projects and programmes have gained national success and UK wide recognition over the past couple of years.

Principle E

Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Related Key Themes:	Valuing and Developing our People
Conclusion of Self-Assessment:	Assured – The County Council have the appropriate structures and leadership in place and people with the right skillsets and qualifications to ensure it is operating efficiently and effectively to achieving intended outcomes. There are clear policies and strategies in place to demonstrate that it has the capacity to fulfil its mandate and that management has the operational capacity.

How we do this:

The Council has achieved the **WLGA Charter for Member Support** in recognition of the work that we have undertaken to provide a high standard of support to Members to undertake their diversity of roles ranging from that of community leader, to their special responsibilities within the Council. A re-submission to the WLGA for re-assessment for the Charter will take place during 2019/20.

In addition, most of the Members have undertaken professional development reviews (PDRs) and training needs have been identified from these. Whilst still in its infancy at Anglesey, such a development is seen as key to enabling Members to be more effective in their role. This includes independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair. During 2017/18, this practise continued to be further embedded. Member training is monitored by the Council’s Democratic Services Committee.

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

The Council’s People Strategy was reviewed independently in 2016. That independent review confirmed that the strategy remained “fit for purpose” to take the Council forward to 2020 as it continues to support the Councils vision and provides a framework for moving our people management forward.

The People Strategy has five key priorities:

- Recruiting and retaining the best (innovative, ambitious and outward looking)
- Inspiring service excellence (customer/citizen and community focused)
- Building Organisational effectiveness (professional and well run)
- Engaging, developing and managing our Talent (valuing and developing our people)
- Developing the skills and capacity of our workforce (valuing and developing our people).

The **Managers Forum** was reviewed during the year by members of the Future Leaders group. They were tasked to review the membership, agenda and occurrence of the forum and undertook their review via a survey to the current members and leadership teams. The recommendations were accepted and have since been implemented. The **Ignite Club** was also reviewed during the year due to the decreasing number of attendees. The decision at the end of the review was to disband the club and replace it with sessions on Staff Wellbeing. As part of the activity on the Corporate Plan and staff engagement activity, individuals across the authority have been given an opportunity to work on corporate projects and strategies.

The **staff awards ceremony** continues apace and recognises, celebrates and promotes the achievements of Council staff. Every day our staff work hard to deliver public services for the people of Anglesey, and the staff awards are an opportunity to showcase good work and demonstrate how much we value our people. There are six categories of award which mirror the '*Six Key Themes*'. During 2018 the ceremony was expanded to include staff recognition to include Welsh learner of the Year, the Leader Award, The Executive's award and the Chairman's Award.

The results of our staff survey reported in 2017 demonstrated that -

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

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

Additional comments from the survey were also collected by 193 respondents informing the organisation of where more work needs to be done. A further survey is planned for 2019/20.

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

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

- Monthly Penaethiaid meetings
- Quarterly Managers Forum
- Member Briefing Sessions
- Thematic Workshops (i.e. budget)
- Service Management Meetings
- Annual Service Reviews
- Team Meetings
- One to One Supervisions
- Employee appraisals
- Staff suggestion schemes
- Use of Y Ddolen to keep abreast of corporate initiatives
- Use of Medra Mon as a newsletter.

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

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

We are a fully bilingual Council and a high proportion of our staff and most Members are first language Welsh speakers. All corporate communications are therefore produced bilingually, providing staff and Members with the ability to communicate in the language of their choice. Non-fluent welsh speakers are supported to improve their Welsh language skills in an inclusive environment.

Principle F

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

Related Key Themes:

Professional and Well Run

Conclusion of Self-Assessment:

Assured – The Council has an effective performance management system that facilitates effective and efficient delivery of services. Risk management and internal control are integral and important parts of the performance management system and are crucial to achieving the outcomes of the Council Plan.

How we do this:

The **Risk Management Policy** was adopted by the Executive on 26th May 2015 and both the Policy and associated guidance have been uploaded to Monitor (the council's intranet). The key objectives of the Council's risk management policy are to:

1. Develop a consistent approach to risk management across the Council
2. Embed risk management as an integral part of the management process within the Council, and ensure clear links with Service Plans
3. Ensure a proactive risk aware culture across all parts of the Council, where risk is taken (and not taken) knowledgeably in all major decisions and actions
4. Maintain and improve customer confidence in our ability to deliver on our commitments
5. Reduce the possibility of unplanned activity or financial costs, and the impact of such surprises on the Council's reputation and ability to deliver our objectives
6. Manage risk in accordance with best practice, statutory obligations and the Wales Programme for Improvement
7. Work with our partners and providers to develop a common approach to achieving these risk management objectives.

The Risk Management Policy and Framework were reviewed on 5th December 2017 by the Audit and Governance Committee and Senior Leadership Team (SLT). The review concluded that while work remains to be done to fully embed risk management throughout the Council, progress has been made and is continuing. These documents align the Risk Management and Performance Management frameworks. During 2018/19, the Council commissioned its insurers, Zurich Municipal, to undertake an independent risk management health check, which concluded that risk management was at a 'Managed' level within the Council, and at level three of its five-level rating. The Head of Audit and Risk has drawn up an Action Plan to respond to the recommendations for improvement.

Risk management software was implemented during the year, which will help to improve the effective management of the Council's risks by improving the recording, assessment, monitoring and reporting of risks and further embedding risk management into the Council's processes. In addition, the software provides the facility to record the 'three lines of assurance', which will improve the assurance provided to those charged with governance that the Council's risk are being effectively managed.

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

During 2018/19, the Audit and Governance Committee have been presented with two updates on the Corporate Risk Register (19th September 2018 and 12th February 2019). At both meetings it was resolved that the Audit and Governance "Committee takes assurance that the risks to the Council's aims and objectives are being recognised and managed by the Senior Leadership Team".

A Performance Management Framework is in place which starts with the medium-term Council Plan (the current plan is for the period 2017/2022 as mentioned above) and each subsequent year with an Annual Delivery Plan. These set out what the key priorities of the council are and what it hopes to achieve. The framework also include performance management reports to identify whether the Council is achieving its planned objectives. These reports include quarterly scorecards, half-yearly challenges to Services and regular reports to the Executive and to Scrutiny.

The Performance Framework continues to evolve and to focus on self-assessment by Heads of Service, and on the key areas of risk and transformation. It is also focusing on improvements to reporting of workforce and financial information. During 2018/19, a series of Service Reviews was undertaken which covered -

- (i) Efficiencies and Service Budgets (June-July 2018)
- (ii) Performance (November 2018 - January 2019).

The Performance Review concluded that there was evidence throughout that there was continuous improvement being shown by Services. The continuous improvement shown at a time of financial difficulties the Council faces is positive as many of the services the Council provides are better or more efficient than before despite the financial difficulties. This has been achieved as a result of the commitment and buy-in of The Executive and Elected Members, Senior Leadership Team and Heads of Service to drive improvements and objectives. The Council's Position Statement can be found in Appendix 1.

Whilst we have established strong approaches to ensuring effective governance for new partnerships, governance arrangements for some of the more historical partnership arrangements require strengthening.

An Annual Performance Report, accounting for performance and benchmark with other Authorities is published by 31st October each year. The most recent Annual Performance Report relates to 2017/18 which was completed in 2018/19 and can be found following the below link.

<https://www.anglesey.gov.uk/documents/Docs-en/Council/Democracy/Council-Plan/APR-English-standard-quality.pdf>

The Executive approved the **Medium Term Financial Plan (MTFP)** for the period 2018/19 to 2020/21 in September 2017. The MTFP identified the potential savings required over the three-year period and set the strategy for the 2018/19 budget. The annual budget was approved by the full Council at its meeting of the 28th February 2018. The requirement to implement budget cuts and efficiencies was a pivotal part of the budget setting, with an in-year savings target of £4.18m being required to balance the budget. The MTFP was updated at this point, following the completion of the 2018/19 budget, and identified that future budget reductions would range from £2.84m (optimistic scenario) to £5.86m (worst case scenario). The updated plan identifies the continued need to focus on budget reductions and identifying further efficiencies over the next three years in order to ensure the future financial stability of the Council.

The Budget Planning Process was undertaken from May 2018 to February 2019. This included consultation with statutory groups, including the Schools Forum, Town and Community Councils and businesses, as well as other stakeholders such as Llais Ni, Urdd, Young Farmers Club and the Older Persons Forum. This also included an extensive public consultation process where in excess of 5000 responses were received. The comments made during the consultation process were considered by the Executive as they drew up their final budget proposals and it did result in some budget proposals being withdrawn or amended.

The Council has continued to develop and embed structures, systems, processes and supporting arrangements to ensure that they support the demands of a 21st Century Local Authority. Formal arrangements are in place for the management of performance, finance, programmes and contracts, which contribute to the upholding of key elements of governance.

Quarterly financial reports (Revenue and Capital) were made to the Executive during 2018/19 which included a budget against actual measurement as well as a forecast of the position at the year end, which also covers a range of financial information and plan with corrective measures to bring the budgets back under control if required. The final financial performance for the year 2018/19 was broadly in line with the forecast performance in the quarterly reports. Both the forecasts and actual year-end financial position highlighted significant budgetary pressures arising from increased demand for statutory Children & Family Services, Adult Services and Learning. This information has been used for future planning and budgeting including consideration of different delivery approaches such as increased preventative support and increasing provision on the Island.

The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Audit & Governance Committee, the Executive and the Full Council.

Internal Audit's self-assessment against the Public Sector Internal Audit Standards (PSIAS) shows that, the service is being delivered to the required standard. The Action Plan from the PSIAS External Quality Assessment has been fully implemented.

The External Audit Findings Report for 2017/18 was presented to the Audit and Governance Committee on 19 September 2018 and Full Council on 25 September 2018, reflecting that the prepared accounts represented a true and fair view. There were three accounting corrections highlighted in the audit report. There were no unadjusted misstatements which required restatement for Members to consider. An unqualified opinion was given in respect of both the statement of accounts and the value for money opinion. This means that there were no major concerns raised about the accounts. The action plan set out seven recommendations in relation to accounting and payroll control; two recommendations in relation to IT and four recommendations in relation to Asset Valuation. The recommendations to improve processes and internal controls have been accepted by Management and are in the process of being implemented.

The **procurement strategy** has now been rolled out across the Council which is key to the continuing success of the Authority's procuring of products and services. The Procurement team have developed and put in place new policies, a contracts management strategy, as well as reviewing the contract procedures. Training on the strategy and contract procedure rules has taken place over the year resulting in better compliance.

The **Annual Certificate of Compliance** confirmed that the Council complied with its responsibilities relating to financial reporting, use of resources, improvement planning and performance management.

In light of the new General Data Protection Regulations (GDPR) and the updated Data Protection Act 2018 which were effective from the 25th May 2018, the council continued to make progress on **information governance** during the year. Under the leadership of the appointed Senior Information Risk Owner (SIRO), a Corporate Information Governance Board (CIGB) continues to be in place. This Group is an appropriate forum for addressing information governance issues. It receives reports on how well each Service is performing in key information management areas. It

assesses risk, and recommends and monitors remedies to mitigate risks to information assets owned by the relevant Heads of Service. The CIGB may report matters directly to the Council's Senior Leadership Team.

The SIRO considers that there is significant documented evidence to demonstrate that:

- the Council's arrangements for IG and data protection compliance are reasonably effective;
- the Council has successfully met the challenges of implementing the new data protection legislation and it operates in a compliant way;
- the Council has processes in place to demonstrate compliance to the ICO and it complies with the GDPRs accountability principle;
- Data protection remains, and is likely to always remain, a medium risk to the Council because of the sensitivity of the personal data it processes, which varies between the Services.

To access the SIROs annual report follow this link -

<http://democracy.anglesey.gov.uk/documents/s13154/SIRO%20REPORT%20S.pdf?LL=0>

Principle G

Implementing good practices in transparency, reporting, and audit to deliver

Related Key Themes:	Professional and Well Run
Conclusion of Self-Assessment:	Assured – The Councils Elected Members and Senior Management are accountable for making decisions and delivering services which are supported by both internal and external audits. The activities undertaken are in a transparent and clear manner in which stakeholders are able to understand and respond to.

How we do this:

All **agendas and reports are available on the Council Website** unless they contain exempt information. This includes any information on ‘declarations of interest’ that are made at meetings. The Members’ Register of Interests is also published on the Council’s website.

As noted previously in Section D there are two **Scrutiny Committees**; one concerned with the internal working of the Council – *Corporate Scrutiny*, and the second concerned with external partnerships and the impact of the Council on its communities – *Partnership & Regeneration Scrutiny*. These two committees have enabled Members to take a more holistic and corporate view of the Council, its role and impact.

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

The **Audit & Governance Committee** meets regularly to consider the effectiveness of the Council’s internal control; risk management and governance arrangements; monitors the work of internal and external auditors and inspectors; monitors the relationships between auditors and staff; and monitors the responses to audit and inspection recommendations.

A number of Members have undertaken professional development reviews (PDRs) and training needs have been identified from these. This has now been extended to include independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair.

The Committee developed a work programme for 2018/19 and the Chair reports annually to Council's Annual General Meeting (AGM), including a report on the Member Development Plan. Themes associated with the WLGA Member Development Charter awarded to the Council form an integral part of its work programme.

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

The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Improvement Report. This can be found here -

http://www.audit.wales/system/files/publications/anglesey_council_annual_improvement_report_2018_english.pdf

During 2018/19 Internal Audit continued to operate to the standards set out in the Public Sector Internal Audit Standards (PSIAS) (March, 2017) and the accompanying Local Government Application Note (LGAN). The Internal Audit Charter defines the purpose, authority and responsibility of the internal audit activity, which is led by the Head of Audit & Risk.

At its meeting in February 2018, the Audit and Governance Committee approved the 2018/19 Annual Internal Audit Strategy. The PSIAS state that the chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. Over the last few years, the need to manage risks has become recognised as an essential part of good corporate governance practice. This has put organisations under increasing pressure to identify all the business risks they face and to explain how they manage them.

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

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

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

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

Historically, the audit planning process in Anglesey used a three-year rolling plan. By its nature, this involved predicting the audit reviews that needed to be undertaken three years in advance, which in an ever-changing environment is no longer appropriate. This approach was questioned for its effectiveness during the external quality assessment, discussed below.

Consequently, to allow Internal Audit to provide a more flexible approach to internal auditing to take account of changes in the organisation and the risk environment, the Head of Audit and Risk regularly meets with Heads of Service to discuss their latest risks, concerns and requirements. In this way, Internal Audit is fully up to date with, and aware of, emerging issues and is able to focus its resources in areas of greatest priority and risk at that time.

Therefore, rather than have a traditional 'fixed' annual audit plan, the plan changes regularly during the year following the Head of Audit and Risk's visits to services and changes to the corporate risk register. An external assessment of the Council's Internal Audit Service, conducted in March 2017, provided assurance that the service 'Generally Conforms' with the standards. This is the top assessment available to the assessor. The external assessor raised seven areas of improvement for consideration which have all been fully addressed.

The Senior Leadership Team, Members and officers from Internal Audit and Corporate Transformation meet regularly with external regulators to discuss the Corporate Risk Register, key developments, the findings of all external reports and to update on progress being made to implement recommendations.

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

In their annual compliance certificate (February 2019) the Wales Audit Office states:

"The Council complied with its responsibilities relating to financial reporting and use of resources...The Auditor General is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources...To date my work on behalf of the Auditor General on the certification of grant claims and returns has not identified significant issues that would impact on the 2018/19 accounts or key financial systems".

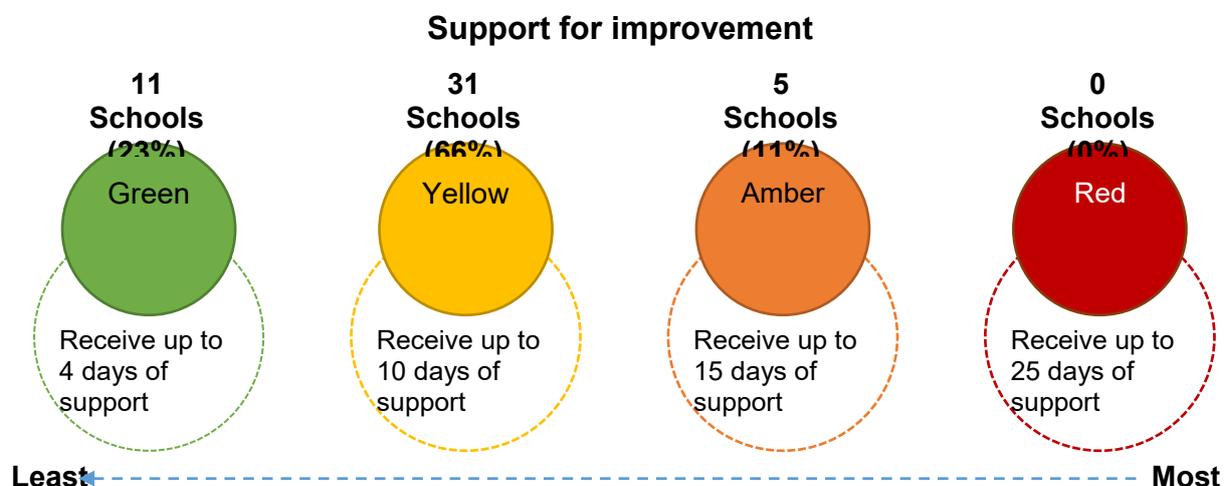
Care Inspectorate Wales inspected the Children & Family Service originally in November 2016 and noted that improvements were required. In their recent follow up report ([Children's Services Inspection Report – October 2018](#)) it noted that:

- “Children’s services were able to demonstrate significant improvement in a number of key areas with other areas still requiring further work.
- Staff Morale is high and there is passion and commitment at all levels to continuing to work hard on the journey of improvement to deliver excellent services for children
- There is strong leadership and governance in children’s services. Members of the council were able to demonstrate their contribution to children’s services improvement journey. Senior officers are visible, available and driving improvements”.

Children & Family Services will continue on the good work already undertaken by the service and develop a new Service Development Plan which will include the areas for development identified by the CIW following the re-inspection.

School performance on an Authority level for 2017/18, generally, improved in comparison with other Councils and from 2016/17. There was improvement shown in Key Stage 4 (KS4) with Mathematics and numeracy in particular. However KS4 performance in English declined as a result of a change in the way that results are calculated. The Foundation Phase indicators declined significantly on 2016/17 results as over 100 additional pupils were assessed in welsh first language. The Service will continue to work to improve results for 2018/19.

Welsh Government has judged that the vast majority of Anglesey schools (89%) are now performing effectively (yellow and green rated schools) with 11 of these schools placed in the highest category (green) in 2018 (compared to six in 2017). It can be seen that the number of schools placed in the red category (i.e. schools needing significant support) has decreased in 2018 from two to zero and the number of schools in the orange category has also decreased from eight schools in 2017 to five schools in 2018. These results are shown in the below chart.



Estyn's Framework for inspecting the authority's schools assesses the standards of teaching, learning and the welfare of pupils in individual schools. Estyn inspected eight schools in 2017/18 and results show that six schools did not require follow-up activity, while two schools required Estyn review. Currently three schools continue to be in Estyn follow-up categories compared to four schools in 2017, and these schools are monitored by the Education Standards Scrutiny Panel.

Review of Effectiveness

The Isle of Anglesey County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The effectiveness of the governance framework has been evaluated by a combination of:-

- the results of the regular in-year review and monitoring by officers and committees;
- a review of relevant documents prepared during the year or relating to the year;
- the review of progress against the Corporate Plan;
- a review of the six themes which underpin the authority's values
- reviews of feedback from Estyn and CIW and the related scrutiny panels on the improvement work in relation to Education and Children's Services;
- a series of interviews with key officers;
- discussion with, and receiving comments from, groups of officers and members including the SLT and the Executive.

In addition, regular in-year review and monitoring includes:-

- formal risk management activity, including specific consideration of those risks linked to governance processes;
- Internal Audit, whose work takes account of identified risks through regular audits of the major systems, establishments, major projects and major governance processes; including risk management, in accordance with the annual internal audit strategy, and which includes 'follow-up' work to ensure that senior officers implement agreed recommendations;
- the annual assessment of Internal Audit by the Council's external auditors;
- the work of the Council's Scrutiny and other Committees, including its Audit and Governance and Standards committees;
- the opinions and recommendations of the Council's external auditors and other review agencies and inspectorates;
- the regular monitoring of improvement and performance against the Corporate Plan and its supporting plans and strategies by members and senior managers.

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

In May 2017 the Wales Audit Office completed an assessment of the Council's Governance when Determining Significant Service Changes. The report (concluded that:

“The Council’s arrangements for decision making on significant service changes are generally effective but it recognises that they could be further strengthened”

The report acknowledged that the Council has a clear vision and strategy for determining service change proposals. The report commented positively on the Council's procedures to encourage stakeholders to engage in decision-making and that the Council continues to strengthen engagement arrangements. The report acknowledges that the Council annually reviews the effectiveness of its decision-making arrangements and is aware of areas where it can improve. Areas of improvement were reported such as the Council could do more to review and reflect on service benefits following implementation. The risk of duplication between the transformation boards and scrutiny committees was also highlighted.

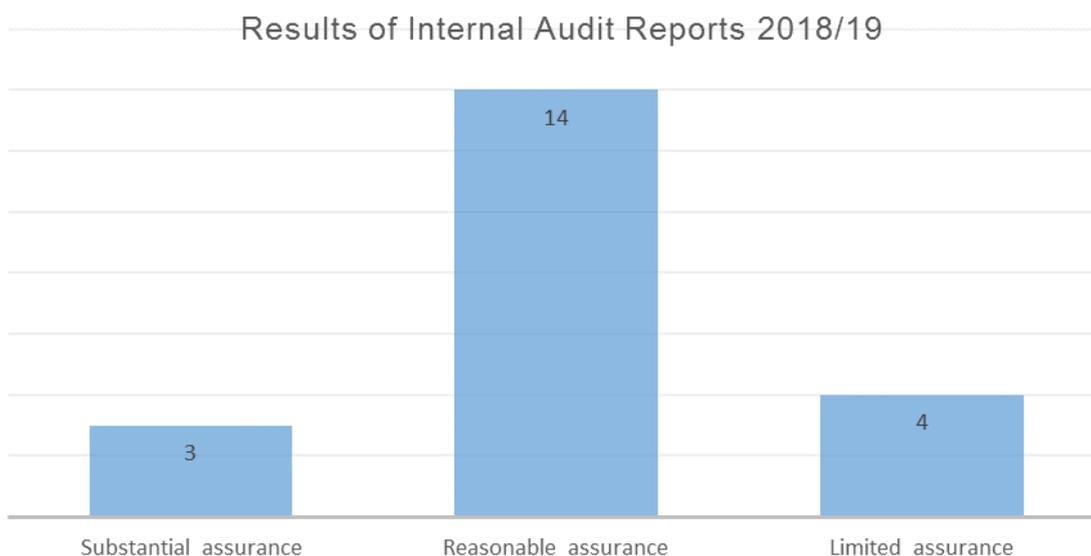
Significant Governance Issues

Wales Audit Office completes an Annual Improvement Report. The latest Annual Improvement Report 2017/18 was published in August 2018. This highlighted that no formal recommendations were made but some proposals for improvement were suggested. The report commented that the Council's governance arrangements are generally good. This report also usefully summarised the results from all Wales Audit Office specific reports on the Isle of Anglesey County Council during the period 2017/18.

<http://democracy.anglesey.gov.uk/documents/s13161/Isle%20of%20Anglesey%20Annual%20Improvement%20Report%202017.18.pdf?LLL=0>

The Annual Report 2018-19 of the Head of Internal Audit gives assurance on the framework for internal control. The Head of Audit and Risk's opinion for the year ending 31 March 2019 "is that the organisation has an adequate and effective framework for risk management, governance and internal control. Some areas require the introduction or improvement of internal control...these are subject to monitoring...There are no qualifications (major concerns) to this opinion".

The Annual Audit Report identifies that the Function completed 21 audits during the year. The levels of assurance identified in each audit is summarised in the chart below. This highlights that three audits received substantial assurance, 14 audits were found to identify reasonable assurance and four audits identified areas of more significant improvement required which offered limited assurance.



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

- Direct Payments;
- School Income Collection Arrangements;
- Sundry Debtors Follow Up;
- System Controls – Logical Access and Segregation of Duties Follow Up.

The audits listed above will be followed up during 2019/20.

In addition, the internal audit and risk function completed audits arising from 3 referrals; Follow-audit work and general counter fraud work National Fraud Initiative and enquiries. The function reported to Audit and Governance Committee, which included training to members. The function also provided corporate consultancy during the year.

Internal Audit continued to allocate resources to grant related areas during 2018/19 to ensure that the risks presented by this type of funding were being appropriately managed. No significant risks were identified in respect of the grants reviewed with three grants audited receiving substantial assurance and one receiving Reasonable Assurance.

To comply with CIPFA's Public Sector Internal Audit Standards 2017 a formal follow up process is in operation within the Service to monitor and confirm that the 'Issues/Risks' raised in Internal Audit reports are addressed by management within agreed timescales. All reports where 'Limited' or 'No' assurance has been given will be formally revisited to ensure all 'Issues/Risks' have been addressed. These visits will continue until Internal Audit is able to provide 'Reasonable Assurance' of the risk management, governance and internal control of the area. All other 'Issues/Risks' raised by Internal Audit will be monitored via the 4action action-tracking system, which nominated officers will populate with progress on addressing the 'Issues/Risks' raised.

The definition of assurance ratings have been revised for 2019/20

Where Internal Audit had identified 'Issues/Risks', management have accepted them all. Management had implemented all of the outstanding 'Red' Issues/Risks, which highlighted that management are responsive to the work of the Audit and Risk Function.

The Annual Audit Report noted that there were no issues judged particularly relevant to the Annual Governance Statement. The report also highlights that there were no 'Red' issues/Risks raised during the year.

Governance matters identified

Progress on Identified Governance Matters 2017/18

The table below outlines the Governance Matters identified during 2017/18 and an update on progress during 2018/19:

Significant governance Issues	Actions identified to address weaknesses 2017/18	Progress
<p>Corporate Procurement Framework Although a procurement framework has been developed within the Authority the level of compliance with the Contract Procedure Rules and EU regulations remains a weakness. The procurement processes require improvement in Housing, Adults Services and Children and Families Service.</p>	<p>Social Services are currently developing a work plan to address the issues with a wider contract work plan for both Children's and Adults Services. The Services are working with other North Wales local authorities in joint tenders and frameworks. The services are reviewing safeguarding clauses particularly in relation to requirements for DBS checks.</p>	<p>Services have undertaken significant work to ensure compliance with Contract Procedure Rules. A follow up review conducted by Internal Audit in November 2018 concluded that of the 20 'Issues / Risks' raised during the original review in September 2017, six 'Issues/Risks' remain unaddressed. The Corporate Procurement Manager has extended the deadline dates for addressing these remaining risks, with the latest being in August 2019.</p> <p>An exercise undertaken as part of the Internal Audit review confirmed that all expenditure with individual suppliers over £150k in the period 2017/18 had a contract in place for the goods or service provided. For this level of expenditure, the Council consistently has contracts in place and services are making use of national and regional procurement frameworks to derive savings. Due to the work carried out by services and the results of the testing, Internal Audit concluded that the Council has demonstrated 'good progress' in addressing the Issues/Risks raised and were therefore able to provide 'Reasonable Assurance' that the Council manages its procurement activity effectively.</p>

<p>Children’s Services – Child Care Court Orders under the Public Law Outline – The Public Law Outline is a protocol attempting to reduce unwarranted delays in family court cases. Weakness were evidenced in record keeping, evidence gathering and court skills, which are deemed crucial to ensure speedy resolution. Support worker visits were not always conducted in accordance with plans to ensure the safety and wellbeing of a child</p>	<p>The audit resulted in a limited assurance rating and will be followed up in 2018. All Support Workers visits are required to comply with the relevant care plan and legislation. Disciplinary proceedings may be followed where there is a failure to comply with care plans.</p>	<p>Internal Audit conducted a follow up visit, which concluded in February 2019 that Children’s Services had demonstrated ‘good progress’ in addressing the Issues/Risks raised in January 2017, and were able to provide Reasonable Assurance that the Council managed this area effectively.</p>
<p>Payment Card Industry Data Security Standards (PCI DSS) – The Authority has not identified the level of compliance required or produced a compliance programme to meet PCI DSS requirements.</p>	<p>A cross-departmental working group including the Head of Function (Resources) and Section 151 Officer as champion has been established to ensure PCI DSS compliance.</p>	<p>Work is still in progress and is currently the subject of a follow up review by Internal Audit.</p>

Governance Matters Identified 2018/19

The table below outlines the Governance Matters Identified that need to be addressed during 2019/20

Governance Matters Identified	Actions identified to address weaknesses	Lead Officer / Service / Board
Corporate Safeguarding	<ul style="list-style-type: none"> Increase the understanding of Corporate Safeguarding in Services. This should be done with general and advanced training as appropriate 	Corporate Safeguarding Board
Financial Governance	<ul style="list-style-type: none"> Begin to replenish the general balances by implementing the agreed new budget following the budget setting process. To continue to review the arrangements for updating, agreeing and monitoring the Medium Term Financial Strategy 	S151 Officer
CIW Childrens & Families Service Inspection	<ul style="list-style-type: none"> Continue on the good work already undertaken by the service and develop a new Service Development Plan following the re-inspection 	Head of Service - Children & Family Services
Corporate Procurement Framework	<ul style="list-style-type: none"> All Services should review their expenditure to ensure fit for purpose contracts are in place 	All Heads of Service
Subsidy With-holds	<ul style="list-style-type: none"> Minimise future subsidy with-holds by agreeing timetable with external auditors and escalate matters as agreed by external auditors if timetable is not being kept. 	S151 Officer
Customer Service Strategy	<ul style="list-style-type: none"> Agreeing a new Corporate Customer Service strategy 	Transforming Business Processes Project Board
Universal Credit	<ul style="list-style-type: none"> Monitor the effects of Universal Credit and how effective mitigation has been 	Head of Service - Housing

Governance Matters Identified	Actions identified to address weaknesses	Lead Officer / Service / Board
Payment Card Industry Data Security Standards (PCI DSS)	<ul style="list-style-type: none"> A cross-departmental working group including the Head of Function (Resources) and Section 151 Officer as champion has been established to ensure PCI DSS compliance. 	S151 Officer

Certifying the Annual Governance Statement

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined in the document.

We propose to take appropriate steps to address these and the other weaknesses identified in the Annual Governance Statement and to further enhance our governance and assurance arrangements in the forthcoming year. We will monitor the implementation and operation of improvements through the Audit and Governance Committee and as part of our next annual review.

Leader of the Council
Date:

Chief Executive Officer
Date:

On behalf of the Isle of Anglesey County Council



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

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

Audit year: 2018-19

Date issued: September 2019

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding

disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

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

The team who delivered the work comprised Ian Howse (Engagement Partner), Wil Bevan (Engagement Manager) and Scott Chester (Team Leader)

Contents

The Auditor General intends to issue an **unqualified audit report** on your financial statements subject to the items outstanding on page 4.

Summary report

Introduction	4
Status of the audit	4
Proposed audit report	4
Audit outcomes	5
Recommendations arising from our 2018-19 financial audit work	7
Independence and objectivity	7
Appendices	
Appendix 1 – Draft Letter of Representation	8
Appendix 2 – Proposed audit report of the Auditor General to the Audit Committee	11
Appendix 3 – Recommendations arising from our 2018-19 financial audit work	14
Appendix 4 – Recommendations arising from our 2017-18 financial audit work	15

Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Isle of Anglesey County Council at 31 March 2019 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for Isle of Anglesey County Council are £4.91m. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of Isle of Anglesey County Council, for 2018-19, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2019 on 30 May 2019, and have now substantially completed the audit work, however, at the date of our circulation of this report the following were outstanding:
 - Finalisation of Audit work on accounts.
 - Resolution of the calculation of the bad debt provision
 - Manager and Partner Review
 - Clearance of review notes;
 - Completion of the CIPFA checklist;
 - Review of second version of the accounts;
 - Clearance from independent quality reviewer;
 - Receipt of letter of representation; and,
 - Review of post balance sheet events.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with management.

Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

Audit outcomes

Uncorrected misstatements

- In 2017/18 a payment of £3.66m was made by the Council to Gwynedd Pension Fund to cover the fixed element of the employer contributions for the period 2017/18 to 2019/20. The Council initially accounted for this in 2017/18 by charging 1/3 (£1.22m) to the general fund and 2/3 (£2.44m) to the Earmarked Reserve in 2017/18. The Wales Audit Office considered the treatment of pension fund deficit payments and concluded that the payment of fixed elements of pension fund contributions should be recognised in full in the year of payment in line with Regulation 24 of the 2013 Local Government Pension Scheme Regulations. This was raised as an uncorrected misstatement in the 2017/18 ISA 260. In 2018/19 the Council has continued with the above accounting treatment, and after releasing £1.22m to the general fund, the remaining balance on the Earmarked Reserve is a negative reserve of £1.22m. As identified last year, the Wales Audit Office concluded that the payment of fixed elements of pension fund contributions should be recognised in full in the year of payment in line with Regulation 24 of the 2013 Local Government Pension Scheme Regulations. Therefore the £1.22m remaining in the Earmarked Reserve should be charged to the General Fund. As this is a classification error within the detail of the usable reserves, management have chosen not to adjust the accounts for this error.

Corrected misstatements

- 10 As part of the preparation of the 2018/19 accounts, the Council's finance team identified that for 2017/18 Note 1b – Segmental Income excluded disclosing rental income of approximately £16m. This prior period omission has been corrected in the 2018/19 accounts with the note restated to include the income.

Significant Risks

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

Financial audit risk	Audit response
<p>Completeness and cut-off of expenditure We have identified completeness and cut-off of expenditure as a significant risk as there may be an incentive not to record all expenditure in order to for the Council to report a more favourable year end position.</p>	<p>The audit team undertook the following procedures:</p> <ul style="list-style-type: none"> performed design and implementation testing over controls to ensure completeness of expenditure; performed focused audit testing to significant risk level in relation to the completeness of expenditure including the testing of provisions and accruals as at the year end; and completed detailed testing in relation to management estimates and judgements as set out in the management override risk detailed above. <p>No issues were identified from our testing</p>
<p>Management override of controls The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>The audit team undertook the following procedures:</p> <ul style="list-style-type: none"> testing the appropriateness of journal entries and other adjustments made in preparing the financial statements using enhanced data analytics to analyse the whole journal population for characteristics of audit interest; performed testing on the design and implementation of controls over journal entries to the financial ledger; and management estimates testing the appropriateness of accounting estimates for biases; and evaluation of the rationale for any significant transactions outside the normal course of business including those with related parties. <p>No issues were identified from our testing.</p>

Other significant issues arising from the audit

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

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.**
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendations arising from our 2018-19 financial audit work

- 13 The recommendation arising from our financial audit work is set out in [Appendix 3](#). Management has responded to the recommendation and we will follow up progress on it during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

- 14 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 15 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office / Deloitte LLP and Isle of Anglesey County Council that we consider to bear on our objectivity and independence.

Appendix 1

Draft Letter of Representation

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

10 September 2019

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of Isle of Anglesey County Council for the year ended 31 March 2019 the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

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

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Isle of Anglesey County Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
 - Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

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

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

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

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

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

All legal advice provided by Burges Salmon LLP relates to the Wylfa Newydd Project, and there are no claims whose effects should be considered when preparing the financial statements.

All legal advice provided by Geldards LLP relates to Equal Pay claims against the Council, which have been appropriately recognised and accounting for in accordance with the applicable financial reporting framework

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

We confirm that: all retirement benefits and schemes, including UK, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly

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

Representations by those charged with governance

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Isle of Anglesey County Council on xx September 2019.

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

Signed by:

Head of Finance

Isle of Anglesey County Council

Date:

Signed by:

Councillor

Chairman

Isle of Anglesey County Council

Date:

Appendix 2

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

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Isle of Anglesey County Council

for the year ended 31/3/2019 under the Public Audit (Wales) Act 2004.

Isle of Anglesey County Council financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Isle of Anglesey County Council as at 31/3/2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the [council [and its group]] in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's

ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages ... to ..., the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
Date:

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Recommendation arising from our 2018-19 financial audit work

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

Matter arising 1 – Resource Link – Password Parameters	
Findings	<p>The following weaknesses were noted with the password parameters on the Resource Link application:</p> <ul style="list-style-type: none">- Minimum Password Length = 4 characters (good practice = 8)- Password History = Not set (good practice = minimum 5 remembered)- Password Expiry = Not set (good practice = maximum 90 days)- Lockout Threshold = 4 (good practice = maximum 5 attempts)- Lockout Duration = Not set (good practice = 24 hours/admin reset). <p>In aggregate this means that users may choose simple, easy to guess passwords, which would be in contradiction to the Council's security policy and increase the risk that their accounts could be accessed inappropriately.</p> <p>The following weaknesses were noted with the password parameters on the Windows Domain:</p> <ul style="list-style-type: none">- Password Expiry = 12 months (good practice = maximum 90 days)- Lockout Duration = 30 minutes (good practice = 24 hours/admin reset) <p>It has been noted that the following settings are not changed from factory default and remain not enforced on the Oracle database supporting ResourceLink:</p> <ul style="list-style-type: none">- Minimum Length- Password History- Password Expiry- Complexity <p>Additionally the lockout duration is set to 1 minute which is not in line with Industry Good Practice.</p> <p>Lack of strong password controls increases the vulnerability of the system towards brute force attacks and unauthorised parties gaining access to the systems. Databases should especially be protected given their nature and ability of users to directly manipulate the data.</p> <p>Additionally, with the GDPR legislation, all applications holding personal data should have stringent password parameters to ensure no data is lost which could result in financial penalties for the council.</p>

Recommendation	It is recommended that the password parameters are revised to reflect good practice.
Priority	High
Benefit of Implementing Recommendation	Weak password parameters settings significantly increase the risk of brute force attacks and could result in unauthorised individuals gaining inappropriate access to confidential data.
Accepted in full by management	Accepted
Management response	The NCSC guidance states that if password are too long in length end users will be more likely to write them down. 9 Characters offers increased security over the previous 7 but also reduces the likelihood of users writing passwords down, which is against our IT Security Policy. Our Intrusion Prevention and Detection system monitors the network for potentially malicious traffic and/or actions, multiple failed login attempts to Active Directory is one of these parameters. Our domain login policy forces account lockout after 3 failed login attempts, at which point the user must contact the IT Service Desk to request unlocking. We do not feel it would be appropriate to email users each and every time their account successfully logged in, although we will investigate the possibility of a notification on failed login
Implementation date	31 st March 2020

Matter arising 2 – Timely access deprovisioning.

Findings	It was noted that a leavers SX3 access was only revoked upon one of the application owners receiving an 'out of office' email from the leaver's email account. No ticket or email request was submitted to inform SX3 admins of the leavers departure.
Recommendation	It is recommended that leaver's access is revoked in a timely manner
Priority	Medium
Benefit of Implementing Recommendation	Weak password parameters settings significantly increase the risk of brute force attacks and could result in unauthorised individuals gaining inappropriate access to confidential data.
Accepted in full by management	Accepted
Management response	Currently discussing with the management team and accept the matter raised
Implementation date	31 st March 2020

Matter arising 3 – Related Party Transactions

Findings	Related party Transactions have the same authorisation requirements as standard transactions
Recommendation	Related Party Transactions should have a specific authorisations requirements to respond to the risk related party transaction inherently present.
Priority	Medium
Benefit of Implementing Recommendation	It is recommended that the Council review's the authorisation process for related party transactions given the inherent risk due to the nature of the type of transaction.
Accepted in full by management	Accepted
Management response	This matter will form part of the department's year end process review. Any weaknesses identified will be amended
Implementation date	31 st March 2020

Matter arising 4 – Payroll Controls – Processing of timesheets

Findings	We identified that currently all Payroll officers are responsible for the checking and inputting of timesheets onto the payroll system. At the end of each month one Payroll officer will be responsible for checking the data input into the payroll system (this alternates between the three officers). This means that the member of staff completing the checking will check the data inputted by themselves, and therefore there is not complete segregation of duties
Priority	Medium
Recommendation	It is recommended that the council introduce complete segregation of duties in relation to the processing of timesheets.
Benefits of implementing the recommendation	This mitigates the risk that cash can be paid to fictitious employees.
Accepted in full by management	Accepted
Management response	Currently the payroll team and creditors team are undergoing a restructure. This restructure is based upon creating resilience within the team as well as allowing for segregation of duties. The restructure is currently under way and should be implemented early in the next financial year.
Implementation date	30 th June 2020

Matter arising 5 - Payroll Controls

Findings	We identified as part of our New Joiners walkthrough that a payroll member of staff can create a new starter and update the individual's bank details in addition to members of the HR department.
Priority	Medium
Recommendation	It is recommended that Payroll members of staff do not have the ability to set up new starters and update the individual's bank details and these functions are reserved to HR staff.
Benefits of implementing the recommendation	This mitigates the risk that cash can be paid to fictitious employees.
Accepted in full by management	Accepted
Management response	Currently the payroll team and creditors team are undergoing a restructure. This restructure is based upon creating resilience within the team as well as allowing for segregation of duties. The restructure is currently under way and should be implemented early in the next financial year.
Implementation date	30 th June 2020

Appendix 4

Recommendations arising from our 2017-18 financial audit work

We set out all the recommendations arising from our 2017-18 audit with management's response to them. We have followed these up during the 2018-19 audit and have recorded the results below.

Multiple Systems – Passwords	
Findings	<p>We noted a number of weaknesses in the password parameters configured on the Resource Link Application and Database as below:</p> <p><u>Resource Link Application</u></p> <p>The following weaknesses were identified with the Resource Link application password parameters:</p> <ul style="list-style-type: none"> - Minimum Password Length = 7 characters; - Password History = Not Set; - Password Expiry = Not Set; - Lockout Threshold = Not Set; and, - Lockout Duration = Not Set <p>In aggregate this means that users may choose simple, easy to guess passwords, which would be in contradiction to the Council's security policy and increase the risk that their accounts could be accessed inappropriately.</p> <p><u>Resource Link Oracle Database</u></p> <p>The following weaknesses were identified with the Resource Link Oracle Database application password parameters:</p> <ul style="list-style-type: none"> - Minimum Password Length = Not Enforced; - Password History = Unlimited; - Password Expiry = Unlimited; - Password Complexity = Not Enforced; - Lockout Threshold = 10 attempts; and, - Lockout Duration = 1 minute <p>Weaknesses in password controls increases the vulnerability of the system to brute force attacks and hence raises the risk of unauthorised parties gaining access to systems or data. Databases should especially be protected given that they give direct access to the data.</p> <p>Additionally, with the GDPR legislation, all applications holding personal data should have stringent password parameters to ensure no data is lost which could result in financial penalties for the council.</p>
Priority	High

Multiple Systems – Passwords	
Recommendation	<p>It is acknowledged that management have already taken steps to align all systems with Windows AD password settings and to revise the password policy in line with the NSCS guidance. This will see the password expiry increase from 1 month to 12 months and password length from 7 characters to 9 characters. We however recommend implementing minimum password length of 12 characters and implementing monitoring controls to ensure that user accounts are kept secure from unauthorised access. The monitoring controls include:</p> <p>i) Monitoring logins to detect unusual use; ii) Notifying users with details of attempted logins, successful or unsuccessful; they should report any for which they were not responsible.</p>
Benefits of implementing the recommendation	Maximising controls in place over authentication to systems will reduce the risk of data being inappropriately accessed.
Accepted in full by management	Rejected
Management response	<p>The NCSC guidance states that if password are too long in length end users will be more likely to write them down. 9 Characters offers increased security over the previous 7 but also reduces the likelihood of users writing passwords down, which is against our IT Security Policy.</p> <p>Our Intrusion Prevention and Detection system monitors the network for potentially malicious traffic and/or actions, multiple failed login attempts to Active Directory is one of these parameters.</p> <p>Our domain login policy forces account lockout after 3 failed login attempts, at which point the user must contact the IT Service Desk to request unlocking.</p> <p>We do not feel it would be appropriate to email users each and every time their account successfully logged in, although we will investigate the possibility of a notification on failed login.</p> <p>The changes noted by the auditor have only recently been implemented, a review will be carried out in 6 months.</p>
Implementation date	N/A
Follow Up	We have raised a revised recommendation in relation to our findings in 2018/19.

Matter arising 1 - Payroll Controls	
Findings	We identified as part of our New Joiners walkthrough that a payroll member of staff can create a new starter and update the individual's bank details in addition to members of the HR department.
Priority	Medium
Recommendation	It is recommended that Payroll members of staff do not have the ability to set up new starters and update the individual's bank details and these functions are reserved to HR staff.
Benefits of implementing the recommendation	This mitigates the risk that cash can be paid to fictitious employees.
Accepted in full by management	Accepted
Management response	The process surrounding new starters and timesheets will change significantly as we continue to roll out the improvements to the Northgate HR/Payroll System. All new starters will be processed by HR (through the web recruitment function). Access levels of members of staff will be reviewed and amended as relevant once the process is complete.
Implementation date	December 2018
Follow Up	Recommendation to be re-raised – issue still occurring.

Matter arising 2 - Bank Reconciliations	
Findings	We identified during our walkthrough of the treasury business process that monthly bank reconciliations at the Council had not been undertaken since August 2017.
Priority	Medium
Recommendation	It is recommended that bank reconciliations are undertaken on a monthly basis.
Benefits of implementing the recommendation	This will mitigate the risk of misallocation of cash and improves the timeliness of identifying issues with cash balances.
Accepted in full by management	Accepted
Management response	Changes in the cash management system will lead to greater automation and simplification of processes which will help ensure that the bank reconciliations are completed in a timelier manner.
Implementation date	September 2018
Follow Up	Our walk through identified the December 2018 Bank reconciliation was completed. Recommendation closed.

Matter arising 3 – Housing Benefit Reconciliation

Findings	We identified that over three years, 900k of revenue from the housing benefit system SX3 was not recognised due to no reconciliation taking place between the SX3 system and a Finance system general ledger code.
Priority	Medium
Recommendation	It is recommended that a reconciliation between SX3 and the Finance system is prepared and reviewed on a monthly basis.
Benefits of implementing the recommendation	The Council recognise all revenue due.
Accepted in full by management	Accepted.
Management response	Reconciliations will now commence on a regular basis
Implementation date	September 2018
Follow Up	Recommendation Closed. Reconciliations Occur on a regular basis.

Matter arising 4 – Payroll Controls – Processing of timesheets

Findings	We identified that currently all Payroll officers are responsible for the checking and inputting of timesheets onto the payroll system. At the end of each month one Payroll officer will be responsible for checking the data input into the payroll system (this alternates between the three officers). This means that the member of staff completing the checking will check the data inputted by themselves, and therefore there is not complete segregation of duties
Priority	Medium
Recommendation	It is recommended that the council introduce complete segregation of duties in relation to the processing of timesheets.
Benefits of implementing the recommendation	The Council will mitigate the risk of fraudulent time hours being paid.
Accepted in full by management	Partially-accepted
Management response	There is segregation of duties with the Payroll Assistants entering the timesheets. These are then checked and processed by the Payroll Officer relevant to that payroll. In addition, once the HR/Payroll Northgate improvement project has been implemented, the procedures and segregation will be further improved. For example, the majority of employees will input their own timesheets, these will be authorised by their manager. This will free up payroll officers' time for checking and examining exception report.
Implementation date	December 2018
Follow Up	Recommendation to be re-raised – issue still occurring.

Matter arising 5 – Revaluation Controls – review of postings of revaluations

Findings	It was identified that the postings of the change in fair value of assets to the revaluation reserve and CIES had been made incorrectly.
Priority	Medium
Recommendation	It is recommended that a separate review is performed on the postings of the revaluation movements to the reserves.
Benefits of implementing the recommendation	The Council will mitigate the risk of incorrect postings to the revaluation reserve.
Accepted in full by management	Accepted
Management response	The revaluation worksheet was reviewed but will be reviewed more closely including checking all formulas.
Implementation date	For 2018/19 accounts
Follow Up	No issues noted identified as part of our testing. Recommendation Closed.

Matter arising 6 – Related Party Transactions

Findings	We identified that a number of related party transactions were not disclosed in the initial version presented to audit. Furthermore, some related party figures were incorrectly reported.
Priority	Medium
Recommendation	It is recommended that management review the related party disclosure, and ledger.
Benefits of implementing the recommendation	The Council will appropriately disclose its related party transactions.
Accepted in full by management	Accepted.
Management response	A review will be undertaken during 2018-19 of the related parties and will be reconciled to the ledger in order for accurate reporting.
Implementation date	March 2019
Follow Up	We identified as part of our audit testing that a number of related party transactions were not disclosed in the financial statements. Recommendation re-raised.

Matter arising 7 – Rent Collection

Findings	We identified that increases in rent were not fully implemented within the housing system. We identified one property should have had a rent increase to £99.13. However we evidenced that the rent was recorded as £92.34.
-----------------	---

Priority	Medium
Recommendation	It is recommended that the Council pass on the full rent increases, implementing a system of review that confirms all rent increases have been applied.
Benefits of implementing the recommendation	The Council will increase the level of income from its housing stock.
Accepted in full by management	Partially Accepted
Management response	For the period that the old rent amount was recorded the property concerned was void. When the property was let the rent was increased to the correct rent figure of £99.13. Therefore, there was no loss of rental income apart from the property being vacant. The Housing Department records changes to rents and these are reviewed each year.
Implementation date	March 2019
Follow Up	Our walkthrough of controls in relation to housing benefit did not identify any issues.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

CYNGOR SIR YNYS MON / ISLE OF ANGLESEY COUNTY COUNCIL	
MEETING:	AUDIT & GOVERNANCE COMMITTEE
DATE:	3 September 2019
TITLE OF REPORT:	INFORMATION GOVERNANCE – SENIOR INFORMATION RISK OWNER’S ANNUAL REPORT FOR 1ST APRIL 2018– 31ST MARCH 2019
PURPOSE OF THE REPORT:	To Inform Members as to the Level of Compliance and Risk
REPORT BY:	SIRO/Monitoring Officer Ext. 2586 lbxcs@ynysmon.gov.uk
CONTACT OFFICER:	SIRO/Monitoring Officer Ext. 2586 lbxcs@ynysmon.gov.uk

Purpose of this report

To provide the Audit and Governance Committee with the Senior Information Risk Owner’s analysis of the key Information Governance (IG) issues for the period 1 April 2018 to 31 March 2019 and to summarise current priorities.

Introduction

This report provides an overview of the Council’s compliance with legal requirements in handling corporate information, including compliance with the General Data Protection Regulation; Data Protection Act 2018; Freedom of Information Act 2000; Regulation of Investigatory Powers Act 2000 (Surveillance) and relevant codes of practice.

The report also includes assurance of on-going improvement in managing risks to information during 1 April 2018 to 31 March 2019. It reports on the Council’s contact with external regulators and provides information about security incidents, breaches of confidentiality, or “near misses”, during the relevant period.

Background

For the purpose of this report, Information Governance (IG) is defined as how the Council manages and uses personal information; that is information about people, be they service users or employees.

The Council collects, stores, processes, shares and disposes of a vast amount of information. Specifically, though, holding and using information about people includes inherent risk of loss, damage or inadvertent disclosure. Personal data is also expensive to gather, use and hold, and, when things go wrong, it is expensive to replace. It follows that it should be managed as efficiently as all other valuable Council assets, like people, business processes and infrastructure.

The Council must meet its statutory responsibilities effectively and protect the personal information it holds throughout its life cycle; from creation, through storage, use, retention, archiving and deletion.

Significant breaches of data protection legislation may result in monetary penalties. Additionally, if data about individuals is wrongly shared or disclosed, thereby causing them harm (distress and/or tangible damage) they are entitled to compensation.

Information Governance at the Council

It is considered good practice to have a SIRO to provide information governance direction and leadership at a senior level. This role is undertaken here by the Head of Function (Council Business) and Monitoring Officer.

The SIRO receives regular updates on how well each Service is performing in key information management areas. The SIRO escalates information governance risk to the other members of the Council's Senior Leadership Team and recommends mitigations to the relevant Heads of Service.

Other IG roles within the Council include:

- **Data Protection Officer** – the role is created by the GDPR and Data Protection Act 2018
- **Corporate Information and Complaints Officer**
- **Information Asset Owners** - Heads of Service who 'own' the assets and are responsible for making sure their information assets properly support the business, and that risks and opportunities connected with it are monitored and acted upon (included within current job descriptions);
- **Information Asset Administrators** – nominated officers who ensure that policies and procedures are followed, recognise actual or potential

security incidents, and maintain the information asset registers (included within current job descriptions);

- **Internal Audit**

The number of data security incidents recorded by the Council during the period 1 April 2018 to 31 March 2019

Data security incidents (18/19): 29 incidents

Level 0 – Level 1 (near miss or confirmed as a data security incident but **no** need to report to ICO and other regulators)

26

Level 2 incidents (data security incident that **must** be reported to the ICO and other regulators (as appropriate).

3

Category Level 0 -1	Number
Disclosed in error	19
Lost data/ hardware	5
Technical security failure	1
Other – misplaced hardware	1
Category 2	Number
Lost data	1
Disclosed in error	2

For the purposes of comparison, the number of **Data security incidents (17/18): 20 incidents**

Freedom of Information Act 2000 requests and complaints

Freedom of Information Act requests

During 1 April 2018 to 31 March 2019, the Council received **1052** requests under the Freedom of Information Act 2000 which contained **7532** questions in total.

Freedom of Information Act Internal Reviews

During the period of the report, there were 20 requests for an Internal Review of an FOIA response.

In 9 cases, the review upheld the original responses.
One case was not upheld and a new Section 1 response was sent.

1 request was refused as a response has been sent prior to receipt of the request for an internal review.

Freedom of Information Act Appeals to the ICO

6 appeals were lodged with the ICO in this period,

4 cases – the Council were asked to send responses

1 case was withdrawn

1 case – the Council's response was upheld

Information about the number of data protection complaints made to the Council during 1 April 2018 to 31 March 2019 by individuals about its processing of their personal information.

Data Protection Act Complaints to the Council
8 DPA complaints were made and investigated
2 pre and 6 post GPR

Information about the number of data protection complaints from individuals about the Council's processing of their personal information which were investigated by the Information Commissioner's Office (ICO) during 1 April 2018 to 31 March 2019.

Data Protection Act Complaint Investigations by the ICO
No DPA complaints were investigated by the ICO

Information about the number of data protection Subject Access Requests and the Council's compliance during 1 April 2018 to 31 March 2019.

Subject Access Requests and compliance
46 SARs were received
81 % responses sent within the statutory deadline for SARs and complex SARs.

Regulatory Oversight

Oversight of aspects of IG is provided by a number of regulators, reflecting the legislation and codes of practice which relate to it. The Council is required to routinely report to the regulators on a number of issues and, where required to do so, on an ad-hoc basis, in respect of certain matters. The regulators are listed below.

Information Commissioner

The Information Commissioner is responsible for enforcing and promoting compliance with the Data Protection Act 2018 and the GDPR; the Freedom of Information Act 2000; the Privacy and Electronic Communications Regulations; the Environmental Information Regulations; the Re-use of Public Sector Information Regulations; the INSPIRE Regulations. These are legislation that impact the way the Council uses information and, when the legislation creates an access to information regime, the way the Council ought to respond to requests.

The Information Commissioner has power to assess any organisation's processing of personal data against current standards of 'good practice'. This can result in enforcement action, as is the case with Freedom of Information Act requests, or enforcement action and fines, as is the case with data protection.

The Investigatory Powers Commissioners Office

The Investigatory Powers Commissioners Office (IPCO) oversees the conduct of covert surveillance and covert human intelligence sources by public authorities in accordance with the Police Act 1997 and the Regulation of Investigatory Powers Act 2000 (RIPA). The RIPA regime aims to ensure that directed surveillance is carried out in a way which is compliant with human rights. This is achieved through a system of self-authorisation by senior officers who have to be satisfied that the surveillance is necessary and proportionate; the self-authorisation must then be judicially approved.

The Council makes very little use of covert surveillance and covert human intelligence sources; please see Appendix 1.

The Council's processes and practices were inspected by the IPCO during September 2018.

The Investigatory Powers Commissioner stated in his report that the Council

“demonstrated a level of compliance that removes, for the present, the requirement for a physical inspection....

Your Council was found to have a good policy and guidance document and has provided training for authorising officers and applicants [since the last inspection]”.

The Commissioner required that the Council:

- **Undertake a review of its extant CHIS authorisation**
This was done on 3 October 2018
- **Minor amendments to the Council’s Policy documents**
These were made in October 2018
- **Provide refresher training for authorising officers and applicants**
The training was placed on the Data Protection Action Plan (the ‘Plan’, see Appendix 2) and will be delivered outside the period of this report as other areas were deemed to be a priority

Office of Surveillance Camera Commissioner

The Office of Surveillance Camera Commissioner (OSCC) oversees compliance with the Surveillance Camera Code of Practice (the Code). The office of the Commissioner was created under the Protection of Freedoms Act 2012 to further regulate CCTV and Surveillance Cameras.

In February 2019, the Surveillance Camera Commissioner wrote to the Council and all local authorities to recommend that the Data Protection Officers of each authority be designated as Senior Responsible Owners (SRO) for CCTV and Surveillance Cameras. This step was intended to strengthen the connection between the Code and data protection governance within local authorities. It is likely that this step will lead to further developmental work.

However, the corporate work-plan for data protection includes elements which are intended to improve the Council’s governance of its CCTV and Surveillance Camera systems in order to demonstrate compliance with the

legislation and the Code. This work is in progress outside the period of the report.

Data Protection Action Plan

Following on from the initial period of GDPR implementation, analysis of the Council's data protection assurance documents suggested key areas for further development and investigation. These elements were incorporated into a plan for the year. The Plan (see Appendix 2), which was endorsed in November 2019 by the Council's Senior Leadership Team, is intended to provide evidence of compliance on a detailed operational level and to introduce necessary improvements in areas of higher risk. Implementation of GDPR/DPA 2018 was not an event, but a process of continuous improvement.

The Plan seeks to address issues which present the highest risks to the Council within the Services which are deemed themselves to be high risk because of the nature of the personal data processing that occurs within those Services. This is why particular attention is given to *Children and Families Services*, *Adult Services*, *Learning* (which includes the Local Education Authority) and *Housing*.

Progress Against the Action Plan during the period of the report

Training

1. Data Protection training

The importance of training as a safeguard of data protection compliance is clear. Whereas the Council has trained on data protection matters since 2013, the introduction of the new data protection legislation in 2018 required fresh training across the board.

1.1 E-Learning

In May 2018, a mandatory e-learning module was introduced for all staff to provide a foundational level of knowledge about the requirements of the GDPR.

During the period covered by this report, the participation of staff within the Council's Services with the e-learning is shown below:

Adults	59%
Children and Families	98%
Transformation	88%
Council Business	100%
Highways, Waste and Property	32%
Housing	82%
Learning	40%
Regulation and Economic Development	54%
Resources	89%

The e-learning module was also made available to County Councillors and Co-Opted Members of the Council. Completion of the e-learning module (or attendance at the trainer-led sessions) was mandatory.

During the period of this report the participation of Members with the data protection training is shown below:

Member participation with data protection training
Elected Members' participation: 64%
Co-opted Member's participation: 19%

However, the e-learning module highlighted the need for further training to encourage responsibility and ownership for personal data within services by Council officers.

Other methods of training were therefore delivered during the period of the report as discussed below.

1.2 Trainer led learning

In order to be effective, training has to be relevant to practical work situations; this is known to be an effective way to develop a culture of awareness and personal responsibility.

A training module was developed which was intended for staff roles which the Council's record of data security incidents demonstrate to have a key role to play in ensuring data security and compliance with the legislation.

The training was delivered to frontline staff and middle managers, roles which are important to ensuring data security and ensuring that the Council procures services and develops its business activities in a compliant way that incorporates *Privacy by Design and Default*. (i.e. systems and processes).

A series of trainer led sessions was held for staff in the key roles identified by their Head of Service. The training was attended by 61% of those required to attend. The sessions were well received by attendees and a further round of sessions has been arranged to “mop up” those who did not attend the first session.

Attendance by Services is shown below and includes only those nominated for attendance by the Heads of Service

Adults / Oedolion	59%
Children and Families / Plant a Theuluoedd	57%
Transformation / Trawsnewid	100%
Council Business / Busnes y Cyngor	100%
Learning / Dysgu	62%
Regulation and Economic Development Rheoleiddio ac Datblygu Economaidd	53%
Resources / Adnoddau	66%

A trainer led session was also held for Members. The attendance of Co-opted Members was not mandatory.

A Data Protection Basics training book was developed in draft during the period of this report, in order that managers could deliver effective training to staff who do not have access to the Council’s network or email accounts. The training is paper based and incorporates a testing element. The initial draft was considered too technical during testing, and a new draft was prepared. The Council is seeking the views of the Information Commissioner on the content.

Two training sessions on Data Subject Access Requests were held for key staff with specialist roles and responsibilities for subject access requests undertaking this role within their respective Services. Attendance of relevant staff was 100%.

2. Freedom of Information Act 2000 Training

Access to information law is complex and it is important that the Council arranges regular training for staff with responsibility to respond to access to information requests. The number of requests received is increasing year on year; as discussed above, the Council received 7532 questions during the year. This places a considerable burden on a limited resource particularly when the compliance officers responsible for issuing responses to requests have other duties within their respective services. As the risks of non-compliance with a fast changing legal framework are increasing, the importance of training is amplified.

During the period of the report a review of the key contacts for Freedom of Information Act 2000 requests (and other access to information regimes) was undertaken. The number of contact officers has been increased to include deputies, which will improve compliance rates during times of annual leave or sickness absence.

Training was not delivered during the period of the report, but has now been arranged for delivery in Autumn 2019.

3. RIPA Training

Following on from the recommendations of the Investigatory Powers Commissioner, a review of the training needs of the Council's Authorising Officers was arranged. This was prompted by a comment made by the inspector that for a Council that makes limited use of RIPA, fewer Authorising Officers could be better than training a larger number of Authorising Officers.

The SIRO decided to pause the review in order to focus on other elements of the Data Protection Action-Plan, because of its low use and judicial oversight made it a low risk to the Council. The review and delivery of the training is due to take place during 2019-20.

Consent Audit

Aside from training, the most important key element of the Work-Plan was to audit the reliance of the Council's Services on consent as a basis for processing personal data. The risks of making inappropriate uses of consent as a basis for processing personal information are high. Similarly, using appropriate consent incorrectly can result in regulatory action.

Consent has been used inappropriately throughout the public sector for a number of years. It was seen as being convenient and more inclusive of people's interests than relying on the statutory powers which drive the Council's functions.

The new legislation places a duty on the Council to review its uses of consent and take remedial action if consent is not the appropriate legal basis for processing personal data.

During the period of the report, a survey was developed and undertaken in order to provide an objective means of analysing each interface the participating Services have with the public, be this paper forms or web-based forms. Undertaking the survey has been time intensive, because it was often not apparent to the Services themselves that reliance on consent was being utilised and that it was often inappropriate. A common feature was that, as part of trawling for points of contact with the public, additional forms came to light. The audit has resulted in increased intelligence about the Services' processes.

The Council's **Social Services** (Children and Families, and Adults) made excellent progress during the period of the report. Quality assurance of the survey results by the Data Protection Officer has commenced. The quality assurance work will be completed by the end of August 2019.

The Council's **Housing Service** also made excellent progress with the audit, nearing its completion by the end of the period covered by this report. It is anticipated that the quality assurance element will be completed by December 2019.

The Council's **Learning Service** however made little progress with the audit. Some work has been undertaken by managers but the audit lagged behind schedule. It is possible that other factors exhausted the Services' capacity during the period, including complex subject access requests.

Work to quality assure the audit continues after the period of this report.

CCTV Assurance

The Surveillance camera elements of the Work-Plan were developed in anticipation of the Surveillance Camera Commissioner's renewed interest in local authorities. The legislative framework for surveillance camera systems

is complex, which places greater responsibilities on the Council to audit its use of CCTV.

During the period of the report, a draft Council policy was developed in accordance with the Data Protection Action-Plan and an audit, which captures all the relevant elements of the SCC's *Code*, was developed in draft. The audit is a foundational step in the creation of a new corporate asset register.

The use of the SCC's Data Protection Impact Assessment for Surveillance Camera Systems was adopted by the Data Protection Officer.

Assurance will be reported in next year's report.

The Council is not responsible for the compliance of schools with the legislation or the Code.

Recommendations

The SIRO makes recommendations to the Committee that:

- i. all Members who have yet to undertake the e-learning data protection module do so within three months of this meeting;
- ii. the Learning Service ensures that adequate resources are allocated to ensure that the consent audit is completed by the end of March 2020;
- iii. the Council's audit of its CCTV systems is supported by the Services;
- iv. the Data Protection Officer for Schools considers the risks of CCTV and provides support and guidance to the schools on best practice;
- v. the Committee endorses the remaining actions on the Data Protection Action-Plan as reflecting the information governance risks currently facing the Council.

Appendix 1

Summary of annual return made to the Investigatory Powers Commissioner's Office in respect of the Regulation of Investigatory Powers Act.

Regulation of Investigatory Powers Act		
i.	The number of applications made for a CHIS authorisation?	1
ii.	Of these, the number of applications made for a Juvenile CHIS authorisation?	Nil
iii.	The number of CHIS authorisations successfully granted?	1
iv.	Of these, the number of Juvenile CHIS authorisations successfully granted?	Nil
v.	The number of urgent applications made for a CHIS warrant?	Nil
vi.	Of these, the number of urgent applications made for a Juvenile CHIS authorisations?	Nil
vii.	The number of CHIS authorisations granted in an urgent case?	Nil
viii.	Of these, the number of Juvenile CHIS authorisations granted in an urgent case?	Nil
ix.	The number of CHIS authorisations that were renewed?	Nil
x.	The number of CHIS authorisations that were cancelled?	Nil
xi.	The number of CHIS authorisations extant at the end of the year?	1
xii.	The number of applications made for a Directed Surveillance authorisation?	Nil

Appendix 2

Data Protection Action Plan

Action	Description		Start date	End date	RAG Status
1. Training	Address identified data protection and other information governance training needs.	1.1 Identify data protection training	1/11/18	30/3/19	Green
		(1) To ensure that staff identified by the Heads of Service receive additional data protection awareness training;	1/12/18	Within 2 months of training	
		2) To develop a data protection training workbook	15/11/18	1/4/19	Yellow
		(3) To ensure that members have access to e-learning module.	15/11/18	30/5/19	Green
		1.2 Identify RIPA training	15/11/18	1/04/19	Red
2. To review the use of consent as a lawful ground for processing and to review consent recording processes	Audit the use of consent in: Adults; Children; Housing, Education forms. Also to challenge the reliance on consent as a lawful basis by partners.	1.3 General FOIA training to ensure that FOIA Contact Officers are trained to respond effectively.	30/11/18	1/4/19	Yellow
		Using the Article 30 ROPA as a reference tool, to require relevant Heads of Service to initiate a review to identify where Service customer facing forms refer to consent, or where the use of consent by partners is demonstrated. To commence in (a) Children's; (b) Housing; (c) Adults; (d) Learning, at monthly intervals.	30/11/18	31/5/19	

3. Review and audit Council CCTV systems	To provide the Council with a suitable CCTV Policy and identify key contacts within services, ensure compliance with current Codes and legislation.	In addition to preparing a policy statement and governance arrangements, a desktop audit of current systems and signage must be undertaken, including audit of compliance with data subject rights.	1/1/19	30-6-19	
4. Review RIPA Key Staff	To ensure that the Council has adequate arrangements for RIPA authorisations.	Ensure that relevant Services have RIPA Authorising Officers.	15/11/18	30/12/18	
5. To develop and monitor the Council's Article 30 ROPA	Following on from item 2, to develop the ROPA by including links to Privacy Notices, Sharing Protocols, major Contracts or Data Processing Agreements	To work with (a) Children's Services and (b) Housing to represent all major Sharing Protocols, major Contracts or Data Processing Agreements on the ROPA.	1/7/19	1/12/19	
To develop resources on the Council's Intranet and Policy Portal.	The information on the Intranet (Monitor) is out of date. The pages require revision to provide appropriate information.	Review and refresh data protection content on Monitor; Review and refresh FOIA content on Monitor	1/1/20	1/6/20	

This page is intentionally left blank

CYNGOR SIR YNYS MON / ISLE OF ANGLESEY COUNTY COUNCIL	
MEETING:	AUDIT & GOVERNANCE COMMITTEE
DATE:	3rd September 2019
TITLE OF REPORT:	CONCERNS, COMPLAINTS AND WHISTLEBLOWING 2018-2019
PURPOSE OF THE REPORT:	Assurance on Policy Compliance
REPORT BY:	Head of Function (Council Business)/Monitoring Officer
CONTACT OFFICER:	Corporate Information and Complaints Officer Ext. 2588 bjxcs@ynysmon.gov.uk

CONCERNS AND COMPLAINTS

Introduction & Summary

1. This report provides information on issues arising under the Council's [Concerns and Complaints Policy](#) for the period 1st April 2018 – 31st March 2019. The report is also intended to include any whistleblowing disclosures made during the same period.
2. This report includes Social Services complaints but only those where the complainant is not a service user. Service user complaints are dealt with under the [Social Services Policy – Representations and Complaints Procedure for Children and Adults](#). These are reported annually to the Corporate Scrutiny Committee.
3. Complaints may provide valuable information about how we are performing, what users think of our services, and how and where we should focus improvements.
4. During the period 1st April 2018 – 31st March 2019, 62 concerns were received and 76 complaints were made. Of the 76 complaints, one (Housing) remains open as the required works have not been completed and another (Planning) is on hold as the Council is waiting to hear from the Public Services Ombudsman for Wales (PSOW). Therefore, 74 complaints have been investigated and responded to during this period.

The PSOW defines a “concern” as an expression of dissatisfaction that can be resolved ‘there and then’, at the initial point of contact, or very soon thereafter. A complaint is usually more serious in nature, may often not be possible to remediate, and generally requires an investigation into the circumstances before a response or resolution can be achieved.

5. Of the 74 complaints dealt with during the period, 16 were upheld in full, 7 were partly upheld and 51 were not upheld. 9 complaints were escalated to the PSOW, 5 were rejected by the PSOW and 4 complaints (Resources) were resolved by early resolution. Each of the 9 complaints escalated to the PSOW had been through the internal process.

6. The number of complaints investigated this year remains at around the same level as 2017/2018 and these are shown in the table below.
7. The Council also publishes [complaints data](https://www.anglesey.gov.uk/en/Council/Council-complaints-statistics.aspx) monthly
<https://www.anglesey.gov.uk/en/Council/Council-complaints-statistics.aspx>
8. The overall rate of responses to complaints issued within the specified time limit (20 working days) was 92.6%. When responses are late, services are expected to send a 'holding response' to the complainant to keep them informed of progress and to explain reasons for the delay and to give an estimated response time.

Summary of Concerns and Complaints by Service for 2018 – 2019

Service	No. of concerns	No. of complaints	No. upheld	No. partly upheld	No. rejected	No. of late responses
Corporate Transformation	-	1	-	-	1	-
Cyswllt Môn	-	1	-	-	1	-
*Cyswllt Môn / Resources	-	1	-	1	-	-
Democratic Services	-	1	-	-	1	-
Economic Development	3	1	1	-	-	-
Resources	16	18	4	2	12	5
Highways	6	9	4	-	5	-
Housing	6	12	4	-	8	2
Housing/ Planning	-	1	-	-	1	-
Human Resources	-	2	1	-	1	-
Legal	-	2	-	-	2	-
*Legal/Planning	-	1	-	-	1	-
Leisure	8	1	-	-	1	-
Learning (excludes schools)	8	5	2	1	2	-
* Learning/ Highways	-	1	-	-	1	-
Planning	4	14	-	1	13	-
*Planning/Highways / Economic Development	-	1	-	1	-	-
Property	-	1	-	-	1	-
Public Protection	2	-	-	-	-	-
Waste Management	9	3	-	1	2	-
Totals	62	76 (2 not responded to)	16	7	51	07

* Relates to more than 1 service

From an analysis of the table above, 9% (up from 5% in 2017/2018) of the complaints received resulted from escalated concerns but this continues to indicate that Services are dealing effectively with concerns and thereby limiting formal complaints. Complainants may take their complaints directly to the formal, internal complaints process and, of the complaints received, 77.5% followed this route whilst the remaining 13.5 % (10 of the 74) were sent to the Council by the PSOW who refused to deal with them until the internal Council process has first been exhausted.

9. Lessons Learnt

The [Concerns and Complaints Policy](#) places an emphasis on learning lessons from complaints and thereby improving services. Previous recommendations endorsed by this Committee have now become embedded as part of business as usual when dealing with complaints.

As mentioned above, during 2018/19, 16 complaints were upheld and 7 complaints partly upheld. **Enclosure 1** explains what lessons have been learnt and any practice which has evolved as a consequence of these findings.

10. Complaints to the PSOW

Complaints about Services

There is no internal right of appeal against a decision reached in response to a complaint, but the [Concerns and Complaints Policy](#) includes the option of escalating a complaint to the PSOW when the complainant remains dissatisfied with the Council's response.

There were 18 complaints relevant to this process, within the timescale of the report, lodged with the PSOW. 9 were escalated following formal responses under the Council's Complaints Procedure and 9 were complaints made direct to the PSOW.

Having received these, only 1 was considered sufficiently serious to warrant an investigation, but this was dealt with by way of the Council agreeing to an early voluntary resolution. This was a Highways matter.

Complaints about Members

Any complaint against an elected member must be based on an alleged breach, or breaches, of the Members' Code of Conduct, with the PSOW exercising 'first sift' jurisdiction (i.e. assessing merit) before deciding if, and how, to proceed.

During 2018/19, one code of conduct complaint was received by the PSOW against a County Councillor but was closed after initial assessment. There were no investigations against County Councillors.

Limited information about such complaints is formally reported to the County Council's Standards Committee twice a year.

<http://democracy.anglesey.gov.uk/ieListMeetings.aspx?CId=148&Year=0&LLL=0>

For the sake of completeness, complaints about the elected members of Town and Community Councils, in relation to the same Code of Conduct, are also reported twice a year to the County Council's Standards Committee.

There are also summaries available in the PSOW's quarterly Casebook Summary which can be found at <https://www.ombudsman.wales/code-of-conducts/>

11. Language Related Complaints

No formal complaint was received during the year.

However, four expressions of concern were received and recorded. These related to the following issues:-

- The first related to the inability to report a pothole in Welsh
- The second related to an English only automatic acknowledgement received from the Electoral Service.
- The third related to a Social Services assessment conducted by a learner
- The final concern related to the Welsh Croesomon website treating Welsh beach names less favourably than the English version.

All four issues were resolved without escalating into formal complaints.

Any other complaints relating to the Welsh language are reported annually in the [Welsh Language Standards Annual Report](#).

In addition, the public have the right to complain direct to the Welsh Language Commissioner but these complaints are not sent back to the Council to be investigated and are not therefore included in this report. Any such complaints are noted in the Welsh Language Standards Annual Report which is published on the Council's Website by the 30th June every year:- <https://www.anglesey.gov.uk/en/Council/Welsh-language-standards/Language.aspx>

WHISTLEBLOWING

12. The Council's [Whistleblowing Policy](#) and local Guidance document was devised to encourage and enable employees to raise those concerns, which fall within the ambit of the Policy, without fear of victimisation or discrimination. Whistleblowing is the popular term used when a member of staff (it includes contractors but does not relate to the public or elected members) raise concerns about fraud, criminality, danger or serious risk that might threaten the public, their co-workers or the Council's reputation. Although outside the timeline for this report, the Policy and Guidance document were revised during May 2019. The revised Policy was published in June and became the Porth Policy Click to Accept policy for Council staff during that month. Further details will be provided in the 2019/2020 Annual Report

13. The level of information usually provided in this report has been agreed by the Senior Leadership Team as, owing to the inevitably sensitive nature of such matters, and the

Council's legal obligation to protect Whistleblowers from detriment in the workplace, only limited information will ever be disclosed.

14. During 2018/19, 1 whistleblowing concern was received and is noted below.

Date Raised	Type of Disclosure/ Reported to	Nature of Concern	Investigated	Outcome	Lessons learned	Results fed back to the Whistleblower
27.04.18	First level / Chief Executive	Alleged conflict of interest	Yes	Not upheld but other findings made	Recommendations made and monitored	Yes

* A first level disclosure means reported within the Council, as opposed to second level disclosure (to Regulators) or third level disclosure (to the media).

15. Decision/Recommendations of this Committee

1. The Committee accepts that this report provides reasonable assurance that the Council is compliant with the processes required under its **Concerns and Complaints Policy** and **Whistleblowing Policy/Guidance**.
2. That the Committee reviews the Lessons Learnt table at **Enclosure 1**, which consists of information provided by the services to the Corporate Information and Complaints Officer, and the Committee provides feedback to the services on the level of detail captured and to make recommendations for any remedial actions required e.g. particular training etc.

Upheld & Partly Upheld Complaints Reporting Form

Appendix 1

The Concerns and Complaints Policy places emphasis on learning from mistakes and putting measures in place so that the same mistakes are not repeated. An Annual Complaints Report is provided to the Council's Audit & Governance Committee in September each year. The lessons learned from upheld or partly upheld complaints are reported in a table as an attachment to that report. The table states the name of the service, the error identified and any remedial steps taken.

It is therefore essential that the information you provide at the end of each complaints investigation process clearly notes your findings and what action you have taken / intend to take, and by when, to ensure that there is no repetition of the identified error. The Committee has indicated that it may call Heads of Service to confirm that remedial actions have been taken within identified timescales.

In order to facilitate the writing of future reports you will be sent this form for completion every time you uphold or partly uphold a complaint. The information you provide will be shared with the Committee, in a public meeting.

Category description	Details / examples	Examples of action taken
Simple Error / no further action required	Genuine oversight / one off error that's been rectified/ issues experienced whilst a new system is embedded / times of high demand	Staff member spoken to and reminded of need to take care / data kept of times when demand is high
Customer Care Issue	Lack of response to correspondence / not phoning people back as promised	Clear instructions provided / customer care issues discussed at every Team meeting (minutes taken) / Services introduce and monitor some key performance indicators
Training or Supervision required	Behaviour issues or errors in interpreting instructions	Member of staff sent on training course/ supervision by more experienced member of staff
Change in policy or process	Errors in process / policy found as a result of a complaint investigation leading to changes being introduced	New forms introduced / different evidence required/ changes to routes (i.e. bin collections)

Upheld & Partly Upheld Complaints Reporting Form

Appendix 1

Ref No	Service	Error(s) identified	Remedial Action – please note category of fault (see above) and specify the action taken or intended to be taken and by when
347	Resources – benefit claim not assessed in a timely manner	Upheld – delay in assessing claim prior to recovery action	Change in policy or process. Amend instructions to staff on when a claim can be amended or suspended.
353	Resources - error identified still not written off	Upheld – incorrect treatment of joint owner on benefits claim and delay in correcting the error which led to recovery action and costs incurred by the claimant	Change in policy or process. Benefits staff to check recovery status of Council Tax debt when writing off records for overpaid benefits. Submit overpaid write offs in accordance with quarterly timetable. Assign “recovery on-hold” markers to pertinent tax year. Remind all staff of the importance of appropriate system notes and to check status of “tracked correspondence” in document management. Also staff to check Council Tax records and benefit records as to treatment of liability.
354	Resources - failure to update details on system	Upheld – failure to instruct enforcement agents not to visit property as debtor was no longer the occupier.	Simple error. Enforcement agent advised debtor no longer at property and to undertake trace for debtor.
407	Resources – invoices not received then a demand for payment sent	Upheld – failure to raise invoices promptly	Customer care issue. Failure to render bills promptly led to accumulation of debt owed and concern to a potentially vulnerable person. Review of bills that required issuing undertaken and target now set to authorise new debtors and issue bills within 3 working days. This to be monitored
372	Resources – clerical errors	Partly Upheld – the issuing of a summons could have been avoided if no errors had been made.	Customer care issue - Payments were being received for multiple years and this led to errors in allocating the payments. However, payments were being allocated in accordance with case law and when the matter went to the PSOW, no further action was deemed necessary.

Upheld & Partly Upheld Complaints Reporting Form

Appendix 1

			However, the account was allocated to one member of staff to review on a monthly basis from 6.11.18 and the problem has since been resolved.
390	Resources - Issue with council tax reduction and not being given correct advice	Partly Upheld – failure to send benefit notification letters.	Simple error – reports to be run to identify suppressed notifications.
387	Resources / Cyswllt Môn - impact of name change when submitting a claim	Partly Upheld – delay in implementing a change of circumstances and submitting on-line application form.	Simple error – continue to monitor performance on implementing changes to circumstances.
F374	Transformation /Human Resources - failure to send timesheet to payroll in timely manner	<p>Partly upheld. Historically timesheets for school based support staff were processed by the Education Personnel Department. When Education HR staff were amalgamated with the corporate HR service duties were reviewed and as such the responsibility for processing timesheets transferred to the Payroll Section (early 2017). Following transfer of the work to the Payroll Section, occasionally timesheets continued to be sent to the Transformation (HR) service. On receipt these were date stamped and hand delivered to Payroll.</p> <p>Following receipt of this complaint the need to re-affirm with schools that all timesheets should be sent to Payroll was identified. Additionally, as some schools continued to use old copies of the timesheet document, further copy of the revised template (indicating the need to submit to Payroll) was re-circulated to all schools (16/11/18).</p>	Simple error - A reminder was circulated to all schools via e-mail on the 16/11/18 together with a further copy of the correct timesheet template which stipulates that the document should be sent to the Payroll Section by the 10 th of each month (as opposed HR service).

Upheld & Partly Upheld Complaints Reporting Form

Appendix 1

405	Regulation & Economic Development – non-payment for work carried out	Upheld – payment delayed due to non-completion of a task split between two consultants.	No further action required - Apology provided and payment made. Staff member spoken to and Complainant responded to thank the Service for resolving the matter
341	Highways - delay in installing yellow lines	Upheld – issue dealt with and date given for the work to be completed.	Simple error - Apology given. Staff member spoken to and advised regarding future performance.
358	Highways - delay in undertaking white access protection strips at the junction in Beaumaris	Upheld - Instructions given to the Authority's term service contractors to carry out the works as soon as possible	Training / Supervision issue - Apologised for the delay and confirmed that a review of the performance and processes would be made to ensure that such a situation did not occur again
383	Highways - deep pooling of pavement following resurfacing in Llangefni	Upheld – issues raised found to be justified	Simple error - Simple error. Instructions to the Authority's term service contractors to carry out the works as soon as possible.
388	Transport - school bus failed to take child to school.	Upheld – miscommunication issue	Simple error - Officer apologised and explained the situation over the phone and this was accepted by the complainant.
382	Planning - Misinterpretation of e-mail received by both Highways and Tourism which was then forwarded to Planning	Upheld - E-mail interpreted as an objection to a planning application. Subsequently, the e-mail was made available to view on a public planning file. No response received from Highways and only an acknowledgement received from Tourism with no response to follow up e-mail.	Customer Care Issue - apology sent from Highways and Tourism with regards to lack of replies. This was included within the response to the official complaint compiled by the Planning Function. The misinterpreted e-mail correspondence has been removed from the public planning file once notification for the error was received. Staff to be reminded to be mindful of Corporate Customer Charter requirements to respond to correspondence.
385b	Planning	Partly upheld. Customer Care Issue – Planning Service allowing 'unauthorised developments' to continue without proper and thorough investigation.	Simple error - In view of a response to the complaint an apology was sent with regards to the length of time taken by the Enforcement Team to investigate the perceived 'unauthorised developments' which proved to be lengthy owing to the complexities of the site's Planning history. Confirmed that processes are in place and that the Local Planning Authority does not condone the wilful disregard of

Upheld & Partly Upheld Complaints Reporting Form

Appendix 1

			<p>the need for planning permission but are open to considering retrospective applications for which this should not be taken as an indication that permission will necessarily be granted.</p> <p>Steps have been put in place to strengthen the resilience and capacity of the Enforcement Team.</p>
376	Learning – damage to sports pitch.	Upheld – Contractors cut pitch when grass was wet – leaving ruts so that pitch was not fit for purpose.	Simple error / no further action required. Contractors rectified the situation and no further cutting will take place unless assessment made by supervisor. Apology given
392	Learning - handling of changes to school transport provider	Upheld – administrative errors and miscommunication identified leading to complainant believing that child’s needs were being ignored	Change in policy / process – new contract and ensuing teething troubles. Correct procedures put in place.
394	Learning - refusal to acknowledge son’s needs re: taxi to school	Partly Upheld – administrative errors / leading to the complainant believing that money more important than service provision	Change in policy / process – new contract and ensuing teething troubles. Escort provision confirmed.
343	Housing – homelessness meeting	Upheld – issues raised during the meeting	Simple error – apology given and matter discussed with relevant officer.
366	Housing – issues with heating system	<p>Upheld - Discussions were held with the tenant but following these discussions communications were not completed and it wasn’t made clear to the tenant that there had been a delay in obtaining the new heaters through our suppliers.</p> <p>During this period the staff member who had been discussing the issue with the tenant left his role, and developments were not updated to a relevant officer</p>	Customer Care issue plus problems with suppliers - Apologies provided to the tenant and a new date was set to fit the new heating system – fitted on the 13 th May 2019.

Upheld & Partly Upheld Complaints Reporting Form

Appendix 1

370	Housing – LPE 1 form and lack of response	<p>Upheld - Lack of response to correspondence / not phoning people back as promised.</p> <p>When the LPE 1 form was sent to the individual's representatives, there were elements that were incomplete or errors in the form. Then upon receiving the form back within the Council, there was a lack of co-ordination in who was going to complete relevant sections and re-send the form back to the representatives</p>	<p>Change in policy / process - The IOACC will be improving our internal procedures in dealing with LPE1 forms by ensuring that an individual officer within a Service will have the responsibility to co-ordinate the response to the LPE1 forms submitted in the future. Having a person to co-ordinate the completion of the forms will eliminate incomplete forms being sent back to individuals or their representatives, and that delays such as the one this individuals had to deal with do not happen again in the future.</p> <p>In addition there will also be a review of the current process of raising invoices for Service Charges to see what improvements could be made to the procedure following the experience noted in this complaint.</p>
414	Housing – left without kitchen & bathroom for 2 weeks	Upheld - Contracted Company went into administration, with a delay then in internal workers coming in to complete the works.	Sincerest apologies were given to the tenant and as discussed during a telephone conversation, arrangements made for a rent free 1 week period as a gesture of goodwill.
344	Waste – issues with emptying the recycling bins	Partly Upheld – issues possibly due to a change in personnel	Simple error – crew given clear instructions and no further issues reported

This page is intentionally left blank

Isle of Anglesey County Council	
Report to:	Audit and Governance Committee
Date:	3 September 2019
Title:	Policy Acceptance – Year 2 Compliance Data
Report by:	Lynn Ball, Head of Function (Council Business / Monitoring Officer)
Purpose of Report:	To inform the Audit and Governance Committee of compliance levels across the Council.

1.0 Background

The Council's policy management system - the Policy Portal - was made available to staff as an electronic library in November 2016. Policy acceptance requirements began on 24 April 2017.

A report was submitted to this Committee at its meeting on 19 September 2018 on compliance levels across the Council with regard to the following seven policies. These policies were made available for acceptance between 24 April 2017 and 30 April 2018, as determined by the Council's Senior Leadership Team (SLT):

1. Clear Desk Policy
2. Records Management Policy
3. Data Classification Policy
4. Managing Absence Policy
5. Display Screen Equipment Policy
6. Corporate Health and Safety Policy
7. Welsh Language Standards

The data presented last year did not include the Learning service. A decision was taken in April 2017 not to include the service as, at the time, its IT group contained school-based staff for which the process was not relevant. The Committee was informed that the issue had subsequently been addressed and that the Learning service was included in the process as from July 2018. The outstanding policies were assigned gradually, with all of the above policies assigned to the service by November 2018.

This report gives details of compliance for the second round of policies introduced for acceptance, as well as the Learning service's compliance levels for the first round of policies. The data presented is based on the information available as at 16/17 and 19 July 2019.

2.0 Monitoring compliance

Compliance reports, on a service-by-service basis, are submitted to the SLT at the end of the 6-week acceptance periods assigned for each policy. All policies remain available for acceptance after the closing dates so that users who have not completed a policy on time, for whatever reason, are able to catch up. Weekly email reminders generated by the Policy Portal automatically list all outstanding policies for each user. In addition, as the Portal synchronises with the Council's Active Directory (AD) overnight, any new users added to service groups are included automatically within 24 hours.

All Heads of Service also have direct access to the Portal to monitor compliance within their own services.

3.0 Compliance Levels

The following eight policies were made available for acceptance between 2 July 2018 and 3 June 2019, as determined by the SLT:

1. Data Protection Policy
2. IT Security Policy
3. Financial Procedure Rules
4. IT Acceptable Usage Policy
5. Safeguarding Policy
6. Officers' Code of Conduct
7. Email and Instant Messaging Usage Policy
8. Whistleblowing Policy

The final policy in the current series – Equality and Diversity Policy – was introduced for acceptance on 29 July and the six-week acceptance period will close on 9 September.

Appendix 1 sets out compliance levels for the above policies, both across the Council and by service, as at 16/17 July 2019. Average compliance for all policies across the Council is 95% which is the same as last year. This is compared with an average of 87% at the end of the six-week acceptance period set for each policy, which is an improvement on last year (79%).

It was reported last year that compliance in Children's Services had improved significantly, with an average compliance rate of 99% as at 24 July 2018, compared with an average of 57% at the end of the six-week acceptance periods. The service has continued to improve and has achieved a compliance rate of 100% for all eight policies and having achieved 100% at the end of the six-week acceptance period for the last four policies.

It was also reported last year that compliance in Adults Services had improved but was still lagging behind. A significant improvement can be seen as at July this year with the service achieving a 92% compliance average, compared with 78% as at July 2018.

A downward trend can be seen for Housing Services, ranging from 96% for the first policy to 69% for the latest policy (Whistleblowing Policy). The service's average compliance level as at July 2019 is 86%, compared with an average of 76% for the six-week acceptance period. It should be noted that the data presented for the Whistleblowing Policy is for the six-week acceptance period and is therefore expected to improve in due course.

As noted in 1.0, the Learning service staff have been part of the corporate process since July 2018 and were required to catch up by accepting the first seven policies in addition to accepting the second round of policies as they are released for acceptance. **Appendix 2** sets out the service's compliance levels for those first seven policies, showing an average compliance rate of 99%.

4.0 The Next Steps

As over two years had passed since users were first required to accept policies, a report was submitted to the SLT on 10 June to agree the next steps. The decisions made by the SLT as to what happens next are outlined below:

4.1 Core set of corporate policies

The number of policies in the core set will be reduced from sixteen to the following nine policies, with the first policy being introduced for re-acceptance as from 1 October 2019:

1. Display Screen Equipment Policy
2. Corporate Health and Safety Policy
3. Welsh Language Standards
4. Data Protection Policy
5. IT Security Policy
6. Corporate Safeguarding Policy
7. Officers' Code of Conduct
8. Whistleblowing Policy
9. Equality and Diversity Policy

These nine policies will be subject to acceptance only once in every two-year period, but will be available throughout that time for new staff.

Current arrangements for each click-to-accept policy will continue, ie:

- One policy at a time to be introduced for acceptance, asking staff to complete within six weeks, but policies to remain available for acceptance
- Compliance reports submitted to the SLT after the end of the 6-week acceptance periods assigned for each policy and annual compliance reports submitted to the Audit and Governance Committee

The following seven policies will therefore be removed from the core set and will revert to ‘information only’ policies in the Portal:

1. Clear Desk Policy
2. Records Management Policy
3. Data Classification Policy
4. Managing Absence Policy
5. Financial Procedure Rules
6. IT Acceptable Usage Policy
7. Email and Instant Messaging Policy

4.2 Policy acceptance requirements for targeted staff

A pilot is to be introduced, requiring middle managers to accept certain policies that are not applicable under the “click to accept” arrangements to other members of staff. The views of Heads of Service have been sought and the following three policies are being suggested for the pilot:

- Guidance for designating language skills for internal and external posts
- Managing Absence Policy
- Recruitment and Selection Policy

It is proposed that the pilot will begin in **January 2020**.

4.3 Staff without access to the Policy Portal

The Policy Portal relies on the Council’s Active Directory (AD), and includes around 1000 active users. The Portal’s reliance on the AD was recognised as a weakness from the outset and this Committee has previously raised concerns that staff who are not AD users – estimated at around 700 employees - are not included in the process, including:

Adults Services	Home Carers; Re-ablement; Care Homes; Day Services; Canolfan Byron, Supported Living	350
Children’s Services	Specialist Support Workers	21
Learning	Libraries, Youth Workers, Relief Staff, Seasonal Assistants, Cleaner	94

Highways, Waste and Property	Cleaners (including schools), Môn Community Transport, Recycling Centres, Cycling Trainers, School Crossing Patrols	204
Regulation and Economic Development	Cleaners, café staff, coaching staff	40

Some options were outlined in last year's report but it was concluded that, whilst widening the scope of the Portal to include non-AD connected staff was possible, the rollout would require significant resource and planning that went beyond the original remit of the system.

It has been acknowledged that different approaches may be required to reach the various categories of non-AD connected staff. Some alternatives to the Policy Portal have been suggested, including exploring the possibility of using MyView - the Council's electronic HR and payroll system. In order to progress this issue, discussions will take place with each relevant Head of Service, to identify the highest categories of risk and possible workable and proportionate solutions to address that risk.

4.4 Staff who are not technically employed by the Council

We have a number of staff who work for agencies, partnerships etc who are included in the automatic service groups used for the Portal. The issue of whether or not these individuals should be subject to click-to-accept has been discussed by SLT but no directive has yet been issued to services. Currently, most services do not require staff from agencies, consultancies, partnerships, or staff who are employed by other authorities to complete click-to-accept policies. However, whilst these categories of staff are not technically 'employees', they are still expected to work in accordance with our policies and procedures, particularly in terms of data protection, security, confidentiality and conduct. The Authority therefore needs assurance that these individuals are aware of and comply with key Council policies.

To this end, it is proposed to introduce a statement asking staff who are not technically Council employees to ensure that they are aware of and abide by certain corporate policies.

5.0 Recommendation

The Committee is requested to note:

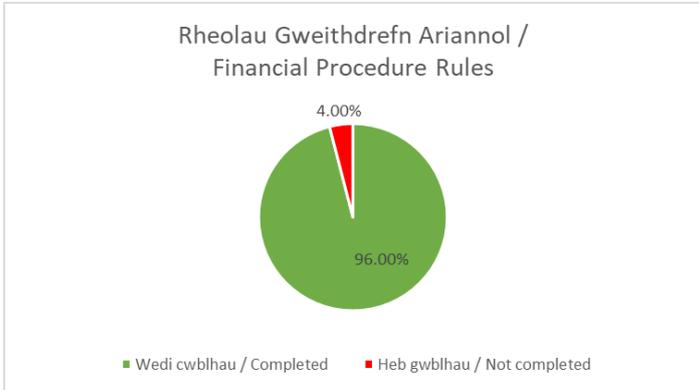
- 5.1 the current position with regard to policy acceptance across the Council.

- 5.2 that discussions will take place with each Head of Service with non-AD connected staff, to identify the highest categories of risk and possible workable and proportionate solutions to address that risk.
- 5.3 that it is proposed to introduce a statement asking staff who are not technically council employees to ensure that they are aware of and abide by certain corporate policies.

27 August 2019

1 – Data Protection Policy		
Start date:	2 July 2018	
Total as at 17 July 2019:	977	
Completed:	944	97%
Not completed:	33	3%
<p>Polisi Diogelu Data / Data Protection Policy</p> <p>3.00%</p> <p>97.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (102)		
Completed:	102	100%
Not completed:	-	-
Council Business (34)		
Completed:	33	97%
Not completed:	1	3%
Learning (99)		
Completed:	97	98%
Not completed:	2	2%
Adults Services (159)		
Completed:	147	92%
Not completed:	12	8%
Children's Services (113)		
Completed:	113	100%
Not completed:	-	-
Chief Executive (4)		
Completed:	4	100%
Not completed:	-	-
Highways, Waste and Property (103)		
Completed:	99	96%
Not completed:	4	4%
Regulation and Economic Development (149)		
Completed:	141	95%
Not completed:	8	5%
Housing (140)		
Completed:	135	96%
Not completed:	5	4%
Corporate Transformation (74)		
Completed:	73	99%
Not completed:	1	1%

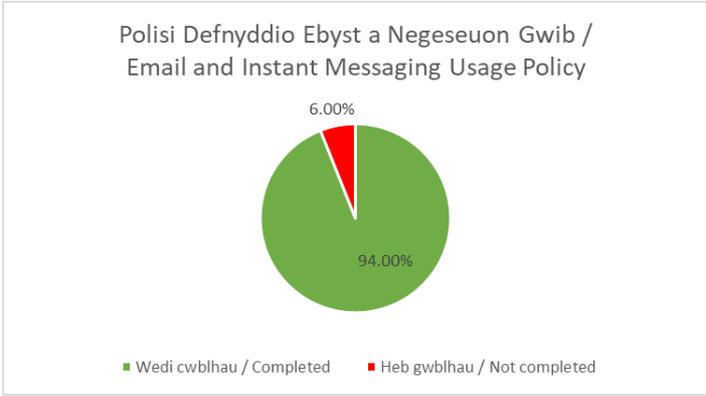
2 – IT Security Policy		
Start date:	16 July 2018	
Total as at 17 July 2019:	979	
Completed:	950	97%
Not completed:	29	3%
<p>Polisi Diogelwch TG / IT Security Policy</p> <p>3.00%</p> <p>97.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (102)		
Completed:	102	100%
Not completed:		
Council Business (34)		
Completed:	34	100%
Not completed:	-	-
Learning (99)		
Completed:	97	98%
Not completed:	2	2%
Adults Services (161)		
Completed:	151	94%
Not completed:	10	6%
Children's Services (113)		
Completed:	113	100%
Not completed:	-	-
Chief Executive (4)		
Completed:	4	100%
Not completed:	-	-
Highways, Waste and Property (103)		
Completed:	102	99%
Not completed:	1	1%
Regulation and Economic Development (149)		
Completed:	142	95%
Not completed:	7	5%
Housing (140)		
Completed:	131	94%
Not completed:	9	6%
Corporate Transformation (74)		
Completed:	74	100%
Not completed:	-	-

3 – Financial Procedure Rules		
Start date:	31 August 2018	
Total as at 17 July 2019:	977	
Completed:	937	96%
Not completed:	40	4%
 <p>Rheolau Gweithdrefn Ariannol / Financial Procedure Rules</p> <p>4.00%</p> <p>96.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (101)		
Completed:	101	100%
Not completed:	-	-
Council Business (34)		
Completed:	33	97%
Not completed:	1	3%
Learning (99)		
Completed:	96	97%
Not completed:	3	3%
Adults Services (160)		
Completed:	148	92%
Not completed:	12	8%
Children's Services (113)		
Completed:	113	100%
Not completed:	-	-
Chief Executive (4)		
Completed:	4	100%
Not completed:	-	-
Highways, Waste and Property (103)		
Completed:	100	97%
Not completed:	3	3%
Regulation and Economic Development (149)		
Completed:	141	95%
Not completed:	8	5%
Housing (140)		
Completed:	127	91%
Not completed:	13	9%
Corporate Transformation (74)		
Completed:	74	100%
Not completed:	-	-

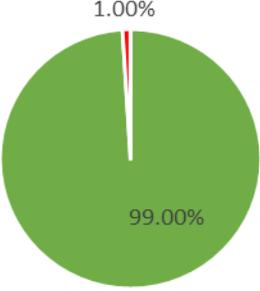
4 – IT Acceptable Usage Policy		
Start date:	22 October 2018	
Total as at 17 July 2019:	976	
Completed:	942	97%
Not completed:	34	3%
<p>Polisi Defnydd Derbyniol o TG / IT Acceptable Usage Policy</p> <p>3.00%</p> <p>97.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (100)		
Completed:	100	100%
Not completed:	-	-
Council Business (34)		
Completed:	34	100%
Not completed:	-	-
Learning (99)		
Completed:	97	98%
Not completed:	2	2%
Adults Services (161)		
Completed:	152	94%
Not completed:	9	6%
Children's Services (113)		
Completed:	113	100%
Not completed:	-	-
Chief Executive (4)		
Completed:	4	100%
Not completed:	-	-
Highways, Waste and Property (103)		
Completed:	102	99%
Not completed:	1	1%
Regulation and Economic Development (149)		
Completed:	142	95%
Not completed:	7	5%
Housing (140)		
Completed:	125	89%
Not completed:	15	11%
Corporate Transformation (73)		
Completed:	73	100%
Not completed:	-	-

5 – Corporate Safeguarding Policy		
Start date:	18 December 2018	
Total as at 17 July 2019:	973	
Completed:	927	95%
Not completed:	46	5%
<p>Polisi Diogelu / Safeguarding Policy</p> <p>5.00%</p> <p>95.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (99)		
Completed:	99	100%
Not completed:		
Council Business (34)		
Completed:	33	97%
Not completed:	1	3%
Learning (99)		
Completed:	97	98%
Not completed:	2	2%
Adults Services (160)		
Completed:	149	93%
Not completed:	11	7%
Children's Services (113)		
Completed:	113	100%
Not completed:	-	-
Chief Executive (4)		
Completed:	4	100%
Not completed:	-	-
Highways, Waste and Property (103)		
Completed:	100	97%
Not completed:	3	3%
Regulation and Economic Development (149)		
Completed:	142	95%
Not completed:	7	5%
Housing (140)		
Completed:	118	84%
Not completed:	22	16%
Corporate Transformation (72)		
Completed:	72	100%
Not completed:	-	-

6 – Officers' Code of Conduct		
Start date:	11 February 2019	
Total as at 17 July 2019:	971	
Completed:	917	94%
Not completed:	54	6%
<p>Côd Ymddygiad i Swyddogion / Officers Code of Conduct</p> <p>6.00% 94.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (98)		
Completed:	97	99%
Not completed:	1	1%
Council Business (34)		
Completed:	33	97%
Not completed:	1	3%
Learning (99)		
Completed:	97	98%
Not completed:	2	2%
Adults Services (160)		
Completed:	148	92%
Not completed:	12	8%
Children's Services (113)		
Completed:	113	100%
Not completed:	-	-
Chief Executive (4)		
Completed:	4	100%
Not completed:	-	-
Highways, Waste and Property (102)		
Completed:	98	96%
Not completed:	4	4%
Regulation and Economic Development (149)		
Completed:	138	93%
Not completed:	11	7%
Housing (140)		
Completed:	118	84%
Not completed:	22	16%
Corporate Transformation (72)		
Completed:	71	99%
Not completed:	1	1%

7 – Email and Instant Messaging Usage Policy		
Start date:	8 April 2019	
Total as at 17 July 2019:	970	
Completed:	914	94%
Not completed:	56	6%
<p>Polisi Defnyddio Ebyst a Negeseuon Gwib / Email and Instant Messaging Usage Policy</p>  <p>6.00% 94.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (97)		
Completed:	96	99%
Not completed:	1	1%
Council Business (34)		
Completed:	34	100%
Not completed:	-	-
Learning (99)		
Completed:	95	96%
Not completed:	4	4%
Adults Services (160)		
Completed:	150	94%
Not completed:	10	6%
Children's Services (113)		
Completed:	113	100%
Not completed:	-	-
Chief Executive (4)		
Completed:	4	100%
Not completed:	-	-
Highways, Waste and Property (102)		
Completed:	101	99%
Not completed:	1	1%
Regulation and Economic Development (149)		
Completed:	137	92%
Not completed:	12	8%
Housing (140)		
Completed:	112	80%
Not completed:	28	20%
Corporate Transformation (72)		
Completed:	72	100%
Not completed:	-	-

8 – Whistleblowing Policy		
Start date:	3 June 2019	
Total as at 16 July 2019:	960	
Completed:	855	89%
Not completed:	105	11%
<p>Polisi Chwythu'r Chwiban / Whistleblowing Policy</p> <p>11.00% 89.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (96)		
Completed:	95	99%
Not completed:	1	1%
Council Business (33)		
Completed:	33	100%
Not completed:	-	-
Learning (99)		
Completed:	86	87%
Not completed:	13	13%
Adults Services (158)		
Completed:	135	85%
Not completed:	23	15%
Children's Services (109)		
Completed:	109	100%
Not completed:	-	-
Chief Executive (4)		
Completed:	4	100%
Not completed:	-	-
Highways, Waste and Property (101)		
Completed:	97	96%
Not completed:	4	4%
Regulation and Economic Development (149)		
Completed:	129	87%
Not completed:	20	13%
Housing (140)		
Completed:	97	69%
Not completed:	43	31%
Corporate Transformation (71)		
Completed:	70	99%
Not completed:	1	1%

The Learning Service		
Start date:	Autumn 2018	
Total as at 19 July 2019:	97	
<p>Graddfa Cydymffurfiaeth ar Gyfartaledd / Average Compliance Rate</p>  <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
1 - Clear Desk Policy		
Completed:	97	100%
Not completed:	-	-
2 - Records Management Policy		
Completed:	96	99%
Not completed:	1	1%
3 – Data Classification Policy		
Completed:	93	96%
Not completed:	4	4%
4 – Managing Absence Policy		
Completed:	97	100%
Not completed:	-	-
5 – Display Screen Equipment Policy		
Completed:	97	100%
Not completed:	-	-
6 – Corporate Health and Safety Policy		
Completed:	97	100%
Not completed:	-	-
7 – Welsh Language Standards		
Completed:	96	99%
Not completed:	1	1%

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	September 2019
Subject:	Corporate Health and Safety Annual Report
Head of Service:	Dylan J Williams Head of Service Regulation and Economic Development
Report Author:	Stephen Nicol Corporate Health and Safety Advisor
Nature and Reason for Reporting:	
That the Authority considers the Corporate Health and Safety Annual Report and implements the development plan.	

1. Introduction

The Isle of Anglesey County Council’s Corporate Health and Safety Policy includes a commitment to the preparation and publication of an Annual Health and Safety Report.

2. Background

Welsh Local Government Association (WLGA) have developed a framework and guidance for the production of an Annual Health and Safety Performance Report. The framework and guidance provides a series of headings to assist with the reporting of health and safety performance. This framework was not intended to be a comprehensive analysis of health and safety but should assist in identifying the commitment, ability and direction of the management of occupational health and safety.

3. Recommendation

That the Authority considers the Corporate Health and Safety Annual Report and implements the development plan.



CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

Health and Safety Report 2018/19

Corporate Health and Safety Annual Report

CONTENTS

		Page
1	Introduction	2
2	Corporate Management	2
3	Statistical Information	3
4	Partnerships	8
5	Joint Consultation	8
6	Occupational Health Provision	9
7	Key Achievements	9
8	Safety Performance	10
9	Strategic Action Plan	10
10	Conclusion	11
11	Development Plan	12

1 Introduction

The Isle of Anglesey County Council's Corporate Health and Safety Policy includes a commitment to the preparation and publication of an Annual Health and Safety Report.

Welsh Local Government Association (WLGA) have developed a framework and guidance for the production of an Annual Health and Safety Performance Report. The framework and guidance provides a series of headings to assist with the reporting of health and safety performance. This framework was not intended to be a comprehensive analysis of health and safety but should assist in identifying the commitment, ability and direction of the management of occupational health and safety. This report follows the format provided by WLGA.

For a number of years there has been significant change in the management structure within the authority. There has been significant reduction to the budget available to the council. Maintaining and attempting to improve performance under these pressures have taken significant effort.

2 Corporate Management

The Senior Leadership Team (SLT) have been instrumental in instigating new methods of governance. Regular meetings of SLT considered reports on current issues and possible implementation of new working methods. This allows a senior overview of the management of the council.

Regular meetings of the Penaethiaid Group enable escalation of any issues to SLT to ensure appropriate action can be taken to resolve matters, health and safety related or other. This is further enhanced by reports to the Governance and Audit Committee.

The constitution of the council identifies responsibilities within the management structure. The Corporate Health and Safety Policy states the intention of the council to provide a safe working environment and the methods to achieve this.

The Corporate Health and Safety Policy is on the Corporate Policy Portal and is mandatory for all staff to read and accept the content. This should ensure full awareness of the content and further enforce the roles and responsibilities of all staff.

The annual Performance Review includes the production of annual business plans and subsequent assessment and approval by SLT. This allows accountability across the council with targets and goals identified in business plans.

During 2018/19 work continued on a Corporate Health and Safety Plan. The plan had previously been developed as a joint effort between the Chief Executive, HR Team members and Corporate Health and Safety Team.

There has been an expectation on individual services to develop Service Health and Safety Plans which should address service specific risks. A significant amount of work was done by the services to develop a Health and Safety Risk Profile for each. This should assist services in targeting Health and Safety Plans to address priorities.

3 Statistical Information

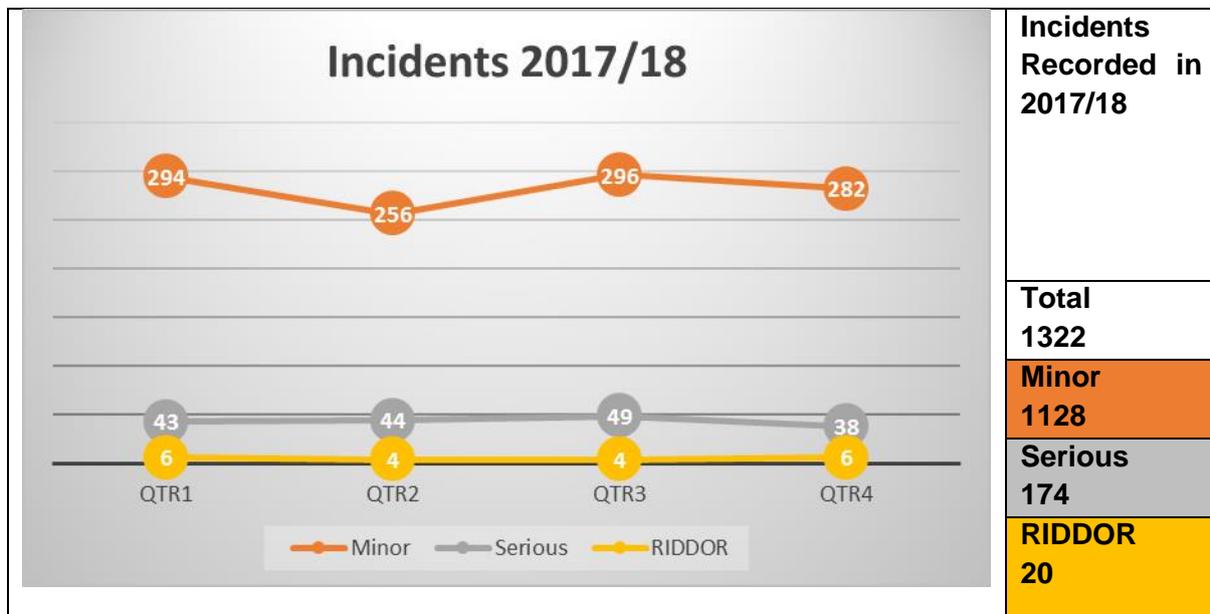
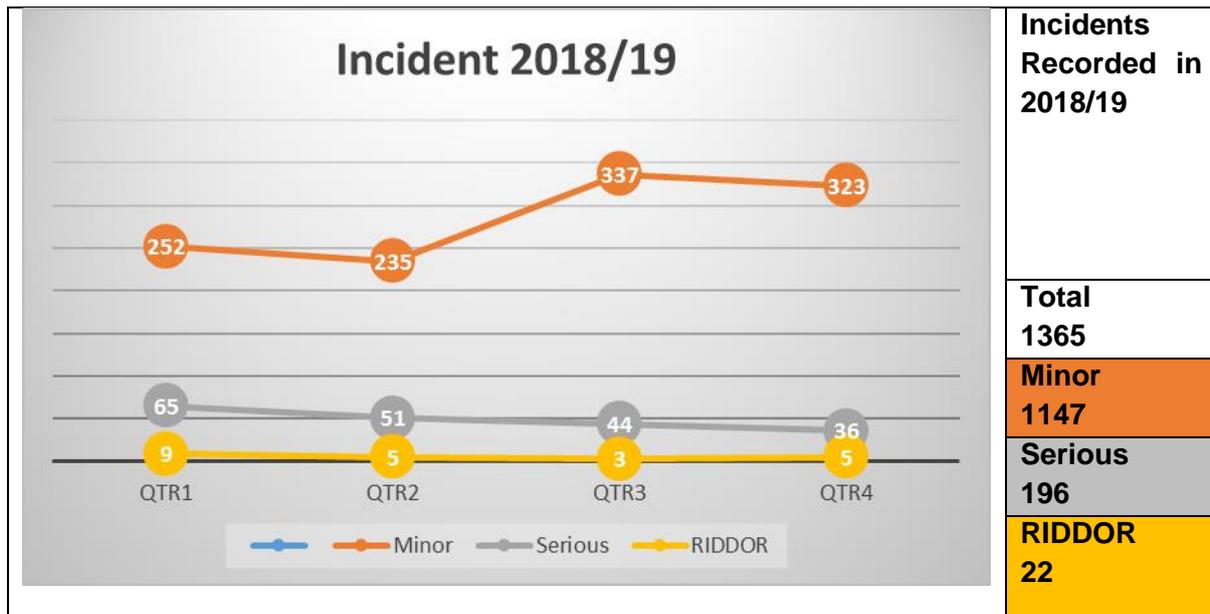
The data presented below includes all accidents and incidents reported during 2018/19. The internal classification of accidents and incidents has been in three categories - Minor, Serious and RIDDOR.

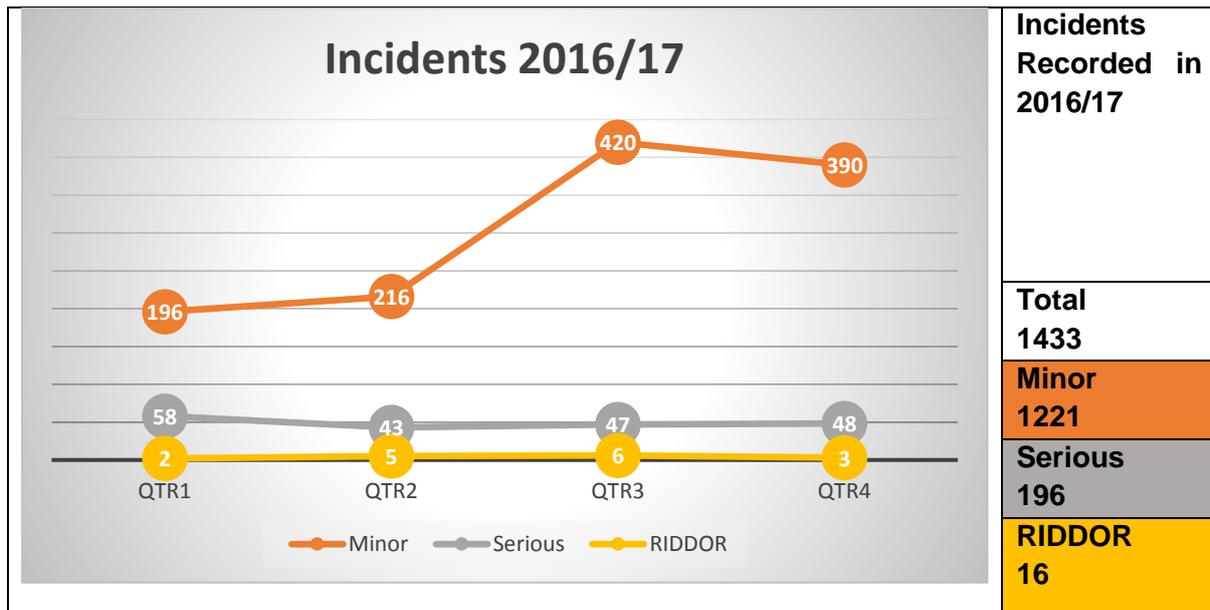
Minor accidents and incidents would have been accidents / incidents where the resulting injury or loss was insignificant. This includes accident and incidents which resulted in no injury or loss and the potential outcome may be insignificant if injury or loss had occurred.

Serious accidents / incidents are classified where the outcome resulted in significant injury or loss or where there was potential for significant injury or loss. This includes accidents and incidents which resulted in no injury or loss but the potential outcome may be significant if injury or loss had occurred.

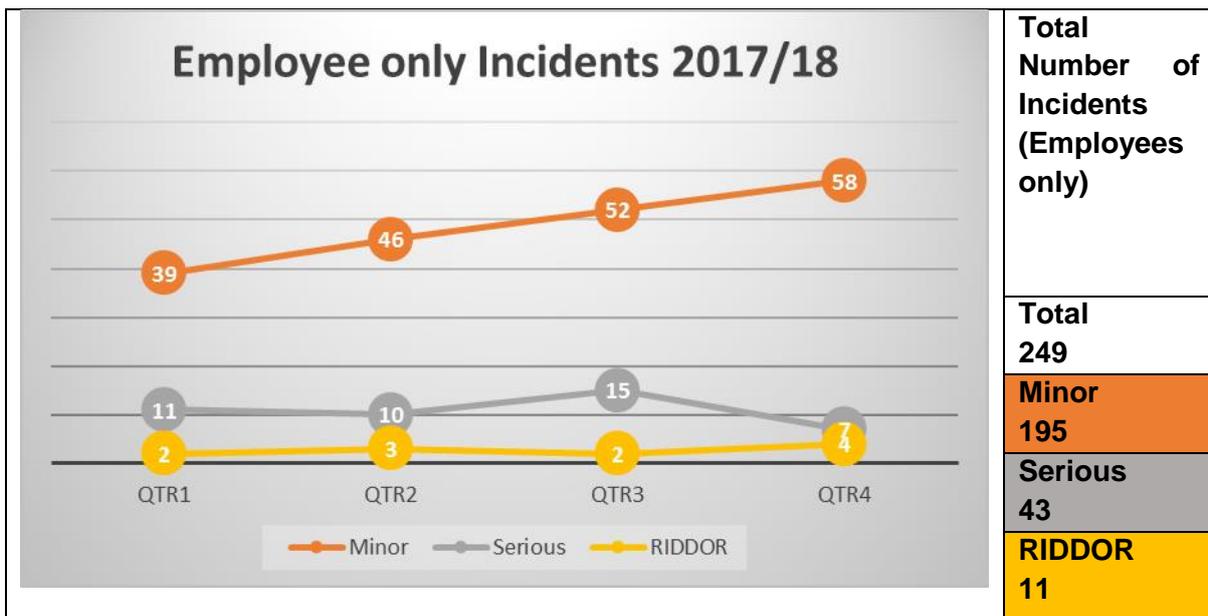
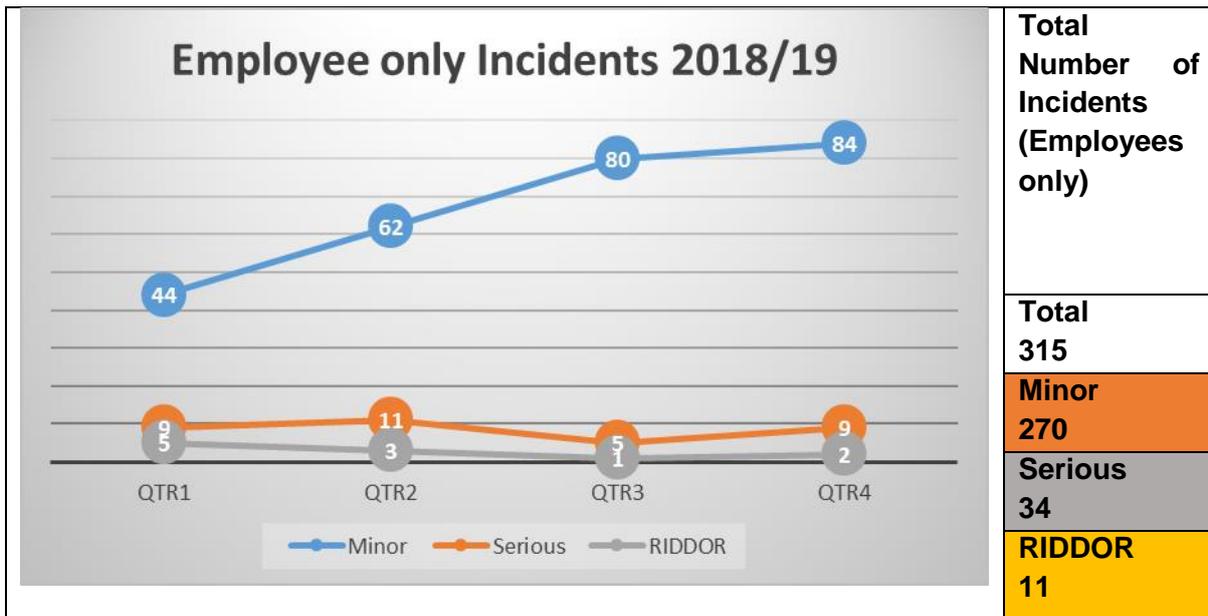
RIDDOR accidents and incidents are accidents or incidents which met specific criteria that required reporting to the HSE. The criteria for reporting these types of accidents and incidents are provided within the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

The table below presents the number of accidents and incidents for the whole authority. This includes incidents involving members of the public, service users, school pupils, contractors, facilities as well as employees.





The tables below presents the number of accidents and incidents involving employees only.





The table below list the types of incidents which occurred. The total figures are in bold print with a break-down of certain categories below. The table allows comparison with previous years.

Types of Incidents	2018/19	2017/18	2016/17
Violent incidents The category is split into the following types and sub-totals:	287	237	189
Physically Assault by person (challenging behaviour) These are incidents where a person has lashed out and struck another but which due to mental capacity it could not be established there was intent to cause harm.	106	103	56
Physically assaulted by person These incident have been where a person has struck another and there is no mental capacity issues identified. The majority have been in schools and relate incidents between pupils. 8 incidents related to an employee being struck	61	45	38
Violent Incident (abuse, harassment) These incidents are where a member of public has been verbally abusive to staff members. These have occurred across a number of services and mainly during telephone conversations	103	53	73
Challenging Behaviour These are incidents where challenging behaviour due to mental capacity has occurred. These where all in the care or education services	12	21	17
Violent Incident (abuse, harassment learning difficulty) These incidents related to where a person has become verbally abusive but there are mental capacity issues. These where all in the care or education services	5	15	5
Falls on Level The category is split into the following types and sub-totals:	378	320	396

Slip Trip Fall, Same level This includes pupils falling on the playground and clients falling in homes. Employee only slip, trip and falls is limited to 21 incidents.	235	136	248
Loss of Balance This refers to clients falling in homes due to medical loss of balance issues.	143	184	148
Fall from a height under 2m The category is split into the following types and sub-totals:	85	94	92
Fall from a height under 2m These incidents include falls down steps or general heights above ground level	22	16	31
Fall out of bed These incidents refer to clients falling from beds in homes	26	50	22
Fall out of Chair/Desk These incident refer to clients falling from chairs in homes or pupils in schools	28	21	33
Fall from play equipment These incidents refer to pupils falling from play equipment	9	7	6
Fall from a height over 2m	1	2	1
Another kind of accident These includes various types of reports which may have an effect on health and safety. These include reports of hoarding issues in the housing stock, some safeguarding issues, intelligence reports from other agencies and other concerns reported by staff.	135	127	92
Playground accident/incident This refers to incident on the school playground where pupils have injured themselves. There have been no supervision or environment issues as factors in these incidents.	84	155	193
Property Loss/Damage This includes vehicle damage whilst driving	78	72	57
Sporting Injury The category is split into the following types and sub-totals:	69	53	80
Sporting Injury Leisure These are incidents in Leisure Centres or sports fields which have resulted in injury due to the activity not supervision or environment issues	25	22	47
Pool Side Injury These are incidents in swimming pools which are not due to supervision or environment issues	22	16	18
Physical Education Injury These are incidents incurred during physical education activities	22	15	15
Hit something fixed or static	65	88	113
Hit by moving/flying object	52	50	65
Medical Condition These incidents were reports of medical conditions where aid was required.	26	42	34
Injured Handling/Lifting etc.	19	20	26
Management Failure These relate to incidents where pupils have run away from school or medication issues in homes	17	13	27

Burn	11	7	9
Glass/sharps	11	6	14
Self Harm These were reports of clients or pupils have self-harmed	8	4	6
Contact with electricity	2	1	2
Exposure to harmful substance	2	10	8
Contact with moving machinery	1	6	7
Injured by an animal	1	1	7
A Exposed to fire	0	1	1
Near Miss Accident	13	13	13

Violence and aggression and Falls appear to be the most significant type of incident. With regard to violence and aggression the highest incidents are with regard to challenging behaviour where the intent to harm may not be present.

Abuse from members of the public is a significant figure. This mainly relates to telephone calls but also includes some face to face incidents. This could be attributed to the current economic climate, possible pressures of society and increased demands on the service from the council.

Falls incidents relate mainly involve pupils and clients in homes. The majority of these are not due to supervision issues or issues with the environment, trip hazards. The number which involved staff falling is 21 incidents.

Another Type of Incident presents a high number. These include awareness reports of situations such as "hoarding" in housing stock, possible safeguarding issues and information from external agencies which may impact on the council's duty of care. This will be reviewed to establish whether these may be recorded as Near Miss incidents or an additional method of recording may be required. Where information is provided by external agencies assessment is made by Corporate Health and Safety as to who the information will be shared with internally.

Incidents such as Playground Incidents and Sporting Injury may not require intervention to reduce the figures but would require recording for possible legal reasons.

The number of "Incident Types" may be reviewed as work is ongoing with an electronic reporting system. This will be done to enable ease of reporting for staff.

Training

The table below provides a summary of the internal training sessions arranged for staff during the period of the report.

This training is arranged with input from both Management and from the needs identified from Services. Training providers are accredited and qualified to deliver their specialist courses and where necessary courses are tailored to meet organisational/service needs.

Feedback from staff is regularly reviewed in order to ensure that the quality and content of the training is appropriate and adequate to meet their needs.

Course Title	Number of Attendees
ASBESTOS A&B	11
ASBESTOS CATEGORY B	15
BASIC FIRST AID	16
BASIC FOOD HYGIENE	31
COSHH AWARENESS	45
EMERGENCY FIRST AID	50
FIRE MARSHAL	60
FIRE SAFETY	100
FIRST AID REFRESHER	23
FOOD HYGIENE AWARENESS	11
HOW TO CARRY OUT A RISK ASSESSMENT	11
INFECTION CONTROL AWARENESS	45
IOSH 4 DAY	13
IOSH LEADING SAFELY	30
MOVING AND HANDLING - MINI BUS - PASSPORT	12
ONE DAY MEDICATION	62
PASSPORT A-B	73
PASSPORT A-F	57
PASSPORT REFRESHER	31
VIOLENCE LEVEL 1 & 2	138
VIOLENCE LEVEL 3	97
WORKING AT HEIGHTS	18
CORPORATE INDUCTIONS	75
INTRODUCTION TO MINDFULNESS	28
MANAGERS INDUCTION	20
E-LEARNING DSE AWARENESS	220
E-LEARNING FOOD HYGIENE	3
IOSHH LEADING SAFELY FOR ELECTED MEMBERS	23

Additional H&S training supported by grant funding from Social Care Wales is also made available and offered to meet the needs of the Care Sector (Local Authority/Private and Voluntary). See below for details.

Course Title	Number of Attendees
INFECTION CONTROL AWARENESS	33
TISSUE VIABILITY	58
SAFE AND POSITIVE BEHAVIOUR	31
MENTAL HEALTH FIRST AID	28
YOUTH MENTAL HEALTH	14
PAEDIATRIC FIRST AID	4
ONLINE SAFETY WORKSHOP	16
THERAPEUTIC HAND MASSAGE	18
DIABETES AWARENESS	46
CAR SEAT SAFETY	15
H&S AT WORK - LEVEL 2	6
HEALTH AND SAFETY IN THE WORKPLACE	25
RISK ASSESSMENTS	17
PASSPORT A-F	10
RESILIENCE	20
FOOD SAFETY	13

Wellbeing Activities

During 2018/19, ad hoc sessions were arranged by the Human Resource Team in order to promote and support staff wellbeing e.g. the Authority's Occupational Health provider supported a number of Health Check sessions with 78 staff attending;

Foodwise events relating to healthy eating were arranged with 31 staff attending. Plans to arrange such events and promote National Health Awareness Days are on the agenda for 2019 onwards.

4 Partnerships

The North Wales Health and Safety Teams

Although regular meetings do not take place between teams from other counties, there is communication between the teams on various issues. The communication usually consists of raising awareness of possible issue and requests for advice on best practise.

Joint working with Conwy and Gwynedd County Council Health and Safety Teams, education and leisure services also took place with regards as to developing Safe Practice in School Swimming Policy, Guidance and Procedures.

WLGA

Information is provided from the WLGA on Health and Safety matters to all Welsh Authorities.

Contractors

There are a number of long-term contracts for services provided to the Council. Regular management meetings are held with the contractors to review contract performance including Health and Safety.

HSE

Health issues have been a priority for HSE work. As such a proactive approach from the HSE was to request information on methods of controlling HAVS from all Local Authorities. The information regarding methods of control for direct employees and contractors was provided to the HSE at the time of request.

5 Joint Consultation

Health and Safety Group

Two Corporate Health and Safety Group meetings were held, jointly chaired by the Chief Executive and Corporate Health and Safety Team. The group comprises of Health and Safety Co-ordinators from services across the whole of the council.

The Policy expects Union representation at the meeting, which should allow Health and Safety consultation with the Unions.

Human Resources hold regular consultation meetings with the Unions to allow discussion of Policies and Procedures.

6 Occupational Health Provision

Occupational Health Provision is currently provided under contract with Gwynedd Council with attendance by trained Occupational Health personnel at the Council offices in Llangefni who undertake surgeries, health checks, etc. The contract is managed by the HR section and follows standard procurement practice. The provision expects instant referral of cases concerning Musculoskeletal issues or Stress related sickness absence.

Regular contract performance and issues are discussed in meetings between the Provider and HR. There is an expectation to include Corporate Health and Safety in these meetings.

7 Key Achievements

The Corporate Health and Safety Action Plan identified in last year's report had six topic headings. The topics are presented below together with a brief outline of progress.

Health and Safety Policies, Organisation and Arrangements

Desired Outcomes: to clarify H&S Responsibilities at all levels of the organisation. This is to ensure the activities of everyone involved in managing health and safety are clear and coordinated well. To develop staff knowledge and commitment to stress the importance of H&S thus improving practice. This policy was implemented and adhered to during the year.

Health and Safety Competence

Desired Outcomes: to ensure the Council has competent staff to identify and manage risks and that competence is evidenced at all levels throughout the Council from SLT downwards through the provision of supported training and development.

The Corporate Training Matrix has been reviewed, revised and updated to ensure clear guidance on expected standards of competence in relation to health and safety training across

the council. The training identified was implemented during the year and tracked on the 4Action system.

Risk Profiling

Desired Outcomes: to ensure the right risks are identified and prioritised for action and that minor risks not given too much priority and risk control measures are 'informed'.

There has been a significant development in relation to developing service specific risk profiles. The risk profile document should be a live document to assist each service in managing their own risk.

Accident, Incident and Near Miss Reporting

Desired Outcomes: to improved accident, incident and near miss and occupational disease reporting and the investigation and monitoring process. This should improve focus on employee's health and welfare.

Work is still on-going with regard to developing an electronic accident reporting system which could be linked to the CRM system. Relevant supporting documents and Policies will be developed to provide guidance for use of the system as it develops.

Work Related Violence and Aggression and Lone Working

Desired Outcomes: to implement effective arrangements to manage risks from violence and aggression and lone working to provide a safe and secure working environment. To ensure that employees do not accept incidents of aggression or violent behaviour as a normal part of the job.

A review of the current arrangements has been undertaken. Work is on-going to trail Lone Working Systems from external providers. A method of recording potential risks from the public or public locations has been implemented but further work is required to improve the method. Specific training is provided with regard to violence and aggression.

Work Related Stress

Desired Outcomes: to effectively manage the risks related to work-related stress. Work has continued with the Human Resources Team and the Occupational Health Services. This includes instant referral for any stress related sickness absence, a counselling service and a specific risk assessment format for stress. The Authority has committed to funding the provision of free counselling services through a recognised bilingual specialist provider.

Eye care provision

Eyesight tests and the provision of corrective aids is a requirement of the Display Screen System Regulations. An external provider has been commissioned to provide an eye care service. This provides relevant employees with an eye test and glasses (from a selected range) at no cost to the employee. The new provision provides this at a cost of £17 per employee. The provision was previously provided by a contribution of £50 per employee for the test and corrective aids. The new provision was identified as a cost saving by Procurement whilst still providing the legal requirement of the legislation.

8 Safety Performance

The Corporate Health and Safety Team carried out inspections and interventions to assist with monitoring and improvement of Health and Safety standards within the Council. There is an expectation for organisations to report certain incidents to the HSE. There are time scales for reporting and reacting to these type of incidents. A performance indicator for the Corporate Health and Safety Team is to react to RIDDOR incidents within five days.

Inspections and interventions by the Corporate Health and Safety Team and performance with regard to reacting to RIDDORs is presented below.

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Number of planned health & safety interventions at Council premises (18/19)	42	36	23	18	119
Percentage response to Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) accidents within Local Authority Premises within 5 days	9/9	5/5	2/2	4/4	100%

9 Strategic Action Plan

The strategic action plan has been to develop the Risk Profiling for each service to identify the most significant risks for each. This allows the service to develop an action plan to address those risk.

This should be continued through the Health and Safety Group with the purpose of sharing information to drive improvement of health and safety standards. The Group should be self-generating with regard to topic agenda for improvement.

The ultimate outcome of the Health and Safety Group should be to ensure that the Corporate Health and Safety Action Plan continues to be relevant to current practice and need. There is an expectation to develop a new revised Corporate Health and Safety Plan for 2020. This action has been recorded on the 4Action system.

Lone Working and Violence and Aggression require further improvement.

Attendance at courses arranged to address identified needs associated with the Corporate Health and Safety Training framework needs to be monitored.

10 Conclusion

Significant work has been carried out involving Senior Officers, Human Resources and Corporate Health and Safety to continue to revitalise Health and Safety within the council

Senior officer involvement has raised the profile of Health and Safety and ensured that it is given focused attention at service level.

The Health and Safety Policy clearly identifies that health and safety is the responsibility of all Council Members and Staff and that realising this will lead to an improvement in culture in the Council.

11 Development Plan

	Action
1	Continue with the revised Health and Safety Group with the purpose of driving improvement of health and safety standards Allow the Group to be self-generating with regard to topic agenda for improvement
2	Continue to develop Lone Working Systems and Violence and Aggression Systems.
3	Monitor attendance at training courses arranged within the revised Corporate Health and Safety Training framework.

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	3 September 2019
Subject:	Internal Audit Update
Head of Service:	Marc Jones Director of Resources and Section 151 Officer 01248 752601 MarcJones@ynysmon.gov.uk
Report Authors:	Marion Pryor Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk
<p>Nature and Reason for Reporting: This report provides information on work carried out by Internal Audit since the last Committee meeting. It allows the Committee to monitor Internal Audit's performance and progress as well as providing summaries of Internal Audit reports so that the Committee can receive assurance on Council services and corporate areas.</p>	

1. INTRODUCTION

1.1. The report provides an update as at 11 August 2019 on:

- Internal Audit reports issued since 1 July 2019
- Follow up of internal audit reports
- Addressing 'Issues/Risks'
- Progress in delivering the Internal Audit Operational Plan 2019/20

2. RECOMMENDATION

2.1. That the Audit and Governance Committee notes Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement and decides whether it needs any further assurance on audit reports.



INTERNAL AUDIT UPDATE SEPTEMBER 2019

Marion Pryor BA MA CMIIA CPFA, Head of Audit & Risk

MarionPryor@YnysMon.gov.uk

01248 752611



TABLE OF CONTENTS

- INTERNAL AUDIT REPORTS ISSUED _____ 3
 - Rent Smart Wales - Grant Certification _____ 3
 - Pupil Development Grant - Grant Certification _____ 4
 - Corporate Safeguarding _____ 5
- FOLLOW UP OF INTERNAL AUDIT REPORTS _____ 6
 - Follow Ups in Progress _____ 6
 - Follow Ups Scheduled _____ 6
- ADDRESSING 'ISSUES/RISKS' _____ 7
- PROGRESS IN DELIVERING THE INTERNAL AUDIT OPERATIONAL PLAN
2019/20 _____ 8
- APPENDIX A - INTERNAL AUDIT OPERATIONAL PLAN 2019/20 _____ 9

INTERNAL AUDIT REPORTS ISSUED

1. This section provides an overview of internal audit reports finalised since the last meeting, including the overall assurance rating and the number of issues/risks raised. In accordance with the new audit approach, members of the committee and the relevant portfolio holder have received full copies of the report separately.
2. We have finalised **three** reports in the period, summarised below:

Title	Assurance Level	Critical	Major	Moderate	Total
Rent Smart Wales - Grant Certification	Substantial	0	0	0	0
Pupil Development Grant - Grant Certification	Substantial	0	0	0	0
Corporate Safeguarding	Reasonable	0	3	0	3

Rent Smart Wales – Grant Certification

Substantial Assurance	Issues/Risks	
	0	Critical
	0	Major
	0	Moderate

3. Our review sought to answer the following key question:

Does the Council comply with the relevant terms and conditions of grant, and can we provide assurance that, in respect of the claim for payment:

- entries were fairly stated
- expenditure has been properly incurred in accordance with the offer of grant

Our review also sought to provide assurance that the Council maintains clear accounting records, which identify all income and expenditure in relation to the grant.

4. Overall, from our review of the grant controls and records, we can provide assurance that the Council has maintained adequate and proper controls and records in respect of the grant for the period 1 April 2018 - 31 March 2019.
5. We can also confirm that our testing provides assurance that the expenditure claimed was eligible in line with the terms and conditions of the grant, which the Council has fairly stated in its accounts and the claim submitted to the Welsh Government.

6. Although we found no significant or material Issues/Risks, we noted that the claim amount only equated to 11% of the grant funding available. The responsible officer explained that the low percentage of the available grant utilisation is due to lack of resources to prioritise the enforcement work of Rent Smart Wales, as well as restrictions from Rent Smart Wales on certain activities. The Chief Public Protection Officer intends to assess what capacity the team has moving forward, with the objective of claiming much more available grant for 2019/20.

Pupil Development Grant – Grant Certification

Substantial Assurance	Issues/Risks	
	0	Critical
	0	Major
	0	Moderate

7. Our review sought to answer the following key question:

Does the Council comply with the relevant terms and conditions of grant, and can we provide assurance that, in respect of the claim for payment:

- entries were fairly stated
- expenditure has been properly incurred in accordance with the offer of grant

Our review also sought to provide assurance that the Council maintains clear accounting records, which identify all income and expenditure in relation to the grant.

8. Overall, from our review of the grant controls and records, we can provide assurance that adequate and proper controls and records have been maintained in respect of the grant for the period 1 April 2018 - 31 March 2019.
9. We can also confirm that our testing provides assurance that the expenditure claimed was eligible in line with the terms and conditions of the grant, and has been fairly stated in the accounts of the Authority and the claims submitted to the Welsh Government.
10. We did not identify any risks for management attention.

Corporate Safeguarding

	Issues/Risks	
Reasonable Assurance	0	Critical
	4	Major
	0	Moderate

11. Our review sought to answer the following key question:

Does the Council have a robust framework of controls in place in order to adequately mitigate against the risk of a serious safeguarding error causing or contributing to harm to children, young people and adults at risk?

12. Overall, our review concluded that the Council has implemented a number of effective controls to manage the risk of a serious safeguarding error causing or contributing to harm to those who it has a responsibility to protect.
13. We raised four Issues/Risks that require management attention, which due to the potential impact of the risk in this area, are classed as 'Major'. However, the outcome of our review is mainly positive and therefore we are able to provide **Reasonable** assurance of the governance, risk management and control of this area. We have agreed an action plan with management, which we have detailed in a separate document.

FOLLOW UP OF INTERNAL AUDIT REPORTS

Follow Ups in Progress

14. We have **two** follow ups of reports with a 'Limited Assurance' rating currently in progress:

Title of Audit	Review	Date of Follow Up	Assurance Level	Critical	Major	Moderate	Total
Primary Schools – Income Collection	First Follow Up	Jun-19	Limited	0	2	1	3
Sundry Debtors	Second Follow Up	Jul-19	Limited	0	4	7	11

Follow Ups Scheduled

15. Currently, we have **three** follow ups scheduled for the remainder of the year. These may be added to dependent on the assurance provided for reviews we conduct throughout the year:

Title of Audit	Review	Date of Follow Up	Assurance Level	Critical	Major	Moderate	Total
Direct Payments	First Follow Up	Sep-19	Limited	0	0	5	5
System Controls – Logical Access and Segregation of Duties	Fourth Follow Up	Jul-19 October 2019 ¹	Limited	0	3	2	5
Schools Information Governance	First Review	November 2019	Not applicable	n/a	n/a	n/a	n/a

¹ The management actions to address the 'Issues/Risks' raised in the System Controls - Logical Access and Segregation of Duties review are dependent on the restructure of the Payroll/Payments function which is currently in progress, with an expectation that it will be complete by September 2019. Therefore, we have postponed the follow up review until it is complete.

ADDRESSING 'ISSUES/RISKS'

16. A separate report provides detail of all the outstanding red and amber 'Issues/Risks' we have raised and highlights management's performance in addressing and implementing actions to which they have previously agreed.

PROGRESS IN DELIVERING THE INTERNAL AUDIT OPERATIONAL PLAN 2019/20

17. The Operational Plan for 2019/20 is at [Appendix A](#).
18. With only six weeks since the last Committee update, there is little change since the last report. Our progress has been hampered by the holiday season although a number of draft reports have been issued and are awaiting a management response:
 - Sundry Debtors Follow Up
 - Schools Income Collection Follow Up
19. Work also continues on the following audits, along with a consultation piece of work around staff car loans:
 - Business Continuity
 - Welfare Reform - Homelessness
 - Local Authority Education Grant (incorporating School Uniform Grant; Minority Ethnic and Gypsy Roma and Traveller Learners Support; Teachers Pay Award and Pressures; and additional Free School Meals costs due to the roll out of Universal Credit)
 - Sixth Form and Adult Continuing Learning
 - IT Resilience

APPENDIX A – INTERNAL AUDIT OPERATIONAL PLAN 2019/20

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
CORPORATE								
Corporate	Business Continuity (YM9)	Corporate Risk Register	C2	C2	10	2.5	Work in progress	December 2019 (Target)
Corporate	Corporate Safeguarding (YM11)	Corporate Risk Register	C2	D2	18	17.25	Reasonable Assurance	December 2018 (2018/19)
							Reasonable Assurance	September 2019 (2019/20)
	CONTEST (Countering Terrorism and Preventing Radicalisation) ² (YM11)	Corporate Risk Register			0	0	Reasonable Assurance	April 2019 (2018/19)
Corporate	Corporate Planning (YM13)	Corporate Risk Register	D2	D3	10	0		
Corporate	Financial Resilience (YM41)	Corporate Risk Register	A1	B2	12	0	Scoping in progress	December 2019 (Target)

² Previously a 'stand-alone' risk - YM27

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
Corporate	Information Governance (YM3)	Corporate Risk Register	B3	C3	0	0	Reasonable Assurance	December 2018 ³ (2018/19)
Corporate	Payment Card Industry Data Security Standards (PCIDSS) (YM34)	Corporate Risk Register	D1	D1	7	7	Reasonable Assurance	June 2019 (2019/20)
Corporate	Brexit	Corporate Risk Register	A2		5	0		
Corporate	Leavers' Process	Concerns raised			10	0		
Corporate	Risk Management	PSIAS requirement			5	0	Managed	February 2019 (ZRE) (2018/19)
Corporate	Managing the Risk of Fraud	PSIAS requirement			20	0		
Corporate	Culture – Protecting Reputation and the Use of Social Media	Horizon Scanning			10	0		
RESOURCES								
Resources	Recovery and Write-offs	Key Financial System - S151 concerns			10	0		
Resources	Corporate Procurement (YM22)	Corporate Risk Register	B2	D2	10	0	Reasonable Assurance	December 2018 (2018/19)

³ Assurance provided for General Data Protection Regulations previously 'stand-alone' Amber Risk (YM31)

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
Resources	Corporate Procurement Cards	Concerns raised			20	0		
Resources	Payroll	Key Financial System - restructure and new system; external audit assurance			20	0		
TRANSFORMATION								
ICT	IT Audit - Cyber Security (YM28)	Corporate Risk Register	B1	C1	15	0	Reasonable Assurance	February 2019 (2018/19)
ICT	IT Audit - IT Resilience (YM38)	Corporate Risk Register	C1	D2	15	2	Work in progress	December 2019 (Target)
Human Resources	Sickness Absence (YM23)	Corporate Risk Register	A2	D3	10	0		
Human Resources	Recruitment & Retention (YM5)	Corporate Risk Register	B2	C2	10	0	Reasonable Assurance	April 2019 (2018/19)
Human Resources	Workplace Culture – Discrimination and Staff Inequality	Horizon Scanning			10	0		
REGULATION & ECONOMIC DEVELOPMENT								
Regulation & Economic Development	Infrastructure projects (YM17)	Corporate Risk Register	B2	D2	20	0.25		

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
Regulation & Economic Development	Leisure Services - Investment in Facilities (YM32)	Corporate Risk Register	B2	B3	10	0		
Regulation & Economic Development	Leisure Services - Governance and Control	Head of Service Request - major structural changes (carried forward from 2018/19)			2	2	Reasonable Assurance	April 2019 (2018/19)
HIGHWAYS, WASTE & PROPERTY SERVICES								
Property	Asset Management	Horizon scanning			10	0		
HOUSING								
Housing	Gypsies and Travellers (Requirements of the Housing Act 2014) (YM29)	Corporate Risk Register	B2	C2	0	0	Reasonable Assurance	April 2019 (2018/19)
Housing	Welfare Reform – Universal Credit and Housing Rent Income (YM 10)	Corporate Risk Register	B2	C2	0	7.75	Reasonable Assurance	April 2019 (2018/19)
	Welfare Reform – Homelessness (YM10)				10	1.25	Work in progress	December 2019 (Target)

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
ADULT SERVICES								
Adults	Continuous Healthcare	Horizon scanning	n/a	n/a	10	0		
LEARNING								
Learning	Schools Modernisation (YM15)	Corporate Risk Register	C2	C2	20	0		
TOTAL AUDIT DAYS					314⁴	40		
CHARGEABLE NON PROGRAMMED DAYS (PRODUCTIVE)								
	Follow Up Work	Several limited assurance reports requiring follow up, includes reporting and administering 4Action			60	27.75		
	General Counter Fraud Work, National Fraud Initiative (NFI)				30	2		
	Referrals				40	0.5		
	Closure of Previous Year's Work				13	13		

⁴ Previously 420 days

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
	Grant Certification:	Grant Requirement			20			
	Local Authority Education Grant (incorporating School Uniform Grant; Minority Ethnic and Gypsy Roma and Traveller Learners Support; Teachers Pay Award and Pressures; and Additional Free School Meals)					0		December 2019 (Target)
	Rent Smart Wales Grant					1.75	Substantial Assurance	September 2019 (2019/20)
	Education Improvement Grant					0	Not required	n/a
	Pupil Development Grant					3.25	Substantial Assurance	September 2019 (2019/20)
	Sixth Form & Adult Continuing Learning					0		December 2019 (Target)
	Corporate consultancy				50	28.5		
	Audit & Governance Committee, including training for members and self-assessment				60	19.25		
	Management Review				50	9		

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
	Contingency				0	0		
	TOTAL				323⁵	105		
NON CHARGEABLE DAYS (NON-PRODUCTIVE)								
	Risk & Insurance				24	10		
	General Administration				40	16		
	Personal Development & Review, 121 & Team Meetings				25	3		
	Management, including liaison with External Audit and audit plan preparation				48	15.5		
	Leave, including annual, statutory, special and sick leave				426 ⁶	246.75		
	Training and Development for staff				100	38.5		
	TOTAL				663⁷	330		
	TOTAL RESOURCE REQUIREMENT				1300	475		
	RESOURCE AVAILABLE				1300	475		
	RESOURCE SHORTFALL				0	0		
	PRODUCTIVITY				50%⁸	31%		

⁵ Previously 440 days

⁶ Previously 182 days

⁷ Previously 440 days

⁸ Previously 67%

ISLE OF ANGLESEY COUNTY COUNCIL		
Report to:	Audit and Governance Committee	
Date:	3 September 2019	
Subject:	Outstanding 'Issues/Risks'	
Head of Service:	Marc Jones Director of Resources / Section 151 Officer 01248 752601 MarcJones@ynysmon.gov.uk	
Report Authors:	Marion Pryor Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk	Nanette Williams Principal Auditor 01248 751809 NanetteWilliams@ynysmon.gov.uk
Nature and Reason for Reporting: The Audit and Governance Committee's terms of reference provide a responsibility for it to monitor the implementation of agreed actions. This report provides an update on the status and detail of the outstanding risks that Internal Audit has raised.		

1. INTRODUCTION

1.1. The Audit and Governance Committee requested details of all the outstanding High/Red/Amber recommendations and 'Issues/Risks' twice a year. We presented the last report to the Committee at their meeting on 12 February 2019.

2. RECOMMENDATION

2.1. That the Audit and Governance Committee:

- notes the Council's progress in addressing the outstanding Internal Audit recommendations and Issues/Risks, and
- considers the detail and level of information it requires in future once we implement the 4action system upgrade.



OUTSTANDING ISSUES / RISKS

SEPTEMBER 2019

Marion Pryor BA MA CMIIA CPFA, Head of Audit & Risk

Nanette Williams BA (Hons) CMIIA, Principal Auditor



TABLE OF CONTENTS

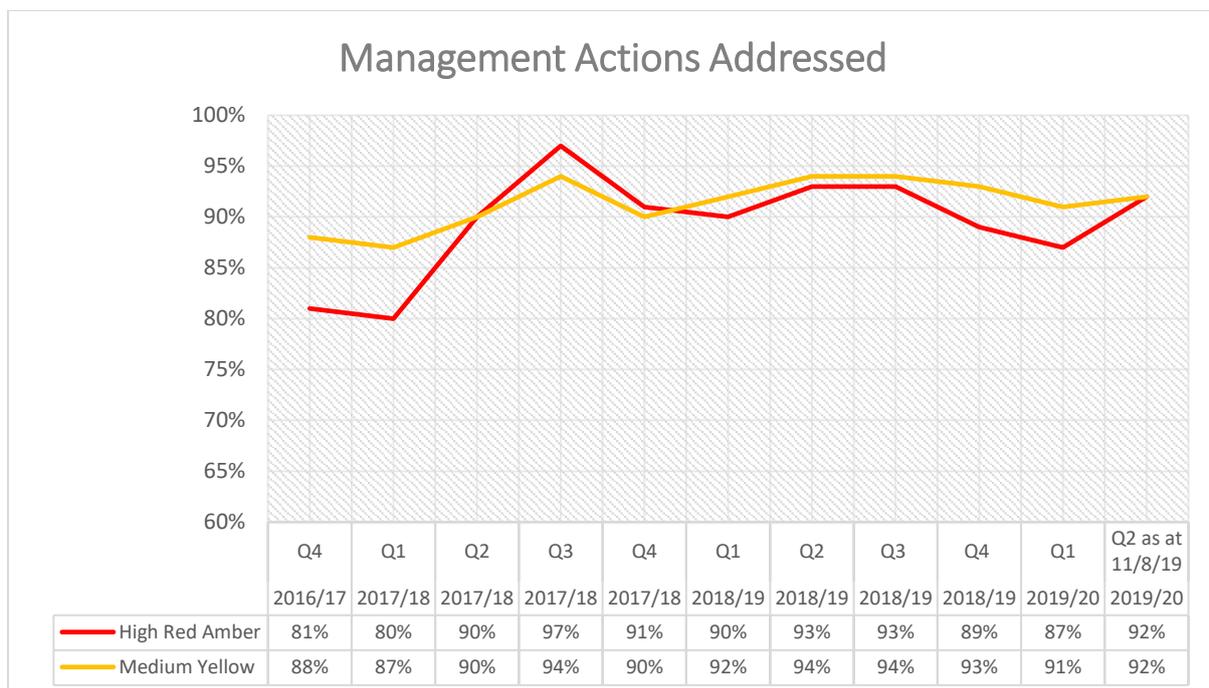
INTRODUCTION _____	1
CURRENT PERFORMANCE _____	2
FUTURE REPORTING _____	4
APPENDIX A - OUTSTANDING ISSUES/RISKS _____	5

INTRODUCTION

1. In order to monitor the implementation of agreed actions following an audit review, the Audit and Governance Committee receive details of all the outstanding recommendations and 'Issues/Risks' twice a year. We presented the last report to the Committee at their meeting on the 12 February 2019.
2. As well as providing an update on the Council's current performance in implementing agreed actions following an audit, we will also provide the Audit and Governance Committee with the opportunity to consider the reporting framework for outstanding issues / risks and consider what members require in future once the new action tracking system upgrade is operational.

CURRENT PERFORMANCE

3. As previously reported, we have now moved away from making recommendations to raising 'Issues' and 'Risks'. To encourage management to have ownership for the risks, it is their responsibility to develop an action plan to address the issues / risks identified.
4. We monitor how managers have addressed the risks in two ways. Reports which receive 'Limited' or 'No' Assurance will follow a formal follow up process where we will not close risks until we have evidence that sufficient action has been taken to address or mitigate the risks. We monitor all other issues / risks through the self-administered corporate action tracking system (4action).
5. Due to flaws in some of the historical data in the system and in anticipation of the system upgrade, we have switched off the automatically generated system email reminders. However, we continue to target managers with responsibility for addressing the highest priority issues/risks.
6. The graph and table below highlight the performance trend in addressing the recommendations and Issues/Risks raised since 1 April 2014:



Performance Trend	High	Red	Amber	Medium	Yellow
Total outstanding at 30/06/2019	0	0	22	9	35
Total outstanding at 11/08/2019	0	0	13	9	30
Difference	0	0	-9	0	-5
Trend	↔	↔	↑	↔	↑
Difference in High Red Amber o/s	-9				
Difference in Medium Yellow actions o/s	-5				

7. There are no High or Red issues/risks currently outstanding, and performance in addressing Amber rated issues/risks has improved since our last update to the Committee on 23 July, with the overall implementation percentage for High/Red/Amber issues/risks at 92%.
8. There has also been a small improvement in performance for the Medium/Yellow risks with an overall reduction in the number of outstanding actions by five, spread across services.
9. As at 11 August 2019, the Council has the following outstanding recommendations and Issues/Risks (High/Red/Amber issues/risks detailed in [Appendix A](#), along with progress updates from managers with responsibility for addressing the Issues/Risks):

Up to 11/08/2019	High	Red	Amber	Medium	Yellow	Totals
Total Implemented	76	10	64	322	118	590
Total Not implemented	0	0	13	9	30	52
Total	76	10	77	331	148	642
% Implemented	100%	100%	83%	97%	80%	92%
% High Red Amber Implemented	92%					
% Medium Yellow Implemented	92%					

FUTURE REPORTING

10. As reported at our last internal audit update, we have had notice from our software providers that the new and upgraded version of the action tracking system is now available, which provides extra functionality and reduces the burden of administering the system.
11. IT are currently in consultation with the software suppliers to agree an implementation date. Following which, we will undertake an exercise to cleanse the historical data and review the system configuration.
12. We therefore wanted to take the opportunity to review our reporting framework to ensure that the information provided to senior management and the Audit and Governance Committee is in line with the new audit approach and is useful, concise, relevant and timely.
13. As it will be easier to configure the new system's reporting parameters from the outset, rather than make changes once operational, it is prudent to consult with the Committee prior to the upgrade so that we build in their reporting requirements.
14. We anticipate that we will be able to configure the new system to more easily report on performance areas that currently require significant manual intervention, for example:
 - Performance trends of red and amber issues/risks
 - Age analysis of outstanding issues/risks
 - Outstanding issues/risks categorised by Department and/or Service area
 - Detailed breakdown of individual actions and completion percentage
 - Total number of outstanding actions irrespective of date due for completion

APPENDIX A – OUTSTANDING ISSUES/RISKS

Ref	Report	Issues / Risk	Date Raised	Agreed Target Date	Responsible Officer	Update from Managers
RESOURCES						
1	Sundry Debtors 2017/18	<p>Testing confirmed that services are not undertaking credit checks in accordance with the Sundry Debtor Recovery policy.</p> <p>This increases the risk of the Council not recovering its debts.</p>	November 2017	30 June 2019	Revenues & Benefits Manager	<p>First Follow Up Review - The new draft Sundry Debtor policy no longer contains specific guidelines to undertake credit checks.</p> <p>The subject of credit checks was previously discussed and the difficulties of obtaining payment up front prior to providing a service and also that the Council could not refuse a service based on a poor credit rating as well as limited resources to conduct credit checks frequently. The Revenues and Benefits Service Manager previously agreed that the policy might have to be changed to reflect this. The Revenues and Benefits Service Manager has therefore reviewed the policy and amended accordingly so that there is no specific requirement to undertake credit checks, but that Services should consider checking the debtors' payment record prior to agreeing credit terms.</p> <p>The Revenues and Benefits Service Manager has not issued the draft policy for consultation and until such time of approval, we are unable to confirm if this issue/risk has been addressed.</p> <p>Second Follow Up Review currently being undertaken by Internal Audit - update to be provided to the Audit and Governance Committee at its next meeting.</p>

Ref	Report	Issues / Risk	Date Raised	Agreed Target Date	Responsible Officer	Update from Managers
2	Sundry Debtors 2017/18	<p>The Council is not recovering its debts promptly in line with its Sundry Debtor Billing, Collection and Recovery Policy (June 2014). In addition, the current recovery processes set within the system do not conform to the policy; recovery action takes place 21 days following the Sunday from the invoice authorisation date, whereas the policy states recovery action will commence 21 days after the invoice raised date.</p> <p>This increases the risk that the Council does not recover all monies owed.</p>	November 2017	31 March 2019	Revenues & Benefits Manager	<p>First Follow Up Review - Recovery action still takes place 21 days from the first Sunday following the invoice authorisation date, not 21 days following the date of invoice, as per the policy.</p> <p>The recovery processes set within the system do not conform to the policy. The Revenues and Benefits Service Manager will amend Section 12.8 of the new Sundry Debtors policy (draft format) to reflect the fact that recovery begins 21 days plus the days in between as the recovery process only commences on a Sunday. Recovery timescales will then conform to the policy. Although not strictly in accordance with the policy, recovery times have reduced significantly from the original testing. This can also be attributed to the fact that pre-legal letters have reverted to the Income Section.</p> <p>Second Follow Up Review currently being undertaken by Internal Audit - update to be provided to the Audit and Governance Committee at its next meeting.</p>
	Sundry Debtors 2017/18	<p>The Debtors Section is not reconciling income in the system suspense account on a daily basis to ensure that all payments have been promptly receipted to the correct accounts and/or system.</p> <p>There is a risk that the Council may waste resources due to unnecessary recovery; in addition, wrongful recovery may cause reputational damage to the Council.</p>	November 2017	31 March 2019	Revenues & Benefits Manager	<p>First Follow Up Review - At the time of our follow up, there were 616 invoices requiring matching on the system and £20k of income/payments awaiting identification and allocation to the correct system and/or account.</p> <p>The Income Officer is working hard at these and this is evidenced by the reduction in the earlier invoices (previous testing found 456 invoices relating to 2016 and earlier whereas our updated testing identified there are 349 invoices relating to 2016 and earlier).</p> <p>Progress on this matter is dependent on time and resources within the Income Section.</p> <p>Second Follow Up Review currently being undertaken by Internal Audit - update to be provided to the Audit and Governance Committee at its next meeting.</p>

Ref	Report	Issues / Risk	Date Raised	Agreed Target Date	Responsible Officer	Update from Managers
4	Sundry Debtors 2017/18	<p>Senior management within the Debtors Section do not regularly review suppressed accounts, including the length of suppression.</p> <p>In addition, there is no policy written for the suppression of accounts. As a result, suppression on debtor invoices maybe inaccurately and/or inconsistently applied.</p> <p>There is a risk that suppressed accounts are not valid, not recovered and no action is taken to remove the debt on the system, inflating the provision for bad debts.</p>	November 2017	31 March 2019	Revenues & Benefits Manager	<p>First Follow Up Review- Section 13 of the draft Sundry Debtors Policy covers the area of suspending debtors. Through our follow-up review, the Revenues and Benefits Service Manager agreed that the wording would be strengthened to clearly reflect the current procedures.</p> <p>Going forward, the Income Team will only suppress debtors for 30 days (following a query or dispute) and the query/dispute must be resolved within that timeframe. If not resolved, the Income Section will notify the Head of Service and the invoice consequently cancelled. The Revenues Manager must review and approve any suppression greater than 30 days.</p> <p>The overall numbers of suspended invoices have reduced from the original audit. The Income Officer is reviewing the current suspended records to determine whether the debts can be recovered, unsuspected or written off and this is evidenced in the reduction of invoices, however, this is also dependent on time and resources within the Income section.</p> <p>Second Follow Up Review currently being undertaken by Internal Audit - update to be provided to the Audit and Governance Committee at its next meeting.</p>
LEARNING						
5	Primary Schools Themed Audit - Income Collection 2018/19	<p>The Learning Service has not provided updated guidance relating to the collection and recording of income, chasing debt and the security of cash onsite to schools or made schools fully aware of their responsibilities.</p> <p>There is a risk of schools administering income inefficiently and being exposed to fraudulent behaviour and theft, leading to a loss of income and possible negative media attention.</p> <p>Note: the management response for this issue / risk included several management actions which are recorded separately on 4action.</p>	November 2018	28 February 2019	Senior Manager Standards and Inclusion	<p>First Follow Up Review currently being undertaken by Internal Audit - update to be provided to the Audit and Governance Committee at its next meeting.</p>

Ref	Report	Issues / Risk	Date Raised	Agreed Target Date	Responsible Officer	Update from Managers
6	Primary Schools Themed Audit - Income Collection 2018/19	<p>There is no central compliance monitoring to ensure policies and guidance are followed.</p> <p>There is a risk that school funds will not be properly administered and independently audited annually, school meals income forms will not be returned by all schools every month, forms will not be completed correctly and all income will not be accounted for, also increasing the risk of misappropriation and reputational damage to the school and the Council.</p>	November 2018	30 November 2018	Senior Manager Standards and Inclusion	First Follow Up Review currently being undertaken by Internal Audit - update to be provided to the Audit and Governance Committee at its next meeting.
CHILDREN'S SERVICES						
Page 309	Child Care Court Orders under the Public Law Outline 2016/17	<p>Testing highlighted that the Letters Before Proceedings and Letters of Intent / Notice of Intention to Issue and pre-proceedings meetings did not always comply with the Care, Proceedings, Public Law Outline and Legal Matter 2016 Protocol. Further, the letters were not always sent to all persons with parental responsibility.</p> <p>Parents are therefore not properly informed of the process followed or decision made and what is expected of them in order to improve matters which may result in continuing emotional and / or physical harm to the child and distress to those involved.</p>	January 2017	31 January 2018	Service Manager Corporate and Partnership	<p>First Follow Up Review- All Support Worker visits do comply with all care plans. Failure to comply could lead to disciplinary proceedings being followed against the member of staff.</p> <p>Second Follow Up Review - Risk rating reduced to D2 to reflect progress made in addressing this issue. However testing confirmed further work is required to fully address the risk.</p>

Ref	Report	Issues / Risk	Date Raised	Agreed Target Date	Responsible Officer	Update from Managers
8	Fostering Service - Recruitment and Retention 2018/19	<p>The Child Placement Team is struggling to meet the 'Invest to Save' targets established in 2013/14 and foster carer recruitment figures are generally declining. As a result, appropriate placement options are falling.</p> <p>In addition, fostering and recruitment figures reported by the NFF on the performance of north Wales authorities also suggest that the Isle of Anglesey Council had the lowest conversion rate from initial enquiry to approvals in comparison to other authorities in 2016/17.</p> <p>The Service has identified some causes that may have contributed to the service failing to recruit the target number of foster carers within the expected timeframe. Contributing factors have been highlighted to the Corporate Parenting Panel.</p> <p>Overall, there is a risk that demand will increase for external placements, increasing costs to the Council.</p>	May 2018	30 September 2018	Service Manager Intensive Intervention, Children's Services	
TRANSFORMATION						
9	PCI DSS Compliance 2016/17	<p>There is no process to assess and record the impact of change to ICT infrastructure on PCI DSS components.</p> <p>There is a risk that any changes could compromise the security of cardholder data.</p>	September 2016	31 June 2019	IT Service and Performance Management Manager	The Project Team are capturing the existing set up of the PCI DSS components and will support the assessment of any impacts that changes to the IT infrastructure could have.

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	3 September 2019
Subject:	Internal Audit Charter
Head of Service:	Marc Jones Director of Resources and Section 151 Officer 01248 752601 MarcJones@ynysmon.gov.uk
Report Author:	Marion Pryor Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk
Nature and Reason for Reporting: The Public Sector Internal Audit Standards require the chief audit executive to produce an Internal Audit Charter, which the Audit and Governance Committee must approve. Although not due for a full formal review until April 2020, a review has been undertaken to ensure continued appropriateness, which has identified minor changes.	

1. Introduction

- 1.1. The Public Sector Internal Audit Standards provides for a periodic review of the Internal Audit Charter, with final approval of the charter residing with the Audit and Governance Committee.
- 1.2. The Audit and Governance Committee last reviewed and approved the Charter in September 2018. It is not due for full formal review until April 2020; however, a review conducted to ensure continued appropriateness has identified minor changes.

2. Recommendation

- 2.1. That the Audit and Governance Committee approves the amendments to the Internal Audit Charter.



INTERNAL AUDIT CHARTER SEPTEMBER 2019

Marion Pryor BA MA CMIIA CPFA, Head of Audit & Risk

MarionPryor@YnysMon.gov.uk

01248 752611



TABLE OF CONTENTS

INTRODUCTION _____	3
INTERNAL AUDIT'S PURPOSE _____	4
INTERNAL AUDIT'S AUTHORITY _____	5
Internal audit's rights of access _____	5
Scope of internal audit's work _____	6
Independence _____	6
INTERNAL AUDIT'S RESPONSIBILITIES _____	7
REPORTING _____	8
Internal Audit Strategy _____	8
Assignment Reporting _____	8
Assurance Rating _____	9
INTERNAL AUDIT'S ROLE IN FRAUD-RELATED WORK _____	10
INTERNAL AUDIT RESOURCES _____	11
Internal Audit (September 2019) _____	11
SAFEGUARDS TO LIMIT IMPAIRMENTS OF INDEPENDENCE OR OBJECTIVITY _____	12

INTRODUCTION

1. The Public Sector Internal Audit Standards¹ (PSIAS) define the nature and set out basic principles for internal auditing in the UK public sector.
2. The Standards require the chief audit executive to define the purpose, authority and responsibility of the internal audit activity in an internal audit charter. Chief audit executives are also required to report conformance with the PSIAS in their annual report. Final approval of the Internal Audit Charter rests with the Audit and Governance Committee.
3. The internal audit charter establishes:
 - internal audit's purpose within the Council
 - internal audit's authority and its access records, personnel and physical properties relevant to the performance of its work
 - internal audit's responsibilities
 - reporting lines and the nature of the chief audit executive's relationship with senior management and the board
 - the scope of internal audit's work, including the nature of its assurance role and consultancy services
 - the role of internal audit in fraud-related work
 - arrangements for resourcing the internal audit service
 - the safeguards to limit impairments of independence or objectivity.
4. The PSIAS use generic terms that, in the Isle of Anglesey County Council's case, are translated as:

Public Sector Internal Audit Standards	Isle of Anglesey County Council
Chief audit executive	Head of Audit & Risk
Senior management	Senior Leadership Team
The board	The Executive

¹ Public Sector Internal Audit Standards, Issued by the Relevant Internal Audit Standard Setters, March 2017

INTERNAL AUDIT'S PURPOSE

5. A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
6. The provision of assurance services is the primary purpose for internal audit. Through our annual internal audit opinion and other reports, we give assurance to elected members and management, highlighting areas for improvement.
7. The PSIAS define internal audit as:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

8. Our role is unique; it provides effective challenge and acts as a catalyst for positive change and continual improvement in governance in all its aspects. Our role is particularly important when the Council is facing uncertain and challenging times.
9. To provide optimum benefit to the organisation, we work in partnership with management to assist the organisation in achieving its objectives.
10. Our main objectives are to:
 - Provide independent assurance and advice to management and lay and elected members on risk management, governance and internal control
 - Develop and promote our role to make a significant contribution to the Council's priority to modernise and deliver efficiencies and improve services for our customers
 - Add value in all areas of our work, providing excellent service to our customers.

INTERNAL AUDIT'S AUTHORITY

11. Internal audit is a statutory requirement for local authorities and obtains its authority and obligations from two pieces of legislation:
12. Part 3, Regulation 7 of the Accounts and Audit (Wales) Regulations 2014² states that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
13. Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs. CIPFA has defined ‘proper administration’ in that it should include ‘compliance with the statutory requirements for accounting and internal audit’.
14. The CIPFA statement on the Role of the Chief Financial Officer in Local Government states that the Chief Financial Officer (CFO) must:
 - ensure an effective internal audit function is resourced and maintained
 - ensure that the authority has put in place effective arrangements for internal audit of the control environment
 - support the authority’s internal audit arrangements
 - ensure that the Audit Committee receives the necessary advice and information, so that both functions can operate effectively.
15. The Council’s Financial Procedure Rules provide for the maintenance of a continuous internal audit under independent supervision, overseen by the Council’s Audit and Governance Committee, and subject to professional audit standards (4.8.5.3.1).

Internal audit’s rights of access

16. The Council’s Financial Procedure Rules (4.8.5.3.2) provide for internal audit’s rights of access, providing the service with authority to:
 - enter at all reasonable times Council premises, land or contract sites;
 - have access to all records, documents or correspondence relating to any financial and other transactions of the Council;
 - require and receive such explanations as are necessary from employees of the Council;
 - require employees of the Council to produce cash, stores or any other property of the Council under their control for examination.

² The Accounts and Audit (Wales) (Amendment) Regulations 2018 amend the 2014 Regulations but do not affect this requirement.

Scope of internal audit's work

17. The internal audit service is proactive and innovative, constantly aiming to improve. We have a customer-focused approach to audit planning, project scoping and service delivery, involving elected members, senior management and operational staff.
18. Our strategy takes account of the corporate risk register and other assurances that the Council may receive, internal or external, to prevent duplication and co-ordinate regulatory work. It also takes account of discussions with senior management.
19. Our work provides a risk-based approach that allows the Head of Audit and Risk to form and evidence her opinion on the control environment to support the Council's Annual Governance Statement.
20. Internal Audit may occasionally provide guidance and advice, e.g. on new systems or may help to develop new processes using our specific skills. Services may also occasionally ask us to carry out specific projects on a consultancy basis. On these occasions, we make it clear from the outset that we are working on a consultancy basis rather than internal audit basis and are not giving audit assurance on these occasions.

Independence

21. The PSIAS require that the chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities; reporting to the board or its delegated equivalent is the generally accepted method of helping to ensure the achievement of organisational independence.
22. The Head of Audit and Risk has direct access to the Audit and Governance Committee and is free to report directly to any member of the senior leadership team or head of service.
23. Although functionally reporting to the Director of Resources and Section 151 Officer, the Head of Audit and Risk has direct access to the Chief Executive Officer and Monitoring Officer, which is provided for in the Council's Financial Procedure Rules (4.8.5.3.5).
24. These extended reporting lines provide internal audit with sufficient independence of the activities that it reviews to enable its auditors to perform their duties objectively, allowing them to make impartial and effective professional judgements and raise issues for improvement.
25. The Director of Resources and Section 151 Officer annually appraises the Head of Audit and Risk's performance with input and feedback from the Chief Executive Officer and the Chair of the Audit and Governance Committee. This ensures that the Head of Audit and Risk's opinion and scope of work cannot be limited or affected by her functional line management position within the Council.

INTERNAL AUDIT'S RESPONSIBILITIES

26. In maintaining internal audit activity, the chief audit executive takes account of the mandatory elements of the PSIAS:
- Core Principles for the Professional Practice of Internal Auditing
 - Code of Ethics
 - Standards
 - Definition of Internal Auditing.
27. All members of the internal audit team are required to comply with the PSIAS, including its Code of Ethics. In addition, all auditors sign an annual declaration stating that we will respect the confidentiality of information we access during our work, declare any interests we may have in any services that we review, and have read the PSIAS, Code of Ethics and Council's Code of Conduct for Officers.
28. All internal auditors must:
- work with others to promote and demonstrate the benefits of good governance throughout the Council
 - promote the highest standards and ethics across the Council based on integrity, objectivity, competence and confidentiality
 - exercise sound judgement in identifying weaknesses in the Council's control environment and provide a balanced view on how significant these are
 - be committed to continuous improvement
 - demonstrate integrity
 - report on what is found, without fear or favour
 - give clear, professional and objective advice
 - hold an appropriate qualification and have an active programme for personal professional development.
29. In addition, the Head of Audit and Risk must:
- be a senior manager with regular and open engagement across the Council particularly with senior management and the Audit and Governance Committee
 - be suitably qualified and experienced
 - give assurance on the control environment, including risk and information management and internal controls across the Council
 - produce an evidence-based annual internal audit opinion on the Council's control environment, reflecting the work done during the year and summarising the main outcomes and conclusions, highlighting any specific concerns
 - liaise closely with the Council's external regulators to share knowledge and use audit resources most effectively
 - determine the resources, expertise, qualifications and systems for the internal audit service that are required to meet its objectives and provide an annual audit opinion.
30. The chief audit executive also takes account of the CIPFA Statement on the Head of Internal Audit (2019), which sets out individual and organisational responsibilities, and represents best practice guidance to support internal audit effectiveness.

REPORTING

Internal Audit Strategy

31. The Head of Audit and Risk prepares the internal audit strategy and annual plan in consultation with the Director of Resources and Section 151 Officer, and senior management.
32. The Head of Audit and Risk presents these annually to the Audit and Governance Committee for approval and provides in-year revisions to the Audit and Governance Committee as part of the update report presented at each meeting.

Assignment Reporting

33. The Internal Audit Service is fully committed to the Council's Welsh Language policy. Reporting is bilingual and the team includes bilingual staff who can undertake reviews in the language of choice of those assisting with reviews.
34. All audit reviews are the subject of formal reports. Debrief meetings are held with the managers responsible for the area under review to agree the factual accuracy of the issues and risks raised.
35. After agreement, draft reports are issued to the relevant manager who records the action that will be taken to address the issues / risks raised and the officers assigned responsibility to implement along with timescales for implementation. Once the action plan has been fully completed and agreed with the auditor, a final report is issued.
36. The Head of Audit and Risk provides a copy of every report to the Director of Resources and Section 151 Officer and presents a summary of each report to the Audit and Governance Committee at each meeting.
37. Members of the Audit and Governance Committee will also receive copies of any reports receiving a 'Limited' or 'Minimal' assurance rating.

Assurance Rating

38. We provide an opinion on the overall level of assurance for each individual internal audit assignment. In reaching a conclusion, we use the following definitions, which the Audit and Governance Committee approved at its meeting in April 2019:

Level of Assurance	Definition
Substantial Assurance	<p>Arrangements for governance, risk management and internal control are good.</p> <p>We found no significant or material Risks/Issues.</p>
Reasonable Assurance	<p>Arrangements for governance, risk management and/or internal control are reasonable.</p> <p>There are minor weaknesses in the management of risks and/or controls but there are no risks to the achievement of objectives. Management and Heads of Service can address.</p>
Limited Assurance	<p>Arrangements for governance, risk management and internal control are limited.</p> <p>There are significant weaknesses in the management of risks and/or controls that put the achievement of objectives at risk. Heads of Service need to resolve and SLT may need to be informed.</p>
No Assurance	<p>Arrangements for governance, risk management and internal control are significantly flawed.</p> <p>There are fundamental weaknesses in the management of risks and/or controls that will lead to a failure to achieve objectives. The immediate attention of SLT is required, with possible Executive intervention.</p>

INTERNAL AUDIT'S ROLE IN FRAUD-RELATED WORK

39. Internal audit is not responsible for managing the risk of fraud - this lies with the Council's senior management.
40. The Council's policy for the Prevention of Fraud and Corruption requires managers to inform the Head of Audit and Risk of all suspected or detected fraud, corruption or impropriety, to inform her opinion on the internal control environment and internal audit's work programme, as well as to allow her to ensure the Council takes appropriate action.
41. Although internal audit carries out proactive projects to identify potential fraud and/or corruption and can carry out special investigations into alleged irregularities, the Head of Audit and Risk retains the right to decide on an appropriate course of action, which may mean a joint investigation or investigation by the service. However, management should send the outcome of all investigation activities to the Head of Audit and Risk for inclusion in a report on fraud investigations to be made within the Internal Audit Annual Report.
42. Where it is thought necessary, the external auditor may conduct investigations, either in liaison with internal audit or independently.

INTERNAL AUDIT RESOURCES

43. The service structure below has all posts currently filled, which equates to 1,250 days, after allowing for the Head of Audit and Risk's non-audit duties (risk management and insurance).
44. We have a well-qualified and experienced team, with a mix of relevant qualifications to reflect the varied functions of the internal audit service.

Internal Audit (September 2019)



45. The Audit and Governance Committee annually reviews the resources of the internal audit service through the acceptance of the internal audit strategic and operational plans.
46. Where particular specialisms are not present, the Head of Audit and Risk will source these from outside the Council where resources are available.
47. The Standards require that internal auditors must enhance their knowledge, skills and other competencies through continuing professional development. The Head of Audit and Risk carries out a regular review of the development and training needs of all auditors through ongoing one-to-one supervision and annual appraisals.

SAFEGUARDS TO LIMIT IMPAIRMENTS OF INDEPENDENCE OR OBJECTIVITY

48. To be effective, internal audit must be independent and be seen to be independent. To ensure this, internal audit will operate within a framework that allows:
- unrestricted access to senior management and the chair of the Audit and Governance Committee
 - reporting in its own name
 - segregation from line operations.
49. Every effort will be made to preserve objectivity by controlling the involvement of audit staff in non-audit duties in order to avoid potential conflicts of interest, specific exceptions are however acceptable in respect of participation in service improvement projects, where a 'critical friend' role will be held.
50. In addition, appropriate arrangements are in place to limit the impairment of independence and objectivity due to the Head of Audit and Risk's line management of the Risk Management and Insurance service. The Head of Audit and Risk will not scope or review internal audit activity relating to this service area. The Director of Resources and Section 151 Officer will sign off reports.

This page is intentionally left blank



CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

AUDIT & GOVERNANCE COMMITTEE

FORWARD WORK PROGRAMME

3 September 2019

Contact Officer:	Marion Pryor, Head of Internal Audit & Risk
E-Mail:	MarionPryor@ynysmon.gov.uk
Telephone:	01248 756211

Date	Subject	Reason for reporting	Responsible Officer (including e-mail address)
December 2019 February 2020	Internal Audit Update	An update on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.	Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk
December 2019 February 2020	External Audit Update	An update on External Audit's work: <ul style="list-style-type: none"> • Performance Audit • Financial Audit 	Performance Audit Lead – Wales Audit Office Alan.Hughes@audit.wales Financial Audit Manager – Deloitte cedge@deloitte.co.uk
December 2019	Introduction of Risk Based Verification (RBV) - Housing Benefits/Council Tax Reduction	The Department for Work and Pensions requires local authorities to have a policy detailing the risk profiles, verification standards that will apply, and the minimum number of claims to be checked. It considers, as good practice, for the authority's Audit Committee or similar appropriate body to examine the policy, which then must be submitted for Members' approval and sign-off along with a covering report confirming the Section 151 Officer's agreement and recommendation.	Director of Resources and Section 151 Officer MarcJones@ynysmon.gov.uk Revenues and Benefits Service Manager GeraintJones3@ynysmon.gov.uk

Date	Subject	Reason for reporting	Responsible Officer (including e-mail address)
December 2019	Annual ICT Security Report 2018/19	Annual report of the ICT Business Transformation Manager on digital data security/cyber security threats to the Council and the arrangements in place to manage those risks.	ICT Business Transformation Manager
December 2019	Review of the Audit and Governance Committee's Terms of Reference	The Audit and Governance Committee should periodically review its terms of reference for appropriateness, with consideration given to sector guidance and the needs of the Council.	Director of Resources and Section 151 Officer MarcJones@ynysmon.gov.uk
December 2019	Review of the Risk Management Strategy and Framework	In accordance with its terms of reference, the Audit and Governance Committee is required to keep under review the Risk Management Strategy for the Council.	Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk
December 2019	Mid-year Report on Treasury Management for 2019/20	CIPFA's Treasury Management Practice Reporting requirements and management information arrangements recommend that local authorities should, as a minimum, report the treasury management position mid-year. The Committee is requested to note the current position on investments and borrowing.	Director of Resources and Section 151 Officer MarcJones@ynysmon.gov.uk

Date	Subject	Reason for reporting	Responsible Officer (including e-mail address)
February 2020	Outstanding Internal Audit Issues / Risks	A report of all outstanding internal audit Issues / Risks	Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk Principal Auditor NanetteWilliams@ynysmon.gov.uk
February 2020	Corporate Risk Register	In accordance with its terms of reference, the Audit and Governance Committee is required to review the Corporate Risk Register and, where appropriate, request a response from management on actions to manage risks.	Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk Insurance & Risk Manager JulieJones@ynysmon.gov.uk
February 2020	Progress made on External Regulatory Reports	The Audit and Governance Committee is requested to consider the progress made on external regulatory reports, which are directly related to the issues of governance or the management of risk within the Council.	Programme, Business Planning & Performance Manager GethinMorgan@ynysmon.gov.uk
February 2020	Internal Audit Strategy 2020/21	The Public Sector Internal Audit Standards (2017) requires the chief audit executive to present the Internal Audit Strategy to the Audit and Governance Committee for approval.	Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk

Date	Subject	Reason for reporting	Responsible Officer (including e-mail address)
February 2020	Treasury Management Strategy 2020/21 and Actual Prudential Indicators for 2020/21	<p>CIPFA's Treasury Management Practice Reporting requirements and management information arrangements recommend that local authorities should, as a minimum, report annually on their treasury management strategy and plan, before the start of the year.</p> <p>The report will cover the actual Prudential Indicators for 2020/21 in accordance with the requirements of the Prudential Code.</p>	<p>Director of Resources and Section 151 Officer MarcJones@ynysmon.gov.uk</p>

This page is intentionally left blank

DDIM I'W GYHOEDDI NOT FOR PUBLICATION

**(Teitl yr Adroddiad : Diweddariad ar y Gofrestr Risg Corfforaethol: /Title of Report:
Corporate Risk Register Update**

PRAWF BUDD Y CYHOEDD PUBLIC INTEREST TEST

Paragraff(au) Paragraph(s)	Atodlen 12A Deddf Llywodraeth Leol 1972 Schedule 12A Local Government Act 1972 14 & 16
Y PRAWF – THE TEST	
Mae yna fudd y cyhoedd wrth ddatgan oherwydd / There is a public interest in disclosure as:- Mae'r mater yn ymwneud â materion busnes y Cyngor. The matter concerns the business affairs of the Council.	Y budd y cyhoedd with beidio datgelu yw / The public interest in not disclosing is:- Mae'r mater yn cyfeirio at materion busnes y Cyngor a all niweidio buddiannau'r Cyngor yn fasnachol, ariannol ac yn gyfreithlon. The matter refers to the business affairs of the Council which could prejudice the interests of the Council commercially, financially and legally.
Argymhelliad: *Mae budd y cyhoedd wrth gadw'r eithriad yn fwy o bwys/ llai o bwys na budd y cyhoedd wrth ddatgelu'r wybodaeth [* dilewch y geiriau nad ydynt yn berthnasol]	
Recommendation: *The public interest in maintaining the exemption outweighs/ does not outweigh the public interest in disclosing the information. [*delete as appropriate]	

Document is Restricted

This page is intentionally left blank