

# Public Document Pack



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

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| <b>RHYBUDD O GYFARFOD</b>                                 | <b>NOTICE OF MEETING</b>                        |
| <b>PWYLLGOR ARCHWILIO A<br/>LLYWODRAETHU</b>              | <b>AUDIT AND GOVERNANCE COMMITTEE</b>           |
| <b>DYDD MAWRTH, 1 MEDI, 2020 am 2 o'r<br/>gloch y. p.</b> | <b>TUESDAY, 1 SEPTEMBER 2020 at 2.00<br/>pm</b> |
| <b>CYFARFOD RHITHIOL</b>                                  | <b>VIRTUAL MEETING</b>                          |
| <b>Swyddog Pwyllgor</b>                                   | <b>Ann Holmes<br/>01248 752518</b>              |
|   | <b>Committee Officer</b>                        |

## **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 21 July, 2020.

**3     INFORMATION GOVERNANCE: ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER (SIRO) 2019/20 (Pages 13 - 28)**

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

**4     ANNUAL REPORT - CONCERNS, COMPLAINTS AND WHISTLEBLOWING 2019/20 (Pages 29 - 42)**

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

**5     POLICY ACCEPTANCE - YEAR 3 COMPLIANCE DATA (Pages 43 - 52)**

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

**6     STATEMENT OF THE ACCOUNTS 2019/20**

To present the Statement of Accounts 2019/20.

**7     UPDATE ON THE INTERNAL AUDIT STRATEGY AND PRIORITIES 2020/21 (Pages 53 - 62)**

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

**8     EXTERNAL AUDIT: FINANCIAL SUSTAINABILITY ASSESSMENT - ISLE OF ANGLESEY COUNTY COUNCIL (Pages 63 - 78)**

To present the report of External Audit.

**9     EXTERNAL AUDIT: WELLBEING OF FUTURE GENERATIONS : AN EXAMINATION OF EARLY INTERVENTION AND PREVENTION TO ENSURE THAT CHILDREN ARE SAFE AND SUPPORTED - IOACC (Pages 79 - 96)**

To present the report of External Audit.

**10    ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2019/20 (Pages 97 - 114)**

To present the report of the Chair of the Committee.

## AUDIT AND GOVERNANCE COMMITTEE

### Minutes of the virtual meeting held on 21 July, 2020

- 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:** Head of Function (Resources) and Section 151 Officer  
Head of Internal Audit & Risk (MP)  
Programme, Business Planning and Performance Manager (GM) (for item 4)  
Committee Officer (ATH)
- APOLOGIES:** Councillor Richard Griffiths
- ALSO PRESENT:** Councillor Llinos Medi (Leader), Councillor Robin Williams (Portfolio Member for Finance), Mr Alan Hughes (Audit Lead – Audit Wales), Chief Executive, Accountancy Services Manager (BHO), Finance Manager (CK), Principal Auditor (NRW), Senior Auditor (BJ), Head of Democratic Services, Mr Gareth Wyn Williams (Local Democracy Reporter)

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The Chair welcomed all those in attendance to this virtual meeting of the Audit and Governance Committee following which introductions were made and the apology for absence was noted.

#### 1. DECLARATION OF INTEREST

No declaration of interest was received.

#### 2. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting of the Audit and Governance Committee held on 11 February, 2020 were presented and were confirmed as correct.

Arising thereon –

The Committee sought an update on the availability of the report of Audit Wales on the financial sustainability of the Council which was one of 22 such assessments of local authorities in Wales being undertaken by the Audit Wales. The Director of Function (Resources)/ Section 151 Officer advised that the first draft of the report was received for factual verification in late January/early February following which a second version updated to reflect the comments made was received towards the end of March, 2020 at the outset of the lockdown period after which it was set aside as the Council moved to respond to the emerging Covid-19 pandemic crisis. The Officer confirmed that the second draft was cleared for acceptance last week and that it is anticipated that the formal report will be published

definitively in the near future. In terms of substance, the report which was more advisory in nature and compared local authority practice and approach, has been overtaken by events with the situation having changed significantly since the draft version was issued. One of the points raised with regard to Anglesey Council was its level of financial reserves which at the time was expected to reduce further but which has since improved as the Statement of Accounts testifies to. Additionally, the Council's lack of commercial income was noted although it was recognised that the opportunities available to the Council for generating such income was limited compared to larger councils in urban areas. The Officer commented that given the situation in which councils now find themselves, the fact that the Council in Anglesey is not reliant for its financial well-being on commercial income might prove an advantage as those income streams have greatly reduced in the wake of the Covid-19 crisis. However, the Council is likely to be affected financially by the Covid-19 pandemic including by a loss of income.

### 3. ANNUAL TREASURY MANAGEMENT REVIEW 2019/20

The report of the Director of Function (Resources)/Section 15 Officer incorporating the Treasury Management Review for 2019/20 was presented for the Committee's consideration. The review provided a synopsis of the Council's treasury activities during the 2019/20 financial year including its approach to borrowing and investment.

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

- The external context and the wider factors that have influenced treasury management decisions including the state of the UK economy; interest rate performance during the year; the continued uncertainty over Brexit – especially a no-deal Brexit - and the impact of Covid-19.
- The internal factors including :
  - **The performance of capital expenditure** – the table at 3.1 shows the actual capital expenditure and how this was financed. Actual General Fund capital expenditure financed by borrowing was £2m against a projected £7m at the start of the year. The main reason for the underspend was the large underspend on the projects as listed and in particular the £4.547m underspend on 21<sup>st</sup> Century Schools programme which has been delayed by further consultation on the schemes in the Llangefni area.
  - **Reserves and cash balances** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources are set out in the table at 3.2 of the report and include the Council Fund General Reserve which increased from £5.912m as at 31 March, 2019 to £7.060m as at 31 March, 2020. The Council's total usable reserves and provisions stood at £31.124m at 31 March, 2020 (compared to £30.078m at 31 March, 2019).
  - **Borrowing taken out by the Council** – in March, 2020 the Council took out one short-term borrowing with the PWLB to fund planned capital expenditure to the end of the financial year. On 18 March, 2020 the Council made a borrowing of £10m (unplanned at the start of the year) with an interest rate of 2.05% to ensure it had sufficient cash in the bank going into the Covid 19 crisis in light of the uncertainty surrounding that period.
  - **Gross borrowing and the Capital Financing Requirement (CFR)** – the gross borrowing of £139.2m as at 31 March, 2020 is above the CFR as at 31 March, 2019 but is within the forecast CFR for the following two years (table 3.3.1 refers). The year end-position has exceeded the CFR because of the £10m borrowing taken out in March, 2020; also the global pandemic has meant that capital expenditure in the final month of the year was less than anticipated resulting in external borrowing

exceeding the CFR. This is for the short-term as the level of external borrowing will fall below the CFR in 2020/21 as external borrowing is repaid and capital expenditure incurred.

- **Internal borrowing** – at the beginning of the year, the internal borrowing position whereby the Council uses its own cash reserves to fund capital expenditure was £6.2m. By taking out the new £10m PWLB loan, the internal borrowing position as at 31 March, 2020 was reduced thereby putting the Council in an overfunding of CFR position meaning it held £2.3m of unused capital borrowing.
- **Other borrowings** – the Council did not enter into any other short-term borrowings. An interest free Welsh Government loan of £1.878m was received during 2019/20 to fund capital expenditure on energy saving projects and will be repaid in annual instalments.
- **Debt repayments** – a PWLB loan for £5m matured during the year on 20 May, 2019.
- **Investments** – investment activity during the year conformed to the approved strategy which puts the security of capital first followed by liquidity and then yield. Most of the Council's deposits were held in no notice deposit accounts whilst there were two loans to other local authorities. The strategy on investing surplus cash would be to borrow short term with other local authorities as a secure way to maximise returns.
- Treasury Management Prudential Indicators – an analysis of the difference between the actual and the forecast Prudential Indicators for 2019/20 as approved in the Treasury Management Strategy Statement for 2019/20 is provided in section 6 of the report. The key data for actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year is contained within the table at 6.1 of the report. During 2019/20 the Council complied with its legislative and regulatory requirements.
- The Council's treasury management performance during the year was in line with the strategy of low risk, low return on investments and a planned approach to borrowing to minimise interest charges. Performance against the strategy takes into account the external economic factors and is kept under regular review to ensure the strategy remains the most appropriate.
- Moving forward into 2020/21 there is a great deal of uncertainty regarding how the financial impact of the Covid-19 pandemic will unfold over time. The Council has sought to keep its cash balances at a reasonably high level of between £45m and £55m during the crisis; it has received RSG funding in advance and has continued to collect Council Tax from those who can pay meaning that its cash flow is in a healthy position. Consideration will now be given to what return can be obtained from investing any surplus cash while ensuring the security of the capital invested.

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

- That with regard to the importance of investing in business to give people encouragement and to signal that a corner has been turned in relation to the pandemic, as the country moves forward into the recovery period, organisations including local government will have a critical role in delivering the Government's aspirations and spending plans for infrastructure projects to boost the economy post lockdown. It is also likely that additional grants and capital expenditure will be made available over the course of the next few years.
- That with regard to the appropriateness of the PWLB being the Council's primary source of funding given that its average rate is 4.5% compared to the average Bank Rate at 0.1%, the average rate is based on all the Council's loans which are outstanding over a number of years dating back to a period when interest rates were considerably higher. The current rate for PWLB loans is around 2.2% and was raised by 1% late last year.

The Council has not undertaken any borrowing apart from the £10m with PWLB in March which was on a short-term basis to March, 2021. Should the Council wish to take out any long-term borrowing then it would consult with its Treasury Advisors to establish whether PWLB is the best option in those circumstances.

- That as regards the Council being in a more advantageous position because it is not dependent on commercial income for its financial health, the Council's opportunities for commercial investment are fewer than those for urban councils. However, councils that have invested heavily in commercial premises such as theatres, retail development and airports and rely on them for income are now likely to be facing greater hardship because the income from those sources has diminished significantly as they have ceased to operate over the lockdown period. Although Anglesey has experienced a loss of income because of the crisis, it is to a lesser extent than that of the larger councils in Wales and will be covered in part by its share of the £78m which Welsh Government has set aside to compensate councils for loss of income.
- With regard to the collection of Council Tax, the rate of collection was 1.5% lower in May, 2020 compared to that for May, 2019 which is due to taxpayers being allowed to defer payment of the first instalment of Council Tax from May to June this year and to the Council not having instigated any recovery action to date. Added to this is the increased costs of the Council Tax Reduction Scheme as the number of claimants rises. The true effect of the pandemic on Council Tax revenue is not likely to be felt until such point at which consideration is given to debt write-offs.

**It was resolved –**

- **To note that the outturn figures in the report will remain provisional until the audit of the 2019/20 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 2019/20 prudential and treasury indicators in the report.**
- **To accept the Treasury Management Annual Review report for 2019/20, and to recommend it to the Executive without comment.**

**4. DRAFT STATEMENT OF THE ACCOUNTS AND DRAFT ANNUAL GOVERNANCE STATEMENT 2019/2020**

The report of the Director of Function (Resources) and Section 151 Officers incorporating the draft pre-audit Statement of the Accounts for the 2019/20 financial year along with the draft Governance Statement for 2019/20 was presented for the Committee's consideration.

The Director of Function (Resources)/Section 151 Officer prefaced his presentation of the draft Statement of Accounts by thanking the Finance Service's Accounts team for their work in successfully completing the draft accounts in line with the statutory deadline which since last year has been brought forward to the 15 June. The task this year has been made especially difficult by circumstances with the majority of staff working remotely from their homes because of the pandemic as well as contributing to the Covid-19 crisis response. The Statement of 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 Statement in setting out information about the financial performance of the Council in a way prescribed by accounting regulations is a long and a complex document and despite the need for simplification being highlighted with CIPFA the format remains unchanged from last year.

The Officer referred to the Explanatory Narrative Report which provides background information about the Isle of Anglesey County Council and sets its financial performance in the context of the year's key achievements, issues, challenges and risks. In 2019/20, the Council reported an underspend of £0.308k against a planned activity of £135.210m (net budget) and achieved £2.205m of savings. The table at 3.4.1 reflects the final budget for 2019/20 and actual income and expenditure against it. The impact of the underspend means that the Council increased its general reserves by £0.308k to £7.060m which is 4.9% of its net revenue budget for 2020/21. The Capital Budget was underspent in the year with the total spend amounting to £30.015m against a total Capital Budget for 2019/20 of £43.907m. The subsequent main financial statements comprise the following –

- Comprehensive Income and Expenditure Statement (page 21 of the accounts) – shows the cost of providing the Authority's services during the year in accordance with accounting practices rather than the amount to be funded from taxation hence the figure of £28.161m surplus. The amount that is chargeable to council tax requires a number of adjustments which are explained in Note 1a (Note to the Expenditure and Funding Analysis 2019/20) and Note 7 (Adjustments between accounting basis and funding basis under regulations). The CIES also shows gains or losses with regard to the authority's assets and liabilities including pension liability and changes as a result of the revaluation of assets.
- Summary of Movements in Council Reserves (page 23 of the accounts) – shows the movement in the year on the different reserves held by the Council analysed between usable and unusable reserves. The Council's General Fund Balance stood at £7.06m at the end of the year; the Earmarked Reserve Fund Balance was £8.76m; the HRA Balance was £8.697m; the Capital Receipts Fund was £1.33m and School Balances amounted to £197k. The Council's total usable reserves as at 31 March, 2020 were up on the previous year's total by £1.1m standing at £25.944m.
- The Balance Sheet (Page 24 of the accounts) – shows the value of the assets and liabilities (what the Council owns and what it owes excepting highways and bridges) recognised by the Council on the Balance Sheet date of 31 March, 2020. The Balance Sheet reflects a good financial position at year end giving the Council a net value of £190.618m which is an increase of £28.162m on the previous year. The Balance Sheet also includes the figure for pension liability which although it does not come out of that year's budget is a liability that the Authority has incurred which will have to be funded in the long-term.
- The Cash Flow Statement – 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 clarify the figures in the main financial statements. Of most interest to the taxpayer are Note 8 - earmarked reserves and their purpose; Note 9 - school balances position; Note 15 - non-current assets – property, plant and equipment; Note 16 – significant capital commitments; Note 17 – heritage assets; Note 24 – Debtors; Note 26 – Creditors; Note 27 – Provisions; Note 33 - Members' allowances; Note 34 - Officers' remuneration; Note 41- Local Government Pension Scheme; Note 48 –Council Tax and Note 49 – Non-Domestic Rates.
- Annual Governance Statement – provides an overview of the governance framework that has been in place at the Council for the year ended 31 March, 2020 along with a summary of reports and reviews which comment on governance and performance issues relating to the Council.

The Programme, Business Planning and Performance Manager referred to the draft Annual Governance Statement positioned at the end of the financial statements and explained that the Statement is a statutory document whose purpose is to show that the Council's

governance arrangements comply with the core and supporting principles contained within CIPFA/ SOLACE's Framework for Delivering Good Governance in Local Government. The Council aims to achieve good standards of governance by adhering to the seven core principles in the CIPFA/SOLACE Framework. That the Council has succeeded in adhering to those principles is supported by evidence which in turn provides assurance about the effectiveness of the Council's governance arrangements. Notwithstanding, the Statement identifies areas where improvements can be made in line with the Council's commitment to continuous improvement and these include formulating a climate change action plan and re-scoping the Council's strategic direction for the next 18 months; it also updates the progress made on governance matters identified in 2018/19. It should be noted that the Internal Audit Annual Report for 2019/20 concludes that there are no issues of significantly high risk or impact that warrant inclusion in the Annual Governance Statement.

In discussing the financial statements and the AGS, the Committee raised the following points –

- The extent of the impact on the Council of the review of the Local Government Pension Scheme benefit structure in light of the McCloud judgement which ruled that protections applied to the Firefighters Pension Scheme as part of public sector reforms were unlawful because they discriminated on the grounds of age.

The Director of Function (Resources)/Section 151 Officer explained the background to the ruling on a case brought by a member of the Firefighters Service on the basis that protections afforded by that Service's Pension Scheme to members over a specific age who took early retirement were unlawful on the grounds of age discrimination. Similar protection is provided by the Local Government Pension Scheme to eligible scheme members under the 85 year rule where early retirees dependent on when they began their service, have some or all of their benefits protected from reductions. The impact of the McCloud judgement will be felt in increased pension liabilities as the Pension Fund may have to extend the protection to a greater number of members. Hymans Robertson LLP as the Gwynedd Pension Fund Actuarial Consultants took the judgement into account in their 2019 revaluation of the Fund on which the contribution rates of each Gwynedd Pension Fund employer from 1 April, 2020 was based. The Actuary's opinion is that the impact of the judgement on the LGPS fund deficit will not be as great as that anticipated as it has been factored into their assessment and that further it will not require increased contributions by the employers. A review will take place at the next triennial re-valuation of the Fund in 2022 and whilst there will be some impact on the Pension Fund deficit, those employers within the Fund with a younger staff profile are likely to be affected to a greater extent.

- Whether the enforced closure of schools because of the pandemic will affect the school balances situation and whether it results in reducing the Council's contribution to WJEC given that no examinations have taken place.

The Director of Function (Resources)/Section 151 Officer advised that school balances have fallen over recent years as of a result of the Council's financial position and the tightening of budgets although an element of protection from budget cuts has been afforded to schools. Overall the primary sector is in a better financial position than the secondary sector where two schools are in deficit - as is required those schools have formulated plans to reverse the deficit. The fact that schools have been closed has probably helped their finances as the Authority has not held back any of the delegated funding to schools because of the closure. Neither have schools incurred examination related costs as they would have had they been open as normal during the summer term. The Officer said that he was not aware of any discussions regarding the WJEC nor the expectations regarding local authorities in relation to it.



- Whether the recurring underspend on the capital budget should be reviewed in terms of its impact on treasury management.

The Director of Function (Resources)/Section 151 Officer advised that most councils underspend on their capital programmes because with large capital projects issues can arise either prior to the commencement of, or during the implementation of schemes which can affect the schedule for their completion. In the case of the Council the underspend on the 2019/20 capital programme is due in large part to the decision made by the Executive to reconsider the schools' modernisation programme in the Llangefni area thereby delaying the planned schemes for the area. For those projects whose timetable has slipped the funding for them has been secured and will carry over with them into 2020/21. The impact of the underspend on the capital programme on treasury management can be seen in reduced borrowing which in turn means the cost to the revenue budget of servicing the debt through the Minimum Revenue Provision is also reduced.

- The level of expenditure incurred by the Council in entering into partnership on the Parc Adfer new waste recycling plant and the North Wales Growth Bid and whether the Council's participation in these schemes represents value for money.

The Director of Function (Resources)/Section 151 Officer advised that the Parc Adfer facility was constructed under a partnership between five North Wales local authorities including Anglesey with the support of Welsh Government funding. It is run by a private company. The five partner local authorities pay a gate fee for the tonnage that is disposed of by the facility and for Anglesey the fee is initially higher than the fee paid under the previous waste disposal contract. Once the operation is established and is operating to the satisfaction of the Welsh Government, the latter will pay a grant to the company running the site and the gate fee will reduce to a level below the Council's previous costs thereby generating revenue savings for the Council. The North Wales Growth Bid is still ongoing in terms of the set-up work with the partners involved. The UK Government is providing funding of £120m over the next 15 years which will be match funded by Welsh Government with contributions from the private sector also. As the funding will be paid in instalments over the course of the 15 years and the project spend is likely to occur in the first few years then the partner local authorities may have to meet the initial cost of borrowing to fund the start-up costs although this remains the subject of continuing discussions. The running cost of the North Wales Economic Ambition Board is currently being funded by the partners including the local authorities, the University and colleges on the basis of a £50k contribution by each partner. The long-term funding arrangements and how they are apportioned will form part of the final agreement between the partners.

- Whether the Annual Governance Statement could be made more readable and whether the measures used by the Council to evaluate the effectiveness of its governance arrangements and the sources that inform the assurance conclusion for each principle in the 2019/20 AGS could be clarified it being noted that the Statement is not dissimilar in content to the previous year's Statement.

The Programme, Business Planning and Performance Manager explained that the work on the 2019/20 AGS was undertaken at a time when members of the team responsible for the task were also engaged on the Covid-19 response meaning that drafting the AGS was lighter than usual. The Council in 2012 adopted a Local Code of Governance which is used as a basis for the annual review of governance in terms of ensuring that the CIPFA requirements are met, and also as basis for the resulting Annual Governance Statement. In response to a comment about improving the AGS, the Officer provided

assurance that the Council is always looking to improve its Annual Governance Statement as regards presentation and accessibility.

The Vice Chair raised the issue of the all-member monthly briefing sessions referred to in the AGS which are held to inform elected members about major developments, strategies and budget proposals and he requested that the Committee's Lay Members be invited to these sessions to help them keep up to date with major developments at the Council. The Programme, Business Planning and Performance Manager said that he would refer the matter for consideration by the Chief Executive/Senior Leadership Team.

**Having considered the report, it was resolved to note the draft unaudited main financial statements for 2019/20.**

**ADDITIONAL ACTIONS PROPOSED :**

- **The Local Code of Governance to be presented to the Committee in due course prior to its being reviewed and updated.**
- **The Programme, Business Planning and Performance Manager to ask the Chief Executive/SLT to consider the propriety of inviting the Committee's 2 Lay Members to the monthly all-member briefing sessions on major developments.**

**5. INTERNAL AUDIT ANNUAL REPORT 2019/20**

The Annual Report of the Internal Audit Service for 2019/20 was presented for the Committee's consideration. The report outlined the Internal Audit work carried out during the year ended 31 March, 2020 based on which the Head of Audit and Risk gave her overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control during the year which also informs the Council's Annual Governance Statement.

The Head of Audit and Risk reported that for the 12 months ended 31 March, 2020, the Isle of Anglesey's Chief Audit Executive i.e. the Head of Audit and Risk is of the opinion that the organisation had an adequate and effective framework for risk management, governance and internal control. While the Head of Audit and Risk does not consider there to be any areas of significant concern, some areas require the introduction or improvement of internal controls to ensure the achievement of objectives, and these are the subject of monitoring. There are no qualifications to this opinion.

The Officer said that the opinion above was reached based on the work and activities undertaken by the Internal Audit Service during the year specifically with reference to the following –

- During 2019/20, the Internal Audit Service reviewed 50% of the risks in the corporate risk register with a red or amber residual risk rating (83% over a 17 month rolling period) (Appendix A refers) and was able to provide Reasonable assurance that the Council was effectively managing all but one of the risks reviewed. The review of IT Resilience finalised towards the end of 2019/20 concluded in a Limited assurance rating and has received attention from the Senior Leadership Team.
- Of the total 21 audits finalised during 2019/20, six were awarded Substantial assurance for the arrangements for governance, risk management and internal control with no significant or material risks/issues identified compared to three in 2018/19. Thirteen reviews resulted in a reasonable assurance rating (14 in 2018/19). As in the previous year, two audits received a Limited assurance rating; two reports remain with Limited

assurance after follow-up and will continue to be reviewed to monitor the implementation of the risks raised.

- No audits received “No” assurance and no Critical (red) issues/risk were raised during the year. There are no red issues/risks currently outstanding.
- Where Internal Audit has identified issues/risks, Management has accepted them all
- During 2019/20 Internal Audit found senior management at the Council to be supportive and responsive to the issues raised.
- There were no issues deemed to be of a significantly high risk or impact to warrant inclusion in the Annual Governance Statement

With regard to performance, the Internal Audit Service has in place a quality assurance, and improvement programme to ensure continuous improvement. The Service has performed well during the year against the targets agreed with the Audit and Governance Committee as part of the Strategy for 2019/20 (Appendix D) with 3 out of 5 indicators meeting or surpassing their targets. The service has performed less well in terms of the percentage of the red and amber residual risks reviewed and in respect of its staffing complement with staff lost again in the year to promotion, secondment and long-term absence. The service has also benchmarked its performance against the 22 members of the Welsh Chief Auditors Group (although only 19 participate) and despite not benefiting in terms of economies of scale with Anglesey being a small authority based on population, the service achieved top quartile performance for completing audits within planned time and for client satisfaction. An external assessment of the Council’s Internal Audit Service in March 2017 provided assurance that the Service “generally conforms” with the Public Sector Internal Audit Standards which is the top assessment available to the assessor.

Going forwards, the experience from last year as well as that gained during the emergency response to Covid-19 has provided valuable learning and, together with two new members of staff, new risk management software and upgraded action tracking software, will place the Internal Audit team in a good position to ensure the delivery of its plan and to continue to support the Council as a key component of its governance structure.

The Committee considered the report and discussed the following issues –

- Further clarity on the performance measures set out in Appendix D to the report which compared performance against targets and benchmarked with the Welsh Chief Auditors Group which to the Committee appeared high and not reflective of actual performance within the twelve month period.

The Head of Audit and Risk clarified that the audits completed within planned time are those that have been completed within the timescale allocated to them i.e. 100% in 2019/20. Higher targets – agreed in February, 2020 – have been set for 2020/21 but these are now likely to prove unrealistic and to be of minimal value in light of the changed circumstances which Covid-19 has created. However, although the Service did not achieve its target of auditing 80% of the red and amber residual risks on the corporate risk register within the twelve month period of 2019/20, it did achieve 83% over the longer time timeframe of 18 months from November, 2018 to April, 2020 thereby providing the Committee with assurance that the major risk areas have been covered. The Committee was further advised that the coverage is now up to 86% with only 2 of the red/amber residual risk areas remaining unaudited.

In response to a further question about the adequacy of its staffing levels, the Head of Audit and Risk advised that half of the Internal Audit team has been redeployed to the Covid-19 emergency response meaning that two out of the five members of the team are currently undertaking audit work while the response to the Covid-19 emergency remains

live. The two full time posts advertised earlier in the year have each been filled on a part-time basis with one appointee having commenced in post in June and the other due to commence in August. Notwithstanding the reduction in capacity, the work which the Internal Audit Service has undertaken this year has been significant and has involved carrying out a review of the Council's response to the Covid-19 emergency including whether the arrangements it had in place for governance, IT provision, evidence gathering and data analysis, and engagement and collaboration were safe, robust, effective and fit for purpose. This work has also shown the Internal Audit Service to be flexible and adaptive in being able to change its plans and focus in response to the changing risk environment. Going forwards the Service will be concentrating on the immediate priority areas as agreed with the Senior Leadership Team which may mean that other aspects of work e.g. the Audit Committee's self-assessment will be delayed.

- Whether the new working environment wherein the majority of the Council's staff are working remotely from home added to reduced capacity, are likely to impact on the Internal Audit Service's ability to carry out its plans.

The Head of Audit and Risk advised that home working for the Internal Audit team is neither a new experience nor an issue in terms of productivity and does not affect the way team members do their job it not being difficult to conduct an audit in this way in terms of sharing documents. In relation to team working, working remotely has led to effective communications using technology, and more frequent team meetings have been held this way. Internal Audit and Risk Management has thrived especially as a result of the aforementioned work undertaken in relation to the emergency response team with this Authority's Internal Audit service being the only Internal Audit service nationally to conduct such a review to date. As a result CIPFA has asked the Authority to submit a case study to be shared with other internal audit teams.

- The audit review of IT resilience which resulted in Limited assurance being provided and whether the situation has since improved and whether as a connected issue, the new ways of working which the emergency has created can be supported by the Authority's IT systems going forwards.

The Head of Audit and Risk in confirming that a great deal of work had since been undertaken clarified that the limited assurance applied to the structure of the IT team with some key roles being reliant on one member of staff thereby increasing the service's vulnerability in the event that the staff occupying those roles depart or are absent. This issue has now been addressed with supporting arrangements having been put in place. A follow-up review will take place in September. In addition, as part of its review of the arrangements which the Authority had in place to respond to the Covid-19 emergency, Internal Audit looked at IT resilience including internet bandwidth and remote access capacity and found that the IT provision was effective in the context of the emergency response.

In response to a question by the Chair about the schedule for reviewing YM32 – the risk of the Council being unable to provide the necessary investment in leisure facilities to maintain the current level of provision, the Head of Audit and Risk clarified that although the risk will remain on the register, there are no immediate plans to review the risk.

- Whether having issues outstanding from 2014 shows the Authority's governance arrangements in a bad light and whether these can be dealt with promptly or abandoned.

The Head of Audit and Risk clarified that the three outstanding issues/risk from 2014 relate to System Control and segregation of Duties within Payroll. The ongoing

restructure of the payroll team has now been completed with the result that 2 of the 3 outstanding issues have been signed off. The third remains the subject of discussion.

**It was resolved to accept the Internal Audit Annual Report for 2019/20 and to note that the Head of Audit and Risk is satisfied with the adequacy and effectiveness of the Council's overall arrangements for risk management, governance and internal control subject to introducing and/or improving internal controls in some areas.**

## **NO ADDITIONAL ACTION WAS PROPOSED**

### **6. EXTERNAL AUDIT – 2020 DRAFT AUDIT PLAN**

The External Audit report incorporating the proposed Audit Plan for the 2019/20 audit year was presented for the Committee's consideration. The Plan set out the work proposed to be undertaken in relation to the financial audit and matters related thereto along with an outline of the performance audit programme and a timetable for the completion and reporting of the external audit work at the Authority. Attached to the draft Plan were two supplementary letters – the one dated April, 2020 outlining potential issues with regard to the accounts and financial audit process and timetable as a result of the Covid 19 emergency and the other dated June, 2020 which updated the performance audit work programme for 2020/21 and schedule in the wake of Covid-19.

Mr Alan Hughes, Audit Lead referred to -

- The assessment of financial audit risks as set out in Exhibit 1 of the draft Plan and clarified that the risks outlined therein are common to all public bodies that are subject to audit. At the time of its writing, the draft Plan anticipated that the Covid-19 national emergency could lead to a significant delay in the preparation and publication of accounts hence its inclusion as a risk; the situation has become clearer in the period since with the Authority succeeding in completing the draft accounts on time; the financial audit is now into its third week and is progressing meaning that the risk in terms of a delay to the issuing of the draft accounts was not realised in the case of Anglesey. As regards other areas of audit attention, the auditors will be reviewing the impact of the McCloud judgment in connection with the provision made for pension liabilities.
- The performance audit work programme and confirmed that the planned examination under the Well-being of Future Generations Act focusing on the theme of "prevention" would be postponed to be replaced by a review of local and regional arrangements for recovery. External Audit also intends to discuss with the Senior Leadership Team whether the piece of work on planning and delivering savings is one it believes will be of benefit to the Council or whether attention might be more productively directed elsewhere. The report on the assessment of the Council's financial sustainability has now been finalised and will be presented to the Committee in September; although circumstances have changed significantly since the report was commissioned it contains important general principles for ensuring the financial sustainability of the local authority.

The Committee in accepting the report noted and asked for clarification of the discrepancy between the figure of £427k in the 2019/20 draft accounts for fees payable to Audit Wales and the actual figure of £362k in the External Audit draft Audit Plan. The Director of Function (Resources)/Section 151 Officer said that he would clarify the variance with Mr Alan Hughes and report back to the Committee.

**It was resolved to note and accept the External Audit draft Audit Plan for the 2019/20 audit year.**

**ADDITIONAL ACTION - The Director of Function (Resources)/Section 151 Officer to report back in clarification of the discrepancy between the figure for audit fees shown in the 2019/20 accounts and the figure shown in the draft Audit Plan.**

**Councillor Peter Rogers  
Chair**

DRAFT

| <b>CYNGOR SIR YNYS MON / ISLE OF ANGLESEY COUNTY COUNCIL</b> |   |
|--|---|
| <b>MEETING:</b>  | <b>AUDIT &amp; GOVERNANCE COMMITTEE</b>   |
| <b>DATE:</b>   | <b>1 September 2020</b>   |
| <b>TITLE OF REPORT:</b>                                      | <b>INFORMATION GOVERNANCE – SENIOR INFORMATION RISK OWNER’S ANNUAL REPORT FOR 1<sup>ST</sup> APRIL 2019– 31<sup>ST</sup> MARCH 2020</b> |
| <b>PURPOSE OF THE REPORT:</b>                                | <b>To Inform Members as to the Level of Compliance and Risk</b>   |
| <b>REPORT BY:</b>  | <b>SIRO/Monitoring Officer<br/>Ext. 2586 <a href="mailto:lbxcs@ynysmon.gov.uk">lbxcs@ynysmon.gov.uk</a></b>                             |
| <b>CONTACT OFFICER:</b>                                      | <b>SIRO/Monitoring Officer<br/>Ext. 2586 <a href="mailto:lbxcs@ynysmon.gov.uk">lbxcs@ynysmon.gov.uk</a></b>                             |

## 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 2019 to 31 March 2020 and to summarise current priorities.

## Introduction

This report provides the Senior Information Risk Owner’s statement and 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 provides information about the Council’s contact with external regulators and gives information about security incidents, breaches of confidentiality, or “near misses”, during the period.

Key data about the Council’s information governance is given below in Appendices 1-7.

## Information Governance at the Council

It is considered good practice to have a Senior Information Risk Owner (SIRO) to provide information governance direction and leadership at a senior level. This role is undertaken here by the Director of Function (Council Business) and Monitoring Officer.

Other IG roles within the Council include:

- **Data Protection Officer** – required by the GDPR and Data Protection Act 2018

- **Corporate Information and Complaints Officer**
- **Information Asset Owners** – Directors and Heads of Service who ‘own’ information assets and are responsible for making sure their information assets properly support the business; that risks and opportunities connected with it are monitored and acted upon (included within revised job descriptions); and, ensure that their staff accept mandatory policies and receive ongoing training to meet identified needs.
- **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 revised job descriptions);
- **Internal Audit**

## Senior Information Risk Owner’s Statement

The Council’s arrangements for information governance have been strengthened following a continuous period of development, triggered initially by the consensual audit of the Council by the information Commissioner’s Office in 2013. Whereas the driver for change was initially external to the Council, the subsequent improvements to information governance resulted from the recognition of the Council’s senior leaders of the importance and value of good information governance. The Council has been able to identify areas for its own improvement and introduce necessary change organically. This has been evidenced during the period of this report in the areas of surveillance and in the governance of general personal data processing operations.

The Council has mechanisms and process in place to ensure that key intelligence about information governance compliance is captured, analysed and enabling prompt response and operational change and targeted development. Oversight by senior leaders of the Council is supported by the way that data protection is embedded into the culture of Services, as the events of the final months covered by this report demonstrates.

Of particular note, the Council’s information governance policies were reviewed and quality assured during the period of this report. Ten key policies were reviewed in order to ensure their conformity with current ICO guidance and case law. The review also looked for internal inconsistencies, gaps and omissions in the corporate policies and provided quality assurance for the Council’s data protection policies, its fundamental corporate safeguard. The policies are due for their next review in 2022.

The latter part of this reporting period saw the commencement of the COVID-19 Pandemic, a period of unprecedented strain on the Council, including its information governance. Many of the innovations and solutions introduced to respond to COVID-19 have involved the use of personal data with data protection implications. The speed at which emergency and interim measures required implementing defied the order of events established in the legislation for data protection and the Council’s activity. This meant that the analysis of data protection risks often had to occur concurrently with the implementation of innovative measures. Nonetheless, the Council responded in a pragmatic manner to the challenges of complying with data protection legislation by undertaking verbal Data protection Impact Assessments (DPIA), followed up by written documents almost concurrently with the actual processing getting underway.



The innovative uses of technology to facilitate different ways of working and engagement with the public or partners had important data protection elements. For example, the use of technology in the form of mobile phone apps to enable social workers to maintain contact with service users or hold safeguarding meetings remotely were involved undertaking rigorous data protection work at a fast pace. The sharing of data in new or innovative ways in order to ensure the wellbeing of the public, for example working with foodbanks and other agencies to ensure that vulnerable individuals were supported with the basic necessities of food, involved the analysis and mitigation of data protection risks at an unprecedented pace.

The way that DPIAs have become embedded within the fabric of the Council's operations was highlighted by the way that Services demonstrated their understanding of the need for DPIAs, even amongst the other priorities presenting during the emergency. The cultural awareness of data protection as a key component of the Council's response to the Pandemic was clearly evidenced; the Council's arrangements underwent stress testing.

The Council's processing during the emergency developed quickly and a record of new data processing activity was created in order to contain evidence of the data protection elements of the innovative partnership working, which the Council commenced in response to COVID-19. This record is held centrally by the SIRO and DPO.

Finally, during the latter part of the period of this report, the Council became involved with the data governance aspects of working in partnership to develop the Welsh Government's Track, Trace and Protect strategy. The complexity of the work coupled with the risks of the processing resulted in a regional and national dialogue concerning the relationship of the partner organisations. The SIRO and DPO participated in the effort to develop an alternative framework to the one initially presented to better represent the risks and liabilities of the various partners.

As SIRO, I consider that there is significant documented evidence to demonstrate that the Council's data protection and information governance arrangements are good. I base my assessment on the information governance systems, processes, policies, and training that the Council has in place. I consider that information governance is embedded within the operational culture of the Council and that this was demonstrated during the extraordinary times of the Pandemic. Additional information about key information governance elements is provided in the appendices to my report.

## **Recommendations**

As SIRO I make the following recommendations to the Committee, that:

- i. the SIRO's statement is accepted;
- ii. the Learning Service ensures that adequate resources are allocated to ensure that the long outstanding consent audit is completed;
- iii. the Council's development of its GDPR Article 30 Record of Processing Activities is supported by its Services;
- iv. the Committee endorses any remaining actions on the Data Protection work plan as reflecting the information governance risks facing the Council.

## Appendix 1.

The number of data security incidents recorded by the Council during the year.

| <b>Data security incidents (19/20): 31 incidents</b>  |               |
|---|---------------|
| Level 0 – Level 1 (near miss or confirmed as a data security incident but <b>no</b> need to report to ICO and other regulators) = 31. |               |
| Level 2 incidents (data security incident that <b>must</b> be reported to the ICO and other regulators (as appropriate) = 2.          |               |
| <b>Category Level 0 -1</b>  | <b>Number</b> |
| Disclosed in error  | 24            |
| Lost data/ hardware   | 2             |
| Non-secure disposal   | 2             |
| Unauthorised access   | 2             |
| Lost in transit   | 1             |
| <b>Category 2</b>   | <b>Number</b> |
| Unauthorised disclosure   | 2             |

## Appendix 2

### Information about Freedom of Information Act 2000 requests and complaints

#### Freedom of Information Act requests for Internal Review

During 1 April 2019 and 31 March 2020 the Council received 6905 requests for information under the Freedom of Information Act 2000. The category of applicants is set out as follows:

| Category of Applicants     | Number of requests |
|----------------------------|--------------------|
| County Councillor          | 64                 |
| Law Firm                   | 24                 |
| Media                      | 1440               |
| Private applicant          | 2635               |
| Pressure Group             | 328                |
| Public Sector Organisation | 684                |
| U.K. Parliament            | 9                  |
| WAG Member                 | 137                |
| Private company            | 1584               |
|                            | <b>Total: 6905</b> |

Of the 6905 requests, 12 resulted in requests for an Internal Review of decisions made by the Council. The outcomes are as follows:

- In 9 cases the original decision was upheld;
- 2 cases resulted in the Council Service's response being changed and new refusal notices issued;
- In one case, it was decided that a Section 21 refusal notice should have been issued as the information was available to the applicant by other means.

### Appendix 3

**Information about the number of data protection complaints made to the Council during the year by individuals about its processing of their personal information.**

| <b>Data Protection Act Complaints to the Council</b>   |
|--|
| <p>7 DPA complaints were made and investigated:</p> <p>6 related to requests for erasure of personal data;<br/>1 complaint related to an objection to the Council's processing of personal data.</p> <p>None of the complaints was upheld, the Council's processing was lawful and the data subject rights could not be exercised.</p> |

## Appendix 4

### Information about the number of data protection Subject Access Requests and the Council's compliance.

| Subject Access Requests and compliance  |
|---|
| 24 SARs were received. 83 % responses sent within the one month deadline. The responses to three of the requests were late by a few days; one request was complex and took 3 months to respond (one month over the statutory time permitted for complex cases). |

## Appendix 5

### Information about Regulatory Oversight

#### 5.1. 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 that 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's processes and practitioners were last inspected by the IPCO during September 2018. During the period of this report, **the Council's Policy and procedures were revised**. The Investigatory Powers Commissioners Office kindly reviewed the amended Policy and gave positive feedback, stating "*checked through your revised policy, guidance and document and it is very good...the document is accurate... very useful advice for practitioners*".

In order to comply with the new surveillance Codes of Practice, the Council's Policy was accepted by the Council's Members. It is intended to seek the acceptance of Members on an annual basis.

The Council's SIRO is also Senior Responsible Officer (SRO) for the Council's RIPA compliance. The process of **designating RIPA Authorising Officers was revised** and a new process was introduced, which was also reviewed by IPCO. The number of Authorising Officers have reduced over previous years and **additional Authorising Officers were designated**.

As shown in the table below, which replicates the information provided to IPCO, the **Council makes responsible but limited use of RIPA**. However, the development of the Council's Policy and processes during the period of the report represents a significant strengthening of the Council's arrangements.

#### A summary of the Council's use of the Regulation of Investigatory Powers Act 2000 during the period.

| Regulation of Investigatory Powers Act |   |   |
|--|---|---|
| i.                                     | The number of applications made for a CHIS authorisation                    | 2 |
| ii.                                    | Of these, the number of applications made for a Juvenile CHIS authorisation | 0 |
| iii.                                   | The number of CHIS authorisations successfully granted                      | 2 |

|  |  |   |
|--|--|---|
| iv.  | The number of CHIS authorisations that were renewed                                | 1 |
| v.   | The number of CHIS authorisations that were cancelled                              | 1 |
| vi.  | The number of CHIS authorisations extant at the end of the period                  | 1 |
| vii.   | The number of applications made for a Directed Surveillance authorisation          | 1 |
| viii.  | The number of Directed Surveillance authorisations successfully granted            | 1 |
| ix.  | The number of Directed Surveillance authorisations that were cancelled             | 1 |
| x.   | The number of Directed Surveillance authorisations extant at the end of the period | 0 |
| <b>Key: CHIS – Covert Human Intelligence Sources</b> |  |   |

## 5.2 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. The Information Commissioner has power to assess any organisation's processing of personal data against current standards of 'good practice'.

**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 the period of this report.**

### Data Protection Act 2018 complaints investigations by the ICO

The ICO contacted the Council in respect of 3 DPA complaints. Whereas the matters were not, ultimately, investigated by the ICO, the Council was asked to review its responses to the complainants and take any appropriate steps to ensure that the complaint was dealt with fully. The complaints were reviewed and concluded.

### Freedom of Information Act Appeals to the ICO

A total of 3 appeals were lodged with the ICO in this period,

- One was withdrawn prior to investigation;
- In one instance, the Council was required to provide advice and assistance to the requestor within a specified timescale
- In one instance, the Council were required to respond to the request within 10 working days.

### 5.3. Surveillance Camera Commissioner

The office of Surveillance Camera Commissioner (OSCC) oversees compliance with the Surveillance Camera Code of Practice. The office of the Commissioner was created under the Protection of Freedoms Act 2012 to further regulate CCTV.

During the period of this report, the Council introduced the **use of the SCC's CCTV specific Data Protection Impact Assessment (DPIA)** and Guidance. The DPIA is used by the Council whenever a new CCTV system is proposed. The SCC's produced its Welsh language version of the DPIA and Guidance at the request of the Council.

The Data Protection Officer reviewed the Council's CCTV processes and resources during the period of the report; this resulted in the **creation of a register of CCTV of systems, managers and operators**. Importantly, the review identified the governance gaps surrounding historic CCTV systems which existed before the introduction of the SCC Code.

A **new CCTV Policy** was also developed. The Policy assists the Council's Services by regulating their interaction with third parties, such as the Police, who make a reasonable and proportionate use of the Council's CCTV systems.

The Council also **participated in the SCC's survey of Local Authority CCTV** practice during the year, but awaits further contact from the Commissioner. Nonetheless, the adoption of a new CCTV Policy and governance processes during the period of the report is a major improvement of the Council's arrangements.



## **Appendix 6**

### **Review of Data Protection Policies**

The Council's data protection policies are a fundamental corporate safeguard. During the period of this report, a review of the Council's data protection policies was undertaken. This was the first review of the policies since the implementation of the new data protection legislation in 2018. The review considered the 10 key policies in order to ensure their conformity with current ICO guidance and case law. The review also looked for internal inconsistencies, gaps and omissions in the corporate policies.

The Council's Data Protection Policy is a mandatory policy for staff and Members, who are required to accept the policy on the Council's policy acceptance system. The Data Protection Policy will be reissued to staff for acceptance outside the period of this report. The other data protection policies are made available as resources on the policy acceptance system, along with resources on the Council's intranet site.

The completion of the review represents a major landmark in the Council's information governance arrangements. The policies are due for review in 2022.

## **Appendix 7**

### **Data Protection Work plan**

A work plan for data protection was developed in the months following the implementation of the new data protection legislation in 2018. The work plan is owned by the Council's Senior Leadership Team and this establishes data protection at the core of the Council's operations. The purpose of the work plan is to provide greater assurance regarding the Council's compliance. It is apparent that the intelligence gathered through undertaking the tasks assists to identify areas for possible development. Therefore, the work plan has a cyclical and iterative quality, which strengthens the governance of the Council's processing of personal data, thus providing the SIRO with increased assurance.

Below is a summary of the current work plan (ending March 2021). The items shown as outstanding and requiring completion will be addressed as soon as the Services are able to resume the work.

|   | Key element  | Summary of progress   | Outstanding elements   |
|---|--|---|--|
| 1 | Address identified data protection and other information governance training needs.  | Data protection and Freedom of Information Act training was provided during the period.   | <p>The production of a hard-copy data protection workbook for staff without access to computers is outstanding. A draft has been prepared but its use may not be possible due to changes in work practices.</p> <p><b>This is to be explored further during 2020-2021.</b></p> <p>RIPA Training for key responsibilities was not delivered due to COVID-19.</p> <p><b>Training will be delivered during 2020-2021.</b></p> |
| 2 | <p>To review the use of consent as a lawful ground for processing and to review consent recording processes.</p> <p>Audit the use of consent in: Adults; Children; Housing, Learning forms. Also to challenge the reliance on consent as a lawful basis by partners.</p> | The audit has been concluded in all services except for Learning. This element has resulted in a significant number of Council forms being redesigned to ensure compliance. | <p>The Audit is not complete in Learning. The work had recommenced but was stalled by COVID-19.</p> <p><b>This work to recommence during 2020.</b></p>   |
| 3 | <b>Review and audit Council CCTV systems.</b> To provide the Council with a suitable CCTV Policy and identify key contacts within services, ensure compliance with current Codes and legislation.  | This work was completed as described above.   |  |
| 4 | <b>Review RIPA Key Staff</b> To ensure that the Council has adequate arrangements for RIPA authorisations.   | The review was undertaken and completed as described above.   |  |
| 5 | <b>To develop and monitor the Council's Article 30 ROPA</b><br>Following on from item 2, to develop the ROPA by including links to Privacy Notices, Sharing  |   | This work will recommence during 2020.   |

|  |  |   |   |
|--|--|---|---|
|  | Protocols, major Contracts or Data Processing Agreements   |   |   |
| 6  | To <b>develop resources on the Council's Intranet and Policy Portal</b> . The information on the Intranet (Monitor) is out of date. The pages require revision to provide appropriate information. | Content requiring revision has been identified. | This work is dependent upon the ICO publishing GDPR compliant guidance and advice. The action will be delayed until such times as the national regulator's site is updated. |
| <b>Key:</b><br><b>Green</b> indicates completed elements; <b>Yellow</b> indicates outstanding elements |  |   |   |

| <b>CYNGOR SIR YNYS MON / ISLE OF ANGLESEY COUNTY COUNCIL</b> |  |
|--|--|
| <b>MEETING:</b>  | <b>Audit &amp; Governance Committee</b>  |
| <b>DATE:</b>   | <b>1<sup>st</sup> September 2020</b>   |
| <b>TITLE OF REPORT:</b>                                      | <b>Concerns, Complaints and Whistleblowing 2019-2020</b>   |
| <b>PURPOSE OF THE REPORT:</b>                                | <b>Assurance on Policy Compliance</b>  |
| <b>REPORT BY:</b>  | <b>Director of Function (Council Business) / Monitoring Officer</b>  |
| <b>CONTACT OFFICER:</b>                                      | <b>Corporate Information and Complaints Officer<br/>Ext. 2588 <a href="mailto:bjxcs@ynysmon.gov.uk">bjxcs@ynysmon.gov.uk</a></b> |

## **CONCERNS AND COMPLAINTS**

### **Introduction & Summary**

1. This report provides information on issues arising under the Council's [Concerns and Complaints Policy](#) for the period 1<sup>st</sup> April 2019 – 31<sup>st</sup> March 2020. 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 1<sup>st</sup> April 2019 – 31<sup>st</sup> March 2020, 136 concerns were received and 69 complaints were made with 2 being withdrawn prior to investigation. Therefore, 67 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 67 complaints dealt with during the period, 13 were upheld in full, 5 were partly upheld and 49 were not upheld. 8 complaints that had been through the internal process were escalated to the PSOW and all 8 were rejected.
6. The number of complaints investigated this year remains at around the same level as 2018/2019 and these are shown in the table below.
7. The Council also publishes [complaints data](#) monthly

<https://www.anglesey.gov.uk/en/Get-involved/Official-complaints/Council-complaints-statistics.aspx>

8. The overall rate of responses to complaints issued within the specified time limit (20 working days) was 94%. 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 2019 – 2020

| Service                               | No. of concerns | No. of complaints | No. upheld | No. partly upheld | No. complaints rejected | No. of late responses (x days late) |
|---------------------------------------|-----------------|-------------------|------------|-------------------|-------------------------|-------------------------------------|
| <b>Highways, Waste &amp; Property</b> |                 |                   |            |                   |                         |                                     |
| Highways                              | 16              | 7                 | 1          | -                 | 06                      | -                                   |
| Property                              | -               | 1                 | -          | -                 | 1                       | -                                   |
| Waste                                 | 14              | 1                 | -          | -                 | 1                       | -                                   |
| <b>Housing</b>                        |                 |                   |            |                   |                         |                                     |
| Housing                               | 43              | 13 (-1)           | 1          | 2                 | 09                      | 1 (10)                              |
| *Housing/<br>Property & Legal         | -               | 1                 | -          | -                 | 1                       | -                                   |
| <b>Lifelong Learning</b>              |                 |                   |            |                   |                         |                                     |
| Learning (excludes schools)           | 4               | 1                 | 1          | -                 | -                       | -                                   |
| <b>Regulation &amp; Economic</b>      |                 |                   |            |                   |                         |                                     |
| Leisure                               | 20              | 1                 | -          | 1                 | -                       | -                                   |
| Maritime                              | 1               | 1                 | -          | -                 | 1                       | -                                   |
| Planning                              | 4               | 12 (-1)           | -          | -                 | 11                      | -                                   |
| *Planning & public Protection         | -               | 1                 | -          | -                 | 1                       | -                                   |
| Public Protection                     | 1               | 5                 | -          | -                 | 5                       | -                                   |
| <b>Resources</b>                      |                 |                   |            |                   |                         |                                     |
| Resources                             | 32              | 25                | 10         | 2                 | 13                      | 3 ( 1x 5 / 2 x 4 )                  |
| <b>Transformation</b>                 |                 |                   |            |                   |                         |                                     |
| Cyswllt Môn                           | 1               | -                 | -          | -                 | -                       | -                                   |
| <b>Totals</b>                         | <b>136</b>      | <b>69 (67)</b>    | <b>13</b>  | <b>05</b>         | <b>49</b>               | <b>04</b>                           |

\* Relates to more than 1 service

From an analysis of the table above, 8% (down from 9% in 2018/2019) 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, 86% followed this route whilst the remaining 6% (4 of the 67) 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 2019/20, 13 complaints were upheld and 5 complaints partly upheld. **Appendix 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 20 complaints relevant to this process, within the timescale of the report, lodged with the PSOW. 8 were escalated following formal responses under the Council's Complaints Procedure and 12 were complaints made direct to the PSOW. None of the complaints were taken into investigation.

### 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 2019/20, one code of conduct complaint was received by the PSOW against a County Councillor but was closed after initial assessment without any investigation.

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, six expressions of concern were received and recorded. These related to the following issues:-

- A complaint concerning a consultation that failed to seek public opinion on any impact assessment published relating to the Welsh language and Equality.
- A complaint regarding a Welsh medium Freedom of Information request submitted via ApMôn. The content of the acknowledgement e-mail was in Welsh but the subject heading was in English.
- A complaint that the Council was not using the correct forms when referring to locations on Anglesey on Visit Anglesey (although Welsh medium forms were used).
- A concern that Welsh names are being changed / in danger of disappearing. Calling for new legislation to protect and respect place names
- A complaint that the Council had used made-up English names for beaches on its website. In addition, it was not possible to send a direct message through the Welsh account, @CroesoMôn although this could be done through the medium of English
- A complaint that exercise sessions were not held though the medium of Welsh

All six 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 30<sup>th</sup> 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.

13. As reported in last year's 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. Compliance data was reported to the Audit and Governance Committee on 3 September 2019, noting a compliance rate of 89% (855 out of 960) as at 16 July 2019. The compliance rate as at 28 July 2020, was 94% (930 out of 988).



14. 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.

15. During 2019/20, 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 |
|-------------|--------------------------------------|---|--------------|---|--|---------------------------------------|
| 24.04.2019  | First level / Former Chief Executive | Alleged multiple breaches of Health & Safety, misuse of plant & equipment, alleged theft of inventory, general mismanagement and a culture of bullying & harassment | Yes          | 2 investigations undertaken<br>1 preliminary internal investigation and<br>1 independent external investigation | Following the independent investigation the Service prepared an Action Plan to address the findings of the report. The recommendations from the Action Plan were commenced on 05/06/2020 and progress is reviewed every 2 weeks and reported to the Deputy Chief Executive | Yes<br>7/5/2020<br>&<br>9/6/20/20     |

\* A first level disclosure means reported within the Council, as opposed to second level disclosure (to Regulators) or third level disclosure (to the media).

#### 16. 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 **Appendix 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.

| <b>Guidance for Services on how to complete the form</b> |  |   |
|--|--|---|
| <b>Category description</b>                              | <b>Details / examples</b>  | <b>Examples of action taken</b>   |
| 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

| <b>Summary of Lessons Learnt 2019/2020</b> |          |  |   |                             |
|--|----------|--|---|-----------------------------|
| 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  | Action completed            |
| <b>Lifelong Learning</b>                   |          |  |   |                             |
| F465                                       | Learning | Lack of clear communication between services resulting in new prices of bus passes not being communicated to all relevant parties and parents asked to pay higher prices than was noted in the letter.         | Change in policy or process - regular meetings arranged with all relevant parties to ensure new pricing is shared with all relevant parties. New online form to request a bus pass ready to be implemented. However this has been delayed due the current Covid-19 situation as it is not clear what the travel arrangements will look like from September 2020 | In part                     |
| <b>Regulation &amp; Economic</b>           |          |  |   |                             |
| F454                                       | Leisure  | Booking taken by new member of staff which resulted in putting the customers in the class on the wrong week and when the customers turned up there were not enough bikes for them to participate in the class. | Training required for new member of staff.  | Yes – December 2019         |
| <b>Highways, Waste &amp; Property</b>      |          |  |   |                             |
| F425                                       | Highways | The school bus in question did not operate on the morning of Monday 1 <sup>st</sup> July 2019.   | Operator reminded of their contractual obligations in a letter dated 12 <sup>th</sup> July 2019.  | 12 <sup>th</sup> July 2019. |
| <b>Housing</b>                             |          |  |   |                             |
| F445                                       | Housing  | Upheld in part - Maintenance work not to the standard expected.  | Maintenance work completed to the satisfaction of the customer. No further action required.   | Yes                         |
| F450                                       | Housing  | Upheld- Poor response time to 'emergency call out' by third party contractor.  | Change in policy or process. Complaint discussed with senior managers of third party contractors, assurance that process will be addressed in order to improve service. Training also   | Yes                         |

## Upheld & Partly Upheld Complaints Reporting Form

## Appendix 1

|                  |           |   |   |  |
|------------------|-----------|---|---|--|
|                  |           |   | given to internal staff on dealing with any similar future calls.   |  |
| F455             | Housing   | Upheld in part - Rent arrears accrued during period prior to moving into property | Training and supervision required. Officers are being reminded and trained that they should be more proactive in supporting communication on-site between contractors and tenants whilst work is being undertaken on Council properties.  | Yes  |
| <b>Resources</b> |           |   |   |  |
| F415             | Resources | Upheld – Housing Benefit paid incorrectly into rent account.                      | <p><b>Change in process:</b> the following actions agreed –</p> <ul style="list-style-type: none"> <li>• Where an enquiry has relevance to other services/sections, there is a clear internal point of coordination &amp; contact;</li> <li>• Process of making adjustments or write-offs to be reviewed;</li> <li>• Training issue re. complaints received directly to the section, &amp; how to record them;</li> </ul> <p>Compensation payment of £100 made owing to inconvenience &amp; number of errors that had occurred.</p> | Recommendations implemented by 01.05.2019  |
| F421             | Resources | Upheld - incorrectly charged 2 <sup>nd</sup> home premium                         | <b>Simple error:</b> Remind staff of importance of recalculating instalment plans when refunds are processed. Revised bill issued.  | Recommendations implemented by 01.01.2020  |
| F452             | Resources | Upheld – not dealt with in reasonable timescale owing to lack of capacity.        | To create capacity to put necessary systems in place and to respond to queries within reasonable timescales, the Council has created 2 new roles within the Payroll Section which will be dedicated to Pensions and related work.   | New structure now in place. Starting training and this issue should be resolved. |
| F456             | Resources | Upheld – incorrect assessment of reduction and no communication of decision.      | <p><b>Customer Care Issue / Change in Process:</b> the following actions agreed -</p> <ul style="list-style-type: none"> <li>• Corrected assessment of Housing Benefit/ Council Tax Reduction claim;</li> <li>• Reversed cancellation of Housing Benefit/ Council Tax Reduction claim;</li> </ul>   | All implemented by 27.11.2019  |

## Upheld & Partly Upheld Complaints Reporting Form

## Appendix 1

|      |           |  |   |                           |
|------|-----------|--|---|---------------------------|
|      |           |  | <ul style="list-style-type: none"> <li>Processes amended for administering Council Tax Reduction claims when Universal Credit (UC) is involved in payment;</li> <li>Identified and corrected system parameters to ensure Council Tax Reduction notices issued in all occasions.</li> </ul>  |                           |
| F457 | Resources | Partly upheld – the debt collector appointed did not receive correct information. The debtor was not liable for part of the invoiced period.                 | <p><b>Customer Care Issue:</b> following investigation following established –</p> <ul style="list-style-type: none"> <li>Only part of debt was owed;</li> <li>Certain invoices had been duplicated;</li> <li>Other debts had not been included;</li> <li>Following adjustments owing to the age of debt balances were written off in the value of £82.13.</li> </ul>   | Actioned by 12.12.2019    |
| F461 | Resources | Upheld – delay in raising suspension on Housing Benefit claim and conflicting information to claimant along with failure to advise claim had been suspended. | <p><b>Customer Care Issue:</b> investigation established –</p> <ul style="list-style-type: none"> <li>Confusion was caused to claimant due to conflicting information;</li> <li>The same information did not advise claimant of status of claim;</li> <li>Suspension of claim could have been raised earlier as the information had been received;</li> <li>Unnecessary information requested which had already been received leading to unnecessary suspension of claim.</li> </ul> <p>Review to be undertaken of suspension procedures and staff instructed how to verify start of claim dates.</p> | Implemented by 17.02.2020 |
| F464 | Resources | Upheld – alternative recovery routes could have been used to secure debt, owing to vulnerability.  | <p><b>Customer Care Issue / Change in Process:</b> investigation established –</p> <ul style="list-style-type: none"> <li>Decision that there had been a deprivation of capital to claim a Council Tax Reduction was incorrect;</li> <li>Failure to keep claimant informed of the progress of reconsideration request;</li> </ul>   | Implemented by 23.01.2020 |

## Upheld & Partly Upheld Complaints Reporting Form

## Appendix 1

|      |           |   |   |                           |
|------|-----------|---|---|---------------------------|
|      |           |   | <ul style="list-style-type: none"> <li>• Failure to reply to letter;</li> <li>• This led to an unnecessary debt being raised.</li> </ul> <p>Apology to be provided for anxiety and inconvenience caused. Confirmation to be provided of the revised Council Tax Reduction assessment which would cancel the incorrect overpayment. Training need identified as to establishing whether there had been a deprivation of capital to claim benefit or a reduction in accordance with regulations.</p>  |                           |
| F466 | Resources | Upheld – failure to inform claimant that debt was to be written off. Council Tax did not process the write-off. System error occurred & not identified. | <p><b>Customer Care Issue / Change in process:</b><br/>investigation established –</p> <ul style="list-style-type: none"> <li>• Decision made in July 2017 to write off overpayment and not pursue recovery was not actioned;</li> <li>• Claimant in July 2017 not advised of this decision;</li> <li>• Review in July 2017 erroneously dealt with recoverability of overpayment not why it arose;</li> <li>• Application of non-dependent deductions to the original claim was incorrect which should have been identified at the time of the appeal;</li> <li>• No overpayment had occurred.</li> </ul> <p>Apology provided on how the original appeal was dealt with. To retrospectively reassess the claim back to 2013 to correct the error. To check all other non-dependent deductions in the system as to accuracy and to discuss system parameters with software supplier.</p> <p>Apology given for stress and inconvenience caused. All recovery costs cancelled.</p> | Implemented by 16.02.2020 |

## Upheld & Partly Upheld Complaints Reporting Form

## Appendix 1

|      |           |   |  |                           |
|------|-----------|---|--|---------------------------|
| F469 | Resources | Upheld – failure to respond in a reasonable time scale following a request to reconsider a decision not to award Housing Benefit / Council Tax Reduction. | <p><b>Customer Care Issues / Change in process:</b> investigation established -</p> <ul style="list-style-type: none"> <li>• Incorrect assessment of deliberate deprivation of capital to claim benefit;</li> <li>• Considerable delay in dealing with a request to reconsider the original assessment;</li> <li>• No update letter was issued as to progress of reconsideration request.</li> </ul> <p>Apology provided for anxiety and inconvenience caused. Claim reassessed and Council Tax Reduction paid.</p>  | Implemented by 31.01.2020 |
| F470 | Resources | Upheld – issue of statutory reminder notices for unpaid Council Tax when the debtor was subject to Individual Voluntary Arrangement (IVA).                | <p><b>Customer Care Issues / Change in process:</b> review undertaken which established that an – Additional step required in IVA procedure where a hold for 3 months allows sufficient time for the IVA to be fully processed.</p>  | Implemented immediately   |
| F472 | Resources | Upheld - delay in processing CTR claim.   | <p><b>Customer Care Issues / Change in process:</b> investigation established –</p> <ul style="list-style-type: none"> <li>• Claimant was advised of the need to claim Universal Credit;</li> <li>• Notification letter not sent to confirm decision that claim had been made ineligible due to non-receipt of information;</li> <li>• Unjustifiable delay in notifying claimant that claim had been made ineligible;</li> <li>• There were also additional delays in administering the claim;</li> <li>• Need to improve information request letters to take into consideration the 5 week delay in processing Universal Credit (UC) claims i.e. not to make a claim ineligible after 4 weeks if information as regards UC not received until after 5 weeks;</li> </ul> | Implemented by 01.03.2020 |

## Upheld & Partly Upheld Complaints Reporting Form

## Appendix 1

|      |           |  |  |                      |
|------|-----------|--|--|----------------------|
|      |           |  | Apology provided for inconvenience and stress caused, refund payments made and wording on letters requested further information to be amended- particularly for UC claimants.  |                      |
| F474 | Resources | Upheld – incorrect treatment of Council Tax account owing to IVA | <p><b>Change in process / training required:</b></p> <p>Being a specialist field the treatment of accounts subject to IVAs has been addressed by allocating a staff resource where part of the duties relate to IVAs and is the main contact point for bankruptcy / insolvency cases.</p> <p>Staff reminded to refer all IVA cases to additional resource.</p> | Actioned immediately |



| <b>Isle of Anglesey County Council</b> |   |
|--|---|
| Report to:                             | <b>Audit and Governance Committee</b>   |
| Date:                                  | <b>1 September 2020</b>   |
| Title:                                 | <b>Policy Acceptance – Year 3 Compliance Report</b>   |
| Report by:                             | <b>Lynn Ball,<br/>Director of Function (Council Business / Monitoring Officer)</b>  |
| Purpose of Report:                     | <b>To inform the Audit and Governance Committee of the current situation with regard to policy acceptance across the Council.</b> |

## **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. This is the third compliance report to the Audit and Governance Committee.

On 10 June 2019, the Senior Leadership Team (SLT) decided to reduce the number of policies in the core set from sixteen to the following nine policies. The first of these policies was introduced for re-acceptance on 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 compulsory for new staff throughout that time.

## **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 Directors/Heads of Service and their nominated staff also have direct access to the Portal to monitor compliance within their own services.

### **3.0 The current situation**

#### **3.1 The core set of corporate policies**

The re-introduction of policies for acceptance began on 1 October 2019 as scheduled. However, it was decided to suspend the process on 23 March 2020, due to the need to re-prioritise the Council's work to respond to the Covid-19 emergency. Staff were informed that any outstanding policies should be completed in the meantime and that the Policy Portal was still available for access to policies for information. As a result of the decision to suspend the process, only the following two policies have been re-introduced for acceptance to date:

- Display Screen Equipment Policy
- Corporate Health and Safety Policy

This report also includes compliance data for the final policy in the previous series – the Equality and Diversity Policy – which was introduced for acceptance on 29 July 2019. It was not possible to include this policy in last year's report as the six-week acceptance period had not ended.

The system continues to send weekly reminder emails to staff who have not completed policies and to ask any new members of staff to accept the core policies for the first time. However, it became apparent recently that the Corporate Health and Safety Policy was inadvertently made inactive shortly after the end of its six-week acceptance period in early March. As a result, staff who had not completed within the required timescale and any new or returning staff would not have received notifications from the Portal to complete the policy during this time. The policy was reactivated and made available for acceptance as soon as the error was identified on 8 July.

Compliance data as at 28 July 2020 for the three policies noted above can be seen in Appendix 1.

The table below compares the average compliance rates for each service for the past three years (the policies reported upon in 2018 and 2019 are listed in Appendix 2) :

| Service                             | July 2018<br>(7 policies) | July 2019<br>(8 policies) | June 2020<br>(3 policies) |
|-------------------------------------|---------------------------|---------------------------|---------------------------|
| Resources                           | 96%                       | 99%                       | 100%                      |
| Council Business                    | 99%                       | 98%                       | 100%                      |
| Learning                            | 99%                       | 96%                       | 95%                       |
| Adults Services                     | 78%                       | 92%                       | 90%                       |
| Children's Services                 | 99%                       | 100%                      | 100%                      |
| Chief Executive                     | 100%                      | 100%                      | 100%                      |
| Highways, Waste and Property        | 100%                      | 97%                       | 99%                       |
| Regulation and Economic Development | 96%                       | 93%                       | 94%                       |
| Housing                             | 99%                       | 86%                       | 78%                       |
| Corporate Transformation            | 99%                       | 99%                       | 100%                      |

The data shows that the majority of services have maintained high compliance levels but Housing is on a downward trend.

### 3.2 Policy acceptance requirements for targeted staff

It was reported last year that there was an intention to introduce a pilot requiring middle managers to accept certain policies that are not applicable under the “click to accept” arrangements to other members of staff, namely:

- Managing Absence Policy
- Guidance for designating language skills for internal and external posts
- Recruitment and Selection Policy

The pilot had been scheduled to begin in January 2020 but it was re-scheduled to the end of March 2020 due to other priorities at the time. As a result of the Covid-19 emergency, the pilot has not yet started, but the preparatory work has been completed.

### 3.3 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  |

As noted previously, it has been 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. Different approaches therefore needed to be identified to reach the various categories of non-AD connected staff.

It was reported last year that discussions would take place to identify the highest categories of risk and possible workable and proportionate solutions to address that risk. As part of those discussions, it was agreed that a paper-based process should be adopted, using summaries of the relevant core policies, together with a statement that staff would be required to sign to testify that they have read and understood the summary policies. Individual service managers would then be responsible for ensuring that each of their staff members had read and understood each summary and had signed the statement.

Summaries of seven of the nine core policies have been drafted. By definition, the remaining two policies – Display Screen Equipment Policy and IT Security Policy – are not considered to be relevant to this category of staff.

The intention was to begin by trialling the process with Adults' Services staff. However, due to Covid-19, this proposed paper-based solution where staff would be sharing paperwork is no longer considered to be appropriate. This aspect of corporate policy acceptance will therefore remain on hold until a more workable solution can be found.

### **3.4 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. 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 the following corporate policies:

- Health and Safety Policy
- Welsh Language Standards / Policy
- Data Protection Policy
- IT Security Policy
- Corporate Safeguarding Policy
- Whistleblowing Policy
- Equality and Diversity Policy
- The principles within the Officers' Code of Conduct

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 the above policies.

#### **4.0 Re-starting the corporate policy acceptance requirements**

The SLT has determined that the corporate policy acceptance requirements should re-start in September 2020. The requirement to re-accept the core set policies will therefore resume as from 1 September 2020, followed by the introduction of policy acceptance requirements for managers (3.2) as from 14 September – the relevant policies and timescales are listed in Appendix 3.

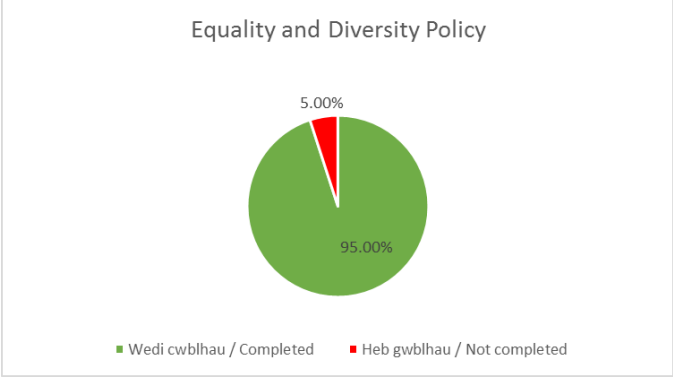
As noted in section 3.3, policy acceptance requirements for staff without access to the Policy Portal will be on hold until a more workable solution is found.

Further work will be required to finalise procedures for those not directly employed by the Council (3.4). It is therefore proposed to start this requirement in October 2020.

#### **5.0 Recommendation**

The Committee is requested to note the current position with regard to policy acceptance across the Council and the proposal to re-start the requirements as from 1 September 2020.

**19 August 2020**

| <b>1 – Equality and Diversity Policy</b>   |                     |      |
|--|---------------------|------|
| Start date:  | <b>29 July 2019</b> |      |
| Total as at <b>28 July 2020</b> :  | 984                 |      |
| Completed:   | 939                 | 95%  |
| Not completed:   | 45                  | 5%   |
|  <p>Equality and Diversity Policy</p> <p>5.00%</p> <p>95.00%</p> <p>■ Wedi cwblhau / Completed   ■ Heb gwblhau / Not completed</p> |                     |      |
| <b>Resources (95)</b>  |                     |      |
| Completed:   | 95                  | 100% |
| Not completed:   | 0                   | 0%   |
| <b>Council Business (34)</b>   |                     |      |
| Completed:   | 34                  | 100% |
| Not completed:   | 0                   | 0%   |
| <b>Learning (91)</b>   |                     |      |
| Completed:   | 85                  | 93%  |
| Not completed:   | 6                   | 7%   |
| <b>Adults Services (163)</b>   |                     |      |
| Completed:   | 154                 | 94%  |
| Not completed:   | 9                   | 6%   |
| <b>Children's Services (131)</b>   |                     |      |
| Completed:   | 131                 | 100% |
| Not completed:   | 0                   | 0%   |
| <b>Chief Executive (4)</b>   |                     |      |
| Completed:   | 4                   | 100% |
| Not completed:   | 0                   | 0%   |
| <b>Highways, Waste and Property (106)</b>  |                     |      |
| Completed:   | 106                 | 100% |
| Not completed:   | 0                   | 0%   |
| <b>Regulation and Economic Development (147)</b>   |                     |      |
| Completed:   | 141                 | 96%  |
| Not completed:   | 6                   | 4%   |
| <b>Housing (141)</b>   |                     |      |
| Completed:   | 117                 | 83%  |
| Not completed:   | 24                  | 17%  |
| <b>Corporate Transformation (72)</b>   |                     |      |
| Completed:   | 72                  | 100% |
| Not completed:   | 0                   | 0%   |

| <b>2 – Display Screen Equipment Policy</b>  |                       |      |
|---|-----------------------|------|
| Start date:   | <b>1 October 2019</b> |      |
| Total as at <b>28 July 2020</b> :   | 977                   |      |
| Completed:  | 919                   | 94%  |
| Not completed:  | 58                    | 6%   |
| <p>Display Screen Equipment Policy</p> <p>6.00%</p> <p>94.00%</p> <p>■ Wedi cwblhau / Completed   ■ Heb gwblhau / Not completed</p> |                       |      |
| <b>Resources (95)</b>   |                       |      |
| Completed:  | 95                    | 100% |
| Not completed:  | 0                     | 0%   |
| <b>Council Business (34)</b>  |                       |      |
| Completed:  | 34                    | 100% |
| Not completed:  | 0                     | 0%   |
| <b>Learning (84)</b>  |                       |      |
| Completed:  | 81                    | 96%  |
| Not completed:  | 3                     | 4%   |
| <b>Adults Services (163)</b>  |                       |      |
| Completed:  | 148                   | 91%  |
| Not completed:  | 15                    | 9%   |
| <b>Children's Services (131)</b>  |                       |      |
| Completed:  | 131                   | 100% |
| Not completed:  | 0                     | 0%   |
| <b>Chief Executive (4)</b>  |                       |      |
| Completed:  | 4                     | 100% |
| Not completed:  | 0                     | 0%   |
| <b>Highways, Waste and Property (106)</b>   |                       |      |
| Completed:  | 105                   | 99%  |
| Not completed:  | 1                     | 1%   |
| <b>Regulation and Economic Development (147)</b>  |                       |      |
| Completed:  | 138                   | 94%  |
| Not completed:  | 9                     | 6%   |
| <b>Housing (141)</b>  |                       |      |
| Completed:  | 111                   | 79%  |
| Not completed:  | 30                    | 21%  |
| <b>Corporate Transformation (72)</b>  |                       |      |
| Completed:  | 72                    | 100% |
| Not completed:  | 0                     | 0%   |

| <b>3 – Corporate Health and Safety Policy</b>   |                        |      |
|---|------------------------|------|
| Start date:   | <b>22 January 2020</b> |      |
| Total as at <b>28 July 2020</b> :   | 975                    |      |
| Completed:  | 890                    | 91%  |
| Not completed:  | 85                     | 9%   |
| <p>Corporate Health and Safety Policy</p> <p>91.00%<br/>9.00%</p> <p>■ Wedi cwblhau / Completed   ■ Heb gwblhau / Not completed</p> |                        |      |
| <b>Resources (95)</b>   |                        |      |
| Completed:  | 95                     | 100% |
| Not completed:  | 0                      | 0%   |
| <b>Council Business (34)</b>  |                        |      |
| Completed:  | 34                     | 100% |
| Not completed:  | 0                      | 0%   |
| <b>Learning (82)</b>  |                        |      |
| Completed:  | 78                     | 95%  |
| Not completed:  | 4                      | 5%   |
| <b>Adults Services (163)</b>  |                        |      |
| Completed:  | 137                    | 84%  |
| Not completed:  | 26                     | 16%  |
| <b>Children's Services (131)</b>  |                        |      |
| Completed:  | 131                    | 100% |
| Not completed:  | 0                      | 0%   |
| <b>Chief Executive (4)</b>  |                        |      |
| Completed:  | 4                      | 100% |
| Not completed:  | 0                      | 0%   |
| <b>Highways, Waste and Property (106)</b>   |                        |      |
| Completed:  | 103                    | 97%  |
| Not completed:  | 3                      | 3%   |
| <b>Regulation and Economic Development (147)</b>  |                        |      |
| Completed:  | 134                    | 91%  |
| Not completed:  | 13                     | 9%   |
| <b>Housing (141)</b>  |                        |      |
| Completed:  | 102                    | 72%  |
| Not completed:  | 39                     | 28%  |
| <b>Corporate Transformation (72)</b>  |                        |      |
| Completed:  | 72                     | 100% |
| Not completed:  | 0                      | 0%   |



Policies available for acceptance between April 2017 and June 2018 as reported to the Audit and Governance Committee on 19 September 2018 (*ie* the situation as at **July 2018**):

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**

Policies available for acceptance between July 2018 and June 2019 as reported to the Audit and Governance Committee on 3 September 2019 (*ie* the situation as at **July 2019**):

1. **Data Protection Policy**
2. **IT Security Policy**
3. Financial Procedure Rules
4. IT Acceptable Usage Policy
5. **Corporate Safeguarding Policy**
6. **Officers' Code of Conduct**
7. Email and Instant Messaging Usage Policy
8. **Whistleblowing Policy**

The policies highlighted in bold above, together with the **Equality and Diversity Policy** (which is included in this report) now form the core set of nine policies, as determined by the SLT on 10 June 2019. The remaining seven policies have reverted to 'information only' policies in the Portal.

| <b>Re-acceptance of core set policies by all staff with access to the Policy Portal:</b> |                                    |                          |                      |
|--|------------------------------------|--------------------------|----------------------|
| <b>Policy</b>  |                                    | <b>Acceptance period</b> | <b>Report to SLT</b> |
| 1  | Display Screen Equipment Policy    | 30 Sep – 11 Nov 2019     | 6 Jan 2020           |
| 2  | Corporate Health and Safety Policy | 22 Jan – 2 Mar 2020      | 20 Mar 2020*         |
| *Compliance report e-mailed to SLT members   |                                    |                          |                      |
| <b>Requirements suspended due to Covid-19: 23 Mar – 31 Aug 2020</b>                      |                                    |                          |                      |
| 3  | Welsh Language Standards           | 1 Sep – 12 Oct 2020      | Nov 2020             |
| 4  | Data Protection Policy             | 2 Nov – 14 Dec 2020      | Jan 2021             |
| 5  | IT Security Policy                 | 4 Jan – 15 Feb 2021      | Mar 2021             |
| 6  | Corporate Safeguarding Policy      | 8 Mar – 19 Apr 2021      | May 2021             |
| 7  | Officers' Code of Conduct          | 10 May – 21 Jun 2021     | Aug 2021             |
| 8  | Whistleblowing Policy              | 12 Jul – 23 Aug 2021     | Sep 2021             |
| 9  | Equality and Diversity Policy      | 13 Sep – 25 Oct 2021     | Nov 2021             |

| <b>Acceptance of policies by managers only:</b> |  |                          |                      |
|---|--|--------------------------|----------------------|
| <b>Policy</b>                                   |  | <b>Acceptance period</b> | <b>Report to SLT</b> |
| 1   | Managing Absence Policy  | 14 Sep – 26 Oct 2020     | Nov 2020             |
| 2   | Recruitment and Selection Policy   | 23 Nov – 4 Jan 2021      | Jan 2021             |
| 3   | Guidance for designating language skills for internal and external posts | 1 Feb – 15 Mar 2021      | Apr 2021             |

| <b>ISLE OF ANGLESEY COUNTY COUNCIL</b>  |   |
|---|---|
| <b>REPORT TO:</b>   | <b>AUDIT AND GOVERNANCE COMMITTEE</b>   |
| <b>DATE:</b>  | <b>1 SEPTEMBER 2020</b>   |
| <b>SUBJECT:</b>   | <b>STATEMENT OF ACCOUNTS 2019/20</b>  |
| <b>PORTFOLIO HOLDER(S):</b>   | <b>COUNCILLOR ROBIN W. WILLIAMS – PORTFOLIO HOLDER (RESOURCES)</b>  |
| <b>LEAD OFFICER(S):</b>   | <b>R MARC JONES</b>   |
| <b>CONTACT OFFICER(S):</b>  | <b>CLAIRE KLIMAZEWSKI</b><br><a href="mailto:ClaireKlimazewski@ynysmon.gov.uk">ClaireKlimazewski@ynysmon.gov.uk</a> |
| <b>Nature and reason for reporting</b>  |   |
| Covering report for the presentation of the Statement of Accounts, commenting on the main issues arising since presentation of the draft Statement of Accounts 2019/2020. |   |

## 1. Background

- 1.1** The Isle of Anglesey County Council’s draft Statement of Accounts 2019/2020 was presented to the Council’s external auditors for Audit on the 6 July 2020. The detailed audit work is now substantially complete. Unfortunately, external audit are not able to provide their audit opinion or publish their ISA260 report on the Statement of Accounts 2019/20 due to outstanding reviewing and reporting work. This delay is a result of resourcing issues within the audit team which has been compounded by the NHS audits being delayed due to covid-19. However, since the draft accounts have been published a small number of changes have been made by the Council’s accounting team and a small number of amendments to disclosure notes as recommended by the external auditors. These are explained in section 3 below.
- 1.2** Under usual circumstances subject to the Isle of Anglesey County Council’s confirmation, the accounts would be signed by the Director of Function (Resources) / Section 151 Officer and the Council’s Chairman and would be published following the receipt of the Auditor’s Opinion by the legal deadline. However, on this occasion subject to Audit and Governance Scrutiny and Full Council, the Director of Function (Resources) will sign the Statement of Accounts without the audit opinion. This will be published on the internet on or before 15 September 2020 alongside a notice which will explain why the audit opinion and ISA260 are not available. It is hoped that the audit opinion and report will be available as soon as possible after 15 September, preferably by 30 September 2020. Additional Audit and Governance Committee and Full Council meetings will need to be organised and held to review the accounts once more, along with the Audit Opinion and report. The Director of Function (Resources) / Section 151 Officer will once again need to sign the Statement of Accounts once endorsed by Full Council. This will then be published as the final Statement of Accounts 2019/20 and notice of completion of audit.

## **2. Quality of Process**

- 2.1** The statutory deadline for the completion of the Statement of Accounts 2019/2020 itself has yet again been met. However, as explained above the audit opinion and report will not be available until a later date. No material amendments have been highlighted by the audit team to date. If a material change is needed this will be included in the Final Statement of Accounts and the reason for the change will be explained in the additional Audit and Governance Committee and Full Council meetings.
- 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. Working papers were produced to a high standard.

## **3. Amendment to the Accounts since the Draft on 15 June 2020**

- 3.1** The Pension Fund actuary produced two additional reports during the audit period to take the impact of Covid-19 on the pension fund assets into account and more recently the impact of a recent judgement in the McCloud case. This resulted in an increase in the Balance Sheet other long-term liabilities of £122.189m from the draft accounts for 2019/20 published on 15 June 2020 to £124.520m. This is due to an estimated increase in liabilities of the pension fund by £2.331m due to a reduction in the value of pension fund investments arising from the impact of Covid-19 on the economy and markets the fund is invested in. The recent McCloud judgement resulted in a reduced liability for historic pension costs from £0.953m to £0.418m. This does not affect the Council and HRA general balances as the pension fund value is an accounting adjustment based on a theoretical valuation of the pension fund if it comes to an end, rather than the actual funding in the pension fund at 31 March 2020. The Pension Fund is a going concern and is unlikely to end under the current legal framework for local government in Wales.
- 3.2** HRA interest receivable of £38k has been moved from general HRA income within cost of services to the correct classification of income from Financing and Investments. This does not affect the bottom line of the Comprehensive Expenditure and Income Statement.
- 3.3** Changes have been made to note 37 – grants, due to an amendment required between the single Education Improvement Grant and other Learning grants. The bandings for the loan maturity periods in note 45 have been changed to be based on calendar date rather the financial year. The senior officers remuneration note has been amended slightly, as has note 35 termination payments. The disclosure for receipt from Betsi Cadwaladr Health Board in note 38 related parties, has been amended from £4.410m to £4.210m due to a typing error. The audit manager has highlighted that an additional note below note 15 - Property, Plant and Equipment is required to show the changes from cost and valuation going back five years for the valuation of assets held at 31 March 2020. This is to bring the Council's accounts (and presumably the rest of Wales) in-line with English councils who have been reporting this.

## **4. Recommendations**

- 4.1** It is proposed that the Audit and Governance Committee makes a recommendation to the County Council to confirm the acceptance of the 2019/2020 Interim Final Statement of Accounts presented in Appendix 1.

- 4.2** The Audit and Governance Committee is recommended to endorse the Annual Governance Statement and refer the document to Full Council for approval and the Leader of the Council and the Chief Executive for signature.
- 4.3** To note that the Statement of Accounts 2019/20 will return to Audit and Governance Committee, and Full Council and will be signed again by the Director of Function (Resources) / S151 Officer once the audit opinion and report have been completed. Any changes arising from the audit review will be reflected in the Statement of Accounts on its return for scrutiny and endorsement.

# Ynys Môn

# THE ISLE OF Anglesey

## Draft Statement of Accounts 2019/20



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

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# Statement of Accounts 2019/20

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## **Narrative Report**

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

The narrative report is structured as follows:-

1. The Statutory Framework;
2. About the Isle of Anglesey County Council;
3. Overview and Performance Analysis;
4. Main issues impacting on the 2019/20 Accounts;
5. Explanation of the Financial Statements;
6. Effect of the Covid-19 Pandemic.

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

The Council has a statutory duty to approve and publish a Statement of Accounts. The following pages relate to the Statement of Accounts for the Isle of Anglesey County Council for the year ended 31 March 2020.

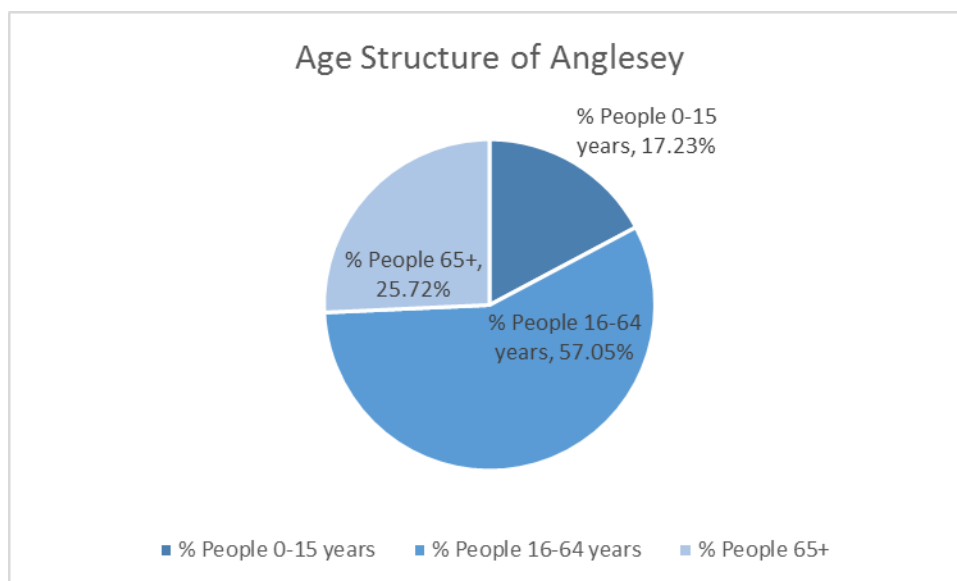
The Accounts and Audit (Wales) Regulations 2014 came into force on 31 March 2015, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018 for the accounts year 2015/16 and future periods. These regulations require Welsh Local Authorities to prepare a Statement of Accounts in accordance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

Regulation 25 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (SI 2003/3239 (W.319), as amended) identifies proper practices for the preparation of the Statement of Accounts. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 issued by CIPFA, supported by International Financial Reporting Standards (IFRS). In addition, this narrative incorporates guidance from HM Treasury's Financial Reporting Manual (FRM), Sections 5.2.1 to 5.2.10 as encouraged by the CIPFA code.

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

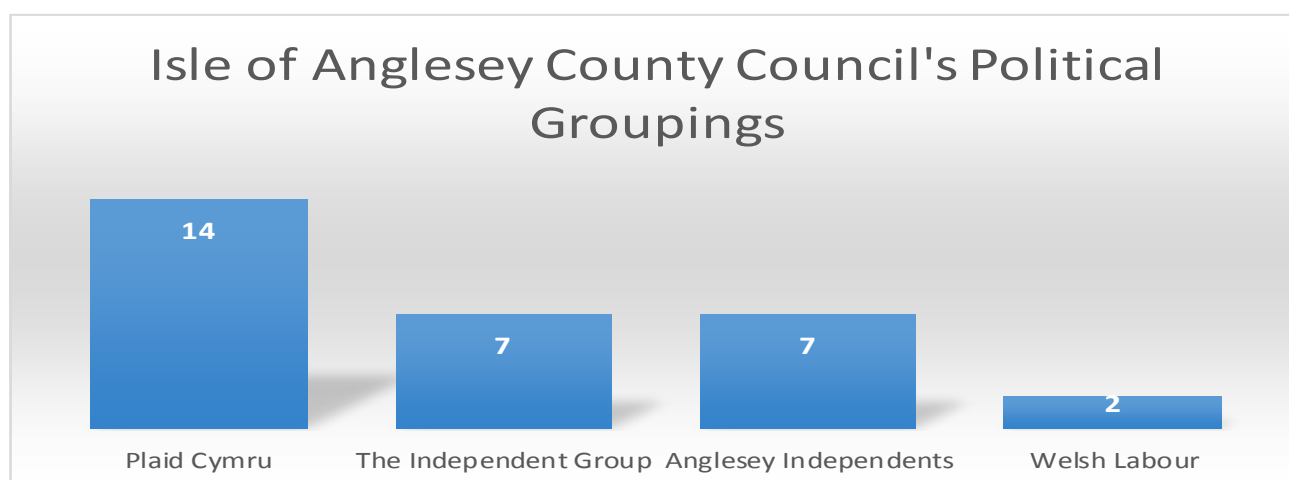
The Isle of Anglesey County Council is a unitary Authority and serves a population of approximately 70,000, situated on the north coast of Wales with an area of 276 square miles. Anglesey is by far the largest island in Wales and the seventh largest in the British Isles. Anglesey is also the largest Island in the Irish Sea by area and the second most populous island in the British Isles.

Anglesey has a relatively older population than the Wales average (20.77%) with 25.72% of the population aged 65+. This figure reflects in the Council's plan to support people to live well and for longer.



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

The Council is a politically-led organisation and has adopted a Leader and Cabinet model. It has 30 elected Members representing 11 multi-Member wards across the County. Following the election in May 2017, the Council has operated under a Plaid Cymru and The Independents Group coalition administration. The political make-up of the Council as at 31 March 2020 is shown below:-



### 3. Overview and Performance Analysis

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

As Leader of the Council, it is my responsibility to ensure that the important milestone of producing the Annual Statement of Accounts is achieved on time each year. The accounts provide a large amount of financial information on how the Council was funded and how it spent that money during 2019/20. It is important in terms of accountability for the Council to provide this information to residents, local Council Tax payers, businesses who pay the Non-Domestic Rates and other stakeholders, including the Welsh Government.

The Council's funding is a mixture of funding from the Welsh Government via the Revenue Support Grant and the Council's share of the Non Domestic Rates pool, local taxation through Council Tax and the fees and charges paid by the Council's customers. In 2019/20, the Council's net budget was increased by £4.3m to £135.2m, of which £39.4m came from Council Tax. The increase in Council Tax was 9.5%.

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

The results of the year highlight the continuing financial pressure which the Council faces and, although additional funding was allocated to services in 2020/21, it may be that this additional money will not be sufficient to meet the cost of the increased demand for Council services which the Council may face. The uncertainty arising from the Coronavirus emergency, the income lost and what expenditure will be required during the recovery phase adds to the uncertainty.

The position of the Council's Housing Revenue Account is healthy, with the reserve balance currently standing at £8.597m. This is higher than planned due to a slippage in the programme of building new properties. The balance of this reserve will reduce over the forthcoming years as the development programme is accelerated. The use of the Housing Revenue Account is set out in the Council's 30-year business plan which is reviewed and approved by the Welsh Government annually.

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

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

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

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

**May 2020**

## 3.2 Key Purpose and Activities of the Council

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

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

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

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

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

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

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

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

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

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

### 3.2.1 Financial Scenario

In common with all Local Authorities in Wales, the Isle of Anglesey County Council needs to manage a situation whereby the costs and demands of services are growing but the amount of funding available is reducing year-on-year. The Coronavirus pandemic is adding increased pressure, both financially and operationally, on the Council and it is unclear at this stage to what extent these financial pressures will be alleviated through additional funding. Against this backdrop, the Council needs to manage growing demands for services, inflationary pressures, a need to invest in the local economy to promote growth and a desire to continually improve services.

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

The Council's most recent MTFP (September 2019) included an assumption that there would be no increase in the Aggregate External Finance received from Welsh Government. The final settlement for 2020/21 resulted in an increase of 3.8% in the AEF. No indication has been given by Welsh Government as to the level of future funding and no assumption has been made at this point. The situation will be reviewed prior to the Executive approving the next MTFP in September 2020. It is likely that the demand for Council services will continue to increase, as will pay and price inflation. Some of these additional costs can be offset by increasing Council Tax but it is likely that further revenue budget savings will be required over the medium term. The Council will deliver the required savings by:-

- Seeking to transfer provision of some services away from the Council, for example, to Town and Community Councils or the Third Sector;
- Creating other bodies controlled by the Council to deliver services for some non-statutory services;
- Continuing to modernise and review schools;
- To manage demand for social care and continuing 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;
- Continuing to modernise the administration of the services and increasing transactions with the Council online or via AppMôn.

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

During 2019/20, work began on these priorities with the following key achievements achieved during the financial year:-

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

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

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

### **3.3.2 Working with Partners**

- 3.3.2.1** The Council has been working with four other local authorities in establishing a new waste recycling plant, Parc Adfer. The new recycling Plant became operational during 2019/20. This has been a project which has spanned several years in which the Authority has been working in partnership with the other Authorities to develop this site. The introduction of this new recycling plant will lead to improved recycling targets for the Authority.
- 3.3.2.2** The Council is currently working in partnership with the five other North Wales authorities on the North Wales Growth Bid. The bid, if successful, will attract over £240m of UK and Welsh Government funding, along with private sector investment. As with any large-scale funding projects, there are risks surrounding project delivery and financing any borrowing that is required.

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

- 3.3.3.1** The Council is experiencing increased demand for social care services. Additional funding was provided for Children's Services during 2019/20 but Adult Services significantly overspent its allocated budget. The Welsh Government increased the Council's Aggregate External Funding by 3.8% in 2020/21 and this, and an increase of 4.5% in Council Tax, has allowed the Council to allocate £1.028m to the Service in 2020/21 in addition to funding pay and price inflation. The Council implemented £2.56m of revenue savings in 2019/20 with a further £0.306m of revenue savings planned for 2020/21.
- 3.3.3.2** The Council's general balance is £7.060m, which is 4.9% of its net revenue budget for 2020/21, and the balances of the reserves has continued its recent trend of reducing year-on-year. The continued demand for services above the level allowed for in the current year revenue budget increases the risk that these balances will fall still further to a level which places the Council at significant financial risk.
- 3.3.3.3** The UK leaving the European Union (EU) could lead to a number of risks. The Council will no longer receive European grant funding and there is no certainty on any replacement funding. The impact on the economy from leaving the EU, along with the impact of the Coronavirus pandemic, could also affect the Council, as weaker economic growth will reduce the Welsh Government's ability to increase funding for Local Government.



### 3.4 Summary of Performance

#### 3.4.1 Revenue Expenditure

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The Council measures financial performance against planned activity in the form of the Council's management accounts. In 2019/20, the Council reported an underspend of £0.308k against a planned activity of £135.210m (net budget) and achieved £2.205m of savings. The table below reflects the final budget for 2019/20 and actual income and expenditure against it.

| Services                             | Annual Budget<br>£'000 | Outturn<br>£'000 | Variance<br>£'000 |
|--------------------------------------|------------------------|------------------|-------------------|
| Lifelong Learning                    | 50,916                 | 50,673           | (243)             |
| Adult Services                       | 25,205                 | 26,290           | 1,085             |
| Children's Services                  | 10,274                 | 10,430           | 156               |
| Housing                              | 1,220                  | 1,143            | (77)              |
| Highways, Waste, Property            | 14,662                 | 14,305           | (357)             |
| Regulation                           | 3,926                  | 3,809            | (117)             |
| Transformation                       | 4,516                  | 4,205            | (311)             |
| Resources                            | 3,053                  | 2,880            | (170)             |
| Council Business & Corporate Finance | 21,438                 | 21,164           | (274)             |
| <b>Total Council Fund</b>            | <b>135,210</b>         | <b>134,691</b>   | <b>(308)</b>      |

#### Subjective Analysis

| Services                  | Annual Budget<br>£'000 | Outturn £'000  | Variance<br>£'000 |
|---------------------------|------------------------|----------------|-------------------|
| Employee                  | 88,157                 | 89,933         | 1,776             |
| Premises                  | 8,424                  | 8,766          | 342               |
| Transport                 | 4,032                  | 5,399          | 1,367             |
| Supplies and Services     | 30,436                 | 31,173         | 737               |
| Third Party Payments      | 45,909                 | 47,070         | 1,161             |
| Transfer Payments         | 25,790                 | 24,969         | (821)             |
| Fees and Charges          | (10,062)               | (11,984)       | (1,922)           |
| Rental Income             | (1,507)                | (1,401)        | 106               |
| Transfers and Grants      | (55,195)               | (58,170)       | (2,975)           |
| Other Adjustments         | (774)                  | (853)          | (79)              |
| <b>Total Council Fund</b> | <b>135,210</b>         | <b>134,902</b> | <b>(308)</b>      |

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

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

### 3.4.2 Capital Expenditure

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

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

From this total spend of £30.015m, £19.345m was capitalised and added to the value of assets in the Council's Balance Sheet. The remainder was charged to the Comprehensive Income and Expenditure Statement as it was either in support of assets that are not in direct Council ownership (£1.388m) or did not increase the value to the capital assets (£9.282m).

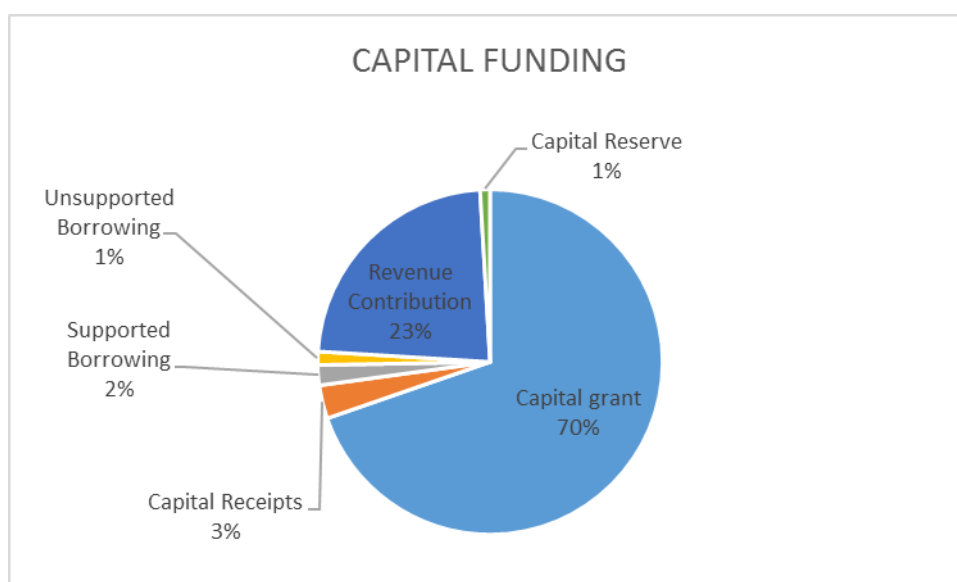
The table below analyses the expenditure that has been capitalised:-

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

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

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

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



As at 31 March 2020, the Authority had £139.232m of External Borrowing. At this time, the Authority's Capital Financing Requirement (CFR), which essentially is a measure of the Council's underlying borrowing need, was £136.904m. In early March 2020, the Council borrowed an additional £10m to fund planned capital expenditure to the end of the financial year, but the global pandemic meant that capital expenditure in the final month was lower than anticipated, which resulted in external borrowing exceeding the CFR. The loan was for a one year period and will be repaid in 2020/21. The level of external borrowing will fall below the CFR during 2020/21 as external borrowing is repaid and capital expenditure is incurred. In the Treasury Management Strategy Statement for 2020/21, the Authorised Borrowing Limit approved by the Council was £178m, therefore, the Authority is well within its borrowing limit.

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

As at 31 March 2020, the Authority's internal sources of funds were cash deposits at bank and other investments of £23.045m. The external borrowing figure was £139.232m.

### **3.4.3 Balance Sheet**

The Council's Balance Sheet demonstrates a good financial position at the end of 2019/20 with a net value of £188.286m. This is an increase of £25.830m from last year. The value of the Council's long-term assets (property, plant etc.) increased by £18m. This included the addition of Market Hall, Holyhead, which attracted significant grant funding and is operational. It also includes the newly built Ysgol Santes Dwynwen, Newborough, which is a 21<sup>st</sup> Century School project funded in partnership with the Welsh Government. Existing assets were also revalued. Short-term assets also increased, such as cash which increased by circa £9m.

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

#### **Reserves**

The £25.830m increase in the Council's net worth set out above is the result of a £24.730m increase in unusable reserves linked to the increases in long-term assets discussed above and a £1.100m increase in usable balances (including the HRA).

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

The Council set a net budget of £135.210m for 2019/20 to be funded from a combination of Council Tax Income, NDR and general grants. The budget included a requirement to achieve a savings figure of £2.561m, which was incorporated into the individual service budgets. The outturn position was an underspend of £0.308k. The underspend is made up of departmental under or overspends, unused contingencies and any other one-off items identified during the financial year.

#### **Coronavirus**

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

#### **Pensions**

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

**Local Government Pension Scheme** - As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits by participating in the Gwynedd Pension Fund administered by Gwynedd Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. Benefits will not actually be payable

until employees retire but the Council has a commitment to make the payments to the Pension Fund that need to be disclosed at the time that the employees earn their future entitlement.

The current economic climate continues to have an impact on the net Pensions Liability. The potential impact of the Covid-19 crisis will be included in the final version of these accounts. It is important to note that the increased liability in the pension position is based on actuarial valuations. The Council's actual payments to the Pension Fund are reviewed every three years as part of the triennial valuation of the Pension Fund. An investment strategy is then determined which aims to recover any deficits over the period as determined by the Pension Fund's Actuary (Hymans Robertson LLP).

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

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

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

In addition, the LGPS benefit structure is being reviewed since the McCloud judgement ruled that the 2015 Public Sector Pension reforms introduced unlawful age discrimination. The full financial effect of this judgement is not yet known but it will cause increased costs for each Pension Fund employer. The valuation report takes a prudent approach to estimating contributions, therefore building in increased costs.

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

## **Provisions**

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

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

## **Going Concern**

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

## Materiality

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

## 5. Explanation of the Financial Statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2019/20 and its Balance Sheet as at 31 March 2020. These statements include the General Fund and the Housing Revenue Account (HRA). They set out the respective responsibilities of the Council and the Council's Director of Function (Resources), who is the designated Section 151 Officer.

### Core Financial Statements:-

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

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

### Supplementary Financial Statements

1. **The Statement of Responsibilities for the Statement of Accounts** – explains the responsibilities of the Council and the Section 151 Officer.
2. **The Housing Revenue Account (HRA)** is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. The Housing Revenue Account is ring-fenced from the Council's General Fund.

**3. Auditor's Opinion** - as the Council's External Auditor, the Auditor General for Wales will carry out the statutory audit and sign the Statement of Accounts following the Section 151 Officer signing and dating the Statement of Accounts. They then issue an opinion as to whether the Accounts need to be qualified or are unqualified. The deadline for this opinion is 15 September following the year-end.

#### **4. Changes in Accounting Policy**

There are no material changes to accounting treatment required for 2019/20.

The Statement of Accounts concludes with the Annual Governance Statement (AGS) 2019/20. The AGS provides an overview of the Council's governance framework. It also provides a summary of reports and reviews which comment on governance and performance issues relating to the Council.

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

#### **Provision of Services**

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

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

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

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

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

#### **Council Workforce**

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



pandemic. The instances of staff contracting Covid-19 were low and did not result in a significant increase in sickness levels.

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

### **Supply Chain**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Conclusion**

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

## **THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Isle of Anglesey County Council's responsibilities**

The Isle of Anglesey County Council is required to:-

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

### **The Section 151 Officer's responsibilities**

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

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

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

The Section 151 Officer has also:-

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

### **Certificate**

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Isle of Anglesey County Council at the accounting date and its income and expenditure for the year ended 31 March 2020.

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

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

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

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

**Dated: 8 September 2020**

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

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

Date:

CF11 9LJ

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

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

| 2019/20                    |                       |                          | Services  | Note         | 2018/19                    |                       |                          |
|----------------------------|-----------------------|--------------------------|---|--------------|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |   |              | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
| 73,291                     | (15,907)              | 57,384                   | Lifelong Learning                                 |              | 70,793                     | (14,660)              | 56,133                   |
| 40,699                     | (11,431)              | 29,268                   | Adult Services                                    |              | 37,503                     | (8,952)               | 28,551                   |
| 11,753                     | (1,072)               | 10,681                   | Children's Services                               |              | 11,876                     | (1,199)               | 10,677                   |
| 5,983                      | (4,098)               | 1,885                    | Housing   |              | 4,949                      | (3,966)               | 983                      |
| 26,793                     | (6,390)               | 20,403                   | Highways, Property and Waste                      |              | 24,934                     | (5,570)               | 19,364                   |
| 12,291                     | (6,317)               | 5,974                    | Regulation and Economic Development               |              | 12,694                     | (7,272)               | 5,422                    |
| 5,666                      | (261)                 | 5,405                    | Transformation                                    |              | 5,548                      | (226)                 | 5,322                    |
| 26,947                     | (17,679)              | 9,268                    | Resources   |              | 28,187                     | (19,454)              | 8,733                    |
| 2,245                      | (412)                 | 1,833                    | Council Business                                  |              | 1,790                      | (253)                 | 1,537                    |
| 1,936                      | (332)                 | 1,604                    | Corporate and Democratic Costs                    |              | 2,148                      | (1,144)               | 1,004                    |
| 482                        | -                     | 482                      | Corporate Management                              |              | 579                        | -                     | 579                      |
| 418                        | -                     | 418                      | Non-distributed costs                             |              | 134                        | -                     | 134                      |
| 12,591                     | (18,717)              | (6,126)                  | Housing Revenue Account (HRA)                     |              | 12,079                     | (17,843)              | (5,764)                  |
| <b>221,095</b>             | <b>(82,616)</b>       | <b>138,479</b>           | <b>Deficit on Continuing Operations</b>           |              | <b>213,214</b>             | <b>(80,539)</b>       | <b>132,675</b>           |
|                            |                       | 23,105                   | Other operating expenditure                       | 12           |                            |                       | 22,129                   |
|                            |                       | 8,945                    | Financing and investment income and expenditure   | 13a          |                            |                       | 10,405                   |
|                            |                       | (163,380)                | Taxation and non-specific grant Income            | 14           |                            |                       | (157,047)                |
|                            |                       | <b>7,149</b>             | <b>Deficit on Provision of Services</b>           |              |                            |                       | <b>8,162</b>             |
|                            |                       | (13,487)                 | Surplus on revaluation of non-current assets      | 11c, 15 & 17 |                            |                       | (6,152)                  |
|                            |                       | (19,492)                 | Re-measurement of net Pension liability           | 11ch & 41    |                            |                       | 18,734                   |
|                            |                       | <b>(32,979)</b>          | <b>Other Comprehensive Income and Expenditure</b> |              |                            |                       | <b>12,582</b>            |
|                            |                       | <b>(25,830)</b>          | <b>Total Comprehensive Income and Expenditure</b> |              |                            |                       | <b>20,744</b>            |

## EXPENDITURE AND FUNDING ANALYSIS

| 2019/20   |  |   | Services   | 2018/19   |  |   |
|---|--|---|--|---|--|---|
| Net Expenditure Chargeable to the General Fund and HRA Balances - A = C - B | Adjustments between Funding and Accounting Basis - B | Net Expenditure in the Comprehensive Income and Expenditure Statement - C |  | Net Expenditure Chargeable to the General Fund and HRA Balances - A = C - B | Adjustments between Funding and Accounting Basis - B | Net Expenditure in the Comprehensive Income and Expenditure Statement - C |
| £'000   | £'000  | £'000   |  | £'000   | £'000  | £'000   |
| 50,198  | 7,186  | 57,384  | Lifelong Learning  | 50,382  | 5,751  | 56,133  |
| 26,601  | 2,667  | 29,268  | Adult Services   | 26,387  | 2,164  | 28,551  |
| 10,496  | 185  | 10,681  | Children's Services  | 10,671  | 6  | 10,677  |
| 1,508   | 377  | 1,885   | Housing  | 749   | 234  | 983   |
| 14,464  | 5,939  | 20,403  | Highways, Property and Waste                                     | 14,473  | 4,891  | 19,364  |
| 3,895   | 2,079  | 5,974   | Regulation and Economic Development                              | 3,799   | 1,623  | 5,422   |
| 4,276   | 1,129  | 5,405   | Transformation   | 4,422   | 900  | 5,322   |
| 8,619   | 649  | 9,268   | Resources  | 8,219   | 514  | 8,733   |
| 1,524   | 309  | 1,833   | Council Business   | 1,367   | 170  | 1,537   |
| 1,881   | (277)  | 1,604   | Corporate and Democratic Costs                                   | 1,286   | (282)  | 1,004   |
| 482   | -  | 482   | Corporate Management   | 579   | -  | 579   |
| -   | 418  | 418   | Non-distributed costs  | -   | 134  | 134   |
| (4,075)   | (2,051)  | (6,126)   | Housing Revenue Account (HRA)                                    | (7,675)   | 1,911  | (5,764)   |
| <b>119,869</b>  | <b>18,610</b>  | <b>138,479</b>  | <b>Net Cost of Services</b>                                      | <b>114,659</b>  | <b>18,016</b>  | <b>132,675</b>  |
| (120,969)   | (10,361)   | (131,330)   | Other Income and Expenditure                                     | (115,434)   | (9,079)  | (124,513)   |
| <b>(1,100)</b>  | <b>8,249</b>   | <b>7,149</b>  | <b>(Surplus) or Deficit on the Provision of Services</b>         | <b>(775)</b>  | <b>8,937</b>   | <b>8,162</b>  |
| (24,844)  |  |   | Opening General Fund and HRA balance at 1 April                  | (24,069)  |  |   |
| (1,100)   |  |   | Less Surplus on General Fund and HRA Balance in Year             | (775)   |  |   |
| <b>(25,944)</b>   |  |   | <b>Closing Council Fund Balances and HRA Balance at 31 March</b> | <b>(24,844)</b>   |  |   |

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

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

|   | Council Fund Balance<br>£'000 | Earmarked Council Fund Reserves (Note 8)<br>£'000 | HRA Balance (Supplementary Financial Statements)<br>£'000 | Capital Receipts Reserve (Note 10)<br>£'000 | Schools Balances (Note 9)<br>£'000 | Capital Grants Unapplied (Note 14)<br>£'000 | HRA Earmarked Reserve (Note 8)<br>£'000 | Total Usable Reserves<br>£'000 | Total Unusable reserves (Note 11)<br>£'000 | Total Reserves (of the Council)<br>£'000 |
|---|-------------------------------|---|---|---|------------------------------------|---|---|--------------------------------|--|--|
| <b>Balance 1 April 2018</b>   | <b>6,899</b>                  | <b>7,601</b>                                      | <b>7,380</b>  | <b>320</b>                                  | <b>1,869</b>                       | <b>-</b>                                    | <b>-</b>                                | <b>24,069</b>                  | <b>159,131</b>                             | <b>183,200</b>                           |
| <b>Movement in reserves during the year</b>                                       |                               |   |   |   |                                    |   |   |                                |  |  |
| Surplus/(Deficit) on provision of services  | (7,258)                       | -   | (904)   | -   | -                                  | -   | -                                       | (8,162)                        | -  | (8,162)                                  |
| Other Comprehensive Income and Expenditure  | -                             | -   | -   | -   | -                                  | -   | -                                       | -                              | (12,582)                                   | (12,582)                                 |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>(7,258)</b>                | <b>-</b>  | <b>(904)</b>  | <b>-</b>                                    | <b>-</b>                           | <b>-</b>                                    | <b>-</b>                                | <b>(8,162)</b>                 | <b>(12,582)</b>                            | <b>(20,744)</b>                          |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | 6,160                         | -   | 1,911   | 866   | -                                  | -   | -                                       | 8,937                          | (8,937)                                    | -  |
| <b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>            | <b>(1,098)</b>                | <b>-</b>  | <b>1,007</b>  | <b>866</b>                                  | <b>-</b>                           | <b>-</b>                                    | <b>-</b>                                | <b>775</b>                     | <b>(21,519)</b>                            | <b>(20,744)</b>                          |
| Transfers to/(from) Earmarked Reserves (Note 8)                                   | 111                           | 1,127   | -   | -   | (1,238)                            | -   | -                                       | -                              | -  | -  |
| <b>Increase/(Decrease) In Year</b>  | <b>(987)</b>                  | <b>1,127</b>                                      | <b>1,007</b>  | <b>866</b>                                  | <b>(1,238)</b>                     | <b>-</b>                                    | <b>-</b>                                | <b>775</b>                     | <b>(21,519)</b>                            | <b>(20,744)</b>                          |
| <b>Balance 31 March 2019</b>  | <b>5,912</b>                  | <b>8,728</b>                                      | <b>8,387</b>  | <b>1,186</b>                                | <b>631</b>                         | <b>-</b>                                    | <b>-</b>                                | <b>24,844</b>                  | <b>137,612</b>                             | <b>162,456</b>                           |
| <b>Movement in reserves during the year</b>                                       |                               |   |   |   |                                    |   |   |                                |  |  |
| Surplus/(Deficit) on provision of services  | (9,410)                       | -   | 2,261   | -   | -                                  | -   | -                                       | (7,149)                        | -  | (7,149)                                  |
| Other Comprehensive Income and Expenditure  | -                             | -   | -   | -   | -                                  | -   | -                                       | -                              | 32,979                                     | 32,979                                   |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>(9,410)</b>                | <b>-</b>  | <b>2,261</b>  | <b>-</b>                                    | <b>-</b>                           | <b>-</b>                                    | <b>-</b>                                | <b>(7,149)</b>                 | <b>32,979</b>                              | <b>25,830</b>                            |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | 10,156                        | -   | (2,051)   | 144   | -                                  | -   | -                                       | 8,249                          | (8,249)                                    | -  |
| <b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>             | <b>746</b>                    | <b>-</b>  | <b>210</b>  | <b>144</b>                                  | <b>-</b>                           | <b>-</b>                                    | <b>-</b>                                | <b>1,100</b>                   | <b>24,730</b>                              | <b>25,830</b>                            |
| Transfers to/(from) Earmarked Reserves (Note 8)                                   | 402                           | 32  | -   | -   | (434)                              | -   | -                                       | -                              | -  | -  |
| <b>Increase/(Decrease) In Year</b>  | <b>1,148</b>                  | <b>32</b>   | <b>210</b>  | <b>144</b>                                  | <b>(434)</b>                       | <b>-</b>                                    | <b>-</b>                                | <b>1,100</b>                   | <b>24,730</b>                              | <b>25,830</b>                            |
| <b>Balance 31 March 2020</b>  | <b>7,060</b>                  | <b>8,760</b>                                      | <b>8,597</b>  | <b>1,330</b>                                | <b>197</b>                         | <b>-</b>                                    | <b>-</b>                                | <b>25,944</b>                  | <b>162,342</b>                             | <b>188,286</b>                           |



## BALANCE SHEET AS AT 31 MARCH 2020

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

|                                    | Note | 31 March 2020<br>£'000 | 31 March 2019<br>£'000 |
|------------------------------------|------|------------------------|------------------------|
| Property, plant and equipment      | 15   | 414,585                | 396,452                |
| Heritage assets                    | 17   | 3,640                  | 3,676                  |
| Investment property                | 18   | 6,189                  | 6,000                  |
| Intangible assets                  | 19   | 501                    | 701                    |
| Long-term debtors                  | 24   | 166                    | 266                    |
| <b>Long-term Assets</b>            |      | <b>425,081</b>         | <b>407,095</b>         |
| Assets held for sale               | 21   | 763                    | 1,557                  |
| Inventories                        | 23   | 333                    | 300                    |
| Short-term debtors                 | 24   | 32,606                 | 29,653                 |
| Cash and cash equivalents          | 25   | 23,045                 | 15,825                 |
| <b>Current Assets</b>              |      | <b>56,747</b>          | <b>47,335</b>          |
| Short-term borrowing               | 44   | (16,837)               | (7,535)                |
| Short-term creditors               | 26   | (20,429)               | (18,151)               |
| Short-term provisions              | 27   | (413)                  | (429)                  |
| Capital grants receipts in advance | 37   | (1,993)                | (2,815)                |
| <b>Current Liabilities</b>         |      | <b>(39,672)</b>        | <b>(28,930)</b>        |
| Long-term creditors                | 26   | (159)                  | (157)                  |
| Long-term provisions               | 27   | (4,767)                | (4,805)                |
| Long-term borrowing                | 44   | (124,424)              | (127,352)              |
| Other long-term liabilities        | 41   | (124,520)              | (130,730)              |
| <b>Long-term Liabilities</b>       |      | <b>(253,870)</b>       | <b>(263,044)</b>       |
| <b>Net Assets</b>                  |      | <b>188,286</b>         | <b>162,456</b>         |
| Usable reserves                    | MIRS | 25,944                 | 24,844                 |
| Unusable reserves                  | 11   | 162,342                | 137,612                |
| <b>Total Reserves</b>              |      | <b>188,286</b>         | <b>162,456</b>         |

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

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

|   | Note | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------|------------------|------------------|
| <b>Net Deficit on the provision of services</b>   |      | (7,149)          | (8,162)          |
| Adjustments to net surplus or deficit on the provision of services for non- cash movements  | 28   | 36,563           | 29,452           |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 28   | (19,351)         | (18,221)         |
| <b>Net cash flows from operating activities</b>   |      | <b>10,063</b>    | <b>3,069</b>     |
| <b>Net cash flows from investing activities</b>   | 29   | <b>(9,276)</b>   | <b>(10,503)</b>  |
| <b>Net cash flows from financing activities</b>   | 30   | <b>6,433</b>     | <b>15,470</b>    |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   |      | <b>7,220</b>     | <b>8,036</b>     |
| Cash and cash equivalents at the beginning of the financial year  |      | 15,825           | 7,789            |
| <b>Cash and cash equivalents at the end of the financial year</b>   | 25   | <b>23,045</b>    | <b>15,825</b>    |

## **NOTES TO THE ACCOUNTS**

### **Expenditure and Funding Analysis**

The Expenditure and Funding Analysis (EFA) on page 22 aims to show the real impact of the year's financial performance on the Council's balances. The Comprehensive Income and Expenditure Statement (CIES) includes many accounting adjustments such as depreciation and pension adjustments, which, by law, are not allowed to be funded by Council Tax. These are not true costs which affect Council usable balances. The CIES shows a deficit on the provision of services of £7.149m. This is also shown in column C, called Net Expenditure in the Comprehensive Income and Expenditure Statement, within the EFA on page 22. To ensure that these accounting costs do not affect Council tax payers and Council funds, these costs of £8.249m are cancelled out in the EFA and are also shown in the Movement in Reserves Statement (MIRS) on page 23. These are shown in column B in the EFA on page 22 called Adjustments between Funding and Accounting Basis. Column A on the EFA on page 22 shows the costs properly incurred against Council Funds. This shows a surplus balance of £1.1m and it is calculated by deducting column B from column C. This helps to identify usable Council balances without these accounting adjustments. The impact of these statutory accounting adjustments is shown in the unusable reserves column in the Movement in Reserves Statement. Note 1a summarises the type of accounting adjustments which are not funded by the Council.

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

|  | <b>£'000</b>    |
|--|-----------------|
| <b>Council usable reserves 1 April 2019</b>  | <b>(24,844)</b> |
| Deficit/(surplus) on the Provision of Services 2019/20 – CIES  | 7,149           |
| Adjustments to remove impact of accounting adjustments which do not affect the Council Fund – see Note 7 | (8,249)         |
| <b>Revised deficit/(surplus) affecting Council balances (including HRA)</b>                              | <b>(1,100)</b>  |
|  |                 |
| <b>Council usable reserves/balances 31 March 2020</b>  | <b>(25,944)</b> |

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

## Summary of Movements in Council Reserves 2019/20

| Summary of Movements in Council Balances/Reserves 2019/2020 | Council Fund General Reserve | Council Fund Earmarked Reserves | Housing Revenue Account (HRA) Reserve | School Reserves | Capital receipts Reserve | Total Usable Reserves |
|---|------------------------------|---------------------------------|---------------------------------------|-----------------|--------------------------|-----------------------|
| Items impacting on the Council's Reserve 2019/20            | £'000                        | £'000                           | £'000                                 | £'000           | £'000                    | £'000                 |
| Opening Balance on Council General Reserve 1 April 2019     | (5,912)                      | (8,728)                         | (8,387)                               | (631)           | (1,186)                  | (24,844)              |
| Net overspend/(underspend) 2019/20                          | (308)                        | 0                               | (210)                                 | 0               | 0                        | (518)                 |
| Council Balance after overspend/(underspend)                | (6,220)                      | (8,728)                         | (8,597)                               | (631)           | (1,186)                  | (25,362)              |
| Net transfers from/(to) Reserves for approved funding       | (840)                        | (32)                            | 0                                     | 434             | (144)                    | (582)                 |
| Net transfer to HRA Reserve for year                        | 0                            | 0                               | 0                                     | 0               | 0                        | 0                     |
| General Reserve Balance at 31 March 2020                    | (7,060)                      | (8,760)                         | (8,597)                               | (197)           | (1,330)                  | (25,944)              |

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

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

| <b>Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts</b>                                    | <b>Adjustments for Capital Purposes<br/>£'000</b> | <b>Net Change for the Pensions Adjustments<br/>£'000</b> | <b>Other Differences<br/>£'000</b> | <b>Total Adjustments<br/>£'000</b> |
|---|---|--|------------------------------------|------------------------------------|
| Lifelong Learning   | 4,188   | 2,700  | 298                                | 7,186                              |
| Adult Services  | 347   | 2,257  | 63                                 | 2,667                              |
| Children's Services   | -   | 197  | (12)                               | 185                                |
| Housing   | 6   | 353  | 18                                 | 377                                |
| Highways, Property and Waste  | 4,750   | 1,115  | 74                                 | 5,939                              |
| Regulation and Economic Development   | 828   | 1,182  | 69                                 | 2,079                              |
| Transformation  | 491   | 588  | 50                                 | 1,129                              |
| Resources   | 16  | 626  | 7                                  | 649                                |
| Council Business  | 1   | 273  | 35                                 | 309                                |
| Corporate and Democratic Costs  | -   | (277)  | -                                  | (277)                              |
| Corporate Management  | -   | -  | -                                  | -                                  |
| Non-distributed costs   | -   | 418  | -                                  | 418                                |
| Housing Revenue Account (HRA)   | (2,711)   | 589  | 71                                 | (2,051)                            |
|   |   |  |                                    | -                                  |
| <b>Net Cost of Services</b>   | <b>7,916</b>                                      | <b>10,021</b>  | <b>673</b>                         | <b>18,610</b>                      |
| Other Income and Expenditure from the Funding Analysis  | (13,621)  | 3,260  | -                                  | (10,361)                           |
| <b>Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit</b> | <b>(5,705)</b>                                    | <b>13,281</b>  | <b>673</b>                         | <b>8,249</b>                       |

2018/19

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

NOTE 1b – SEGMENTAL INCOME

| Services                            | 2019/20<br>Income from<br>Services<br>£'000 | 2018/19<br>Income from<br>Services<br>£'000 |
|-------------------------------------|---|---|
| Lifelong Learning                   | (1,390)                                     | (1,528)                                     |
| Adult Services                      | (5,301)                                     | (4,538)                                     |
| Children's Services                 | -   | -   |
| Housing                             | (70)  | (65)  |
| Highways, Property and Waste        | (2,788)                                     | (2,795)                                     |
| Regulation and Economic Development | (2,778)                                     | (2,825)                                     |
| Transformation                      | (45)  | -   |
| Resources                           | (151)                                       | (154)                                       |
| Council Business                    | (402)                                       | (242)                                       |
| Corporate and Democratic Costs      | (111)                                       | (1,047)                                     |
| Corporate Management                | -   | -   |
| Non-distributed costs               | -   | -   |
| Housing Revenue Account (HRA)       | (18,585)                                    | (17,607)                                    |
| <b>Total Income</b>                 | <b>(31,621)</b>                             | <b>(30,801)</b>                             |

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) requires disclosure of the expected impact of any accounting standards that have been issued but not yet adopted.

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

- *IAS 28 Investments in Associates and Joint Ventures*: IAS 28 states that an organisation should use the equity method when accounting for investment in an associate or joint venture unless the investment qualifies as an exemption. The Council does not have investments of this type and so this has no impact on the Authority's accounts.
- *Annual Improvements to IFRS Standards 2015-2017 Cycle*. This includes amendments to IFRS 3 and IFRS 11 as well as IAS 12 and IAS 23.  
IFRS 3 and IFRS 11 state that when a party to a joint operation obtains control of that joint operation that is a business, then it must re-measure that interest in the joint operation at fair value as the nature of its interest has changed. However, when a party that participates in (but does not have joint control over) a joint operation now obtains joint control over a joint operation that is a business, it must not re-measure the interest it previously had in that business. The Council is reviewing its accounting treatment of this requirement.  
IAS 12 states that an entity must recognise all income tax consequences of dividends, in profit or loss, other comprehensive income or equity, depending on where the transaction originated to generate the profit giving the dividend. This does not affect the Council as it does not have such investments.
- IAS 23 states that an entity must include all outstanding borrowing costs relating to a recognised asset even when it is ready for use or sale. The Council is reviewing its accounting treatment of this requirement.
- *IAS 19 Employee Benefits*: If a plan amendment, curtailment or settlement occurs, then it will be mandatory for the current service costs and interest for the period after the event to be re-measured. Amendments have also been included to clarify the effect these events will have on the requirements regarding the asset ceiling. The Council is reviewing its accounting treatment of this requirement.
- *IFRS 16 – Leases*: The requirement to adopt IFRS 16 has been deferred to 2021/2022 following the Covid-19 outbreak and will, therefore, not be applicable until the 2021/2022 Statement of Accounts. This IFRS will have an impact on the Council as it may need to amend the way it accounts for leased assets such as photocopiers, buildings and machinery. The Council is reviewing its accounting treatment of this requirement.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 introduced the new requirements below for Councils to comply with due to updated reporting standards that have been adopted. The relevant changes relate to the following standards, all of which will, where they apply, amend the accounts produced for financial periods starting after 1 April 2019.

- *IFRS 16 – Leases*. The requirement to adopt IFRS16 has been deferred to 2021/2022 following the Covid-19 outbreak and will not apply to the Statement of Accounts until 2021/22.

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

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

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

- The Accounts have been prepared on a going concern basis, which assumes that the functions and services provided by the Council will continue in operational existence for the foreseeable future. The Council is a local government body created by the Local Government (Wales) Act 1994. The Council operates within a difficult financial climate, similar to all local authorities in Wales. However, there are no indications from either the financial performance of the Authority or Welsh Government plans which undermine the view that the Council will continue as a going concern into the future.
- The Council has determined that a number of assets which are used for social or economic development purposes are not solely held for income generation or capital appreciation purposes and, therefore, do not meet the definition of investment properties. As a consequence, these assets are shown as Non-Current Assets - Property, Plant and Equipment within the Balance Sheet. In accordance with current guidance regarding the treatment of certain types of schools, only the value of the land for voluntary-controlled schools is included in the Balance Sheet where the voluntary body has significant control over the building. As the Council does not own these types of schools, and does not have access to them for valuation purposes, the value of the buildings is excluded from the Balance Sheet. In addition to this, as regards Voluntary-Aided and Foundation Schools, neither the value of land nor the buildings are included on the Balance Sheet.
- Capital and revenue grants are reviewed regularly to assess whether the terms and conditions attached to the respective grants have been met. If the terms and conditions have been met, they will be recognised within the Comprehensive Income and Expenditure Statement in the year. If not, they will be carried within the Balance Sheet within creditors until such time as either the terms and conditions associated with the grant are met or the grant is repaid to the grant provider should the terms and conditions not be met. This treatment can result in material balances being carried in the Balance Sheet as deferred income.
- The group requirements have been reviewed using the criteria outlined in the relevant accounting standards and Code of Practice; the Council has not identified any companies or organisations that would require it to complete group accounts.
- There is usually a high degree of uncertainty about future levels of funding for local government. In normal circumstances, this would not be sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. However, the Coronavirus crisis has led to such significant global uncertainty that the Council has considered its impact on four main areas, namely on plant, property and equipment valuation; on investments; on the pension fund and on debts owed to the Council. Some of this review is ongoing but, at the time of issuing the draft accounts, the Authority had decided that the impairment on the Council's plant, property and equipment as well as on investments would be minimal, but the Council has increased the impairment on debts owed to it by £49k. The Council is waiting for Actuary revaluations on its pension fund and will assess the impact of that assessment.



## NOTE 4

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

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

The following items in the Council's Balance Sheet at 31 March 2020 may be considered to be most vulnerable for estimating error in the forthcoming financial year:-

#### **Brexit**

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

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

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

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

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

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

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

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

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

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

**Impairment Loss Allowance** – As at 31 March 2020, the Council had a net debtor balance of £32.772m. A review of arrears balance suggested that impairment for doubtful debts of £5.618m was appropriate. Any differences between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Impairment loss allowances/provision for bad debts are contained within the figures for Short-Term Debtors contained in Note 24.

**Fair Value Measurement** - Fair value measurement will be in accordance with IFRS 13 Fair Value Measurement as reported in the CIPFA Code of Practice 2019/20. In most cases, fair value is a market-based measurement. IFRS 13 provides more direction and clarity in relation to valuation of assets and liabilities. However, where there is no observable market to value against, this will involve professional judgement. When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data but, where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities. The depreciated replacement cost (DRC) model is used to measure the fair value of some of the Authority's investment properties.

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

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

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

No items were reinstated in 2019/20.

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

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

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

The Statement of Accounts was authorised for issue by the Council's Section 151 Officer on 8 September 2020. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The following events between 31 March 2020 and 8 September 2020 have occurred which affect the Council and are important to highlight to readers of the Statement of Accounts:-

1. The Waste Management Service, has recently awarded its Waste Collection and Cleansing Contract to its current provider Biffa plc after an intensive tendering process. The new contract will commence on 1 April 2021 for an initial period of 8 years with the option to extend at the end of that period and will be worth £40m over the initial period. The existing contract between the County Council and Biffa has enabled Anglesey to become one of the leading recycling counties in the United Kingdom and both parties will aim to improve recycling rates and cleansing even further in the future under the new contract.
2. As part of its initiative to provide an increased suitable portfolio of social housing to meet demand, the Housing Service, has recently purchased land in the Llaingoch area of Holyhead, from a developer with the intention of building 26 social dwellings in the near future.
3. The Authority is continuing to provide support to the Community in the aftermath of the Covid 19 pandemic and the financial impact through increased costs and loss of income will be monitored in the coming months. Specific examples of support include:
  - Encouraging residents and tourists to 'shop local' through implementing its 'Town Centre Recovery Plan' including offering free parking in town centres.
  - Assisting the Hospitality Sector to reopen by providing guidance and clarification to Local Businesses on how to open safely in line with the Latest Welsh Government guidelines.
  - Expanding its 'Call and Collect' library Service and its 'Housebound Home Delivery Service'.
  - Working in partnership with the voluntary sector, local businesses and residents to provide food banks and distribute food to the vulnerable.
  - Distributing Covid-19 Business Grants and Set up grants on behalf of Welsh Government.

- Protecting the community against cold callers and fraudsters who provide unreliable and bogus PPE and Covid-19 virus testing kit.
  - Participating in the Track and Trace initiative to contain the virus and prevent its return.
  - Providing shelter for the Homeless through a series of cabins at the former Plas Penlan site.
  - Assisting to prepare Schools for phased reopening in September with a view of fully reopening from 10 September.
4. Pensions – the Pension Fund's actuary has revised the 2019/20 Pensions report to reflect the fact the McCloud age discrimination case will not cost the pension fund as much as initially provided for the case. The judgement means that there will be additional costs for all public sector service pension funds but these will not be as extensive as first thought. This reduced the historic pensions cost from £953k to £418k. In addition, the revised report took into account the potential impact of COVID-19 on the Pension Fund's investments due to the recession arising from the lockdown. This led to an increase in the Pension fund's underlying liability. These do not affect outturn or the Council or HRA general funds as these are statutory accounting adjustments required by accounting rules. Welsh Government law prescribes that these should not affect council tax payers so the costs are cancelled out in the movement in reserves statement. Instead, actual contributions paid to Gwynedd Pension Fund during the year are charged to the Council Fund and HRA general funds. Another potential case impacting on Pension funds is the Goodwin Case, gender discrimination case. This is in its early stages so the potential impact of this is not known. The actuary will take into account any potential costs in the Pension Fund report for 2020/21.

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

| 2019/20  | Usable Reserves      |                         |                          |                          | Movement in Unusable Reserves<br>£'000 |
|--|----------------------|-------------------------|--------------------------|--------------------------|--|
|  | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied |  |
|  | £'000                | £'000                   | £'000                    | £'000                    |  |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                      |                         |                          |                          |  |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>  |                      |                         |                          |                          |  |
| Charges for depreciation, impairment and amortisation of non-current assets  | 9,872                | 3,776                   | -                        | -                        | (13,648)                               |
| Revaluation losses on Property, Plant and Equipment  | 945                  | (31)                    | -                        | -                        | (914)                                  |
| Movements in the market value of Investment Properties loss/(gain)   | (295)                | -                       | -                        | -                        | 295                                    |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | (13,954)             | (4,202)                 | -                        | -                        | 18,156                                 |
| Revenue expenditure funded from capital under statute  | 125                  | -                       | -                        | -                        | (125)                                  |
| Derecognition - replaced parts   | 3,281                | 6,213                   | -                        | -                        | (9,494)                                |
| Carrying amount of non-current assets sold   | 1,062                | -                       | -                        | -                        | (1,062)                                |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |                      |                         |                          |                          |  |
| Minimum Revenue Provision for Capital Funding  | (2,655)              | (816)                   | -                        | -                        | 3,471                                  |
| Capital expenditure charged against the Council Fund and HRA balances  | (224)                | (7,609)                 | -                        | -                        | 7,833                                  |
| <b>Adjustments involving the Capital Receipts Reserve:</b>   |                      |                         |                          |                          |  |
| Proceeds from Sale of Non-Current Assets   | (1,194)              | -                       | 1,194                    | -                        | -                                      |
| Use of the Capital Receipts Reserve to finance capital expenditure   | -                    | -                       | (1,050)                  | -                        | 1,050                                  |
| Use of capital reserve to finance capital expenditure  | -                    | -                       | -                        | -                        | -                                      |
| Other Capital Receipts   | -                    | -                       | -                        | -                        | -                                      |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>   |                      |                         |                          |                          |  |
| Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (101)                | (42)                    | -                        | -                        | 143                                    |
| <b>Adjustments involving the Pensions Reserve:</b>   |                      |                         |                          |                          |  |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)  | 21,206               | 589                     | -                        | -                        | (21,795)                               |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | (8,514)              | -                       | -                        | -                        | 8,514                                  |
| <b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>   |                      |                         |                          |                          |  |
| Adjustments in relation to short-term compensated absences   | 602                  | 71                      | -                        | -                        | (673)                                  |
| <b>Total Adjustments</b>   | <b>10,156</b>        | <b>(2,051)</b>          | <b>144</b>               | <b>-</b>                 | <b>(8,249)</b>                         |

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

## NOTE 8 – EARMARKED RESERVES

|   | Balance as at<br>01/04/2018<br>£'000 | Transfers In<br>2018/19<br>£'000 | Transfers Out<br>2018/19<br>£'000 | Balance as at<br>31/03/2019<br>£'000 | Transfers In<br>2019/20<br>£'000 | Transfers Out<br>2019/20<br>£'000 | Balance as at<br>30/03/2020<br>£'000 |
|---|--------------------------------------|----------------------------------|-----------------------------------|--------------------------------------|----------------------------------|-----------------------------------|--------------------------------------|
| Capital - Revenue contributions unapplied | 1,137                                | 192                              | (218)                             | 1,111                                | 180                              | (448)                             | 843                                  |
| Restricted Reserves                       | 3,625                                | 3,241                            | (1,533)                           | 5,333                                | 1,981                            | (1,260)                           | 6,054                                |
| Invest-to-save                            | 653                                  | -                                | (251)                             | 402                                  | -                                | (89)                              | 313                                  |
| Equal Pay                                 | 814                                  | -                                | (450)                             | 364                                  | -                                | (314)                             | 50                                   |
| Recycling                                 | 122                                  | 250                              | (104)                             | 268                                  | 250                              | (268)                             | 250                                  |
| Insurance Fund                            | 1,250                                | 161                              | (161)                             | 1,250                                | -                                | -                                 | 1,250                                |
| <b>Total</b>                              | <b>7,601</b>                         | <b>3,844</b>                     | <b>(2,717)</b>                    | <b>8,728</b>                         | <b>2,411</b>                     | <b>(2,379)</b>                    | <b>8,760</b>                         |

### Purpose of Earmarked Revenue Reserves

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

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

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

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

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

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

## NOTE 9 – SCHOOLS BALANCES

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

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

At 31 March 2020, nine of the 40 primary schools had balances in a deficit position (12 as at 31 March 2019). Three of the five secondary schools are in a deficit position at the end of the financial year (three as at 31 March 2019); the Special School is also in a deficit position at 31 March 2020. The combined value of the schools in deficit is £1.2m (£0.93m as at 31 March 2019). Copies of the Section 52 Statements, which each Council is required to prepare after the end of each financial year under Section 52(2) of the School Standards and Framework Act 1998, can be obtained from the Accountancy Section, Resources Function, County Offices, Llangefni, Anglesey, LL77 7TW.

#### NOTE 10 – CAPITAL RECEIPTS RESERVE

These are cash receipts from the sale of Council assets. These are used to fund capital expenditure in the year or to carry forward for future years. A balance of £1.330m will be carried forward to 2020/21 to help fund next year's capital programme.

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

#### NOTE 11 – UNUSABLE RESERVES

|   | 31/03/2020<br>£'000 | 31/03/2019<br>£'000 |
|---|---------------------|---------------------|
| a) Capital Adjustment Account                           | 146,341             | 137,949             |
| b) Financial Instruments Adjustment Account             | (431)               | (574)               |
| c) Revaluation Reserve                                  | 142,402             | 131,743             |
| ch) Pensions Reserve                                    | (124,520)           | (130,730)           |
| d) Accumulating Compensated Absences Adjustment Account | (1,450)             | (776)               |
| <b>Total Unusable Reserves</b>                          | <b>162,342</b>      | <b>137,612</b>      |

#### NOTE 11a CAPITAL ADJUSTMENT ACCOUNT

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



The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties.

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

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

#### NOTE11b – FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

| <b>Financial Instruments Adjustment Account</b>   | <b>2019/20</b> | <b>2018/19</b> |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| <b>Balance at 1 April</b>   | <b>(574)</b>   | <b>(450)</b>   |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 143            | (124)          |
| <b>Balance at 31 March</b>  | <b>(431)</b>   | <b>(574)</b>   |

#### **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.

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

#### **NOTE 11ch – PENSIONS RESERVE**

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

| <b>Pensions Reserve</b>   | <b>2019/20</b>   | <b>2018/19</b>   |
|---|------------------|------------------|
|   | <b>£'000</b>     | <b>£'000</b>     |
| <b>Balance at 1 April</b>   | <b>(130,730)</b> | <b>(102,188)</b> |
| Re-measurement of net defined liability   | (21,795)         | (18,734)         |
| Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 19,491           | (18,175)         |
| Employers' pension contribution and direct payment to pensioners payable in the year  | 8,514            | 8,367            |
| <b>Balance at 31 March</b>  | <b>(124,520)</b> | <b>(130,730)</b> |

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

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

#### **NOTE 11d – ACCUMULATING COMPENSATED ABSENCES ADJUSTMENT ACCOUNT**

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

| <b>Accumulating Compensated Absences Adjustment Account</b>   | <b>2019/20<br/>£'000</b> | <b>2018/19<br/>£'000</b> |
|---|--------------------------|--------------------------|
| Settlement or cancellation of accrual made at the end of the preceding year   | (776)                    | (799)                    |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (674)                    | 23                       |
| <b>Amounts accrued at the end of the current year</b>   | <b>(1,450)</b>           | <b>(776)</b>             |

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

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

## NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

### 13a – Financing and Investment Income

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

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

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

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

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

## NOTE 15 Non-Current Asset Property, Plant and Equipment (PPE)

| 2019/20   | Property, Plant and Equipment |                    |                       |                               |                  |                        |                |                |
|---|-------------------------------|--------------------|-----------------------|-------------------------------|------------------|------------------------|----------------|----------------|
|   | Council Dwellings             | Land and Buildings | Infrastructure Assets | Vehicles, Plant and Equipment | Community Assets | PPE Under Construction | Surplus Assets | Total          |
|   | £'000                         | £'000              | £'000                 | £'000                         | £'000            | £'000                  | £'000          | £'000          |
| <b>Cost or Valuation</b>  |                               |                    |                       |                               |                  |                        |                |                |
| <b>At 1 April 2019</b>  | 147,974                       | 179,745            | 96,249                | 13,575                        | 9                | 11,222                 | 3,446          | 452,220        |
| Adjustment opening balance  | -                             | -                  | -                     | -                             | -                | -                      | -              | -              |
| Additions (Note 20)   | 11,812                        | 4,749              | 6,515                 | 1,534                         | -                | 3,836                  | -              | 28,446         |
| Revaluation inc./.(decr.) to Revaluation Reserve                              | -                             | 8,483              | -                     | -                             | -                | -                      | 412            | 8,895          |
| Revaluation inc./.(decr.) to (Surplus) / Deficit on the Prov. of Services     | -                             | (1,166)            | -                     | -                             | -                | -                      | 17             | (1,149)        |
| Derecognition - Disposals   | -                             | -                  | -                     | -                             | -                | -                      | -              | -              |
| Derecognition - other   | -                             | -                  | -                     | -                             | -                | -                      | -              | -              |
| Derecognition - replaced parts  | (6,213)                       | (3,069)            | -                     | -                             | -                | -                      | -              | (9,282)        |
| Reclassification  | -                             | 10,732             | -                     | -                             | -                | (11,268)               | 535            | (1)            |
| Reclassifications & Transfers from Assets Held for Sale                       | -                             | -                  | -                     | -                             | -                | -                      | 108            | 108            |
| Reclassification to Assets Held for Sale                                      | -                             | (270)              | -                     | -                             | -                | -                      | -              | (270)          |
| Reclassified from Investment Property   | -                             | -                  | -                     | -                             | -                | -                      | -              | -              |
| Reclassified to Investment Property   | -                             | -                  | -                     | -                             | -                | -                      | -              | -              |
| <b>Balance as at 31 March 2020</b>  | <b>153,573</b>                | <b>199,204</b>     | <b>102,764</b>        | <b>15,109</b>                 | <b>9</b>         | <b>3,790</b>           | <b>4,518</b>   | <b>478,967</b> |
| <b>Depreciation and Impairment</b>  |                               |                    |                       |                               |                  |                        |                |                |
| <b>At 1 April 2019</b>  | 7,149                         | 9,092              | 30,071                | 9,401                         | -                | -                      | 55             | 55,768         |
| Adjustment Cost and Depreciation  | -                             | -                  | -                     | -                             | -                | -                      | -              | -              |
| Depreciation Charge   | 3,521                         | 5,316              | 3,569                 | 1,011                         | -                | -                      | 8              | 13,425         |
| Depreciation written out to Revaluation Reserve                               | -                             | (4,567)            | -                     | -                             | -                | -                      | (8)            | (4,575)        |
| Depreciation written out to (Surplus) or Deficit on the Provision of Services | -                             | (237)              | -                     | -                             | -                | -                      | -              | (237)          |
| Derecognition - Disposals   | -                             | -                  | -                     | -                             | -                | -                      | -              | -              |
| Reclassification  | -                             | -                  | -                     | -                             | -                | -                      | -              | -              |
| Reclassification to Assets Held for Sale                                      | -                             | -                  | -                     | -                             | -                | -                      | -              | -              |
| Reclassification to Investment Property                                       | -                             | -                  | -                     | -                             | -                | -                      | -              | -              |
| <b>Balance as at 31 March 2020</b>  | <b>10,670</b>                 | <b>9,604</b>       | <b>33,640</b>         | <b>10,412</b>                 | <b>-</b>         | <b>-</b>               | <b>55</b>      | <b>64,381</b>  |
| <b>Net Book Value</b>   |                               |                    |                       |                               |                  |                        |                |                |
| <b>Balance as at 31 March 2020</b>  | <b>142,903</b>                | <b>189,600</b>     | <b>69,124</b>         | <b>4,697</b>                  | <b>9</b>         | <b>3,790</b>           | <b>4,463</b>   | <b>414,586</b> |
| <b>Balance as at 31 March 2019</b>  | <b>140,825</b>                | <b>170,653</b>     | <b>66,178</b>         | <b>4,174</b>                  | <b>9</b>         | <b>11,222</b>          | <b>3,391</b>   | <b>396,452</b> |

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

## Revaluations

The Council has £418.224m recognised as Property, Plant and Equipment and Heritage Assets on its Balance Sheet as at the valuation date of 31 March 2020. The Council has now adopted a five-year rolling programme for the valuation of its land and property. However, PPE assets with a fair value of £500k or more are revalued each year. The programme is constructed in such a way as to ensure that entire classes of assets within its land and property portfolio greater than £500k are revalued in a single year. The valuations are undertaken by the Council's in-house valuation team who are members of the Royal Institute of Chartered Surveyors (RICS). The valuations have been completed in accordance with IFRS 13. Non-property assets have not been revalued as the Council has judged that the carrying value of these assets is approximate to fair value, given their relatively short useful economic lives and the relative value of these assets. Additional information on the Council's policy on the measurement and valuation of non-current assets is included in sections 7 to 10 of Note 51 Accounting Policies.

## NOTE 16 - SIGNIFICANT CAPITAL COMMITMENTS

At 31 March 2020, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment, giving rise to significant capital commitments of £7.560m in 2020/21 and future years as shown in the table below. Similar commitments to 31 March 2019 were £0.681m.

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

## NOTE 17 – HERITAGE ASSETS

2019/20

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

2018/19

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



## Revaluation of Heritage Assets

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

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

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

The revaluation of these assets follows the Council's standard revaluation procedures for land and property. The Heritage Assets were last revalued in 2018/19, with those over £500k being revalued during 2019/20 as per the Council's revaluation procedures.

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

## NOTE 18 – INVESTMENT PROPERTIES

### a) Investment Properties

|  | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| <b>Balance at start of the year</b>            | 6,000            | 5,791            |
| Additions:                                     |                  |                  |
| - Subsequent expenditure                       | -                | -                |
| Disposals                                      | (105)            | (142)            |
| Net gains/(losses) from fair value adjustments | 294              | (1,518)          |
| Transfers:                                     |                  |                  |
| - (to)/from Asset held for Sale                | -                | -                |
| - (to)/from Property, Plant and Equipment      | -                | 1,869            |
| <b>Balance at end of the year</b>              | <b>6,189</b>     | <b>6,000</b>     |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has one contractual obligation to construct and develop an industrial unit at Penrhos, Holyhead, as part of a joint venture with the Welsh Government.

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

**2019/20 Fair Value Hierarchy**

| Recurring fair value measurements using: | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (level 2) | Significant unobservable inputs (level 3) | Fair Value as at 31 March 2020 |
|--|--|---|---|--------------------------------|
|  | £'000  | £'000   | £'000                                     | £'000                          |
| Retail Properties                        | -  | 810   | -   | 810                            |
| Office units                             | -  | 848   | -   | 848                            |
| Commercial units                         | -  | 4,531   | -   | 4,531                          |
| <b>Total</b>                             | -  | <b>6,189</b>                                  | -   | <b>6,189</b>                   |

**2018/19 Fair Value Hierarchy**

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

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

**Retail**

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

**Investment Properties**

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

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

#### NOTE 18d – EXPENDITURE AND INCOME ON INVESTMENT PROPERTIES

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

#### NOTE 19 – INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £169k charged to revenue in 2019/20 was charged to the IT Administration cost centre within the Transformation line of the Net Expenditure of Services.

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

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

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

## NOTE 20 - CAPITAL EXPENDITURE AND FINANCING

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

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

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

## NOTE 21 – ASSETS HELD FOR SALE

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

## NOTE 22 – LEASES

### Operating Leases

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

The Council also holds certain items of plant and equipment under operating leases or rental agreements within schools and other Council departments. The charge to revenue for these items is £0.175m in 2019/20 (£0.097m in 2018/19).

During the year, the Council leased out one property on long-term lease, however, it was already taken off the Balance Sheet in 2005, with the creation of a new lease in 2019/20 to incorporate a name change. The Council also leased out a number of other assets on short-term leases which have, therefore, remained on the Council's Balance Sheet.

The Council currently has two vehicles leased in until April and July 2020, after which a decision will then be made whether to purchase or return them to the supplier. Consequently, they are not on the Council's Balance Sheet but an annual charge of £10k is incurred for these vehicles.

As at 31<sup>st</sup> March 2020, the transfer of Beaumaris Gaol and Court and the leasing out of Melin Llynnon were not yet complete and, therefore, were still in the Council's ownership. It is likely that Melin Llynnon will be leased as an operating lease and will remain on the Balance Sheet. The Gaol and Court will be transferred to Beaumaris Town Council on a freehold basis and will be taken off the Balance Sheet. The transfer of these assets is expected to complete in early 2020/21.

## NOTE 23 – INVENTORIES

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

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

## NOTE 24 – DEBTORS

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

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

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

## NOTE 25 - CASH AND CASH EQUIVALENTS

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

|                        | 31 March 2020<br>£'000 | 31 March 2019<br>£'000 |
|------------------------|------------------------|------------------------|
| Cash and Bank balances | 23,045                 | 15,825                 |
| Bank Overdraft         | -                      | -                      |
| <b>Total</b>           | <b>23,045</b>          | <b>15,825</b>          |

## NOTE 26 – CREDITORS

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

## NOTE 27 – PROVISIONS

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

### Purpose of Main Provisions

#### Insurance Claims Provision

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

#### Penhesgyn Waste Site

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

#### Other Short-term Provisions created in 2019/20

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

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

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

## NOTE 28 – CASH FLOW FROM OPERATING ACTIVITIES

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| <b>Adjustment to surplus or deficit on the Provision of Services for non-cash movements</b>   |                  |                  |
| Depreciation, Impairment and amortisation   | 13,648           | 13,195           |
| Downward/(upwards) revaluations and non-sale derecognitions   | 10,408           | 9,623            |
| (Increase)/Decrease in Inventories  | (31)             | 85               |
| (Increase)/Decrease in Debtors  | (2,951)          | (5,280)          |
| Increase/(Decrease) in impairments for Bad Debts  | (21)             | 96               |
| Increase/(Decrease) in Creditors  | 2,338            | (94)             |
| Increase/(Decrease) in Capital Grants receipts in advance   | (822)            | (1,082)          |
| Transactions within the CIES relating to retirement benefits  | 13,281           | 9,808            |
| Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised  | 1,062            | 1,675            |
| Contributions to/(from) Provisions  | (54)             | (92)             |
| Movement in value of investment properties - Impairment and downward revaluations (and non-sale derecognitions)                         | (295)            | 1,518            |
| <b>Total</b>  | <b>36,563</b>    | <b>29,452</b>    |
| <b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b> |                  |                  |
| Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale                                   | (1,195)          | (1,592)          |
| Capital grants included in "Taxation and non-specific grant income"   | (18,156)         | (16,629)         |
| <b>Total</b>  | <b>(19,351)</b>  | <b>(18,221)</b>  |

## NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

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

## NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

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

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



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

**2019/20**

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

**2018/19**

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

**Note 30c - INTEREST RECEIVED AND PAID ON FINANCING ACTIVITIES**

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

## NOTE 31 – NATURE OF EXPENSES NOTE

### NOTE 31a

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

|  | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| <b>Expenditure</b>                                       |                  |                  |
| Employee benefits  | 98,417           | 94,305           |
| Other services   | 109,000          | 105,715          |
| Depreciation, amortisation, impairment and revaluations  | 13,353           | 14,713           |
| Interest payments  | 9,266            | 8,720            |
| De-recognition and Impairment of Financial Assets        | 321              | 465              |
| Precepts and levies                                      | 13,749           | 12,610           |
| (Gain)/loss on the disposal of assets                    | 9,356            | 9,518            |
| <b>Total Expenditure</b>                                 | <b>253,462</b>   | <b>246,046</b>   |
| <b>Income</b>  |                  |                  |
| Fees, charges and other service income                   | (31,621)         | (30,801)         |
| Interest and investment income                           | (316)            | (300)            |
| Income from council tax, non-domestic rates              | (72,187)         | (67,180)         |
| Government grants and contributions                      | (142,189)        | (139,603)        |
| <b>Total Income</b>                                      | <b>(246,313)</b> | <b>(237,884)</b> |
|  |                  |                  |
| <b>(Surplus) or Deficit on the Provision of Services</b> | <b>7,149</b>     | <b>8,162</b>     |

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

#### Income from service recipients

Local authorities were required to implement a new financial standard, IFRS 15 Revenue from Contracts with Customers, from 1 April 2018. This applies to income from individuals or organisations who have contracted to receive a service or goods from the Council as part of the Authority's normal operating activities. The term 'Contracts' is interpreted widely to include most of the Council's fees, charges and rents where services/goods are provided for those fees, charges and rents. Contracts can be written, oral or implied by the Council's normal business practices. Statutory charges such as Council Tax, Non Domestic Rates (NDR) and fines are excluded from IFRS 15 and are not included in any of the information about income from service recipients. Grants and contributions are also excluded. The Council receives significant grants and contributions each year. Note 37 provides details of grants and contributions received by the Council for 2019/20 and 2018/19.

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

| <b>Revenue From Contracts with Service Recipients</b>                   | <b>2019/20</b>  | <b>2018/19</b>  |
|---|-----------------|-----------------|
|   | <b>£'000</b>    | <b>£'000</b>    |
| Revenue From Contracts with Service Recipients                          | (31,621)        | (30,597)        |
| Impairment of receivables or contract assets                            | (2)             | 290             |
| <b>Total included in Comprehensive Income and Expenditure Statement</b> | <b>(31,623)</b> | <b>(30,307)</b> |

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

| <b>Amounts included in the Balance Sheet for Contracts with Service Recipients</b> | <b>2019/20</b> | <b>2018/19</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| Receivables, which are included in debtors (Note 24)                               | 6,078          | 5,981          |
| Contract Assets  | -              | -              |
| Contract Liabilities   | -              | -              |
| <b>Total included in Net Assets</b>  | <b>6,078</b>   | <b>5,981</b>   |

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

Contracts can relate to the financial year from 1 April 2019 to 31 March 2020. Any income not received by the end of March is accrued to match with the services provided. Some income is received at the same time as the service/good is provided, for example, sale of gifts in the Oriel shop, admission for a swimming session at the Leisure Centres. One of the most complex income types relates to fees and charges for complex Adult Social Care placements. These charges can be deferred until income is available from sale of property. The Adult Services does recognise this income each financial year, despite it being deferred to match with the period when the care is provided.

## NOTE 32 – TRADING OPERATIONS

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

## NOTE 33 - MEMBERS' ALLOWANCES

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

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

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

## NOTE 34 – OFFICERS' REMUNERATION

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

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

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

| Senior Officer Remuneration 2019/20                          | Salary, Fees and Allowances<br>£'000 | Expenses Allowances<br>£'000 | Compensation for loss of Office<br>£'000 | Pension Contribution<br>£'000 | Total<br>£'000 |
|--|--------------------------------------|------------------------------|--|-------------------------------|----------------|
| Chief Executive *  | 59                                   | -                            | -  | 11                            | 70             |
| Chief Executive **   | 59                                   | -                            | -  | 11                            | 70             |
| Deputy Chief Executive ***                                   | 40                                   | -                            | -  | 7                             | 47             |
| Assistant Chief Executive ***                                | 47                                   | -                            | -  | 9                             | 56             |
| Director of Function (Council Business) / Monitoring Officer | 78                                   | -                            | -  | 15                            | 93             |
| Director of Function (Resources) & S151                      | 87                                   | 1                            | -  | 16                            | 104            |
| Director of Social Services                                  | 87                                   | 1                            | -  | 16                            | 104            |
| Director of Education, Skills and Young People               | 50                                   | -                            | -  | 9                             | 59             |
| Director of Place & Community Wellbeing                      | 49                                   | 1                            | -  | 9                             | 59             |
| Head of Service: HR & Transformation                         | 76                                   | 1                            | -  | 14                            | 91             |
| Head of Service: Housing                                     | 75                                   | 1                            | -  | 14                            | 90             |
| Head of Regulation and Economic Development                  | 15                                   | 1                            | -  | 3                             | 19             |
| Head of Lifelong Learning                                    | 32                                   | 1                            | -  | 6                             | 39             |
| Head of Service: Children & Families                         | 78                                   | 1                            | -  | 15                            | 94             |
| Head of Service: Highways, Waste & Property                  | 74                                   | 1                            | -  | 14                            | 89             |
| <b>Total</b>   | <b>906</b>                           | <b>9</b>                     | <b>-</b>                                 | <b>169</b>                    | <b>1,084</b>   |

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

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

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

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

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

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

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

### NOTE 35 - TERMINATION PAYMENTS

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

| Exit Cost Band<br>(including special payments) | Number of compulsory redundancies |           | Number of other departures agreed |           | Total number of exit packages by cost band |           | Total cost of exit packages |                  |
|--|-----------------------------------|-----------|-----------------------------------|-----------|--|-----------|-----------------------------|------------------|
|  | 2019/20                           | 2018/19   | 2019/20                           | 2018/19   | 2019/20                                    | 2018/19   | 2019/20<br>£'000            | 2018/19<br>£'000 |
| £0 - £20,000                                   | 38                                | 36        | 29                                | 19        | 67   | 55        | 315                         | 342              |
| £20,001 - £40,000                              | 1                                 | 5         | 5                                 | 8         | 6  | 13        | 175                         | 343              |
| £40,001 - £60,000                              | -                                 | -         | -                                 | 3         | -  | 3         | -                           | 141              |
| £60,001 - £80,000                              | -                                 | -         | -                                 | -         | -  | -         | -                           | -                |
| £80,001 - £100,000                             | -                                 | -         | -                                 | -         | -  | -         | -                           | -                |
| £100,001 - £250,000                            | -                                 | -         | -                                 | -         | -  | -         | -                           | -                |
| <b>Total</b>                                   | <b>39</b>                         | <b>41</b> | <b>34</b>                         | <b>30</b> | <b>73</b>                                  | <b>71</b> | <b>490</b>                  | <b>826</b>       |

## NOTE 36 – EXTERNAL AUDIT FEES

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

|  | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year    | 192              | 192              |
| Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for prior years | -                | -                |
| Fees payable to Wales Audit Office in respect of statutory inspections   | 100              | 100              |
| Fees payable to Wales Audit Office for the certification of grant claims and returns for the year                              | 135              | 135              |
| <b>Total</b>   | <b>427</b>       | <b>427</b>       |

## NOTE 37 – GRANTS INCOME

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

|   | Note | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------|------------------|------------------|
| <b>Credited to Taxation and Non-Specific Grant Income</b> |      |                  |                  |
| Revenue Support Grant (Non-ring-fenced Government Grants) | 14   | 73,037           | 73,238           |
| Capital Grants and Contributions                          | 14   | 13,954           | 13,958           |
| Grant - HRA (Capital Grants and Contributions)            | 14   | 4,202            | 2,671            |
| Other (Non-ring-fenced Government Grants)                 | 14   | -                | -                |
| <b>Total</b>  |      | <b>91,193</b>    | <b>89,867</b>    |
| <b>Credited to Services</b>                               |      |                  |                  |
| <b>Grants:</b>  |      |                  |                  |
| Post-16 Grant (Education)                                 |      | 2,320            | 2,356            |
| Flying Start (Education)                                  |      | 1,410            | 1,419            |
| Foundation Phase Grants (Education)                       |      | -                | -                |
| Education Improvement Grant (Education)                   |      | 2,847            | 2,751            |
| Pupil Development Grant (Education)                       |      | 1,685            | 1,687            |
| Concessionary Fares Grant                                 |      | 728              | 722              |
| Housing Benefit Subsidy                                   |      | 16,774           | 18,370           |
| Supporting People Grant (SPG & SPRG)                      |      | 2,644            | 2,708            |
| Environment and Sustainable Development Grant             |      | 691              | 479              |
| <b>Total</b>  |      | <b>29,099</b>    | <b>30,492</b>    |
| <b>Other Grants:</b>                                      |      |                  |                  |
| Lifelong Learning   |      | 4,760            | 3,256            |
| Adult Services  |      | 1,008            | 585              |
| Children's Services                                       |      | 897              | 900              |
| Housing   |      | 1,330            | 1,146            |
| Highways, Property and Waste                              |      | 1,922            | 1,460            |
| Economic Development and Regulatory                       |      | 2,609            | 1,094            |
| Corporate Transformation                                  |      | 222              | 220              |
| Resources   |      | 600              | 578              |
| Council Business  |      | 10               | 11               |
| Corporate and Democratic Costs                            |      | 10               | 100              |
| Corporate Finance   |      | -                | -                |
| Housing Revenue Account                                   |      | 13               | 88               |
| <b>Total</b>  |      | <b>13,381</b>    | <b>9,438</b>     |
| <b>Contributions:</b>                                     |      |                  |                  |
|   |      | <b>8,515</b>     | <b>9,809</b>     |
| <b>Total</b>  |      | <b>142,188</b>   | <b>139,606</b>   |



## Capital Grants Received in Advance

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

| Capital Grants and Contributions Received in Advance                                  | 2019/20<br>£'000 |
|---|------------------|
| <b>Welsh Government Capital Grants and Contributions Received in Advance:</b>         |                  |
| TMF Grant   | 124              |
| Welsh Government contribution to Construction of Penrhos Industrial Units, Holyhead   | 713              |
| 21st Century Schools  | 388              |
| Affordable Housing Scheme   | 155              |
| Childcare small grant scheme  | 52               |
| Local Transport Fund  | 87               |
| Contaminated Land   | 35               |
| Small Grant Scheme  | 100              |
| Area of Outstanding Natural Beauty Grant  | 100              |
| Community Disabled Hub Grant  | 10               |
| <b>Capital Grants and Contributions Received in Advance from other Organisations:</b> |                  |
| Holyhead Gateway Reclamation  | 139              |
| Sports Council for Wales  | 5                |
| Market hall HLF   | 54               |
| Section 106 Commuted Sum Herb Garden  | 12               |
| Young People - Housing Regeneration Investment Wales                                  | 19               |
| <b>Total</b>  | <b>1,993</b>     |

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

## NOTE 38 – RELATED PARTIES

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

### Members

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

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

### 2019/20

| Related Party                | Relationship   | Payments Made<br>£'000 | Amount owed by<br>the Council<br>£'000 | Amounts owing<br>to the Council<br>£'000 |
|------------------------------|--|------------------------|--|--|
| Grwp Llandrillo Menai        | Member appointed by the Council to be a representative | 242                    | 2                                      | 4  |
| Medrwn Môn                   | Member appointed by the Council to be a representative | 221                    | -                                      | -  |
| University Of Wales - Bangor | Member appointed by the Council to be a representative | 70                     | -                                      | 2  |
| Ynys Môn C A B Ltd           | Member appointed by the Council to be a representative | 107                    | -                                      | -  |
|                              |  | <b>640</b>             | <b>2</b>                               | <b>6</b>                                 |

### 2018/19

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

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

Members have declared interests in contracts or in organisations which may have dealings with the Council in the Statutory Register of Members' Interests. A total of £0.838m was paid by the Council in 2019/20 in relation to these interests (£0.686m in 2018/19).

### **Senior Officers**

Senior Officers are required to complete a personal declaration of interest, stating any interests they may hold with any organisation which may receive payments from the Council. No material related party transaction occurred in relation to senior officers in 2019/20.

### **Government**

Betsi Cadwalader University Health Board, through common control by central Government, is a related party to the Council. Payments made by the Council for 2019/20 to BCUHB amounted to £1.162m (£1.160m in 2018/19) and £0.348m was owing at year-end. Receipts taken in by the Council from BCUHB came to £4.410m (£2.077m in 2018/19), with £1.632m due from our related party at year-end.

### **INTERESTS IN COMPANIES**

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

#### **Cwmni Cynnal Cyf**

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

The company accounts for 2018/19 show a net loss of £0.175m (£0.148m loss 2017/18). The turnover for 2018/19 was £2.188m (£2.396m 2017/18). The company's published accounts show net liabilities of £0.782m as at 31 March 2019 (net liabilities were £0.131m at 31 March 2018).

Copies of the financial statements are available from Cwmni Cynnal Cyf, Plas Llanwnda, Caernarfon, Gwynedd. The auditor's report on the accounts for the financial year ended 31 March 2019 is not qualified. During the 2019/20 financial year, the Council accounted for costs of £0.625m (£0.583m in 2018/19) relating to the purchase of services from the company.

This company appointed Ieuan Williams as itsr 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 22 Welsh unitary authorities and whose objectives are to provide examination services and to provide and promote other educational and cultural services. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to £1.

During the 2019/20 financial year, the Council accounted for £0.402m (£0.377m 2018/19) for purchase of services from the company.

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

Copies of the company's accounts can be obtained from WJEC CBAC Limited, 245 Western Avenue, Llandaff, Cardiff, CF5 2YX. The auditor's report for the financial year ended 30 September 2018 is not qualified.

### **Menter Môn Cyfyngedig**

The Council is a member of Menter Môn Cyf, and was one out of a total of three members at 31 March 2020. The company's objectives are to promote economic growth in rural Anglesey. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to £1.

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

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

Copies of the company's accounts can be obtained from Menter Môn, Llangefni Town Hall, Buckley Square, Llangefni, Anglesey, LL77 7LR. The auditor's report on the accounts for the financial year ended 31 December 2018 is not qualified.

### **Caergeiliog Foundation School**

Balances for current assets and liabilities controlled by Caergeiliog Foundation School are included in these accounts and so the school's reserves, as stated in this Balance Sheet, represent only the net current assets. The school also has non-current assets that are stated on the school's Balance Sheet at £0.725m at 31 March 2020 (£0.785m at 31 March 2019), on a combination of valuation and historical cost, less depreciation. The non-current assets are vested in the school's Governing Body and are not consolidated in this Council's Balance Sheet.

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

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

During 2019/20, the Head of Function (Resources) / Section 151 Officer had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners. The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one:-

### **The Isle of Anglesey Charitable Trust (Reg. No. 1000818 and 1174536)**

In previous years, the Council has been the sole trustee of the Isle of Anglesey Charitable Trust, which was established to administer investments purchased from monies received from Shell U.K. Limited when the company ceased operating an oil terminal on Anglesey. During 2019/20, the Trust established a Charitable Incorporated Organisation, which will be known as the "The Isle of Anglesey Charitable Association". The new Organisation is a separate legal entity with the same charitable purposes as the Isle of Anglesey Charitable Trust. The existing assets and liabilities of the Isle of Anglesey Charitable Trust have been transferred to the new entity from 1 October 2019 following a formal resolution by the Trustees on 24 September 2019. Financial information of the Isle of Anglesey Charitable Trust and the Isle of Anglesey Charitable Association are shown separately in the table below.

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

### **Welsh Church Fund**

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

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

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

On 31 March 2020, the estimated balances of these Trust funds (at market value of the assets) are:-

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

| <b>Audited Statement Summary</b>      | <b>2018/19<br/>Income<br/>£'000</b> | <b>2018/19<br/>Expenditure<br/>£'000</b> | <b>2018/19<br/>Assets<br/>£'000</b> | <b>2018/19<br/>Liabilities<br/>£'000</b> |
|---------------------------------------|-------------------------------------|--|-------------------------------------|--|
| Isle of Anglesey Charitable Trust     | 592                                 | 995                                      | 21,728                              | 610                                      |
| Welsh Church Fund                     | 7                                   | 8  | 900                                 | 31                                       |
| Anglesey Further Education Trust Fund | 288                                 | 118                                      | 3,257                               | 16                                       |

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

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

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

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

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

In 2019/20, the Council paid £4.612m to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 20.05% of pensionable pay (£3.712m and 15.95% in 2018/19). The Employers Teachers’ Pension Contributions increased to 23.6% from September 2019.

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

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

##### **Retirement Benefits**

##### **Participation in the Local Government Pension Scheme**

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

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

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

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| <b>Service cost comprising:</b>   |                  |                  |
| Current service cost  | 18,117           | 15,191           |
| Losses on settlements or curtailments   | 418              | 134              |
| <b>Total Service cost</b>   | <b>18,535</b>    | <b>15,325</b>    |
| <b>Financing and Investment Income and Expenditure</b>  |                  |                  |
| Interest cost on defined benefit obligation   | 10,787           | 10,638           |
| Interest Income on scheme Assets  | (7,527)          | (7,788)          |
| <b>Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service</b>     | <b>21,795</b>    | <b>18,175</b>    |
| Return on Plan Assets (excluding amounts included in net interest expense)                          | 46,482           | (15,916)         |
| Actuarial losses / (gains) arising on changes in demographic assumptions                            | (15,239)         | -                |
| Actuarial losses / (gains) arising on changes in financial assumptions                              | (37,219)         | 34,236           |
| Other   | (13,515)         | 414              |
| <b>Total re-measurement of net defined benefit liability</b>  | <b>(19,491)</b>  | <b>18,734</b>    |
| <b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b> | <b>2,304</b>     | <b>36,909</b>    |
| Reversal of net charges made for retirement benefits in accordance with the code                    | 13,281           | 9,808            |
| <b>Actual amount charged against the Council Fund balance for pensions in the year:</b>             |                  |                  |
| Employers' contributions payable to scheme  | 8,514            | 8,367            |
| <b>Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service</b>     | <b>21,795</b>    | <b>18,175</b>    |

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

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the Scheme as at 31 March 2019.

| Amounts included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows: | 31 March 2020    | 31 March 2019    |
|--|------------------|------------------|
|  | £'000            | £'000            |
| Present Value of Scheme Assets   | 274,492          | 312,536          |
| Present Value of Scheme Liabilities  | (399,012)        | (443,266)        |
| <b>Net liability arising from defined obligation</b>   | <b>(124,520)</b> | <b>(130,730)</b> |

### Reconciliation of Present Value of the Scheme Liabilities

|  | 2019/20        | 2018/19        |
|--|----------------|----------------|
|  | £'000          | £'000          |
| <b>Balance as at 1 April</b>           | <b>443,266</b> | <b>390,612</b> |
| Current service cost                   | 18,117         | 15,191         |
| Interest cost                          | 10,787         | 10,638         |
| Contributions from scheme participants | 2,511          | 2,418          |
| Remeasurement losses / (gains)         | (65,973)       | 34,650         |
| Past service costs                     | 418            | 134            |
| Estimated unfunded benefits paid       | (1,009)        | (996)          |
| Estimated benefits paid                | (9,105)        | (9,381)        |
| <b>Balance as at 31 March</b>          | <b>399,012</b> | <b>443,266</b> |

### Reconciliation of Present Value of the Scheme Assets

|  | 2019/20        | 2018/19        |
|--|----------------|----------------|
|  | £'000          | £'000          |
| <b>Opening Fair Value of Scheme Assets as at 1 April</b> | <b>312,536</b> | <b>288,424</b> |
| Interest Income  | 7,527          | 7,788          |
| Return on plan assets (excl. net interest expense)       | (46,482)       | 15,916         |
| Contributions by members                                 | 2,511          | 2,418          |
| <b>Contributions by employer</b>                         | <b>7,505</b>   | <b>7,371</b>   |
| Contributions in respect of unfunded benefits            | 1,009          | 996            |
| Unfunded benefits paid                                   | (1,009)        | (996)          |
| Benefits paid  | (9,105)        | (9,381)        |
| <b>Balance as at 31 March</b>                            | <b>274,492</b> | <b>312,536</b> |



**c) Fair Value of Scheme Assets**

The Council Pension Scheme assets comprise:-

Major categories of the fund's assets at quoted prices as at 31 March 2020 and 31 March 2019.

|  | 2019/20<br>Prices Quoted in Active<br>Markets<br>£'000 | 2019/20<br>Prices not quoted in<br>Active Markets<br>£'000 | 2018/19<br>Prices Quoted in<br>Active Markets<br>£'000 | 2018/19<br>Prices not<br>quoted in<br>Active Markets<br>£'000 |
|--|--|--|--|---|
| <b>Cash and cash equivalents</b>                   | 1,360  | -  | 8,039  | -   |
| <b>Equity investment (by industry type)</b>        |  |  |  |   |
| Consumer   | -  | -  | 7,778  | -   |
| Manufacturing                                      | -  | -  | 9,356  | -   |
| Financial Institutions                             | -  | -  | 3,648  | -   |
| Energy and utilities                               | -  | -  | -  | -   |
| Health and care                                    | -  | -  | 19,983   | -   |
| Information technology                             | -  | -  | 5,467  | -   |
| Other  | -  | -  | 10,612   | -   |
| <b>Debt Securities - Other</b>                     | -  | -  | -  | 45,414  |
| <b>Private Equity</b>                              | -  | 15,956   | -  | 16,966  |
| <b>Investment Funds and Unit Trusts</b>            |  |  |  |   |
| Equities   | -  | 184,082  | 60,808   | 89,570  |
| Infrastructure                                     | -  | 6,312  | -  | 6,153   |
| Other  | -  | 39,695   | -  | -   |
| <b>Real Estate</b>                                 |  |  |  |   |
| UK Property  | -  | 27,055   | 9,938  | 18,638  |
| Overseas property                                  | -  | 32   | -  | 166   |
| <b>Total Value – All Assets</b>                    | <b>1,360</b>   | <b>273,132</b>   | <b>135,629</b>   | <b>176,907</b>  |
| <b>Total Value of Active and Non-Active Assets</b> |  | <b>274,492</b>   |  | <b>312,536</b>  |

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

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

|   | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| <b>Cash and cash equivalents</b>            | 0%            | 3%            |
| <b>Equity investment (by industry type)</b> |               |               |
| Consumer                                    | 0%            | 3%            |
| Manufacturing                               | 0%            | 3%            |
| Financial institutions                      | 0%            | 1%            |
| Energy and utilities                        | 0%            | 0%            |
| Health and care                             | 0%            | 6%            |
| Information technology                      | 0%            | 2%            |
| Other                                       | 0%            | 3%            |
| <b>Debt Securities - Other</b>              | 0%            | 15%           |
| <b>Private equity</b>                       | 6%            | 5%            |
| <b>Investment Funds and Unit Trusts</b>     |               |               |
| Equities                                    | 67%           | 48%           |
| Infrastructure                              | 2%            | 2%            |
| Other                                       | 15%           | 0%            |
| <b>Real Estate</b>                          |               |               |
| UK Property                                 | 10%           | 9%            |
| Overseas property                           | 0%            | 0%            |
| <b>Total</b>                                | <b>100%</b>   | <b>100%</b>   |

### ch) Scheme History

Analysis of scheme assets and liabilities:-

| Amounts included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows: | 31 March 2020<br>£'000 | 31 March 2019<br>£'000 |
|--|------------------------|------------------------|
| Present Value of Scheme Assets   | 274,492                | 312,536                |
| Present Value of Scheme Liabilities  | (399,012)              | (443,266)              |
| <b>Net liability arising from defined obligation</b>   | <b>(124,520)</b>       | <b>(130,730)</b>       |

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The present value of defined benefit obligations of £399.012m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £124.520m.

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

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

|  | 2019/20    | 2018/19    |
|--|------------|------------|
| <b>Mortality assumptions:</b>  |            |            |
| <i>Longevity at 65 current pensioners:</i>                                   |            |            |
| Men  | 21.3 years | 22.0 years |
| Women  | 23.4 years | 24.2 years |
| <i>Longevity at 65 for future pensioners:</i>                                |            |            |
| Men  | 22.2 years | 24.0 years |
| Women  | 25.1 years | 26.4 years |
| Inflation/Pension Increase Rate  | 1.90%      | 2.50%      |
| Salary Increase Rate   | 2.20%      | 2.50%      |
| Expected Return on Assets  | -7.30%     | 8.20%      |
| Rate for discounting scheme liabilities                                      | 2.30%      | 2.40%      |
| <b>Take-up of option to convert annual pension into retirement lump sum:</b> |            |            |
| Service to April 2008  | 50.00%     | 50.00%     |
| Service post April 2008  | 75.00%     | 75.00%     |

**dd) Sensitivity Analysis**

The sensitivity analysis below is based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It assumes for each change in assumption that all the other assumptions remain constant. The sensitivity analysis shows that the impact of a 0.5% decrease in the real discount rate due to potential market changes could increase the fund's liabilities by £40.275m as a higher value is placed on benefits paid in the future. A 0.5% increase in the salary increase rate, could increase the fund's costs by £4.845m. A 0.5% increase in the pensions' rate could increase liabilities by £35.031m. The estimations in the sensitivity analysis have been calculated in accordance with professional actuarial assumptions, IAS 19 and FRS 102. This means that the use of the 0.5% assumptions below were selected by the specialist actuary in accordance with his/her professional judgement. The Actuary would have taken into account current and past information. Information about people's lifespans and demographic information would have also influenced this.

| Change in assumptions as at 31 March 2020 | Approximate % increase to employer | Approximate Monetary Amount £'000 |
|---|------------------------------------|-----------------------------------|
| 0.5% decrease in real discount rate       | 10%                                | 40,275                            |
| 0.5% increase in the salary increase rate | 1%                                 | 4,845                             |
| 0.5% increase in pension increase rate    | 9%                                 | 35,031                            |

**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 is due to be completed by 31 March 2022.

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

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

The liabilities show underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £124.520m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

**f) Estimated contributions to be paid to Gwynedd Pension Fund in 2019/20**

The Council anticipates paying £8.498m contributions to the scheme in 2020/21.

The amount outstanding to Gwynedd Council in respect of the LGPS contributions for 2019/20 as at 31 March 2020 is £0.829m and is included in the short-term creditors' disclosure note.

**NOTE 42 – CONTINGENT LIABILITIES**

**Section 117 Mental Health Act 1983**

Following judgements confirmed at the House of Lords and a report by the Local Government Ombudsman on test cases elsewhere, there was no power to charge for services provided under Section 117 of the Mental Health Act 1983 and the Council is liable to repay any such charges. Whilst a number of cases have been settled historically, the total potential liability is difficult to quantify.

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

## **NOTE 43 – CONTINGENT ASSETS**

### **Legal Charges**

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

## **NOTE 44 – FINANCIAL INSTRUMENTS**

2018/19 was the first year local authorities were required to implement a new Financial Standard called IFRS 9 Financial Instruments. This introduced new classifications and accounting requirements for these instruments. Financial instruments are contractual agreements between two or more parties regarding a right to payment of money. One party would have a financial asset where money or another financial asset is given to the other party, in exchange for the agreed return of the money or financial instrument, often with interest or a favourable return on the investment. The transaction would be a financial liability for the other party or parties. This would be the agreement to repay the money at the contracted time and for the agreed return. For example, the Council's main financial assets are its investments in bank deposits. Table 44b shows that Council had financial assets of £14.208m in bank deposit accounts. In exchange for these, the Council will have the money returned when requested and will also earn interest at a fixed rate for the duration of the investments. These transactions are financial liabilities for the UK banks the Council has deposits with, as the money will be repaid to the Council. The cost of this liability to the banks is the interest it pays to the Council. Examples of financial assets are cash, bank deposits, trade receivables (debtors), equities, bonds and derivatives. Examples of financial liabilities are borrowings, trade payables (creditors) and any contractual obligation to deliver cash or financial assets to another entity.

### **Financial Assets**

Note 44a shows the different categories of financial assets required by IFRS 9 and the value of the Council's financial assets at 31 March 2020. It also provides the value of non-financial assets, which includes the value of Land and Property and other assets. The Council can only enter into financial assets and liabilities in accordance with the Council's Treasury Management Strategy Statement. The Strategy specifies strict criteria, therefore the Council can only invest in financial assets which are highly secure and which can be accessed when the Council needs the cash. Most investments are deposits in UK banks which meet the Council's credit rating criteria, or loans to other local authorities. These all fall under the IFRS 9 classification of Financial Assets measured at Amortised cost as highlighted by Note 44a. Measurement by Amortised cost starts with the initial acquisition amount and is then reduced (impaired) for any expected credit losses. If the Council held more complex financial assets, such as equities or money market instruments, these would be measured at fair value and classified as one of the differing fair value categories as relevant.

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

| Financial Assets  | Non-Current           |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | Investments           |                       | Debtors               |                       |
|   | 31 March 2020<br>£000 | 31 March 2019<br>£000 | 31 March 2020<br>£000 | 31 March 2019<br>£000 |
| Fair value through profit or loss   | -                     | -                     | -                     | -                     |
| Amortised Cost  | 23,045                | 15,825                | 6,078                 | 5,981                 |
| Fair value through other comprehensive income - designated equity instruments | -                     | -                     | -                     | -                     |
| Fair value through other comprehensive income - other                         | -                     | -                     | -                     | -                     |
| <b>Total Financial Assets</b>   | <b>23,045</b>         | <b>15,825</b>         | <b>6,078</b>          | <b>5,981</b>          |
| Non-financial assets  | 426,011               | 408,687               | 26,694                | 24,004                |
| <b>Total</b>  | <b>449,056</b>        | <b>424,512</b>        | <b>32,772</b>         | <b>29,985</b>         |

Note 44b provides a more detailed breakdown of the Council's financial assets. The table shows the carrying amount of the financial assets. This is the value of the financial assets in the Balance Sheet based on amortised cost. The fair value is also provided; this is a more current value which would be the price to sell the financial assets on 31 March 2020. The financial assets are split between investments and debtors. The fair value of the Council investments is only £11k different to the Balance Sheet value. The investments are the cash deposits in UK banks and a minor amount in cash. The other cash and cash equivalents relate to the amounts held for operational banking and payment of day-to-day costs. The Council also lent £6m in short-term loans to other local authorities. The amounts held as cash and cash equivalents in UK bank deposit accounts are surplus to the day-to-day needs but which will be required in the future. These earn interest for the period invested. The other category of financial assets is 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 ASSET HELD BY THE COUNCIL

| Financial Assets                               | Short-term      |               |                 |               | Long-term       |            |                 |            | Total           |               |                 |               |
|--|-----------------|---------------|-----------------|---------------|-----------------|------------|-----------------|------------|-----------------|---------------|-----------------|---------------|
|  | 31/03/2020      |               | 31/03/2019      |               | 31/03/2020      |            | 31/03/2019      |            | 31/03/20        |               | 31/03/19        |               |
|  | Carrying Amount | Fair Value    | Carrying Amount | Fair Value    | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value    | Carrying Amount | Fair Value    |
|  | £'000           | £'000         | £'000           | £'000         | £'000           | £'000      | £'000           | £'000      | £'000           | £'000         | £'000           | £'000         |
| <b>Financial assets held at amortised cost</b> |                 |               |                 |               |                 |            |                 |            |                 |               |                 |               |
| <b>Cash and cash equivalents</b>               |                 |               |                 |               |                 |            |                 |            |                 |               |                 |               |
| Cash and cash equivalents - deposits           | 14,208          | 14,212        | 14,333          | 14,336        | -               | -          | -               | -          | 14,208          | 14,212        | 14,333          | 14,336        |
| Other Cash and cash equivalents                | 2,837           | 2,837         | 1,492           | 1,492         | -               | -          | -               | -          | 2,837           | 2,837         | 1,492           | 1,492         |
| Loans to other Local Authorities               | 6,000           | 6,007         | -               | -             |                 |            |                 |            | 6,000           | 6,007         | -               | -             |
| <b>Total</b>                                   | <b>23,045</b>   | <b>23,056</b> | <b>15,825</b>   | <b>15,828</b> | <b>-</b>        | <b>-</b>   | <b>-</b>        | <b>-</b>   | <b>23,045</b>   | <b>23,056</b> | <b>15,825</b>   | <b>15,828</b> |
| <b>Debtors</b>                                 |                 |               |                 |               |                 |            |                 |            |                 |               |                 |               |
| Rents  | 460             | 460           | 394             | 394           | -               | -          | -               | -          | 460             | 460           | 394             | 394           |
| Employee loans                                 | 197             | 197           | 181             | 181           | 152             | 152        | 187             | 187        | 349             | 349           | 368             | 368           |
| Trade Debtors                                  | 3,131           | 3,131         | 2,062           | 2,062         | -               | -          | -               | -          | 3,131           | 3,131         | 2,062           | 2,062         |
| Other Debtors                                  | 2,138           | 2,138         | 3,078           | 3,078         |                 |            | 79              | 79         | 2,138           | 2,138         | 3,157           | 3,157         |
| <b>Total</b>                                   | <b>5,926</b>    | <b>5,926</b>  | <b>5,715</b>    | <b>5,715</b>  | <b>152</b>      | <b>152</b> | <b>266</b>      | <b>266</b> | <b>6,078</b>    | <b>6,078</b>  | <b>5,981</b>    | <b>5,981</b>  |
| <b>Total Financial Assets</b>                  | <b>28,971</b>   | <b>28,982</b> | <b>21,540</b>   | <b>21,543</b> | <b>152</b>      | <b>152</b> | <b>266</b>      | <b>266</b> | <b>29,123</b>   | <b>29,134</b> | <b>21,806</b>   | <b>21,809</b> |

## Financial Liabilities

All of the Council's Financial Liabilities are classified as Financial Liabilities at Amortised Cost. This is shown in Note 44c. The note shows the value of non-financial liabilities. The non-financial liabilities at 31 March 2020 includes the Pension Fund Liability of £122.189m.

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

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

Note 44ch below details the types of financial liabilities held by the Council. The Council's borrowing liabilities amounted to £141.262m at 31 March 2020. This is the borrowing taken out over the years to fund capital expenditure on the construction of or refurbishment of Council assets. The short-term loans are the amounts due to be repaid by 31 March 2021. The long-term loans are due to be paid in more than one year's time. A summary of the Council's loans portfolio and maturity profile is provided in Note 45c. The main provider of loans to the Council is the Public Works Loans Board (PWLB) which is part of Central Government's Treasury Department. The Council has also borrowed from Welsh Government and Salix, at 0% interest which was used to fund energy efficient LED lighting. The remaining financial liabilities relate to creditors which are the individuals and/or organisations to which the Council owes money for goods and services provided in 2019/20 or earlier. These are the invoices which are sent to the Council after the end of the financial year or where payment is due beyond 31 March 2020.

The fair value of the Council's borrowing was calculated by the Council's Treasury Management consultants, Link Asset Services. The total fair value on the Council's borrowing was £187.518m, significantly higher than the carrying value on the Balance Sheet of £141.262m at 31 March 2020. The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay, if the lender requested, or agreed to, early repayment of loans.

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

- Estimated ranges of interest rates at certainty rates (discounted by 0.2%) at 31 March 2020 for loans from the PWLB based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value; and
- The fair value of short-term debtors and creditors is deemed to be equivalent to their carrying amount at the Balance Sheet date.



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

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

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

The table below shows the impact of the Council's financial instruments held on the Council's annual revenue account for 2019/20.

The table shows that the Council was charged £322k (£466k in 2018/19) for the impairment and de-recognition of the financial assets noted above in Notes 44a and 44b. This reduced the value of the assets by this amount and charged the Comprehensive Income and Expenditure Statement (CIES). However, the Council received £112k (£64k in 2018/19) in interest from its deposits in UK banks and loans to other local authorities.

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

| Income, Expense, Gains and Losses   | 2019/2020  |   | 2018/2019  |   |
|---|--|---|--|---|
|   | Surplus or Deficit on the Provision of Services<br>£'000 | Other Comprehensive Income and Expenditure<br>£'000 | Surplus or Deficit on the Provision of Services<br>£'000 | Other Comprehensive Income and Expenditure<br>£'000 |
| <b>Net (gain)/losses on:</b>  |  |   |  |   |
| Financial assets measured at fair value through profit or loss                                | -  | -   | -  | -   |
| Financial assets measured at amortised cost (impairment loss allowance and derecognition)     | 322  | -   | 466  | -   |
| Investments in equity instruments designated at fair value through other comprehensive income | -  | -   | -  | -   |
| Financial assets measured at fair value through other comprehensive income                    | -  | -   | -  | -   |
| Financial liabilities measured at fair value through profit or loss                           | -  | -   | -  | -   |
| Financial liabilities measured at amortised cost  | -  | -   | -  | -   |
| <b>Total net gains/losses</b>   | <b>322</b>   | <b>-</b>  | <b>466</b>   | <b>-</b>  |
| <b>Interest revenue:</b>  |  |   |  |   |
| Financial assets measured at amortised cost   | 112  | -   | 64   | -   |
| Other financial assets measured at fair value through other comprehensive income              | -  | -   | -  | -   |
| <b>Total interest revenue</b>   | <b>112</b>   | <b>-</b>  | <b>64</b>  | <b>-</b>  |
| <b>Interest expense:</b>  |  |   |  |   |
| Financial liabilities measured at amortised cost  | 6,012  | -   | 5,871  | -   |
| <b>Total interest expense</b>   | <b>6,012</b>   | <b>-</b>  | <b>5,871</b>   | <b>-</b>  |

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

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

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

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

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

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

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

### **Credit Risk**

Credit Risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers (debtors on the Balance Sheet). The standard requires the Council to provide for potential credit losses from potential non-payment of income due to the Council earlier. This is called the Impairment loss allowance (ILA). Instead of basing potential losses on historic information only, the Council will take into account potential future credit losses earlier and has 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 91.

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

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

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

Note 45a below shows the increases in impairment loss allowances for 2019/20.

#### NOTE 45a – IMPAIRMENT AND DERECOGNITION OF FINANCIAL ASSETS

| Asset Class (amortised cost)                         | 2019/20   | 2018/19   |
|--|---|---|
|  | Lifetime expected credit losses - not credit impaired | Lifetime expected credit losses - not credit impaired |
|  | £'000   | £'000   |
| Opening Balance as at 1 April 2019                   | 3,417   | 3,127   |
| Deposits in UK Banks                                 | -   | -   |
| Trade debtors (excluding public sector and taxation) | (32)  | 238   |
| Soft Loans   | (6)   | 33  |
| Rents  | 36  | 19  |
| <b>Total Impairment Allowance 31 March 2020</b>      | <b>3,415</b>  | <b>3,417</b>  |
| Financial Assets that have been derecognised         | 324   | 176   |
| <b>Total Impairment and Derecognition charged</b>    | <b>322</b>  | <b>466</b>  |

#### NOTE 45b – VALUE OF TRADE RECEIVABLES AT 31 MARCH 2020 AND PERCENTAGE APPLIED PER BAND AS IMPAIRMENT LOSS ALLOWANCE

The table below shows that all amortised financial assets were impaired using the simplified approach as the financial assets requiring impairment related to trade receivables. This is the recommended approach for outstanding amounts due to the Council. The table shows the outstanding value of amounts due to the Council for the amount of time the debt has been outstanding. The credit risk rating relates to the percentage of the value of outstanding debt for the differing ages of the debt that the Council applies for the impairment loss allowance. For example, for debt outstanding for 366 to 730 days, 75% of the £331k is charged to revenue to account for this risk of debts not being paid. This would be £248k for this band of debt. However, the Council would still actively pursue the debt.

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

## Liquidity Risk

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

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

|   | 2019/20<br>Outstanding<br>Principal | 2019/20<br>Accrued<br>Interest | 2019/20<br>Cost less<br>accumulated<br>amortisation | 2018/19<br>Outstanding<br>Principal | 2018/19<br>Accrued<br>Interest | 2018/19<br>Cost less<br>accumulated<br>amortisation |
|---|-------------------------------------|--------------------------------|---|-------------------------------------|--------------------------------|---|
|   | £'000                               | £'000                          | £'000   | £'000                               | £'000                          | £'000   |
| >50 years                                       | -                                   | -                              | -   |                                     |                                |   |
| 36 - 50 Years                                   | 49,964                              | -                              | 49,964  | 52,976                              | -                              | 52,976  |
| 26-35 years                                     | 44,703                              | -                              | 44,703  | 42,713                              | -                              | 42,713  |
| 16-25 years                                     | 13,553                              | -                              | 13,553  | 13,167                              | -                              | 13,167  |
| 11-15 years                                     | 4,105                               | -                              | 4,105   | 4,934                               | -                              | 4,934   |
| 6-10 years                                      | 6,227                               | -                              | 6,227   | 4,256                               | -                              | 4,256   |
| 3-5 years                                       | 3,236                               | -                              | 3,236   | 4,608                               | -                              | 4,608   |
| 1-2 years                                       | 2,636                               | -                              | 2,636   | 4,698                               | -                              | 4,698   |
| <b>Total Long-Term Borrowing</b>                | <b>124,424</b>                      | <b>-</b>                       | <b>124,424</b>                                      | <b>127,352</b>                      | <b>-</b>                       | <b>127,352</b>                                      |
|   |                                     |                                |   |                                     |                                |   |
| <b>Total Short-Term Borrowing (&lt; 1 year)</b> | <b>14,808</b>                       | <b>2,030</b>                   | <b>16,838</b>                                       | <b>5,197</b>                        | <b>2,338</b>                   | <b>7,535</b>  |
|   |                                     |                                |   |                                     |                                |   |
| <b>Total</b>                                    | <b>139,232</b>                      | <b>2,030</b>                   | <b>141,262</b>                                      | <b>132,549</b>                      | <b>2,338</b>                   | <b>134,887</b>                                      |

## Market Risk

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

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

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

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

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

All of the Council's current and long-term borrowings are held at fixed rates. This helps reduce the impact of bank rate changes on the Council. Note 45ch shows the impact of a 1% interest rate increase on the fair value of the Council Financial Instruments. The value of the loans in the Balance Sheet would remain the same due to the interest rates being fixed. However, the fair value would reduce by £27.628m. The rate increase would have a positive impact on the Council's deposits as an extra £142k interest receivable would be received if there was a 1% increase in interest rates.

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

| Impact of a 1% interest rate increase  | £'000         |
|--|---------------|
| Increase in value of fixed rate investment assets  | 142           |
| <b>Impact on other Comprehensive Income and Expenditure</b>  | <b>142</b>    |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income) | <b>27,628</b> |

Interest rates have remained low and stable since 2009. This is due to the global financial crisis which was triggered by the banking crises from September 2008. The base rate fell from 5% in 2008 prior to the crisis to 0.50% in March 2009 where it remained at 0.5% until 2016. It was reduced to 0.25% in August 2016 in response to the economic shock from the result of the referendum to leave the European Union. The rate was returned to 0.5% in November 2017. The base rate saw its first real increase since 2009 on 2 August 2018, where it was increased slightly to 0.75%. The Covid-19 pandemic, which is discussed in detail in the narrative report, is resulting in a shock even more significant than Brexit. While the full extent of the economic impact of Covid-19 is still not known, it was initially compared with the financial crisis in 2008. However, it is now being compared with the Great Depression in the 1930s. To help the economy, the Bank of England cut the base rate to a new all-time low at 0.1% in March 2020.

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

## **Brexit**

The UK formally left the European Union (EU) on 31 January 2020 and is in a transitional year while a formal trading agreement and terms of departure are being negotiated. There has been very little economic impact during the transitional year. The impact on the economy will depend on the final agreement and also trade agreements with countries outside the EU. The impact of the Covid-19 pandemic will impact the economy more significantly, as mentioned above. The long-term outlook ratings for the UK banks as a whole have been downgraded to a negative outlook. A collapse of the banking sector would undermine the deposits held in UK banks (circa £17m at 31 March 2020). This is being monitored closely and, reassuringly, the credit ratings of the banks in which the Authority holds deposits remain at an acceptable level in accordance with the Treasury Management Strategy. If the credit ratings fall below the acceptable level, the Authority would seek to place the balances in alternative investments, which must be in accordance with the Treasury Management Strategy.

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

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

## **NOTE 46 - JOINT COMMITTEES**

### **Joint Planning Committee**

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

Gwynedd Council is responsible for the operation of this committee, and the year-end balances are reflected in its Balance Sheet. The 2019/20 accounts for the committee can be viewed by following:- <https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/Joint-Planning-Policy-Committee.aspx>

### **GwE**

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

Gwynedd Council is responsible for the operation of this committee, and the year-end balances are reflected in its Balance Sheet. The 2019/20 accounts for the committee can be viewed by following:- <https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/GwE-Joint-Committee.aspx>



## **North Wales Economic Ambition Board**

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

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

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

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

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

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

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

## **NOTE 47 – HOUSES INTO HOMES**

The Council acts as an agent for Welsh Government for the provision of loans to individuals for renovation of empty homes in order to reduce the number of empty homes on Anglesey and increase housing opportunities. In 2019/20, £0.106m (£0.087m in 2018/19) was utilised in the renovations of empty homes.

## NOTE 48 – COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the Council and the North Wales Police Authority for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The Council Tax base for 2019/20 was 31,571.46 (30,773.31 in 2018/19).

The amount for a band D property in 2019/20, £1,572.32 (£1,440.78 in 2018/19), is multiplied by the proportion specified for the particular band to give the amount due by band. Individual amounts due are calculated by applying discounts and benefits to the amount due by band.

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

| Band       | A*  | A   | B   | C   | D   | E    | F    | G    | H    | I    |
|------------|-----|-----|-----|-----|-----|------|------|------|------|------|
| Multiplier | 5/9 | 6/9 | 7/9 | 8/9 | 9/9 | 11/9 | 13/9 | 15/9 | 18/9 | 21/9 |

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

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

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

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

| Analysis of the net proceeds from Council Tax:                                   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|--|------------------|------------------|
| <b>Gross Council Tax</b>   | <b>49,618</b>    | <b>44,797</b>    |
| Add/Less: provision for non-payment not required or not previously accounted for | (185)            | (191)            |
| <b>Council Tax collectable</b>   | <b>49,433</b>    | <b>44,606</b>    |
| Less Council Tax Reduction awarded to residents                                  | (5,778)          | (5,381)          |
| <b>Net Proceeds from Council Tax</b>   | <b>43,655</b>    | <b>39,225</b>    |

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

NDR is organised on a national basis.

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

The Welsh Government specifies an amount for the rate – 54.5p in 2019/20 (51.4p in 2018/19), and local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NDR pool administered by the Welsh Government. The Welsh Government then redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

NDR income, after reliefs and provisions (including Small Business Rates Relief provided by the Welsh Government), totalled £14.239m for 2019/20 (£14.404m in 2018/19) and was based on rateable value at the year-end of £39.915m (£39.107m in 2018/19).

| <b>Analysis of the net proceeds from non-domestic rates:</b> | <b>2019/20<br/>£'000</b> | <b>2018/19<br/>£'000</b> |
|--|--------------------------|--------------------------|
| Non-domestic rates collectable                               | 14,239                   | 14,404                   |
| Cost of collection allowance                                 | (159)                    | (154)                    |
| Interest paid on overpayments                                | -                        | -                        |
| Provision for bad debts                                      | 15                       | (173)                    |
| Contribution to cost of charitable relief/rural rate relief  | 63                       | 60                       |
| High Street and Retail Relief met from grant                 | 440                      | 48                       |
| <b>Payments into national pool</b>                           | <b>14,598</b>            | <b>14,185</b>            |
|  |                          |                          |
| <b>Redistribution from national pool</b>                     | <b>22,754</b>            | <b>22,574</b>            |

## NOTE 50 - MARITIME

The Council, as a Harbour Authority, is responsible for the following maritime services: Beaumaris, Fryars Bay, Glyn Garth, Menai Bridge, Red Wharf Bay and Amlwch Harbour. The Statutory Harbour Undertakings (Accounts, etc.) Regulations 1983, no. 931, exempts harbour authorities with a turnover of less than £250,000 from the requirement to prepare separate harbour accounts under the Harbours Act 1964. The income and expenditure for Maritime Services are, instead, included in these accounts within the expenditure and income for the Regulation and Economic Development Service. In 2019/20, the turnover on maritime services was £48,361.45 (£50,732 in 2018/19). Costs incurred during the year were £83,439.77 (which includes £18,809 of loan interest/capital repayment).

## NOTE 51 – ACCOUNTING POLICIES

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

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

## **1. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its financial position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations and the Accounts and Audit (Wales) (Amendment) Regulations 2018. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the CIPFA Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS). All principal accounting policies have been applied consistently throughout the year. The Statement of Accounts has been prepared on a "going concern" basis.

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

Transactions are accounted for in the year that they take place, not simply when cash payments are made or received. This accruals accounting approach provides a more complete basis for reporting the Council's financial performance as it includes the Council's future commitments to pay/receive cash for goods and services received but not paid by 31 March 2020. 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 measurements should reflect the market conditions for the service or function at the reporting date. The standard provides different fair valuation approaches to differing asset types. For non-operational assets, i.e. investment assets, assets held for sale and surplus assets, these are valued at their highest and best use. Where there is an alternative use which would be of a higher fair value, that is the fair value which would be used for the valuation of non-operational assets. The code does not require infrastructure assets to be revalued at current value. Infrastructure assets are, instead, valued at depreciated historical cost.

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

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

### **8.1 Recognition**

Non-current assets - Plant, Property and Equipment (PPE) - are physical assets which last a year or more and will be used by the Council in support of its provision of goods and services. The Council has set a minimum amount for expenditure on assets to be classed as capital expenditure. This de-minimis amount is £10k. Expenditure on the acquisition, creation or enhancement of non-current assets which cost £10k or more is capitalised on an accruals basis providing that it meets the above definition of a non-current asset. Plant, Property and Equipment would include assets such as machinery; it would not typically include assets held for sale as they would normally be expected to be disposed of within 12 months.

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

### **8.2 Measurement**

Assets are initially measured at cost, comprising:-

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

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

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

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

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

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



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

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

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

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

### **8.3 Impairment**

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

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

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

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

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

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

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

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

#### **8.4 Depreciation**

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

Depreciation is calculated on the following bases:-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **8.7 Surplus Assets**

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

## **8.8 Heritage Assets**

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

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

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

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

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

## **8.9 Treatment of School Assets**

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

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

Capital expenditure on community schools is added to the balances for those schools. Individual schools' balances at 31 March 2020 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 five to seven years. Intangible assets are amortised on a straight-line basis over the useful economic life of the asset.

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

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

## **11. Inventories and Long-Term Contracts**

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

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

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

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

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

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

## **13. Financial Instruments**

### **13.1 Financial Liabilities**

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

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

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

### **13.2 Financial Assets**

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

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

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

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

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

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

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

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

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

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

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

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

For 2019/20, in respect of Sundry Debtors the following bad debt percentages applied:-

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

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

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

IFRS requires earlier recognition of debt (current practice does not provide for debts earlier than six 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 six 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 six 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 six months old. The Council has legal charges secured against individuals' homes, hence the reduced amount for impairment.

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

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

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

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

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

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

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

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

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

## **13.5 The Financial Statements**

Any gains and losses that arise on the derecognition 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 is unlikely to have any in the short-term as these financial assets are not included in the Treasury Management Strategy Statement 2019/20.

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

### **14.1 Provisions**

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

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

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

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

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

### **14.2 Contingent Liabilities**

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

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

### **14.3 Contingent Assets**

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

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

## **15. Reserves**

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

Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in 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 the 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 benefit liability at the beginning of the period (taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments).
- c)** Re-measurement comprising:-
- The return on plan assets (excluding amounts already included in the net interest on net defined benefit) which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- ch)** Contributions paid to the Gwynedd Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### **24.6 Discretionary Benefits**

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

#### **25. Exceptional Items**

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

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

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

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

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

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

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

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

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

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

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

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| <b><u>Expenditure</u></b>   |                  |                  |
| Management and Maintenance - Repairs and Maintenance  | 3,512            | 3,684            |
| Management and Maintenance - Supervision and Management   | 5,134            | 4,572            |
| Rents, Rates, Taxes and Other Charges   | 61               | 39               |
| Depreciation, Impairment and Revaluation Losses of Non-current Assets   | 9,989            | 11,372           |
| Debt Management Costs   | 12               | 12               |
| Movement in the Impairment Allowance for Bad Debts  | 118              | 89               |
| Movement in the Accumulated Absences Accrual  | 71               | (51)             |
| <b>Total Expenditure</b>  | <b>18,897</b>    | <b>19,717</b>    |
| <b><u>Income</u></b>  |                  |                  |
| Dwelling Rents  | (18,025)         | (17,089)         |
| Non-dwelling Rents  | (219)            | (215)            |
| Charges for Services and Facilities   | (209)            | (174)            |
| Contributions towards Expenditure   | (92)             | (168)            |
| Other   | (172)            | (308)            |
| <b>Total Income</b>   | <b>(18,717)</b>  | <b>(17,954)</b>  |
| <b>Net Expenditure of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>                | <b>180</b>       | <b>1,763</b>     |
| HRA Services' Share of Corporate and Democratic Core  | 56               | 56               |
| <b>Net Expenditure of HRA Services</b>  | <b>236</b>       | <b>1,819</b>     |
| <b>HRA Share of the Operating Income and Expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement</b> |                  |                  |
| (Gain) on sale of HRA Non-current Assets  | -                | -                |
| Revaluation of Assets   | (31)             | 7                |
| Interest Payable and Similar Charges  | 1,773            | 1,765            |
| Interest and Investment Income  | (38)             | (16)             |
| Capital Grants and Contributions receivable:  | -                | -                |
| - Major Repairs Allowance   | (2,660)          | (2,664)          |
| - Other   | (1,541)          | (7)              |
| <b>Deficit for the Year on HRA Services</b>   | <b>(2,261)</b>   | <b>(915)</b>     |

## Statement of Movements on the HRA Balance

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

|   | 2019/20<br>£'000 | 2018/19<br>£'000 |
|---|------------------|------------------|
| <b>Balance on the HRA at the end of the Previous Reporting Period</b> | <b>(8,387)</b>   | <b>(7,380)</b>   |
| (Surplus)/Deficit for the Year on HRA Services                        | (2,261)          | 904              |
| Adjustments between Accounting and Funding Bases under Statute        | 2,051            | (1,911)          |
| <b>Net (increase)/decrease before Transfers to/from Reserves</b>      | <b>(210)</b>     | <b>(1,007)</b>   |
| Transfers to/(from) Earmarked Reserves                                | -                | 202              |
| <b>Net (Increase)/Decrease in Year on the HRA</b>                     | <b>(210)</b>     | <b>(805)</b>     |
| <b>Adjustment to Reserve</b>  | <b>-</b>         | <b>(202)</b>     |
| <b>Balance on the HRA at the end of the Current Reporting Period</b>  | <b>(8,597)</b>   | <b>(8,387)</b>   |

## NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

### NOTE 1 – HOUSING REVENUE ACCOUNT

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

### NOTE 2 – HOUSING STOCK

Following the buyout from the Housing Subsidy scheme, the Council has a policy of purchasing suitable former Council dwellings and returning them to Council housing stock. During 2019/20, 20 such properties were purchased (12 in 2018/19). Additionally, the Council has recommenced the building of new HRA dwellings, 20 such units being added in 2019/20. As at 31 March 2020, the number of dwellings totalled 3,858, with the split by type of dwelling made up as follows:-

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

### NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

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

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

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

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

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

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

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

During 2021/20, total rent arrears increased by £0.133m. A summary of rent arrears and prepayments is shown in the following table:-

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

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

## NOTE 7 – PENSION COSTS

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

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

| <b>HRA Income and Expenditure Account</b> | <b>2019/20<br/>£'000</b> | <b>2018/19<br/>£'000</b> |
|---|--------------------------|--------------------------|
| Current Service Cost                      | (587)                    | (407)                    |
| Employer Contributions actually paid      | 587                      | 407                      |
| <b>Contribution to Pension Reserve</b>    | <b>-</b>                 | <b>-</b>                 |

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

APPENDIX 1

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



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

## **GLOSSARY**

### **12-MONTH EXPECTED CREDIT LOSSES**

This is the portion of lifetime expected credit losses that represent the expected credit losses that result from default on a financial instrument which are possible within the 12 months after the reporting date.

### **ACCOUNTING PERIOD**

This is the period of time covered by the accounts, normally a period of 12 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 financed by borrowing. The MRP is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

## **CAPITAL PROGRAMME**

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

## **CAPITAL RECEIPTS**

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

## **CASH AND CASH EQUIVALENTS**

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

## **CASH FLOW STATEMENT**

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

## **CIPFA**

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

## **COMMUNITY ASSETS**

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

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

## **CONSISTENCY**

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

## **CONTINGENT ASSET**

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

## **CONTINGENT LIABILITY**

A contingent liability is either:-

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

## **CORPORATE AND DEMOCRATIC CORE**

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

## **CREDIT LOSS**

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

## **CREDITOR**

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

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

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

## **DEBTOR**

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

## **DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

## **DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the financial year, whether from use, the passage of time or obsolescence through technical or other changes.

## **DISCRETIONARY BENEFITS (PENSIONS)**

These represent the retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

## **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Final Statement of Accounts is authorised for issue.

## **EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **EXPENDITURE AND FUNDING ANALYSIS**

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

## **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

## **FINANCE LEASE**

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

## **GOING CONCERN**

This represents the concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

## **GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

## **HERITAGE ASSETS**

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

## **HOUSING BENEFITS**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

## **HOUSING REVENUE ACCOUNT (HRA)**

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

## **IMPAIRMENT**

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

## **INFRASTRUCTURE ASSETS**

Non-current assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

## **INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

## **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the financial year of the present value of the scheme liabilities because the benefits are one financial year closer to settlement.

## **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.

## **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.

## **LIABILITY**

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next financial year, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which, by arrangement, is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:-

- Readily convertible to known amounts of cash at, or close to, the carrying amount; or
- Traded in an active market.

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which, together, constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one financial year.

## **MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and, ultimately, mislead a user of the accounts.

**MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

**MOVEMENT IN RESERVES STATEMENT**

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

**NET BOOK VALUE**

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

**NET DEBT**

The Net Debt is the Council's borrowings less cash and liquid resources.

**NET WORTH**

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

**NON-DISTRIBUTED COSTS**

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

**NON-DOMESTIC RATES (NDR)**

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

**NON-OPERATIONAL ASSETS**

Non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

**OPERATING LEASE**

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

**OPERATIONAL ASSETS**

Non-current assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior financial years arising in the current financial year as a result of the introduction of, or improvement to, retirement benefits.

**PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax on their behalf.

**PRIOR YEAR ADJUSTMENT**

A Prior Year Adjustment is a material adjustment applicable to previous years arising from changes in accounting policy or from the correction of a fundamental error. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROVISION**

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

**PUBLIC WORKS LOANS BOARD (PWLB)**

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

**RATEABLE VALUE**

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

**RELATED PARTIES**

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

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

**RELATED PARTY TRANSACTIONS**

The Statement of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION**

All sums paid to, or receivable by, an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**RESERVES**

Reserves are the accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves, such as the Revaluation Reserve, cannot be used to meet current expenditure.

**RESIDUAL VALUE**

The residual value of an asset is the net realisable value of an asset at the end of its useful life.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**

Revenue Expenditure represents the day-to-day expenses of providing services.

**REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (REFCUS)**

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.



**REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

**SUPPORTED BORROWING**

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

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TRUST FUNDS**

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

**UNSUPPORTED BORROWING**

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

**UNUSABLE RESERVES**

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

**USABLE RESERVES**

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

**USEFUL ECONOMIC LIFE (UEL)**

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

**WORK-IN-PROGRESS (WIP)**

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

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# Annual Governance Statement 2019/20

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

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## Introduction

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

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

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

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

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

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

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

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

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

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

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

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

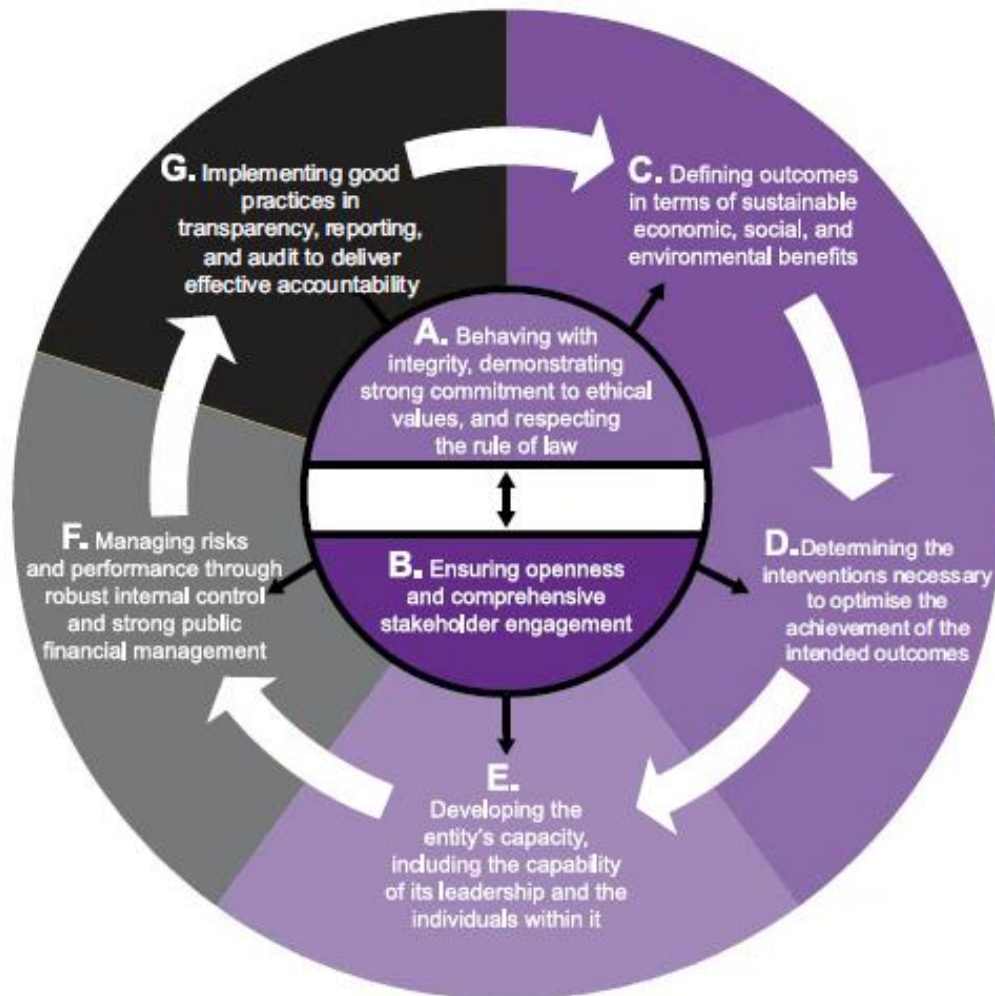
### **5. Committed to Partnership**

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

### **6. Achieving**

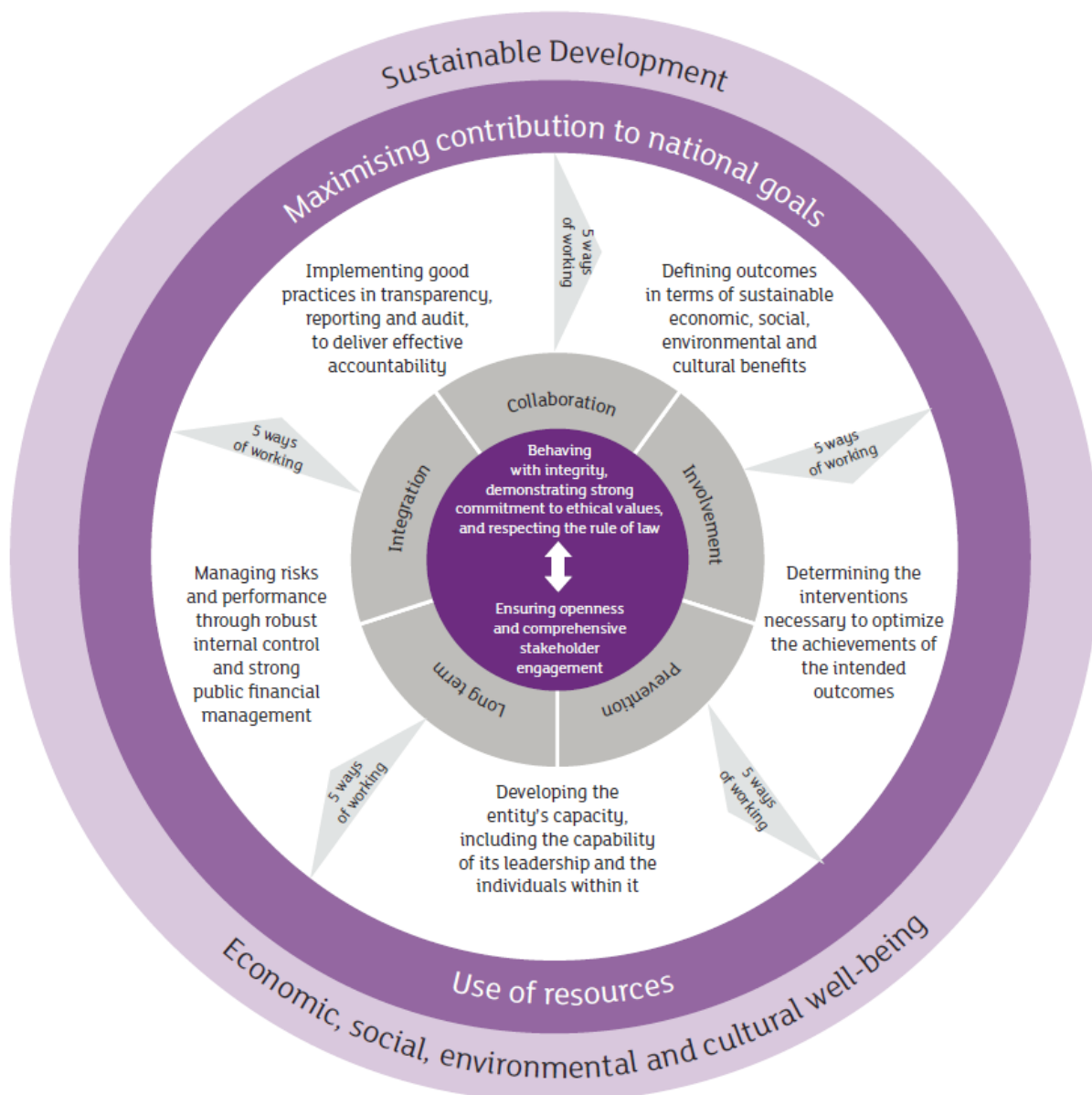
*We are results and outcome orientated and strive to improve our performance in the important areas of our work.*

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



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

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



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

We have sought within this Annual Governance Statement to show how all the above key themes and principles have been central to all our endeavours during 2019/20. It is important to note, however, that this year's statement is drafted at a time when normal, day-to-day governance structures and systems have been disrupted due to our response in tackling the COVID-19 pandemic.

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

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

## Scope of Responsibility

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

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

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

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

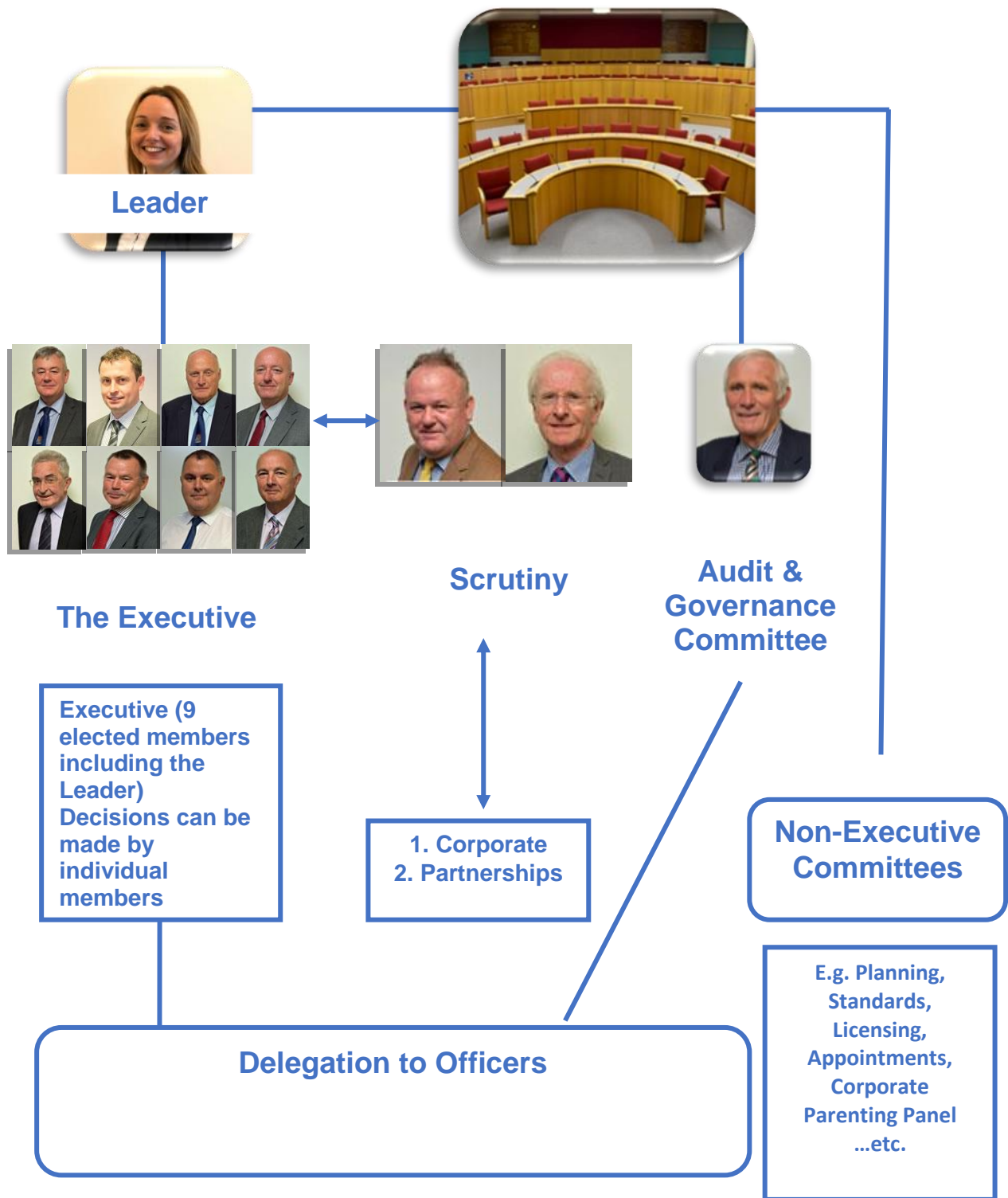
This statement explains how the Council has complied with the code and meets the requirements of non-statutory proper practice encouraging the publication of an Annual Governance Statement. It also meets the requirement of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2014 in relation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

## The Governance Framework

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

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





The governance framework has been in place at the Council for the year ended 31 March 2020 and remains applicable up to the date of the approval of the Statement of Accounts. Where any new arrangements have been introduced during the year this has been noted.

## Analysis of the Governance Framework 2019/20

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

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

The following summary focuses on the work to develop and strengthen the framework and outlines areas of weakness identified during the 2019/20 financial year.

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

### How we do this:

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

There are a number of codes of conduct and protocols in place as part of the Constitution to ensure high standards of conduct and behaviour. There is a Policy for the Prevention of Fraud and Corruption in the Constitution with subsidiary plans in place. This includes the Officers' Code of Conduct, which is statutory. Local Guidance has now been published and circulated to all staff during 2019/20.

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

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

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

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

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

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

## Principle B

### Ensuring openness and comprehensive stakeholder engagement

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

#### How we do this:

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

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

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

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

- Consultation on Budgets
- School Modernisation – Llangefni Area

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

The **community engagement model** is being used to improve the corporate approach to community engagement. The model has since its inception been tailored for use in different engagement and consultation work. This model has been signed off by the revised **Engagement & Consultation Board** led by the Deputy Chief Executive and with membership from external organisations such as Medrwn Môn.

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

To assist the Council to contribute to its theme of achieving '*excellent customer, citizen and community focus*' (Six Key Themes), the **Transforming Business Processes Board** was established in January 2019 to replace the Customer Service Excellence Board. It is responsible for all aspects of Customer Service and monitors our customer experience improvements for our residents with the focus being placed in the first instance during 2019/20 on:-

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

The **Customer Service Charter** was agreed in 2015 following consultation with front-line stakeholder groups, officers, Elected Members, staff and trade unions. It continues to outline our promises to the customer on how we will deal with their requests and also outlines the expectations we have of our service users to ensure that a clear understanding is established at the outset. The values embraced in the Charter include 'putting the customer first' and demonstrating a 'can do' attitude. In accordance with its language policy, the Council is committed to ensuring that service provision is available in the chosen language of the service user and under the Transforming Business Processes Board the requirement to update the strategy as a collective whole is a key aim for 2020/21. The output will need to take into consideration the 'new world' by which we'll be operating as a result of the current pandemic and its impact on social / face-to-face activity.

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

Annual reports on their work were published by Scrutiny as well as the Standards and Audit and Governance Committees. Since June 2014, individual Elected Members have also published annual reports thereby emphasising the accountability and openness of the Council's work.

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

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

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

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

**How we do this:**

The Council's adopted Plan 2017-22 (September 2017) guides the work of the Council and provided certainty of direction for the local area during 2019/20.

It is a Plan which describes priorities succinctly and clearly and explains how the priorities reflect the views of the citizen and is aligned to the ever-developing medium term financial strategy. This highlights the resources which are required to realise the current Council Plan. The Council Plan provides the framework that helps shape budgets, and against which the Authority can assess and account to the community on the level of progress made against targets set, and inform them about areas for further improvement. The **Medium Term Financial Strategy** is also reviewed annually, in line with other annual corporate priorities which are defined in terms of the Annual Delivery Document and demonstrates succinctly our aims in terms of economic, social, cultural and environmental benefits. One area which has been wanting is a corporate climate change strategy to provide future direction on environmental matters. This will be realised during 2020/21.

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

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

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

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

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

Governance arrangements are in place via the **North Wales Social Care and Wellbeing Improvement Collaborative (NWSWIC) and the Regional Partnership Board**. NWSWIC has in place a comprehensive programme of improvement through collaboration focused on the requirements under Part 9 of the **Social Services and Wellbeing (Wales) Act 2014**. This partnership ethos can be further evidenced through the collaboration of the Council’s Social Services with Betsi Cadwaladr University Health Board (BCUHB) via the Integrated Delivery Board (IDB).

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

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

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

| Principle D   |   |
|---|---|
| <b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b> |   |
| <b>Related Key Themes:</b>  | Innovative, Ambitious and Outward Looking   |
| <b>Conclusion of Self-Assessment:</b>   | <b>Assured</b> – The County Council takes decisions on interventions based on its clear vision for services, the way it engages with communities, regulators and practical expertise of professional service officers. This combination leads to optimising 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 the delegation of Executive decisions to individual Members are now well established across the Authority.

Members and the public have had the full benefit of access to committee papers and supporting information for a number of years.

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



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

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

These foundations have created a structure which allows for effective political governance. The evidence from the last few years demonstrates a functioning and effective decision making process, with appropriate mechanisms for assurance and improved performance.

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

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

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

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

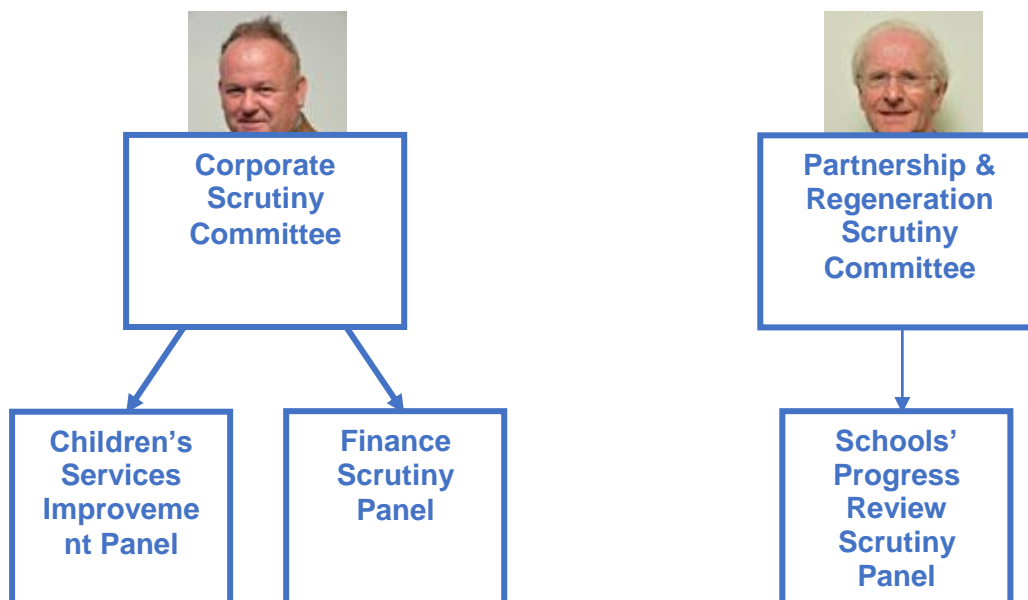
**The Audit and Governance Committee** is a key component of the Authority's governance framework. The committee has two lay co-opted Members which serves to widen its independent knowledge and experience base. These appointments are appointed for the term of the current Council.

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

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

The **Democratic Services Committee** meets on a quarterly basis and is responsible for reviewing the adequacy and support for Members which covers: Member development, staffing resources and facilities. The Chair of the Committee has been issued with a specific job description, and members of the Committee have a separate job description setting out roles and responsibilities. The Chair also acts as the Member Development Champion. Scrutiny committees form part of the way in which the Council operates. Their prime role is to hold the decision-makers to account, drive improvement, act as the voice of the community and play a role in policy development and review. In ensuring robust and effective decision-making, Member scrutiny makes a crucial contribution to effective governance arrangements.

The scrutiny function at the Council continues to be delivered through a structure comprising of two parent committees and three panels:-



The focus of the work of the **Corporate Scrutiny Committee** is to provide assurance regarding:

- performance and delivery of all services
- ensure the Council achieves its corporate and service objectives
- support and make recommendations for continuous improvement.

The primary focus of the **Partnership and Regeneration Scrutiny Committee** is to ensure that the interests of the citizens of the Island are promoted and that best use is made of Council resources, in line with the Council’s priorities, that demonstrate added value from working with partners. The remit of the committee includes regional and national arrangements as well as local arrangements. The committee is also the nominated Crime and Disorder Committee as required under the Police and Justice Act 2006 and the designated committee for scrutinising the work of the Ynys Môn and Gwynedd Public Services Board.

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

|  |                                  |   |  |  |
|--|----------------------------------|---|--|--|
| Reinforcing a “whole Council” approach to Scrutiny | Improving the impact of Scrutiny | Building capacity & capability for effective Scrutiny | Improving public engagement in our Scrutiny work | Wellbeing of Future Generations and Scrutiny |
|--|----------------------------------|---|--|--|

Members represent Scrutiny on various internal Boards and review groups, the purpose of this being to promote inclusion, add value to the discussion and to report back to their Scrutiny Committee on progress and to raise areas which may require formal Scrutiny. Each of the two Scrutiny Committees reports their activity to the Council at its annual meeting.

In order to drive the change agenda and deliver the Council’s Plan, a Programme Management framework is in operation.

Two **Corporate Transformation Programme Boards** are as follows -

1. Corporate Governance Programme Board, and
2. Transforming Services Programme Board.

These have an overview of a number of high priority projects which the Council is committed to achieving and are responsible for setting a direction for them.

Each of the Corporate Transformation Boards includes representatives of both Scrutiny Committees and the Executive, providing an opportunity to identify areas where the Members’ role can add value either on the Boards themselves or through the Scrutiny process.

The corporate method of managing projects and programmes is maturing year-on-year as a result of strengthening our Governance arrangements. Welsh Government has identified good practice in some of our programmes and other projects and programmes have gained national success and UK-wide recognition over the past few years.

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

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

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

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

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

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

| Principle E   |  |
|---|--|
| <b>Developing the entity’s capacity, including the capability of its leadership and the individuals within it</b> |  |
| <b>Related Key Themes:</b>  | Valuing and Developing our People  |
| <b>Conclusion of Self-Assessment:</b>   | <b>Assured</b> – The County Council has the appropriate structures and leadership in place and people with the right skillsets and qualifications to ensure it is operating efficiently and effectively to achieving intended outcomes. There are clear policies and strategies in place to demonstrate that it has the capacity to fulfil its mandate and that management has the operational capacity. |

## How we do this:

The Council has achieved the **WLGA Charter for Member Support** in recognition of the work that we have undertaken to provide a high standard of support to Members to undertake their diversity of roles ranging from that of community leader, to their special responsibilities within the Council.

In addition, most of the Members have undertaken professional development reviews (PDRs) and training needs have been identified from these. Whilst still in its infancy at Anglesey, such a development is seen as key to enabling Members to be more effective in their role. This includes independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair. Member training is monitored by the Council's Democratic Services Committee.

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

The Council's People Strategy continues to support the Council's vision and provides a framework for moving our people management forward.

The People Strategy has five key priorities:-

- Recruiting and retaining the best (innovative, ambitious and outward looking)
- Inspiring service excellence (customer/citizen and community focused)
- Building Organisational effectiveness (professional and well run)
- Engaging, developing and managing our Talent (valuing and developing our people)
- Developing the skills and capacity of our workforce (valuing and developing our people).

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

The [staff awards ceremony](#) continued and recognises, celebrates and promotes the achievements of Council staff. Every day our staff work hard to deliver public services for the people of Anglesey, and the staff awards are an opportunity to showcase good work and demonstrate how much we value our people. There are six categories of award which mirror the 'Six Key Themes'. During 2018 the ceremony was expanded to include staff recognition to include Welsh learner of the Year, the Leader Award, The Executive's award and the Chairman's Award.

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

The Council has a strategic **Equalities Plan 2020-24** adopted by the Executive in March 2020, which highlights our commitment to equality, both in the provision of services and as a major employer, and to the elimination of unfair and unlawful discrimination in all our policies, procedures and practices. Progress on its key priorities are included in its annual monitoring report to the Equalities Commission and the Council is a key member of the North Wales Equalities network.

Internal engagement is essential in developing a 'Team Môn' culture and there is a need to further refine and review post the pandemic using the learning acquired to become even more effective and efficient with our **Internal Communication Framework** to enable and secure a greater level of participation from Officers at all levels within the Council. The views and opinions of staff and Members in contributing to the corporate agenda are welcomed and valued. Current opportunities include:

- Monthly Penaethiaid meetings
- Quarterly Managers' Forum
- Member Briefing Sessions
- Thematic Workshops (i.e. budget)
- Service Management Meetings
- Annual Service Reviews
- Team Meetings
- One to One Supervisions
- Employee appraisals
- Staff suggestion schemes
- Use of Y Ddolen to keep abreast of corporate initiatives
- Use of Medra Môn as a newsletter

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

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

We are a fully bilingual Council and a high proportion of our staff and most Members are first language Welsh speakers. All corporate communications are therefore produced bilingually, providing staff and Members with the ability to communicate in the language of their choice. Non-fluent Welsh speakers are supported to improve their Welsh language skills in an inclusive environment.

## Principle F

### Managing risks and performance through robust internal control and strong public financial management

#### Related Key Themes:

Professional and Well Run

#### Conclusion of Self-Assessment:

**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:

A Performance Management Framework is in place which starts with the medium-term Council Plan (the current plan is for the period 2017/2022 as mentioned above) and each subsequent year with an Annual Delivery Plan. These set out what the key priorities of the Council are and what it hopes to achieve. The framework also includes performance management reports to identify whether the Council is achieving its planned objectives. These reports include quarterly scorecards, half-yearly challenges to Services and regular reports to the Executive and to Scrutiny.

The Performance Framework continues to evolve and to focus on self-assessment by Heads of Service, and on the key areas of risk and transformation. During 2019/20, a series of Service Reviews was undertaken which covered –

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

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

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

Risk management software was implemented during 2018/19, which has helped improve the effective management of the Council's risks by improving the recording, assessment, monitoring and reporting of risks and further embedding risk management into the Council's processes. In addition, the software provides the facility to record the 'three lines of assurance', which has improved the assurance provided to those charged with governance that the Council's risks are being effectively managed.

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

During 2019/20, the Audit and Governance Committee has been presented with updates on the Corporate Risk Register.

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

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

The Budget Planning Process was undertaken from June 2019 to March 2020. This included consultation with statutory groups, including the Schools Forum, Town and Community Councils and businesses, as well as other stakeholders. The comments made during the consultation process were considered by the Executive as they drew up their final budget proposals and it did result in some budget proposals being withdrawn or amended.

The Council has continued to develop and embed structures, systems, processes and supporting arrangements to ensure that they support the demands of a 21<sup>st</sup> Century Local Authority. Formal arrangements are in place for the management of performance, finance, programmes and contracts, which contribute to the upholding of key elements of governance. These include -

- **Quarterly financial reports** (Revenue and Capital)
- The Council’s Treasury Management arrangements follow professional practice and are subject to regular review by the Audit & Governance Committee, the Executive and the Full Council.
- Internal Audit’s self-assessment against the Public Sector Internal Audit Standards (PSIAS) shows that the service is being delivered to the required standard. The Action Plan from the PSIAS External Quality Assessment has been fully implemented.



- The **procurement strategy** has now been rolled out across the Council which is key to the continuing success of the Authority's procuring of products and services. The Procurement team has developed and put in place new policies, a contracts management strategy, as well as reviewing the contract procedures. Training on the strategy and contract procedure rules has taken place over the year resulting in better compliance.
- The **Annual Certificate of Compliance** confirmed that the Council complied with its responsibilities relating to financial reporting, use of resources, improvement planning and performance management.
- The Council continued to make progress on **information governance** during the year. Under the leadership of the appointed Senior Information Risk Owner (SIRO), the Corporate Information Governance Board (CIGB) continues to be in place. This Group is an appropriate forum for addressing information governance issues. It receives reports on how well each Service is performing in key information management areas. It assesses risk, and recommends and monitors remedies to mitigate risks to information assets owned by the relevant Heads of Service. The CIGB may report matters directly to the Council's Senior Leadership Team.

The SIRO considers that there is significant documented evidence to demonstrate that:

- the Council's arrangements for IG and data protection compliance are reasonably effective;
- the Council has successfully met the challenges of implementing the new data protection legislation and it operates in a compliant way;
- the Council has processes in place to demonstrate compliance to the ICO and it complies with the GDPRs accountability principle;
- Data protection remains, and is likely to always remain, a medium risk to the Council because of the sensitivity of the personal data it processes, which varies between the Services.

To access the SIROs annual report follow this link – [to be inserted.....](#)

| Principle G   |  |
|---|--|
| <b>Implementing good practices in transparency, reporting, and audit to deliver</b> |  |
| <b>Related Key Themes:</b>  | Professional and Well Run  |
| <b>Conclusion of Self-Assessment:</b>   | <b>Assured</b> – The Councils Elected Members and Senior Management are accountable for making decisions and delivering services which are supported by both internal and external audits. The activities undertaken are in a transparent and clear manner to which stakeholders are able to understand and respond. |

## How we do this:

All **agendas and reports are available on the Council Website** unless they contain exempt information. This includes any information on 'declarations of interest' that are made at meetings. The Members' Register of Interests is also published on the Council's website.

As noted previously in Section D there are two **Scrutiny Committees**; one concerned with the internal working of the Council – *Corporate Scrutiny*, and the second concerned with external partnerships and the impact of the Council on its communities – *Partnership & Regeneration Scrutiny*. These two committees have enabled Members to take a more holistic and corporate view of the Council, its role and impact.

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

The **Audit & Governance Committee** meets regularly to consider the effectiveness of the Council's internal control; risk management and governance arrangements; monitors the work of internal and external auditors and inspectors; monitors the relationships between auditors and staff; and monitors the responses to audit and inspection recommendations.

A number of Members have undertaken professional development reviews (PDRs) and training needs have been identified from these. This has now been extended to include independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair.

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

The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Improvement Report. This can be found here – [need to insert link here.....](#)

During 2019/20 Internal Audit continued to operate to the standards set out in the Public Sector Internal Audit Standards (PSIAS) (March, 2017) and the accompanying Local Government Application Note (LGAN). The Internal Audit Charter defines the purpose, authority and responsibility of the internal audit activity, which is led by the Head of Audit & Risk.

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

While the responsibility for identifying and managing risks belongs to management, one of the key roles of internal audit is to provide assurance that the management of

those risks has been properly managed.

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

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

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

The Senior Leadership Team, Members and officers from Internal Audit and Corporate Transformation meet regularly with external regulators to discuss the Corporate Risk Register, key developments, the findings of all external reports and to update on progress being made to implement recommendations.

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

Care Inspectorate Wales inspected the Children & Family Service originally in November 2016 and noted that improvements were required. In its recent follow up report ([Children's Services Inspection Report – October 2018](#)) it noted that:

- "Children's services were able to demonstrate significant improvement in a number of key areas with other areas still requiring further work.
- Staff Morale is high and there is passion and commitment at all levels to continuing to work hard on the journey of improvement to deliver excellent services for children.
- There is strong leadership and governance in children's services. Members of the council were able to demonstrate their contribution to children's services improvement journey. Senior officers are visible, available and driving improvements".

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

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

Estyn's Framework for inspecting the Authority's schools assesses the standards of teaching, learning and the welfare of pupils in individual schools. Estyn inspected six schools in 2019/20 and results show that five schools did not require follow-up activity, while one school required an Estyn review. Currently two schools continue to be in Estyn follow-up categories compared to three schools in 2018, and these schools are monitored by the Education Standards Scrutiny Panel.

## Review of Effectiveness

The Isle of Anglesey County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The effectiveness of the governance framework has been evaluated by a combination of:-

- the results of the regular in-year review and monitoring by officers and committees;
- a review of relevant documents prepared during the year or relating to the year;
- the review of progress against the Corporate Plan;
- reviews of feedback from Estyn and CIW and the related scrutiny panels on the improvement work in relation to Education and Children's Services;
- a series of interviews with key officers;
- discussion with, and receiving comments from, groups of officers and members including the SLT and the Executive.

In addition, regular in-year review and monitoring includes:-

- formal risk management activity, including specific consideration of those risks linked to governance processes;
- internal audit, whose work takes account of identified risks through regular audits of the major systems, establishments, major projects and major governance processes, including risk management, in accordance with the annual internal audit strategy, and which includes 'follow-up' work to ensure that senior officers implement agreed recommendations;
- the annual assessment of Internal Audit by the Council's external auditors;
- the work of the Council's Scrutiny and other Committees, including its Audit and Governance and Standards committees;
- the opinions and recommendations of the Council's external auditors and other review agencies and inspectorates;
- the regular monitoring of improvement and performance against the Corporate Plan and its supporting plans and strategies by members and senior managers.

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

## Significant Governance Issues

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

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

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

## Governance matters identified

### Progress on Identified Governance Matters 2018/19

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

| Actions identified to address weaknesses   | Lead Officer / Service / Board               | Update on progress   |
|--|--|--|
| <ul style="list-style-type: none"> <li>Increase the understanding of Corporate Safeguarding in Services. This should be done with general and advanced training as appropriate</li> </ul>  | Corporate Safeguarding Board                 | Training implemented as appropriate throughout the year through the Learning Pool. To be a regular annual module in future years.  |
| <ul style="list-style-type: none"> <li>Begin to replenish the general balances by implementing the agreed new budget following the budget setting process.</li> <li>To continue to review the arrangements for updating, agreeing and monitoring the Medium Term Financial Strategy</li> </ul> | S151 Officer                                 | <p>2019/20 draft outturn figures show an overall underspend of £250k.</p> <p>The current pandemic has changed the Council's financial position significantly and this may significantly reduce the balances. Further work will have to take place.</p> |
| <ul style="list-style-type: none"> <li>Continue on the good work already undertaken by the service and develop a new Service Development Plan following the re-inspection</li> </ul>   | Head of Service - Children & Family Services | Service Development Plan has been in place since April 2019. This is reviewed at the Social Services Panel on a monthly basis.   |

|  |  |   |
|--|--|---|
| <ul style="list-style-type: none"> <li>All Services should review their expenditure to ensure fit for purpose contracts are in place</li> </ul>  | All Heads of Service                         | Resources have reviewed all external services and a contract is in place for all services.  |
| <ul style="list-style-type: none"> <li>Minimise future subsidy withholds by agreeing timetable with external auditors and escalate matters as agreed by external auditors if timetable is not being kept.</li> </ul> | S151 Officer                                 | The WAO have taken over the auditing the outstanding subsidies (17/18 and 18/19). The work has moved ahead and we are close to completing the 17/18 subsidy which will release around £6m in subsidy withholds.   |
| <ul style="list-style-type: none"> <li>Agreeing a new Corporate Customer Service strategy</li> </ul>   | Transforming Business ProcessesProject Board | A strategic direction for customer service has been developed under the Board and has been signed off by the Penaethiaid.   |
| <ul style="list-style-type: none"> <li>Monitor the effects of Universal Credit and how effective mitigation has been<br/>MISSING TEXT</li> </ul>   | Head of Service - Housing                    | <p>The Universal Credit rollout and Council lead for this work is the Service Manager, Community Housing.</p> <p>A multi-agency Universal Credit hub meeting is scheduled regularly – a review is required something missing</p> <p>O’Toole Services continuing to meet the demand of welfare rights / advice support for Island-wide residents. Four outreaches have been developed to ensure we support those who struggle with Transport and to ensure a Community-led approach is in place.</p> <p>Relationship with DWP is excellent.</p> <p>Frequent Corporate updates to ensure Council staff are aware on where to turn should UC support be required for any resident.</p> <p>Post implementation action plan reviewed bi-monthly and progress reported to the UC hub.</p> |

|  |              |   |
|--|--------------|---|
| <ul style="list-style-type: none"> <li>A cross-departmental working group including the Head of Function (Resources) and Section 151 Officer as champion has been established to ensure PCI DSS compliance.</li> </ul> | S151 Officer | A working group now meets quarterly under the Chairmanship of the Revenues and Benefits Manager. All staff have received the necessary training and the appropriate risk assessments are undertaken to ensure continued compliance. |
|--|--------------|---|

## Certifying the Annual Governance Statement

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined in the document.

We propose to take appropriate steps to address these and the other weaknesses identified in the Annual Governance Statement and to further enhance our governance and assurance arrangements in the forthcoming year. We will monitor the implementation and operation of improvements through the Audit and Governance Committee and as part of our next annual review.

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

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

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



| <b>ISLE OF ANGLESEY COUNTY COUNCIL</b>  |   |
|---|---|
| <b>Report to:</b>   | Audit and Governance Committee  |
| <b>Date:</b>  | 1 September 2020  |
| <b>Subject:</b>   | An Update on the Internal Audit Strategy and Priorities for 2020-21   |
| <b>Head of Service:</b>   | Marc Jones<br>Director of Resources and Section 151 Officer<br>01248 752601<br><a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a> |
| <b>Report Author:</b>   | Marion Pryor<br>Head of Audit and Risk<br>01248 752611<br><a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>                  |
| <b>Nature and Reason for Reporting:</b><br>In accordance with the Council's 'Strategy for Committee Meetings', this report meets the requirements of the Local Government (Wales) Measure 2011, which sets out the legislative duties to be performed by a council's audit committee, specifically, to oversee the authority's internal audit arrangements. |   |

## INTRODUCTION

1. As a result of the current pandemic, the Council has had to prioritise its resources and the efforts of its workforce, so maintaining 'business as usual' has not been possible. However, although half of the Internal Audit team has been redeployed within the organisation, some significant 'internal audit' has continued and has been directed to the areas of greatest value and risk to the organisation.
2. We have therefore provided this brief update, as at 18 August 2020, on the work of internal audit since the last Audit and Governance Committee in February 2020 and our priorities for the short to medium term going forward.

## RECOMMENDATION

3. That the Audit and Governance Committee notes Internal Audit's assurance provision and priorities going forward.

## CONTEXT

4. Despite the profound challenges of working in an emergency, our mission remains to **‘to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight’**.
5. Profound challenge requires a value-based response from Internal Audit; we have strived to protect the Council’s ongoing service delivery, by providing real-time advice, insight and assurance, and performing real-time risk based work.
6. We also have a personal responsibility to operate in accordance with the UK Public Sector Internal Audit Standards (PSIAS). On 1 June 2020, the Internal Audit Standards Advisory Board (IASAB) produced guidance to internal auditors on maintaining conformance with the PSIAS during the coronavirus pandemic. CIPFA has endorsed the guidance, which also has the support of the other UK Relevant Internal Audit Standard Setters. The guidance can be found here:

<https://www.cipfa.org/services/networks/better-governance-forum/internal-audit-documentation/conformance-with-psias-during-the-pandemic>

7. The aim of the guidance is to support internal auditors as they adapt their operations and plans for internal auditing and support their organisations in the implementation of the emergency response to the pandemic. The guidance is also important for those with a role in the oversight and governance of internal audit, including audit committees and leadership teams.

## ASSURANCE WORK COMPLETED FOR 2019/20

8. We completed work on three audits before the end of the financial year and included the results as part of our overall Internal Audit Annual Report for 2019/20, which the Committee received at its meeting in July:
  - IT Resilience – Limited Assurance
  - Financial Resilience – Reasonable Assurance
  - Managing the Risk of Fraud – Reasonable Assurance
9. Due to services being heavily involved in responding to the emergency, we suspended our work on four audits that were at different stages at that time:
  - Recovering Council Debts (Resources) – fieldwork
  - Welfare Reform – Homelessness (Housing) – fieldwork
  - Leavers' Process (Resources and HR) – draft report issued
  - Management of School Unofficial Funds (Learning) – draft report issued
10. Once staff return from their redeployments, we will restart these pieces of work.

## ASSURANCE WORK COMPLETED TO DATE IN 2020/21

### Review of COVID–19 Emergency Response (Self-Assessment)

11. Early on in the emergency, the Deputy Chief Executive, on behalf of the Emergency Management Response Team (EMRT), commissioned Internal Audit to provide assurance that the Council’s emergency response arrangements were safe, robust, effective and fit for purpose.
12. We reported the outcome of our work in two parts, giving ‘**Reasonable Assurance**’ for each and raising six ‘Issues/Risks’, to be addressed by the EMRT. We reviewed these ‘Issues/Risks’ a month later and were able to report that all had been addressed.
13. We have separately issued members of the Audit and Governance Committee and the Portfolio Holder for Finance with copies of the reports.

### OVERDUE ACTIONS

14. Due to services being heavily involved in responding to the emergency, we suspended our work following up on actions to address the ‘Issues/Risks’ we had previously raised in our reports.
15. This resulted in a number of actions becoming overdue and we have tentatively restarted our work in this area. Following the completion of the work on the draft statement of accounts, we have focused our work in Resources, as this is where the majority of the overdue actions sit.
16. The 4action dashboard at [Appendix 1](#) provides the situation as at 18 August 2020. However, we will share a ‘real-time’ dashboard during the meeting.

### OUTSTANDING LIMITED ASSURANCE REPORTS

17. There are three ‘Limited Assurance’ reports that require following up, albeit only two in this financial year:

| Audit Report   | Service             | Follow Up Visit  | Scheduled Date for Follow Up |
|--|---------------------|------------------|------------------------------|
| System Controls – Logical Access and Segregation of Duties | Resources           | Fourth Follow Up | April 2020                   |
| Primary Schools – Income Collection                        | Learning            | Second Follow Up | September 2020               |
| IT Resilience  | Transformation & HR | First Follow Up  | April 2021                   |

18. Also, although given a 'Reasonable Assurance', due to the significance of the 'Issues/Risks' raised, we also have one further audit in our 'follow up' schedule:

| Audit Report   | Service   | Follow Up Visit | Scheduled Date for Follow Up |
|----------------|-----------|-----------------|------------------------------|
| Sundry Debtors | Resources | Third Follow Up | July 2020                    |

## CORPORATE RISK REGISTER PRIORITIES

19. In February 2020, we gave the Audit and Governance Committee a commitment to audit 80% of the red and amber residual risks in the Corporate Risk Register during 2020/21. Clearly, this target is not achievable under the current circumstances.

20. In 2019/20, we reviewed 50% of the risks in the corporate risk register with a red or amber residual risk rating (83% over a 17-month rolling period).

21. To capture the remaining risks, so that all red and amber risks are reviewed over a 24-month rolling period, we would need to review:

- YM32 – The risk of the Council being unable to provide the necessary **investment in leisure facilities** to maintain the current level of provision.
- YM15 – Risk that the **schools modernisation** project is not fully implemented and impacts on standards and the ability to reduce surplus school places and the lack of school places.
- YM17 – Risk that the **Island's infrastructure** does not meet the needs of the public and businesses across the island.

22. In the current circumstances, these risks are low priority and therefore will be 'parked' until we have capacity to review.

## COVID-19 RISK REGISTER

23. The EMRT has developed a risk register to capture the risks associated with the pandemic. It contains 35<sup>1</sup> risks, and details the mitigation in place to minimise the risks from crystalizing. These risks are priority, and we will ensure our work focuses on providing assurance that these risks are being effectively managed.

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<sup>1</sup> Five risks have now been 'closed'

## OTHER PRIORITIES

### Post-event Assurance

24. It is inevitable that processes and consequently controls will have been relaxed during the emergency response, therefore increasing the risk of error, waste and fraud. We will work with heads of service to undertake this piece of work to assess the risks associated with the relaxing of policies and processes and enable us to focus our work on the areas of greatest risk.

### NDR Fiscal Stimulus (Business grants) – post-payment assurance

25. As part of the support for the economy, the Council has made available grants of £10,000 and £25,000 to around 2,500 businesses – about £28m of spend<sup>2</sup>.
26. There was a push from UK Government to get the cash paid as quickly as possible but to implement ‘upfront low-friction controls’ where possible. We provided advice on these controls and have regularly provided fraud alerts published by the National Anti Fraud Network.
27. As at 19 June 2020, 63 local authorities across England, Scotland and Wales have reported attempted and successful fraud relating to claims for COVID-19 Business Grants. This included 346 attempts of corporate impersonation fraud with a total value of almost £5.7m. The table at [Appendix 2](#) identifies the known businesses impersonated, reported losses and prevented fraud.
28. There is an expectation from the UK Government that we will provide targeted post event assurance, to provide assurance that we have paid the correct organisation, and that the funding is used for its intended purpose. We therefore plan to use data analytics to review the payments and sample check high-risk grant awards for fraud.

### National Fraud Initiative

29. The biennial National Fraud Initiative exercise is scheduled for October 2020. We will be involved with data extraction, which is mandatory, and reviewing matches (potential frauds).
30. In addition, the National Fraud Initiative will be undertaking an exercise in the summer specifically on the payment of the business grants.

### Managing the Risk of Fraud

31. A self-assessment conducted at the end of 2019 highlighted that our counter fraud measures were significantly out of date and needed refreshing. A similar exercise performed by Audit Wales as part of a National Study early in 2020 echoed these conclusions.
32. In addition, a lack of any recent counter fraud awareness training coupled with the increased risk of fraud presented by the current climate, gives this work an

---

<sup>2</sup> As at 18/08/2020, the Council has provided 1,950 grants totalling £21.83m

added imperative. During the lockdown period, two frauds have been attempted against the Council.

33. Both were 'malicious redirection'<sup>3</sup> frauds. The first involved a supplier's email system being hacked. The Council received an apparently genuine request from the supplier, via email, for its bank details to be changed. The Council changed the bank details and paid two invoices using the fraudulent bank details. Fortunately, the recipient bank's fraud team identified the account as fraudulent and notified the Council's bank, and the majority of the payment was successfully seized.
34. The bank provided two counter fraud training sessions for Council staff to raise awareness of fraud and what to look out for, particularly during the emergency, in their personal lives and at work.
35. This training was timely as shortly afterwards a Payroll Officer received an email from a member of staff asking for their bank account details to be changed. Having been alerted to this type of fraud, the Payroll Officer queried the request and it was discovered that the email address had been 'spoofed'<sup>4</sup>, thus averting the fraud.
36. As a result of these attempted frauds, a number of audits are planned of the Creditors and Payroll systems, with the first audit of supplier maintenance currently underway.

## RESOURCING OF INTERNAL AUDIT & RISK MANAGEMENT

37. The Internal Audit section normally consists of five FTE (full time equivalent) staff. For various reasons, both related and unrelated to the emergency, we currently only have two and a half FTE staff undertaking internal audit work.
38. Just before lockdown, two members of part-time staff were recruited, one internal and one external, being the only applicants who applied for two full-time vacancies. The vacancies occurred due to a promotion to Accounts and a six-month secondment to Accounts, which has now been extended until May 2021.
39. The internal appointment (0.8 FTE) came from Risk Management, which has left that section with a vacancy. They are currently training as they have no

---

<sup>3</sup> In a malicious redirection or mandate fraud, the victim attempts to pay an invoice to a legitimate payee, but the criminal intervenes to convince the victim to redirect the payment to an account they control. It includes criminals targeting consumers posing as conveyancing solicitors, builders and other tradespeople, or targeting businesses posing as a supplier, and claiming that the bank account details have changed. This type of fraud often involves the criminal either intercepting emails or compromising an email account.

<sup>4</sup> Email spoofing is the forgery of an email header so that the message appears to have originated from someone or somewhere other than the actual source. Email spoofing is a popular tactic used in phishing and spam campaigns because people are more likely to open an email when they think it has been sent by a legitimate or familiar source.

previous internal audit experience, but are also seconded to the 'Test, Track, Protect' programme.

40. The external appointment (0.5 FTE) was due to start on 1 April but this was postponed due to the emergency. They started on 1 August 2020 and following a brief induction, have commenced auditing.
41. The remaining member of Internal Audit is seconded to the Business Grants team and is assisting with checking eligibility of the self-catering businesses. It is unclear when this work will finish.

## **PRIORITIES**

42. These absences have left the Internal Audit and Risk Management team exposed and vulnerable to further loss. It is also challenging to make firm plans for the rest of the year, while remaining agile to meet any future emergencies or incidents.
43. Therefore, taking account of the availability of staff within other services and the resources available in Internal Audit, work will be prioritised in the following order to enable the Head of Audit and Risk to provide an annual internal audit opinion for 2020/21:

## High Priority

- Overdue actions
- Outstanding Limited Assurance reports:
  - System Controls – Logical Access and Segregation of Duties (Resources)
  - Sundry Debtors (Resources) (Reasonable Assurance)
- COVID-19 Risk Register
- Post-event Assurance
- NDR Fiscal Stimulus (Business grants) – post-payment assurance
- Managing the Risk of Fraud – Payments (Supplier Maintenance and Payments)
- National Fraud Initiative
- Requests from Senior Leadership Team

## Medium Priority

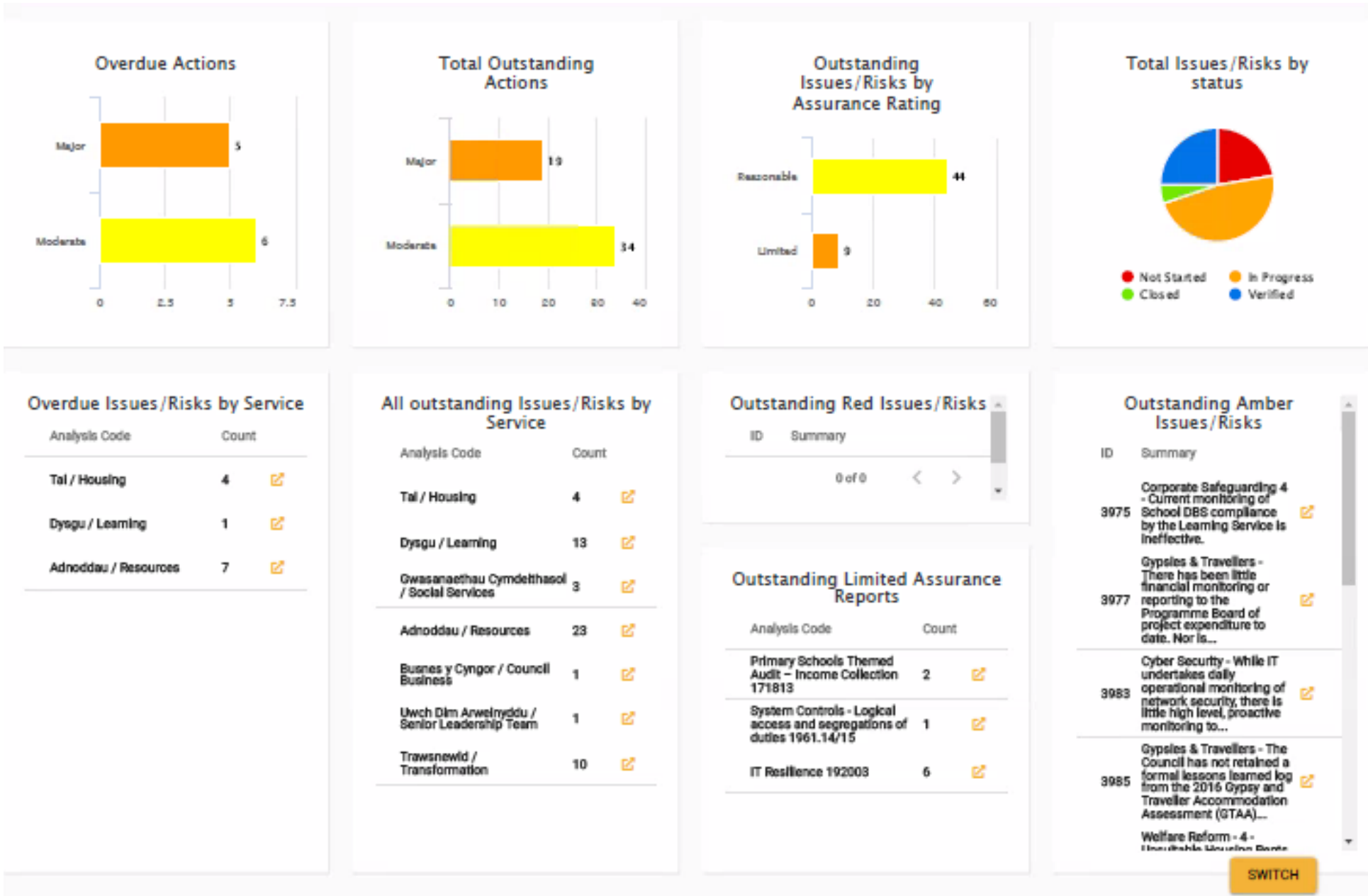
- Outstanding audits from 2019/20:
  - Recovering Council Debts (Resources)
  - Welfare Reform – Homelessness (Housing)
  - Leavers' Process (Resources and HR)
  - Management of School Unofficial Funds (Learning)

## Low Priority

- Corporate Risk Register
  - YM32 – Investment in Leisure Facilities
  - YM15 – Schools modernisation project
  - YM17 – Island infrastructure



# APPENDIX 1 - OVERDUE ACTIONS (4ACTION DASHBOARD)



## APPENDIX 2 – COVID-19 BUSINESS GRANT FRAUD

(Source: National Anti Fraud Network)

### Regional Breakdown

| Region          | Councils | Incidents | £ Attempted Fraud |
|-----------------|----------|-----------|-------------------|
| East Midlands   | 5        | 20        | 305,000           |
| Eastern England | 8        | 38        | 470,000           |
| London          | 4        | 11        | 200,000           |
| North East      | 4        | 17        | 305,000           |
| North West      | 13       | 67        | 985,000           |
| Scotland        | 4        | 24        | 465,000           |
| South East      | 8        | 26        | 355,000           |
| South West      | 4        | 6         | 90,000            |
| Wales           | 2        | 10        | 100,000           |
| West Midlands   | 8        | 88        | 1,615,000         |
| Yorkshire       | 3        | 39        | 780,000           |

### Known businesses impersonated, reported losses and prevented fraud

| Business Names Impersonated | Attempted Fraud |                  | Fraud Losses |            |                  |                | Prevented £ Fraud |
|-----------------------------|-----------------|------------------|--------------|------------|------------------|----------------|-------------------|
|                             | Incidents       | £ Value          | Councils     | Incidents  | £ Paid           | £ Recovered    |                   |
| Lloyds Pharmacy             | 43              | 580,000          | 0            | 0          | 0                | 0              | 580,000           |
| Greggs PLC                  | 136             | 2,715,000        | 19           | 96         | 1,925,000        | 815,000        | 790,000           |
| Boots                       | 43              | 625,000          | 0            | 0          | 0                | 0              | 625,000           |
| Caffe Nero                  | 6               | 120,000          | 3            | 3          | 75,000           | 0              | 45,000            |
| Superdrug Stores            | 13              | 190,000          | 0            | 0          | 0                | 0              | 190,000           |
| Marstons PLC                | 17              | 185,000          | 0            | 0          | 0                | 0              | 185,000           |
| JD Wetherspoon              | 13              | 205,000          | 0            | 0          | 0                | 0              | 205,000           |
| Enterprise UK               | 1               | 10,000           | 0            | 0          | 0                | 0              | 10,000            |
| Barden Global Ltd           | 2               | 50,000           | 0            | 0          | 0                | 0              | 50,000            |
| Toolstation                 | 3               | 75,000           | 1            | 1          | 50,000           | 0              | 25,000            |
| Other Businesses*           | 69              | 915,000          | 0            | 54         | 765,000          | 10,000         | 150,000           |
| <b>TOTAL</b>                | <b>346</b>      | <b>5,670,000</b> | <b>23</b>    | <b>154</b> | <b>2,815,000</b> | <b>825,000</b> | <b>2,855,000</b>  |

\* This data relates to local (small) businesses which have also been a victim of impersonation fraud



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Auditor General for Wales

# Financial Sustainability Assessment – **Isle of Anglesey County Council**

Audit year: 2019-20

Date issued: July 2020

Document reference: 1735A2021-22

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

The team who delivered the work comprised Alan Hughes and Jeremy Evans under the direction of Huw Rees and Richard Harries.

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The Council needs to review its financial strategy to deliver services within available funding whilst building usable reserves to improve its resilience 7

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# Summary report

## Summary

### What we reviewed and why

- 1 The project sought to assess the sustainability of councils' short to medium-term financial position.
- 2 This included a focus on the financial strategy of each council as well as reviewing financial 'indicators' of each council's financial position in relation to:
  - Performance against budget
  - Delivery of savings plans
  - Use of reserves
  - Council tax
  - Borrowing

#### Exhibit 1: about the Council

This exhibit sets out some background information on the Council's net revenue budget, the number of staff it employs and the value of its fixed assets.



**The Council's net revenue budget for 2019-20 was £135m**



**The Council employs around 3,200 people**



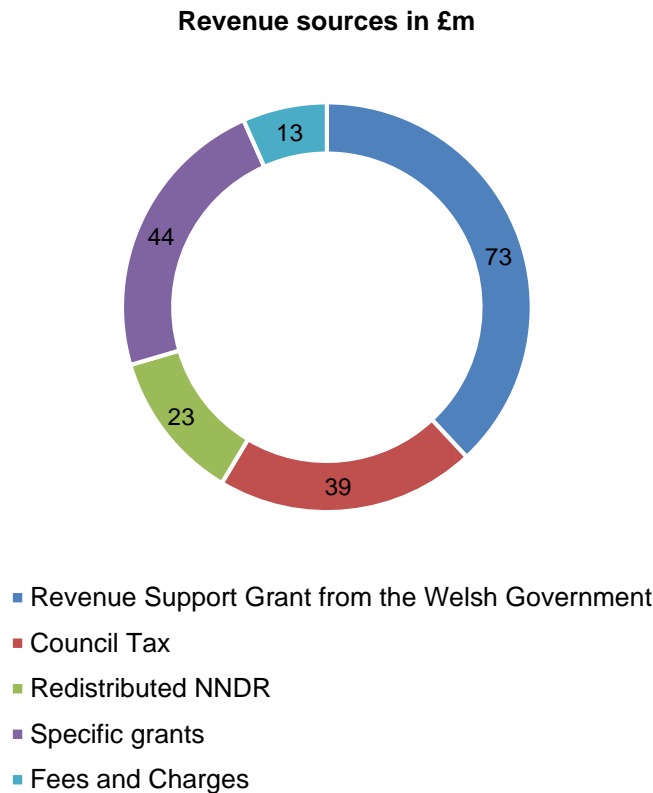
**The Council's fixed assets as at 31 March 2019 were £396m**

Source: Isle of Anglesey County Council website

- 3 We undertook this assessment because we identified financial sustainability as a risk to councils putting in place proper arrangements to secure value for money in the use of resources. In part, this was informed by the recent experiences of some councils in England, our knowledge of the financial situation in councils in Wales, and the general trend of decreasing resources for local government combined with rising demand for some services.

## Exhibit 2: the Council's sources of revenue

The pie chart below shows how much money the Council received from different funding sources during 2018-19.



Source: Isle of Anglesey County Council

4 We undertook the review during the period July 2019 to December 2019.

## What we found

- 5 Overall, we found that: the continual funding of unrealised savings and year-end overspends from general reserves is not sustainable, the Council needs to develop a more sustainable financial strategy to deliver services within available funding whilst building usable reserves to improve its resilience. We reached this conclusion because:
- the Council needs to review its financial strategy to deliver services within available funding whilst building usable reserves to improve its resilience;
  - the Council has had an overall overspend in recent years and is allocating significant additional resources to fund the increased pressure in key services;

- the Council has a track record of delivering a substantial element of planned savings, but undelivered savings create additional financial pressure; the Council is likely to find identifying and delivering savings increasingly challenging going forward;
- the Council's continued use of reserves to fund year end deficits and planned revenue expenditure is not sustainable;
- council tax collection rates have remained stable and council tax as a proportion of the Council's income has grown over the last decade; and
- the Council has no purely commercial focused projects and overall borrowing is set to increase.



# Detailed report

The continual funding of unrealised savings and year-end overspends from general reserves is not sustainable, the Council needs to develop a more sustainable financial strategy to deliver services within available funding whilst building usable reserves to improve its resilience

The Council needs to review its financial strategy to deliver services within available funding whilst building usable reserves to improve its resilience

## Why strategic financial planning is important

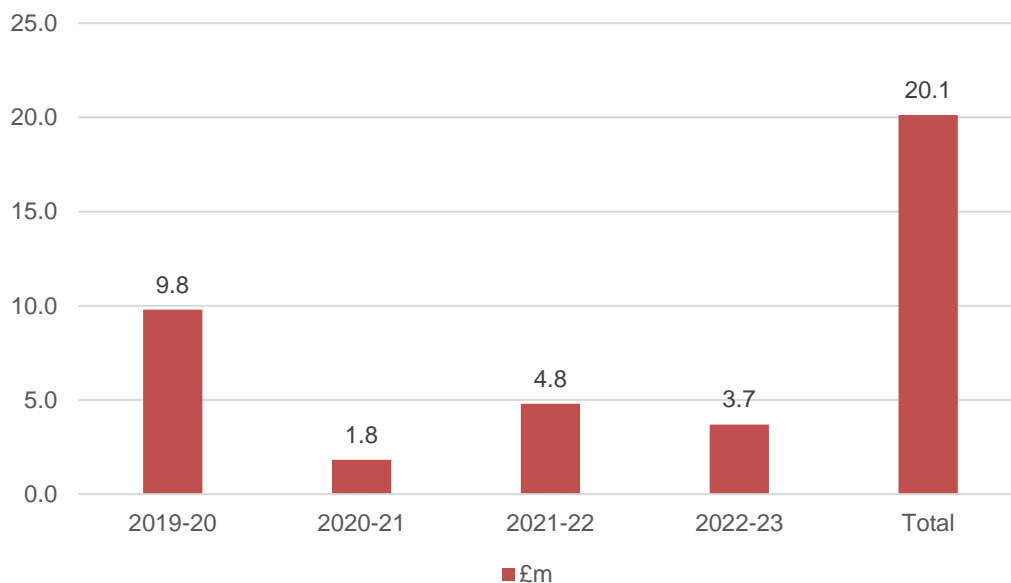
- 6 A clear and robust financial strategy is important to identify the likely level of funding available to a council, as well as the anticipated level of demand for, and cost of, providing services. Given the recent and anticipated funding pressures facing all councils it is also important to identify how it intends to respond to those pressures, and particularly how they will meet projected funding gaps.

## What we found

- 7 We found that the Council needs to review its financial strategy to deliver services within available funding whilst building usable reserves to improve its resilience. We reached this conclusion because:
- the Council's Medium-Term Financial Strategy 2019-20 to 2021-22 assumes a funding gap range of £12.3 million to £14.7 million over the three-year period prior to increasing council tax and implementing savings.
  - demand and cost pressures within key services budgets, and failure to deliver all planned savings resulted in individual service budgets and the Council's budget as a whole ending recent financial years in a deficit position. The Council's year-end overspends have in turn led to a reduction in general reserves which is not sustainable.
  - the Council has prioritised service delivery in recent years, and as recently as 2018-19 has funded new initiatives from general balances which is not sustainable.

### Exhibit 3: projected funding gap

The following graph shows the funding gap that the Council has identified for this year, and the following three years.



Source: Isle of Anglesey County Council

(Medium Term Financial Plan 2020-21 – 2022-23 and 2020-21 Budget)

## The Council has had an overall overspend in recent years and is allocating significant additional resources to fund the increased pressure in key services

### Why accurately forecasting expenditure is important

- 8 It is important that overspending and underspending are kept under control and that actual expenditure is as close to the levels planned as possible. A council that is unable to accurately forecast and plan expenditure runs the risk of creating unforeseen financial pressures that may compromise the ability to set a balanced budget. Significant patterns of underspending may be reducing the ability of a council to deliver its key objectives or meet its statutory responsibilities.

### What we found

- 9 We found that the Council has had an overall overspend in recent years and is allocating significant additional resources to fund the increased pressure in key services. We reached this conclusion because:

- there have been significant overspends in some service areas in recent years which have been partly offset by underspends in areas such as Corporate Finance and central budgets.
- the Council has good service level information and consequently, in response to increased service pressures, it has allocated additional resources to some services. For example, Children’s and Families (2019-20: £1.34 million). Looking forward, the Council plans to increase the Adult Services 2020-21 budget by £0.98 million.
- the Council has also reviewed its school transport (taxis) budget and revised the amount of funding available although this has not resolved the position as school transport is predicting an overspend of £359,000 in the current year.
- the Council is predicting overspends in 2019-20 in some service areas including the Adult Services (£1.0 million) and Corporate Finance (including Benefits Granted) of £0.40 million. Indicating that the Council budgets still face significant pressures. Continued funding of overspends from reserves is not sustainable.
- whilst the three-year actual outturn to net revenue budget overspends in **Exhibit 4** suggest that the Council’s budget may have experienced differing degrees of pressure over the period, it is worth noting that the reduced deficit in 2018-19 was in part due to an adjustment to the Council’s Minimum Revenue Provision (MRP) Policy which changes the profile of the cost of funding debt repayment, and masks an element of the departmental overspends.

**Exhibit 4: amount of overspend/underspend relative to total net revenue budget**

The following exhibit shows the amount of overspend or underspend for the Council’s overall net revenue budget for the last two years and the year to date as at the end of September 2019.

|         | Original Budget net revenue budget | Actual Outturn net revenue budget | Amount of overall surplus/overspend | Percentage difference from net revenue budget |
|---------|------------------------------------|-----------------------------------|-------------------------------------|---|
| 2017-18 | £126.16m                           | £127.79m                          | £1.63m overspend                    | 1.29% overspend                               |
| 2018-19 | £130.95m                           | £131.58m                          | £0.63m overspend                    | 0.48% overspend                               |
| 2019-20 | £135.21m                           | £137.15m                          | £1.25m overspend                    | 1.43% overspend                               |

Source: Isle of Anglesey County Council

The Council has a track record of delivering a substantial element of planned savings, but undelivered savings create additional financial pressure; the Council is likely to find identifying and delivering savings increasingly challenging going forward

#### Why the ability to identify and deliver savings plans is important

10 The ability to identify areas where specific financial savings can be made, and to subsequently make those savings, is a key aspect of ensuring ongoing financial sustainability against a backdrop of increasing financial pressures. Undelivered savings plans can result in overspends that require the use of limited reserves whilst increasing the level of savings required in future years to compensate for this. Where savings plans are undelivered and service areas are required to make unplanned savings, this increases the risk either of savings not being aligned to the Council's priorities, or of 'short-term' solutions that are not sustainable over the medium term.

#### What we found

11 We found that historically the Council has a track record of delivering a substantial element of planned savings, but undelivered savings create additional financial pressure; the Council is likely to find identifying and delivering savings increasingly challenging going forward. We reached this conclusion because:

- the Council has an established record of delivering savings but has been unable to realise all planned savings within the financial year which leads to an underlying deficit within the annual budget.
- we reported in Savings Planning in March 2017 'The Council is forecasting that 83% of its 2016-17 savings plans will be achieved but some saving plans lack detail and realistic delivery timescales'. The Council's in-year achievement of savings plans (current year 82.8%) has not improved, and the Council needs to urgently review under-delivery and slippage to identify robust learning opportunities from unsuccessful plans.
- undelivered savings in 2019-20 are estimated to amount to £427,000, and in 2018-19 undelivered savings amounted to £458,000. The Council goes on to achieve additional elements of the planned savings in subsequent years.
- there is a recognition amongst councils that identifying and delivering savings is becoming more challenging.
- the Council has evidence that increasing fee levels does not always lead to a corresponding increase in income level, as changes affect individuals' behaviours, thus a percentage increase in any given area does not necessarily translate to a similar uplift in the level of income collected.

### Exhibit 5: savings delivered during 2018-19 as a percentage of planned savings

The following exhibit sets how much money the Council intended to save through planned savings during 2018-19 and how much of this it actually saved.

|                       |                           |                               |                             |
|-----------------------|---------------------------|-------------------------------|-----------------------------|
| <b>£2.33m</b>         | <b>£1.93m</b>             | <b>£0.40m</b>                 | <b>82.8%</b>                |
| Total planned savings | Planned savings delivered | Planned savings not delivered | Percentage savings achieved |

Source: Isle of Anglesey County Council

### The Council's continued use of reserves to fund year-end deficits and planned revenue expenditure is not sustainable

#### Why sustainable management of reserves is important

- 12 Healthy levels of useable reserves are an important safety net to support financial sustainability. As well as being available to fund unexpected funding pressures, useable reserves can also be an important funding source to support 'invest to save' initiatives designed to reduce the ongoing cost of providing services. Councils that show a pattern of unplanned use of reserves to plug gaps in their revenue budget that result in reductions of reserve balances reduce their resilience to fund unforeseen budget pressures in future years.

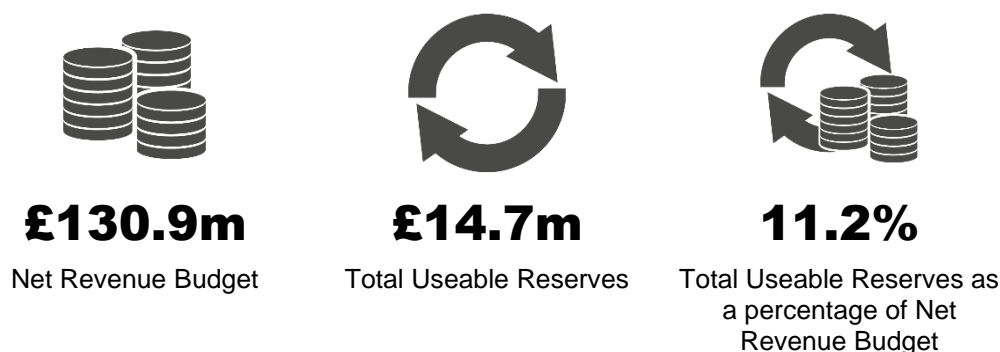
#### What we found

- 13 We found that the Council's continued use of reserves to fund year-end deficits and planned revenue expenditure is not sustainable. We reached this conclusion because:
- the Council has funded planned revenue expenditure from general reserves in 2018-19 and has required the use of general reserves to fund overspends in the three years 2016-17 to 2018-19. The Council is forecasting to use general reserves to fund the current (2019-20) year-end overspends.
  - the General Fund Balance has reduced from £8.36 million at the end of March 2017 to an estimated (at the end of December 2019) level of £4.60 million at the end of March 2020, earmarked reserves will have fallen from £10.46 million to £8.55 million over the same period, and total reserves have reduced from £18.82 million to £13.15 million.
  - whilst the total useable reserve as a percentage of net revenue budget is 11.2% as per [Exhibit 6](#), current year end outturn estimates suggest that the percentage could fall to 9.7%.
  - the Council needs to concentrate on its financial performance as well as on service performance and will need to ensure that savings plans are delivered

in year and all budgets are realistic, as the current pattern of funding deficits from general reserves is not sustainable.

#### Exhibit 6: amount of reserves vs annual budget, 2018-19

This exhibit shows the amount of usable reserves the Council had at the end of March 2019 compared with its net revenue budget for the same year.



Source: Isle of Anglesey County Council

### Council tax collection rates have remained stable and council tax as a proportion of the Council's income has grown over the last decade

#### Why council tax collection rates are important

- 14 Failure to collect the amount of council tax due to the Council will result in less income. This in turn may increase the financial pressures on the Council and require it to make additional savings. Whilst council tax is not the biggest source of funding for councils in Wales, it remains a key income source.

#### What we found

- 15 We found that council tax collection rates have remained stable and council tax as a proportion of the Council's income has grown over the last decade. We reached this conclusion because:
  - council tax collection rates remain stable; and
  - council tax income in the Isle of Anglesey has increased from 22% of net revenue sources in 2010-11 to 29% in 2019-20 (Non-Domestic Rates, Revenue Support Grant and Council Tax). A similar shift in funding from Revenue Support Grant to Council tax is evident in other Welsh councils.

## Exhibit 7: council tax collection rates

This exhibit shows the percentage of council tax due that the Council collected during 2018-19.



Cash collected from council tax at 31 March 2019 was £38.716m (97.3%) against a collectable debit of £39.634m

Source: [www.statswales.gov.uk](http://www.statswales.gov.uk)

## The Council has no purely commercial focused projects and overall borrowing is set to increase

### Why maintaining sustainable levels of borrowing is important

- 16 Borrowing can be a valuable source of funding, for example, to fund large scale capital projects such as new schools or leisure centres. However, the cost of repaying borrowing including interest costs can have a long-term impact on ongoing revenue budgets. Councils that fail to properly balance the benefits and costs of borrowing with their current and predicted revenue budgets risk reducing the amount of funding available for service delivery. Borrowing to fund commercial activity has the potential to generate additional income to fund council services, however, it can also bring significant risks that would be associated with any commercial activity.

### What we found

- 17 We found that the Council has no purely commercial focused projects and overall borrowing is set to increase. We reached this conclusion because:
- the Council's Treasury Management Strategy is to use its own cash balances first (internal borrowing) to fund capital expenditure and only to externalise borrowing as and when required to maintain enough cash balances to meet day-to-day costs. As at 31 March 2019 the Council's Capital Financing Requirement (including Housing Revenue Account) stood at £138.7 million with external debt standing at £132.5 million. As a result, £6.2 million of the Capital Financing Requirement has been funded by internal borrowing.

- the Council's strategy is not to actively borrow in order to develop commercial income. Overall, borrowing has been stable at around 3.5% of net revenue budget but the Council is projecting that this will increase to 7.7% in 2020-21 and 9.7% the year after.

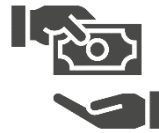
#### Exhibit 8: Council borrowing

The exhibit below shows the total amount of money that the Council has borrowed to fund commercial investments, as well as the cost of all the borrowing that the Council has as a proportion of its net revenue budget.



**£0m**

Amount of borrowing to fund commercial investments



**5.0%**

Cost of total borrowing as a proportion of net revenue budget 2018-19

Source: Isle of Anglesey County Council





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Auditor General for Wales

# Well-being of Future Generations: An examination of Early intervention and prevention to ensure that children are safe and supported – **Isle of Anglesey County Council**

Audit year: 2019-20

Date issued: November 2019

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This document has been prepared for the internal use of Isle of Anglesey County Council as part of work performed/to be performed in accordance with the Well-being of Future Generations Act (Wales) 2015.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

The team who delivered the work comprised Alan Hughes, Euros Lake and Jeremy Evans under the direction of Huw Rees.

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The Council has considered and applied the sustainable development principle in developing the ‘Early intervention and prevention to ensure that children are safe and supported’, but there are opportunities to further embed the five ways of working.

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The Council has considered and applied the sustainable development principle in developing the ‘Early intervention and prevention to ensure that children are safe and supported’, but there are opportunities to further embed the five ways of working 6

The Council has sought to design services with a view to encouraging individuals to engage with services early in order to reduce longer-term demand and the need for higher levels of intervention, but it is unclear if funding is sustainable in the long term 6

The Council has sought to understand the factors that impact on children but needs to continue to further analyse data to understand root causes and inform its preventative activities 7

The Council has considered how its step has contributed to its well-being objectives but a more widespread knowledge of the definition of integration under the Well-being of Future Generations Act may help to realise operational benefits 8

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 9

The Council has involved stakeholders in the shaping of the service, but needs to review the effectiveness of its approach to identify good practice and see if there are lessons to be learnt 10

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# Summary report

## Summary

### Why we undertook the Examination

- 1 In accordance with the Well-being of Future Generations (Wales) Act 2015 (the Act) the Auditor General for Wales (the Auditor General) is statutorily required to examine public bodies to assess the extent to which they have acted in accordance with the sustainable development principle when:
  - a. setting their well-being objectives; and
  - b. taking steps to meet them.
- 2 The Act defines the sustainable development principle as acting in a manner: ‘...which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs’.
- 3 The Auditor General must provide a report on his examinations to the National Assembly for Wales at least a year before each Assembly election. The first such report must be published by 2020, before the 2021 Assembly election.
- 4 The Auditor General has undertaken examinations across the 44 bodies covered by the Act to inform his report to the National Assembly during 2018-19 and 2019-20.
- 5 The findings in this report are based on fieldwork that we undertook during the period July 2019 to October 2019.
- 6 This report sets out our findings from our examination of Early intervention and prevention to ensure that children are safe and supported, a step the Isle of Anglesey County Council’s (the Council) is taking to meet its Wellbeing Objectives.
- 7 It also sets out the Council’s initial response to our findings.

### What we examined

- 8 We examined the extent to which the Council is acting in accordance with the sustainable development principle in Early intervention and prevention to ensure that children are safe and supported.
- 9 In order to act in accordance with the sustainable development principle public bodies must take account of the following ‘ways of working’:

## Exhibit 1: the 'five ways of working'

The table below sets out the 'five ways of working' as defined in the Welsh Government's **Well-being of Future Generations (Wales) Act 2015 The Essentials**<sup>1</sup> document.

| <b>The Five Ways of Working</b>   |
|---|
| <b>Long term</b><br>The importance of balancing short-term needs with the need to safeguard the ability to also meet long-term needs.   |
| <b>Prevention</b><br>How acting to prevent problems occurring or getting worse may help public bodies meet their objectives.  |
| <b>Integration</b><br>Considering how the public body's wellbeing objectives may impact upon each of the wellbeing goals, on their other objectives, or on the objectives of other public bodies.   |
| <b>Collaboration</b><br>Acting in collaboration with any other person (or different parts of the body itself) that could help the body to meet its wellbeing objectives.                            |
| <b>Involvement</b><br>The importance of involving people with an interest in achieving the wellbeing goals, and ensuring that those people reflect the diversity of the area which the body serves. |

- 10 Our examination found that: The Council has considered and applied the sustainable development principle in developing the 'Early intervention and prevention to ensure that children are safe and supported', but there are opportunities to further embed the five ways of working.

<sup>1</sup> Welsh Government, **Well-being of Future Generations (Wales) Act 2015 The Essentials**, 2015.

# Detailed report

## Part One: Examination Findings

The Council has considered and applied the sustainable development principle in developing the 'Early intervention and prevention to ensure that children are safe and supported', but there are opportunities to further embed the five ways of working

The Council has sought to design services with a view to encouraging individuals to engage with services early in order to reduce longer-term demand and the need for higher levels of intervention, but it is unclear if funding is sustainable in the long term

### What we looked for

- 11 We looked for evidence of:
- a thorough understanding of current and long-term needs and the associated challenges and opportunities;
  - planning over an appropriate timescale;
  - resources allocated to ensure long-term benefits; and
  - appropriate monitoring and review.
- 12 Our examination was also informed by the positive indicators for the 'long term' that we have identified and used as part of this examination.<sup>2</sup>

### What we found

- 13 We identified the following strengths:
- the Council has a thorough understanding of current and long-term needs and the associated challenges and opportunities; and
  - the step / service contains several elements that are aimed at deescalating demand in the short to medium-term, but it is unclear what the long-term vision is.

<sup>2</sup> See Appendix 1



14 We identified the following opportunities:

- the Council's resources are channelled into the short and medium-term rather than long-term. There are benefits from the initiatives that the Council has invested in, but the exit strategy when grant funding ceases in 2020 and 2021 is unclear;
- the Council needs to identify and collect data and evidence that will allow it to measure current service demand, and ongoing demand on the service and the effectiveness of preventative activities. Whilst officers articulate an understanding of the causes of demand, there needs to be documented argument of the demand on services to inform future Council plans; and
- officers within the Council have identified 'principal indicators' such as employment opportunities and location, but it is unclear if these factors have influenced council planning.

## The Council has sought to understand the factors that impact on children but needs to continue to further analyse data to understand root causes and inform its preventative activities

### What we looked for

15 We looked for evidence of:

- thorough understanding of the nature and type of problem the step could help prevent from occurring or getting worse;
- resources allocated to ensure preventative benefits will be delivered; and
- monitoring and review of how effectively the step is preventing problems from occurring or getting worse.

16 Our examination was also informed by the positive indicators for 'prevention' that we have identified and used as part of this examination.<sup>3</sup>

### What we found

17 We identified the following strengths:

- officers have a good understanding of the nature and type of problem it is attempting to de-escalate;
- the Council is working with internal Council departments, public sector partner organisations, and third sector organisations to identify preventative opportunities;
- the Council is aware of the preventative benefits of supporting children early – to make them more resilient, and offer a service that increases the level of

<sup>3</sup> See Appendix 1

early intervention and prevention, with better access to information and community resources with a view to reducing the need for intensive managed support;

- the Council through Teulu Mon is seeking to reduce the short and medium-term demand on its service through extensive promotion of the ‘front door’ (Teulu Mon) designed to reduce stigma of engaging with the Council’s children’s service the Council encourages people to present earlier with lower level issues, so they can intervene preventatively;
- information and advice is provided by Teulu Mon operators and those who do not meet the threshold for statutory care are signposted to community preventative services as appropriate to reduce the likelihood of their needs escalating; and
- the inclusion of the council solicitor in pre-proceeding meetings with families on the cusp of formal intervention has strengthened arrangements to allow a final opportunity for the family to address matters and avoid formal intervention.

18 We identified the following opportunities:

- the Council’s Teulu Mon Strategy is aimed at preventing the situation getting worse (secondary prevention), and the Council needs to ensure that the Council Plan contributes to tackling the root cause of the problem (primary prevention), by for example introducing measures to reduce / eliminate what it believes to be the most influential prevalent indicators (root causes); and
- the Council’s quarterly corporate scorecard is not aligned to the Council’s annual delivery document.

**The Council has considered how its step has contributed to its well-being objectives but a more widespread knowledge of the definition of integration under the Well-being of Future Generations Act may help to realise operational benefits**

**What we looked for**

19 We looked for evidence of consideration of:

- how this step could contribute to the seven national wellbeing goals;
- how delivery of this step will impact on the Council’s wellbeing objectives and wider priorities; and
- how delivery of this step will impact on other public bodies’ wellbeing objectives.

20 Our examination was also informed by the positive indicators for 'integration' that we have identified and used as part of this examination.<sup>4</sup>

#### What we found

21 We identified the following strengths:

- the Council has considered how the step contributes to its well-being objectives; and
- officers have an understanding of the contribution that internal council departments, other public service bodies and the third sector have in delivering the service.

22 We identified the following opportunities:

- there are opportunities to consider how the step could deliver a wider range of benefits by using the seven national well-being goals to consider the potential positive and negative impacts delivering the goals over time; and
- the Act was not seen as a driver for this step and consequently understanding of the principle of integration could be further strengthened. Council and partners describe an organic approach to harmonising aims and objectives – but concede they are unable to demonstrate their efforts to integrate effectively. The Council 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

#### What we looked for

23 We looked for evidence that the Council:

- has considered how it could work with others to deliver the step (to meet its wellbeing objectives, or assist another body to meet its wellbeing objectives);
- is collaborating effectively to deliver the step; and
- is monitoring and reviewing whether the collaboration is helping it or its stakeholders meet wellbeing objectives.

24 Our examination was also informed by the positive indicators for 'collaboration' that we have identified and used as part of this examination.<sup>5</sup>

<sup>4</sup> See Appendix 1

<sup>5</sup> See Appendix 1

## What we found

25 We identified the following strengths:

- the Council has taken steps to collaborate internally with Council departments, externally with public sector bodies, third sector organisations, individuals and communities;
- internally, officers describe a positive shift in how various services collaborate. Partners also describe a very positive working relationship with the Council, including in comparison with other councils in the region; and
- joint training has taken place and provided to Council staff and partners, which includes information on how to navigate service access routes and using a generic template for referring to children's services (template reflects some of the 'what matters conversation').

26 We identified the following opportunities:

- there is little evidence to suggest the Council is reviewing the effectiveness of partnership working and learning lessons from its approach;
- collaboration is leading to increasingly appropriate referrals from partners to the children's department. In some cases, this involves gathering details to inform 'what matters conversations' prior to referring. Despite this, the Council acknowledges that this is an on-going effort and not all partners are yet referring as appropriately as they could; and
- the Council's newly-appointed local asset coordinators provide an opportunity to further improve collaboration with public and third sector partners across the county.

**The Council has involved stakeholders in the shaping of the service, but needs to review the effectiveness of its approach to identify good practice and see if there are lessons to be learnt**

## What we looked for

27 We looked for evidence that the Council has:

- identified who it needs to involve in designing and delivering the step;
- effectively involved key stakeholders in designing and delivering the step;
- used the results of involvement to shape the development and delivery of the step; and
- sought to learn lessons and improve its approach to involvement.

28 Our examination was also informed by the positive indicators for 'involvement' that we have identified and used as part of this examination.<sup>6</sup>

### What we found

29 We identified the following strengths:

- the Council has identified who it needs to involve in designing and delivering the step;
- the Council involves the public sector, third sector and individuals shape the service delivery;
- the step has been designed following multitude of delivery options driven from a 'what matters conversation' with individuals. The 'what matters conversation' is key to the identification of the needs of individuals; and
- Medrwn Mon has provided numerous opportunities to engage with the full diversity of the population including hard to reach individuals.

30 We identified the following opportunities:

- the Council should implement the service satisfaction questionnaire for users of the Intensive Intervention and Provision of Care services to gather feedback from individuals who have used the service; and
- the Council could review the effectiveness of its approach to involvement to identify good practice and see if there are lessons to be learnt.

<sup>6</sup> See Appendix 1

## Part Two: Council's response

- 31 Following the conclusion of our fieldwork we presented our findings to the Council at a workshop in October 2019. At this workshop the Council began to consider its response to our findings and as a result of discussions at the workshop and further reflection on our findings the Council has developed the following actions.

| Opportunities   | IoACC response / Action points   |
|---|--|
| Long Term   |  |
| <p>The Council's resources are channelled into the short and medium-term rather than long-term. There are benefits from the initiatives that the Council has invested in, but the exit strategy when grant funding ceases in 2020 and 2021 is unclear.</p>  | <p>Core funding from Welsh Government and its associated programmes and projects initiate a short to medium term thinking amongst public sector organisations.</p> <p>To alleviate this tension the Council is currently developing a corporate Prevention strategy which will provide direction and outline specific work-streams if as a Council we are to succeed in the longer term. These work-streams will clearly identify the key strategic programmes currently being realised and clarify the expectation post grant funding.</p> <p>Point to note – operationally in an organisation which is bound by democratically elected members being elected every five years, testifying success 'longer-term' is a more challenging task to realise.</p> |
| <p>The Council needs to identify and collect data and evidence that will allow it to measure current service demand, and ongoing demand on the service and the effectiveness of preventative activities. Whilst officers articulate an understanding of the causes of demand, there needs to be documented argument of the demand on services to inform future Council plans.</p> | <p>As noted, the collection and collation of data is ingrained in the mind-set of services through the annual realisation of the corporate planning and performance management framework established and embedded within the work of the services.</p> <p>The Council's developing corporate prevention strategy aims to establish a corporate outlook with regards to prevention and one of the outputs envisaged as part of its associated work-streams will be an increased understanding of the causes of demand which will assist the prevention agenda and inform future corporate planning.</p>   |

| Opportunities  | IoACC response / Action points  |
|--|---|
| Prevention   |   |
| <p>The Council's Teulu Mon Strategy is aimed at preventing the situation getting worse (secondary prevention), and the Council needs to ensure that the Council Plan contributes to tackling the root cause of the problem (primary prevention), by for example introducing measures to reduce / eliminate what it believes to be the most influential prevalent indicators (root causes).</p> | <p>As part of the corporate prevention strategy it is envisaged that data is to be reviewed in order to ensure:</p> <ul style="list-style-type: none"> <li>• duplication is kept to a minimum; and</li> <li>• Council work isn't centred around the outputs of grant funding schemes but rather the individuals themselves</li> </ul> <p>An example of where this works well currently is around the early intervention hubs which may need to be expanded to reduce / eliminate the root causes.</p> |
| <p>The Council's quarterly corporate scorecard is not aligned to the Council's annual delivery document.</p>   | <p>This was identified as an opportunity for improvement by the Council during its evaluation of scorecard monitoring during 2018-19.</p> <p>Following workshop with SLT and elected members from the Executive and shadow Executive the alignment of the scorecard with the Council Plan and Annual Delivery Document has since been implemented.</p>  |
| Integration  |   |
| <p>There are opportunities to consider how the step could deliver a wider range of benefits by using the seven national well-being goals to consider the potential positive and negative impacts delivering the goals over time.</p>   | <p>Agreed.</p>  |
| <p>The Act was not seen as a driver for this step and consequently understanding of the principle of integration could be further strengthened.</p>  | <p>The principle of integration is evident within the early intervention hub.</p> <p>The opportunity exists now to expand this principle further by realising existing plans of creating an integrated team in collaboration with the regional Health Board.</p>  |
| <p>Council and partners describe an organic approach to harmonising aims and objectives – but concede they are unable to demonstrate their efforts to integrate effectively. The Council has not formally considered how the development will impact other public bodies' well-being objectives.</p>   | <p>This is viewed as a challenging opportunity going forward bearing in mind different planning timescales realised by different public bodies.</p> <p>This opportunity rests on gaining greater clarity of direction via the Public Services Board and the North Wales Leadership Group.</p>   |

| Opportunities   | IoACC response / Action points   |
|---|--|
| Collaboration   |  |
| <p>There is little evidence to suggest the Council is reviewing the effectiveness of partnership working and learning lessons from its approach.</p>  | <p>The effectiveness of partnership working is reviewed on an annual basis. Partnerships have been defined, a clear policy for entering into partnerships has been adopted and partnerships are identified as being:</p> <ul style="list-style-type: none"> <li>• Statutory</li> <li>• Key or</li> <li>• Delivering a Service</li> </ul> <p>The Partnership and Regeneration scrutiny committee scrutinise all strategic partnerships dependent on risk which is managed on a quarterly basis.</p> |
| <p>Collaboration is leading to increasingly appropriate referrals from partners to the children's department. In some cases, this involves gathering details to inform 'what matters conversations' prior to referring. Despite this, the Council acknowledges that this is an on-going effort and not all partners are yet referring as appropriately as they could.</p> | <p>Agreed.</p> <p>The early intervention hub has been set up to address these elements.</p>  |
| <p>The Council's newly-appointed local asset coordinators provide an opportunity to further improve collaboration with public and third sector partners across the county.</p>  | <p>The Council agrees with this finding and is in agreement that the work of the LAC's should enable greater collaboration and integration between public and third sector partners across the county.</p>   |
| Involvement   |  |
| <p>The Council should implement the service satisfaction questionnaire for users of the Intensive Intervention and Provision of Care services to gather feedback from individuals who have used the service.</p>  | <p>The Council already collates a number of questionnaires within its Team Around the Family and IFSS initiatives. The opportunity exists to expand this provision to the wider provision of social care so that feedback from individuals who have used the service is collated and their findings used accordingly.</p>  |



| Opportunities   | IoACC response / Action points   |
|---|--|
| <p>The Council could review the effectiveness of its approach to involvement to identify good practice and see if there are lessons to be learnt.</p> | <p>The Council's revised corporate planning and performance framework (CPPMF) has identified the need to better testify its approach to involvement by increasing the examples of good practice in order to share lessons in a comprehensive and co-ordinated manner.</p> <p>It currently happens at a project management level but a greater degree of emphasis is being integrated into the service reviews (an integral part of the CPPMF) scheduled for November / December 2019.</p> <p>The revised template for Executive meetings (to be introduced Jan 2020) also outlines the requirement to identify how citizens have been involved in the decision-making process.</p> |

- 32 We will continue to monitor the Council's progress in implementing these actions, and the extent to which they address the issues we have identified in our findings.

# Appendix 1

## Positive Indicators of the Five Ways of Working

### Exhibit 1: Positive Indicators of the Five Ways of Working

The table below sets out 'positive indicators' for each of the five ways of working that we have identified. We have not used the indicators as a checklist. They should be viewed as indicators. They helped us to form conclusions about the extent to which a body is acting in accordance with the sustainable development principle in taking steps to meet its Wellbeing Objectives.

#### What would show a body is fully applying the long-term way of working?

- There is a clear understanding of what 'long term' means in the context of the Act.
- They have designed the step to deliver the well-being objective/s and contribute to their long-term vision.
- They have designed the step to deliver short or medium-term benefits, which are balanced with the impact over the long term (within the project context).
- They have designed the step based on a sophisticated understanding of current and future need and pressures, including analysis of future trends.
- Consequently, there is a comprehensive understanding of current and future risks and opportunities.
- Resources have been allocated to ensure long-term as well as short-term benefits are delivered.
- There is a focus on delivering outcomes, with milestones/progression steps identified where outcomes will be delivered over the long term.
- They are open to new ways of doing things which could help deliver benefits over the longer term.
- They value intelligence and pursue evidence-based approaches.

#### What would show a body is fully applying the preventative way of working?

- The body seeks to understand the root causes of problems so that negative cycles and intergenerational challenges can be tackled.
- The body sees challenges from a system-wide perspective, recognising and valuing the long-term benefits that they can deliver for people and places.
- The body allocates resources to preventative action that is likely to contribute to better outcomes and use of resources over the longer term, even where this may limit the ability to meet some short-term needs.
- There are decision-making and accountability arrangements that recognise the value of preventative action and accept short-term reductions in performance and resources in the pursuit of anticipated improvements in outcomes and use of resources.

#### **What would show a body is taking an 'integrated' approach?**

- Individuals at all levels understand their contribution to the delivery of the vision and wellbeing objectives.
- Individuals at all levels understand what different parts of the organisation do and proactively seek opportunities to work across organisational boundaries. This is replicated in their work with other public bodies.
- Individuals at all levels recognise the cross-organisation dependencies of achieving the ambition and objectives.
- There is an open culture where information is shared.
- There is a well-developed understanding of how the wellbeing objectives and steps to meet them impact on other public sector bodies.
- Individuals proactively work across organisational boundaries to maximise their contribution across the wellbeing goals and minimise negative impacts.
- Governance, structures and processes support this, as do behaviours.

#### **What would show a body is collaborating effectively?**

- The body is focused on place, community and outcomes rather than organisational boundaries.
- The body has a good understanding of partners' objectives and their responsibilities, which helps to drive collaborative activity.
- The body has positive and mature relationships with stakeholders, where information is shared in an open and transparent way.
- The body recognises and values the contributions that all partners can make.
- The body seeks to establish shared processes and ways of working, where appropriate.

#### **What would show a body is involving people effectively?**

- Having an understanding of who needs to be involved and why.
- Reflecting on how well the needs and challenges facing those people are currently understood.
- Working co-productively, working with stakeholders to design and deliver.
- Seeing the views of stakeholders as a vital sources of information that will help deliver better outcomes.
- Ensuring that the full diversity of stakeholders is represented and they are able to take part.
- Having mature and trusting relationships with its stakeholders where there is ongoing dialogue and information is shared in an open and transparent way.
- Ensure stakeholders understand the impact of their contribution.
- Seek feedback from key stakeholders which is used to help learn and improve.

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| <b>ISLE OF ANGLESEY COUNTY COUNCIL</b>   |  |
|--|--|
| <b>Report to:</b>  | <b>Audit and Governance Committee / County Council</b>   |
| <b>Date:</b>   | <b>1 September 2020 / 8 September 2020</b>   |
| <b>Subject:</b>  | <b>Annual Report of the Audit &amp; Governance Committee 2019/20 – Chair’s Report</b>  |
| <b>Head of Service:</b>  | <b>Marc Jones, Director of Function (Resources) / Section 151 Officer</b><br><b>01248 752601</b><br><a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a> |
| <b>Report Author:</b>  | <b>Marion Pryor, Head of Audit and Risk</b><br><b>01248 752611</b><br><a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>                           |
| <b>Nature and Reason for Reporting:</b><br>The Audit and Governance Committee is required to report to ‘those charged with governance’ (the County Council) an assessment of its performance on its activities during the year to demonstrate how the Committee has discharged its responsibilities. |  |

## 1. Introduction

1.1. This report details the activities of the Audit and Governance Committee during 2019/20. The Audit and Governance Committee is an important element of the Council’s governance arrangements. Reporting on its activities helps demonstrate the Council is a well-managed authority which in turn contributes to ensuring that it is making the best use of its resources.

## 2. Recommendation

2.1. That the Audit and Governance Committee endorses the Annual Report of the Audit and Governance Committee for 2019/20 prior to its submission to the meeting of the County Council on 8 September 2020.

## Background Information

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1. The Audit and Governance Committee is a statutory Committee of the Council. It is a key component of the Council's governance framework providing independent and high level resource to support good governance and strong public financial management.
2. The Committee provides, to those charged with governance, independent assurance 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.

## Governance

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3. The core functions of an audit committee are to be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
4. The Committee received the draft Statement of Accounts and Annual Governance Statement for 2018/19 prior to their review by External Audit at its meeting of 23 July 2019. At its meeting of 3 September 2019, following receipt of External Audit's Report on the Financial Statements for 2018/19, the Committee resolved to accept and note the Statement of the Accounts and Annual Governance Statement for 2018/19. It recommended its acceptance to the Full Council and referred the Annual Governance Statement to the Leader of the Council and the Chief Executive to be signed, as statutorily required.
5. Other governance documents received during the year were:

### **Information Governance Annual Report 2018/19**

6. The report of the Director of Function (Council Business) / Monitoring Officer and designated Senior Information Risk Owner (SIRO) provided an analysis of the key information governance (IG) issues for the period and also included assurance of on-going improvement in managing risk to information during the period.
7. Following clarification around the costs of addressing the 1,052 Freedom of Information Act requests and whether the Council's transparency was sufficient in terms of the availability of information being a factor in the increase in the number of FOI requests, the Committee resolved to accept and adopt the report recommendations.

## **Concerns, Complaints and Whistleblowing 2018/19**

8. On 3 September 2019, the report of the Director of Function (Council Business)/Monitoring Officer provided information on issues arising under the Council's Concerns and Complaints Policy. The report also included Social Services complaints but only those where the complainant was not a service user.
9. The Committee accepted the report as providing reasonable assurance that the Council is compliant with the processes required under its Concerns and Complaints Policy and Whistleblowing Policy/Guidance and accepted and noted the Lessons Learnt Table within.

## **Policy Acceptance 2018/19**

10. On 3 September 2019, the report of the Director of Function (Council Business) / Monitoring Officer provided details of compliance for the second round of policies introduced for acceptance via the Council's Policy Portal management system as well as the Learning Service's compliance levels for the first round of policies. The report provided the Committee with assurance that individual members of staff are reading, understanding and formally accepting key Information Governance policies. The Committee accepted the assurance following further clarification of how compliance levels were monitored across the Council.

## **Annual Corporate Health and Safety Report 2018/19**

11. On 3 September 2019, the Corporate Health and Safety Advisor provided the Committee with assurance that the Council had appropriate arrangements for health and safety matters, by identifying the commitment, ability and direction of the management of occupational health and safety. The Committee, in discussing the report, sought clarification around RIDDOR incidents, responsibility for councillors' personal safety and the increase in violent incidents.
12. On 23 April 2019, the Committee also considered a follow-up report to the Corporate Health and Safety Annual Report for 2017/18. The follow-up report provided further analysis in connection with issues raised by the Committee when it was presented to it in February 2019, around the categories of Physical Assaults by Person and the apparent increase in the number of physical assaults and whether the upturn reflected an emerging trend.

## **Annual Cyber Security Report 2018/19**

13. On 3 December 2019, the IT Service and Performance Management Manager delivered his report, which summarised the cyber threats facing the Council and provided an overview of some of the mitigations the Council had in place to counter these threats. The Committee welcomed the report as instructive and in discussing the information, sought further assurance with regard to a number of matters including

partnership and collaborative working, IT induction and the Council's vulnerability to fraud.

### **Annual Insurance Report 2018/19**

14. On 23 July 2019, the Risk and Insurance Manager provided a summary of claims against the Council for the period 1 April 2014 to 31 March 2019. The report also provided a commentary on claim trends and future challenges.
15. Following clarification sought by the Committee around personal injury cover, reserves, public liability claims and learning lessons, the Committee accepted and noted the report.

### **Risk Based Verification Policy**

16. In December 2019, the Committee received a report from the Benefits Manager asking for the Committee's views about the Council's new policy, which sought to concentrate resources on checking those benefit cases where discrepancies/errors are likely to occur, before the Benefits Manager presented it to the Executive for approval. Following discussion around the methodology in terms of age range and a request for random sampling to be included, the Committee resolved to note the proposed Housing Benefit/Council Tax Reduction Risk Based Verification Policy with two recommendations.

## **Risk Management**

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17. In relation to risk management, the core functions of an audit committee are to consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that management is taking action on risk-related issues, including partnerships and collaborations with other organisations.
18. In addition, the Local Government Measure (Wales) 2011 includes a requirement for local authorities to appoint a Committee with responsibility to review and assess the risk management, internal control and corporate governance arrangements of the Council. The Audit and Governance Committee's terms of reference also charge it with fulfilling these requirements.
19. The Committee has continued to support the development of the Risk Management framework within the Council during the year and reviewed the Council's Risk Management Policy Statement at its meeting of 23 July 2019. It was resolved to accept the Risk Management Policy Statement as presented and to recommend its approval by the Executive.
20. The Committee considered the Council's corporate risks twice during the year, on 3 September 2019 and 11 February 2020 respectively. In September 2019, following clarification around how the Senior Leadership Team (SLT) would determine which



risks it would review each month, discussion around the tolerance of the three major risks, the term 'catastrophic' and management of these risks, and the timeframe for the introduction of measures to mitigate Brexit, the Committee took assurance that the risks to the Council's aims and objectives were being recognised and managed by the Senior Leadership Team.

21. In February 2020, following clarification around recognising the Coronavirus outbreak as a risk within the Corporate Risk Register and a request for an update about the Risk Verification Policy, the Committee took assurance that the Senior Leadership Team had recognised and was managing the risks to the achievement of the Council's priorities.

## Financial Statements

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22. In relation to financial statements, the Committee's core function is to review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
23. The Committee received the draft pre-audit Statement of Accounts for 2018/19 at its meeting of 23 July 2019. Following clarification around the deterioration in school balances, teachers' pay pressures, the School Modernisation Programme, Pension Scheme Fund liabilities, debtors and the relationship with the Health Board, and provisions, the Committee resolved to note the draft unaudited financial statements for 2018/19.
24. On 3 September 2019, the Director of Function / Section 151 Officer reported to the Committee that the statutory deadline for the completion of the 2018/19 audited accounts had been met.
25. At the same meeting, the External Audit Engagement Lead for Financial Audit presented the report of External Audit on the audit of the Financial Statements for 2018/19 (ISA 260 report) for the Committee's consideration. The Engagement Lead confirmed that subject to the satisfactory completion of outstanding work, it was the Auditor General's intention to issue an unqualified audit report on the financial statements once the Authority had provided a Letter of Representation based on that set out in Appendix 1 to the report.
26. Following clarification of a payment to the Pension Fund (an immaterial misstatement), the Authority's approach to password security and password controls and outstanding external audit recommendations including segregation of duties, the Committee resolved to accept and to note the Statement of the Accounts for 2018/19. It also resolved to recommend its acceptance to the Full Council, to note External Audit's Report on the Financial Statements for 2018/19 and to approve the Annual Governance Statement for 2018/19 and to refer the Statement to the Leader of the Council and the Chief Executive to be signed.

## Treasury Management

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27. The audit committee also supports the Council by undertaking a wider role in reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017).
28. In accordance with its terms of reference and the CIPFA Code of Practice for Treasury Management in Public Services (2011), the Committee considered the Annual Treasury Management Review of Activities Report for 2018/19. The Director of Function (Resources) presented the report for the Committee's consideration and scrutiny in line with regulations under the Local Government Act 2003 and the Council's Treasury Management Scheme of Delegation for 2018/19 on 23 July 2019.
29. Following clarification around the underspend on the capital budget and the Minimum Revenue Provision (MRP) policy, the Committee noted that the outturn figures in the report would remain provisional until the audit of the 2018/19 Statement of Accounts was completed and signed off; any resulting significant adjustments to the figures included in the report would be reported as appropriate. The Committee also noted the provisional 2018/19 prudential and treasury indicators in the report and accepted to recommend it to the Executive without comment.
30. The Committee also received a mid-year report on Treasury Management at its meeting of 3 December 2019 to monitor developments and trends. The Director of Function (Resources)/Section 151 clarified the Council's investment activities with an English Council recently reported in the press, which the Committee noted.
31. The Committee scrutinised the Council's Treasury Management Strategy Statement for 2019/20 on 11 February 2020. Following an observation about realising assets that were surplus to requirements, the Committee resolved to accept the Treasury Management Strategy Statement for 2020/21 and to recommend the Statement to the Executive without additional comments.
32. On 11 February 2020, the Director of Function (Resources)/Section 151 also presented a statement on the Authority's Treasury Management Practices in compliance with the CIPFA Code of Practice on Treasury Management (2017). Following clarification around the Council's general powers to invest, the Council's overdraft facility, credit rating of local authorities and details of the specialist Treasury Management Consultants/Advisory Service, the Committee endorsed the revised Treasury Management Practices and resolved to forward them to the Executive without further comment.
33. As part of the scrutiny of the above reports, the Committee reviewed the Council's risk exposure and its ability to manage risk in relation to its Treasury Management activities.

## Internal Audit

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34. In relation to the authority's internal audit functions, the Committee's core function is to oversee its independence, objectivity, performance and professionalism, support the effectiveness of the internal audit process and promote the effective use of internal audit within the assurance framework.
35. It also has a role in supporting effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encouraging the active promotion of the value of the audit process.
36. The Committee received the Head of Audit and Risk's Internal Audit Annual Report 2018/19 at its meeting of 23 April 2019. Following discussion around the issue of the Committee's own effectiveness and whether it could be regarded as being sufficiently proactive, the Committee resolved to accept the Head of Audit and Risk's overall audit opinion in relation to the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2019.
37. The Committee approved minor amendments to the Internal Audit Charter at its meeting of 3 September 2019.
38. The Committee noted the draft Internal Audit Strategy for 2020/21 at its meeting of 11 February 2020, accepting that the approach and priorities as outlined met the Council's assurance needs.
39. The Head of Audit and Risk reported outcomes of each audit assignment to each of the Committee's regular meetings as part of the internal audit update report. The reports also included the progress of services in implementing management actions to address 'Issues/Risks' raised by Internal Audit and, at six-monthly intervals, the Committee received a detailed report of all the outstanding 'Red' and 'Amber' rated 'Issues/Risks' raised by Internal Audit.

## External Audit

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40. The core functions of an audit committee are to consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
41. The Auditor General for Wales is the statutory external auditor of the Council. The Auditor General's role includes examining how the Council manages and spends public money, including how it achieves value in the delivery of public services and on how well the Council plans for improvement.
42. At its meeting of 23 April 2019, the Performance Audit Lead, on behalf of the Auditor General, set out the proposed Audit Plan for the 2018/19 audit year. It included the work proposed in relation to financial audit, an outline of the performance audit

programme and a timetable for the completion and reporting of the external audit work at the Authority. Following clarification that financial audit is delivered by Deloitte on behalf of the Auditor General and that the performance audit programme is delivered by Audit Wales, the Committee asked for future reports to differentiate between the areas of audit work in terms of the fees charged.

43. Audit Wales reported to the 23 July 2019 meeting that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2019/20 in relation to making arrangements to secure continuous improvement.
44. In July 2019, Audit Wales also presented an external audit report on the findings of its examination of the steps the Council is taking to meet its well-being objectives, namely to promote Anglesey to encourage major developers to invest in the Island. 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.
45. Deloitte, on behalf of the Auditor General, undertakes the financial audit work. It reported its intention to issue an unqualified audit report on the financial statements for 2018/19 to the 3 September 2019 meeting. Subsequently, the External Audit Annual Letter for 2018/19 along with the notice of the certification of the completion of the audit of the 2018/19 accounts was presented to the 3 December 2019 meeting for information.
46. The Committee has received and considered regular update reports from Audit Wales and Deloitte. This is an important aspect of the Committee's business to ensure that the Council considers all external reports, by either the Audit and Governance Committee or one of the Scrutiny Committees, and that it is taking appropriate action.

## Countering Fraud and Corruption

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47. The committee is required to review the effectiveness of the council's whistleblowing arrangements, including the policy, its counter-fraud and corruption strategy, actions and resources, fraud and corruption risks, and to oversee any major areas of fraud, and monitor action plans to address control weaknesses.
48. The Committee received the Director of Function (Council Business)/Monitoring Officer's report on issues arising under the Council's Concerns and Complaints Policy at its meeting on 3 September 2019 and took assurance that the Council is compliant with the processes required under its Concerns and Complaints Policy and Whistleblowing Policy/Guidance.
49. No reports of any major fraud committed against the Council were reported to the Committee during the year.
50. Internal Audit include an assessment of fraud risks during each audit, which were reported to the Committee regularly throughout the year. No major fraud risks were

identified. In addition, Internal Audit conducted a specific audit of the management of the risk of fraud during 2019/20 and reported reasonable assurance; however, this was not reported to the Committee until 2020/21.

## Frequency of Meetings

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51. To discharge its responsibilities effectively the Committee should meet regularly, at least four times a year, and have a clear policy on those items it will consider in private and those it will consider in public.
52. The Committee's terms of reference require it to meet a minimum of four times per year. During the year, the Committee met formally on five occasions, with a sixth meeting to appoint the Chair and Vice-Chair. The membership and attendance at meetings during 2019/20 is at [Appendix A](#).
53. The Committee's terms of reference provide for it to meet privately and separately with the external auditor and the Head of Audit and Risk if required, although there was no such requirement during 2019/20.

## Structure and Membership

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54. The Committee is independent of both the executive and the scrutiny functions and includes an independent member as required by legislation. It has clear rights of access to other committees/functions, and is directly accountable to the Council.
55. The Committee consists of eight members of the Council, which are politically balanced, plus a maximum of two co-opted Lay Members appointed by the Committee. The two co-opted Lay Members' tenure commenced in June 2017. Membership is objective, independent of mind, knowledgeable and has a mix of expertise.
56. Members are supportive of good governance principles and their practical application towards the achievement of organisational objectives. Members have unbiased attitudes and treat auditors, the executive and management fairly and have the ability to challenge the executive and senior managers when required.
57. At its meeting of 14 May 2019, the Committee elected Councillor Peter S Rogers as its Chairperson and Mr Jonathan Mendoza (Lay Member) as its Vice-Chairperson.
58. During the year, members have attended internal and external training, which is listed at [Appendix B](#), along with regular internal briefing sessions.
59. The Head of Function (Resources) / Section 151 Officer and the Head of Audit and Risk also attend every meeting of the Committee. The Chief Executive, and Head of Function (Council Business) / Monitoring Officer, and the appointed external auditor all

regularly attend. These officers are able to access the Committee, or the Chair, as required.

60. The Committee's Forward Work Programme for 2020/21 is at [Appendix C](#). This is subject to change due to the current emergency situation.

## Terms of Reference

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61. Good practice suggests that committees should periodically review their terms of reference for appropriateness. During 2018/19, following a full revision of the CIPFA guidance earlier that year to take account of legislative changes and professional developments, the Committee's terms of reference were substantially revised to update the core functions of the audit committee in relation to governance, risk management, internal control and audit.
62. The Committee, at its meeting on 3 December 2019, approved the existing terms of reference with only minor changes to update the Director of Function (Resources) and Section 151 Officer's job title.

## Effectiveness

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63. The Committee has mostly worked within its current terms of reference, which includes the requirements of the Local Government (Wales) Measure 2011 in relation to the role of the Audit and Governance Committee in monitoring risk management, governance and internal control within the Council.
64. Due to the current emergency situation, the self-assessment against the new CIPFA Audit Committees Practical Guidance for Local Authorities and Police (2018), which commenced in March 2020, has not been finalised. Depending on the emergency situation, it is hoped that it will be finalised during 2020/21.
65. Actions raised by the Committee and their resolution are detailed in the corporate action tracking system (4action) to identify responsibility, record and track the action.

## Chair's Remarks

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66. The Chair would like to express his gratitude to the Committee's Members for their attendance and contribution to the work of the Committee during the year.
67. The Chair would also like to express his gratitude to those Council employees who have attended and contributed to the meetings and, in particular, the Chair takes this opportunity to thank all the staff within the Finance and Internal Audit services whom he has found most helpful.

68. The Chair takes this opportunity to remind the Council of the importance of the work of the Committee, which is even more relevant in the current economic and emergency situation in terms of ensuring that the Council is run in a sound manner and that it obtains value for money.
69. The Committee is committed to continuing to work with Council employees in supporting continuing improvements in the Council's operations in 2020/21.

**COUNCILLOR PETER S ROGERS**  
**CHAIR OF THE AUDIT & GOVERNANCE COMMITTEE**  
**1 SEPTEMBER 2020**

## Appendix A – Frequency of Meetings and Attendance

| Members  | Meetings   |              |              |            |             |            | Number of Meetings Attended |
|--|------------|--------------|--------------|------------|-------------|------------|-----------------------------|
|  | 23/04/2019 | 14/05/2019   | 23/07/2019   | 03/09/2019 | 03/12/2019  | 11/02/2020 |                             |
| Cllr Peter S Rogers (Chair)                    | Yes        | Yes          | Yes          | Yes        | Apologies   | Yes        | 5/6                         |
| Mr Jonathan Mendoza (Lay Member) (Vice-Chair)  | Yes        | Yes          | Yes          | Apologies  | Yes (Chair) | Yes        | 5/6                         |
| Cllr Robert Ll. Jones                          | Yes        | Yes          | Yes          | Yes        | Apologies   | Yes        | 5/6                         |
| Cllr John Griffith                             | Yes        | Yes          | Yes          | Yes        | Yes         | Yes        | 6/6                         |
| Cllr Richard Griffiths                         | Yes        | Yes          | Not recorded | Yes        | Yes         | Yes        | 5/6                         |
| Cllr Gwilym O. Jones                           | Yes        | Yes          | Yes          | Yes        | Yes         | Yes        | 6/6                         |
| Cllr Dylan Rees                                | Apologies  | Yes          | Yes          | Yes        | Yes         | Yes        | 5/6                         |
| Cllr Alun Roberts                              | Apologies  | Yes          | Yes          | Apologies  | Yes         | Yes        | 4/6                         |
| Cllr Margaret M. Roberts                       | Yes        | Yes          | Yes          | Apologies  | Yes         | Yes        | 5/6                         |
| Mr Dilwyn Evans (Lay Member)                   | Yes        | Yes          | Yes          | Yes        | Yes         | Yes        | 6/6                         |
| Cllr Robin Williams (Finance Portfolio Holder) | Yes        | Not recorded | Yes          | Yes        | Yes         | Yes        | 5/6                         |
| <b>Total for Committee<sup>1</sup></b>         | <b>9</b>   | <b>10</b>    | <b>10</b>    | <b>9</b>   | <b>9</b>    | <b>11</b>  |                             |

<sup>1</sup> In accordance with the Committee's Terms of Reference, the committee will consist of eight elected members and two lay members. Elected members will be politically balanced and will not be members of the Executive, but the Finance Portfolio Holder is required, as far as possible, to attend all meetings of the Committee.



## Appendix B – Training Attended by Members 2019/20

| Training                                   | Cllr Peter S Rogers (Chair) | Mr Jonathan Mendoza (Lay Member) (Vice-Chair) | Cllr Robert LI. Jones | Cllr John Griffith | Cllr Richard Griffiths | Cllr Gwilym O. Jones | Cllr Dylan Rees | Cllr Alun Roberts | Cllr Margaret M. Roberts | Mr Dilwyn Evans (Lay Member) |
|--|-----------------------------|---|-----------------------|--------------------|------------------------|----------------------|-----------------|-------------------|--------------------------|------------------------------|
| Equality Impact Assessment                 | 16/05/19                    |   |                       | 16/05/19           |                        |                      | 16/05/19        |                   |                          |                              |
| Cyber Awareness                            |                             |   |                       | 09/12/19           |                        |                      |                 |                   |                          | 29/07/19                     |
| Prevent                                    |                             |   |                       |                    |                        |                      |                 |                   |                          | 12/09/19                     |
| Domestic Abuse of Older People             |                             |   | 15/11/19              |                    | 08/10/19               |                      |                 |                   |                          |                              |
| Planning Matters Training                  |                             |   | 24/10/19              | 24/10/19           | 24/10/19               | 25/11/19             | 24/10/19        |                   | 24/10/19                 |                              |
| Treasury Management                        | 07/11/19                    | 07/11/19                                      | 07/11/19              | 07/11/19           | 07/11/19               | 07/11/19             | 07/11/19        | 07/11/19          | 07/11/19                 | 07/11/19                     |
| Safeguarding                               |                             |   |                       | 14/11/19           |                        |                      | 14/11/19        | 14/11/19          |                          |                              |
| General Data Protection Regulations        |                             |   |                       | 09/12/19           |                        |                      |                 |                   |                          |                              |
| CIPFA Development Day for Audit Committees |                             | 23/01/20                                      |                       |                    |                        |                      |                 |                   |                          | 23/01/20                     |
| National Approach to Statutory Advocacy    | 05/03/20                    |   |                       | 05/03/20           |                        |                      |                 | 05/03/20          | 05/03/20                 |                              |

## Appendix C – Proposed Forward Work Programme 2020/21

| Date                                    | Accounts   | Internal Audit  | External Audit  | Treasury Management                       | Risk Management                                     | Governance  | Other   |
|---|--|---|---|---|---|---|---|
| <b>April 2020</b><br><b>(Cancelled)</b> |  | Update Report (delayed)<br><br>Internal Audit Annual Report for 2019/20 (delayed) | Annual Plan 2020 (delayed)  |   |   |   | Annual Report of the Committee – Chair’s Report (delayed) |
| <b>May 2020</b><br><b>(Cancelled)</b>   |  |   |   |   |   |   | Election of Chairperson and Vice-Chairperson              |
| <b>June 2020</b><br><b>(Cancelled)</b>  | Draft Statement of Accounts 2019/20 (delayed)      |   |   |   |   | Draft Annual Governance Statement 2019/20 (delayed) |   |
| <b>July 2019</b>                        | Draft Statement of Accounts 2019/20                | Update Report (delayed)<br><br>Internal Audit Annual Report for 2019/20           | Annual Plan 2020<br><br>Annual Improvement Report 2019/20 (delayed) | Annual Treasury Management Review 2019/20 | Annual Review of Risk Management Strategy (delayed) | Annual Insurance Report 2019/20 (delayed)           |   |
| <b>September 2020</b>                   | Recommend for Approval of Council the Statement of | Update Report, including outstanding  | Report on Accounts to those charged                                 |   | Review of Corporate Risk Register (delayed)         | Annual Corporate Health and Safety Report           | Annual Review of the Audit and Governance Committee’s     |

| Date | Accounts  | Internal Audit   | External Audit                   | Treasury Management | Risk Management | Governance  | Other  |
|------|---|--|----------------------------------|---------------------|-----------------|---|--|
|      | <p>Accounts 2019/20 and Annual Governance Statement</p> | <p>Internal Audit 'Issues/Risks'</p> <p>Review of Internal Audit Charter (delayed)</p> | <p>with Governance (ISA 260)</p> |                     |                 | <p>2019/20 (delayed)</p> <p>Annual ICT Security Report 2019/20 (delayed)</p> <p>Annual Information Governance report – report of the SIRO</p> <p>Annual Complaints, Comments and Whistleblowing report – report of the Monitoring Officer</p> <p>Annual Policy Compliance report – report of the Monitoring Officer</p> | <p>Terms of Reference (delayed)</p> <p>Annual Report of the Committee – Chair's Report</p> |

| Date                 | Accounts | Internal Audit  | External Audit  | Treasury Management  | Risk Management  | Governance  | Other   |
|----------------------|----------|---|-----------------|--|--|---|---|
| <b>December 2020</b> |          | Update Report<br><br>Review of Internal Audit Charter   | Progress Report | Mid-Year Review of Treasury Management Activity in 2020/21           | Review of Corporate Risk Register  | Annual Corporate Health and Safety Report 2019/20<br><br>Annual ICT Security Report 2019/20 | Annual Report on Fraud and Corruption<br><br>Annual Review of Audit Committee Effectiveness<br><br>Annual Review of the Audit and Governance Committee's Terms of Reference |
| <b>February 2021</b> |          | Draft Internal Audit Strategy 2021/22 for consideration<br><br>Update Report<br><br>Outstanding Internal Audit 'Issues/Risks' | Progress Report | Treasury Management Strategy 2021/22 including Prudential Indicators | Annual Review of Risk Management Strategy<br><br>Review of Corporate Risk Register (delayed) | Progress made on External Regulatory Reports<br><br>Annual Insurance Report 2019/20         |   |