

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>REPORT TO:</b>	<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>
<b>DATE:</b>	<b>27 SEPTEMBER 2016</b>
<b>SUBJECT:</b>	<b>FINAL ACCOUNTS 2015/16</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR H E JONES</b>
<b>LEAD OFFICER(S):</b>	<b>R MARC JONES</b>
<b>CONTACT OFFICER(S):</b>	<b>BETHAN H OWEN / CLAIRE KLIMASZEWSKI</b>
<b>Nature and reason for reporting</b>	
Covering report for the presentation of the Final Statement of Accounts, commenting on the main issues arising from the Audit of the Accounts	

## **1. BACKGROUND**

- 1.1** The Isle of Anglesey County Council's draft Statement of Accounts was presented for Audit on 27 June 2016. The detailed audit work is now substantially complete and the Auditor's Report has been issued. A number of amendments to the draft have been incorporated into the Accounts.
- 1.2** Subject to the Isle of Anglesey County Council confirmation, the Accounts will be signed by the Head of Function (Resources) – Section 151 Officer and the Council's Chairman and will be published following receipt of the Auditor's Opinion.

## **2. QUALITY OF PROCESS**

- 2.1** The Statutory deadline for the completion of the Audited accounts 2015/16 has yet again been met.
- 2.2** Improvements have been made which the audit process identified last year and these improvements have continued. All issues that have arisen throughout the audit were dealt with promptly in a satisfactory manner.

## **3. AMENDMENTS TO THE ACCOUNTS**

- 3.1** The details of the main amendments to the draft accounts are set out in the Auditor's Report Appendix 3. All amendments have been agreed and have been processed and are within the Statement of Accounts.
- 3.2** The significant amendments required to the draft statement have been largely confined to:-
- Changes to the Balance Sheet in respect of Movements in the valuations of fixed assets;
  - Changes to the level of reserves and provisions to reflect revised requirements following audit, particularly in respect of Equal Pay and Job Evaluation, where a transfer from Provisions to reserves has been made to reflect the current position of these projects.

#### **4. THE AUDITOR'S RECOMMENDATIONS**

- 4.1** The Auditors, following their thorough work on our Statement of Accounts, have made 11 recommendations for improvements for the next financial year. Those recommendations have been accepted by the Finance Management Team, who will ensure that all recommendations are completed.

#### **5. RECOMMENDATIONS**

- 5.1** To accept the Statements of Accounts 2015/16
- 5.2** To note the acceptance of the Annual Governance Statement by the Audit Committee and referral to the Leader of the Council and the Chief Executive for signature.

**R MARC JONES  
HEAD OF FUNCTION (RESOURCES) & S 151 OFFICER**

**20 SEPTEMBER 2016**



# Ynys Môn

THE ISLE OF

# Anglesey

## Statement of Accounts 2015/16



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

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

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

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

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

# Contents

Reference	Description	Page
	Narrative Report	1
	The Statement of Responsibilities for the Statement of Accounts	13
	The Independent Auditor's Report	14
	Movement in Reserves Statement	16
	Comprehensive Income and Expenditure Statement	17
	Balance Sheet	18
	Cash Flow Statement	19
Note 1	Statement of Accounting Policies	20
Note 2a	Accounting Standards that have been issued but have not yet been adopted	44
Note 2b	Accounting Standards that have been issued and have been adopted	44
Note 3	Critical judgements in applying Accounting Principles	45
Note 4a	Assumptions made about future and other major sources of estimation uncertainty	45
Note 4b	Prior period adjustments, changes in accounting policies and estimates and errors	47
Note 5	Material Items of Income and Expenditure	47
Note 6	Events after Balance Sheet date	47
Note 7	Adjustments between accounting basis and funding basis under Regulations	48
Note 8	Earmarked Reserves	50
Note 9	Schools Balances	51
Note 10	Capital Receipts Reserve	51
Note 11	Unusable Reserves	52
Note 12	Other Operating Expenditure	56
Note 13	Financing and Investment Income and Expenditure	56
Note 14	Taxation and Non-specific Grant Income	56
Note 15	Non-current Assets - Property Plant and Equipment (PPE)	57
Note 16	Significant Capital Commitments	59
Note 17	Heritage Assets	59
Note 18a-c	Investment Properties	61
Note 19	Intangible Assets	62
Note 20	Capital Expenditure and Financing	63
Note 21	Assets held for Sale	63
Note 22	Leases	64
Note 23	Inventories	64
Note 24	Debtors	65
Note 25	Cash and Cash Equivalents	65
Note 26	Creditors	66
Note 27	Provisions	67
Note 28	Cash Flow from Operating Activities	67
Note 29	Cash Flow from Investing Activities	68
Note 30	Cash Flow from Financing Activities	68
Note 31	Amounts reported for Resource Allocations Decisions	68

Note 32	Trading Operations	73
Note 33	Members' Allowances	73
Note 34	Officers' Remuneration	73
Note 35	Termination Payments	75
Note 36	External Audit Fees	76
Note 37	Grants Income	76
Note 38	Related Parties	77
Note 39	Trust Funds	79
Note 40	Teacher's Pension Scheme	81
Note 41	Local Government Defined Benefit Pension Scheme	81
Note 42	Contingent Liabilities	87
Note 43	Contingent Assets	88
Note 44	Financial Instruments	88
Note 45	The Nature and Extent of Risks arising from Financial Instruments	90
Note 46	Joint committees	93
Note 47	Houses into Homes	94
Note 48	Council Tax	94
Note 49	National Non-Domestic Rates (NNDR)	95
Note 50	Maritime	96
	Housing Revenue Account (HRA) - Income and Expenditure Statement - Statement of Movement on the HRA balance - Notes to the HRA	97
Appendix 1	Related Party disclosure – Stakeholder representation with third party organisations	102
Appendix 2	Glossary	104
Appendix 3	Bibliography	112
	Annual Governance Statement	113

## **Narrative Report**

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

The narrative report is structured as follows:-

1. The Statutory Framework
2. About the Isle of Anglesey
3. Overview and performance analysis
4. Main issues from the 2015/16 Accounts
5. Explanation of the Financial Statements

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

The Council has a statutory duty to approve and publish a Statement of Accounts. The following pages relate to the Statement of Accounts for the Isle of Anglesey County Council for the year ended 31 March 2016.

The Accounts and Audit (Wales) Regulations 2014 came into force on 31 March 2015 and therefore replaced Regulation 7 of the Accounts and Audit (Wales) Regulations 2005 (SI 2005/368 (W.34), as amended) for the accounts year 2015/16 and future periods. These regulations require Welsh Local Authorities to prepare a Statement of Accounts in accordance with these regulations and proper practices.

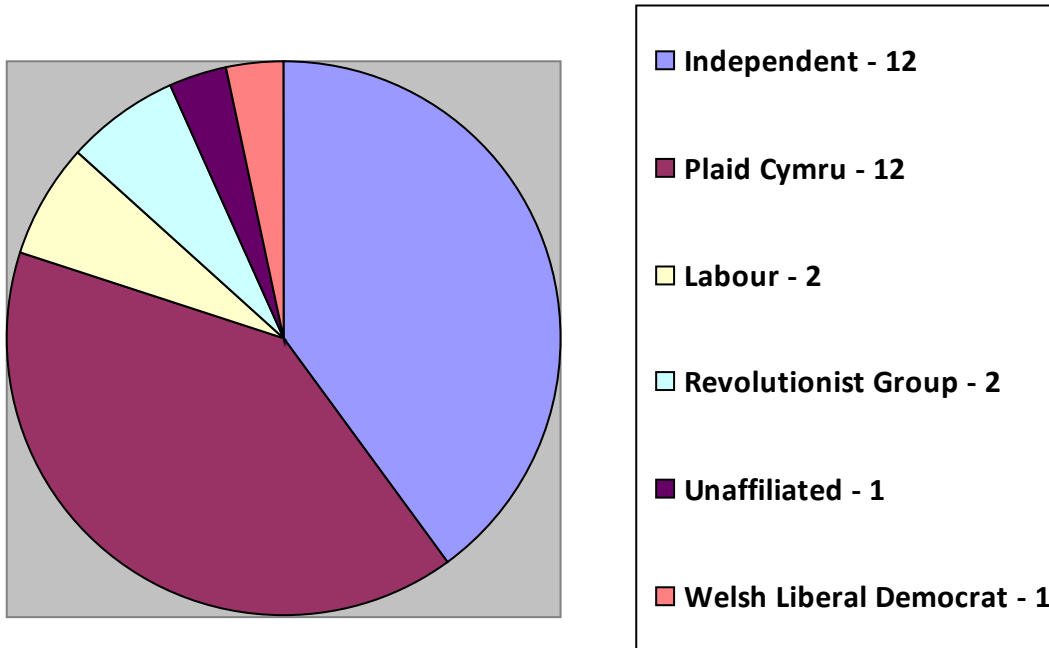
Regulation 25 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulation 2003 (SI 2003/3239 (W.319), as amended) identifies proper practices for the preparation of the Statement of Accounts. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16 issued by CIPFA, supported by International Financial Reporting Standards (IFRS). In addition this narrative incorporates guidance from HM Treasury's Financial Reporting Manual (FRoM) 2015-16, sections 5.2.1 to 5.2.10 as encouraged by the CIPFA code.

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

Isle of Anglesey County Council is a unitary Authority with a population of 70,169. 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 itself.

The Council is a politically-led organisation and has adopted a Leader and Cabinet model. It has 30 elected members representing 11 multi-member wards across the County. Throughout 2015/16 the Council operated under an Independent/Labour/Liberal Democratic coalition administration. The political make-up of the Council as at 31 March 2016 is shown below:-

### Isle of Anglesey Council's Political Groupings





### **3. Overview**

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

As Leader of the Council it is my responsibility to ensure that the important milestone of producing the Annual Statement of Accounts is achieved on time each year. The accounts provide a large amount of financial information on how the Council was funded and how it spent that money during 2015/16. It is important in terms of accountability for the Council to provide this information to residents, local Council Tax payers, businesses who pay the national 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 2015/16 the Council's net budget was £124.6m of which £30.96m came from Council Tax. The increase in Council Tax was 4.5%.

The results for the year highlight the Council's continued prudent financial management and despite the Council's net budget falling by 1.6% compared to 2014/15, increasing demand for services, notably Children's Services, and one-off expenditure as a result of severe winter weather, the Council's overall general balances and reserves (excluding HRA) increased by £1.929m which represented an increase of 7.6%.

The future for public sector funding is uncertain but further reductions in funding from central government over the next three years are likely and the Council's Medium Term Financial Strategy has identified the continued need to reduce annual revenue expenditure over this period. Having a healthy level of reserves and balances will help in the short term, but it is not a sustainable source of funding. Therefore the Council is currently reviewing all the services it delivers and looking at alternative methods of delivery which will allow the services to continue but at a lower cost. This will include working more in partnership with Town and Community Councils, Community and Voluntary Organisations and Third Sector Organisations.

The financial situation will not, however, prevent the Council from focusing on its key priorities and we will continue to invest in areas such as new schools, housing and older people services. We will also invest in Information Technology in order to modernise our business processes and improve our services to our customers. Through this continued investment, revenue savings will also result which will help the Council to deliver a balanced budget in future years.

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

**Ieuan Williams**  
**Leader of the Council**

**June 2016**

## **3.2 Key purpose and activities of the Council**

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

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

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

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

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

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

### **3.2.1 Financial scenario**

In common with all Local Authorities in Wales, Isle of Anglesey County Council needs to manage a situation whereby the costs and demands of services are growing but the amount of funding available is reducing. Over the last three years Welsh Government funding to the Council has fallen by £5.3 million in cash terms (5.5%) and it is anticipated that reductions of at least the same scale may be implemented in the next three years. Against this backdrop the Council needs to manage growing demands for services, inflationary pressures, a need to invest in the local economy to promote growth and a desire to continually improve services.

The Council has responded to the reduction in funding by making substantial savings in the last three years and continues to ensure wherever possible these are found through improving efficiency rather than impacting on services.

The key focuses for the medium term financial plan are:-

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

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

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

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

During 2015/16 work continued on these seven priorities with the following key achievements achieved during the financial year:-

1. Work has commenced on the building of two new primary schools (Ysgol Cybi and Ysgol Rhyd y Llan) under the Welsh Government's 21st century schools programme. This will see six small primary schools closing with the pupils transferring to two new schools during 2017.
2. The Council completed a £21m buyout from the Housing Revenue Account system. A 30-year business plan has been approved by the Welsh Government and work has commenced to add to the Council's existing housing stock by purchasing houses sold under the Right to Buy scheme. Plans are being developed to construct new properties.
3. The Council is in the final stages of completing an agreement with a Registered Social Landlord to build an Extra Care Facility in Llangefni. It is planned that the work to construct the new facility will commence in 2016 and it will open in late 2017. This will allow the Council to begin the process of transforming the delivery of Adult Social Care.
4. The Council continued to utilise grants under the Vibrant and Viable Places scheme to improve facilities in the Holyhead area. A further £2.4m was spent during 2015/16. The scheme enters its final year in 2016/17.
5. Work commenced to modernise and rationalise the administration of Council Services (Smarter-Working) with improvements being made to the main Council Headquarters and to the Council's IT systems. The changes will allow staff to work more flexibly without the need to be based in an office. This programme will result in the closure of two offices with the majority of the Council's administrative staff being based in one location. This will not only provide a better service to the customer but will also allow the Council to reduce costs by an estimated £300,000 per annum.

6. Despite the continued reduction in central government funding, the Council delivered £4.3m of revenue savings in 2015/16 and identified a further £3.4m in setting the 2016/17 budget. Although this has required an above inflation increase in Council Tax, Anglesey's Band D equivalent continues to be one of the lowest in Wales.
7. The Council has strengthened its Procurement function and this has delivered around £500k in revenue savings through the re-tendering of Council contracts or by the use of national procurement frameworks.
8. The Council maintained a healthy level of reserves and general balances and despite the fact that £600k was required to deal with issues arising from severe winter weather, the Council has been able to release £1m from general balances to fund specific projects aimed at improving business processes and services to customers. These projects will also deliver further revenue savings which will help the Council deal with the difficult financial circumstances it will face over the next three years.

### 3.4 Summary of Performance

#### 3.4.1 Revenue Expenditure

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The Council measures financial performance against planned activity in the form of the Council's management accounts. In 2015/16 the Council reported an under-spend of £1.8m against a planned activity of £124.6m (net budget) and achieved £4.3m of savings. The table below reflects the final budget for 2015/16 and actual income and expenditure against it.

<b>Committee</b>	<b>Annual Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
<b>Lifelong Learning</b>	53,568	51,101	(2,467)
<b>Communities</b>	29,611	29,894	283
<b>Sustainable Development</b>	24,399	19,388	(5,011)
<b>Deputy Chief Executive</b>	17,066	22,412	5,346
<b>Total Council Fund</b>	<b>124,644</b>	<b>122,795</b>	<b>(1,849)</b>

The impact of an underspend means that the Council added £1.849m to the General reserves. However, this was partly offset by use of reserves to fund severance payments and the transfer to Children's Services of £476k to help fund statutory placements for looked-after children, as approved by the Executive. The net increase in general reserves was £1.693m for the year.

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

### **3.4.2 Capital Expenditure**

The capital programme supports the Council's wider objective to deliver services and to support economic growth. In 2015/16 the Council approved a Capital Programme for non-housing services of £15.150m and approved a Capital Programme for the HRA of £8.589m. Capital commitments were brought forward from 2014/15 of £4.029m and there was a brought forward budget for the smallholdings programme. In its meeting on 20 April 2015, the Executive resolved to release additional funding in order to complete the Beaumaris Pier Scheme, and the completion of the HRA settlement buyout of £21.169m was added to the programme and subsequent to the budget setting the Council had secured additional grant funding for certain projects in 2015/16. This brings the capital budget for 2015/16 to £58.264m.

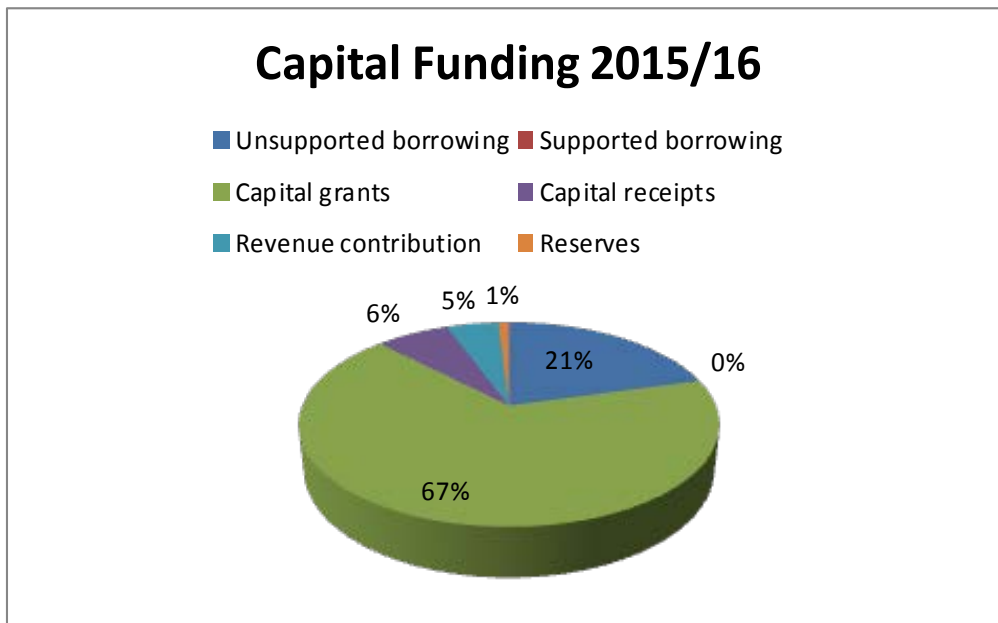
The programme has made excellent progress in year, achieving a delivery rate of 75%. It is expected that the remaining schemes will be delivered over the coming few years.

From this total spend of £43.975m, £9.491m was capitalised and added to the value of assets in the Council's Balance Sheet. The remainder was charged to the Income and Expenditure Statement as it was either in support of assets that are not in direct Council ownership (£24.541m) or did not add value to the capital assets (£9.943m).

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

<b>Scheme</b>	<b>Amount (£'000)</b>
21st Century School – Holyhead	1,969
21st Century School – Llannau	430
Anglesey Coastal	319
Market Street Improvement VVP Grant	15
Visitor Signage and Park	8
HGV Parking and Signage	6
LED Lighting	86
Purchase Vehicles	671
County Prudential Borrowing Initiative	1,971
Beaumaris Flood Alleviation	1,118
Safer Routes In Communities	181
Road Safety Grant	200
Active Travel	5
Llangefni Link Road	888
Llanbedrgoch Cemetery	20
Llanddona Cemetery	102
Beaumaris Pier	270
Smarter Working (Part of the scheme)	115
ICT Backup System	50
ICT Microsoft Exchange	61
ICT 3 Comm Refresh	50
ICT Additional Backup	20
ICT Replacement Servers	166
ICT CMS Upgrade	14
ICT Servers	40
Brwynog Refurbishment	16
Acquisition of Existing Buildings	588
Victoria Gateway VVP Grant	71
Acquisition of the Mayor's Chain	39
<b>Total</b>	<b>9,491</b>

<b>Funded by:</b>	<b>£m</b>
Unsupported borrowing	1.971
Supported borrowing	0.000
Capital grants	6.336
Capital receipts	0.635
Revenue contribution	0.456
Reserves	0.093
<b>Total</b>	<b>9.491</b>



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

As at 31 March 2016 the Authority had £110.744m of External Borrowing with the Public Works Loan Board (PWLB). At this time, the Authority's Capital Financing Requirement (CFR), which essentially is a measure of the Council's underlying borrowing need, was £127.657m. In the Treasury Management Statement for 2015/16 the Authorised Borrowing Limit for 2015/16 was £165m, 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 2016 the Authority's internal sources of funds were cash deposits at bank of £16.210m, and a Capital Expenditure Reserve of £0.900m. The External Borrowing figure was £110.744m, and further External Borrowing will be required to meet its future capital expenditure plans.

#### **3.4.3 Balance Sheet**

The Council's Balance Sheet demonstrates a good financial position at the end of 2015-16 with a net value of £174.6m, a £24.7m increase from last year, mainly due to changes to the financial assumptions used by the pension actuary when calculating the pension net liability.

The details of the Council's long-term and short-term assets and liabilities are shown in the Balance Sheet as at 31 March 2016 on page 17.

#### **Reserves**

The £24.7m increase in the Council's net worth set out above results in a £19.7m increase in unusable reserves and an £5.0m increase in usable balances (including the HRA).

#### 4. Main Issues impacting on the 2015-16 Accounts

The Council set a net budget of £124.6m for 2015/16 to be funded from a combination of Council Tax Income, NNDR and general grants. The budget included a requirement to achieve a savings figure of £4.3m, which was incorporated into the individual service budgets. The outturn position was an underspend of £1.849m. The underspend is made up of departmental under or overspends, unused contingencies and any other one-off items identified during the financial year. Below is a table identifying the variances:-

<b>Net Underspend</b>		<b>-1,849</b>
<b>Total Additional Funding From reserves</b>		
Children's Services	476	
Highways	375	
Leisure	250	
<b>Total One-off Adjustments:</b>		<b>1,101</b>
Salt Stock	220	
Adjustment of previous year's accruals	260	
<b>Total Corporate Budget &amp; Contingencies</b>		<b>480</b>
Insurance Provision	600	
Capital Financing	400	
<b>Total Corporate Budget &amp; Contingencies</b>		<b>1,000</b>
<b>Net Overspend on Service Budgets</b>		<b>732</b>

#### Pensions

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

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

The current economic climate continues to have an impact on the net Pensions Liability. One of the significant changes on the Balance Sheet relates to the Council's pensions' reserve, where the Council's liability has reduced from £125.478m to £95.022m, an improvement of £30.455m. It is important to note that the apparent improvement 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).

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



### **HRA Buy-out**

On 2 April 2015 the Housing Revenue Account (HRA) buy-out was completed and £21.169m was borrowed from the PWLB for this. The Council proceeded with the buy-out as the Council generates more income from the freedom this allows and will no longer be required to pay the annual HRA subsidy to Welsh Government. The Council has adopted a one-pool approach for loans which means that the costs of borrowing are averaged between the general fund and HRA in proportion to their respective debts.

### **Provisions**

Total provisions held by the Council amounted to £8.729m at 1 April 2015. During the year the balance decreased by £3.658m to £5.071m. The decrease is due to the fall in the job evaluation provision which has been used to fund costs incurred during the final implementation of the scheme. These costs included back-pay to staff and salary protection for staff whose pay reduced under job evaluation. A balance of £0.126m remains on the job evaluation provision to fund the final costs which will be incurred in 2016/17. The provision for Equal Pay was also reduced by £865k and moved to an earmarked reserve to fund future equal pay costs which currently difficult to quantify.

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

## **5. Explanation of the Financial Statements**

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2015/16 and its Balance Sheet as at 31 March 2016. These statements include the General Fund and the Housing Revenue Account (HRA). They set out the respective responsibilities of the Council and the Council's Head of Function (Resources) who is the designated Section 151 Officer.

### **Core Financial Statements:-**

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

- 1. The 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
- 2. 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.
- 3. 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.
- 4. The Cash Flow Statement** – shows the changes in cash and cash equivalents of the Council during the reporting period.
- 5. The Notes** – The notes to the core Financial Statements provide more details about the Council's accounting policies and items contained in the statements.

## Supplementary Financial Statements

1. **The statement of Responsibilities for the Statement of Accounts** – explains the Council's responsibilities of the S151 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 appointed External Auditor by the Auditor General for Wales. Deloitte LLP will carry out the statutory audit on behalf of the Auditor General following the Section 151 officer signing and dating the draft statement of accounts. They then issue an opinion as to whether the Accounts need to be qualified or are unqualified. The deadline for this opinion is 30 September following the year-end.
4. **Changes in Accounting Policy**

There are no material changes to accounting treatment required for 2015/16.

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

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

The Isle of Anglesey County Council is required to:-

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

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

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

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

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

The Section 151 Officer has also:-

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

### **Certificate**

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Isle of Anglesey County Council at the accounting date and its income and expenditure for the year ended 31 March 2016.

**Signed:** .....

**Richard Marc Jones**

**HEAD OF FUNCTION (RESOURCES) & SECTION 151 OFFICER**

**Dated: 27 September 2016**

### **Approval of Accounts**

In accordance with the Accounts and Audit (Wales) Regulations 2014, I certify that the Statement of Accounts was approved by Full Council on 27 September 2016

**Signed** .....

**Councillor Robert G Parry OBE**

**CHAIRMAN ISLE OF ANGLESEY COUNTY COUNCIL**

**Dated: 27 September 2016**

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

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

I have audited the accounting statements and related notes of Isle of Anglesey County Council for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

Isle of Anglesey County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

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

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

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

### **Scope of the audit of the accounting statements**

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

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

### **Opinion on the accounting statements of Isle of Anglesey County Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Isle of Anglesey County Council as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

### **Opinion on other matters**

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

### **Matters on which I report by exception**

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

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

**Certificate of completion of audit**

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

For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
30 September 2016

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2016

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	Earmarked Council Fund Reserves (Note 8)	HRA Balance (Supplementary Financial Statements)	Capital Receipts Reserve (Note 10)	Schools Balances (Note 9)	Capital Grants Unapplied (Note 14)	HRA Earmarked Reserve (Note 8)	Total Usable Reserves	Total Unusable reserves (Note 11)	Total Reserves of The Council
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance 1 April 2014</b>	<b>5,677</b>	<b>17,347</b>	<b>1,671</b>	<b>-</b>	<b>1,518</b>	<b>-</b>	<b>1,059</b>	<b>27,272</b>	<b>124,800</b>	<b>152,072</b>
<b>Movement in reserves during the year</b>										
Surplus/(Deficit) on provision of services	(9,148)	-	(692)	-	-	-	-	(9,840)	-	(9,840)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	7,078	7,078
<b>Total Comprehensive Income and Expenditure</b>	<b>(9,148)</b>	<b>-</b>	<b>(692)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,840)</b>	<b>7,078</b>	<b>(2,762)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	9,973	-	1,842	-	-	-	-	11,815	(11,815)	-
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>825</b>	<b>-</b>	<b>1,150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,975</b>	<b>(4,737)</b>	<b>(2,762)</b>
Transfers to/(from) Earmarked Reserves (note 8)	691	(1,568)	-	-	920	-	(43)	-	-	-
<b>Increase/(Decrease) In Year</b>	<b>1,516</b>	<b>(1,568)</b>	<b>1,150</b>	<b>-</b>	<b>920</b>	<b>-</b>	<b>(43)</b>	<b>1,975</b>	<b>(4,737)</b>	<b>(2,762)</b>
<b>Balance 31 March 2015</b>	<b>7,193</b>	<b>15,779</b>	<b>2,821</b>	<b>-</b>	<b>2,438</b>	<b>-</b>	<b>1,016</b>	<b>29,247</b>	<b>120,063</b>	<b>149,310</b>
<b>Movement in reserves during the year</b>										
Surplus/(Deficit) on provision of services	(3,491)	-	(20,521)	-	-	-	-	(24,012)	-	(24,012)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	48,762	48,762
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,491)</b>	<b>-</b>	<b>(20,521)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,012)</b>	<b>48,762</b>	<b>24,750</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	5,420	-	23,726	-	-	-	-	29,146	(29,146)	-
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>1,929</b>	<b>-</b>	<b>3,205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,134</b>	<b>19,616</b>	<b>24,750</b>
Transfers to/(from) Earmarked Reserves (note 8)	(236)	212	1,016	-	24	-	(1,016)	-	-	-
<b>Increase/(Decrease) In Year</b>	<b>1,693</b>	<b>212</b>	<b>4,221</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>(1,016)</b>	<b>5,134</b>	<b>19,616</b>	<b>24,750</b>
<b>Balance 31 March 2016</b>	<b>8,886</b>	<b>15,991</b>	<b>7,042</b>	<b>-</b>	<b>2,462</b>	<b>-</b>	<b>-</b>	<b>34,381</b>	<b>139,679</b>	<b>174,060</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2016

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.

2015/16				2014/15			
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
723	(429)	294	Central Services	463	(430)	33	
6,927	(3,177)	3,750	Cultural and related services	7,777	(3,382)	4,395	
68,319	(14,572)	53,747	Children and educational services	72,978	(13,586)	59,392	
15,980	(3,932)	12,048	Highways and transport services	14,235	(3,395)	10,840	
36,552	(14,894)	21,658	Council housing (HRA)	16,955	(14,435)	2,520	
24,220	(22,729)	1,491	Other housing services	25,413	(22,973)	2,440	
29,952	(7,313)	22,639	Adult social care	31,014	(8,820)	22,195	
8,184	(3,725)	4,459	Planning and development	9,133	(3,911)	5,222	
10,950	(2,791)	8,159	Environmental services	11,607	(2,377)	9,230	
16,412	(949)	15,463	Corporate and democratic core	11,637	(1,009)	10,628	
96	-	96	Non-distributed costs	224	-	224	
<b>218,315</b>	<b>(74,511)</b>	<b>143,804</b>	<b>Deficit on Continuing Operations</b>	<b>201,436</b>	<b>(74,318)</b>	<b>127,119</b>	
		9,224	Other operating expenditure	12		9,616	
		9,664	Financing and investment income and expenditure	13		10,201	
		(138,680)	Taxation and non-specific grant Income	14		(137,096)	
		<b>24,012</b>	<b>Deficit on Provision of Services</b>			<b>9,840</b>	
		(12,825)	Surplus on revaluation of non-current assets	11c, 15 & 17		(38,252)	
		(35,938)	Re-measurement of net Pension liability	11ch & 41		31,174	
		<b>(48,763)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(7,078)</b>	
		<b>(24,751)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>2,762</b>	

## BALANCE SHEET AS AT 31 MARCH 2016

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-Mar-2016 £'000	31-Mar-2015 £'000
Property, plant and equipment	15	350,283	344,077
Heritage assets	17	3,194	3,212
Investment property	18	5,983	7,145
Intangible assets	19	417	332
Long-term investments	44	1	-
Long-term debtors	24	688	430
<b>Long-term Assets</b>		<b>360,566</b>	<b>355,196</b>
Short-term investments	44	-	-
Assets held for sale	21	6,388	2,137
Inventories	23	452	566
Short-term debtors	24	23,358	21,154
Cash and cash equivalents	25	17,624	12,405
<b>Current Assets</b>		<b>47,822</b>	<b>36,262</b>
Short-term borrowing	44	(9)	(1,688)
Short-term creditors	26	(22,130)	(16,244)
Short-term provisions	27	(2,559)	(6,160)
Capital grants receipts in advance	37	(1,302)	(380)
<b>Current Liabilities</b>		<b>(26,000)</b>	<b>(24,472)</b>
Long-term creditors	26	(59)	(55)
Long-term provisions	27	(2,512)	(2,569)
Long-term borrowing	44	(110,735)	(89,575)
Other long-term liabilities	41	(95,022)	(125,477)
<b>Long-term Liabilities</b>		<b>(208,328)</b>	<b>(217,676)</b>
<b>Net Assets</b>		<b>174,060</b>	<b>149,310</b>
Usable reserves	MIRS	34,381	29,247
Unusable reserves	11	139,679	120,063
<b>Total Reserves</b>		<b>174,060</b>	<b>149,310</b>



## CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2016

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	2015/16 £'000	2014/15 £'000
<b>Net Deficit on the provision of services</b>		(24,012)	(9,840)
Adjustments to net surplus or deficit on the provision of services for non- cash movements	28	50,453	31,981
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(13,919)	(11,038)
<b>Net cash flows from operating activities</b>		<b>12,522</b>	<b>11,103</b>
<b>Net cash flows from investing activities</b>	29	<b>(5,514)</b>	<b>(5,424)</b>
<b>Net cash flows from financing activities</b>	30	<b>(1,789)</b>	<b>267</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,219</b>	<b>5,946</b>
Cash and cash equivalents at the beginning of the financial year	25	12,405	6,459
<b>Cash and cash equivalents at the end of the financial year</b>	25	<b>17,624</b>	<b>12,405</b>

## **NOTES TO THE ACCOUNTS**

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

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

<b>Policy Reference</b>	<b>Policy Title</b>
1	General Principles
2	Accruals of Income and Expenditure
3	Events After the Balance Sheet Date
4	Jointly Controlled Operations and Jointly Controlled Assets
5	Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
6	Value Added Tax (VAT)
7	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	Grants Receivable
21	Revenue Expenditure Funded from Capital Under Statute (REFCUS)
22	Overheads and Support Services
23	Foreign Currency
24	Charges to Revenue for Non-Current Assets
25	Employee Benefits
26	Equal Pay, Single Status and Job Evaluation Claims
27	Exceptional Items
28	Accounting for NNDR
29	Agency Income and Expenditure

## **1. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its financial position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the CIPFA Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS). All principal accounting policies have been applied consistently throughout the year.

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

Transactions are accounted for in the year that they take place, not simply when cash payments are made or received. This accruals accounting approach provides a more complete basis for reporting the Council's financial performance as it includes the Council's future commitments to pay/receive cash for goods and services received but not paid by 31 March 2016. 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;
- 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 S151 Officer before the accounts are approved by members. The law requires that the audited, authorised final accounts are completed by 30 September following the year-end. Two types of events can be identified:-

- those that provide evidence of conditions that existed at the end of the financial year – the Statement of Accounts is adjusted to reflect such events;

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

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

#### **4. Jointly Controlled Operations and Jointly Controlled Assets**

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

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

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

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

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

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

#### **6. Value Added Tax (VAT)**

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

## 7. Fair Value Measurement

IFRS13 Fair Value Measurement, which is effective from 1 April 2015, requires most non-current assets, liabilities and financial instruments to be valued at fair value often with regard to an active market value where available. For operational assets the standard introduces the concept of fair value being based on current value (often value in use) for revaluations of Property, Plant and Equipment. This means measurement should reflect the market conditions for the service or function at the reporting date. The standard provides different fair valuation approaches to differing asset types. For non-operational assets, i.e. investment assets, assets held for sale and surplus assets, these are valued at their highest and best use. Where there is an alternative use which would be of a higher fair value, that is, the fair value which would be used for the valuation of non-operational assets. Any new measurement basis arising from IFRS13 is effective prospectively, that is, applies to transactions from 1 April 2015 onwards. The amounts relating to the prior period 2014/15 do not need to be recalculated and restated. The code does not require infrastructure assets to be revalued at current value. Infrastructure assets are instead valued at depreciated historical cost. This is due to significant changes to the valuation of infrastructure assets (roads, etc.) from 2016/17 onwards.

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

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

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

### **8.1 Recognition**

Non-current assets - Plant, Property and Equipment (PPE) are physical assets which last a year or more and will be used by the Council in support of its provision of goods and services. The Council has set a minimum amount for expenditure on assets to be classed as capital expenditure. This de-minimus amount is £30,000. Expenditure on the acquisition, creation or enhancement of non-current assets which cost £30,000 or more is capitalised on an accruals basis providing that it meets the above definition of a non-current asset. Plant, Property and Equipment would include assets such as machinery, it would not typically include assets held for sale, as they would normally be expected to be disposed of within 12 months.

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

### **8.2 Measurement**

Assets are initially measured at cost, comprising:-

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

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

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

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

- Infrastructure, community assets and assets under construction are valued at depreciated historical cost;
- Council dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);

- All other operational assets have been measured at current value based on existing use value (EUV). This means that the current value of land and buildings would be that amount which would be exchanged for an asset in its existing use. If there is no market evident for an asset due to its specialist nature or if the type of asset is rarely sold, the Authority estimates the current value using a depreciated replacement cost approach. For example for property comprising land and buildings depreciated replacement cost would be the market value for the existing use for the land on which the building sits plus the current gross replacement cost of the building less allowances for physical deterioration, obsolescence and optimisation.
- Where an asset is not held for the purpose of generating cash flows, value in use is assumed to be at least equal to the cost of replacing the asset's service potential.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In practice, the Council undertakes valuations of its assets based on a five-year rolling programme. However, assets with a carrying value over £500k are revalued each year.

Increases in asset values are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, revaluation gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

### **8.3 Impairment**

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

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

- significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset;
- evidence of obsolescence or physical damage of an asset;

- a commitment by the Council to undertake a significant reorganisation; and
- a significant adverse change in the statutory or other regulatory environment in which the Council operates.

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

Where impairment losses are identified 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 45 years.

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

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

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



## **8.5 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 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). 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 under Non-Current Assets - Property, Plant and Equipment).

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

## **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 2016 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 is as follows:-

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

## **9. Investment Properties**

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

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

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

The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) 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 intangible assets is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are, therefore, carried at cost less accumulated amortisation. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. 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 £10,000) the Capital Receipts Reserve.

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

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

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

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

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

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

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

#### **13. Financial Instruments**

Financial instruments are measured at fair value in accordance with IFRS13. The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **13.1 Financial Liabilities**

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

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

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

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

### **13.2 Financial Assets**

Financial assets are classified into two types:-

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

### **13.2.1 Loans and Receivables**

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

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

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

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. However, the Council has made a limited number of loans to employees and at less than market rates (soft loans). The Council has determined that the value of the individual loans of notional interest foregone is negligible and so has not adjusted the entries to the Income and Expenditure in respect of these soft loans.

### **13.2.2 Available-for-Sale Financial Assets**

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

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

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

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

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

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

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

### **14.1 Provisions**

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

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

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

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

#### **14.2 Contingent Liabilities**

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

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

#### **14.3 Contingent Assets**

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

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

### **15. Reserves**

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

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

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



## **16. Revenue Recognition**

Revenue is recognised in the Comprehensive Income and Expenditure Statement for the year in which it is earned rather than when the cash is paid. 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 for periods up to five years 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. The Council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:-

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

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

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

### **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)

The Comprehensive Income and Expenditure Statement is charged with the following amounts to record the real cost of holding non-current assets during the year:-

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

The Council is not required to raise Council Tax to cover these costs. However, it is required to set aside an annual contribution from revenue towards its overall borrowing requirement. These costs are, therefore, replaced by the Minimum Revenue Provision (MRP) by way of an adjusting entry 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 General Fund Balance in the Movement in Reserves Statement. The Local Government Act 2003 requires the Council to charge the Council Fund a provision for the redemption of debt. This is then reduced by the amount of depreciation charge already made to the Comprehensive Income and Expenditure Statement to leave the net MRP chargeable to the Council Fund.

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

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

The Housing Revenue Account (HRA) provision is calculated as being 2% of the opening HRA Capital Financing Requirement (CFR). The Council Fund provision is based on 4% of the opening non-HRA CFR for all projects with the exception of projects funded by unsupported borrowing. The MRP for these projects is based on the useful life of the asset. An exception to this policy arises in respect of expenditure which is subject to a capitalisation direction issued under Section 40(6) of the Local Government and Housing Act 1989. Any such expenditure will be amortised either in accordance with the above policy or over the number of years specified within the direction.

## 20. Grants Receivable

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until 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 those that benefit from the supply or service in accordance with the costing principles of the Chartered Institute of Public Finance Accounting (CIPFA) Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:-

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

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

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

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

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

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

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

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

## **25. Employee Benefits**

### **25.1 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.

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

Where termination benefits involve the enhancement of pensions (usually in the form of added years), these costs are treated as pension costs for the purpose of the statutory transfer between the Pensions Reserve and the General Fund of the amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations.

### **25.3 Post-Employment Benefits**

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

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

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

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

### **25.5 The Local Government Pension Scheme**

All employees (other than teachers) and Councillors, subject to certain qualifying criteria, are able to join the Local Government Pension Scheme. The Scheme is known as the Gwynedd Pension Fund and is administered by Gwynedd Council in accordance with the Local Government Pension Scheme Regulations 2013 on behalf of all participating employers. Under International Accounting Standard (IAS 19), the Local Government Scheme is accounted for as a defined benefits scheme;

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

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

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

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

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

- a)** Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- b)** Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs. Net interest on the net defined benefit liability, i.e. the net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, to the net defined liability at the beginning of the period (taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments);
- 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;
  - The re-measurement of the net defined benefit liability – 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)** Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- d)** Contributions paid to the Gwynedd Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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



## **25.6 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.

## **26. Equal Pay, Single Status and Job Evaluation Claims**

The Council is the subject of equal pay, single status and job evaluation claims from current and former employees that it intends to defend. However, the Council has prudently set up both a reserve and a provision to meet the costs arising from these potential liabilities. The Statement of Accounts, therefore, does not currently reflect the actual value of the claims but rather an estimate of the financial liabilities which will arise from them. In 2015/16, a significant amount of job evaluation costs have been paid which have been funded from the provision made in prior years.

## **27. 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. An example of this for 2015/16 is the HRA buy-out of £21.169m, which was a one-off exceptional transaction and will be shown on the face of the HRA Comprehensive Income and Expenditure Statement with relevant disclosures.

## **28. Accounting for NDR**

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 NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records; however, for final accounts purposes these balances are consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool. The cost of collection allowance received by 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 amount paid into the NDR National Pool is included within financing activities in the Cash Flow Statement.

## **29. Agency Income and Expenditure**

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

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) will introduce the undermentioned changes in accounting policies. These changes will, in 2016/17, require retrospective implementation from 1 April 2015.

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs (2010 – 2012 Cycle)
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs (2012 – 2014 Cycle)
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

The code does not anticipate that the above amendments will have a material impact on the information provided in the financial statements. However, in 2016/17 the comparator 2015/16 Comprehensive Income and Expenditure Statement and Movement in Reserves must reflect the new format required from 2016/17.

In addition, a significant change to the accounting for Highways Network Asset (HNA) will be implemented from 1 April 2016. This applies prospectively, i.e. there is no requirement to restate opening balances at 1 April 2015. The changes required from 2016/17 are likely to significantly increase the value of the Highways Network Asset on the Balance Sheet due to a change in valuation basis from depreciated historic cost to depreciated replacement cost.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 introduced a number of new requirements for Councils to comply with updated reporting standards that have been adopted. The relevant changes relate to the following standards, all of which will, where they apply, be amended for accounts produced for financial periods starting after 1 April 2015.

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

The changes are adopted retrospectively but, as the Statement of Accounts already reflects the requirements of these reporting standards in so much as they apply to the Council there is no need to restate prior period accounting data.

Annual improvements to IFRS (2011-13 cycle) clarify the circumstances where it is necessary to include comparative information in the accounts. Comparative information is already included within these statements in line with the revised requirements.

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

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:-

- The Accounts have been prepared on a going concern basis, which assumes that the functions and services provided by the Council will continue in operational existence for the foreseeable future. No recognition has, to date, been made of proposals being made for Local Government reorganisation which may come to fruition within the next three to four years.
- The Council has determined that a number of assets which are used for social or economic development purposes are not solely held for income generation or capital appreciation purposes and, therefore, do not meet the definition of investment properties. As a consequence, these assets are shown as Non-Current Assets - Property, Plant and Equipment within the Balance Sheet. In accordance with current guidance regarding the treatment of certain types of schools, only the value of the land for voluntary controlled schools is included in the Balance Sheet. As the Council does not own these types of schools, and does not have access to them for valuation purposes, the value of the buildings is excluded from the Balance Sheet. In addition to this, as regards Voluntary-Aided and Foundation Schools, neither the value of land nor the buildings, are included on the Balance Sheet.
- Capital and revenue grants are reviewed regularly to assess whether the terms and conditions attached to the respective grants have been met. If the terms and conditions have been met they will be recognised within the Comprehensive Income and Expenditure Statement in the year. If not, they will be carried within the Balance Sheet within creditors until such time as either the terms and conditions associated with the grant are met or the grant is repaid to the grant provider should the terms and conditions not be met. This treatment can result in material balances being carried in the Balance Sheet as deferred income.
- The group boundaries have been reviewed using the criteria outlined in the relevant accounting standards and Code of Practice; the Council has not identified any companies or organisations that would require it to complete group accounts.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

The following items in the Council's Balance Sheet at 31 March 2016 may be considered to be most vulnerable for estimating error in the forthcoming financial year:-

**Non-Current Assets - Property, Plant and Equipment** – Assets are depreciated over useful lives in accordance with standard accounting practices. Any difference between the depreciation applied and actual deterioration to assets will naturally reflect in future spending patterns. Information relating to Property, Plant and Equipment is contained in Note 15 on page 56.

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

Applying this in practice requires two judgements to be made, to establish:-

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

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

**Council Housing** - The Council's Housing stock is valued under a standard methodology, part of which requires the application of an adjustment factor to allow for the difference between rents and yields on private sector and social housing. There is currently no published adjustment factor for Wales, and therefore the Council has selected the most comparable of the English regions and applied the published factor for that, which was 31%. Should a specific factor be published, either for Wales as a whole, or on a regional basis, then this will be applied.

**Provisions** –The Council has made provision for a series of uncertainties which could result in significant costs in later years. These principally relate to equal pay, after-care costs for the Penhesgyn landfill site, prospective termination benefits for staff leaving the Council and potential liabilities arising from insurance claims. Full details are contained in Note 27. A change in the anticipated value of settlements for equal pay by 10% would increase or decrease the expected value of the liability by approximately £0.302m.

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

**Doubtful Debts Impairment/Allowance** – As at 31 March 2016, the Council had a short-term net debtor balance of £23.358m. A review of arrears balance suggested that impairment for doubtful debts of £5.4m was appropriate. Any differences between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Doubtful Debts impairments are contained within the figures for Short Term Debtors contained in Note 24 on page 63.

#### **Fair Value Measurement.**

Fair value measurement will be in accordance with IFRS13 Fair Value Measurement as reported in the CIPFA Code of Practice 2015/16. In most cases, fair value is a market-based measurement. IFRS13 provides more direction and clarity in relation to valuation of assets and liabilities. However, where there is no observable market to value against, this will involve professional judgement. When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities. The depreciated replacement cost (DRC) model is used to measure the fair value of some of the authority's investment properties and financial assets.

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

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

#### **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 27 September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no events between the 31 March 2016 and 27 September 2016 which affect the main financial statements. However the EU referendum result on 23 June 2016 to leave the European Union does not change any specific financial information within the accounts. The result has created a more uncertain economic environment which potentially increases the risks to the authority as discussed in Note 45.

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

2015-16	Usable Reserves				Movement in
	Council	Housing	Capital	Capital	Unusable
	Fund	Revenue	Receipts	Grants	Reserves
Balance	Account	Reserve	Unapplied		
	£'000	£'000	£'000	£'000	£'000
<b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>					
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Charges for depreciation, impairment and amortisation of non-current assets	13,030	9,268	-	-	(22,298)
Revaluation losses/(Gains) on Property, Plant and Equipment	(765)	(134)	-	-	899
Movements in the market value of Investment Properties	(186)	-	-	-	186
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(8,585)	(2,919)	-	-	11,504
Revenue expenditure funded from capital under statute	880	21,169	-	-	(22,049)
Carrying amount of Non-current Assets sold	1,399	285	-	-	(1,684)
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Minimum Revenue Provision for Capital Funding	(3,606)	(453)	-	-	4,059
Capital expenditure charged against the Council Fund and HRA balances	(180)	(2,725)	-	-	2,905
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>					
Proceeds from Sale of Non-current Assets	(3,024)	(794)	3,818	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(3,818)	-	3,818
Use of capital reserve to finance capital expenditure	(115)	-	-	-	115
Other Capital Receipts	-	-	-	-	-
Capital Receipts Reserve set aside to repay debt	-	-	-	-	-
<b><u>Adjustments involving the Financial Instruments Adjustment Account:</u></b>					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	97	38	-	-	(135)
<b><u>Adjustments involving the Pensions Reserve:</u></b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	14,036	228	-	-	(14,264)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,556)	(228)	-	-	8,784
<b><u>Adjustment involving Unequal Pay Back Adjustment Account</u></b>					
Amounts charged to CIES that are different from the cost of settlements chargeable in year in accordance with statutory requirements	713	-	-	-	(713)
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account</u></b>					
Adjustments in relation to short-term compensated absences	282	(9)	-	-	(273)
<b>Total Adjustments</b>	<b>5,420</b>	<b>23,726</b>	<b>-</b>	<b>-</b>	<b>(29,146)</b>

2014/15	Usable Reserves				Movement in
	Council	Housing	Capital	Capital	Unusable
	Fund	Revenue	Receipts	Grants	Reserves
	Balance	Account	Reserve	Unapplied	
	£'000	£'000	£'000	£'000	£'000
<b><u>Adjustments primarily involving the Capital Adjustment Account:</u></b>					
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Charges for depreciation, impairment and amortisation of non-current assets	12,787	8,394	-	-	(21,181)
Revaluation losses on Property, Plant and Equipment	1,540	-	-	-	(1,540)
Movements in the market value of Investment Properties	1,199	-	-	-	(1,199)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(5,718)	(2,650)	-	-	8,368
Revenue expenditure funded from capital under statute	1,862	-	-	-	(1,862)
Carrying amount of non-current assets sold	1,111	189	-	-	(1,300)
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u></b>					
Minimum Revenue Provision for Capital Funding	(3,662)	(1,009)	-	-	4,671
Capital expenditure charged against the Council Fund and HRA balances	(230)	(2,633)	-	-	2,863
<b><u>Adjustments involving the Capital Receipts Reserve:</u></b>					
Proceeds from Sale of Non-Current Assets	(2,100)	(474)	2,574	-	-
Use of the Capital Receipts Reserve to finance capital expenditure			(2,427)	-	2,427
Other Capital Receipts	(96)	-	96	-	-
Capital Receipts Reserve set aside to repay debt	-	-	(243)	-	243
<b><u>Adjustments involving the Financial Instruments Adjustment Account:</u></b>					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	106	31	-	-	(137)
<b><u>Adjustments involving the Pensions Reserve:</u></b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	11,703	198	-	-	(11,901)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,552)	(198)	-	-	8,750
<b><u>Adjustment involving Unequal Pay Back Adjustment Account</u></b>					
Amounts charged to CIES that are different from the cost of settlements chargeable in year in accordance with statutory requirements	-	-	-	-	-
<b><u>Adjustment involving the Accumulating Compensated Absences Adjustment Account</u></b>					
	23	(6)	-	-	(17)
<b>Total Adjustments</b>	<b>9,973</b>	<b>1,842</b>	<b>-</b>	<b>-</b>	<b>(11,815)</b>

## NOTE 8 – EARMARKED RESERVES

	Balance as at	Transfers In	Transfers Out	Balance as at	Transfers In	Transfers Out	Balance as at
	01/04/2014	2014/15	2014/15	31/03/2015	2015/16	2015/16	31/03/2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	565	495	(290)	770	313	(184)	899
Penhesgyn Waste Landfill Site Reserve	2,000	-	-	2,000	-	-	2,000
Service Reserves	1,623	-	(1,623)	-	-	-	-
Restricted Reserves	6,306	3,545	(1,640)	8,211	1,333	(1,661)	7,883
Job Evaluation	2,356	3,317	(3,145)	2,528	244	(2)	2,770
Equal Pay	-	-	-	-	865	-	865
Recycling	229	67	(32)	264	60	-	324
Performance Management Reserve	1,440	-	(1,440)	-	-	-	-
Major Repairs Reserve (HRA)	860	-	-	860	-	(860)	-
Insurance Fund	2,535	626	(1,000)	2,161	175	(1,086)	1,250
Other	491	-	(491)	-	-	-	-
<b>Total</b>	<b>18,405</b>	<b>8,050</b>	<b>(9,661)</b>	<b>16,794</b>	<b>2,990</b>	<b>(3,793)</b>	<b>15,991</b>

### Purpose of Earmarked Revenue Reserves

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

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

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

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

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

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



## NOTE 9 – SCHOOLS BALANCES

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

	Balance 01/04/2014	Addition / (Reduction) for 2014/15	Balance 31/03/2015	Addition / (Reduction) for 2015/16	Balance 31/03/2016
	£'000	£'000	£'000	£'000	£'000
Community and Voluntary Primary Schools	1,035	476	1,511	205	1,716
Community Secondary Schools	309	320	629	(325)	304
Community Special School	5	93	98	68	166
Foundation Primary School	169	31	200	76	276
<b>Total</b>	<b>1,518</b>	<b>920</b>	<b>2,438</b>	<b>24</b>	<b>2,462</b>

At 31 March 2016, all schools had balances in surplus apart from three primary schools (four as at 31 March 2015) and one secondary school (two as at 31 March 2015), which had a combined deficit of £0.160m (£0.348m as at 31 March 2015). 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, which have not yet been used to finance capital expenditure. From April 2004 all receipts are usable, although some of the HRA receipts were set-aside on a voluntary basis to repay debt, in order to match the subsidy on the HRA. The Council has since bought out of the subsidy arrangement with Welsh Government through a PWLB loan and therefore, this set-aside is no longer required. The amounts set-aside were transferred to the Capital Adjustment Account.

	2015/16	2014/15
	£'000	£'000
<b>Balance 1 April</b>	-	-
Capital Receipts in year (net of reduction for administration costs)	3,818	2,670
	<b>3,818</b>	<b>2,670</b>
<b>Less:</b>		
Receipts set aside to repay debt	-	(243)
Capital Receipts used for financing	(3,818)	(2,427)
<b>Balance 31 March</b>	<b>-</b>	<b>-</b>

## NOTE 11 – UNUSABLE RESERVES

	31/03/2016	31/03/2015
	£'000	£'000
a) Capital Adjustment Account	142,604	163,189
b) Financial Instruments Adjustment Account	(250)	(115)
c) Revaluation Reserve	96,045	85,178
ch) Pensions Reserve	(95,022)	(125,477)
d) Unequal Pay Reserve	(2,151)	(1,438)
dd) Accumulating Compensated Absences Adjustment Account	(1,547)	(1,274)
<b>Total Unusable Reserves</b>	<b>139,679</b>	<b>120,063</b>

### a) Capital Adjustment Account

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

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 on page 47 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Balance at 1 April		163,189		170,542
<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	(22,298)		(21,181)	
Revaluation losses on Property, Plant and Equipment	899		(1,540)	
Revenue expenditure funded from capital under statute	(22,048)		(1,862)	
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		(1,684)		(1,300)
		<b>(45,131)</b>		<b>(25,883)</b>
Adjusting amounts written out of the Revaluation Reserve		1,959		1,157
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(43,172)</b>		<b>(24,726)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	3,818		2,427	
Use of capital reserve	115		-	
Application of grants to capital financing from the Capital Grants unapplied account	-		-	
Capital Receipts Reserve set aside to repay debt	-		243	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,504		8,368	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	4,059		4,671	
Capital expenditure charged against the Council Fund and HRA balances	2,905		2,863	
		<b>22,401</b>		<b>18,572</b>
Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement		186		(1,199)
<b>Balance at 31 March</b>		<b>142,604</b>		<b>163,189</b>

**b) Financial Instruments Adjustment Account**

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

Financial Instruments Adjustment Account	2015/16	2014/15
	£'000	£'000
<b>Balance at 1 April</b>	<b>(115)</b>	<b>22</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	(135)	(137)
<b>Balance at 31 March</b>	<b>(250)</b>	<b>(115)</b>

### c) Revaluation Reserve

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

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

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

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

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

Revaluation Reserve	2015/16	2014/15
	£'000	£'000
<b>Balance at 1 April</b>	<b>85,178</b>	<b>48,083</b>
Revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	12,826	38,252
Difference between fair value depreciation and historical cost depreciation	(1,470)	(928)
Revaluation balances on assets scrapped or disposed of	(489)	(229)
<b>Balance at 31 March</b>	<b>96,045</b>	<b>85,178</b>

### ch) Pensions Reserve

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

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

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

Pensions Reserve	2015/16 £'000	2014/15 £'000
<b>Balance at 1 April</b>	<b>(125,477)</b>	<b>(91,152)</b>
Re-measurement of net defined liability	35,938	(31,174)
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	(14,266)	(11,901)
Employers' pension contribution and direct payment to pensioners payable in the year	8,783	8,750
<b>Balance at 31 March</b>	<b>(95,022)</b>	<b>(125,477)</b>

#### d) Unequal Pay Reserve

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

Unequal Pay Reserve	2015/16 £'000	2014/15 £'000
<b>Balance at 1 April</b>	<b>(1,438)</b>	<b>(1,438)</b>
Increase in provision for back pay in relation to Equal Pay cases	(713)	-
Cash settlements paid in the year	-	-
<b>Balance at 31 March</b>	<b>(2,151)</b>	<b>(1,438)</b>

#### dd) Accumulating Compensated Absences Adjustment Account

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

Accumulating Compensated Absences Adjustment Account	2015/16 £'000	2014/15 £'000
Settlement or cancellation of accrual made at the end of the preceding year	(1,274)	(1,257)
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	(273)	(17)
<b>Amounts accrued at the end of the current year</b>	<b>(1,547)</b>	<b>(1,274)</b>

## NOTE 12 – OTHER OPERATING EXPENDITURE

	2015/16 £'000	2014/15 £'000
Precept paid to North Wales Police	7,107	6,844
Precept paid to Community Councils	1,059	1,000
(Surplus) / Losses on the disposal of non-current assets (Including De-recognition)	(1,999)	(1,335)
Levies	3,204	3,201
Other	(147)	(94)
<b>Total</b>	<b>9,224</b>	<b>9,616</b>

## NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2015/16 £'000	2014/15 £'000
Interest payable and similar charges	5,985	5,117
Net interest on the defined liability	4,038	3,903
Interest receivable and similar income	(89)	(91)
Income and expenditure in relation to investment properties and changes in their fair value	(270)	1,272
<b>Total</b>	<b>9,664</b>	<b>10,201</b>

	2015/16 £'000	2014/15 £'000
<b>Income/Expenditure from Investment Properties:</b>		
Income including rental income	(848)	(789)
Expenditure	764	735
<b>Net income from investment properties</b>	<b>(84)</b>	<b>(54)</b>
<b>Deficit on sale of Investment Properties:</b>		
Proceeds from sale	-	(36)
Carrying amount of investment properties sold	-	108
<b>Deficit on sale of Investment Properties:</b>	<b>-</b>	<b>72</b>
<b>Changes in Fair Value of Investment Properties</b>	<b>(186)</b>	<b>1,254</b>
<b>Total</b>	<b>(270)</b>	<b>1,272</b>

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

	2015/16 £'000	2014/15 £'000
Council Tax Income	33,485	31,820
Non Domestic Rates Redistribution	20,471	22,124
Revenue Support Grant	67,268	68,827
Council Tax Reduction Scheme Grant	5,228	5,237
Other Government Grants	725	720
Capital Grants Applied to fund Capital Expenditure	11,504	8,368
<b>Total Taxation and Non-Specific Grant Income</b>	<b>138,681</b>	<b>137,096</b>

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

2015/16	Property, Plant and Equipment								Total £'000
	Council Dwellings	Land and Buildings	Infra-structure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Constr-uction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Cost or Valuation</b>									
At 1 April 2015	118,255	181,586	70,265	9,584	9	472	1,590	381,761	
Adjustment Cost and Depreciation	-	2,336	1,926	10	-	-	(38)	4,234	
Additions (Note 20)	6,077	4,648	4,162	1,065	-	3,287	-	19,239	
Revaluation inc. / (decr.) to (Rev. Reserve)	(10,805)	6,105	-	-	-	-	(244)	(4,944)	
Revaluation inc / (decrease) to Surplus / Deficit on the Prov. of Services	-	223	-	-	-	-	(221)	2	
Derecognition - Disposals	(297)	(1,224)	-	-	-	-	(50)	(1,571)	
Derecognition - other	(5,489)	(4,454)	-	-	-	-	-	(9,943)	
Reclassifications & Transfers from Assets Held for Sale	-	550	-	-	-	-	-	550	
Reclassified to Held for Sale Assets	-	(916)	-	-	-	-	-	(916)	
Reclassified to Surplus Assets	-	(150)	-	-	-	-	150	-	
Reclassified to Investment Property	-	(370)	-	-	-	-	-	(370)	
<b>Balance as at 31 March 2016</b>	<b>107,741</b>	<b>188,334</b>	<b>76,353</b>	<b>10,659</b>	<b>9</b>	<b>3,759</b>	<b>1,187</b>	<b>388,042</b>	
<b>Depreciation and Impairment</b>									
At 1 April 2015	5,520	10,190	15,900	5,962	-	-	112	37,684	
Adjustment Cost and Depreciation	-	2,336	1,926	10	-	-	(38)	4,234	
Depreciation Charge	3,607	5,035	2,811	750	-	-	25	12,228	
Depreciation written out to Revaluation Reserve	(9,115)	(5,682)	-	-	-	-	(48)	(14,845)	
Depreciation written out to Surplus or Deficit on the Provision of Services	-	(1,377)	-	-	-	-	-	(1,377)	
De-recognition - Disposals	(12)	(30)	-	-	-	-	-	(42)	
Reclassification to Assets Held for Sale	-	(19)	-	-	-	-	-	(19)	
Reclassification to Surplus Assets	-	(9)	-	-	-	-	9	-	
Reclassification to Investment Property	-	(104)	-	-	-	-	-	(104)	
<b>Balance as at 31 March 2015</b>	<b>-</b>	<b>10,340</b>	<b>20,637</b>	<b>6,722</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>37,759</b>	
<b>Net Book Value</b>									
<b>Balance as at 31 March 2016</b>	<b>107,741</b>	<b>177,994</b>	<b>55,716</b>	<b>3,937</b>	<b>9</b>	<b>3,759</b>	<b>1,127</b>	<b>350,283</b>	

2014/15

	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infra-structure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2014	101,233	185,727	65,778	9,255	9	10	1,263	363,275
Additions (Note 20)	5,519	4,283	4,487	333	-	1,816		16,438
Revaluation inc. / (decr.) to (Rev. Reserve)	11,698	(4,080)	-	-	-	-	55	7,673
Revaluation inc / (decrease) to Surplus / Deficit on the Prov. of Services	-	(1,744)	-	-	-	-		(1,744)
Derecognition - Disposals	(217)	(660)	-	-	-	-	(12)	(889)
Reclassifications & Transfers	22	(377)	-	(4)	-	(1,354)	355	(1,358)
Reclassified to Held for Sale Assets	-	(1,563)	-	-	-	-	(71)	(1,634)
<b>Balance as at 31 March 2015</b>	<b>118,255</b>	<b>181,586</b>	<b>70,265</b>	<b>9,584</b>	<b>9</b>	<b>472</b>	<b>1,590</b>	<b>381,761</b>
<b>Depreciation and Impairment</b>								
At 1 April 2014	14,441	15,127	13,012	4,972	-	-	87	47,639
Adjustment between cost/ depreciation	-	-	-	-	-	-	-	-
Depreciation Charge	2,745	4,619	2,888	986	-	-	28	11,266
Depreciation written out to Revaluation Reserve.	(17,160)	(13,447)	-	-	-	-	28	(30,579)
Depreciation written out to Surplus or Deficit on the Provision of Services.	-	(248)	-	-	-	-	-	(248)
Impairment losses/referrals to Surplus or Deficit on the Provision of Services	5,519	4,210	-	4	-	-	-	9,733
Derecognition – Disposals	(28)	(56)	-	-	-	-	-	(84)
Reclassifications & Transfers	3	28	-	-	-	-	(31)	-
Reclassifications to held for Sale Assets	-	(43)	-	-	-	-	-	(43)
<b>Balance as at 31 March 2015</b>	<b>5,520</b>	<b>10,190</b>	<b>15,900</b>	<b>5,962</b>	<b>-</b>	<b>-</b>	<b>112</b>	<b>37,684</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2015</b>	<b>112,735</b>	<b>171,396</b>	<b>54,365</b>	<b>3,622</b>	<b>9</b>	<b>472</b>	<b>1,478</b>	<b>344,077</b>
<b>Balance as at 31 March 2014</b>	<b>86,792</b>	<b>170,600</b>	<b>52,766</b>	<b>4,283</b>	<b>9</b>	<b>10</b>	<b>1,176</b>	<b>315,636</b>

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



## Revaluations

The Council has £361.534m recognised as Property, Plant and Equipment and Heritage Assets on its Balance Sheet as at 31 March 2016. The Council has now adopted a five-year rolling programme for the valuation of its land and property. However, PPE assets with a fair value of £500k or more are revalued each year. The programme is constructed in such a way as to ensure that entire classes of assets within its land and property portfolio greater than £500k are revalued in a single year. The valuations are undertaken by the Council's in-house valuation team who are members of the Royal Institute of Chartered Surveyors (RICS). The valuations have been completed in accordance with IFRS13. Non-property assets have not been revalued as the Council has judged that the carrying value of these assets is approximate to fair value, given their relatively short useful economic lives and the relative value of these assets.

## NOTE 16 - SIGNIFICANT CAPITAL COMMITMENTS

At 31 March 2016, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment giving rise to significant capital commitments in 2016/17 and future years as follows: Similar commitments to 31 March 2014 were £1.2m. The significant increase is the result of progress being made in the rollout of the Authority's 21<sup>st</sup> Century Schools programme and progress with the Llangefni Link Road. The 21<sup>st</sup> Century Schools programme and the Link Road will receive significant funding from Welsh Government.

Contract	Commitment into 2016/17 & future years
	£'000
21st Century Schools - Holyhead	7,540
21st Century Schools - Llannau	4,496
Llangefni Link Road	3,064
<b>Total</b>	<b>15,100</b>

## NOTE 17 – HERITAGE ASSETS 2015/16

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

2014/15

	Art Collection and Civic Regalia	Heritage Land & Buildings	Total Heritage Assets
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
<b>At 1 April 2014</b>	<b>1,840</b>	<b>1,644</b>	<b>3,484</b>
Additions	-	-	-
Disposal	(45)	-	(45)
Revaluation to Revaluation Reserve	64	-	64
Reclassification from Investment Property	(64)	-	(64)
<b>At 31 March 2015</b>	<b>1,795</b>	<b>1,644</b>	<b>3,439</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>At 1 April 2014</b>	-	171	171
Depreciation Charge	-	56	56
<b>At 31 March 2015</b>	-	227	227
<b>Net Book Value</b>			
<b>At 31 March 2015</b>	<b>1,795</b>	<b>1,417</b>	<b>3,212</b>
<b>At 31 March 2014</b>	<b>1,840</b>	<b>1,473</b>	<b>3,313</b>

### Revaluation of Heritage Assets

A number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. At 31 March 2016, there were four such assets (unchanged from 31 March 2015):-

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

Revaluation of these assets follows the Council's standard revaluation procedures for land and property. The Heritage assets were last revalued in 2011/12.

A valuation for the Art Collections was obtained during 2012/13 and the resulting value was reflected in the 2012/13 Accounts. The last valuation is based on a representative sample of the collections. The valuation was carried out by Bonhams of London, a firm of international Art Auctioneers and Valuers.

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

## NOTE 18a – INVESTMENT PROPERTIES

	2015/16	2014/15
	£'000	£'000
<b>Balance at start of the year</b>	7,145	7,139
Additions:		
- Subsequent expenditure	-	-
Disposals	-	(107)
Net gains/(losses) from fair value adjustments	186	(1,254)
Transfers:		
(to)/from Asset held for Sale	(1,613)	-
-(to)/from Property, Plant and Equipment	265	1,367
<b>Balance at end of the year</b>	<b>5,983</b>	<b>7,145</b>

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

### Note 18b – Fair Value Measurement of Investment Properties

#### 2015/16 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 2016
	£'000	£'000	£'000	£'000
Retail Properties		1,754		
Office units		605		
Commercial units		3,624		
		-		
<b>Total</b>		<b>5,983</b>		<b>-</b>

### Note 18c – Valuation approaches used in the valuation of investment properties

#### 18c.1 Residential

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

## 18c.2 Investment Properties

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

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

### NOTE 19 – INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £70k charged to revenue in 2015/16 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

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

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

	2015/16	2014/15
	£'000	£'000
<b>Balance at start of year:</b>		
Gross carrying amounts	1,092	1,068
Accumulated amortisation	(760)	(689)
<b>Net carrying amount at start of year</b>	<b>332</b>	<b>379</b>
Additions	155	24
Amortisation for the financial year	(70)	(71)
<b>Net carrying amount at end of year</b>	<b>417</b>	<b>332</b>
Comprising:		
Gross carrying amounts	1,247	1,092
Accumulated amortisation	(830)	(760)
<b>Net carrying amount at end of year</b>	<b>417</b>	<b>332</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.

	2015/16 £'000	2014/15 £'000
<b>Opening Capital Financing Requirement</b>	<b>108,576</b>	<b>108,825</b>
<b>Capital Invested in Year</b>		
Property, Plant and Equipment	19,239	16,437
Intangible Assets	155	24
Heritage Assets	39	-
Revenue Expenditure Funded from Capital Under Statute	24,542	4,826
<b>Total</b>	<b>43,975</b>	<b>21,287</b>
<b>Source of Finance</b>		
Capital Receipts	(3,818)	(2,427)
Capital Reserve	(115)	-
Government Grants and Contributions	(11,504)	(8,368)
Revenue Provisions	(2,905)	(2,863)
REFCUS Grants	(2,494)	(2,964)
Minimum Revenue Provision and Set Aside	(4,059)	(4,914)
<b>Total</b>	<b>(24,895)</b>	<b>(21,536)</b>
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>19,080</b>	<b>(249)</b>
<b>Closing Capital Financing Requirement</b>	<b>127,656</b>	<b>108,576</b>
<b>Explanation of movement in year</b>		
Increase in underlying need to borrow supported by Government assistance	-	2,399
Increase in underlying need to borrow unsupported by Government assistance	23,139	2,266
Minimum Revenue Provision and Voluntary Set Aside	(4,059)	(4,914)
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>19,080</b>	<b>(249)</b>

## NOTE 21 – ASSETS HELD FOR SALE

	Current		Non-Current	
	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000
<b>Balance outstanding at start of year</b>	2,137	1,011	-	-
<b>Assets newly classified as held for sale:</b>				
Transferred from Property, Plant and Equipment during the year	897	1,578	-	-
Transferred from Investment Property during the year	1,615	-	-	-
Transfer to Property, Plant and Equipment	(550)	-	-	-
Cost of Assets Sold	(155)	(388)	-	-
Revaluation	2,444	(64)	-	-
<b>Balance outstanding at year-end</b>	<b>6,388</b>	<b>2,137</b>	<b>-</b>	<b>-</b>

## NOTE 22 – LEASES

### Operating Leases

The Council had leased two properties at 31 March 2016 for its homelessness function (nine properties at 31 March 2015) and the lease rentals for the year totalled £0.012m (£0.077m 2014/15). These properties have break clauses at 12 months. The reduction is due to a deliberate policy to return empty leased properties to their owners rather than pay rental on an empty property during the year.

The Council also holds certain items of plant and equipment under operating leases or rental agreements within schools and other Council departments. The charge to revenue for these items is £0.150m in 2015/16 (£0.170m in 2014/15).

## NOTE 23 – INVENTORIES

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

	31-Mar-16	31-Mar-15
	£'000	£'000
Work In Progress	53	108
Central Stores – Building Maintenance Unit	146	157
Gofal Môn - Social Services supplies	90	112
Other – Stationery and other consumables, fuel and goods held for resale	163	189
<b>Total</b>	<b>452</b>	<b>566</b>

## NOTE 24 - DEBTORS

	Long Term Debtors		Short Term Debtors	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£'000	£'000	£'000	£'000
Government Departments	-	-	5,430	8,817
NNDR and Council Tax	-	-	5,749	4,252
Other Local Authorities	-	-	1,037	1,287
Rents	-	-	208	334
Public Corporations and Trading funds	-	-	-	2
Employee Car Loans	291	235	135	271
Health Service /Public Bodies	-	-	977	878
Vat	-	-	2,052	2,150
Prepayments	-	-	-	407
Trusts	-	-	534	286
Trade Debtors	299	97	2,383	875
Bodies external to Central Government	-	-	-	125
Other	98	98	4,853	1,470
<b>Total</b>	<b>688</b>	<b>430</b>	<b>23,358</b>	<b>21,154</b>

The above debtors' figures are net of bad debt provisions totalling £5.414m in 2015/16 (£5.442m in 2014/15), which can be analysed as follows:-

	31-Mar-16	31-Mar-15	Movement in Year
	£'000	£'000	
Council Tax	1,199	1,459	(260)
NNDR	701	577	124
Rents	608	596	12
Trade Debtors	2,906	2,810	96
<b>Total</b>	<b>5,414</b>	<b>5,442</b>	<b>(28)</b>

## NOTE 25 - CASH AND CASH EQUIVALENTS

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

	31-Mar-16	31-Mar-15
	£'000	£'000
Cash and Bank balances	17,624	13,208
Bank Overdraft		(803)
<b>Total</b>	<b>17,624</b>	<b>12,405</b>

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

## NOTE 26 – CREDITORS

	Long Term Creditors		Short Term Creditors	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£'000	£'000	£'000	£'000
Government Departments	-	-	5,541	2,177
Other Authorities	-	-	500	1,950
Public corporations and trading funds	-	-	-	3
Bodies External to Central Government	-	-	-	29
Trust Balances	-	-	888	826
Health service/Public Bodies	-	-	144	115
Accumulated Absences	-	-	1,547	1,274
Receipts in advance	-	-	645	958
Trade creditors	-	-	3,666	1,396
Other	59	55	9,199	7,516
<b>Total Creditors</b>	<b>59</b>	<b>55</b>	<b>22,130</b>	<b>16,244</b>

## NOTE 27 - PROVISIONS

	Balance at 01-Apr-14	Increase in Provisions during year	Utilised during year	Balance at 31-Mar-15	Increase in Provisions during year	Utilised during year	Balance at 31-Mar-16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Claims Provision	601	363	(743)	221	38	-	259
Penhesgyn Waste Site	2,669	-	(100)	2,569	-	(57)	2,512
Termination Benefits	141	24	(142)	23	-	-	23
Job Evaluation	-	2,900	-	2,900	-	(2,774)	126
Equal Pay	1,897	1,122	(3)	3,016	-	(865)	2,151
<b>Total</b>	<b>5,308</b>	<b>4,409</b>	<b>(988)</b>	<b>8,729</b>	<b>38</b>	<b>(3,696)</b>	<b>5,071</b>
<b>Short Term Provisions</b>	<b>2,613</b>	<b>4,409</b>	<b>(862)</b>	<b>6,160</b>	<b>38</b>	<b>(3,639)</b>	<b>2,559</b>
<b>Long Term Provisions</b>	<b>2,695</b>	<b>-</b>	<b>(126)</b>	<b>2,569</b>	<b>-</b>	<b>(57)</b>	<b>2,512</b>
<b>Total</b>	<b>5,308</b>	<b>4,409</b>	<b>(988)</b>	<b>8,729</b>	<b>38</b>	<b>(3,696)</b>	<b>5,071</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 from site closure is deemed acceptable.

#### Termination Benefits

The provision is to meet known future liabilities arising from staff reductions following the restructure of Council departments. Benefits are currently being paid either in the year in which the termination is agreed or by payments in instalments to Gwynedd Pension Fund.

#### Job Evaluation

The provision is to allow for back pay awarded as a result of a Council-wide review of employee terms and conditions.

**Equal pay** – This is a provision for ongoing legal claims against the Council in relation to Equal Pay.



## NOTE 28 – CASH FLOW FROM OPERATING ACTIVITIES

	2015/16	2014/15
	£'000	£'000
<b>Adjustment to surplus or deficit on the Provision of Services for non-cash movements</b>		
Depreciation and Impairment	22,298	21,181
HRA buy-out	21,169	-
Downward/(upwards) revaluations and non-sale de-recognitions/(gains)	(899)	1,540
Amortisation	70	71
(Increase)/Decrease in Inventories	114	(119)
(Increase)/Decrease in Debtors	(2,462)	3,547
Increase/(Decrease) in impairments for Bad Debts	(28)	(160)
Increase /(Decrease) in Creditors	5,890	(3,151)
Increase/(Decrease) in Capital Grants receipts in advance	922	-
Transactions within the CIES relating to retirement benefits	5,481	3,152
Carrying amount of non-current assets sold	1,684	1,300
Contributions to/(from) Provisions	(3,600)	3,421
Movement in value of investment properties - Impairment and downward revaluations (and non-sale derecognitions)	(186)	1,199
	<b>50,453</b>	<b>31,981</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
(Gain)/losses from the sale of Property, Plant and Equipment, investment property and assets held for sale	(2,415)	(2,670)
Capital grants included in "Taxation and non-specific grant income"	(11,504)	(8,368)
<b>Total</b>	<b>(13,919)</b>	<b>(11,038)</b>

## NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

	2015/16	2014/15
	£'000	£'000
Purchase of Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets	(19,433)	(16,462)
Short Term Investments (not considered to be cash equivalents)	-	-
Gain/(losses) from the sale of Property, Plant and Equipment, Investment Property and Assets Held for Sale	2,415	2,670
Capital Grants and Contributions Received	11,504	8,368
<b>Net Cash flows from Investing Activities</b>	<b>(5,514)</b>	<b>(5,424)</b>

## NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

	2015/16	2014/15
	£'000	£'000
Cash Receipts from Short and Long-Term Borrowing	-	-
Difference between cash paid and received as part of NNDR Pool 2015/16	(1,044)	-
Other	(745)	267
<b>Net Cash flows from Financing Activities</b>	<b>(1,789)</b>	<b>267</b>

	2015/16	2014/15
	£'000	£'000
Interest Received	(88)	(91)
Interest Paid	5,985	5,117

## NOTE 31 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

## Amounts Reported For Resource Allocation Decisions

### 2015/16 – Directorate Analysis

	Education & Lifelong Learning	Community Services	Sustainable Development	Deputy Chief Executive	Corporate and Democratic Core	Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	(5,926)	(7,606)	(13,552)	(11,103)	(56)	(15,808)	(54,051)
Government Grants and other contributions	(14,221)	(8,159)	(7,104)	(19,575)	-	(2,997)	(52,056)
<b>Total Income</b>	<b>(20,147)</b>	<b>(15,765)</b>	<b>(20,656)</b>	<b>(30,678)</b>	<b>(56)</b>	<b>(18,805)</b>	<b>(106,107)</b>
Employee expenses	47,222	15,489	13,616	9,057	-	2,107	87,491
Other Service Expenditure	23,828	29,001	25,831	23,764	1,350	13,380	117,154
Support Service Expenditure	102	83	216	1,175	-	7	1,583
<b>Total Expenditure</b>	<b>71,152</b>	<b>44,573</b>	<b>39,663</b>	<b>33,996</b>	<b>1,350</b>	<b>15,494</b>	<b>206,228</b>
<b>Net Expenditure</b>	<b>51,005</b>	<b>28,808</b>	<b>19,007</b>	<b>3,318</b>	<b>1,294</b>	<b>(3,311)</b>	<b>100,121</b>

### 2014/15 – Directorate Analysis

	Education & Lifelong Learning	Community Services	Sustainable Development	Deputy Chief Executive	Corporate and Democratic Core	Housing Revenue Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	(13,354)	(11,113)	(15,758)	(10,686)	-	(22,627)	(73,538)
Government Grants	(8,917)	(5,020)	(5,103)	(18,975)	-	-	(38,015)
<b>Total Income</b>	<b>(22,271)</b>	<b>(16,133)</b>	<b>(20,861)</b>	<b>(29,661)</b>	<b>-</b>	<b>(22,627)</b>	<b>(111,553)</b>
Employee expenses	46,564	15,128	13,089	8,629	224	2,212	85,846
Other Service Expenditure	24,524	29,228	31,983	23,812	3,230	13,436	126,213
Support Service Expenditure	838	2,625	(3,932)	4,710	-	(2,638)	1,603
<b>Total Expenditure</b>	<b>71,926</b>	<b>46,981</b>	<b>41,140</b>	<b>37,151</b>	<b>3,454</b>	<b>13,010</b>	<b>213,662</b>
<b>Net Expenditure</b>	<b>49,655</b>	<b>30,848</b>	<b>20,279</b>	<b>7,490</b>	<b>3,454</b>	<b>(9,617)</b>	<b>102,109</b>

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

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

	2015/16	2014/15
	£'000	£'000
<b>Net expenditure in the Directorate analysis</b>	100,121	102,109
Net expenditure of services and support services not included in the analysis	42,089	29,034
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	22,698	2,944
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(21,104)	(6,968)
<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>	<b>143,804</b>	<b>127,119</b>

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

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

2015/16

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of recharge	Amounts not included in CIES	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(54,051)	-	-	26,755	-	(27,296)	-	(27,296)
Interest and investment income	-	-	-	-	-	-	(88)	(88)
Income from council tax	-	-	-	-	-	-	(33,485)	(33,485)
Government grants and contributions	(52,056)	-	-	-	-	(52,056)	(105,196)	(157,252)
<b>Total Income</b>	<b>(106,107)</b>	<b>-</b>	<b>-</b>	<b>26,755</b>	<b>-</b>	<b>(79,352)</b>	<b>(138,769)</b>	<b>(218,121)</b>
Employee expenses	87,491	216	1,529	-	(1,529)	87,707	-	87,707
Other service expenses	117,154	19,575	21,169	(25,172)	(19,575)	113,151	4,038	117,189
Support Service recharges	1,583	-	-	(1,583)	-	-	-	-
Depreciation, amortisation and impairment and other capital charges	-	22,298	-	-	-	22,298	-	22,298
Interest Payments	-	-	-	-	-	-	5,985	5,985
Precepts & Levies	-	-	-	-	-	-	11,370	11,370
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(2,416)	(2,416)
<b>Total expenditure</b>	<b>206,228</b>	<b>42,089</b>	<b>22,698</b>	<b>(26,755)</b>	<b>(21,104)</b>	<b>223,156</b>	<b>18,977</b>	<b>242,133</b>
<b>Surplus or deficit on the provision of services</b>	<b>100,121</b>	<b>42,089</b>	<b>22,698</b>	<b>-</b>	<b>(21,104)</b>	<b>143,804</b>	<b>(119,792)</b>	<b>24,012</b>

2014/15

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of recharge	Amounts not included in CIES	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(73,538)	-	10,506	34,176	-	(28,856)	-	(28,856)
Interest and investment income	-	-	-	-	-	-	(91)	(91)
Income from council tax	-	-	-	-	-	-	(31,901)	(31,901)
Government grants and contributions	(38,015)	319	(10,506)	-	-	(48,202)	(105,839)	(154,041)
<b>Total Income</b>	<b>(111,553)</b>	<b>319</b>	<b>-</b>	<b>34,176</b>	<b>-</b>	<b>(77,058)</b>	<b>(137,831)</b>	<b>(214,889)</b>
Employee expenses	85,846	-	2,944	-	-	88,790	-	88,790
Other service expenses	126,213	7,534	-	(32,573)	(6,968)	94,206	4,453	98,659
Support Service recharges	1,603	-	-	(1,603)	-	-	-	-
Depreciation, amortisation and impairment and other capital charges	-	21,181	-	-	-	21,181	1,272	22,453
Interest Payments	-	-	-	-	-	-	5,117	5,117
Precepts & Levies	-	-	-	-	-	-	11,045	11,045
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(1,335)	(1,335)
<b>Total expenditure</b>	<b>213,662</b>	<b>28,715</b>	<b>2,944</b>	<b>(34,176)</b>	<b>(6,968)</b>	<b>204,177</b>	<b>20,552</b>	<b>224,729</b>
<b>Surplus or deficit on the provision of services</b>	<b>102,109</b>	<b>29,034</b>	<b>2,944</b>	<b>-</b>	<b>(6,968)</b>	<b>127,119</b>	<b>(117,279)</b>	<b>9,840</b>

## NOTE 32 – TRADING OPERATIONS

The Council has no Trading Operations.

## NOTE 33 - MEMBERS' ALLOWANCES

A total of £0.677m (£0.683m in 2014/15) was paid in respect of allowances to Council Members during the year as follows:-

	2015/16	2014/15
	£'000	£'000
Basic and Special responsibility allowances	548	555
Chairman and Deputy Chairman's Allowance	6	6
Pension Costs	57	55
National Insurance Costs	38	39
Travel Costs	12	16
Subsistence	4	-
Miscellaneous	11	12
<b>Total</b>	<b>677</b>	<b>683</b>

In addition, the Council spent £8,814 on expenses for lay members. (£13,329 in 2014/15)

## NOTE 34 – OFFICERS' REMUNERATION

The number of employees whose actual remuneration paid was more than £60,000 but not more than £150,000 in 2015/16, excluding pension contributions but including severance pay, is as follows:-

Officer Remuneration	Including	Including	Excluding	Excluding
	Severance Pay	Severance Pay	Severance Pay	Severance Pay
	2015/16	2014/15	2015/16	2014/15
	Number of	Number of	Number of	Number of
	Employees	Employees	Employees	Employees
£60,000 to £65,000	5	6	5	5
£65,001 to £70,000	3	3	2	3
£70,001 to £75,000	3	3	3	3
£75,001 to £80,000	-	1	2	1
£80,001 to £85,000	-	1	-	1
£85,001 to £90,000	-	-	-	-
£90,001 to £95,000	1	-	1	-
£95,001 to £115,000	-	-	-	-
£115,001 to £135,000	1	-	-	-
£135,001 to £155,000	-	-	-	-
Over £155,000	1	-	-	-
<b>Total</b>	<b>14</b>	<b>14</b>	<b>13</b>	<b>13</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 £60,000 per annum. Senior employees whose remuneration exceeds £150,000 per annum are also named individually to comply with statutory requirements:-

**2015/16**

Senior Officer Remuneration 15/16	Salary, Fees and Allowances £'000	Expenses Allowances £'000	Compensation for loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive - Left 31/05/2015	24	-	-	4	28
Chief Executive - Commenced 01/06/2015	92	1	-	17	110
Assistant Chief Executive - Commenced 01/01/2016	22	-	-	4	26
Assistant Chief Executive - Commenced 02/11/2015	35	7	-	7	49
Director- Community - Left 31/12/2015	75	-	48	14	137
Director - Sustainable Development (Arthur Owen) - Left 31/12/2015	78	-	87	14	179
Head of Function - Legal & Admin	74	-	-	14	88
Head of Function - Resources - Commenced 26/10/2015	35	1	-	7	43
Director - Lifelong Learning - Left 31/05/2015	17	-	-	3	20
Head of Profession - HR	61	-	-	11	72
Head of Service (Housing)	65	1	-	12	78
Head of Service (Economic)	63	1	-	12	76
Head of Service (Learning)	72	2	-	13	87
Head of Service (Children's)	63	1	-	12	76
Head of Service (Adults)	71	-	-	13	84
Head of Service (Planning )	63	-	-	12	75
Head of Service (Environment)	65	1	-	12	78
<b>Total</b>	<b>975</b>	<b>15</b>	<b>135</b>	<b>181</b>	<b>1,306</b>



Comparative figures for 2014/15 are shown in the following table:-

Senior Officer Remuneration 14/15	Salary, Fees and Allowances £'000	Expenses Allowances £'000	Compensation for loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive (Richard Parry Jones) *	144	1	-	26	171
Deputy Chief Executive	114	-	-	21	135
Director (Lifelong Learning)	99	2	-	18	119
Director (Sustainable Development)	99	1	-	18	118
Head of Function (Resources) (Left 16 July 2014)	23	-	19	4	46
Director (Community)	99	1	-	18	118
Head Of Function – Legal & Administration	72	-	-	14	86
Head of Human Resources	63	1	-	12	76
Head of Service (Housing)	64	1	-	12	77
<b>Total</b>	<b>777</b>	<b>7</b>	<b>19</b>	<b>143</b>	<b>946</b>

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

The remuneration ratio of the Chief Executive to the median remuneration of all employees during 2015/16 is 6.47:1.(7.6:1 in 2014/15).

#### NOTE 35 - TERMINATION PAYMENTS

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

EXIT Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £000	2014/15 £000
£0 - £20,000	24	9	23	12	47	21	378	142
£20,001 - £40,000	1	-	14	9	15	9	428	232
£40,001 - £60,000	-	-	6	2	6	2	276	94
£60,001 - £80,000	-	-	2	-	2	-	127	-
£80,001 - £100,000	1	-	-	-	1	-	89	-
£100,001 - £250,000	1	-	1	-	2	-	234	-
<b>Total</b>	<b>27</b>	<b>9</b>	<b>46</b>	<b>23</b>	<b>73</b>	<b>32</b>	<b>1,532</b>	<b>468</b>

## NOTE 36 – EXTERNAL AUDIT FEES

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

	2015/16	2014/15
	£'000	£'000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	191	193
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for prior years	18	18
Fees payable to the Wales Audit Office in respect of statutory inspections	114	130
Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns for the year	106	119
Fees payable to Wales Audit Office in respect of other services	-	7
Fees payable to PricewaterhouseCoopers LLP for other work as appointed auditor	-	4
<b>Total</b>	<b>429</b>	<b>471</b>

## NOTE 37 – GRANTS INCOME

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

	Note	2015/16	2014/15
		£'000	£'000
<b>Credited to Taxation and Non-Specific Grant Income</b>			
Council Tax Reduction Scheme Grant	14	5,228	5,237
Revenue Support Grant (Non-ring-fenced Government Grants)	14	67,267	68,827
Capital Grants and Contributions (Capital Grants and Contributions)	14	8,848	5,718
Grant - Major Repairs Allowance (Capital Grants and Contributions)	14	2,656	2,650
Other (Non-ringfenced Government Grants)	14	725	720
<b>Total</b>		<b>84,724</b>	<b>83,152</b>
<b>Credited to Services</b>			
<b>Grants:</b>			
Post-16 Grant (Education)		2,616	2,711
Foundation Phase Grants (Education)		1,935	2,369
Concessionary Fares Grant		735	726
Housing Benefit Subsidy		18,694	18,186
Supporting People Grant (SPG & SPRG)		2,644	2,887
Sustainable Waste Management		1,713	1,713
<b>Total</b>		<b>28,337</b>	<b>28,591</b>
<b>Other Grants:</b>			
Central Services		77	76
Cultural and Related Services		516	454
Children and Education Services		3,379	4,080
Highways and Transport Services		1,532	1,210
Other Housing Services		1,284	1,172
Adult Social Care Grants		779	480
Planning and Development		756	1,297
Environmental Services		40	90
Corporate and Democratic Core		498	565
<b>Total</b>		<b>8,861</b>	<b>9,424</b>
<b>Contributions:</b>			
		<b>11,939</b>	<b>10,506</b>
<b>Total</b>		<b>133,861</b>	<b>131,674</b>

## Capital Grants Received in Advance

	2015/16	2014/15
	£'000	£'000
Opening balance	380	288
Add: new capital grants received in advance (condition of use not met)	11,555	9,135
Capital Grants repaid	(43)	(193)
Less: amounts released to the Comprehensive Income and Expenditure Account (conditions met)	(10,590)	(8,850)
<b>Closing Balance</b>	<b>1,302</b>	<b>380</b>

### NOTE 38 – RELATED PARTIES

The Council appoints members to certain public, charitable and voluntary bodies. During 2015/16, a total of £4.546m was paid in grants for the purchase of services from these bodies (£4.556m 2014/15). The Council has assessed the materiality of individual transactions arising through related parties and the following disclosures are concerned with transactions between the Council and the related party that have a value in excess of £0.02m:-

The Council is a member of the Welsh Local Government Association, to which subscriptions of £0.079m were paid in 2015/16 (£0.066m 2014/15).

Members have declared interests in contracts or in organisations which may have dealings with the Council in the Statutory Register of Members' Interests. A total of £nil was paid by the Council in 2015/16 in relation to these interests (£0.008m 2014/15).

The Welsh Government is a key related-party as the Welsh Government has considerable influence on the Authority through legislation and grant funding. The Authority also acts as an agent for the Welsh Government in the collection and payment to Welsh Government of the National Non-Domestic Rates from businesses on the Isle of Anglesey. Material transactions between the Authority and the Welsh Government are disclosed throughout the accounts as relevant.

Betsi Cadwalader University Health Board, through common control by central Government, is a related party to the Council. Payments made by the Council for 2015/16 to BCUHB amounted to £1.256m (£1.322m 2014/15) and no further amounts were owed at year-end. Receipts taken in by the Council from BCUHB came to £1.049m (£2.799m 2014/15), with £0.872m (£0.803m 2014/15) due from our related party at year-end.

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

### INTERESTS IN COMPANIES

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

### **Cwmni Gwastraff Môn-Arfon Cyf**

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

Following a change in legislation, the two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff transferred to the Council in 2008, together with a balancing amount in cash. The investment has been revalued each year and most of the shareholders' funds have been returned to the two Councils. The remaining interest in the company at 31 March 2016 is not material to the accounts of the Council.

### **Cwmni Cynnal Cyf**

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

The company accounts for 2014/15 show a net loss of £0.09m (£0.072m 2013/14). The turnover for 2014/15 was £3.013m (£3.429m 2013/14). The company's published accounts show net liabilities of £0.508m as at 31 March 2015 (net assets were £0.499m at 31 March 2014).

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 2015 is not qualified. During 2015/16 financial year, the Council accounted for costs of £1.128m (£1.133m 2014/15) relating to the purchase of services from the company.

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

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

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

During the 2015/16 financial year, the Council accounted for £0.449m (£0.379m 2014/15) for purchase of services from the company.

The Company accounts for 2014/15 (that is to year ended 30 September) show a net positive movement in funds of £5.281m (net positive movement in funds of £4.23m 2013/14). The turnover for 2014/15 was £40.704m (£39.31m 2013/14) and net assets amounted to £32.04m as at 30 September 2015 (£26.76m as at 30 September 2014).

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 2015 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 2016. The company's objectives are to promote economic growth in rural Anglesey. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound.

During the 2015/16 financial year, the Council made payments of £0.133m to the company in support of the activities (£0.255m 2014/15).

The company accounts for the financial year ended 31 December 2014 shows net income before tax of £0.003m (net income after tax of £0.223m in 2013/14). The turnover for 2014 was £5.782m (£6.717m in 2013) and net assets amounted to £0.535m as at 31 December 2014 (£0.631m in 2013).

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 2014 is not qualified.

### **Caergeiliog Foundation School**

Balances for current assets and liabilities controlled by Caergeiliog Foundation School are included in these accounts, and so the school's reserves, as stated in this Balance Sheet, represent only the net current assets. The school also has non-current assets that are stated on the school's Balance Sheet at £0.613m at 31 March 2016 (£0.627m at 31 March 2015) 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. Besides the legacies left for purposes such as prize funds at schools and comforts and improvements in Social Services establishments, the Council is also responsible for the following Trust funds:-

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

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

In 2015/16, the Council received £0.215m (£0.215m in 2014/15) from the Trust towards the running costs of Oriel Ynys Môn.

#### **Welsh Church Fund**

The investments of this fund are currently being administered by Gwynedd Council on behalf of the successor authorities of Gwynedd County Council, although there are plans to transfer them to this Council. The scheme for the administration of the fund provides that the income is to be applied to charitable purposes - educational, recreational and social - at the discretion of the Council. In the future, Anglesey's share of the Welsh Church Fund will be transferred to the Isle of Anglesey County Council to administer.

### **Anglesey Further Education Trust Fund (Req. 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 2016, the balances of these Trust funds (at market value of the assets) are:-

<b>Pre Audited Statement Summary</b>	<b>2015/16 Income £'000</b>	<b>2015/16 Expenditure £'000</b>	<b>2015/16 Assets £'000</b>	<b>2015/16 Liabilities £'000</b>
Isle of Anglesey Charitable Trust	527	894	20,110	914
Welsh Church Fund	6	11	957	20
Anglesey Further Education Trust	94	118	3,235	4

<b>Audited Statement Summary</b>	<b>2014/15 Income £'000</b>	<b>2014/15 Expenditure £'000</b>	<b>2014/15 Assets £'000</b>	<b>2014/15 Liabilities £'000</b>
Isle of Anglesey Charitable Trust	537	795	20,793	763
Welsh Church Fund	5	15	934	12
Anglesey Further Education Trust	95	80	3,267	22

Please note that previously unrealised gains on the valuation of assets had been included in the income column for the Isle of Anglesey Charitable Trust. However, this has been excluded for 2015/16 as these gains are not income in the traditional sense and the inclusion of unrealised gains within income distorts the amount of operational income received by the charity. The unrealised gains are reflected within assets as the value of the charity's assets would have been increased by the gain. The audited statement summary for 2014/15 has, therefore, been restated above. In the accounts for 2014/15, income for the Isle of Anglesey Charitable Trust was reported as £1.962m, however, £1.425m of this related to unrealised gains on revaluation of investments which can vary day-to-day. Similarly, in 2014/15 the income for the Welsh Church Fund included £130k of realised gains which should not have been reported as income. The 2014/15 income for the Welsh Church Fund has been restated above as £5k.

The total value of the other funds, including investments at market value, is £0.244m as at 31 March 2016 (£ 0.245m as at 31 March 2015).

During 2015/16, the Head of Function (Resources)/S151 Officer had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners. The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one. Trust Fund balances are not included as these represent assets held in trust for third parties rather than in ownership of the Council. A summary performance of the larger Charitable Trusts is shown in the table above.

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

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

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers’ contribution rate paid by local authorities. The Council is not able to identify its share of 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 2015/16, the Council paid £3.502m to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 14.79% of pensionable pay (£3.153m and 14.1% 2014/15). In addition, payments relating to enhancements for early retirement etc. made on a pay-as-you-go basis amounted to £nil (£nil 2014/15). There were no contributions remaining payable at the year-end.

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

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

### **Retirement Benefits**

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

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Gwynedd Pension Fund administered by Gwynedd Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension’s liabilities with investment assets.

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

The cost of retirement benefits is recognised in the reported cost of services when the employees earn them, rather than when they are eventually paid as pensions. However, the charge made against Council Tax 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:-

	2015/16 £'000	2014/15 £'000
<b>Service cost comprising:</b>		
Current service cost	10,132	7,775
Losses on settlements or curtailments	96	224
<b>Total Service cost</b>	<b>10,228</b>	<b>7,999</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest cost on defined benefit obligation	11,255	12,502
Interest Income on scheme Assets	(7,217)	(8,599)
<b>Total Post employment benefits charged to the Surplus or deficit on Provision of Service</b>	<b>14,266</b>	<b>11,902</b>
Return on Plan Assets (excluding amounts included in net interest expense)	1,532	(16,041)
Actuarial gains and losses arising on changes in financial assumptions	(33,606)	48,780
Other	(3,864)	(1,565)
<b>Total re-measurement of net defined benefit liability comprising</b>	<b>(35,938)</b>	<b>31,174</b>
<b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(21,672)</b>	<b>43,076</b>
Reversal of net charges made for retirement benefits in accordance with the code	5,482	3,152
<b>Actual amount charged against the Council Fund balance for pensions in the year:</b>		
Employers' contributions payable to scheme	8,784	8,750
<b>Total Post employment benefits charged to the Surplus or deficit on provision of Services</b>	<b>14,266</b>	<b>11,902</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 2016.

Amounts included in the Balances sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows:	31-Mar-16 £'000	31-Mar-15 £'000
Present Value of Scheme Assets	231,770	224,961
Present Value of Scheme Liabilities	(326,792)	(350,438)
<b>Net liability arising from defined obligation</b>	<b>(95,022)</b>	<b>(125,477)</b>



## Reconciliation of Present Value of the Scheme liabilities

	2015/16	2014/15
	£'000	£'000
<b>Balance as at 1 April</b>	<b>350,438</b>	<b>290,788</b>
Current service cost	10,132	7,775
Interest cost	11,255	12,502
Contributions from scheme participants	2,175	2,095
<b>Remeasurement (gains) and losses</b>	<b>(37,470)</b>	<b>47,215</b>
Past service costs	96	225
	-	-
Estimated unfunded benefits paid	(1,027)	(1,054)
Estimated benefits paid	(8,807)	(9,108)
<b>Balance as at 31 March</b>	<b>326,792</b>	<b>350,438</b>

## Reconciliation of present value of the scheme assets:-

	2015/16	2014/15
	£'000	£'000
<b>Opening Fair Value of Scheme Plan Assets as at 1 April</b>	<b>224,961</b>	<b>199,636</b>
Interest Income	7,217	8,601
	-	-
Return on planned assets (excl. net interest expense)	(1,532)	16,041
Contributions by members	2,174	2,095
Contributions by employer	7,757	7,696
Contributions in respect of unfunded benefits	1,027	1,054
Unfunded benefits paid	(1,027)	(1,054)
Benefits paid	(8,807)	(9,108)
<b>Balance as at 31 March</b>	<b>231,770</b>	<b>224,961</b>

**c) Fair Value of Plan Assets**

The Council Pension Scheme assets comprise:-

Major categories of the fund's assets at quoted prices as at 31 March 2016.

	2015/16	2015/16	2014/15	2014/15
	Prices Quoted in Active Markets	Prices not quoted in Active Markets	Prices Quoted in Active Markets	Prices not quoted in Active Markets
	£'000	£'000	£'000	£'000
Cash and cash equivalents	7,138		4,059	
Equity investment (by industry type)				
Consumer	7,371		6,230	
Financial Institutions	3,778		3,508	
Energy and utilities	1,270		4,633	
Health and care	13,363		9,365	
Information technology	7,670		6,540	
Other	9,234		11,403	
Debt Securities		30,975		-
Private Equity investments		9,418		9,514
Equities	47,045	68,204	51,353	63,910
Bonds		-		31,154
Infrastructure		1,929		1,061
Real Estate				
UK Property	4,423	19,514		21,580
Overseas property		438		651
<b>Total Value – All Assets</b>	<b>101,292</b>	<b>130,478</b>	<b>97,091</b>	<b>127,870</b>
<b>Total Value of Active and Non-Active Assets</b>		<b>231,770</b>		<b>224,961</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-Mar-16	31-Mar-15
Cash and cash equivalents	3%	2%
<b>Equity investment (by industry type)</b>		
Consumer	3%	3%
Energy and utilities	1%	2%
Financial institutions	2%	2%
Health and care	6%	4%
Information technology	3%	3%
Other	4%	5%
<b>Private equity</b>	4%	4%
<b>Debt Securities - Other</b>	13%	-
<b>Investment Funds and Unit Trust</b>		
Equities	50%	51%
Bonds	0%	14%
Infrastructure	1%	0%
<b>Real Estate</b>		
Property	10%	10%
Overseas property	-	-
<b>Total</b>	<b>100%</b>	<b>100%</b>

## ch. Scheme History

Analysis of scheme assets and liabilities

	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12
	£'000	£'000	£'000	£'000	£'000
Fair Value of Assets in pension scheme	231,770	224,961	199,636	190,773	167,224
Present Value of Defined Benefit Obligation	(326,792)	(350,438)	(290,788)	(270,807)	(230,971)
<b>Deficit in the Scheme</b>	<b>(95,022)</b>	<b>(125,477)</b>	<b>(91,152)</b>	<b>(80,034)</b>	<b>(63,747)</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 £326.8m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £95m.

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:-**

	2015/16	2014/15
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	22.0 years	22.0 years
Women	24.0 years	24.0 years
<i>Longevity at 65 for future pensioners:</i>		
Men	24.4 years	24.4 years
Women	26.6 years	26.6 years
Inflation/Pension Increase Rate	2.20%	2.40%
Salary Increase Rate	4.20%	4.30%
Expected Return on Assets	2.50%	12.30%
Rate for discounting scheme liabilities	3.50%	3.20%
<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 £36.2m as a higher value is placed on benefits paid in the future. There is also uncertainty around life expectancy. The sensitivity analysis shows that a one year increase in members' life expectancy might increase the fund's liabilities by £9.8m. A 0.5% increase in the salary increase rate could increase the fund's costs by £12.7m. A 0.5% increase in the pensions' rate could increase liabilities by £22.7m. The estimations in the sensitivity analysis have been calculated in accordance with professional actuarial assumptions, IAS19 and FRS102.

Change in assumptions as at 31 March 2016	Approximate % increase to employer	Approximate Monetary Amount £'000
0.5% decrease in real discount rate	11%	36,217
1 year increase in members' life expectancy	3%	9,804
0.5% increase in the salary increase rate	4%	12,720
0.5% increase in pension increase rate	7%	22,696

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 2019.

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

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

The liabilities show underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £95.02m 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 2016/17**

The Council anticipates paying £7.9m contributions to the scheme in 2016/17. The weighted average duration of the defined benefit obligation for scheme members is 19.4 years.

The amount outstanding to Gwynedd Council in respect of the LGPS contributions for 2015/16 as at 31 March 2016 is £0.977m and is included in the short-term creditors' disclosure note.

**NOTE 42 – CONTINGENT LIABILITIES**

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

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

**Section 117 Mental Health Act 1983**

Following judgements confirmed at the House of Lords and a report by the Local Government Ombudsman on test cases elsewhere, there was no power to charge for services provided under Section 117 of the Mental Health Act 1983 and the Council is liable to repay any such charges. Whilst a number of cases have been settled, the total potential liability is difficult to quantify. Whilst there is a sum set aside in an earmarked reserve for such repayments, it is unclear at this stage as to total liability.

## Property Search Claims

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

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

## NOTE 43 – CONTINGENT ASSETS

The Council retains a number of legal charges over privately owned residential properties, where it provided support to the buyers under schemes for assisted home purchase, with the Council being entitled to a share of proceeds on the sale of the properties. At 31 March 2016, there were 108 such properties and it was estimated that the maximum amount that might potentially be received was approximately £3.795m. However, the actual amount that will be received will vary, dependent upon both the selling prices of individual properties and the nature of any other legal charges against them which may take precedence over the Council's. The timing of any receipts is dependent upon the occurrence of sales.

## NOTE 44 – FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	31-Mar-2016	31-Mar-2015	31-Mar-2016	31-Mar-2015
	£'000	£'000	£'000	£'000
<b>Cash balances</b>				
Bank deposits	-	-	17,844	13,208
<b>Total cash and investments</b>	<b>-</b>	<b>-</b>	<b>17,844</b>	<b>13,208</b>
<b>Debtors</b>				
Loans and Receivables	688	430	8,113	5,082
<b>Total Debtors</b>	<b>688</b>	<b>430</b>	<b>8,113</b>	<b>5,082</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	110,735	89,575	9	1,725
<b>Total Borrowings</b>	<b>110,735</b>	<b>89,575</b>	<b>9</b>	<b>1,725</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost	-	-	15,700	10,289
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>15,700</b>	<b>10,289</b>

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

## Income, Expenses, Gains and Losses.

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

	2015/16			2014/15		
	Financial Liabilities Measured at cost less accumulated amortisation	Financial assets Loans and receivables	Total	Financial Liabilities Measured at cost less accumulated amortisation	Financial assets Loans and receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	5,985	-	5,985	5,117	-	5,117
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>5,985</b>	<b>-</b>	<b>5,985</b>	<b>5,117</b>	<b>-</b>	<b>5,117</b>
Interest income	-	(88)	(88)	-	(91)	(91)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(88)</b>	<b>(88)</b>	<b>-</b>	<b>(91)</b>	<b>(91)</b>
<b>Net gain/(loss) for the year</b>	<b>5,985</b>	<b>(88)</b>	<b>5,897</b>	<b>5,117</b>	<b>(91)</b>	<b>5,026</b>

## Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2016 of 1.33% to 3.12% for loans from the Public Works Loans Board (PWLB) based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next twelve months, carrying amount is assumed to be approximate to fair value;
- The fair value of short-term debtors and creditors is deemed to be equivalent to their carrying amount at the Balance Sheet date.

## Analysis of Loans by Maturity:-

	2015/16			2014/15		
	Outstanding Principal	Accrued Interest	Cost less accumulated amortisation	Outstanding Principal	Accrued Interest	Cost less accumulated amortisation
	£'000	£'000	£'000	£'000	£'000	£'000
>25 years	66,508	-	66,508	55,515	-	55,515
15-25 years	14,056	-	14,056	6,312	-	6,312
10-15 years	5,905	-	5,905	3,494	-	3,494
5-10 years	4,222	-	4,222	8,714	-	8,714
2-5 years	14,534	-	14,534	15,531	-	15,531
1-2 years	5,510	-	5,510	9	-	9
<b>Total Long-Term Borrowing</b>	<b>110,735</b>	<b>-</b>	<b>110,735</b>	<b>89,575</b>	<b>-</b>	<b>89,575</b>
<b>Total Short-Term Borrowing (&lt; 1 year)</b>	<b>9</b>	<b>2,119</b>	<b>2,128</b>	<b>7</b>	<b>1,681</b>	<b>1,688</b>

The fair values calculated are as follows:-

	31-Mar-16		31-Mar-15	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial liabilities	110,744	181,649	90,386	130,719
Long-term creditors	-	-	55	55

	31-Mar-16		31-Mar-15	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash on deposit	17,844	17,878	13,638	13,663

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

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2016) attributable to the commitment to receive interest above current market rates.

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

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

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

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

**Market Risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

#### **Credit Risk**

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

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



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

### Estimated Maximum Exposure to Default and Collectability

	Amount	Historical Experience of default	Estimated Maximum Exposure	Estimated Maximum Exposure
	£'000	%	2015/16 £'000	2014/15 £'000
Banks and financial institutions (Non-National)	16,243	-	-	-
UK Nationalised / Part Nationalised Banks	1	-	-	-
<b>UK Local Authorities</b>	-	-	-	-
<b>Trade Debtors under 1 year</b>	<b>2,054</b>	<b>10</b>	<b>205</b>	<b>75</b>
<b>Trade Debtors between 1-2 years</b>	<b>67</b>	<b>20</b>	<b>13</b>	<b>16</b>
<b>Trade Debtors between 3-6 years</b>	<b>179</b>	<b>30-70</b>	<b>125</b>	<b>24</b>
<b>Trade Debtors 6+ years</b>	<b>23</b>	<b>100</b>	<b>23</b>	<b>5</b>
<b>Total Trade Debtors</b>	<b>2,323</b>		<b>366</b>	<b>120</b>

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

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

The EU referendum result to leave the European Union created an economic shock which impacted on markets and many aspects of the economy. The long-term outlook ratings for the UK banks as a whole were downgraded to a negative outlook. A collapse of the banking sector would undermine the deposits held in UK banks (£16.243m at 31/03/16). This is being monitored closely and reassuringly the credit ratings of the banks in which the authority holds deposits remain at an acceptable level in accordance with the Treasury Management Strategy. If the credit ratings fall below the acceptable level the authority would seek to place the balances in alternative investments which must be in accordance with the Treasury Management Strategy. The reduction in the official bank rate from 0.50% to 0.25% will for 2017/18 reduce the interest receivable on deposits.

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

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

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

	31-Mar-16	31-Mar-15
	£'000	£'000
Less than six months	1,928	667
Six months to one year	125	85
More than one year	269	123
<b>Total</b>	<b>2,323</b>	<b>875</b>

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

### Liquidity Risk

Liquidity Risk is low as the Council had no difficulty in the past in obtaining finance and has ready access to the Public Works Loans Board (PWLB) as lender of last resort. 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 authority's investments are in instance 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 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 are taken out to repay the debt maturing. To assist in achieving this, the Council uses external treasury management advisors. The maturity analysis of outstanding loans is shown at note 44. Trade and other payables are due to be paid in less than one year.

### Market Risk

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

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

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

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

All of the Council's current and long-term borrowing and bank deposits are held at fixed rates.

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

**Foreign Exchange Risk** – The Council has a number of relatively small grant aided schemes under the 'Interreg' programme where the lead body is an Irish institution and grants are denominated in Euro. A Euro Bank account was opened to support these schemes and to limit the exposure to movements in exchange rates. The balance on this account at year-end was minimal at 437 Euros (£346) (1.541m Euro in 2014/15: equivalent to £1.116m in 2014/15).

#### **NOTE 46 - JOINT COMMITTEES**

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

- Joint Planning Committee
- Special Educational Needs Joint Committee

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

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

Gwynedd Council is responsible for the operation of the three joint committees and the year-end balances are reflected in their Balance Sheet. The 2015/16 accounts for these joint committees can be viewed by following the below links.

#### **Joint Planning Committee**

<https://www.gwynedd.llyw.cymru/en/Council/Strategies-and-policies/Environment-and-planning/Planning-policy/Joint-Local-Development-Plan/Joint-Local-Development-Plan.aspx>

## Special Educational Needs Joint Committee

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

## GwE

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

Flintshire Council is responsible for the operation of the NWRWTP joint committee and the year-end balances are reflected in their Balance Sheet. Please see the accounts for this joint committee once published following the below link.

<http://www.nwrwtp.com/home>

## NOTE 47 – HOUSES INTO HOMES

The six North Wales Councils act as agents of the Welsh Government in providing recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long-term vacant with the aim of bringing them back into use. Flintshire County Council is the lead/banker Authority for the North Wales region and is responsible for administering the fund. There were no further funds received from the Welsh Government during 2015/16, but payments against the fund in 2014/15 totalled £0.426m, of which £0.075m was allocated to this Council.

## NOTE 48 – COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the Council and the North Wales Police for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The Council Tax base for 2015/16 was £30,188.51 (£30,070.64 in 2014/15).

The amount for a band D property in 2015/16, £1,296.08 (£1,242.77 in 2014/15), is multiplied by the proportion specified for the particular band to give the amount due by band. Individual amounts due are calculated by applying discounts and benefits to the amount due by band.

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

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

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

Band	A*	A	B	C	D	E	F	G	H	I	Total
Total Dwellings	15	3,970	5,927	5,910	6,523	4,966	2,358	972	144	42	30,827
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
Band "D" Equivalent	8.33	2,646.67	4,609.50	5,253.56	6,522.50	6,069.56	3,406.00	1,620.00	287.00	96.83	30,519.95

	2015/16	2014/15
Band D equivalent as above	30,519.95	30,400.28
Collection Rate	98.50%	98.50%
Revised Band D equivalent	30,062.15	29,944.28
MOD Properties – Band D equivalent	126.36	126.36
<b>Council Tax Base</b>	<b>30,188.51</b>	<b>30,070.64</b>

In 2013/14, the Welsh Assembly Government introduced the Council Tax Reduction Scheme to replace the Council Tax benefit scheme. In 2015/16, Council Tax reductions awarded to residences were 98% funded by a Council Tax Reduction Scheme grant of £5.228m from Welsh Government (see note 14). The Council funded £0.115m (2%) of Council Tax reductions awarded to residents.

Analysis of the net proceeds from Council Tax:	2015/16	2014/15
	£'000	£'000
<b>Gross Council Tax</b>	<b>39,202</b>	<b>37,303</b>
Less Council Tax Reduction awarded to residences	(5,343)	(5,320)
<b>Council Tax collectable</b>	<b>33,859</b>	<b>31,983</b>
Less: provision for non-payment not previously accounted for	(374)	(164)
<b>Net Proceeds from Council Tax</b>	<b>33,485</b>	<b>31,819</b>

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

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate – 48.2p in 2015/16 (47.3p 2014/15), and local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government then redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

NNDR income, after reliefs and provisions (including Small Business Rates Relief provided by the Welsh Government), totalled £10.636m for 2015/16 (£13.034m in 2014/15) and was based on rateable value at the year-end of £38.990m (£38.897m in 2014/15).

The average rateable value for the year was £38.943m (£38.806m in 2014/15).

Analysis of the net proceeds from non-domestic rates:	2015/16	2014/15
	£'000	£'000
Non – domestic rates collectable	10,636	13,034
Cost of collection allowance	(145)	(142)
Interest paid on overpayments	-	-
Provision for bad debts	(198)	(220)
Contribution to cost of charitable relief/rural rate relief	57	57
<b>Payments into national pool</b>	<b>10,350</b>	<b>12,729</b>
Redistribution from national pool	20,472	22,124

## **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, Amlwch Harbour and Holyhead Fish Dock. The Statutory Harbour Undertakings (Accounts, etc.) Regulations 1983, no. 931 exempts harbour authorities with a turnover of less than £250,000 from the requirement to prepare separate harbour accounts under the Harbours Act 1964. The income and expenditure for these maritime services are, instead, included in these accounts under Highways, Roads and Transport in line with the CIPFA SeRCOP. The maritime accounts are, nevertheless, ring-fenced and any accrued deficit/surplus for these harbours is held within general fund for future investment in maritime services or to repay amounts owed to the Council Fund. In 2015/16, the turnover on maritime services was £40,862. Costs incurred during the year were £125,390 (which includes £58,671 of loan interest/capital repayment). The deficit balance on Maritime services at 31 March 2016 was £401,119. This is the amount owed to the Council general reserve from Maritime services.

**SUPPLEMENTARY FINANCIAL STATEMENT  
HOUSING REVENUE ACCOUNT**

**Income and Expenditure Statement for the year ended 31 March 2016**

	2015/16	2014/15
	£'000	£'000
<b>Income</b>		
Gross Rent Income:		
-Dwelling rents	(14,308)	(13,908)
-Non-dwelling rents	(211)	(206)
-Charges for facilities and services	(215)	(16)
-Contributions towards expenditure	(188)	(157)
Other	(166)	(148)
<b>Total Income</b>	<b>(15,088)</b>	<b>(14,435)</b>
<b>Expenditure</b>		
Repairs and Maintenance	3,751	3,564
Supervision and Management:		
-General	2,591	2,606
-Special	508	581
Rents, Rates and Taxes	103	123
Housing Revenue Account Subsidy payable	-	1,559
Depreciation and Impairment of Non-current Assets	9,268	8,394
Payment to Welsh Government - HRAS buyout	21,169	-
Revaluation of Assets	(134)	-
Debt Management Costs	12	12
Allowance for Bad Debts	54	66
<b>Total Expenditure</b>	<b>37,322</b>	<b>16,905</b>
<b>Net Cost of HRA Services</b>	<b>22,234</b>	<b>2,470</b>
Accumulated absences accrual movement	(9)	(6)
<b>Net Cost of HRA Services per Comprehensive Income and Expenditure Statement</b>	<b>22,225</b>	<b>2,464</b>
HRA Services Share of Corporate and Democratic Core	56	56
<b>Net Cost of HRA Services</b>	<b>22,281</b>	<b>2,520</b>
Profit on sale of HRA Non Current Assets	(509)	(286)
Interest Payable and Similar Charges	1,686	1,117
HRA Investment Income	(18)	(9)
Capital grants and contributions receivable	(2,919)	(2,650)
<b>Deficit for Year on HRA Services</b>	<b>20,521</b>	<b>692</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

	2015/16 £'000	2014/15 £'000
Difference between amounts charged to income and expenditure for Amortisation of premiums and discounts determined in accordance with the Code and the charges for the year in accordance with statute	(38)	(31)
Depreciation and Impairment of Non-Current Assets	(9,268)	(8,394)
Accumulated absences accrual	9	6
Profit on sale of HRA Non-Current Assets (including derecognition)	509	286
Payment to Welsh Government - HRAS buyout	(21,169)	-
Revaluation of Assets	134	-
Net charges made for retirement benefits in accordance with IAS 19	-	-
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>	<b>(29,823)</b>	<b>(8,133)</b>
Transfer to reserves	2,919	2,650
HRA Minimum Revenue Provision	453	1,009
Employer's contributions payable to the Gwynedd Pension Fund and retirement benefits payable direct to pensioners	-	-
Capital expenditure funded by the HRA	2,725	2,632
	<b>6,097</b>	<b>6,291</b>
<b>Net additional amount required by statute to be credited to the HRA Balance for the year</b>	<b>(23,726)</b>	<b>(1,842)</b>

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

	2015/16 £'000	2014/15 £'000
Deficit for Year on HRA services	20,521	692
Net additional amount required by statute to be credited to the HRA	(23,726)	(1,842)
<b>Increase in HRA Balance</b>	<b>(3,205)</b>	<b>(1,150)</b>
Transfer from HRA Specific Reserves	(1,016)	-
HRA Account Balance B/Fwd	(2,821)	(1,671)
<b>HRA Account Balance C/Fwd</b>	<b>(7,042)</b>	<b>(2,821)</b>



## **NOTES TO THE HOUSING REVENUE ACCOUNT**

### **NOTE 1 – HOUSING REVENUE ACCOUNT**

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

### **NOTE 2 – HOUSING STOCK**

During 2015/16, the Council sold ten dwellings under the Right-to-Buy Scheme (see note 5). Following the buyout from the Housing Subsidy scheme (see note 6), the Council has a policy of purchasing suitable former Council dwellings and returning them to Council housing stock. During 2015/16, eight such properties were purchased. Following a review of the housing stock, seven properties were re-classified as being non-operational. As at 31 March 2016, the number of dwellings totalled 3,788, with the split by type of dwelling made up as follows:-

	<b>31-Mar 2016</b>	<b>31-Mar 2015</b>
<b>Council Owned Stock</b>		
Houses	2,017	2,025
Bungalows	1,044	1,044
Flats	720	721
Bedsits	7	7
<b>Total Council Owned</b>	<b>3,788</b>	<b>3,797</b>

### **NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE**

	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
<b>Capital investment</b>		
Houses	6,438	5,519
<b>Sources of funding</b>		
Capital Receipts	(794)	(236)
Government grants and other contributions	(2,919)	(2,650)
Direct Revenue Financing	(2,725)	(2,633)
<b>Total</b>	<b>(6,438)</b>	<b>(5,519)</b>

The Major Repairs Allowance for 2015/16 of £2.656m was used in full during the year (£2.65m 2014/15).

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

	2015/16	2015/16	2015/16	2014/15	2014/15	2014/15
	Impairments	Depreciation	Total	Impairments	Depreciation	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Land	-	-	-	-	-	-
Dwellings	5,489	3,650	9,139	5,519	2,745	8,264
Other Property - Operational Assets	-	129	129	-	130	130
	<b>5,489</b>	<b>3,779</b>	<b>9,268</b>	<b>5,519</b>	<b>2,875</b>	<b>8,394</b>

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

	2015/16	2015/16	2014/15	2014/15
	No. of Sales	£'000	No. of Sales	£'000
<b>Council dwellings</b>				
Right to Buy	10	765	5	315
Discounts repaid		-		9
<b>Other Receipts</b>				
Land sales	1	24	1	150
Other property sales				
Mortgage Property		5		5
		<b>794</b>		<b>479</b>
Less set aside		-		(243)
		<b>794</b>		<b>236</b>

#### NOTE 6 – BUYOUT FROM HOUSING SUBSIDY SCHEME

In April 2015, the Council paid £21.169m to buy out of the HRA Subsidy Scheme, expected to generate savings in excess of £0.7m per annum. In 2014/15, the Council paid subsidy to the Welsh Government of £1.559m.

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

During 2015/16, total rent arrears decreased by £14k. A summary of rent arrears and prepayments is shown in the following table:-

	2015/16	2014/15
	£'000	£'000
<b>Rent arrears</b>		
Current Tenant Arrears	466	518
Former Tenant Arrears	273	263
Total Rent arrears	739	781
Prepayments	(152)	(180)
<b>Total Debt</b>	<b>587</b>	<b>601</b>

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £0.433m against rents (£0.525m in 2014/15).

## NOTE 8 – PENSION COSTS

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

<b>HRA Income and Expenditure Account</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
Current Service Cost	(228)	(198)
Employer Contributions actually paid	228	198
<b>Contribution to Pension Reserve</b>	<b>-</b>	<b>-</b>

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

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

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

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

<b>Third Party organisations</b>	<b>Stakeholder</b>
North Wales Valuation Tribunal – Joint Appointing Panel	Hywel Eifion Jones
Older People's Champion	Robert Llewelyn Jones
Owen Lloyd, Penrhoslligwy Educational Trust	Derlwyn Rees Hughes
Pensions Committee (Gwynedd Council)	Hywel Eifion Jones
Regional School Effectiveness and Improvement Service Joint Committee	Ieuan Williams
Regional Technical Statement (Members Forum)	J Arwel Roberts
TAITH Joint Committee	Richard A Dew & Robert G Parry OBE
TALNET (Joint Bibliographic Society)	Richard A Dew & Vaughan Hughes
Voluntary Sector Liaison Committee	Jim Evans, Kenneth P Hughes, Alun Wyn Mummery, Alwyn Rowlands & Ieuan Williams
Welsh Joint Education Committee	Ieuan Williams
Welsh Local Government Association	J Arwel Roberts & Ieuan Williams
Wylfa Site Stakeholder Group	John Griffith, Kenneth P Hughes, William Thomas Hughes, Llinos Medi Huws, Aled Morris Jones, Richard Owain Jones & Alwyn Rowlands

## GLOSSARY

### ACCOUNTING PERIOD

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

### ACCRUALS

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

### ACTUARIAL GAINS AND LOSSES

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

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

### AGENCY SERVICES

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

### APPROPRIATIONS

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

### ASSET

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

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

### AUDIT OF ACCOUNTS

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

### BALANCE SHEET

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

### BUDGET

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

## **CAPITAL EXPENDITURE**

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

## **CAPITAL FINANCING**

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

## **CAPITAL PROGRAMME**

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

## **CAPITAL RECEIPTS**

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

## **CASH AND CASH EQUIVALENTS**

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

## **CASH FLOW STATEMENT**

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

## **CIPFA**

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

## **COMMUNITY ASSETS**

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

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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.

## **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 benefits pension scheme's liabilities, expected to arise from employee service in the current year.

## **DEBTOR**

The amount owed to the Council from individuals or other organisations for works done, goods received or services provided within the financial year, but for which payment has not been received by the end of that financial year.

## **DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

## **DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the financial year, whether from use, the passage of time or obsolescence through technical or other changes.

## **DISCRETIONARY BENEFITS (PENSIONS)**

These represent the retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

## **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

## **EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.



**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**FINANCE LEASE**

A Finance Lease is one that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

**GOING CONCERN**

This represents the concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

**GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

**HERITAGE ASSETS**

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**HOUSING BENEFITS**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

**HOUSING REVENUE ACCOUNT (HRA)**

The HRA is a separate account to the Council Fund, and includes the income and expenditure arising from the provision of housing accommodation by the Council.

**IMPAIRMENT**

Impairment is a reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

**INFRASTRUCTURE ASSETS**

Non-current assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

**INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

**INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the financial year of the present value of the scheme liabilities because the benefits are one financial year closer to settlement.

**INVENTORIES**

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and work in progress.

**INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the share of the pension scheme assets associated with their underlying obligations.

## **INTEREST RECEIVABLE OR PAYABLE**

The effective interest rate method is used to measure the carrying value of a financial asset or liability measured at cost less accumulated amortisation, and to allocate associated interest income or expense to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to equal the amount at initial recognition. The effective interest is adjusted to the actual interest payment or receipt through the Movement in Reserves Statement to ensure only actual interest is charged to Council Tax.

For financial assets and liabilities carried at cost because the effective rate of interest is the same as the carrying rate of interest, the carrying value is adjusted for accrued interest.

## **LIABILITY**

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next financial year, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which, by arrangement, is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:-

- Readily convertible to known amounts of cash at, or close to, the carrying amount; or
- Traded in an active market.

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which, together, constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one financial year.

## **MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and, ultimately, mislead a user of the accounts.

## **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

## **NET BOOK VALUE**

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

## **NET DEBT**

The Net Debt is the Council's borrowings less cash and liquid resources.

## **NET WORTH**

The Net Worth is the Council's value of total assets less total liabilities.

## **NON-DISTRIBUTED COSTS**

These are overheads for which no user now benefits and, as such, are not apportioned to services.

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

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

### **NON-OPERATIONAL ASSETS**

Non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

### **OPERATING LEASE**

An Operating lease is where the ownership of the non-current asset remains with the lessor.

### **OPERATIONAL ASSETS**

Non-current assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### **PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior financial years arising in the current financial year as a result of the introduction of, or improvement to, retirement benefits.

### **PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax on their behalf.

### **PRIOR YEAR ADJUSTMENT**

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 above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

### **RATEABLE VALUE**

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

### **RELATED PARTIES**

There is a detailed definition of related parties in IAS 24. For the Council's purposes, related parties are deemed to include Central Government, Local Authorities and other bodies, either precepting or levying demands on the Council. Related Parties can also include subsidiary and associated companies, joint venture and joint venture parties and particularly Members and chief officers of the Council.

When considering who is a related party, regard is also taken of transactions involving members of the close family or household of any individual listed.

## **RELATED PARTY TRANSACTIONS**

The Statement of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

## **REMUNERATION**

All sums paid to, or receivable by, an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

## **RESERVES**

Reserves are the accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves, such as the Revaluation Reserve, cannot be used to meet current expenditure.

## **RESIDUAL VALUE**

The residual value of an asset is the net realisable value of an asset at the end of its useful life.

## **RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

## **REVENUE EXPENDITURE**

Revenue Expenditure represents the day-to-day expenses of providing services.

## **REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (REFCUS)**

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

## **REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

## **SUPPORTED BORROWING**

The Council borrows money to fund part of its capital programme. This borrowing is recognised by Central Government in its calculation of formula funding for the Council.

## **TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

## **TRUST FUNDS**

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

## **UNSUPPORTED BORROWING**

The Council can borrow additional money to the borrowing supported by Government to finance its capital expenditure as long as it is affordable and sustainable. This power is governed by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code, with which the Council fully complies.

**UNUSABLE RESERVES**

Unusable Reserves are those reserves used to absorb the differences between the outcome of applying proper accounting practices and the requirement of statutory arrangements for funding expenditure. Such reserves include the unrealised gains and losses in relation to revaluations of property, plant and equipment where the value only becomes available if the asset is sold.

**USABLE RESERVES**

Specific amounts set aside for future policy purposes or to cover contingencies. They can be used to fund expenditure or reduce taxation.

**USEFUL ECONOMIC LIFE (UEL)**

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

**WORK IN PROGRESS (WIP)**

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

## **Bibliography**

- CIPFA 2015. Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. CIPFA. London.
- CIPFA 2015. Disclosure Checklist 2015/16. CIPFA. London.
- CIPFA 2016. Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 Guidance Notes for Practitioners. CIPFA. London.
- CIPFA 2015. Service Reporting Code of Practice 2015/16. CIPFA. London.
- CIPFA 2016. LAAP Bulletin 104: Closure of 2015/16 Accounts and Related Matters. CIPFA. London.
- CIPFA 2012. LAAP Bulletin 92: The Accounting Transactions in Relation to the Settlement of Payments Determination 2012. CIPFA. London.
- CIPFA. 2014. LAAP Bulletin 99: Local Authority Reserves and Balances. CIPFA. London.
- CIPFA. 2016. The Role of the Chief Financial Officer in Local Government. CIPFA. London.
- HM Treasury 2015. Financial Reporting Manual (FReM) 2015/16.
- Welsh Government 2014. The Accounts and Audit (Wales) Regulations 2014 No. 3362 (W337), Welsh Government.
- Welsh Government 2015. The General Determination of the Item 8 Credit and Item 8 Debit (Wales) 2015.

<sup>1</sup> Bevan Brittan LLP 2015, General advice regarding authorities' published accounts and the property searches claims, London.

## ANNUAL GOVERNANCE STATEMENT – 2015/16

### 1. INTRODUCTION

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

This is the third Governance Statement for the Council elected on new wards in May 2013. It sets out the governance arrangements in place for the year (April 2015 to March 2016), focusing on those current significant governance issues in relation to the Authority achieving its vision. It highlights changes made during the year and includes a brief evaluation where weaknesses or significant improvements are identified.

Aspects of the Council's governance arrangements had been strengthened and modernised in recent years across a number of governance themes, and these were then incorporated in the Transformation Plan for the Authority which was adopted in January 2013 setting out its work up to 2017 and included thereafter a four-year Corporate Plan (2013-2017) . It was designed as a programme of change driven by the Council itself.

The Vision for the Council is that, by 2017:-

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

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

“In doing so, we will:-

- provide an integrated performance management framework, linking the Corporate Plan to the Medium Term Financial Strategy down to the annual budget setting process and individual performance development reviews
- collect and use information to monitor our performance and take action to improve where required
- support the evolving strength of the Council's democratic decision making and scrutiny processes
- strengthen our engagement with, and involvement of, Anglesey citizens in the Council's decision making and accountability processes
- continue to strengthen our processes around finance and workforce reporting and monitoring
- put in place robust arrangements for dealing with our financial challenges, ensuring service transformation and innovative delivery is at the heart of what we do”.

The six key themes supporting the vision are:-

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

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

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

## 2. SCOPE OF RESPONSIBILITY

The Isle of Anglesey County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk and adequate and effective financial management.

The Council has approved and adopted a local code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the local code is on our website at <http://www.anglesey.gov.uk/Council-and-democracy/governance-and-performance>

This statement explains how the Council has complied with the code and it meets the requirements of non-statutory proper practice encouraging the publication of an Annual Governance Statement. It also meets the requirement of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

## 3. THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes and cultural values by which the Authority is directed and controlled. It also guides the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost effective services.



The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31 March 2016 and remains applicable up to the date of the approval of the Statement of Accounts. Where any new arrangements have been introduced during the year, this has been noted. The Authority’s financial management arrangements conform with the governance requirements of CIPFA’s: the role of the Chief Financial Officer in Local Government (CIPFA 2016).

#### 4. ANALYSIS OF THE GOVERNANCE FRAMEWORK 2015/16

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

The following summary focuses on the work to develop and strengthen the framework and outlines areas of weakness identified during the 2015/16 financial year.

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

The Council’s Corporate Plan 2013-17 (adopted December 2013) continued to guide the work of the Council and creates a vision for the local area. The Wales Audit Office (WAO) reported that the Plan describes the Council’s priorities succinctly and clearly and explains how the priorities reflect the views of the public as well as those of the Council and other partners. The Corporate Transformation Programme, which was key to the governance improvements of 2013, continued to support the transformation of the Authority to achieve its vision and priorities. These strategic aspects are embedded in the Corporate Plan.

A joint Local Services Board for Gwynedd and Ynys Môn (LSB) was established on 1 April 2013 replacing the previous single county Boards. This step change also included a rationalisation of strategic partnership functions in North West Wales, resulting in a joint strategic Partnerships Unit straddling Gwynedd and Ynys Môn. The Joint Local Service Board for Gwynedd and Ynys Môn continued to work on the agreed priorities during 2015/16. Monitoring reports from the three priority areas – Older People, Resilient Families and Sustainable Communities – are received in all meetings, showing the development and the outcomes of the work. During 2015/16, the LSB has also been working towards implementing the Well-being of Future Generations Act from April 2016 onwards. The Act puts a statutory duty on Public Bodies to work together and create a Public Service Board (PSB) to replace the LSB. This work is ongoing and the PSB’s first meeting will be in May 2016. During 2016/17 the PSB will be preparing and publishing an Assessment of Local Well-being for Gwynedd and Ynys Môn, which will be the basis of the future well-being objectives.



An annual budget and Medium Term Financial Plan was approved by Council in March 2016, following extensive public consultation. Budget cuts and efficiencies continued to dominate the Council's agenda with the aim of delivering significant reductions to spending of £10m over the next three to five years. This is the equivalent of 8%, whilst only allowing a sum of £1m to be allocated from reserves to a limited amount of money to transform services in 2016/17.

The Council has managed its resources in a way that has led to a balanced financial position at year end for 2015/16. The Medium Term Financial Plan (MTFP) was further developed which projects the funding gap for the remaining period of this Council. To bridge this gap, work has been undertaken since summer 2014 in developing, with stakeholders, an Efficiency Strategy. This was formally approved by the Executive in December 2014 after a period of public consultation. This strategy provides the overarching framework of how the Council is approaching its efficiency challenge.

Financial Management is fundamental to the running of the Council and various improvements have been made to one of those improvements in installing and continually developing a financial management system that meets the needs and demands of a 21st century Local Authority, whilst also ensuring the continual development of the accounting function. The result of such measures has meant that, unlike in previous years, the Statement of Accounts were successfully closed on time for both 2013/14 and 2014/15, with limited recommendations emerging from the external auditors.

The Council, however, acknowledges there is a need to further develop the MTFP in more detail in order to set out the future financial position of the Council in the context of the delivery of the Corporate Plan and the investment and disinvestment decisions required in order to achieve this. For the 2015/16 budget setting process, both Members and Officers continued to hold regular meetings to oversee the development of the efficiency strategy and its consultation process, as well as ensuring that a balanced budget was set. Both Members and Officers agreed, however, that the process for doing so needed to improve to have better engagement between Members and Senior Officers. For the 2015/16 budget setting process, a Budget Steering Group was established chaired by the Assistant Chief Executive, with representation from all political groups.

The Statement of Accounts for 2014/15 was published with an unqualified audit opinion at the end of September 2015.

The Performance Report (Performance Review) approved by the County Council in October 2015 looked back to assess how we performed against the priorities and targets as set out in our 2014/15 Annual Delivery Document which delivers the priorities and main aims of our Corporate Business Plan 2013-17. This was assessed by WAO in its Improvement Assessment Letter as the Council having discharged its improvement reporting duties under the Measure and having acted in accordance with Welsh Government guidance.

A Performance Management Framework is in place including quarterly scorecards, half-yearly challenges to Services and regular reports to the Executive and to Scrutiny. The framework continues to evolve and to focus on self-assessment by Heads of Service, and on the key areas of risk and transformation. It is also focusing on improvements to reporting of workforce and financial information. During 2015, a series of Service Reviews was undertaken which covered :-

- (i) Efficiencies and Service Budgets (June-July 2015)
- (ii) Performance (November-December 2015)

Whilst we have established strong approaches to ensuring effective governance for new partnerships, governance arrangements for some of the more historical partnership arrangements require strengthening. A priority for 2016 will be to develop a Partnerships Policy which will provide a framework for the effective management of partnerships (both existing and new) and to offer guidance to those individuals directly involved in partnerships. The policy will also outline the governance arrangements to ensure the partnerships the Council is involved in are managed in an efficient and effective way, focusing on actions and outcomes that support the Council to deliver its strategic aims and objectives.

Procurement is an essential part of service delivery on Anglesey, with major service provision externalised, for example, waste, highways and education advisory support. A national Welsh Government fitness check undertaken by KPMG in 2014 highlighted some significant issues for the Council to address. A formal project has been established to address the actions highlighted within the report. The project has addressed the major issues, i.e. developing a corporate procurement strategy, policy and contracts management strategy as well as delivering training on the CPR's new EU procurement legislation to all staff responsible for procurement. KPMG will be returning mid-2016 to review the service and its progress from the fitness check that was undertaken in 2014. The project has, to date, achieved £500k cashable savings.

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

Managing grant claims had, historically, been a weakness but an action plan has been put in place and improvements in the level of timely submissions and a reduced number of qualifications is reflected. In 2014/15 21% (3) of the claims were qualified:-

- Teachers Pensions;
- Structural Funds - The Development of Anglesey's Coastal Environment;
- Structural Funds - North Wales Local Investment Fund.

This area continues to be monitored by the Audit Committee. Recommendations from the 2014/15 audit programme will be implemented for the delivery of 2016/17 grants.

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

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

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

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

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

The Council's new senior leadership structure was originally completed during 2012, and a further review of the next tier of Head of Service was undertaken in 2013/14 which led to a reduction of six posts at this level. The appointment of a new Chief Executive in May 2015 saw further changes. The new Chief Executive, appointed at a lower salary level of 22% as endorsed by the Independent Remuneration Panel for Wales, proceeded to restructure the Senior Leadership Team (SLT). The restructure proposals were agreed in principle in March 2015. The new operating model removed the tier of three Corporate Directors and replaced it with two Assistant Chief Executives who report directly to the Chief Executive (one responsible for external Council matters and the other responsible for internal Council matters). The approved model offers better mitigation against risk and the Executive also decided to include the Monitoring Officer and Section 151 Officer (new appointment to post October 2015) as full members of the Council's Senior Leadership Team alongside the three new posts. This decision has the potential to add valuable experience and expertise to the team's discussions.

The approved management model is that the SLT leads on developing the vision and strategic direction of the Council and is held to account in that role. As such, the role of SLT is to provide strategic and corporate leadership, not to be involved in the direct operational management of services. In late November 2013, the review of the Heads of Service (Penaethiaid) structure was undertaken to reflect this. The outcome of the review was revised job descriptions and role of Heads of Service to be wholly responsible for the operational management, performance and direction of their services, and this continues to be the case. The SLT has also developed strong partnership working with the Executive, which is facilitating a more trusting and transparent environment where officers and Members work together as a team.

*The Audit & Governance Committee* is a key component of the Authority's governance framework. The committee has two lay co-opted members which serve to widen its independent knowledge and experience base. It provides independent assurance to the Council and its statutory officers on: adequacy of the governance and risk management frameworks, the internal control environment and the integrity of the financial reporting. By overseeing internal and external audit and other regulators, it makes an important contribution to ensuring that effective assurance arrangements are in place.

The CIPFA Public Sector Internal Audit Standards 2013 require the Head of Internal Audit to provide the Audit and Governance Committee with assurance on the whole system of internal control, including the adequacy of risk management and corporate governance arrangements. It should be noted that assurance can never be absolute. The most that Internal Audit can provide to the Audit Committee is a reasonable assurance that there are no major weaknesses in the whole system of internal control.

During the year, the Audit & Governance Committee has maintained an overview of the Council's assurance framework by considering the audit opinions on individual pieces of internal audit work, reviewing progress in implementing improvement actions emanating from the AGS and considering the Corporate Risk Register. It has also received assurance from the reports issued by the Authority's external regulators.

The Committee undertakes an annual self-assessment on its performance which informs its forward work plan. New guidance on the role of Audit Committees from CIPFA envisages a wider governance role than has historically been the case. The Audit Committee considered new terms of reference in early 2015 in line with this guidance. The suggested amendments were drafted and, having been consulted upon, were considered by the Executive on 20 April 2015 and then approved by full Council on 14 May 2015. The Committee is now known as the Audit and Governance Committee.

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

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

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

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

The six key themes incorporated within the Corporate Plan for 2013-17 set out the Council's values and these are embedded in the Council's transformational activity and future vision for delivery. As a result, the six key themes underpin the corporate way of working and the importance of good governance is emphasised in the Corporate Plan.

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

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

- [Chairman's Annual Report](#) to Council
- [Work Programme](#) approved annually by the Council
- Four quarterly meetings and as many extraordinary meetings as are necessary to deal with referrals from the [Public Services Ombudsman for Wales and applications for dispensations](#)
- Dealing with any matters referred under the [Local Resolution Protocol](#)
- Dealing with any Public Services Ombudsman for Wales local view requests
- [Training and development](#) arranged by the SC and/or undertaken by the SC. This year the SC focused on the development of Town Councillors. The focus for 2016/17 will be devising training to be delivered to the new intake of Councillors in May 2017.
- To supplement training for Members, briefing notes have been published on the following subject areas:-

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

[Standards Committee Forum](#)

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

One of the features of the Council in the past was poor behaviour by some Members. The improvement that was witnessed during the time of the Commissioners has continued. In the view of the SC, this has become an embedded trend with only one matter under investigation by the Ombudsman during 2015/16. It was the view of the SC's Chair, to the Council on 12 May 2016, that self-regulation is now working effectively in Anglesey.

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

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

In 2012, the Council introduced new systems to ensure easy access to the Council's agendas, papers and minutes and from May 2013, Members and the public have had the full benefit of access to committee papers and supporting information. Members also have direct access to this electronic system during meetings.

In addition, there are two Scrutiny Committees: one concerned with the internal working of the Council and the second concerned with external partnerships and the impact of the Council on its communities. These two committees have enabled Members to take a more holistic and corporate view of the Council, its role and impact.

The focus of the **Corporate Scrutiny Committee's** work is to secure assurance regarding the performance / delivery of all services, ensuring the Council achieves its corporate and service objectives (as outlined in its Corporate Business Plan, Annual Budget, Budget and Policy Framework, Performance Management Framework, Corporate Policies or their successor plans and policies) and to support and make recommendations for continuous improvement. Some of the issues scrutinised during the year include:-

- Performance Monitoring - Corporate Scorecard all 4 Quarters
- Budget Monitoring - Capital Budget Out-Turn and Revenue Budget Provisional Out-Turn
- Annual Performance Report 2014/15
- School Modernisation - Bro Rhosyr and Bro Aberffraw Areas Formal Consultation
- Scrutiny Outcome Panel - Efficiency Savings 2015/16

The **Partnerships & Regeneration Scrutiny Committee** has an important and essential role in reviewing our partnership arrangements and activity, and continues to close the democratic deficit that partnerships have been criticised for. Some of the issues scrutinised by the Partnership and Regeneration Scrutiny Committee during the year include:

- Annual Review of Anglesey Housing Partnership
- Update on Proposed Joint Local Services Board Scrutiny
- Betsi Cadwaladr University Health Board
- Galw Gofal / Care Connect North Wales Regional Call Monitoring Service
- Partnership Policy Document and the Role of Scrutiny in Monitoring Partnerships

Members represent Scrutiny on various internal Boards and review groups, the purpose of this being to promote inclusion, add value to the discussion and to report back to their Scrutiny Committee on progress and to raise areas which may require formal scrutiny. The focus of the *Corporate Scrutiny Committee* on performance has supported the cultural change and contributed significantly to improved governance.

Each of the two Scrutiny Committees reports their activity to the Council at its annual meeting. The Risk Management Policy was adopted by the Executive on 26 May 2015 and both the Policy and associated guidance have been uploaded to Monitor (the Council's intranet). These documents align the Risk Management and Performance Management frameworks.

SLT has reviewed the Corporate Risk Register on a quarterly basis since September 2015. In line with the CPPMF 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 2015/16, the Audit and Governance Committee has been presented with an annual report on the risk management process and two updates on the Corporate Risk Register. A further report on the Corporate Risk Register was presented to the Scrutiny Committee in March 2016.



During the year, work has commenced to develop Risk Registers for Partnerships in order to allow the Scrutiny Committee to scrutinise the risks arising from Partnerships. A report on the same was presented to the Audit and Governance Committee in March 2016.

Three overarching Corporate Transformation Programme Boards (CTPBs) were established as part of the Council's Transformation Programme in 2013. The Boards were then reduced from three to two with their revised main role being to monitor and drive progress on related Change Programmes and Projects giving confidence to elected Members and Senior Leaders that anticipated benefits to the Council and communities on Anglesey are being realised in a timely manner. This will ensure that activities were delivered in accordance with Anglesey's corporate objectives.

**The Governance and Business Process Transformation Programme Board** is chaired by the Assistant Chief Executive responsible for all issues relating to internal Council matters. The Board concentrates on transforming internal processes and on improving internal management and governance arrangements and currently covers matters relating to:-

- Corporate Performance Management and Self Evaluation system
- Service Performance Management and Self-Evaluation
- Workforce planning and management
- Smarter Working
- ICT Strategy
- Benefits System and Welfare Reform
- Customer care [citizens and elected Members]
- Procurement and fitness check
- Corporate communication
- Scrutiny Programme
- Business Continuity

**The Partnerships, Communities and Service Improvement Board** is chaired by the Assistant Chief Executive responsible for external Council matters. The Board focuses on developing the principle of "Place", promoting partnerships and improving services provided for Anglesey citizens and currently covers matters relating to:-

- Service Modernisation: School; OASC;
- Museums and Culture; Libraries; Youth Service; Leisure
- Partnerships
- Development of Place – assets to include Housing
- Asset Management Plan [to include Energy efficiency]
- Destination Management
- Energy Island
- Corporate Language Strategy
- Town and Community Councils
- Community engagement
- Management Development across the Council

A robust programme and project management approach has also been implemented corporately to ensure delivery where, previously, this was seen as an area of weakness. The Council has invested in a Corporate Programme Management Office with Project Managers responsible for specific projects. Training is also targeted and all projects are overseen by the Project Managers and the Head of Transformation was appointed to post in Quarter two 2015/16.

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

It provides independent assurance to the Council and its statutory officers on: the adequacy of the governance and risk management frameworks, the internal control environment and the integrity of the financial reporting. By overseeing internal and external audit and other regulators, it makes an important contribution to ensuring that effective assurance arrangements are in place.

A Concerns and Complaints Policy was introduced to the Council on 1 April 2013 and places an emphasis on: Customer Care, the systematic recording of all concerns, early resolution and the demonstration of lessons learnt and the implementation of improvements. The Policy is based on that of the Public Services Ombudsman for Wales as required by the Welsh Government.

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

The number of formal complaints has steadily decreased since the introduction of the new policy as many “concerns” are resolved early at service level. The number of formal complaints for 2015/16 was 59, six fewer than in 2014/15. The number of complaints to the Ombudsman was again relatively low and none relating to those received during this reporting period were investigated. Statistical information about service complaints is published monthly on the Council’s website and forms part of an annual report to the Audit Committee which also deals with DPA, FOIA and EIR, statistical information for which is also published monthly on the Council’s website. The 2015/16 Annual Report will also include details of any complaints dealt with under the Whistleblowing Policy.

Principle Five:	Developing the capacity and capability of Members and Officers to be effective
Related Key Theme:	Valuing and Developing our People

The Council has achieved the WLGA Charter for Member Support in recognition of the work that we have undertaken to provide a high standard of support to Members to undertake their diversity of roles, ranging from that of community leader, to their special responsibilities within the Council.

In addition, a number of Members have undertaken professional development reviews (PDRs) and training needs have been identified from these. Whilst in its infancy at Anglesey, such a development is seen as key to enabling Members to be more effective in their role. This has now been extended to include independent members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair. During 2015/16, this practice continued to be embedded. Member training is monitored by the Council’s Democratic Services Committee.

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

The **Democratic Services Committee** is responsible for reviewing the adequacy of 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.

A number of Members have undertaken professional development reviews (PDRs) and training needs have been identified from these. This has now been extended to include independent members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair.

The Committee developed a work programme for 2015/16 and the Chair reports annually to Council's Annual General Meeting (AGM), including a report on the Member Development Plan. Themes associated with the WLGA Member Development Charter awarded to the Council form an integral part of its work programme.

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

All Members prepared annual reports on their responsibilities during 2015/16 and information is available on the Council's website.

The Council has a People Strategy which was developed in 2011 and has been reviewed independently in 2016. That independent review confirmed that the strategy remained "fit for purpose" to take the Council forward to 2020 as it continues to support the Council's vision and provides a framework for moving our people management forward.

The People Strategy has five key priorities:

- Recruiting and retaining the best (innovative, ambitious and outward looking)
- Inspiring service excellence (customer, citizen and community focused)
- Building Organisational effectiveness (professional and well run)
- Engaging, developing and managing our Talent (valuing and developing our people)
- Developing the skills and capacity of our workforce (valuing and developing our people)

The significant achievement in 2015/16 was the completion of the job evaluation/single status project resulting in new terms and conditions which aligned staff and provided equality. A revised pay scale was achieved which ensured that the living wage operational at that time was available for the lowest paid staff. Completing the project had a significant resource impact on HR and services generally which, inevitably, did not enable as much progress to be made in other activities, e.g. the anticipated work to progress workforce planning was not progressed at the expected pace. Looking forward to 2016/17, a forward plan is in place to progress matters.

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

A [staff awards ceremony](#) was introduced in December 2013 and has continued in 2014 and 2015 to recognise, celebrate and promote the achievements of Council staff. Every day our staff work hard to deliver public services for the people of Anglesey and the staff awards are an opportunity to showcase good work and demonstrate how much we value our people. There are six categories of award which mirror the 'Six Key Themes'. During 2015, the ceremony was expanded to include staff recognition to those who have gained a professional qualification and to present long service awards.

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

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. :-

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

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

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

The establishment of this Board, in collaboration with a third sector project *Community Voices*, was undertaken to oversee developments and ensure buy-in. Such an approach will secure an accurate reflection of Anglesey-wide views from different stakeholders which can be used thereafter to inform the decision making process.

It is envisaged it will provide a cross-Council approach to engagement and stakeholder involvement which will reduce duplication, ensure a collective approach to engagement and improve our area-based intelligence as a Council.

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

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

A two-year webcasting pilot funded by Welsh Government grant commenced in June 2014. This is a positive example of how Anglesey has progressed its customer / citizen focused electronic approach by webcasting Executive, Planning & Orders and Council meetings. It also adds to the transparency of decision making and involves a much wider audience for debates. This development is an effective example of the channel shift agenda and the Council's continuous drive to address democratic renewal. Interest has been encouraging to date with in excess of 12,000 views. A staff survey was undertaken during the summer of 2013 and the next survey is scheduled to be carried out next year (2017).

Arrangements are in place to engage with Welsh Government, External Audit and other regulators and WLGA. These have been significantly strengthened over the last few years following intervention and will be sustained as part of the continuing governance arrangements.

Internal engagement is essential in developing a 'Team Môn' culture and we are in the process of refining the Internal Communication Framework. We value the views and opinions of staff and Members in contributing to the transformation agenda. Opportunities have been provided through a range of fora in which staff and Members have been encouraged to actively participate. For Members, regular informal briefing sessions have been held on a range of subjects. This enables them to better understand specific areas of work and allows them to prepare for informed scrutiny and decision making. For the 2015/16 Council year, monthly briefing sessions will feature in the Council calendar.

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

There are longstanding arrangements for engaging with employees: with Trade Unions through the Local Joint Consultative Committee and less formal meetings, and communication with staff generally e.g. through monthly staff bulletins. Managers and staff were consulted and involved in decision making as part of the Transformation Programme.

## **5. REVIEW OF EFFECTIVENESS**

The Isle of Anglesey County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and, also, by comments made by the external auditors and other review agencies and inspectorates.

The effectiveness of the governance framework has been evaluated by a combination of:-

- the results of the regular in-year review and monitoring by officers and committees;
- a review of relevant documents prepared during the year or relating to the year;
- the review of progress against the Corporate Plan;
- a review of the six themes which underpin the Authority's values;
- reviews of feedback from Estyn and CSSIW and the related recovery boards on the improvement work in relation to Education and Children's Services;
- a series of interviews with key officers;
- discussion with, and receiving comments from, groups of officers and Members, including the SLT and the Executive.

In addition, regular in-year review and monitoring includes:-

- formal risk management activity, including specific consideration of those risks linked to governance processes;
- Internal Audit, whose work takes account of identified risks through regular audits of the major systems, establishments, major projects and major governance processes, including risk management, in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that senior officers implement agreed recommendations;
- the annual assessment of Internal Audit by the Council's external auditors;
- the work of the Council's Scrutiny and other committees, including its Audit and Standards committees;
- the opinions and recommendations of the Council's external auditors and other review agencies and inspectorates;
- the regular monitoring of improvement and performance against the Corporate Plan and its supporting plans and strategies by Members and senior managers.

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

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

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

## **6. SIGNIFICANT GOVERNANCE ISSUES**

The latest official source of analysing progress is, therefore, the Annual Improvement Report (AIR) issued by WAO in December 2015. That report noted that good progress was made across a number of governance themes during the year and concluded that:

- The Council's self-awareness and its track record of improving governance and management are likely to support it in making arrangements to secure continuous improvement in 2015/16;
- Members, officers and partners co-operate well within an improving governance framework, addressing local priorities and arrangements that the Council recognises are not working well;
- The Council has taken steps to address weaknesses in its strategic use of resources but more work lies ahead in the face of financial challenges;
- The Council made good progress against its key improvement priorities.

No statutory or formal recommendations were made in the AIR, but a number of 'proposals for improvement' were made as follows:-

- The Council should review its improvement priorities to ensure that the scale of its ambitions is clear and that it reflects realistically the capacity and resources at the Council's disposal;
- The Council should ensure that its strategies for People, ICT and Asset Management are clearly linked to the Council's Corporate Plan and the associated financial strategy;
- The Council should: further embed a culture of consistent corporate working among staff at all levels; and ensure that staff at all levels are held to account for complying with Council policies and the implementation of decisions;
- In implementing its new procurement strategy, the Council should ensure that it develops and applies the skills necessary to better manage and monitor contracts with external suppliers of goods and services;

- The Council should ensure a consistent approach to workforce planning and use the results to inform future reductions in staff;
- The Council should address systematically and, where appropriate, corporately, the recommendations and proposals for improvement included in the following :-
  - Wales Audit Office reviews of the Council's arrangements to support the safeguarding of children and of the Anglesey and Gwynedd Joint Local Service Board;
  - review of the ICT service commissioned by the Council;
  - Enforcement Notice issued by the Information Commissioner's Office;
  - Performance Evaluation Report 2013/14 issued by the Care and Social Services Inspectorate Wales; and
  - reports produced by Internal Audit

The Annual Report 2016 of the Head of Internal Audit gives assurance on the framework for internal control. It identifies that the Service completed 44 audits during the year, six of which were unplanned against a planned target of 63 audits.

All of the audits performed during the year resulted in positive levels of assurance with the exception of ICT Disaster Recovery which was assessed as providing Minimal Assurance, and the following audits which were assessed as providing Limited Assurance:-

- Business Continuity;
- Ysgol Cemaes;
- Affordable Housing, Houses into Homes & Bridging Loan Schemes;
- Partnerships; and
- Human Resources Policies & Practices for Managing the Workforce.

Follow-up audits were undertaken of ICT Disaster Recovery and Business Continuity during March and February 2016, respectively and the assurance level was re-assessed as reasonable.

A further review of the Risk Management Framework was undertaken during 2015/16 which demonstrated significant progress in embedding risk management in the Authority. Internal Audit continued to focus resources into grant related areas during 2015/16 to ensure that the risks presented by the type of funding were being appropriately managed. No significant risks were identified in respect of the grants reviewed. The overall results of the Internal Audit work identified 73% of reviews resulted in 'positive' opinions (Substantial or Reasonable) and 27% resulted in 'negative' assurance opinions. The 27% of reports receiving negative assurance opinions is made up of six reports (one Minimal and five Limited).

The overall opinion for the systems reviewed is a reasonable level of assurance, which is consistent with previous years. This overall level of assurance is based on the scope of the work carried out, action recommended to management being implemented and those systems continuing to operate as intended. The Service has performed six additional unplanned audits during the year, which accounted for an additional 37.88 days' work.

The UK Internal Audit Standards require Internal Audit to follow up management actions arising from its assignments. The Follow-Up and Monitoring Process outlined in a report to the Audit and Governance Committee on 8 December 2015 has been introduced to improve the monitoring and reporting of progress in implementing agreed recommendations.

Prior to December 2015 the data was compiled solely from a self-assessment by the relevant services and not subject to confirmation by Internal Audit until a subsequent audit review was undertaken in the same area. **Table 1** below summarises the implementation as at 31 March 2016.

<b>Table 1 - Status of agreed recommendation as at 31-3-2016</b>				
<b>Status</b>	<b>High</b>	<b>Medium</b>	<b>Total</b>	<b>%</b>
Complete	35	141	176	74
Outstanding	6	55	61	26
Total	41	196	237	100

Recommendations are currently ranked as high, medium or low. Those rated as low are not subject to formal follow-up by Internal Audit and are not included in this analysis. The percentage implementation rate as at 31 March 2016 is **74%** of 'high' and 'medium' recommendations having being recorded as implemented.

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

<b>Significant governance Issues</b>	<b>Actions identified to address weaknesses</b>
<p><b>Information Management</b> – It was reported in the 2014/15 Annual Governance Statement 'some progress on information governance over the last 20 months'. The final ICO's follow up report received in January 2015 recorded a Limited level of assurance. The Council received an Enforcement Notice by the ICO dated 1 October 2015, as the ICO had limited confidence in the Council's commitment to implement the required steps on an ongoing basis.</p> <p>An Internal Audit undertaken during 2015/16 did not give consideration to the <b>ICO's Enforcement Notice</b> undertaken in 2015/16 as the scope of the audit was limited to ensuring ongoing compliance with the Council's Information Governance established policies and practices and resulted in a Reasonable level of assurance.</p>	<p>The Internal Audit report identified improvements in the Council's Information Governance; it is correct to distinguish between it and the ICO Enforcement Notice, which referred to different historic issues. The Enforcement Notice is being addressed by means of a work plan, monitored by the Council's Corporate Information Governance Board. Significant outcomes thus far include the procuring of a policy management and acceptance system, which is currently being implemented.</p>



<p><b>Partnerships – Governance Arrangements</b> – The Council does not have a partnership policy to provide a framework for the effective management of new and existing partnership arrangements and a central register is not maintained to record the partnerships the Council is involved in.</p>	<p>The Assistant Chief Executive updated the Audit and Governance Committee on 15 March 2016 with the scope of the Partnership work streams aimed at formalising the arrangements for monitoring, reviewing and governing both current partnerships and those that may be entered into in future. Reference was made to the development of a Partnerships Policy document which summarises the Council's vision for partnership working.</p>
<p><b>Governance Compliance with Council Polices</b> – The Corporate Assessment 2014/15 identified the requirement to embed a culture of consistent corporate working among staff at all levels and to be held to account for complying with Council Polices. Issues relating to non-compliance with key corporate policies and procedures have been identified in internal audits performed during 2015/16, e.g. Information Governance – Annual Review of Compliance, HR Policies &amp; Practices for Managing the Workforce and ICT Disaster Recovery.</p>	<p>Following a tendering exercise, the Council has identified and acquired an electronic policy management solution. A corporate format for policies has been agreed. A roles and responsibilities paper and an internal implementation plan are being developed. Progress report submitted to SLT on 3 May 2016. Key policies requiring acceptance over the first 12 months have been identified by services and will be considered and prioritised by SLT on 31 May. A key risk to the effective implementation of the system is the absence of full, up-to-date staff details on Outlook. This is currently being addressed, with ICT sending out reminder e-mails on a weekly basis.</p>
<p><b>Corporate Procurement Framework-</b> Following the introduction of the new Contract Procurement Rules (CPRs), a review of the Procurement arrangements has been included in the Internal Audit Operational Plan for 2016/17 to provide assurance that the changes will lead to increased compliance with procurement regulation, policy and procedure.</p>	<p>A national Welsh Government fitness check undertaken by KPMG in 2014 highlighted some significant issues for the Council to address. A formal project has been set up within the Authority; the project has addressed the major recommendations within the report and has also achieved £500k cashable savings. Revised Contract Procedures Rules have been introduced and implemented, taking into consideration the new EU Public Procurement Regulations 2015. Corporate Procurement Team has provided training to all staff on the new legislation and CPRs. Another procurement fitness check carried out by an external provider on behalf of the Welsh Government will take place in June 2016 to ensure that the recommendations have been addressed.</p>

<p><b>Recommendation Implementation</b> – There is a continuing issue with regard to the implementation of Internal Audit recommendations, particularly with schools.</p>	<p>The Corporate Assessment 2014/15 included a proposal for improvement that the Council should address systematically the recommendations included in reports produced by Internal Audit. Both Internal Audit and the Transformation Unit have now actioned this and quarterly reports to SLT are undertaken to monitor progress on internal and external recommendations in some detail, with any issues of concern being noted and followed up.</p>
<p><b>ICT Disaster Recovery</b> - The important issues previously identified in respect of ICT are being addressed, although ongoing work will be needed in 2016/17 to ensure that the internal controls implemented by management are appropriately embedded across the Authority.</p>	<p>The IT Service has liaised with all services to identify key telephone numbers. An external service has been procured which would re-route calls to these numbers in the event of a major incident (Complete).  Best in class servers and data storage technologies have been purchased which will allow the provision of an offsite data centre capable of running key services in the event that HQ was unavailable. Agreement has been reached upon the location of the new data centre but progress is now dependent on the current occupants vacating the unit (December 2016).  The IT BCM needs of services have not yet been articulated by them and it is unclear where services intend to locate themselves in the event of a major incident, nor which systems and data they will require access to. The IT Service has deployed a scalable Citrix remote access solution which could allow key staff to work from home. The IT Service will meet with HoS to identify their IT BCM needs and the associated costs to implement (December 2016).  The IT Service has membership of the corporate Business Continuity task group and is available to advise on IT business continuity improvements (Ongoing).  A best in class Uninterruptable Power Supply (UPS) has been procured and commissioned protecting the Council's data infrastructure from damage due to unstable power or complete failure (Complete).  Systems monitoring technologies have been implemented which monitor all servers and key infrastructure components; this is visible to all IT staff on large monitors as well as generating automatic alerts to the ICT Service Desk in the event of a problem (Complete).  Temperature and humidity sensors capable of generating automatic alerts will be procured and installed at both data centres (December 2016).</p>

A number of these areas have previously been identified by the Council's Self-Assessment and good progress has been made on a number of the actions identified in the 2014/15 Annual Governance Statement as Significant

**7. CERTIFYING THE ANNUAL GOVERNANCE STATEMENT**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & 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 & Governance Committee and as part of our next annual review.

.....  
**Leader of the Council**  
**Date:**

**2016**

.....  
**Chief Executive**  
**Date:**

**2016**

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

Archwilydd Cyffredinol Cymru  
Auditor General for Wales



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

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

**Audit year:** 2015-16

**Issued:** September 2016

**Document reference:** 514A2016

# Status of report

---

This document has been prepared by Deloitte LLP on behalf of the Auditor General.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).

The Deloitte team who delivered the work comprised Ian Howse – Engagement Partner, Clare Edge – Engagement Manager and Domantas Vaicekonis – Team Leader.

# Contents

---

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

---

## Summary report

Introduction	4
Status of the audit	4
Proposed audit report	4
Significant issues arising from the audit	5
Independence and objectivity	8

---

## Appendices

1. Draft Letter of Representation	9
2. Proposed audit report of the Auditor General to the Isle of Anglesey County Council	12
3. Summary of corrections made to the draft financial statements which should be drawn to the attention of the Audit and Governance Committee	14
4. Recommendations arising from our 2015-16 financial audit work	19
5. Estates related recommendations arising from our 2015-16 financial audit work	27

---

# Summary report

---

## Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Isle of Anglesey County Council at 31 March 2016 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for Isle of Anglesey County Council is £4.4m. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of Isle of Anglesey County Council, for 2015-16, that require reporting under ISA 260.

## Status of the audit

6. We received the draft financial statements for the year ended 31 March 2016 on 30 June 2016 and have now substantially completed the audit work. At the date of our presentation of this report the following were outstanding:
  - a. Finalisation of documentation in relation to items on our audit outstanding list;
  - b. Finalisation of Partner and independent quality review process and audit file documentation; and
  - c. Receipt of letter of representation.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the S.151 Officer and Deputy S.151 Officer.

## Proposed audit report

8. Subject to satisfactory completion of outstanding work, it is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

# Summary report continued

---

## Significant issues arising from the audit

### Uncorrected misstatements

There are no misstatements identified in the financial statements, which remain uncorrected.

### Corrected misstatements

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

### Significant Risks

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

Financial audit risk	Proposed audit response
<p><b>Management override of controls</b></p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>Our testing of journal entries is currently ongoing. However, the audit team will complete the following procedures:</p> <ul style="list-style-type: none"><li>• testing the appropriateness of journal entries and other adjustments made in preparing the financial statements using enhanced data analytics to analyse the whole journal population for characteristics of audit interest;</li><li>• performed testing on the design and implementation of controls over journal entries to the financial ledger;</li><li>• testing the appropriateness of accounting estimates for biases; and</li><li>• evaluation of the rationale for any significant transactions outside the normal course of business including those with related parties.</li></ul> <p>No issues identified.</p>
<p><b>Completeness and recognition of grant income</b></p> <p>We have identified completeness and recognition of grant income as a significant risk as there is a need to apply management judgement on recognition of grant income, including</p>	<p>The audit team undertook the following procedures:</p> <ul style="list-style-type: none"><li>• carried out detailed testing of grant income to check that recognition of income properly reflects the grant scheme rules, that entitlement is in agreement with the draft or final grant claim</li></ul>



# Summary report continued

Financial audit risk	Proposed audit response
<p>determining whether a grant has conditions and whether they have been met to allow recognition. There are two types of grant income which we have considered to be relevant to this risk, these being, specific revenue grants and capital grants and contributions.</p>	<p>and that the grant control account balance has been properly reconciled;</p> <ul style="list-style-type: none"><li>• reviewed and validated correspondence attached to specific grants and compared to the Council's accounting treatment; and</li><li>• tested the design and implementation of controls around recognition of grant income.</li></ul> <p>See <a href="#">Appendix 3</a>, where we identified one adjustment and <a href="#">Appendix 4</a> for one control observation identified.</p>
<p><b>Pension liability</b></p> <p>The Council currently holds a material net liability in respect of its pension obligations on the balance sheet, the calculation of which is based on a series of actuarial judgements.</p> <p>We identified errors in the census data underlying the net pension liability figure in the Council's accounts in 2012-13, 2013-14 and 2014-15 where the Council did not provide the Gwynedd Pension Fund with sufficient information regarding employee movements and role changes on a timely basis.</p> <p>There is a risk that membership data provided to the actuary for use in the preparation of the annual disclosures under International Accounting Standard 19 (Employee Benefits), is not sufficiently robust. However, we note that no issue was reported with regards to the overall liability disclosed in the statement of accounts.</p>	<p>The audit team undertook the following procedures:</p> <ul style="list-style-type: none"><li>• obtained the IAS19 valuation as at 31 March 2016, and engaged experts to assist with our review and testing of the appropriateness of the IAS19 valuation bases, assumptions and financial statement disclosures; and</li><li>• understood and corroborated the exercise undertaken by Council staff to review the accuracy of the data provided to the actuary and considered whether we can obtain assurance over its accuracy and completeness.</li></ul> <p>No issues identified.</p>
<p><b>Housing Revenue Account Subsidy (HRAS) buy out</b></p> <p>The HRAS system was originally established to enable the UK Government to determine the amounts needed by local housing authorities for their housing properties and to identify whether they required subsidy support from central government.</p> <p>The annual subsidy is driven by a formula and if spending was greater than assumed income, the UK Government paid subsidy to make up the deficit. If spending was less, the local housing authority paid the surplus to the UK Government, known as negative subsidy. Over time, the formula has resulted in all eleven local housing authorities in Wales paying negative subsidy.</p>	<p>The audit team undertook the following procedures:</p> <ul style="list-style-type: none"><li>• reviewed the enabling legislation passed by the Welsh government;</li><li>• obtained proof of consideration and approval of the buyout by the Council and the Executive;</li><li>• obtained the signed HRAS voluntary agreement between the Council and the Welsh Government;</li><li>• obtained the signed PWLB loan agreement; and</li><li>• tested the appropriateness of all related accounting entries to ensure they are in accordance with the CIPFA code of practice on local authority accounting and that the related disclosures in the statement of accounts are correct.</li></ul>

# Summary report continued

---

Financial audit risk	Proposed audit response
<p>A financial agreement was reached, between the Welsh Ministers and Her Majesty's Treasury in June 2013, which enabled local housing authorities in Wales to exit the HRAS. As part of the agreement, the eleven local housing authorities were required to buy themselves out of the subsidy system.</p> <p>The Council borrowed circa £21.2m from the Public Works Loan Board (PWLb) on 2 April 2015 with a loan maturity of 30 years, which was used to pay-off the government and eliminate the negative subsidies. The Council had to produce a 30 year plan before the buy-out and this is required to be updated every year.</p>	<p>No issues identified.</p>

# Summary report continued

---

## Other significant issues arising from the audit

12. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:
- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting**, however, we found the quality and timeliness of some supporting audit evidence could be improved and we have raised a recommendation in [Appendix 4](#) to this effect. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
  - **We did not encounter any significant difficulties during the audit.**
  - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
  - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
  - **We did not identify any material weaknesses in your internal controls, although we have identified several areas in which it would be possible to improve control.** These are included in [Appendix 4](#).
  - **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**
13. The recommendations arising from our financial audit work are set out in [Appendix 4](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

## Independence and objectivity

14. As part of the finalisation process, we are required to provide you with representations concerning our independence.
15. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office or Deloitte and Isle of Anglesey County Council that we consider to bear on our objectivity and independence.

# Appendix 1

---

## Draft Letter of Representation

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

27 September 2016

## Representations regarding the 2015-16 financial statements

This letter is provided in connection with your audit of the financial statements of Isle of Anglesey County Council for the year ended 31 March 2016 the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

## Management representations

### Responsibilities

We have fulfilled our responsibilities for:

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

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

# Appendix 1 continued

---

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Isle of Anglesey County Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

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

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

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

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

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

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

## Representations by those charged with governance

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Isle of Anglesey County Council on 27 September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been

# Appendix 1 continued

---

communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by: .....

Marc Jones  
S.151 Officer  
Isle of Anglesey County Council

Signed by: .....

Officer or Member who signs on behalf of  
those charged with governance

Date: .....

Date: .....

# Appendix 2

---

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

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

I have audited the accounting statements and related notes of Isle of Anglesey County Council for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

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

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

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

### **Scope of the audit of the accounting statements**

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

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

### **Opinion on the accounting statements of Isle of Anglesey County Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Isle of Anglesey County Council as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

## Appendix 2 continued

---

### **Opinion on other matters**

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

### **Matters on which I report by exception**

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

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

### **Certificate of completion of audit**

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

For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
30 September 2016

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ



## Appendix 3

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

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

	Nature of correction	CIES Dr	CIES Cr	BS Dr	BS Cr
		£'000	£'000	£'000	£'000
1	<b>Capital commitment</b> We identified that the capital commitment in note 16 for LLangefni Link Road was overstated by £622,423 as this was also accrued for in assets held for construction .	n/a	n/a	n/a	n/a
2	<b>Valuation of garages</b> Garages revalued with increased yields applied – value reduced significantly, this will need changing in GL reducing from £11,389k to £3,500k. Dr Revaluation reserve £7,889k, Cr Fixed assets (garages) £7,889k.  Please see Appendix 5 for further information.			7,889	(7,889)
3	<b>Assets Held for Sale</b> As a result of a review of the revaluation report we identified that the Caergyby asset held for sale was double-counted following its revaluation. Dr Revaluation Reserve £550k' Cr L&B £550k.			550	(550)

## Appendix 3 continued

	Nature of correction	CIES Dr	CIES Cr	BS Dr	BS Cr
		£'000	£'000	£'000	£'000
4	<p><b>Disposals</b></p> <p>As a result of our review of Note 7 Adjustments between accounting basis and funding basis, and Note 15 Non-current assets we identified that £77k was incorrectly coded to Dwelling disposals, as this class of disposals recorded in Note 15 are £362k, whilst Note 7 records the carrying amount of disposals as £285k.</p> <p>In addition, we identified that a £362k disposal value is also disclosed in the Housing Revenue Account (HRA) Income and Expenditure Statement.</p> <p>Dr Council Dwelling Disposals £77k, Cr Capital Adjustment Account £77k.</p>			77	(77)
5	<p><b>Asset Categorisation</b></p> <p>We identified during our testing of additions that in one instance an addition had been incorrectly categorised as an infrastructure addition rather than as an Assets Under Construction (AUC). The value of the individual asset sampled was £40,000 and upon further investigation as to whether any more assets relating to this project had been incorrectly categorised as Infrastructure rather than AUC, it was identified that a total of £888,425.34 had been categorised as Infrastructure rather than AUC.</p> <p>Dr AUC Additions £888k, Cr Infrastructure Additions £888k.</p>			888	(888)

## Appendix 3 continued

	Nature of correction	CIES Dr	CIES Cr	BS Dr	BS Cr
		£'000	£'000	£'000	£'000
6	<p><b>Social Services Cost Recognition</b></p> <p>Social services provide financial aid to a number of people in residential homes. The residential homes agree a set price with each resident under care, who pays their own contributions towards the residential home costs, with the net balance being covered by the Council via their creditors system. The Council receives "Schedule A" forms from the residential homes, which give details of the gross cost, client contributions and the net cost to the Council. The Council then amalgamates these figures every reporting period, and posts an adjustment to increase the net costs recognised by the amount contributed by the clients.</p> <p>The cost of residential care homes is chargeable in full to the residents. If individuals are assessed as needing a care home place and their capital is below £23,250, they may be entitled to financial support from their local authority.</p> <p>The residents pay their contributions directly to the care homes. The authority's contributions are based on the residents' individual circumstances and represent the balance of charges not paid by the residents. The net amount is paid by the authority and not the gross.</p> <p>The Council has recorded the gross cost of the residential care and also the residents contribution as income. The Council should have shown only the net cost to the Council as the residents pay their contribution directly to the Care Home.</p> <p>Dr Income £1,628k, Cr Expenditure £1,628k.</p>	1,628	(1,628)		

## Appendix 3 continued

	Nature of correction	CIES Dr	CIES Cr	BS Dr	BS Cr
		£'000	£'000	£'000	£'000
7	<p><b>Revaluations</b></p> <p>The Council has adopted a £30k threshold for the accounting of revaluation of changes in relation to Land and Buildings. It was noted that the collective total of the asset adjustment not posted was above our reporting threshold with a net total gain of £306k not posted by the client (Gross gains £328k and Gross losses £22k).</p> <p>Cr Fixed Assets £306k Dr Revaluation reserve £306k</p>			306	(306)
8	<p><b>Revenue Grants - Supporting People</b></p> <p>Internal invoices are required to be generated for services/work carried out in relation to the Supporting People grant. However, the departments of the council which were carrying out the work were not raising invoices as required and as a result a number of items of expenditure relating to the grant were accrued for. This had been taking place for a number of years and it has since come to light that the work accrued for has not actually taken place. The additional £238k of income was recognised as a result of this and the income has come from the general fund.</p> <p>Dr income £238k, Cr reserves £238k.</p>	238			(238)

## Appendix 3 continued

	Nature of correction	CIES Dr	CIES Cr	BS Dr	BS Cr
		£'000	£'000	£'000	£'000
9	<p><b>Equal Pay Provision</b></p> <p>The Council is holding a provision in relation to equal pay claims totalling £3,016k at 31 March 2016. We have received supporting working papers confirming estimated equal pay and HMRC costs of £2.151m and it was confirmed that the remainder of the provision was a prudent estimate to cover any additional claims. As a provision must be based on a reasonable estimate it has been agreed that an adjustment will be made to release £865k of this provision.</p> <p>Dr Provision £865k Cr General Reserve £865k</p>			865	(865)

*CIES – Comprehensive Income and Expenditure Statement*

*BS – Balance Sheet*

# Appendix 4

---

## Recommendations arising from our 2015-16 financial audit work

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

### Matter arising 1 – Estates

<b>Findings</b>	As part of our financial audit we engaged a valuation expert to assist the audit team with testing the appropriateness of the IAS 19 disclosure. The expert valuer has raised a number of areas for improvements which we have set out separately in <a href="#">Appendix 5</a> .
<b>Priority</b>	Medium
<b>Recommendation</b>	Please see <a href="#">Appendix 5</a> .
<b>Benefits of implementing the recommendation</b>	To improve the quality and robustness of the valuation process.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	Management will review its processes and work through the detailed recommendations in Appendix 5
<b>Implementation date</b>	All improvements will be implemented by the end of March 2017.

### Matter arising 2 – IT General Controls - Segregation of Duties

<b>Findings</b>	We noted that one of the users on Civica is both a systems administrator and is also responsible for both uploading and approving journals. Good practice would be to segregate the system administration privileges from the transaction processing, and to also segregate the authorisation from the approval of general ledger journals. We understand that there are practical limitations which prevent further segregation of duties through the IT access rights at this time.
<b>Priority</b>	Medium
<b>Recommendation</b>	We recommend that there is investigation of whether a manual check in the business process could operate to ensure segregation of duties over posting of journals
<b>Benefits of implementing the recommendation</b>	Minimise the risk of fraud as a result of poor segregation of duties controls.

## Appendix 4 continued

---

### Matter arising 2 – IT General Controls - Segregation of Duties

<b>Accepted in full by management</b>	Yes
<b>Management response</b>	An investigation and report on findings will be done
<b>Implementation date</b>	The review will be undertaken by the 31 <sup>st</sup> December 2016 and any subsequent changes will be implemented by the 31 <sup>st</sup> March 2017

### Matter arising 3 – IT General Controls - Starters, movers and leavers process

<b>Findings</b>	We identified areas where the starters/movers/leavers process may be more efficient. For example the monthly HR report which is circulated to system administrators is not also circulated to those responsible for administering the SX3 and Resource Link applications. We also noted that the report does not contain the employee's email address which would help with linking the network and the Civica accounts to make it easier to revoke the Civica account. In addition we noted that the movers process is reliant on line managers notifying each other of the move, whereas bringing movers into the starters/leavers process might help ensure a more complete and smoother flow of information. We understand that the forthcoming relaunch of Resource Link will provide the means to integrate workflow which will help to manage the starters/movers/leavers process, although this will be a significant project for the Council.
<b>Priority</b>	Low
<b>Recommendation</b>	We recommend that the monthly HR report is distributed more widely and include the email account details, and consideration given as to bringing movers into the current starters & leavers process.
<b>Benefits of implementing the recommendation</b>	Improve efficiency in the process to allow for the timelier processing of starters, leavers and movers.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	Management accept the recommendation and are currently reviewing and implementing changes to address this recommendation.
<b>Implementation date</b>	All improvements will be implemented by the end of March 2017.

## Appendix 4 continued

---

### Matter arising 4 – IT General Controls - Resource Link Access

<b>Findings</b>	On the Resource Link application, we identified that all members of the payroll team have supervisor access rather than having different levels of access to reflect different roles in the team. We further noted that strong password parameters are not enforced. Given the sensitive nature of the data held/accessed on this application and that amending the user access is not seen as practical due to certain days of the month when all of the team are required to have the wide-ranging access, it is important that access controls are strong – however we understand that a change is being applied to the application this month to bring in the functionality to set password strong parameters.
<b>Priority</b>	Medium
<b>Recommendation</b>	We recommend that this functionality is applied as early as possible to reduce the risk of the supervisor access accounts being compromised.
<b>Benefits of implementing the recommendation</b>	Reduce the risk of inappropriate access by members of staff to sensitive data, which may increase the risk of data loss, error or fraud.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	Management accept the recommendation and are currently reviewing and implementing changes to address this recommendation
<b>Implementation date</b>	All improvements will be implemented by the end of March 2017

### Matter arising 5 – IT General Controls -Resource Link System Access Audit Trail

<b>Findings</b>	For Resource Link we identified that the requests and approvals for user access were not retained, which meant that we were unable to trace users to authorisations for access.
<b>Priority</b>	Low
<b>Recommendation</b>	We recommend that these supporting emails and documents are retained for future reference.
<b>Benefits of implementing the recommendation</b>	Provide an audit trail of compliance with proscribed procedures.
<b>Accepted in full by management</b>	Yes



## Appendix 4 continued

---

### Matter arising 5 – IT General Controls -Resource Link System Access Audit Trail continued

<b>Management response</b>	Management accept the recommendation and will make arrangements so that supporting documents are retained
----------------------------	---

<b>Implementation date</b>	Immediately
----------------------------	-------------

### Matter arising 6 – Available for Sale Assets

<b>Findings</b>	<p>Land at Ffordd Cambria Quarry was planned to be auctioned in August 2015, however, whilst preparing the legal pack, it was identified that the land wasn't registered to the Council.</p> <p>Subsequent to this we have noted that the land has since been registered on 12 August 2016 and we have verified that it is currently being advertised on Rightmove. However, as the land was not able to be sold at the year-end in its current state at the time, which meant it was still incorrectly categorised as Asset Held For Sale (AHFS). Note, due to the trivial impact on the accounts (£150,000 reclassification between AHFS and PPE), an adjustment is not proposed.</p>
-----------------	---

<b>Priority</b>	Low
-----------------	-----

<b>Recommendation</b>	We recommend that before making any reclassifications of assets from PPE to AHFS, the responsible council staff should ensure that the assets meet all requirements of AHFS.
-----------------------	--

<b>Benefits of implementing the recommendation</b>	If assets are correctly categorised this avoids posting adjustments during the audit period and making changes to the statutory accounts.
--	---

<b>Accepted in full by management</b>	Yes.
---------------------------------------	------

<b>Management response</b>	Processes will be reviewed and a checklist of the requirements for AHFS will be included within the working papers
----------------------------	--

<b>Implementation date</b>	31 <sup>st</sup> March 2017
----------------------------	-----------------------------

## Appendix 4 continued

---

### Matter arising 7 – Bank Reconciliations

<b>Findings</b>	<p>We identified that bank reconciliations are not prepared for all bank accounts, and are instead prepared for only the General Account, Payments Accounts and No 2 Account. One bank reconciliation is prepared for all three accounts.</p> <p>In addition, we identified that the May 2015 bank reconciliation for bank account four was not reconciled until September 2015, and at the point of audit (March 2016) had not been reviewed by management.</p> <p>Finally, there are 8 HSBC accounts which are held and which have not been recognised as cash at the year-end totalling £9k. Whilst the amount is clearly trivial and we do not propose adjustment this is a control deficiency and all accounts held should be reconciled and recorded in the Council's financial statements.</p>
<b>Priority</b>	Medium
<b>Recommendation</b>	<p>It is recommended that separate general ledger codes are set up for each individual bank account held by the Council. It is further recommended that separate bank reconciliations are performed for every bank account on a monthly basis. Bank reconciliations should detail the general ledger balance for this account in comparison to the bank balance; adjustments required to match these two figures should be listed as individual line items.</p>
<b>Benefits of implementing the recommendation</b>	<p>There is the risk that where bank reconciliations are not prepared, discrepancies between cash at bank and the ledger cash figure will not be identified. There is also the risk that where one reconciliation is prepared for multiple accounts, it is not clear to which bank account reconciling items relate, increasing the chance of inaccuracies and again leading to potential unreconciled discrepancies between cash at bank and the general ledger cash figure.</p>
<b>Accepted in full by management</b>	Yes.
<b>Management response</b>	A full and thorough review of the Bank reconciliation process will be undertaken.
<b>Implementation date</b>	31 <sup>st</sup> March 2017

## Appendix 4 continued

<b>Matter arising 8 – General Ledger Reconciliations</b>	
<b>Findings</b>	<p>We identified that the reconciliations for both investments and borrowings are completed on a monthly basis between Logotech, the bank accounts and ledger. However, it is not noted when the reconciliation is performed or by whom (the reconciliation is a live spreadsheet that subsequent months are added to). Therefore we cannot assess the timeliness of the reconciliation and per our discussion with the finance team, and subsequently evidenced, there is no formal review by management of the reconciliations until year end.</p> <p>We also evidenced that the Housing Rent reconciliation between the general ledger and Orchard for June 2015 was not signed off by the preparer or reviewer. We noted per discussion with the client that the reason it had not been signed off was that they could not balance the reconciliation, and therefore did not want to send it for review. We noted that the reconciliation of over £400k was unbalanced by £19.93, which could be considered a trivial difference. If a threshold was adopted, the reconciliations could be reviewed in a timely manner, ensuring a functioning system of control.</p>
<b>Priority</b>	Medium
<b>Recommendation</b>	<p>It is recommended that all reconciliations for investments and borrowings record when they have been completed and reviewed.</p> <p>It is recommended that the Housing Rent reconciliation between the general ledger and Orchard is completed and reviewed in a timely manner. This should also be evidenced as being completed. IOACC should consider a tolerance threshold for reconciliations.</p>
<b>Benefits of implementing the recommendation</b>	Any non-reconciling differences or issues may be identified in a timely manner and so can be investigated and rectified if reconciliations are prepared and reviewed in a timely manner.
<b>Accepted in full by management</b>	Yes.
<b>Management response</b>	Management accept the recommendation and will make sure that all recommendations are completed
<b>Implementation date</b>	31 <sup>st</sup> March 2017

## Appendix 4 continued

---

### Matter arising 9 – Suspense Accounts

<b>Findings</b>	<p>We identified that there was an unallocated balance of £280 pounds in the suspense account on the 11 March 2016. This was made up of a small number of payments, including one for £250 from two years ago. As there is no reference on these payments, they can't be allocated and no one has subsequently come forward and claimed to have paid.</p> <p>In addition, in relation to testing of capital grants, we identified Beaumaris Pier capital grant income relating to the release of grant monies which was held in a suspense account which was unutilised and the related expenditure incurred was over and above the eligible expenditure limit per the Beaumaris Pier project. Per discussion with a Grants Co-ordinator of Beaumaris Pier capital grant he confirmed it was likely to be money set aside by Anglesey Council to go towards capital projects, however, no audit trail could be provided to provide us assurance of the source of the income.</p>
<b>Priority</b>	Low
<b>Recommendation</b>	It is recommended that all suspense accounts are reviewed and cleared in a timely manner.
<b>Benefits of implementing the recommendation</b>	As this income offsetting expenditure has not come from a project specific source there is a risk that this income is money is received from a third party source relating to a separate project and could be subject to repayment. If this income relates to Anglesey funds set aside for capital projects, it should not be recognised as revenue.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	Management accept the recommendation and a regular review of the suspense accounts will be undertaken
<b>Implementation date</b>	31 <sup>st</sup> March 2017

### Matter arising 10 – Payroll Exception Reports

<b>Findings</b>	We identified that when asked to view prior exception reports we were informed that these were not retained, and therefore evidence that this has been reviewed prior to the payroll BACs run is not available.
<b>Priority</b>	Low
<b>Recommendation</b>	It is recommended that exception reports are retained by the payroll department, and that they are signed and dated to show they have been approved prior to the Payroll run.
<b>Benefits of implementing the recommendation</b>	Ability to provide evidence that exception reports are run, reviewed and approved prior to the BACs payment.

## Appendix 4 continued

### Matter arising 10 – Payroll Exception Reports continued

<b>Accepted in full by management</b>	Yes
<b>Management response</b>	Management accept the recommendation and are currently reviewing and implementing changes to address this recommendation
<b>Implementation date</b>	All improvements will be implemented by the end of March 2017

### Matter arising 11 – Supporting Schedules for Statutory Accounts

<b>Findings</b>	<p>We identified in a number of instances working papers were not available, did not reconcile or did not fully support the note within the financial statements.</p> <p>The Waste Provision, for example, had no supporting calculations or other documentation.</p> <p>The fixed asset registers did not have details of brought-forward cost or accumulated depreciation, and had to be obtained separately. Additionally, the descriptions of a number of assets on the register (primarily infrastructure assets) were not sufficient to enable Council staff to effectively identify them without significant additional effort.</p> <p>We also had difficulties in obtaining working papers to complete our cash testing mainly relating to obtaining a complete list of bank accounts and accessing bank statements for the imprest accounts as these were held at specific sites. The reconciliations provided were not intuitive and Council staff were not able to explain exactly what was being reconciled i.e. how the account codes tied to actual bank accounts.</p> <p>Further, workings for Note 18b, which shows the analysis investment properties by type were not available.</p>
<b>Priority</b>	Low
<b>Recommendation</b>	It is recommended that all notes to the accounts should have full reconciling supporting working papers, which reconcile to the ledger and maintain a complete audit trail.
<b>Benefits of implementing the recommendation</b>	Enhance the efficiency of the audit process if all disclosures are supported by working papers.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	Management accepts the recommendation and will work towards making improvements
<b>Implementation date</b>	31 <sup>st</sup> March 2017

# Appendix 5

---

## Estates related recommendation arising from our 2015-16 financial audit work

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

Title / Area	Finding and Recommendation	Management response
RICS Registered Valuer	<p>We identified that the Council's internal estates team valuers, and the specific valuer Barry Jones (Senior valuation officer) is appropriately qualified and appears to have the requisite experience to undertake the valuations. However it is noted that the valuer is not an RICS Registered Valuer. Whilst it is preferable that the valuer who undertakes the valuations is a RICS Registered Valuer, if the valuations are overseen by a RICS Register Valuer then this should be sufficient as long as there is a transparent auditable trail confirming that the valuations have been reviewed by an RICS Registered Valuer.</p> <p><b>It is recommended that</b> the valuer registers under the RICS scheme.</p>	<p>We are happy to undertake the recommendation set out and will for future years make arrangements so that either we have a valuer that is registered under the RICS Scheme internally but until such time we will make arrangements for a third party to review all valuations.</p>
Valuation Certificate Report	<p>Within the Council's Valuation Certificate Report the valuer has provided a very brief explanation of the various valuation bases or methods of valuation that has been adopted for the majority of the assets. However it is noted that no commentary is provided on the Housing Revenue Account (Council House Dwellings) valuations which makes up the majority of the valuations reported this year, by value. Nor is there any information on the Legal Charges or Surplus Assets valuations.</p> <p><b>It is recommended that</b> in future years that valuer ensures that their report provides commentary on the general valuation process and basis of valuation adopted for each asset class valued in the year.</p>	<p>We are happy to undertake the recommendation and will work with our valuations team to ensure that all recommendations are addressed.</p>

## Appendix 5 continued

---

### Valuation Process

Following the review of the Valuation Certificate Report and after clarifying specific issues with the valuer we are satisfied that a full explanation of the general approach has been provided, however we would make the following observations and recommendations:

- a. The valuer has confirmed that 'drive by' inspections of Council House Beacons and garages were undertaken this year otherwise inspections were not specifically undertaken for the asset valuation exercise. Whilst the valuer confirmed that they know the properties well and undertake inspections throughout the year in relation to their asset management mandate, **it is recommended that** a more extensive inspection programme is undertaken to ensure that all assets are inspected during the five year rolling valuation programme, including the internal inspection of sample Beacon Council Houses;
- b. **It is recommended that** the Assets categorised as Investment, Surplus and Assets Held for Sale Assets are valued on an annual basis to ensure any value movement is captured, we understand the preparation of annual valuation of these assets has now been instigated;
- c. It is noted that the valuer provides land and building value apportionments for each asset for depreciation purposes. However, in the case of the non-specialised assets, this land and building value apportionment is largely based on fixed percentages. Whilst this is a recognised approach **it is recommended that** the land value apportionment should be checked against land sales evidence to ensure that the land value/rate per acre is appropriate in each case;
- d. The Council's componentisation policy is noted, however it is also noted that no or very few assets have been subject to componentisation this year, including the Council Houses which obviously represents a significant proportion of the Council's

We will review our processes in order to meet all the recommendations identified.

## Appendix 5 continued

---

property portfolio by value. Furthermore we understand that where similar components exist in large number of analogous assets and whilst on an individual basis may not be material but collectively they would have a material impact on depreciation they should be separately depreciated. We consider that this situation will apply to the Council House assets and therefore **we would recommend that** the Council's current policy on componentisation is reviewed for both the Council Houses and the non-domestic assets, to ensure that an appropriate percentage of assets are componentised each year to make sure that depreciation may be more accurately accounted for;

- e. We understand that the valuer did not consider the economic useful lives as part of his valuation of the Council Houses. We presume the provision of this information will be required by Finance to determine the depreciation position on the Housing Stock. Accordingly **we would recommend that** the Council's Finance team ensures that they obtain economic useful lives for each relevant assets as part of the valuation output each year;
- f. The valuer's overall approach in the valuation of the Council Housing Stock is in line with guidance provided by The Department for Communities and Local Government (DCLG) Guidance- Stock Valuation for Resource Accounting- Guidance for Valuers 2010. However as this guidance is dated we would have expected the valuer to undertake some analysis to determine whether the adjustment factor adopted in their valuation is appropriate, particularly as it is derived from housing stock in a different geographical location. It is noted that the valuer has sought guidance on this matter and has confirmed that the adjustment factor of 31% (Yorkshire & Humberside) was selected after various meetings and discussions with previous auditors and valuers of other Welsh



## Appendix 5 continued

---

authorities. The valuer has also confirmed that it was concluded that the Yorkshire & Humberside is more geographically similar with similar property values compared to other areas of England. **However we would recommend that** in the future the valuer undertakes further research and analysis to determine whether the adjustment factor is appropriate. (The adjustment factor is a measure of the difference between private open market rented and socially rented property within the Local Authority area. It is the discount which, when applied to the cumulative total of all Beacon values, gives rise to the Existing Use Value-Social Housing for the housing stock. The adjustment factor, therefore, is the relationship between the capitalised net rent (investment value) of private dwellings and the equivalent public sector investment. It is determined with reference to the relationship between rents and yields in the private residential sector and the public / socially rented sector);

- g. For assets valued using the Depreciated Replacement Cost (DRC) approach, (specialised assets) we note that the valuer has confirmed that the valuations are provided exclusive of VAT. This approach assumes that the Council can reclaim the VAT on build costs. It would be useful if the valuer verifies the position on VAT each year and provides commentary on this issue in the valuation report i.e. that it has been confirmed that VAT can be recovered on new build costs for each of the assets valued this year on the DRC basis;
- h. The valuer has confirmed that he has not provided details of the costs of sale for the assets categorised as Assets Held for Sale as the Council acts in the sale for these assets. We would comment that it is more common that the hypothetical costs of disposal are also stated together with the valuation for these assets, irrespective of whether the Council acts in the sale or not; and

## Appendix 5 continued

---

	<p>i. We understand in previous years issues may have arisen with valuations being provided for assets which were no longer in the Council's ownership. <b>We would recommend that</b> that the valuer undertakes all the necessary checks to ensure the list of Surplus and Assets Held for Sale is accurate and this is verified to the Council's Finance team and commented upon in the valuation report.</p>	
<p>Valuation of garage / lockup assets</p>	<p>Following our review of the valuer's Valuation Certificate Report and our follow up questions raised we identified an issue with the valuation of the garage/lockup assets. We have provided a summary of the issue identified below together the resolution which has been agreed with the Council's valuer and Finance team:</p> <p>a) It is noted that following our questioning that the valuer confirmed that there was an error in the valuation of the garage assets and that the valuer has confirmed that the reported total value should be £10,175,100 as opposed to £11,388,640 as originally reported. Furthermore we had concerns over the valuation of the garages as the valuer had confirmed that the valuation of these garages reflected a range of £8,000 to £30,000 with an overall average of c. £15,000 per garage. Whilst the figures appear to be supported by the limited sales evidence of garages provided by the valuer, we identified garages which are currently being marketed at substantially lower prices. In addition the values for Isle of Anglesey garages are substantially higher than any Local Authority garage/lockup valuations we have reviewed or valued across the UK.</p> <p>b) If the garages are classified as Investment Assets then a purely Market Value approach might be appropriate (based on sales evidence which may reflect development potential, i.e. highest and best use). However we understand the garages are categorised as Operational, PPE. Given this categorisation we consider</p>	<p>We are happy to accept the recommendations and we will work with our Property department to ensure all recommendations are undertaken.</p>

## Appendix 5 continued

---

that the garages should be valued on an Existing Use Value basis reflecting the fact that they will be retained for use as garages and that the valuations should be principally be based on the relatively modest rental income received (c. £7.41 per week per garage), as opposed to a value based on the potential sale of individual garages.

- c) The valuer's adopted yields of 2% (let garages) and 3% (vacant garages) have principally be determined to support his view of the Market Values of garages as opposed to an Existing Use Value and we understand these yields cannot be supported by sales evidence of similarly let investments. Accordingly on the basis that these garages are categorised as Operational, PPE then we believe that higher yields should be adopted. We collated information on the valuation of other Local Authority garages and details of a number of garages which are currently for sale in Anglesey and this was provided to the valuer further support our view that the valuation of the garages were overstated and to provide some assistance to the valuer in reviewing their approach and valuation of these assets.
- d) It is up to the Council's valuers to determine the valuation of these assets but a value equating to an average range of £3,000 to £7,000 per garage would be more consistent with other Local Authority garage/lock up values, and the asking prices for lock-ups in Anglesey which we have researched. The valuation of the garages was discussed further in a joint conference call with, Audit, the Council's Finance contact (Claire Klimaszewski) and the valuer (20 July 2016) and it was agreed that the valuer would review their valuation approach. The valuer has subsequently confirmed that the valuation of the garages have been revised to £3,500,800. This equates to an average value of £4,558 per garage (768 garages). We consider this is more in line with the level of values determined on other Local

## Appendix 5 continued

---

	<p>Authority garage/lockup valuations and therefore we can confirm that as this adjustment has been made, we have no further issues.</p> <p>e) It was also noted that the valuer appraised the value the garages on a 'cluster' basis, based upon the location of the garages. In a small number of cases the value of specific garage 'clusters' fell below the Council's de-minimus valuation threshold of £30,000, due to the small number of garage clusters being in a particular location. Originally the values of these garages were not reported as the total value fell below the de-minimus threshold. Given the nature of these assets it was agreed that the value of all the garages should be reported, even if a specific cluster or group of garage assets fell below the threshold. Based on the valuer's original valuation the total value garages which were deemed de-minimus was c. £110,000. Clearly adopting the revised valuation approach this figure would be significantly higher therefore it was agreed by all parties that reporting the total value of this asset group would be appropriate, irrespective of whether the value of certain group of garages fell below the di-minimus threshold. We consider that this approach, adopted for this specific group of assets, is appropriate.</p>	
Valuation Sampling Exercise	<p>In the asset valuation sampling exercise we have noted a number of non-material issues and we would recommend that the following points are raised with the valuer to ensure the valuation approach is refined in future valuations:</p> <p>a. It is noted that the valuer has added a contingency allowance of 10% to the build costs for Specialised Assets valued on a Depreciated Replacement Cost (DRC) basis. Whilst the approach adopted in DRC valuations is not prescriptive, a contingency addition of 10% is at the highest end of a range we would expect. Typically contingency costs are taken a 5% of build costs but we</p>	<p>We are happy to accept the recommendation and will adjust our processes to involve this exercise.</p>

## Appendix 5 continued

---

	<p>are also aware that there is a valid argument that no contingency costs would be incurred as it is often assumed that no unforeseen costs would be incurred when building a hypothetical replacement asset; and</p> <p>b. The valuer has adopted set percentages to determine building and land value apportionments. Whilst a recognised approach we would recommend that in future years the resulting land valuations are checked on a rate per acre basis to verify that the land values fall within a reasonable range.</p>	
<p>Valuer assumptions and caveats</p>	<p>The general assumptions and caveats adopted for this asset valuation and as set out in the valuer's report are on the whole appropriate for the purposes of an asset valuation for financial reporting purposes however the Council's Finance team should review these each year to ensure that valuations prepared subject to those assumptions and caveats are appropriate for their requirements.</p>	<p>We are happy to undertake this recommendation and will ensure that the review is documented.</p>
<p>Unified valuations workings</p>	<p>Currently valuations workings are performed on numerous working papers, with no history of previous revaluations utilised. As such, each movement in value has to be checked against the specific asset balance on the CIPFA fixed asset register, to verify whether or not the asset has a b/fwd revaluation reserve balance or whether previous losses have been charged in the I&amp;E.</p> <p><b>It is recommended</b> that all fixed asset revaluations are analysed on a single spreadsheet, and that the spreadsheet keeps track of all movements in the previous years. Example of columns:</p> <ol style="list-style-type: none"> <li>1. Asset name / reference / type,</li> <li>2. Cumulative movements up to 2015/16 (giving a revaluation reserve or an I&amp;E charge balance brought forward, with the RR amount reconciling to the b/fwd revaluation reserve amount),</li> <li>3. Value before revaluation, revalued amount, movement, movement posted to RR (depending on the cumulative</li> </ol>	<p>We are happy to undertake this recommendation and will arrange so that the fixed assets are analysed on a single spreadsheet which will track all of the movements.</p>

## Appendix 5 continued

	<p>balance), movement posted to CIES (depending on the cumulative balance),</p> <p>4. Closing RR (this being b/fwd RR + movement noted above), Closing I&amp;E (b/fwd + movement). The final two columns would become "Cumulative movements up to 2016/17" to be used in next year's workings, with the closing RR balance reconciling to the actual reserve as noted on the MIRS.</p>	
Housing stock on the fixed asset register	<p>Currently dwellings and garages are posted as a single entry on the CIPFA fixed asset register.</p> <p>This results in any revaluation movements to individual garages or dwellings being allocated against a "pool" revaluation reserve balance / previous I&amp;E charge.</p> <p>As these categories of assets form a significant part of the Council's balance sheet, <b>it is recommended</b> that all such assets be itemized on the fixed asset register to allow specific revaluations entries to be made.</p>	We are happy with this recommendation and will proceed to have the assets itemized on the fixed asset register.
Housing stock reconciliation	<p>During our review of the HRA statements, it was noted that the numbers disclosed as Council owned stock (3,788) do not agree to the number noted as part of our fixed assets testing (3,795). While we conclude that the difference noted in the HRA disclosure is not significant, <b>it is recommended</b> that the Capital assets accountant liaises with the HRA accountant on a regular basis to ensure that the Council's records of controlled assets are accurate and that any re-categorisations, write-offs or disposals are effectively communicated.</p>	We are happy to accept this recommendation and will make arrangements so that regular meetings will be set up between the Accountants.
Identification and verification of Infrastructure assets	<p>Our testing identified three infrastructure assets totalling £5,336k which could not be identified or verified due to a lack of supporting working papers. These assets are:</p> <ul style="list-style-type: none"> <li>• Infrastructure 2 INFRA00085 - £4,098k;</li> <li>• Capitalised Highways Maintenance INFRA00084 -£200k; and</li> <li>• Local Roads Grant Schemes INFRA00194 - £1,038k.</li> </ul>	We are happy to accept the recommendation and improvements to working papers will be made in time for the 2016/17 Statement of Accounts.

## Appendix 5 continued

---

	<p><b>It is recommended</b> that the Council identifies and maintains sufficient records for the assets it owns/ controls, especially given that in 2016/17 there will be a requirement to carry such assets at fair value.</p>	
Reconciliation of the revaluation reserve balances	<p>Due to historical errors involving the FAR module, in relation to the de-recognition of Land and Buildings and Council Dwelling additions where these would be entered into the FAR as an "Impairment", which would trigger the release of any Revaluation Reserve (RR) balance against the asset. The correct treatment would have been to take the additions directly to the CIES, without impacting the reserves.</p> <p>The reason these additions would be written-off was because they are not seen as value-adding to the existing capital items.</p> <p>Over time, this had resulted in a discrepancy between the RR records on the General Ledger (GL) and the FAR, with the RR balance on the FAR being lower than the GL balance.</p> <p>As the revaluation calculations are based on the CIPFA FAR amounts (which may include incorrect b/fwd RR balances), the in-year postings relating to upwards or downwards revaluations may be calculated incorrectly.</p> <p><b>It is recommended that the Council</b> ensure the GL and FAR are reconciled.</p>	We are happy to accept the recommendation and will ensure that all recommendations are done in a timely manner.





Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)