

| ISLE OF ANGLESEY COUNTY COUNCIL | |
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| REPORT TO: | ISLE OF ANGLESEY COUNTY COUNCIL |
| DATE: | 25 SEPTEMBER 2018 |
| SUBJECT: | FINAL ACCOUNTS 2017/18 |
| PORTFOLIO HOLDER(S): | COUNCILLOR ROBIN W. WILLIAMS – PORTFOLIO HOLDER (RESOURCES) |
| LEAD OFFICER(S): | R MARC JONES |
| CONTACT OFFICER(S): | BETHAN HUGHES OWEN / CLAIRE KLIMAZIEWSKI 01248 752663 / 01248 751865 BethanOwen2@ynysmon.gov.uk ClaireKlimazewski@ynysmon.gov.uk |
| Nature and reason for reporting | |
| Covering report for the presentation of the Final statement of Accounts, commenting on the main issues arising from the Audit of the Accounts | |

1. Background

- 1.1 The Isle of Anglesey County Council's draft Statement of Accounts 2017/18 was presented for Audit on the 27 June 2018. The detailed audit work is now substantially complete and the Auditor's report has been issued and a small number of amendments to the draft have been incorporated into the Accounts
- 1.2 Subject to the Isle of Anglesey County Council's confirmation, the Accounts will be signed by the Head of Function (Resources) & Section 151 Officer and the Council's Chairman and will be published following the receipt of the Auditor's Opinion.

2. Quality of Process

- 2.1 The statutory deadline for the completion of the Audited Accounts 2017/18 has yet again been met.
- 2.2 Improvements have been made which the audit process identified last year and these improvements have continued. All issues that have arisen throughout the audit were dealt with promptly and in a satisfactory manner.

3. Amendment to the Accounts

- 3.1 Details of the main amendments to the draft accounts are set out in the Auditor's Report Appendix 3. All amendments which have been agreed as requiring restatement by Deloitte have been processed and are within the Statement of Accounts.
- 3.2 The significant amendments required to the draft statement have been largely confined to:-
 - 3.2.1 Incorrect reconciliation of Housing Revenue System to the Council's ledger over the last three years, which resulted in an under recognition of revenue;
 - 3.2.2 Incorrect percentages were initially used in the internal valuers report that led to incorrect calculation of fixed asset revaluation amounts;

- 3.2.3** Following a review of the treatment of the earmarked reserve for the Penhesgyn Waste Landfill site, it was identified that this meets the criteria for a provision, and therefore a provision has been charged to the CIES. The earmarked reserve has been released;
- 3.2.4** The treatment of a payment to the Local Government Pension Scheme Fund in respect of the past service liability was incorrectly treated as a pre-payment in the draft accounts. The value of the payment in respect of 2018/19 and 2019/20 is now shown as a negative earmarked reserve and this will be written down to zero over the next 2 financial years. This treatment does not follow the auditor's opinion but does not have a material impact on the accounts.

4. Auditors Recommendations

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

Seven recommendations in relation to accounting and payroll control;
Two recommendations in relation to IT;
Four recommendations in relation to asset valuation

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

5. Recommendations

- 5.1** To accept the Statement of Accounts 2017/18.
- 5.2** To note the acceptance of the Annual Governance Statement 2017/18 by Audit and Governance Committee and refer the document to the Leader of the Council and the Chief Executive for signature.

Ynys Môn THE ISLE OF Anglesey

Statement of Accounts 2017/18



Isle of Anglesey
County Council
Plan 2017 - 2022



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COUNTY COUNCIL

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Contents

| Reference | Description | Page |
|-----------|---|------|
| | Narrative Report | 1 |
| | The Statement of Responsibilities for the Statement of Accounts | 14 |
| | The Independent Auditor's Report | 15 |
| | Comprehensive Income and Expenditure Statement | 18 |
| | Expenditure and Funding Analysis | 19 |
| | Movement in Reserves Statement | 20 |
| | Balance Sheet | 21 |
| | Cash Flow Statement | 22 |
| | Notes to the Accounts | 23 |
| Note 1a | Expenditure and Funding Analysis – Adjustments between Funding and Accounting Basis | 24 |
| Note 1b | Segmental Income | 25 |
| Note 2a | Accounting Standards that have been issued but have not yet been adopted | 25 |
| Note 2b | Accounting Standards that have been issued and have been adopted | 26 |
| Note 3 | Critical judgements in applying Accounting Principles | 26 |
| Note 4a | Assumptions made about future and other major sources of estimation uncertainty | 27 |
| Note 4b | Prior period adjustments, changes in accounting policies and estimates and errors | 28 |
| Note 5 | Material Items of Income and Expenditure | 29 |
| Note 6 | Events after Balance Sheet date | 29 |
| Note 7 | Adjustments between accounting basis and funding basis under Regulations | 30 |
| Note 8 | Earmarked Reserves | 32 |
| Note 9 | Schools Balances | 33 |
| Note 10 | Capital Receipts Reserve | 33 |
| Note 11 | Unusable Reserves | 33 |
| Note 12 | Other Operating Expenditure | 37 |
| Note 13 | Financing and Investment Income and Expenditure | 37 |
| Note 14 | Taxation and Non-specific Grant Income | 38 |
| Note 15 | Non-current Assets – Property, Plant and Equipment (PPE) | 39 |
| Note 16 | Significant Capital Commitments | 41 |
| Note 17 | Heritage Assets | 41 |
| Note 18 | Investment Properties | 43 |
| Note 19 | Intangible Assets | 44 |
| Note 20 | Capital Expenditure and Financing | 45 |
| Note 21 | Assets Held for Sale | 46 |
| Note 22 | Leases | 46 |
| Note 23 | Inventories | 46 |
| Note 24 | Debtors | 47 |
| Note 25 | Cash and Cash Equivalents | 47 |
| Note 26 | Creditors | 47 |
| Note 27 | Provisions | 48 |
| Note 28 | Cash Flow from Operating Activities | 49 |
| Note 29 | Cash Flow from Investing Activities | 49 |
| Note 30 | Cash Flow from Financing Activities | 50 |
| Note 31 | Nature of Expenses Note | 50 |

| Reference | Description | Page |
|------------------|---|-------------|
| Note 32 | Trading Operations | 50 |
| Note 33 | Members' Allowances | 51 |
| Note 34 | Officers' Remuneration | 51 |
| Note 35 | Termination Payments | 53 |
| Note 36 | External Audit Fees | 53 |
| Note 37 | Grants Income | 54 |
| Note 38 | Related Parties | 55 |
| Note 39 | Trust Funds | 57 |
| Note 40 | Teachers' Pension Scheme | 58 |
| Note 41 | Local Government Defined Benefit Pension Scheme | 59 |
| Note 42 | Contingent Liabilities | 64 |
| Note 43 | Contingent Assets | 65 |
| Note 44 | Financial Instruments | 66 |
| Note 45 | The Nature and Extent of Risks arising from Financial Instruments | 68 |
| Note 46 | Joint Committees | 70 |
| Note 47 | Houses into Homes | 71 |
| Note 48 | Council Tax | 71 |
| Note 49 | Non-Domestic Rates (NDR) | 72 |
| Note 50 | Maritime | 73 |
| Note 51 | Accounting Policies | 74 |
| HRA Account | Housing Revenue Account (HRA) - Income and Expenditure Statement - Statement of Movement on the HRA balance Notes to the HRA | 96 |
| Appendix 1 | Related Party disclosure – Stakeholder representation with third party organisations | 100 |
| Appendix 2 | Glossary | 102 |
| Appendix 3 | Bibliography | 110 |
| | Annual Governance Statement 2017/18 | 111 |

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 which link between the Council's activities and challenges and how these impact on its financial resources.

The narrative report is structured as follows:-

1. The Statutory Framework
2. About the Isle of Anglesey County Council
3. Overview and performance analysis
4. Main issues from the 2017/18 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 2018.

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

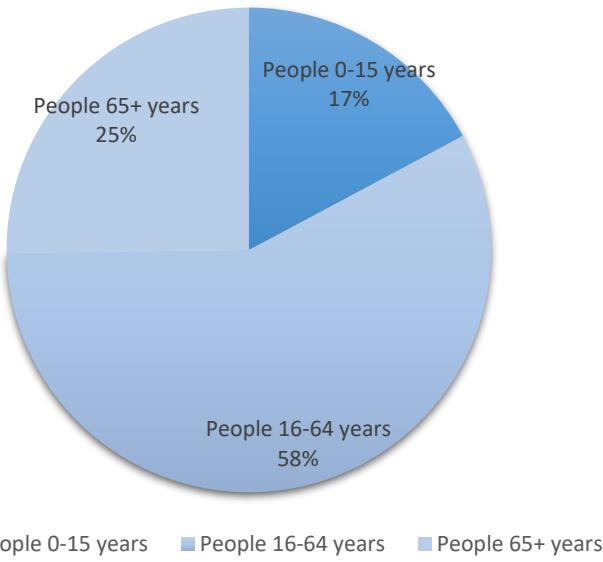
Regulation 25 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (SI 2003/3239 (W.319), as amended) identifies proper practices for the preparation of the Statement of Accounts. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18 issued by CIPFA, supported by International Financial Reporting Standards (IFRS). In addition, this narrative incorporates guidance from HM Treasury's Financial Reporting Manual (FReM), sections 5.2.1 to 5.2.10 as encouraged by the CIPFA code.

2. About The Isle of Anglesey County Council

The Isle of Anglesey County Council is a unitary authority and serves a population of 69,979, situated on the north coast of Wales with an area of 276 square miles. Anglesey is by far the largest island in Wales and the seventh largest in the British Isles. Anglesey is also the largest island in the Irish Sea by area, and the second most populous island in the British Isles.

Anglesey has a relatively older population than the Wales Average (20.4%) with 25.2% of the population aged 65+. This figure reflects in the Council's plan to support people to live well and for longer.

Age Structure of Anglesey



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

The Council is a politically-led organisation and has adopted a Leader and Cabinet model. It has 30 elected members representing 11 multi-member wards across the County. Following the election in May 2017 the Council has operated under a Plaid Cymru and The Independents Group coalition administration. The political make-up of the Council as at 31 March 2018 is shown below:-

Isle of Anglesey County 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 2017/18. It is important in terms of accountability for the Council to provide this information to residents, local Council Tax payers, businesses who pay the non-domestic rates and other stakeholders including the Welsh Government.

The Council's funding is a mixture of funding from the Welsh Government via the Revenue Support Grant and the Council's share of the Non Domestic Rates pool, local taxation through Council Tax and the fees and charges paid by the Council's customers. In 2017/18, the Council's net budget was £126.4m of which £33.5m came from Council Tax. The increase in Council Tax was 2.5%. For the first time, the Council charged an additional Council Tax premium of 25% on long-term empty properties and second homes. This generated an additional £949k in Council Tax income.

The results of the year highlight the growing financial pressure which the Council faces. Increasing numbers of looked after children was the main factor in the overspend of £1.456m, although other services, notably Education, also experienced budget pressures. The overall revenue position at the end of the financial year resulted in a reduction of £1.456m in the Council's general reserves. The total balance on the Council's General Reserve is £6.899m. The HRA general reserve is £7.380m, there is a balance of £1.869m in school balances and £7.601m in other designated reserves at 31 March 2018.

The future for public sector funding still remains uncertain and in particular what impact the decision to leave the European Union will have on the UK economy. It is anticipated that the Council will experience further reductions in funding from Welsh Government over the next three years and the Council's Medium Term Financial Strategy has identified the continued need to reduce annual revenue expenditure over this period. Having a healthy level of reserves and balances will help in the short-term, but it is not a sustainable source of funding. Therefore, the Council is currently reviewing all the services it delivers and looking at alternative methods of delivery which will allow the services to continue but at a lower cost. This will include working more in partnership with Town and Community Councils, Community and Voluntary Organisations and Third Sector Organisations.

2017/18 was my first year as Leader and the Council's plans for the 5 year period up until the next County Council election are set out in the Council's Corporate Plan. Although the financial situation will limit what the Council can achieve over the coming years, the Plan sets out our commitment to three key objectives and future investment will be directed to ensure the Plan is delivered. The Council is also working with other Councils and partners across North Wales to secure additional Government funding which will deliver economic growth across the region.

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

**Llinos Medi Huws
Leader of the Council**

May 2018

3.2 Key purpose and activities of the Council

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

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

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

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

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

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

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

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

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

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

3.2.1 Financial Scenario

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

The Council has responded to the reduction in funding by making substantial savings in the last three years and continues to ensure, wherever possible, these are found through improving efficiency rather than impacting on services. The Council's Medium-Term Financial Plan (MTFP) is reviewed and reported to members, September and February during each year to help plan how the Council will manage its finances with on-going budgetary pressures and funding risks. The Council's most recent MTFP (September 2018) predicts a potential cut of funding of 1% (£900k) for 2019/20 from the Welsh Government's non-specific external funding. This would require an increase of 2.6% in Council Tax to make up the shortfall. Increased budgetary pressures include: National Living Wage; Teachers' Pay Award; Teachers' increased Pension Costs; significant demand for statutory services particularly Children's Social Care; revenue costs arising from the 21 Century Schools Programme; a reduction in specific grants and inflationary pressures. The MTFP predicts the following shortfall in funding for 2019/20 to 2021/22 as follows:

Estimated Funding Gap

| | 2019/20 £m | 2020/21 £m | 2021/22 £m |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Estimated Standstill Budget | 136.72 | 140.63 | 144.87 |
| Savings Brought Forward | 0.00 | (4.98) | (7.04) |
| Revised Standstill Budget | 136.72 | 135.65 | 137.83 |
| Estimated Funding | 131.74 | 133.59 | 135.53 |
| Annual Savings Requirement | 4.98 | 2.06 | 2.30 |
| % Savings Requirement | 3.64% | 1.51% | 1.67% |

The savings required from the current MTFP forecast are significant with £4.98m predicted for 2019/20 alone. The total savings required over the three-year period is estimated to be £9.34m. The future funding of Local Government in Wales is very uncertain and accurately forecasting future funding levels is difficult. However, even if the Welsh Government releases additional funds for local government it is unlikely that any increase will be sufficient to bridge the funding gap. Significant cuts to budgets will still need to take place over the next three years. Therefore, the key focuses for the Medium-Term Financial Plan are:

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

- Increasing Council Tax levels above the 5% assumption in order to generate sufficient funding to balance the revenue budget. The Council's current council tax charge is the 5th lowest in Wales.

In addition, the Council's balances have reduced in 2017/18 (£1.456m) and are expected to reduce by a similar level in 2018/19 due to overspends mainly in Children's Services. The below table shows reserve balances for 2015/16 to 2017/18 and an estimate for 2018/19.

Council Fund Reserves 2015/16 to 2018/19

| | 2015/16 £'m | 2016/17 £'m | 2017/18 £'m | 2018/19 £'m (forecast) |
|--------------------|----------------|----------------|----------------|---------------------------|
| General Balances | 8.89 | 8.35 | 6.95 | 4.75 |
| Earmarked Reserves | 15.99 | 13.36 | 11.91 | 6.50 |
| School Balances | 2.46 | 2.09 | 1.87 | 1.08 |
| TOTAL | 27.34 | 23.80 | 20.73 | 12.33 |

3.3 Key achievements, issues and risks affecting the Council

During 2017/18, work began on these priorities with the following key achievements achieved during the financial year:-

1. Work was completed on two new primary schools (Ysgol Cybi and Ysgol Rhed y Llan) under the Welsh Government's 21st century schools programme. This saw six small primary schools closing with the pupils transferring to two new schools during 2017.
2. Work has commenced on the refurbishment of Ysgol Parc y Bont and Ysgol Brynsciencyn under the Welsh Government's 21st century schools programme. The work is expected to be completed during 2018/19.
3. The building of Llangefni Extra Care with a Registered Social Landlord is progressing; this is the start of transforming the delivery of Adult Social Care. The building will be available to residents from summer 2018.
4. Phase 1 of the refurbishment of Market Hall in Holyhead was completed and funding has been secured to undertake Phase 2. The work that will be undertaken to complete Phase 2 will begin in 2018/19.
5. Despite the continued reduction in central government funding, the Council delivered £2.44m of revenue savings in 2017/18 and identified a further £2.52m in setting the 2018/19 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.

6. The reduction in Revenue Support Grant from Welsh Government is expected to continue in 2019/20 and there is still uncertainty as to the position beyond 2019/20. This combined with increasing demand for services, in particular social care, will put the council under considerable financial pressure. In previous years, the Council has been able to maintain a high level of general balances but in 2017/18 these balances fell and are currently just above the minimum level set by the Council. As the financial pressures increase, the risk that these balances continue to fall is high and that they will not provide the level of financial security the Council requires.
7. Increasing numbers of Looked-After-Children and other social care demands are a considerable risk to the Council's balances due to the high cost of placements for individuals with complex needs.
8. The UK leaving the European Union (EU) could lead to a number of risks. The Council will no longer receive European grant funding and there is no certainty on any replacement funding. The impact on the economy from leaving the EU could also impact on the Council as weaker economic growth will reduce the Welsh Government's ability to increase funding for Local Government.
9. The Isle of Anglesey has several large private sector organisations proposing to invest heavily in the Island. One of these is the planned construction of a new Nuclear power station in the North of the island. A summary of the potential developments is provided on the website at <http://www.anglesey.gov.uk/business/energy-island-isle-of-anglesey-north-wales>. Each one of the developments present exciting opportunities for the Island particularly in respect to creation of jobs. There is a risk that any of these proposals might not go ahead which would be lost opportunities for the economy, visitors and citizens of Anglesey. The Council is working in partnership with many of these organisations to support the progression of these within the powers and duties of the Council. These will help with achieving the Council's key priorities such as economic development.
10. The Council is currently working in partnership with the 5 other North Wales authorities on the North Wales Growth Bid. The bid, if successful, will attract over £300m of UK and Welsh Government funding along with private sector investment. As with any large scale funding projects, there are risks surrounding project delivery and financing any borrowing that is required.

3.4 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 2017/18, the Council reported an overspend of £1.78m against a planned activity of £126.2m (net budget) and achieved £1.704m of savings. The table below reflects the final budget for 2017/18 and actual income and expenditure against it.

| Services | Annual Budget £'000 | Outturn £'000 | Variance £'000 |
|---|--------------------------------|--------------------------|---------------------------|
| Lifelong Learning | 48,237 | 49,013 | 776 |
| Adults' Services | 22,541 | 22,687 | 146 |
| Children's Services | 8,293 | 10,075 | 1,782 |
| Housing | 1,034 | 1,087 | 53 |
| Highways, Waste & Property | 14,099 | 13,932 | (167) |
| Regulation | 4,275 | 4,329 | 54 |
| Transformation | 3,932 | 3,745 | (187) |
| Resources | 2,933 | 3,096 | 163 |
| Council Business & Corporate Finance | 20,813 | 19,649 | (1,164) |
| Total Council Fund | 126,157 | 127,613 | 1,456 |

The impact of an overspend means that the Council reduced its General reserves by £1.456m.

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 2017/18, the Council approved a Capital Programme for non-housing services of £30.614m and approved a Capital Programme for the HRA of £9.889m. Capital commitments were brought forward from 2016/17 of £6.435m, of which £1.758m related to the 21st century schools programme, £2.984m relating to the HRA and £1.693m relating to the General Fund. During the financial year, a further £5.734m worth of Schemes were added to the programme, mostly funded by extra Capital Grants, although £2.566m related to Equal Pay funded by Unsupported Borrowing, after the Authority received a Capitalisation Direction. This brings the capital budget for 2017/18 to £52.672m.

The programme has made steady progress in year, achieving a delivery rate of 55.73%. It is expected that the remaining schemes will be delivered over the coming few years.

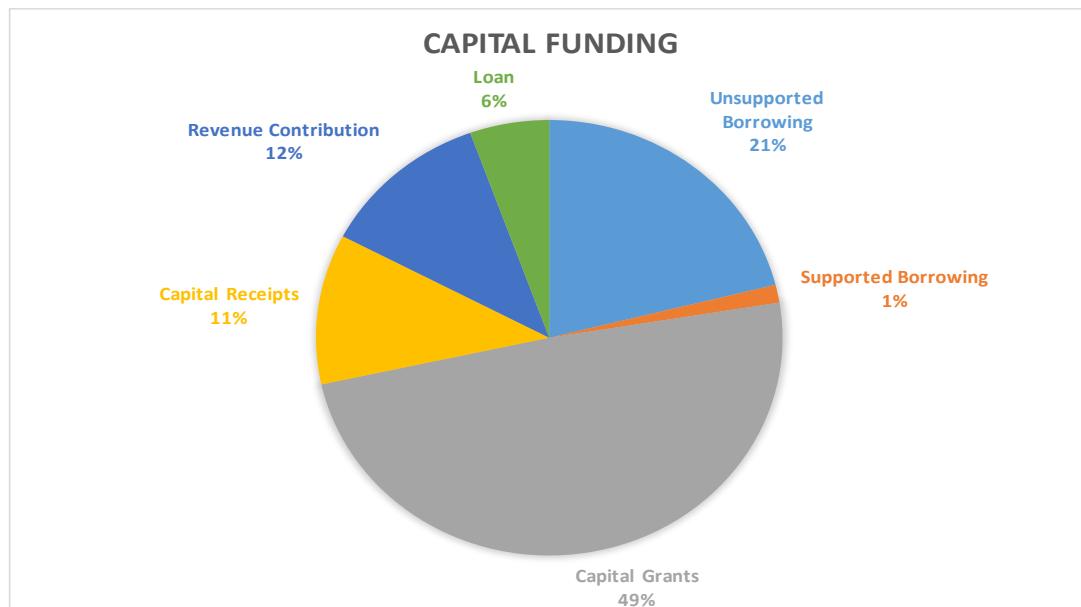
From this total spend of £29.355m, £16.282m was capitalised and added to the value of assets in the Council's Balance Sheet. The remainder was charged to the Comprehensive Income and Expenditure Statement as it was either in support of assets that are not in direct Council ownership (£3.724m) or did not increase the value to the capital assets (£9.349m).

| Scheme | Amount (£'000) |
|---|-----------------------|
| Band A 21st Century School – Ysgol Cybi | 978 |
| Band A 21st Century School – Ysgol Rhyd y Llan | 2,161 |
| Band A 21st Century School – Ysgol Parc y Bont | 550 |
| Band A 21st Century School – Ysgol Bro Rhosyr / Aberffraw | 1,540 |
| Band A 21st Century School – Ysgol Llangefni: Corn Hir, Bodffordd and Henblas | 4 |
| New Planning System | 15 |
| Llangefni Strategic Infrastructure | 624 |
| Holyhead Strategic Infrastructure | 11 |
| Highways County Prudential Borrowing | 895 |
| Llangefni Link Road | 3,606 |
| Beaumaris Flood Alleviation | 46 |
| Street Lighting | 896 |
| Road Safety Capital | 163 |
| Vehicles | 365 |
| Telehandler | 66 |
| Smallholdings | 537 |
| ICT - MS Licensing | 116 |
| ICT - Server Storage | 22 |
| EDMS System | 89 |
| ICT – Core Infrastructure | 142 |
| ICT - Replacement Servers | 4 |
| ICT – Projects | 78 |
| ICT – Desktop Refresh | 99 |
| ICT – Legacy System | 19 |
| Market Hall, Holyhead | 1,024 |
| Canolfan Byron | 152 |
| Community Care Information System (CCIS) | 31 |
| Residential Site for Gypsies and Travellers | 119 |
| Vehicles – HRA | 158 |
| Acquisition of Property | 1,772 |
| Total | 16,282 |

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

| Funded By: | £'000 |
|-----------------------|---------------|
| Unsupported Borrowing | 3,434 |
| Supported Borrowing | 216 |
| Capital Grant | 8,001 |
| Capital Receipts | 1,817 |
| Revenue Contribution | 1,918 |
| Loan | 896 |
| Total | 16,282 |

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



As at 31 March 2018, the Authority had £117.029m of External Borrowing. At this time, the Authority's Capital Financing Requirement (CFR), which essentially is a measure of the Council's underlying borrowing need, was £136.866m. In the Treasury Management Statement for 2017/18, the Authorised Borrowing Limit approved by the Council was £170m, 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 2018, the Authority's internal sources of funds were cash deposits at bank of £7.319m. The external borrowing figure was £117.029m.

3.4.3 Balance Sheet

The Council's Balance Sheet demonstrates a good financial position at the end of 2017/18 with a net value of £183.2m. This is an increase of £18.38m from last year, mainly due to increases in the value of non-current assets such as Council Dwellings, Property, Plant and Equipment and the two new 21st Century Schools which become operational during the year.

The details of the Council's long-term and short-term assets and liabilities are shown in the Balance Sheet as at 31 March 2018 on page 21.

Reserves

The £18.38m increase in the Council's net worth set out above is the result of a £25.657m increase in unusable reserves and a £7.276m decrease in usable balances (including the HRA).

4. Main Issues impacting on the 2017/18 Accounts

The Council set a net budget of £126.2m for 2017/18 to be funded from a combination of Council Tax Income, NDR and general grants. The budget included a requirement to achieve a savings figure of £2.44m, which was incorporated into the individual service budgets. The outturn position was an overspend of £1.456m. The overspend is made up of departmental under or overspends, unused contingencies and any other one-off items identified during the financial year.

Pensions

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

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

The current economic climate continues to have an impact on the net Pensions Liability. One of the changes on the Balance Sheet relates to the Council's pensions' reserve, where the Council's liability has reduced from £105.508m to £102.188m, a reduction of £3.32m. It is important to note that the reduced liability in the pension position is based on actuarial valuations. The Council's actual payments to the Pension Fund are reviewed every three years as part of the triennial valuation of the Pension Fund. An investment strategy is then determined which aims to recover any deficits over the period as determined by the Pension Fund's Actuary (Hymans Robertson LLP).

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

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

Provisions

Total provisions held by the Council amounted to £5.462m at 1 April 2017. During the year, the balance reduced by £0.136m to £5.326m. There was a reduction relating to the reversal of the provision for Equal Pay of £2.663m. These costs have been funded from capital instead following approval from Welsh Government. The insurance provision was reduced to £0.265m in accordance with estimated need. Three new short-term provisions were created during the year amounting to £0.430m in total, to provide for future expected costs which might arise from a past obligation. The Penhesgyn provision has been increased by £2m funded by the Penhesgyn earmarked reserve.

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 2017/18 and its Balance Sheet as at 31 March 2018. These statements include the General Fund and the Housing Revenue Account (HRA). They set out the respective responsibilities of the Council and the Council's Head of Function (Resources), who is the designated Section 151 Officer.

Core Financial Statements:-

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

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

Supplementary Financial Statements

- 1. The Statement of Responsibilities for the Statement of Accounts** – explains the responsibilities of the Council and the Section 151 Officer.
- 2. The Housing Revenue Account (HRA)** is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. The Housing Revenue Account is ring-fenced from the Council's General Fund.
- 3. Auditor's Opinion** - as the Council's External Auditor, the Auditor General for Wales will carry out the statutory audit and sign the Statement of Accounts following the Section 151 Officer signing and dating the Statement of Accounts. They then issue an opinion as to whether the Accounts need to be qualified or are unqualified. The deadline for this opinion is 30 September following the year-end.
- 4. Changes in Accounting Policy**
There are no material changes to accounting treatment required for 2017/18.

The Statement of Accounts concludes with the Annual Governance Statement (AGS) 2017/18. This is found on page 111 to page 138. The AGS provides an overview of the Council's governance framework. It also provides a summary of reports and reviews which comment on governance and performance issues relating to the Council.

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Isle of Anglesey County Council's responsibilities

The Isle of Anglesey County Council is required to:-

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

The Section 151 Officer's responsibilities

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

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

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

The Section 151 Officer has also:-

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

Certificate

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Isle of Anglesey County Council at the accounting date and its income and expenditure for the year ended 31 March 2018.

Signed: _____

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

Signed _____

**Councillor Dylan Rees
CHAIRMAN ISLE OF ANGLESEY COUNTY COUNCIL**

Dated: 25 September 2018

Proposed Audit Report of the Auditor General to the Members of Isle of Anglesey County Council

I have audited the financial statements and related notes of Isle of Anglesey County Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements: -

- give a true and fair view of the financial position of Isle of Anglesey County Council as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

Certificate of completion of audit

I certify that I have completed the audit of the accounts 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.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually Page 14 and 15 - Audit of Financial Statements Report – Isle of Anglesey County Council or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Anthony J Barrett

24 Cathedral Road

For and on behalf of the Auditor General for Wales

Cardiff

28 September 2018

CF11 9LJ

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2018

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.

| 2017/18 | | | Services | Note | 2016/17 | | |
|-------------------------|--------------------|-----------------------|---|--------------|-------------------------|--------------------|-----------------------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| 82,552 | (14,508) | 68,044 | Lifelong Learning | | 64,482 | (13,974) | 50,508 |
| 34,329 | (10,505) | 23,824 | Adult Services | | 32,130 | (9,054) | 23,076 |
| 10,388 | (710) | 9,678 | Children's Services | | 8,902 | (466) | 8,436 |
| 4,647 | (3,768) | 879 | Housing | | 5,993 | (3,906) | 2,087 |
| 29,430 | (8,404) | 21,026 | Highways, Property and Waste | | 29,431 | (7,625) | 21,806 |
| 12,529 | (5,950) | 6,579 | Regulation and Economic Development | | 11,694 | (6,284) | 5,410 |
| 7,432 | (209) | 7,223 | Transformation | | 4,433 | (223) | 4,210 |
| 28,097 | (19,815) | 8,282 | Resources | | 28,461 | (19,598) | 8,863 |
| 2,182 | (353) | 1,829 | Council Business | | 1,994 | (458) | 1,536 |
| 2,541 | (707) | 1,834 | Corporate and Democratic Costs | | 2,321 | (194) | 2,127 |
| 596 | (9) | 587 | Corporate Management | | 892 | (11) | 881 |
| 3,724 | - | 3,724 | Non-distributed costs | | 97 | - | 97 |
| 10,841 | (16,778) | (5,937) | Housing Revenue Account (HRA) | | 10,137 | (16,285) | (6,148) |
| 229,288 | (81,716) | 147,572 | Deficit on Continuing Operations | | 200,967 | (78,078) | 122,889 |
| | | 23,148 | Other operating expenditure | 12 | | | 23,042 |
| | | 8,628 | Financing and investment income and expenditure | 13a | | | 8,861 |
| | | (146,749) | Taxation and non-specific grant Income | 14 | | | (145,252) |
| | | 32,599 | Deficit on Provision of Services | | | | 9,540 |
| | | (41,122) | Surplus on revaluation of non-current assets | 11c, 15 & 17 | | | (7,631) |
| | | (9,858) | Re-measurement of net Pension liability | 11ch & 41 | | | 7,333 |
| | | (50,980) | Other Comprehensive Income and Expenditure | | | | (298) |
| | | | | | | | |
| | | (18,381) | Total Comprehensive Income and Expenditure | | | | 9,242 |

EXPENDITURE AND FUNDING ANALYSIS 2017/18

| 2017/18 | | | Services | 2016/17 | | |
|--|---|--|--|--|---|--|
| Net Expenditure Chargeable to the General Fund and HRA Balances £'000 | Adjustments between Funding and Accounting Basis £'000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £'000 | | Net Expenditure Chargeable to the General Fund and HRA Balances £'000 | Adjustments between Funding and Accounting Basis £'000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £'000 |
| 46,952 | 21,092 | 68,044 | Lifelong Learning | 46,832 | 3,676 | 50,508 |
| 22,519 | 1,305 | 23,824 | Adult Services | 22,379 | 697 | 23,076 |
| 9,926 | (248) | 9,678 | Children's Services | 8,955 | (519) | 8,436 |
| 724 | 155 | 879 | Housing | 1,087 | 1,000 | 2,087 |
| 16,437 | 4,589 | 21,026 | Highways, Property and Waste | 17,631 | 4,175 | 21,806 |
| 3,739 | 2,840 | 6,579 | Regulation and Economic Development | 3,954 | 1,456 | 5,410 |
| 4,038 | 3,185 | 7,223 | Transformation | 3,897 | 313 | 4,210 |
| 7,998 | 284 | 8,282 | Resources | 8,788 | 75 | 8,863 |
| 1,689 | 140 | 1,829 | Council Business | 1,536 | - | 1,536 |
| 2,142 | (308) | 1,834 | Corporate and Democratic Costs | 2,495 | (368) | 2,127 |
| 587 | - | 587 | Corporate Management | 881 | - | 881 |
| 3,464 | 260 | 3,724 | Non-distributed costs | - | 97 | 97 |
| (6,718) | 781 | (5,937) | Housing Revenue Account (HRA) | (7,806) | 1,658 | (6,148) |
| 113,497 | 34,075 | 147,572 | Net Cost of Services | 110,629 | 12,260 | 122,889 |
| (106,221) | (8,752) | (114,973) | Other Income and Expenditure | (107,593) | (5,756) | (113,349) |
| 7,276 | 25,323 | 32,599 | (Surplus) or Deficit on the Provision of Services | 3,036 | 6,504 | 9,540 |
| (31,345) | | | Opening General Fund and HRA balance at 1 April | (34,381) | | |
| 7,276 | | | Less Deficit on General Fund and HRA Balance in Year | 3,036 | | |
| (24,069) | | | Closing Council Fund Balances and HRA Balance at 31 March | (31,345) | | |

MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2018

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

| | Council Fund Balance £'000 | Earmarked Council Fund Reserves (Note 8) £'000 | HRA Balance (Supplementary Financial Statements) £'000 | Capital Receipts Reserve (Note 10) £'000 | Schools Balances (Note 9) £'000 | Capital Grants Unapplied (Note 14) £'000 | HRA Earmarked Reserve (Note 8) £'000 | Total Usable Reserves £'000 | Total Unusable Reserves (Note 11) £'000 | Total Reserves (of the Council) £'000 |
|---|-------------------------------|---|---|---|------------------------------------|---|---|--------------------------------|--|--|
| Balance 1 April 2016 | 8,886 | 15,991 | 7,042 | - | 2,462 | - | - | 34,381 | 139,680 | 174,061 |
| Movement in reserves during the year | | | | | | | | | | |
| Surplus/(Deficit) on provision of services | (8,384) | - | (1,156) | - | - | - | - | (9,540) | - | (9,540) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | - | 298 | 298 |
| Total Comprehensive Income and Expenditure | (8,384) | - | (1,156) | - | - | - | - | (9,540) | 298 | (9,242) |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | 4,846 | - | 1,658 | - | - | - | - | 6,504 | (6,504) | - |
| Net Increase/ (Decrease) before Transfers to Earmarked Reserves | (3,538) | - | 502 | - | - | - | - | (3,036) | (6,206) | (9,242) |
| Transfers to/(from) Earmarked Reserves (Note 8) | 3,007 | (2,634) | - | - | (373) | - | - | - | - | - |
| Increase/(Decrease) In Year | (531) | (2,634) | 502 | - | (373) | - | - | (3,036) | (6,206) | (9,242) |
| Balance 31 March 2017 | 8,355 | 13,357 | 7,544 | - | 2,089 | - | - | 31,345 | 133,474 | 164,819 |
| Movement in reserves during the year | | | | | | | | | | |
| Surplus/(Deficit) on provision of services | (31,789) | - | (810) | - | - | - | - | (32,599) | - | (32,599) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | - | 50,980 | 50,980 |
| Total Comprehensive Income and Expenditure | (31,789) | - | (810) | - | - | - | - | (32,599) | 50,980 | 18,381 |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | 24,215 | - | 781 | 327 | - | - | - | 25,323 | (25,323) | - |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | (7,574) | - | (29) | 327 | - | - | - | (7,276) | 25,657 | 18,381 |
| Transfers to/(from) Earmarked Reserves (Note 8) | 6,118 | (5,756) | (135) | (7) | (220) | - | - | - | - | - |
| Increase/(Decrease) In Year | (1,456) | (5,756) | (164) | 320 | (220) | - | - | (7,276) | 25,657 | 18,381 |
| Balance 31 March 2018 | 6,899 | 7,601 | 7,380 | 320 | 1,869 | - | - | 24,069 | 159,131 | 183,200 |

BALANCE SHEET AS AT 31 MARCH 2018

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

| | Note | 31 March 2018 £'000 | 31 March 2017 £'000 |
|------------------------------------|------|------------------------|------------------------|
| Property, plant and equipment | 15 | 386,886 | 363,736 |
| Heritage assets | 17 | 3,645 | 3,454 |
| Investment property | 18 | 5,791 | 6,092 |
| Intangible assets | 19 | 756 | 606 |
| Long-term investments | 44 | 1 | 1 |
| Long-term debtors | 24 | 608 | 646 |
| Long-term Assets | | 397,687 | 374,535 |
| Short-term investments | 44 | 5 | 5 |
| Assets held for sale | 21 | 2,442 | 3,524 |
| Inventories | 23 | 385 | 367 |
| Short-term debtors | 24 | 24,031 | 20,199 |
| Cash and cash equivalents | 25 | 7,789 | 14,940 |
| Current Assets | | 34,652 | 39,035 |
| Short-term borrowing | 44 | (12,413) | (7,672) |
| Short-term creditors | 26 | (18,251) | (18,112) |
| Short-term provisions | 27 | (695) | (2,831) |
| Capital grants receipts in advance | 37 | (3,897) | (273) |
| Current Liabilities | | (35,256) | (28,888) |
| Long-term creditors | 26 | (151) | (166) |
| Long-term provisions | 27 | (4,631) | (2,631) |
| Long-term borrowing | 44 | (106,913) | (111,557) |
| Other long-term liabilities | 41 | (102,188) | (105,509) |
| Long-term Liabilities | | (213,883) | (219,863) |
| Net Assets | | 183,200 | 164,819 |
| Usable reserves | MIRS | 24,069 | 31,345 |
| Unusable reserves | 11 | 159,131 | 133,474 |
| Total Reserves | | 183,200 | 164,819 |

CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2018

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 | 2017/18 £'000 | 2016/17 £'000 |
|---|------|------------------|------------------|
| Net Deficit on the provision of services | | (32,599) | (9,540) |
| Adjustments to net surplus or deficit on the provision of services for non- cash movements | 28 | 39,406 | 33,924 |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 28 | (14,583) | (18,593) |
| Net cash flows from operating activities | | (7,776) | 5,791 |
| Net cash flows from investing activities | 29 | (10,745) | (14,595) |
| Net cash flows from financing activities | 30 | 11,370 | 6,120 |
| Net (decrease)/increase in cash and cash equivalents | | (7,151) | (2,684) |
| Cash and cash equivalents at the beginning of the financial year | | 14,940 | 17,624 |
| Cash and cash equivalents at the end of the financial year | 25 | 7,789 | 14,940 |

NOTES TO THE ACCOUNTS

Expenditure and Funding Analysis

The Expenditure and Funding Analysis aims to show the real impact of the year's financial performance on the Council's balances. The Comprehensive Income and Expenditure Statement (CIES) includes many accounting adjustments such as depreciation which, by law, are not allowed to be funded by Council Tax as these are not true costs which affect Council usable balances.

The CIES shows a deficit on the provision of services of £28.708m. However, statutory accounting adjustments of £25.219m are cancelled out in the separate financial statements called the Expenditure and Funding Analysis and the Movement in Reserves Statement. This helps to identify usable Council balances without these accounting adjustments. The impact of these statutory accounting adjustments are shown in the unusable reserves column in the Movement in Reserves Statement.

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

| | £'000 |
|---|----------|
| Total Council (including HRA) usable Reserves and Balances at 1 April 2017 | 31,345 |
| Deficit on the Provision of Services 2017/18 – CIES | (32,599) |
| Adjustments to remove impact of accounting adjustments which do not affect the Council Fund – Expenditure and Funding Analysis and Note 7 | 25,323 |
| Less Total Increase/(Decrease) in Reserves | (7,276) |
| Total Council (including HRA) Balances at 31 March 2018 | 24,069 |

This shows that, when the accounting adjustments are cancelled out, the true impact on the Council's cost of services (including the Housing Revenue Account) is reduced to £7.276m for the year, resulting in an overall balance of usable reserves of £24.069m. This has also reduced from 2016/17 as earmarked reserves have been used to fund costs for which the original reserves were earmarked.

The Movement in Reserves Statement decrease in the year shows that the General Council Reserve reduced by £1.456m for 2017/18 resulting in a total general reserve of £6.899m. The Housing Revenue Account generated a deficit of £164k, with the total HRA balance at 31 March 2018 of £7.380m.

However, £6.118m of earmarked reserves were used during the year to fund expenditure. This includes School balances which were also reduced by £0.22m resulting in an overall reduction in usable reserves.

Note 1a - Note to the Expenditure and Funding Analysis

2017/18

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

2016/17

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

NOTE 1b – SEGMENTAL INCOME

| Services | 2017/18 Income from Services £'000 | 2016/17 Income from Services £'000 |
|-------------------------------------|---|---|
| Lifelong Learning | (1,458) | (1,399) |
| Adult Services | (4,671) | (4,411) |
| Children's Services | - | - |
| Housing | (13) | (8) |
| Highways, Property and Waste | (2,738) | (2,109) |
| Regulation and Economic Development | (2,574) | (2,404) |
| Transformation | - | (19) |
| Resources | (159) | (307) |
| Council Business | (331) | (422) |
| Corporate and Democratic Costs | (43) | (189) |
| Corporate Management | (9) | (11) |
| Non-distributed costs | - | - |
| Housing Revenue Account (HRA) | (119) | (82) |
| Total Income | (12,115) | (11,361) |

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) requires disclosure of the expected impact of any accounting standards that have been issued but not yet adopted.

The standards which have been issued but not yet adopted by the CIPFA code and will be introduced in the CIPFA 2018/19 code are:-

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15 clarifications to IFRS Revenues from Contracts with Customers;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised losses;
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The standards which will be adopted in 2018/19 are unlikely to have a material impact on the Statement of Accounts 2017/18.

In addition, the CIPFA Code for 2019/20 will adopt IFRS16 - Leases which will have the impact of bringing operating leases the Council leases in onto the Council Balance Sheet. For example, the value of printers/photocopiers, if material, will be added to the Balance Sheet as though they belong to the Council. This will apply to the Statement of Accounts for 2019/20.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 introduced two 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 2017:-

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

These are unlikely to have a material impact on the information provided in the financial statements.

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

NOTE 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 2018 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 39.

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

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

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

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

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

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

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

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

Doubtful Debts Impairment/Allowance – As at 31 March 2018, the Council had a short-term net debtor balance of £24.031m. A review of arrears balance suggested that impairment for doubtful debts of £5.565m 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 47.

Fair Value Measurement - Fair value measurement will be in accordance with IFRS13 Fair Value Measurement as reported in the CIPFA Code of Practice 2017/18. 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.

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

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

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

The following items were reclassified during 2017/18:-

- 1) Ysgol Parc Y Bont, valued at £0.932m was removed from the Council's Balance Sheet in 2015/16 as the school was Voluntary Controlled, in response to CIPFA Guidance on accounting for Voluntary Controlled Schools. However, the school has since had significant investment from the Council and Welsh Government as part of the 21st Century Schools programme. It is now clear that while the school is Voluntary Controlled, the Council has significant control over the asset. Therefore, the school has been added back to the Balance Sheet at a value of £1.290m. This includes an investment of £0.550m for an extension and refurbishment work as part of the 21st Century School programme. The prior year has not been restated as the fact that the school should be returned as a Council asset emerged during 2017/18.
- 2) The treatment of accrued interest i.e. interest payable on borrowing from the PWLB relating to 2017/18 but which is due to be paid in 2018/19, is being treated differently from last year in the 2017/18 accounts in order to more closely reflect the CIPFA Code of Practice. An amount of £2.119m of accrued interest in the previous year was added as a short-term creditor in the balance sheet. In 2017/18 accrued interest of £2.297m has been added to short-term liability instead of creditors in accordance with the code. The figures for 2016/17 have been amended by increasing short-term liability by £2.119m and reducing short-term creditors by the same amount along with the associated notes.

- 3) During the audit period it became evident that there was a discrepancy in the level of debt relating to housing benefit overpayments between the sum recorded in the Housing Benefits System and the sum recorded in the main accounting system and the discrepancy dates back to 2015/16. In total, a correction of £790k was required by increasing the value of short-term debtors and crediting the Comprehensive Income and Expenditure account. As the provision for bad debts was calculated using the balance of debt recorded in the Housing Benefit system i.e. the correct balance, it was not necessary to recalculate this provision. Despite the fact that only £260k of the income relates to 2017/18, the full amount has been recognised in 2017/18 as the value of the error in previous years does not meet the S151 Officer's assessment of materiality. The financial statements relating to the previous year have not therefore, been restated. The impact of this is an improvement in the financial position of the Council of £790k to reflect that the additional income that has not previously been accounted for.

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 25 September 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The following events between 31 March 2018 and 25 September 2018 have occurred which affect the Council and are important to highlight to readers of the Statement of Accounts:

- 1) The Council has charged VAT on Leisure Service income and paid this over to HMRC for a number of years in accordance with HMRC guidance. However, following legal action taken by a Third Party against HMRC, it was held that VAT on Leisure Services should be exempt. The Council has submitted claims dating back to 2012 to recover this VAT. In August 2018, HMRC has written to the Council to confirm that this VAT will be refunded to the Council. The Council has received a refund of £794k which will be accounted for in 2018.
- 2) The Council has an earmarked reserve for potential claims in relation to repayment of aftercare charges under S117 of the Mental Health Act 1983. In 2000, a key House of Lords Judgement (Richmond Borough Council, Manchester City Council, Harrow Borough Council and Redcar Borough Council v W/S/C/A) held that councils could not charge for S117 aftercare services to Mental Health service users if they met the criteria outlined in S117. There have been claims against the Council a number of years ago but none more recently. However, a new claim has been submitted against the Council in relation to repayment of charges previously charged by the Council for S117 aftercare costs. The earmarked reserve provides funding for this claim if it is successful by the claimant. However, as there is still a risk of future claims this is also included as a contingent liability.

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

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

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

NOTE 8 – EARMARKED RESERVES

| | Balance as at 01/04/2016 £'000 | Transfers In 2016/17 £'000 | Transfers Out 2016/17 £'000 | Balance as at 31/03/2017 £'000 | Transfers In 2017/18 £'000 | Transfers Out 2017/18 £'000 | Balance as at 31/03/2018 £'000 |
|---|--------------------------------------|----------------------------------|-----------------------------------|--------------------------------------|----------------------------------|-----------------------------------|--------------------------------------|
| Capital - Revenue contributions unapplied | 899 | - | - | 899 | 238 | - | 1,137 |
| Penhesgyn Waste Landfill Site Reserve | 2,000 | - | - | 2,000 | - | (2,000) | - |
| Restricted Reserves | 7,883 | 2,719 | (3,943) | 6,659 | 1,408 | (4,442) | 3,625 |
| Invest-to-save | - | 1,000 | (29) | 971 | - | (318) | 653 |
| Job Evaluation | 2,770 | - | (2,770) | - | - | - | - |
| Equal Pay | 865 | 513 | (318) | 1,060 | - | (246) | 814 |
| Recycling | 324 | 73 | - | 397 | 112 | (387) | 122 |
| Insurance Fund | 1,250 | 356 | (235) | 1,371 | - | (121) | 1,250 |
| Total | 15,991 | 4,661 | (7,295) | 13,357 | 1,758 | (7,514) | 7,601 |

Purpose of Earmarked Revenue Reserves

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

Restricted Reserves – specific earmarked reserves within service areas.

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

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

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

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

NOTE 9 – SCHOOLS BALANCES

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

| | Balance 1 April 2016 £'000 | Addition / (Reduction) for 2016/17 £'000 | Balance 31 March 2017 £'000 | Addition / (Reduction) for 2017/18 £'000 | Balance 31 March 2018 £'000 |
|---|----------------------------------|---|-----------------------------------|---|-----------------------------------|
| Community and Voluntary Primary Schools | 1,716 | (294) | 1,422 | (181) | 1,241 |
| Community Secondary Schools | 304 | (76) | 228 | 182 | 410 |
| Community Special School | 166 | (10) | 156 | (77) | 79 |
| Foundation Primary School | 276 | 7 | 283 | (144) | 139 |
| Total | 2,462 | (373) | 2,089 | (220) | 1,869 |

At 31 March 2018, all schools had balances in surplus apart from 3 primary schools (4 as at 31 March 2017) and 1 secondary school (1 as at 31 March 2017), which had a combined deficit of £0.24m (£0.26m as at 31 March 2017). Copies of the Section 52 Statements, which each Council is required to prepare after the end of each financial year under Section 52(2) of the School Standards and Framework Act 1998, can be obtained from the Accountancy Section, Resources Function, County Offices, Llangefni, Anglesey, LL77 7TW.

NOTE 10 – CAPITAL RECEIPTS RESERVE

These are cash receipts from the sale of Council assets. These are used to fund capital expenditure in the year. A balance of £320k will be carried forward to 2018/19 to help fund next year's capital programme.

| | 2017/18 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Balance 1 April | - | - |
| Capital Receipts in year (net of reduction for administration costs) | 2,782 | 5,237 |
| | 2,782 | 5,237 |
| Less: | | |
| Receipts set aside to repay debt | - | - |
| Capital Receipts used for financing | (2,455) | (5,237) |
| Other | (7) | - |
| Balance 31 March | 320 | - |

NOTE 11 – UNUSABLE RESERVES

| | 31/03/2018 £'000 | 31/03/2017 £'000 |
|--|---------------------|---------------------|
| a) Capital Adjustment Account | 134,369 | 151,541 |
| b) Financial Instruments Adjustment Account | (450) | (385) |
| c) Revaluation Reserve | 128,199 | 91,772 |
| ch) Pensions Reserve | (102,188) | (105,509) |
| d) Unequal Pay Reserve | - | (2,663) |
| dd) Accumulating Compensated Absences Adjustment Account | (799) | (1,282) |
| Total Unusable Reserves | 159,131 | 133,474 |

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 30 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| Capital Adjustment Account | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Balance at 1 April | 151,541 | 142,604 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| Charges for depreciation and amortisation of non-current assets | (12,380) | (12,406) |
| De-recognised assets | (9,348) | (9,489) |
| Revaluation losses on Property, Plant and Equipment | (18,403) | (819) |
| Revenue expenditure funded from capital under statute | (2,566) | (1,685) |
| 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 | (4,362) | (7,261) |
| | (47,059) | (31,660) |
| Adjusting amounts written out of the Revaluation Reserve | 4,695 | 11,904 |
| Net written out amount of the cost of non-current assets consumed in the year | (42,364) | (19,756) |
| Capital financing applied in the year: | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 2,455 | 5,237 |
| Use of capital reserve | - | 244 |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 11,801 | 13,356 |
| Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances | 4,488 | 4,499 |
| Capital expenditure charged against the Council Fund and HRA balances | 6,600 | 5,059 |
| | 25,344 | 28,395 |
| Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement | (152) | 298 |
| Balance at 31 March | 134,369 | 151,541 |

b) Financial Instruments Adjustment Account

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

| Financial Instruments Adjustment Account | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Balance at 1 April | (385) | (250) |
| 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 | (65) | (135) |
| Balance at 31 March | (450) | (385) |

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 | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Balance at 1 April | 91,772 | 96,046 |
| Revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services | 41,122 | 7,630 |
| Difference between fair value depreciation and historical cost depreciation | (1,933) | (1,629) |
| Revaluation balances on assets scrapped or disposed of | (2,762) | (10,275) |
| Balance at 31 March | 128,199 | 91,772 |

ch) Pensions Reserve

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

| Pensions Reserve | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Balance at 1 April | (105,509) | (95,022) |
| Re-measurement of net defined liability | 9,858 | (7,334) |
| Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (18,147) | (12,195) |
| Employers' pension contribution and direct payment to pensioners payable in the year | 11,610 | 9,042 |
| Balance at 31 March | (102,188) | (105,509) |

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

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

d) Unequal Pay Reserve

The Back-Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back-pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. The Unequal Pay Unusable Reserve, similar to the Equal Pay Provision in note 27, has been reduced to nil as Equal Pay costs paid in 2017/18 have been funded from capital following a Capitalisation Directive from Welsh Government. Some smaller residual costs will be funded from the Equal Pay earmarked reserve. Therefore, the Unequal Pay Unusable Reserve and the Equal Pay Provision are no longer required. However, The Council has retained the Equal Pay earmarked reserve of £814k as highlighted above in note 8. This is to fund any outstanding equal pay claims and related legal costs, which might arise.

| Unequal Pay Reserve | 2017/18 £'000 | 2016/17 £'000 |
|--|--------------------------|--------------------------|
| Balance at 1 April | (2,663) | (2,151) |
| (Increase)/Decrease in provision for back-pay in relation to Equal Pay cases | 2,663 | (512) |
| Cash settlements paid in the year | - | - |
| Balance at 31 March | - | (2,663) |

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 | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Settlement or cancellation of accrual made at the end of the preceding year | (1,282) | (1,547) |
| 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 | 483 | 265 |
| Amounts accrued at the end of the current year | (799) | (1,282) |

NOTE 12 – OTHER OPERATING EXPENDITURE

| 2017/18 £'000 | 2016/17 £'000 | |
|--|------------------|---------------|
| Precept paid to North Wales Police Authority | 7,674 | 7,264 |
| Precept paid to Community Councils | 1,230 | 1,179 |
| (Surplus)/ Losses on the disposal of non-current assets (Including De-recognition) | 10,909 | 11,404 |
| Levies | 3,335 | 3,195 |
| Total | 23,148 | 23,042 |

NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

13a

| 2017/18 £'000 | 2016/17 £'000 | |
|---|------------------|--------------|
| Interest payable and similar charges | 5,863 | 6,003 |
| Net interest on the defined liability | 2,789 | 3,321 |
| Interest receivable and similar income | (31) | (54) |
| Income and Expenditure in relation to investment properties and changes in their fair value | 7 | (409) |
| Total | 8,628 | 8,861 |

13b

| 2017/18 £'000 | 2016/17 £'000 | |
|--|------------------|--------------|
| Income/Expenditure from Investment Properties: | | |
| Income including rental income | (331) | (359) |
| Expenditure | 164 | 140 |
| Net Expenditure/Income from investment properties | (167) | (219) |
| Deficit on sale of Investment Properties: | | |
| Proceeds from sale | (105) | (145) |
| Carrying amount of investment properties sold | 128 | 253 |
| Deficit on sale of Investment Properties | 23 | 108 |
| Changes in Fair Value of Investment Properties | 152 | (298) |
| Total | 8 | (409) |

NOTE 14 - TAXATION AND NON-SPECIFIC GRANT INCOME

| | 2017/18 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Council Tax Income | 42,295 | 39,968 |
| Non-Domestic Rates Redistribution | 23,002 | 21,309 |
| Revenue Support Grant | 69,650 | 70,619 |
| Other Government Grants | - | - |
| Capital Grants Applied To Fund Capital Expenditure | 11,801 | 13,356 |
| Total | 146,748 | 145,252 |

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

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

| 2016/17 | Property, Plant and Equipment | | | | | | | |
|---|-------------------------------|-----------------------------|--------------------------------|--|---------------------------|---------------------------------|-------------------------|----------------|
| | Council Dwellings £'000 | Land and Buildings £'000 | Infrastructure Assets £'000 | Vehicles, Plant and Equipment £'000 | Community Assets £'000 | PPE Under Construction £'000 | Surplus Assets £'000 | Total £'000 |
| Cost or Valuation | | | | | | | | |
| At 1 April 2016 | 107,741 | 188,334 | 76,353 | 10,659 | 9 | 3,759 | 1,187 | 388,042 |
| Adjustment Cost and Depreciation | - | - | (549) | - | - | 549 | - | - |
| Additions (Note 20) | 8,511 | 3,971 | 8,287 | 1,109 | - | 11,024 | - | 32,902 |
| Revaluation inc./decr. to Rev. Reserve | - | 1,122 | - | - | - | - | 248 | 1,370 |
| Revaluation inc./decr.) to Surplus / Deficit on the Prov. of Services | - | (1,294) | - | - | - | - | (27) | (1,321) |
| De-recognition - Disposals | (340) | (1,219) | - | - | - | - | (115) | (1,674) |
| De-recognition - Other | - | (1,595) | - | - | - | - | - | (1,595) |
| De-recognition - replaced parts | (6,884) | (2,605) | - | - | - | - | - | (9,489) |
| Reclassifications | - | (31) | 1,437 | - | - | (1,437) | 31 | - |
| Reclassifications & Transfers from Assets Held for Sale | - | - | - | - | - | - | 751 | 751 |
| Reclassified to Assets Held for Sale | - | (83) | - | - | - | - | (100) | (183) |
| Reclassified to Surplus Assets | - | - | - | - | - | - | 210 | 210 |
| Reclassified to Investment Property | - | - | - | - | - | - | - | - |
| Balance as at 31 March 2017 | 109,028 | 186,600 | 85,528 | 11,768 | 9 | 13,895 | 2,185 | 409,013 |
| Depreciation and Impairment | | | | | | | | |
| At 1 April 2016 | - | 10,339 | 20,637 | 6,722 | - | - | 60 | 37,758 |
| Adjustment Cost and Depreciation | - | - | - | - | - | - | - | - |
| Depreciation Charge | 3,591 | 4,964 | 2,845 | 834 | - | - | 12 | 12,246 |
| Depreciation written out to Revaluation Reserve | - | (3,700) | - | - | - | - | (7) | (3,707) |
| Depreciation written out to Surplus or Deficit on the Provision of Services | - | (634) | - | - | - | - | (3) | (637) |
| De-recognition - Disposals | (14) | (358) | - | - | - | - | - | (372) |
| Reclassification to Assets Held for Sale | - | (5) | - | - | - | - | 5 | - |
| Reclassification to Surplus Assets | - | (11) | - | - | - | - | - | (11) |
| Reclassification to Investment Property | - | - | - | - | - | - | - | - |
| Balance as at 31 March 2017 | 3,577 | 10,595 | 23,482 | 7,556 | - | - | 67 | 45,277 |
| Net Book Value | | | | | | | | |
| Balance as at 31 March 2017 | 105,451 | 176,005 | 62,046 | 4,212 | 9 | 13,895 | 2,118 | 363,736 |
| Balance as at 31 March 2016 | 107,741 | 177,995 | 55,716 | 3,937 | 9 | 3,759 | 1,127 | 350,284 |

Isle of Anglesey County Council – Statement of Accounts 2017/18

Revaluations

The Council has £390.531m recognised as Property, Plant and Equipment and Heritage Assets on its Balance Sheet as at the valuation date of 31 March 2018. 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. Additional information on the Council's policy on the measurement and valuation of non-current assets is included in sections 7 to 10 of note 51 Accounting Policies.

NOTE 16 - SIGNIFICANT CAPITAL COMMITMENTS

At 31 March 2018, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment giving rise to significant capital commitments of £10.637m in 2018/19 and future years as shown in the table below. Similar commitments to 31 March 2017 were £4.862m. The significant increase is the result of progress being made in the continued rollout of the Authority's 21st Century Schools programme and progress with the Llangefni Link Road and the refurbishment of Market Hall, Holyhead. The 21st Century Schools programme and the Link Road will receive significant funding from Welsh Government.

| | Commitment into 2018/19 & future years as at 31 March 2018 £'000 | Commitment into 2017/18 & future years as at 31 March 2017 £'000 |
|-------------------------------------|---|---|
| 21st Century Schools - Dwynwen | 4,609 | 790 |
| Llangefni Link Road - Section 3 | 748 | 1,388 |
| Market Hall Holyhead - Phase II | 2,045 | - |
| Llangefni Strategic Infrastructure | 2,485 | 247 |
| Planned Maintenance Contracts - HRA | 750 | 2,437 |
| Total | 10,637 | 4,862 |

NOTE 17 – HERITAGE ASSETS

2017/18

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

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

Revaluation of Heritage Assets

A number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. At 31 March 2018, there were four such assets (unchanged from 31 March 2017):-

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

The revaluation of these assets follows the Council's standard revaluation procedures for land and property. The Heritage Assets were last revalued in 2017/18.

A valuation for the Art Collections was obtained during 2017/18 and the resulting value has been reflected in the 2017/18 Accounts. The valuation is based on a representative sample of the collections. The valuation was carried out by Bonhams of London, a firm of international Art Auctioneers and Valuers. The value of the Art Collections has increased by £0.276m to £2.047m.

NOTE 18 – INVESTMENT PROPERTIES

a) Investment Properties

| | 2017/18 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Balance at start of the year | 6,092 | 5,983 |
| Additions: | | |
| - Subsequent expenditure | - | - |
| Disposals | (128) | (254) |
| Net gains/(losses) from fair value adjustments | (152) | 298 |
| Transfers: | | |
| - (to)/from Asset held for Sale | - | 275 |
| - (to)/from Property, Plant and Equipment | (21) | (210) |
| Balance at end of the year | 5,791 | 6,092 |

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

b) Fair Value Measurement of Investment Properties

2017/18 Fair Value Hierarchy

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

2016/17 Fair Value Hierarchy

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

c) Valuation approaches used in the valuation of Investment Properties

Retail

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

Investment Properties

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

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

NOTE 19 – INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £147k charged to revenue in 2017/18 was charged to the IT Administration cost centre Transformation line of the Net Expenditure of Services.

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

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

| | 2017/18 £'000 | 2016/17 £'000 |
|---|--------------------------|--------------------------|
| Balance at start of year: | | |
| Gross carrying amounts | 1,538 | 1,247 |
| Accumulated amortisation | (932) | (830) |
| Net carrying amount at start of year | 606 | 417 |
| Additions | 297 | 291 |
| Amortisation for the financial year | (147) | (102) |
| Net carrying amount at end of year | 756 | 606 |
| Comprising: | | |
| Gross carrying amounts | 1,835 | 1,538 |
| Accumulated amortisation | (1,079) | (932) |
| Net carrying amount at end of year | 756 | 606 |

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.

| | 2017/18 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Opening Capital Financing Requirement | 134,014 | 127,656 |
| Capital Invested in Year | | |
| Property, Plant and Equipment | 25,334 | 32,902 |
| Intangible Assets | 297 | 291 |
| Heritage Assets | - | - |
| Revenue Expenditure Funded from Capital Under Statute (REFCUS) | 3,724 | 3,447 |
| Total | 29,355 | 36,640 |
| Source of Finance | | |
| Capital receipts | (2,457) | (5,237) |
| Reserve | - | (8) |
| Government Grants and Contributions | (11,801) | (13,356) |
| Revenue Provisions | (6,600) | (5,058) |
| Loan | - | (148) |
| Insurance | - | (236) |
| REFCUS Grants | (1,157) | (1,784) |
| Minimum Revenue Provision and Set Aside | (4,488) | (4,455) |
| Total | (26,503) | (30,282) |
| Net Increase/(Decrease) in Capital Financing Requirement | 2,852 | 6,358 |
| Closing Capital Financing Requirement | 136,866 | 134,014 |
| Explanation of Movement in Year | | |
| Increase in underlying need to borrow supported by Government assistance | 402 | 6,223 |
| Increase in underlying need to borrow unsupported by Government assistance | 6,043 | 4,590 |
| Loan | 895 | - |
| Minimum Revenue Provision and Voluntary Set Aside | (4,488) | (4,455) |
| Net Increase/(Decrease) in Capital Financing Requirement | 2,852 | 6,358 |

NOTE 21 – ASSETS HELD FOR SALE

| | Current | | Non-Current | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 31 March 2018 £'000 | 31 March 2017 £'000 | 31 March 2018 £'000 | 31 March 2017 £'000 |
| Balance outstanding at start of year | 3,524 | 6,388 | - | - |
| Assets newly classified as held for sale: | | | | |
| Transferred from Property, Plant and Equipment during the year | 1,288 | 172 | - | - |
| Transfer to Property, Plant and Equipment | (254) | (751) | - | - |
| Transfer to Investment Property | - | (275) | - | - |
| Costs of Assets Sold | (2,135) | (4,111) | - | - |
| Revaluation | 19 | 2,101 | - | - |
| Balance outstanding at year-end | 2,442 | 3,524 | - | - |

NOTE 22 – LEASES

Operating Leases

The Council had leased 3 properties at 31 March 2018 for its homelessness function (2 properties at 31 March 2017) and the lease rentals for the year totalled £0.077m (£0.045m 2016/17).

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 £0.135m in 2017/18 (£0.158m in 2016/17).

NOTE 23 – INVENTORIES

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

| | 31 March 2018 £'000 | 31 March 2017 £'000 |
|--|------------------------|------------------------|
| Work in Progress | - | - |
| Central Stores - Building Maintenance Unit | 152 | 140 |
| Gofal Môn - Social Services Supplies | 97 | 87 |
| Other - Stationery and other consumables, fuel and goods held for resale | 136 | 140 |
| Total | 385 | 367 |

NOTE 24 - DEBTORS

| | Long-Term Debtors | | Short-Term Debtors | |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 31 March 2018 £'000 | 31 March 2017 £'000 | 31 March 2018 £'000 | 31 March 2017 £'000 |
| Government Departments | - | - | 9,941 | 7,064 |
| NDR and Council Tax | - | - | 3,813 | 3,595 |
| Other Local Authorities | - | - | 1,629 | 1,277 |
| Rents | - | - | 263 | 134 |
| Employee Loans | 211 | 248 | 166 | 153 |
| Health Service/Public Bodies | - | - | 1,875 | 1,333 |
| VAT | - | - | 1,156 | 1,560 |
| Trusts | - | - | 615 | 853 |
| Bodies external to Central Government | - | - | 81 | 26 |
| Other | 397 | 398 | 4,492 | 4,204 |
| Total | 608 | 646 | 24,031 | 20,199 |

The above debtors' figures are net of bad debt provisions totalling £5.565m in 2017/18 (£5.653m in 2016/17), which can be analysed as follows:-

| | 31 March 2018 £'000 | 31 March 2017 £'000 | Movement in Year |
|---------------|------------------------|------------------------|---------------------|
| | 31 March 2018 £'000 | 31 March 2017 £'000 | |
| Council Tax | 1,643 | 1,571 | 72 |
| NDR | 585 | 731 | (146) |
| Rents | 506 | 560 | (54) |
| Trade Debtors | 2,831 | 2,791 | 40 |
| Total | 5,565 | 5,653 | (88) |

NOTE 25 - CASH AND CASH EQUIVALENTS

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

| | 31 March 2018 £'000 | 31 March 2017 £'000 |
|------------------------|------------------------|------------------------|
| | 31 March 2018 £'000 | 31 March 2017 £'000 |
| Cash and Bank balances | 7,789 | 14,940 |
| Bank Overdraft | - | - |
| Total | 7,789 | 14,940 |

NOTE 26 – CREDITORS

| | Long-Term Creditors | | Short-Term Creditors | |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 31 March 2018 £'000 | 31 March 2017 £'000 | 31 March 2018 £'000 | 31 March 2017 £'000 |
| Government Departments | - | - | 3,003 | 4,011 |
| Other Authorities | - | - | 1,591 | 1,554 |
| Trust Balances | - | - | 935 | 1,033 |
| Health Service/Public Bodies | - | - | 239 | 107 |
| Accumulated Absences | - | - | 799 | 1,282 |
| Bodies External to central Government | - | - | 37 | - |
| Receipts in advance | | | 129 | 1,009 |
| Other | 151 | 166 | 11,518 | 9,116 |
| Total Creditors | 151 | 166 | 18,251 | 18,112 |

NOTE 27 - PROVISIONS

| | Balance at 1 April 2016 £'000 | Increase in Provisions during year £'000 | Utilised during year £'000 | Balance at 31 March 2017 £'000 | Increase in Provisions during year £'000 | Utilised during year £'000 | Balance at 31 March 2018 £'000 |
|--|----------------------------------|---|-------------------------------|-----------------------------------|---|-------------------------------|-----------------------------------|
| Insurance Claims Provision | 259 | 366 | (457) | 168 | 535 | (438) | 265 |
| Penhesgyn Waste Site | 2,512 | 217 | (98) | 2,631 | 2,229 | (229) | 4,631 |
| Termination Benefits | 23 | - | (23) | - | - | - | - |
| Job Evaluation | 126 | - | (126) | - | - | - | - |
| Equal Pay | 2,151 | 512 | - | 2,663 | - | (2,663) | - |
| Caterlink Pension Provision | - | - | - | - | 75 | - | 75 |
| Home Carers Travel Provision | - | - | - | - | 159 | - | 159 |
| Supreme Court Judgement - Nursing Care | - | - | - | - | 196 | - | 196 |
| Total | 5,071 | 1,095 | (704) | 5,462 | 3,194 | (3,330) | 5,326 |
| Short-Term Provisions | 2,559 | 878 | (606) | 2,831 | 965 | (3,101) | 695 |
| Long-Term Provisions | 2,512 | 217 | (98) | 2,631 | 2,229 | (229) | 4,631 |
| Total | 5,071 | 1,095 | (704) | 5,462 | 3,194 | (3,330) | 5,326 |

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 on an ongoing basis until there is evidence that there is no further contamination at the site.

Equal Pay

This is a provision for ongoing legal claims against the Council in relation to Equal Pay. However, this is offset by the unequal pay unusable reserve, which cancels this provision to zero in the Council Fund. The Equal Pay Provision similar to related Unequal Pay Unusable Reserve in note 11, has been reduced to nil as Equal Pay costs paid in 2017/18 have been funded from capital following a Capitalisation Directive from Welsh Government. Any ongoing costs equal pay costs will be funded from the Equal Pay earmarked reserve. Therefore, the Equal Pay Provision and the Unequal Pay Unusable Reserve are no longer required.

Other Short-term Provisions created in 2017/18

Three new short-term provisions were created in 2017/18 for liabilities the Council is likely to incur due to past events, for which there is uncertainty about the amount or timing of any payment. Therefore, best estimates have been used for these. There is a provision of £75k for Caterlink Pension costs following the transfer of staff under TUPE. A provision of £159k has been created in relation to Home Carers Travel. Finally, a provision of £196k has been set up for Nursing Care costs following a Supreme Court Judgement.

NOTE 28 – CASH FLOW FROM OPERATING ACTIVITIES

| | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Adjustment to surplus or deficit on the Provision of Services for non-cash movements | | |
| Depreciation and Impairment | 12,233 | 12,302 |
| Downward/(upwards) revaluations and non-sale de-recognitions | 18,403 | 10,307 |
| Amortisation | 147 | 102 |
| (Increase)/Decrease in Inventories | (18) | 85 |
| (Increase)/Decrease in Debtors | (3,794) | 3,202 |
| Increase/(Decrease) in impairments for Bad Debts | (110) | 239 |
| Increase/(Decrease) in Creditors | (1,995) | (1,792) |
| Increase/(Decrease) in Capital Grants receipts in advance | 3,624 | (1,029) |
| Transactions within the CIES relating to retirement benefits | 6,537 | 3,154 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | 4,363 | 7,261 |
| Contributions to/(from) Provisions | (136) | 391 |
| Movement in value of investment properties - Impairment and downward revaluations (and non-sale de-recognitions) | 152 | (298) |
| Total | 39,406 | 33,924 |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | |
| Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale | (2,782) | (5,237) |
| Capital grants included in "Taxation and non-specific grant income" | (11,801) | (13,356) |
| Total | (14,583) | (18,593) |

NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

| | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Purchase of Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets | (25,333) | (33,193) |
| Short-Term Investments (not considered to be cash equivalents) | 5 | 5 |
| Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale | 2,782 | 5,237 |
| Capital Grants and Contributions Received | 11,801 | 13,356 |
| Net Cash flows from Investing Activities | (10,745) | (14,595) |

NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

| | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Cash Receipts from Short and Long-Term Borrowing | 11,173 | 6,198 |
| Difference between cash paid and received as part of NDR Pool 2016/17 | 129 | (276) |
| Cash movements on Houses into Homes agency schemes | 218 | - |
| Other | (150) | 198 |
| Net Cash flows from Financing Activities | 11,370 | 6,120 |

| | 2017/18 £'000 | 2016/17 £'000 |
|-------------------|------------------|------------------|
| Interest Received | (31) | (54) |
| Interest Paid | 5,862 | 6,003 |

NOTE 31 – NATURE OF EXPENSES NOTE

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

| | 2017/18 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Expenditure | | |
| Employee benefits | 90,814 | 89,160 |
| Other services expenses | 125,169 | 115,282 |
| Support services recharge | 926 | 11,636 |
| Depreciation, amortisation, impairment | 12,380 | 12,406 |
| Interest Payments | 8,651 | 9,324 |
| Precepts and levies | 12,239 | 11,638 |
| Loss / (Gain) on disposal of assets | 10,909 | 11,404 |
| Total Expenditure | 261,088 | 260,850 |
| Income | | |
| Fees, charges and other service income | (29,940) | (55,484) |
| Interest and investment income | (24) | (462) |
| Income from council tax, non-domestic rates | (65,297) | (61,278) |
| Government grants and contributions | (133,228) | (134,086) |
| Total Income | (228,489) | (251,310) |
| (Surplus) or Deficit on the Provision of Services | 32,599 | 9,540 |

** 2016/17 has been restated to reflect that the Revenue Support Grants is included within the line Government grants and contributions

NOTE 32 – TRADING OPERATIONS

The Council has no Trading Operations.

NOTE 33 - MEMBERS' ALLOWANCES

A total of £0.660m (£0.681m in 2016/17) was paid in respect of allowances to Council Members during the year as follows:-

| | 2017/18 £'000 | 2016/17 £'000 |
|---|--------------------------|--------------------------|
| Basic and Special responsibility allowances | 539 | 547 |
| Chairman and Deputy Chairman's Allowance | 6 | 6 |
| Pension Costs | 51 | 57 |
| National Insurance Costs | 41 | 43 |
| Travel Costs | 7 | 6 |
| Subsistence | 1 | 3 |
| Miscellaneous | 15 | 19 |
| Total | 660 | 681 |

In addition, the Council spent £14,648 on expenses for lay members (£7,281 in 2016/17).

NOTE 34 – OFFICERS' REMUNERATION

The number of employees whose actual remuneration paid was more than £60k but not more than £150k in 2017/18, excluding pension contributions but including severance pay, is as follows:-

| Officer Remuneration | Non-Schools 2017/18 Number of Employees | Non-Schools 2016/17 Number of Employees | Schools 2017/18 Number of Employees | Schools 2016/17 Number of Employees |
|-----------------------------|--|--|--|--|
| £60,000 to £64,999 | 4 | 2 | 4 | 3 |
| £65,000 to £69,999 | 1 | 3 | 1 | - |
| £70,000 to £74,999 | 3 | 4 | 3 | 3 |
| £75,000 to £79,999 | 1 | - | 1 | 3 |
| £80,000 to £84,999 | 1 | 1 | 2 | 1 |
| £85,000 to £89,999 | 2 | 2 | - | - |
| £90,000 to £94,999 | - | - | - | - |
| £95,000 to £99,999 | - | - | - | - |
| £100,000 to £104,999 | - | - | - | - |
| £105,000 to £109,999 | - | - | - | - |
| £110,000 to £114,999 | 1 | 1 | - | - |
| Total | 13 | 13 | 11 | 10 |

There are no officers whose remuneration exceeds £115k.

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

2017/18

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

* Note: Returning Officer element of Chief Executive salary is £9,785 and is not included in the figures above.

Comparative figures for 2016/17 are shown in the following table:-

| Senior Officer Remuneration | Salary, Fees and Allowances £'000 | Expenses Allowances £'000 | Compensation for loss of Office £'000 | Pension Contribution £'000 | Total £'000 |
|---|--|---------------------------------|--|----------------------------------|----------------|
| Chief Executive * | 121 | 2 | - | 22 | 145 |
| Assistant Chief Executive | 86 | 1 | - | 16 | 103 |
| Assistant Chief Executive | 86 | 2 | - | 16 | 104 |
| Head of Council Business | 75 | - | - | 14 | 89 |
| Head of Resources and Section 151 Officer | 82 | 1 | - | 15 | 98 |
| Head of Profession HR | 63 | - | - | 12 | 75 |
| Head of Housing | 66 | 1 | - | 12 | 79 |
| Head of Regulation and Economic Development | 72 | 2 | - | 13 | 87 |
| Head of Lifelong Learning | 72 | 2 | - | 13 | 87 |
| Head of Children's Services | 56 | - | - | 14 | 70 |
| Head of Adult Services | 72 | - | - | 13 | 85 |
| Head of Highways, Property and Waste | 66 | 1 | - | 12 | 79 |
| Head of Corporate Transformation | 66 | - | - | 12 | 78 |
| Chief Planning Officer - Energy Island | 61 | - | - | 11 | 72 |
| Total | 1,044 | 12 | - | 195 | 1,251 |

* Note: Within the Chief Executive's salaries, fees and allowances a Returning Officer payment of £9,105 is included.

The remuneration ratio of the Chief Executive to the median remuneration of all employees during 2017/18 is 6.51:1 (6.47:1 in 2016/17).

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 | |
|--|-----------------------------------|-----------|-----------------------------------|-----------|--|-----------|-----------------------------|------------|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| £0 - £20,000 | 21 | 19 | 54 | 19 | 75 | 38 | 362 | 259 |
| £20,001 - £40,000 | 4 | 2 | 11 | 6 | 15 | 8 | 437 | 202 |
| £40,001 - £60,000 | - | - | 1 | - | 1 | - | 44 | - |
| £60,001 - £80,000 | - | - | - | - | - | - | - | - |
| £80,001 - £100,000 | - | - | - | - | - | - | - | - |
| £100,001 - £250,000 | - | - | - | - | - | - | - | - |
| Total | 25 | 21 | 66 | 25 | 91 | 46 | 843 | 461 |

NOTE 36 – EXTERNAL AUDIT FEES

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

| | 2017/18 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year | 192 | 193 |
| Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for prior years | 15 | - |
| Fees payable to Wales Audit Office in respect of statutory inspections | 100 | 114 |
| Fees payable to Wales Audit Office for the certification of grant claims and returns for the year | 115 | 88 |
| Total | 422 | 395 |

NOTE 37 – GRANTS INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18 and 2016/17 as follows:-

| | Note | 2017/18 £'000 | 2016/17 £'000 |
|---|------|------------------|------------------|
| Credited to Taxation and Non-Specific Grant Income | | | |
| Revenue Support Grant (Non-ring-fenced Government Grants) | 14 | 69,650 | 70,619 |
| Capital Grants and Contributions | 14 | 9,110 | 10,629 |
| Grant - HRA (Capital Grants and Contributions) | 14 | 2,691 | 2,727 |
| Other (Non-ring-fenced Government Grants) | 14 | - | - |
| Total | | 81,451 | 83,975 |
| Credited to Services | | | |
| Grants: | | | |
| Post-16 Grant (Education) | | 2,523 | 2,554 |
| Flying Start (Education) | | 1,379 | - |
| Foundation Phase Grants (Education) | | - | 1,853 |
| Education Improvement Grant (Education) | | 2,969 | - |
| Pupil Development Grant (Education) | | 1,654 | - |
| Concessionary Fares Grant | | 717 | 774 |
| Housing Benefit Subsidy | | 18,493 | 18,441 |
| Supporting People Grant (SPG & SPRG) | | 2,549 | 2,644 |
| Environment and Sustainable Development Grant | | 1,601 | 1,654 |
| Total | | 31,885 | 27,920 |
| Other Grants: | | | |
| Lifelong Learning | | 1,707 | 5,129 |
| Adult Services | | 1,994 | 897 |
| Childrens Services | | 890 | 635 |
| Housing | | 1,104 | 1,093 |
| Highways, Waste and Property | | 2,197 | 1,859 |
| Economic Development and Regulatory | | 700 | 706 |
| Corporate Transformation | | 202 | 199 |
| Resources | | 600 | 850 |
| Council Business | | 22 | 21 |
| Corporate and Democratic Costs | | 374 | - |
| Corporate Finance | | - | - |
| Housing Revenue Account | | 39 | 34 |
| Total | | 9,829 | 11,423 |
| Contributions: | | | |
| | | 10,063 | 10,768 |
| Total | | 133,228 | 134,086 |

Capital Grants Received in Advance

| | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Opening balance | 273 | 1,302 |
| Add: new capital grants received in advance (condition of use not met) | 10,469 | 9,675 |
| Capital Grants repaid | (344) | (43) |
| Less: amounts released to the Comprehensive Income and Expenditure Account (conditions met) | (6,501) | (10,661) |
| Closing Balance | 3,897 | 273 |

NOTE 38 – RELATED PARTIES

The Council appoints members to certain public, charitable and voluntary bodies. During 2017/18, a total of £3.559m was paid in grants for the purchase of services from these bodies (£3.280m 2016/17). 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.

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

The Council is a member of the Welsh Local Government Association, to which subscriptions of £0.098m were paid in 2017/18 (£0.095m 2016/17).

Members have declared interests in contracts or in organisations which may have dealings with the Council in the Statutory Register of Members' Interests. A total of £0.785m was paid by the Council in 2017/18 in relation to these interests (£nil 2016/17).

Betsi Cadwalader University Health Board, through common control by central Government, is a related party to the Council. Payments made by the Council for 2017/18 to BCUHB amounted to £0.962m (£1.185m 2016/17) and £0.239m was owing at year-end. Receipts taken in by the Council from BCUHB came to £3.768m (£2.093m 2016/17), with £1.821m (£1.294m 2016/17) 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 where 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 was 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 company was dissolved in 2017/18 following which the Council received £44k relating to the Council's share of the net assets of the organisation.

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 2016/17 show a net loss of £0.156m (£0.124m loss 2015/16). The turnover for 2016/17 was £2.348m (£2.735m 2015/16). The company's published accounts show net liabilities of £0.383m as at 31 March 2017 (net assets were £0.490m at 31 March 2016).

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 2017 is not qualified. During 2017/18 financial year, the Council accounted for costs of £0.757m (£0.719m 2016/17) relating to the purchase of services from the company.

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

The Council also has interests in the following companies:-

Welsh Joint Education Committee - WJEC CBAC Limited

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

During the 2017/18 financial year, the Council accounted for £0.462m (£0.414m 2016/17) for purchase of services from the company.

The company accounts for 2015/16 (that is to year ended 30 September) show a net negative movement in funds of £12.785m (net positive movement in funds of £5.263m 2014/15). The turnover for 2015/16 was £41.364m (£40.704m 2014/15) and net assets amounted to £19.068m as at 30 September 2016 (£31.853m as at 30 September 2015).

Copies of the company's accounts can be obtained from WJEC CBAC Limited, 245 Western Avenue, Llandaff, Cardiff, CF5 2YX. The auditor's report for the financial year ended 30 September 2016 is not qualified.

Menter Môn Cyfngedig

The Council is a member of Menter Môn Cyf, and was one out of a total of three members at 31 March 2018. 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 2017/18 financial year, the Council made payments of £0.239m to the company in support of the activities (£0.090m 2016/17).

The company accounts for the financial year ended 31 December 2016 shows net loss before tax of £0.261m (net profit before tax of £0.365m in 2015/16). The turnover for 2016 was £2.044m (£4.258m in 2015) and net liabilities amounted to £0.869m as at 31 December 2016 (net assets of £0.542m in 2015).

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 2016 is not qualified.

Caergeiliog Foundation School

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

NOTE 39 - TRUST FUNDS

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

During 2017/18, the Head of Function (Resources)/Section 151 Officer had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners. The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one.

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

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

In 2017/18, the Council received £0.215m (£0.215m in 2016/17) from the Trust towards the running costs of Oriel Ynys Môn. The Council was also reimbursed for financial management and governance costs.

Welsh Church Fund

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

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

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

On 31 March 2018, the estimated balances of these Trust funds (at market value of the assets) are:-

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

| Audited Statement Summary | 2016/17 Income £'000 | 2016/17 Expenditure £'000 | 2016/17 Assets £'000 | 2016/17 Liabilities £'000 |
|---------------------------------------|----------------------------|---------------------------------|----------------------------|---------------------------------|
| Isle of Anglesey Charitable Trust | 583 | 648 | 22,360 | 578 |
| Welsh Church Fund | 6 | 20 | 913 | 20 |
| Anglesey Further Education Trust Fund | 139 | 512 | 2,848 | 12 |

The total value of the other funds, including investments at market value, is £0.101m as at 31 March 2018 (£0.136m as at 31 March 2017).

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

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

NOTE 40 – TEACHERS' PENSION SCHEME

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

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

In 2017/18, the Council paid £3.691m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.55% of pensionable pay (£3.771m and 16.12% in 2016/17).

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

NOTE 41 – LOCAL GOVERNMENT DEFINED BENEFIT PENSION SCHEME

Retirement Benefits

Participation in the Local Government Pension Scheme

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

a) Transactions Relating to Post-Employment Benefits

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

| | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Service cost comprising: | | |
| Current service cost | 15,098 | 8,778 |
| Losses on settlements or curtailments | 260 | 97 |
| Total Service cost | 15,358 | 8,875 |
| Financing and Investment Income and Expenditure | | |
| Interest cost on defined benefit obligation | 9,987 | 11,440 |
| Interest Income on scheme Assets | (7,198) | (8,119) |
| Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service | 18,147 | 12,196 |
| Return on Plan Assets (excluding amounts included in net interest expense) | (2,232) | (34,434) |
| Actuarial (gains) and losses arising on changes in financial assumptions | (7,671) | 45,047 |
| Other | 46 | (3,280) |
| Total re-measurement of net defined benefit liability | (9,857) | 7,333 |
| Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement | 8,290 | 19,529 |
| Reversal of net charges made for retirement benefits in accordance with the code | 6,537 | 3,154 |
| Actual amount charged against the Council Fund balance for pensions in the year: | | |
| Employers' contributions payable to scheme | 11,610 | 9,042 |
| Total Post-employment benefits charged to the Surplus or Deficit on Provision of Services | 18,147 | 12,196 |

b) Pension Assets and Liabilities recognised in the Balance Sheet

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

| Amounts included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows: | 31 March 2018 £'000 | 31 March 2017 £'000 |
|--|------------------------|------------------------|
| Present Value of Scheme Assets | 288,424 | 275,083 |
| Present Value of Scheme Liabilities | (390,612) | (380,592) |
| Net liability arising from defined obligation | (102,188) | (105,509) |

Reconciliation of Present Value of the Scheme Liabilities

| | 2017/18 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Balance as at 1 April | 380,591 | 326,792 |
| Current service cost | 15,098 | 8,778 |
| Interest cost | 9,987 | 11,440 |
| Contributions from scheme participants | 2,321 | 2,202 |
| Remeasurement (gains) and losses | (7,625) | 41,767 |
| Past service costs | 260 | 97 |
| Estimated unfunded benefits paid | (987) | (1,004) |
| Estimated benefits paid | (9,033) | (9,481) |
| Balance as at 31 March | 390,612 | 380,591 |

Reconciliation of Present Value of the Scheme Assets

| | 2017/18 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Opening Fair Value of Scheme Assets as at 1 April | 275,083 | 231,770 |
| Interest Income | 7,198 | 8,119 |
| Return on plan assets (excl. net interest expense) | 2,232 | 34,434 |
| Contributions by members | 2,321 | 2,202 |
| Contributions by employer | 10,623 | 8,039 |
| Contributions in respect of unfunded benefits | 987 | 1,004 |
| Unfunded benefits paid | (987) | (1,004) |
| Benefits paid | (9,033) | (9,481) |
| Balance as at 31 March | 288,424 | 275,083 |

c) Fair Value of Scheme Assets

The Council Pension Scheme assets comprise:-

Major categories of the fund's assets at quoted prices as at 31 March 2018 and 31 March 2017.

| | 2017/18 Prices Quoted in Active Markets £'000 | 2017/18 Prices not quoted in Active Markets £'000 | 2016/17 Prices Quoted in Active Markets £'000 | 2016/17 Prices not quoted in Active Markets £'000 |
|--|--|---|---|---|
| Cash and cash equivalents | 10,862 | - | 10,349 | - |
| Equity investment (by industry type) | | | | |
| Consumer | 8,567 | - | 9,432 | - |
| Manufacturing | 9,462 | - | 8,518 | - |
| Financial Institutions | 5,102 | - | 5,276 | - |
| Energy and utilities | 903 | - | 1,532 | - |
| Health and care | 14,646 | - | 13,577 | - |
| Information technology | 10,966 | - | 11,060 | - |
| Other | 995 | - | 754 | - |
| Debt Securities - Other | - | 41,928 | - | 34,365 |
| Private Equity | - | 11,216 | - | 12,426 |
| Investment Funds and Unit Trusts | | | | |
| Equities | 58,556 | 87,909 | 58,797 | 83,686 |
| Infrastructure | - | 5,038 | - | 3,688 |
| Real Estate | | | | |
| UK Property | 6,737 | 15,271 | 6,044 | 15,020 |
| Overseas property | - | 266 | - | 559 |
| Total Value – All Assets | 126,796 | 161,628 | 125,339 | 149,744 |
| Total Value of Active and Non-Active Assets | | 288,424 | | 275,083 |

Major categories of plan assets as percentage of total plan assets

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

| | 31 March 2018 | 31 March 2017 |
|---|---------------|---------------|
| Cash and cash equivalents | 4% | 4% |
| Equity investment (by industry type) | | |
| Consumer | 3% | 3% |
| Manufacturing | 3% | 3% |
| Financial institutions | 2% | 2% |
| Energy and utilities | 0% | 1% |
| Health and care | 5% | 5% |
| Information technology | 4% | 4% |
| Other | 0% | 0% |
| Debt Securities - Other | 14% | 12% |
| Private equity | 4% | 5% |
| Investment Funds and Unit Trusts | | |
| Equities | 51% | 52% |
| Infrastructure | 2% | 1% |
| Real Estate | | |
| UK Property | 8% | 8% |
| Overseas property | 0 | - |
| Total | 100% | 100% |

ch Scheme History

Analysis of scheme assets and liabilities:-

| | 31 March 2018 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2015 £'000 | 31 March 2014 £'000 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| Fair Value of Assets in pension scheme | 288,424 | 275,083 | 231,770 | 224,961 | 199,636 |
| Present Value of Defined Benefit Obligation | (390,612) | (380,591) | (326,792) | (350,438) | (290,788) |
| (Deficit)/Asset in the Scheme | (102,188) | (105,508) | (95,022) | (125,477) | (91,152) |

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 £390.612m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £102.188m.

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:-

| | 2017/18 | 2016/18 |
|--|------------|------------|
| Mortality assumptions: | | |
| <i>Longevity at 65 current pensioners:</i> | | |
| Men | 22.0 years | 22.0 years |
| Women | 24.2 years | 24.2 years |
| <i>Longevity at 65 for future pensioners:</i> | | |
| Men | 24.0 years | 24.0 years |
| Women | 26.4 years | 26.4 years |
| Inflation/Pension Increase Rate | 2.40% | 2.40% |
| Salary Increase Rate | 2.40% | 2.40% |
| Expected Return on Assets | 3.40% | 3.20% |
| Rate for discounting scheme liabilities | 2.70% | 2.60% |
| Take-up of option to convert annual pension into retirement lump sum: | | |
| Service to April 2008 | 50.00% | 50.00% |
| Service post April 2008 | 75.00% | 75.00% |

dd) Sensitivity Analysis

The sensitivity analysis below is based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It assumes for each change in assumption that all the other assumptions remain constant. The sensitivity analysis shows that the impact of a 0.5% decrease in the real discount rate due to potential market changes could increase the fund's liabilities by £40.073m as a higher value is placed on benefits paid in the future. A 0.5% increase in the salary increase rate could increase the fund's costs by £6.885m. A 0.5% increase in the pensions' rate could increase liabilities by £32.620m. The estimations in the sensitivity analysis have been calculated in accordance with professional actuarial assumptions, IAS19 and FRS102. This means that the use of the 0.5% assumptions below were selected by the specialist actuary in accordance with his/her professional judgement. The Actuary would have taken into account current and past information and the fact that there has been only modest changes e.g. interest rates changed by 0.25%. Information about people's lifespans and demographic information would have also influenced this.

| Change in assumptions as at 31 March 2018 | Approximate % increase to employer | Approximate Monetary Amount £'000 |
|---|------------------------------------|-----------------------------------|
| 0.5% decrease in real discount rate | 10% | 40,073 |
| 0.5% increase in the salary increase rate | 2% | 6,885 |
| 0.5% increase in pension increase rate | 8% | 32,620 |

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 £102.188m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

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

The Council anticipates paying £8.395m contributions to the scheme in 2018/19. The weighted average duration of the defined benefit obligation for scheme members is 19 years.

The amount outstanding to Gwynedd Council in respect of the LGPS contributions for 2017/18 as at 31 March 2018 is £0.762m and is included in the short-term creditors' disclosure note.

NOTE 42 – CONTINGENT LIABILITIES

Section 117 Mental Health Act 1983

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

Potential Contaminated Land

There is a possibility that remedial works may be required at Craig Y Don, Amlwch arising from the historic use of the land, which might have left contamination in the soil.

Planning Judicial Review

There is a possibility of a judicial review of a planning case in 2018.

Property Search Claims

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

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

South Stack

There is a possibility that the Council might be involved in litigation in relation to South Stack Dilapidations. The Council terminated its lease of South Stack Lighthouse from Trinity House. Trinity House has since submitted an invoice for dilapidation costs. The Council is currently contesting the validity of the claim and the value of the costs claim which places uncertainty over whether the Council will have to make a payment and the value of any payment that is made.

NOTE 43 – CONTINGENT ASSETS

Legal Charges

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

Leisure VAT Claim

The Council has put a claim into HMRC in relation to the recovery of VAT previously paid to HMRC for income from leisure admission fees. HMRC has been challenged on the legality of charging VAT on these fees and the courts held that income from admission to leisure services should be exempt. In November 2017 the decision was upheld that VAT should not have been charged on Leisure Services, therefore, the Council will be reimbursed for VAT on Leisure admission income paid to HMRC over the last six years. These claims were accepted by HMRC in August 2018.

NOTE 44 – FINANCIAL INSTRUMENTS

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

| | Long-Term | | Current | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 31 March 2018 £'000 | 31 March 2017 £'000 | 31 March 2018 £'000 | 31 March 2017 £'000 |
| Cash balances | | | | |
| Bank deposits | - | - | 7,319 | 14,634 |
| Total cash and investments | - | - | 7,319 | 14,634 |
| Debtors | | | | |
| Loans and Receivables | 608 | 646 | 5,992 | 5,369 |
| Total Debtors | 608 | 646 | 5,992 | 5,369 |
| Borrowings | | | | |
| Financial Liabilities at Amortised Cost | 106,913 | 111,557 | 12,413 | 7,672 |
| Total Borrowings | 106,913 | 111,557 | 12,413 | 7,672 |
| Creditors | | | | |
| Financial Liabilities at Amortised Cost | 151 | 166 | 12,582 | 10,569 |
| Total Creditors | 151 | 166 | 12,582 | 10,569 |

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

Income, Expenditure, Gains and Losses

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

| | 2017/18 | | | 2016/17 | | |
|---|--|--|----------------|--|--|----------------|
| | Financial Liabilities Measured at cost less accumulated amortisation £'000 | Financial assets, Loans and receivables £'000 | Total £'000 | Financial Liabilities Measured at cost less accumulated amortisation £'000 | Financial assets, Loans and receivables £'000 | Total £'000 |
| Interest expense | 5,862 | - | 5,862 | 6,003 | - | 6,003 |
| Total expenditure in Surplus or Deficit on the Provision of Services | 5,862 | - | 5,862 | 6,003 | - | 6,003 |
| Interest income | - | (31) | (31) | - | (54) | (54) |
| Total income in Surplus or Deficit on the Provision of Services | - | (31) | (31) | - | (54) | (54) |
| Net (gain)/loss for the year | 5,862 | (31) | 5,831 | 6,003 | (54) | 5,949 |

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 2018 of 1.67% to 2.67% 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; and
- 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:-

| | 2017/18 Outstanding Principal £'000 | 2017/18 Accrued Interest £'000 | 2017/18 Cost less accumulated amortisation £'000 | 2016/17 Outstanding Principal £'000 | 2016/17 Accrued Interest £'000 | 2016/17 Cost less accumulated amortisation £'000 |
|---|--|--------------------------------------|--|--|--------------------------------------|--|
| >25 years | 71,709 | - | 71,709 | 72,709 | - | 72,709 |
| 15-25 years | 12,783 | - | 12,783 | 12,106 | - | 12,106 |
| 10-15 years | 4,586 | - | 4,586 | 6,452 | - | 6,452 |
| 5-10 years | 5,662 | - | 5,662 | 5,611 | - | 5,611 |
| 2-5 years | 7,056 | - | 7,056 | 9,669 | - | 9,669 |
| 1-2 years | 5,117 | - | 5,117 | 5,010 | - | 5,010 |
| Total Long-Term Borrowing | 106,913 | - | 106,913 | 111,557 | - | 111,557 |
| | | | | | | |
| Total Short-Term Borrowing (< 1 year) | 10,116 | 2,297 | 12,413 | 5,553 | 2,119 | 7,672 |

The fair values calculated are as follows:-

| | 31 March 2018 | | 31 March 2017 | |
|-----------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| | | | Carrying Amount £'000 | Fair Value £'000 |
| Financial liabilities | 112,029 | 166,414 | 117,110 | 173,958 |
| Long-term creditors | 151 | 151 | 166 | 166 |

| | 31 March 2018 | | 31 March 2017 | |
|--|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| | | | Carrying Amount £'000 | Fair Value £'000 |
| Cash on deposit and loans to other local authorities | 7,319 | 7,334 | 14,634 | 14,655 |

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 2018) 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 the full Council.

Credit Risk

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

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

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

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

The EU referendum result to leave the European Union created an economic shock which impacted on markets and many aspects of the economy. The long-term outlook ratings for the UK banks as a whole were downgraded to a negative outlook. A collapse of the banking sector would undermine the deposits held in UK banks (£7.319m at 31/03/18). This is being monitored closely and reassuringly the credit ratings of the banks in which the Authority holds deposits remain at an acceptable level in accordance with the Treasury Management Strategy. If the credit ratings fall below the acceptable level, the Authority would seek to place the balances in alternative investments, which must be in accordance with the Treasury Management Strategy. During the financial year, the Bank of England reversed its previous reduction in the official bank rate from 0.25% back to 0.50%. This action shows that there is greater confidence in the UK economy though there is still some uncertainty arising from the UK leaving the EU in 2020 which particularly affects the banking sector. The Council does not generally allow credit for customers; it has prescribed collection procedures for amounts owed by its customers and appropriate provisions are made for potential bad debts. In some circumstances, the Council obtains a legal charge on property to cover deferred debts such as self-funding of residential care.

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

| | Amount 2017/18 £'000 | Historical Experience of default % | Estimated Maximum Exposure 2017/18 £'000 | Estimated Maximum Exposure 2016/17 £'000 |
|---|----------------------------|---|--|--|
| Banks and financial institutions (Non-National) | 5,993 | - | - | - |
| UK Nationalised / Part Nationalised Banks | 1,326 | - | - | - |
| UK Local Authorities | - | - | - | - |
| Total deposits | 7,319 | - | - | - |
| Trade Debtors under 1 year | 1,036 | 10 | 104 | 154 |
| Trade Debtors between 1-2 years | 321 | 20 | 64 | 4 |
| Trade Debtors between 2-6 years | 113 | 30-70 | 79 | 51 |
| Trade Debtors 6+ years | 6 | 100 | 6 | 18 |
| Total Trade Debtors | 1,476 | | 253 | 226 |

Liquidity Risk

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

| | 31-Mar-18 £'000 | 31-Mar-17 £'000 |
|------------------------|--------------------|--------------------|
| Less than six months | 1,000 | 1,537 |
| Six months to one year | 37 | 20 |
| More than one year | 439 | 189 |
| Total | 1,476 | 1,746 |

Market Risk

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

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

Borrowings are not carried at fair value as these are carried at Amortised Cost in accordance with the CIPFA code. Therefore, nominal gains and losses on fixed rate borrowings would not 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.

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 three joint committees and the year-end balances are reflected in its Balance Sheet. The 2017/18 accounts for these joint committees can be viewed by following the below links:-

Joint Planning Committee

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

Special Educational Needs Joint Committee

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

GwE

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

Flintshire Council is responsible for the operation of the NWRWTP joint committee and the year-end balances are reflected in its Balance Sheet. The total net assets at 31 March 2018 were £108,798.

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

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

NOTE 47 – HOUSES INTO HOMES

The Council acts as an agent for Welsh Government for the provision of loans to individuals for renovation of empty homes in order to reduce the number of empty homes on Anglesey and increase housing opportunities. In 2017/18, £0.094m (£0.226m in 2016/17) was utilised in the renovations of empty homes.

NOTE 48 – COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the Council and the North Wales Police Authority for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The Council Tax base for 2017/18 was £30,794.83 (£30,250.23 in 2016/17).

The amount for a band D property in 2017/18, £1,377.15 (£1,340.57 in 2016/17), 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 | 16.00 | 3,968.00 | 5,982.00 | 6,077.00 | 6,628.00 | 5,061.00 | 2,454.00 | 999.00 | 152.00 | 44.00 | 31,381.00 |
| Multiplier | 5/9 | 6/9 | 7/9 | 8/9 | 9/9 | 11/9 | 13/9 | 15/9 | 18/9 | 21/9 | |
| Band "D" Equivalent | 8.89 | 2,645.17 | 4,652.28 | 5,402.00 | 6,627.75 | 6,185.67 | 3,544.31 | 1,665.00 | 304.00 | 101.50 | 31,136.57 |

| | 2017/18 | 2016/17 |
|------------------------------------|------------------|------------------|
| Band D equivalent as above | 31,136.57 | 30,580.09 |
| Collection Rate | 98.50% | 98.50% |
| Revised Band D equivalent | 30,669.52 | 30,121.39 |
| MoD Properties – Band D equivalent | 125.31 | 128.84 |
| Council Tax Base | 30,794.83 | 30,250.23 |

In 2013/14, the Welsh Assembly Government introduced the Council Tax Reduction Scheme to replace the Council Tax benefit scheme. £5.432m of council tax reductions were awarded in 2017/18 (£5.381m in 2016/17).

| Analysis of the net proceeds from Council Tax: | 2017/18 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Gross Council Tax | 42,295 | 40,183 |
| Less Council Tax Reduction awarded to residents | (5,342) | (5,381) |
| Council Tax collectable | 36,953 | 34,802 |
| Add/Less: provision for non-payment not required or not previously accounted for | (50) | (215) |
| Net Proceeds from Council Tax | 36,903 | 34,587 |

NOTE 49 - NON-DOMESTIC RATES (NDR)

NDR is organised on a national basis.

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

The Welsh Government specifies an amount for the rate – 49.9p in 2017/18 (48.6p 2016/17), and local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NDR pool administered by the Welsh Government. The Welsh Government then redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

NDR income, after reliefs and provisions (including Small Business Rates Relief provided by the Welsh Government), totalled £11.777m for 2017/18 (£13.449m in 2016/17) and was based on rateable value at the year-end of £38.262m (£39.490m in 2016/17).

The average rateable value for the year was £38.419m (£39.252m in 2016/17).

| Analysis of the net proceeds from non-domestic rates: | 2017/18 £'000 | 2016/17 £'000 |
|--|--------------------------|--------------------------|
| Non-domestic rates collectable | 11,777 | 13,449 |
| Cost of collection allowance | (149) | (147) |
| Interest paid on overpayments | - | - |
| Provision for bad debts | (254) | (135) |
| Contribution to cost of charitable relief/rural rate relief | 59 | 57 |
| Payments into national pool | 11,433 | 13,224 |
| | | |
| Redistribution from national pool | 23,002 | 21,309 |

NOTE 50 - MARITIME

The Council, as a Harbour Authority, is responsible for the following maritime services: Beaumaris, Fryars Bay, Glyn Garth, Menai Bridge, Red Wharf Bay and Amlwch Harbour. The Statutory Harbour Undertakings (Accounts, etc.) Regulations 1983, no. 931, exempts harbour authorities with a turnover of less than £250,000 from the requirement to prepare separate harbour accounts under the Harbours Act 1964. The income and expenditure for Maritime Services are, instead, included in these accounts within the expenditure and income for the Regulation and Economic Development Service. In 2017/18, the turnover on maritime services was £48,934 (£47,336 in 2016/17). Costs incurred during the year were £95,369 (which includes £18,809 of loan interest/capital repayment).

NOTE 51 – ACCOUNTING POLICIES

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

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

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its financial position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations and the Accounts and Audit (Wales) (Amendment) Regulations 2018. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the CIPFA Service Reporting Code of Practice 2017/18, 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 2018. Income and expenditure is accounted for in the year the activity it relates to takes place, not simply when cash is paid or received, i.e. on an accruals basis. This means income is recorded when it is earned not received and expenditure when it is incurred not when it is paid. Income from the sale of goods is included in the accounts when the sale is completed, not when the cash is received. Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and, as a result of this, the Council is due income in return for the services provided. In addition:

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

3. Events after the Balance Sheet Date

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

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

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

4. Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

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

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

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

6. Value Added Tax (VAT)

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

7. Fair Value Measurement

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

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; and
- Level 3 – unobservable inputs for the asset or liability.

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

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

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

8.1 Recognition

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

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

8.2 Measurement

Assets are initially measured at cost, comprising:-

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

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

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

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

- Infrastructure, community assets and assets under construction are valued at depreciated historical cost;
- Council dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- Council offices – current value, determined by the amount that would be paid for the asset in its existing use;
- School buildings – would be valued at current value in use but because of their specialist nature, are measured at depreciated replacement cost;
- Surplus assets – the current value measurement is fair value, estimated at the highest and best use from a market participant's perspective;
- All other operational assets have been measured at current value based on existing use value (EUV). This means that the current value of land and buildings would be that amount which would be exchanged for an asset in its existing use. If there is no market evident for an asset due to its specialist nature or if the type of asset is rarely sold, the Authority estimates the current value using a depreciated replacement cost approach. For example, for property comprising land and buildings, depreciated replacement cost would be the market value for the existing use for the land on which the building sits plus the current gross replacement cost of the building less allowances for physical deterioration, obsolescence and optimisation;
- Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Where there are conditions on any donated assets, the gain is instead credited to the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement;

- Where a part or component of an asset is replaced, the carrying value of the old part/component is derecognised to avoid double counting. The new component is added to the carrying amount. If it is not practicable to determine the carrying amount of the replaced part, the cost of the new part is used as an indication of the cost of the replaced part; and
- Where an asset is not held for the purpose of generating cash flows, value in use is assumed to be at least equal to the cost of replacing the asset's service potential.

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

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

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

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

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

8.3 Impairment

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

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

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

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

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

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

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

8.4 Depreciation

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

Depreciation is calculated on the following bases:-

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

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

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

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

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

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

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

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

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

8.6 Disposals of Non-current Assets

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

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

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

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

8.7 Surplus Assets

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

8.8 Heritage Assets

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

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

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

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

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

8.9 Treatment of School Assets

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

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

Capital expenditure on community schools is added to the balances for those schools. Individual schools' balances at 31 March 2018 are included in the Balance Sheet of the Council as any unspent delegated schools' budgets remain the property of the Council.

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

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

9. Investment Properties

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

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

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

10. Intangible Assets

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

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

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

11. Inventories and Long-Term Contracts

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

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

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

12. Cash and Cash Equivalents

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

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

13. Financial Instruments

Financial instruments are measured at fair value in accordance with IFRS13. The fair value of financial instruments is the price that would be received to sell the 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. Most 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; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

13.2.1 Loans and Receivables

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

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

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

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

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

13.2.2 Available-for-Sale Financial Assets

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

14. Provisions, Contingent Liabilities and Contingent Assets

14.1 Provisions

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

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

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

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

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

14.2 Contingent Liabilities

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

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

14.3 Contingent Assets

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

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

15. Reserves

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

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

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

16. Revenue Recognition

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

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

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

17. Internal Interest

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

18. Leases

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

18.1 The Council as Lessee

18.1.1 Finance Leases

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

Lease payments are apportioned between:-

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

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

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

18.1.2 Operating Leases

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

18.2 The Council as Lessor

18.2.1 Finance Leases

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

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

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

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

18.2.2 Operating Leases

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

19. Charges to Revenue for Non-Current Assets

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

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

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

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

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

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

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

20. Government Grants and Contributions

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

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

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

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

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

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

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

22. Overheads and Support Services

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

23. Foreign Currency

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

24. Employee Benefits

24.1 Benefits Payable during Employment

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

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

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

24.2 Termination Benefits

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

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

24.3 Post-Employment Benefits

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

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

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

24.4 Teachers' Pension Scheme

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

24.5 The Local Government Pension Scheme

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

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

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

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

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

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

- a) Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- b) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs. Net interest on the net defined benefit liability, i.e. the net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, to the net defined liability at the beginning of the period (taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments);

- c) Re-measurement comprising:
 - The return on plan assets (excluding amounts already included in the net interest on net defined benefit) which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- ch) Contributions paid to the Gwynedd Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

24.6 Discretionary Benefits

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

25. Exceptional Items

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

26. Accounting for NDR (Non-domestic Rates)

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

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

27. Agency Income and Expenditure

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

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

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

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

**SUPPLEMENTARY FINANCIAL STATEMENT
HOUSING REVENUE ACCOUNT**

Income and Expenditure Statement for the year ended 31 March 2018

| | 2017/18 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Expenditure | | |
| Management and Maintenance - Repairs and Maintenance | 3,322 | 3,438 |
| Management and Maintenance - Supervision and Management | 4,422 | 3,664 |
| Rents, Rates, Taxes and Other Charges | 3 | 22 |
| Depreciation, Impairment and Revaluation Losses of Non-current Assets | 10,652 | 10,733 |
| Debt Management Costs | 12 | 12 |
| Movement in the Allowance for Bad Debts | (52) | 40 |
| Movement in the Accumulated Absences Accrual | 8 | 10 |
| Total Expenditure | 18,367 | 17,919 |
| Income | | |
| Dwelling Rents | (16,125) | (14,954) |
| Non-dwelling Rents | (216) | (219) |
| Charges for Services and Facilities | (97) | (167) |
| Contributions towards Expenditure | (128) | (91) |
| Other | (202) | (174) |
| Total Income | (16,768) | (15,605) |
| Net Expenditure of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement | 1,599 | 2,314 |
| HRA Services' Share of Corporate and Democratic Core | 56 | 56 |
| Net Expenditure of HRA Services | 1,655 | 2,370 |
| HRA Share of the Operating Income and Expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement: | | |
| (Gain) on sale of HRA Non-current Assets | (2) | (496) |
| Revaluation of Assets | - | - |
| Interest Payable and Similar Charges | 1,858 | 2,029 |
| Interest and Investment Income | (10) | (20) |
| Capital Grants and Contributions receivable: | | |
| - Major Repairs Allowance | (2,659) | (2,660) |
| - Other | (32) | (67) |
| Deficit for the Year on HRA Services | 810 | 1,156 |

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

| | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Balance on the HRA at the end of the Previous Reporting Period | (7,544) | (7,042) |
| (Surplus)/Deficit for the Year on HRA Services | 810 | 1,156 |
| Adjustments between Accounting and Funding Bases under Statute | (781) | (1,658) |
| Net Decrease/(increase) before Transfers to/from Reserves | 29 | (502) |
| Transfers to/(from) Earmarked Reserves | 135 | - |
| Net Decrease/(Increase) in Year on the HRA | 164 | (502) |
| Balance on the HRA at the end of the Current Reporting Period | (7,380) | (7,544) |

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 2017/18, the Council sold no dwellings under the Right-to-Buy Scheme and has suspended the right to buy scheme. Following the buyout from the Housing Subsidy scheme, the Council has a policy of purchasing suitable former Council dwellings and returning them to Council housing stock. During 2017/18, 12 such properties were purchased. As at 31 March 2018, the number of dwellings totalled 3,803, with the split by type of dwelling made up as follows:-

| | 31 March 2018 | 31 March 2017 |
|----------------------------|------------------|------------------|
| Council Owned Stock | | |
| Houses | 2,016 | 2,010 |
| Bungalows | 1,044 | 1,044 |
| Flats | 736 | 730 |
| Bedsits | 7 | 7 |
| Total Council Owned | 3,803 | 3,791 |

NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

| | 2017/18 £'000 | 2016/17 £'000 |
|---|------------------|------------------|
| Capital investment | | |
| Houses | 9,291 | 8,606 |
| Sources of funding | | |
| Capital Receipts | (14) | (821) |
| Government grants and other contributions | (2,677) | (2,727) |
| Direct Revenue Financing | (6,600) | (5,058) |
| Total | (9,291) | (8,606) |

The Major Repairs Allowance for 2017/18 of £2.659m was used in full during the year (£2.660m 2016/17).

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

| | 2017/18 Derecognition £'000 | 2017/18 Depreciation £'000 | 2017/18 Total £'000 | 2016/17 Derecognition £'000 | 2016/17 Depreciation £'000 | 2016/17 Total £'000 |
|-------------------------------------|-----------------------------------|----------------------------------|---------------------------|-----------------------------------|----------------------------------|---------------------------|
| Land | - | - | - | - | - | - |
| Dwellings | 7,582 | 2,812 | 10,394 | 6,884 | 3,594 | 10,478 |
| Other Property - Operational Assets | - | 258 | 258 | - | 255 | 255 |
| | 7,582 | 3,070 | 10,652 | 6,884 | 3,849 | 10,733 |

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

| | 2017/18 No. of Sales | 2017/18 £'000 | 2016/17 No. of Sales | 2016/17 £'000 |
|--------------------------|-------------------------|------------------|-------------------------|------------------|
| Council dwellings | | | | |
| Right to Buy | - | - | 9 | 804 |
| Discounts repaid | 2 | 10 | - | - |
| Other Receipts | | | | |
| Land sales | 2 | 4 | 1 | 17 |
| Other property sales | - | - | - | - |
| Mortgage Property | - | - | - | - |
| | | 14 | | 821 |
| Less set aside | | - | | - |
| | | 14 | | 821 |

NOTE 6 – RENT ARREARS AND BAD AND DOUBTFUL DEBTS

During 2017/18, total rent arrears decreased by £0.050m. A summary of rent arrears and prepayments is shown in the following table:-

| Rent Arrears | 2017/18 £'000 | 2016/17 £'000 |
|---------------------------|--------------------------|--------------------------|
| Current Tenant Arrears | 394 | 456 |
| Former Tenant Arrears | 257 | 228 |
| Total Rent Arrears | 651 | 684 |
| Prepayments | (186) | (169) |
| Total Debt | 465 | 515 |

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £0.462m against rents (£0.506m in 2016/17).

NOTE 7 – PENSION COSTS

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

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

| HRA Income and Expenditure Account | 2017/18 £'000 | 2016/17 £'000 |
|---|--------------------------|--------------------------|
| Current Service Cost | (318) | (270) |
| Employer Contributions actually paid | 318 | 270 |
| Contribution to Pension Reserve | - | - |

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

| RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS | |
|---|---|
| Age Concern Gwynedd and Anglesey | Jim Evans |
| Anglesey Access Group | Robert G Parry OBE FRAgS |
| Anglesey Agricultural Show | Kenneth P Hughes |
| Anglesey Community Health Council | Jeffrey M Evans |
| Anglesey and Gwynedd Safer Communities Partnership | Llinos Medi Huws |
| Anglesey CAB | Nicola Roberts |
| Anglesey Language Forum | R Meirion Jones, Ieuan Williams |
| Area of Outstanding Natural Beauty Joint Advisory Committee (Ynys Môn) | Lewis Davies, Richard Dew, Victor Hughes, Dafydd Roberts, Robin Wyn Williams, Eric Wyn Jones, Nicola Roberts |
| Betsi Cadwaladr Stakeholder Reference Group | Llinos Medi Huws |
| Carers' Champion | Robert G Parry OBE FRAgS |
| Champion for Adults Safeguarding | Llinos Medi Huws |
| Champion for Children in Care | Richard Griffiths |
| Champion for Diversity | Margaret Murley Roberts |
| Champion for Equality | Nicola Roberts |
| Champion for Members | Robert Llewelyn Jones |
| Champion for Scrutiny | Aled Morris Jones |
| Champion for the Armed Forces | Richard Dew |
| Children and Young People's Champion | Llinos Medi Huws |
| Community Health Council | Dylan Rees |
| Court of Governors, University of Wales, Bangor | R Meirion Jones |
| Cwmni CYNNAL AGM | Margaret Murley Roberts |
| Cwmni Fran Wen | Vaughan Hughes |
| CYNNAL Management Committee | R Meirion Jones, Dafydd Roberts |
| Destination Anglesey Partnership (DAP) | Richard Dew |
| Fostering Panel | Richard Griffiths |
| Grwp Llandrillo/Menai | R Meirion Jones |
| GwE Joint Committee | R Meirion Jones |
| Gwynedd & Anglesey Adoption Panel | Llinos Medi Huws |
| Gwynedd & Anglesey Youth Justices Service | Llinos Medi Huws |
| Gwynedd Liaison Committee (Superannuation Fund) | Hywel Eifion Jones |
| Gwynedd Pensions Fund Committee (Gwynedd Council) | John Griffith |
| 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, Richard Griffiths |
| Isle of Anglesey Charitable Trust | R Meirion Jones |
| Joint Council for Wales | John Griffith, Dafydd Rhys Thomas |
| Joint Planning Policy Panel | Richard Dew |
| Local Education Authority | Gwilym O Jones |
| Medrwn Môn | Llinos Medi Huws |
| Member Board of the Consortium of Local Authorities in Wales (CLAW) | R Meirion Jones, Robert G Parry OBE FRAgS |
| Menter Môn | Ieuan Williams |

RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS

| | |
|---|---|
| National Eisteddfod Fund for Anglesey 1957 | Jim Evans |
| North and Mid Wales Trunk Road Joint Committee | Victor Hughes, Robert G Parry OBE FRAgS |
| North Wales Adoption Panel | Jeffrey M Evans |
| North Wales Community Health Council (Anglesey Local Committee) | Richard Griffiths, Glyn Haynes, Dylan Rees |
| North Wales Economic Ambitions Board | Llinos Medi Huws |
| North Wales Fire and Rescue Authority | Lewis Davies, Jim Evans, Dylan Rees, Eric Wyn Jones |
| North Wales Fire and Rescue Authority Audit Committee | Jim Evans, Dylan Rees |
| North Wales Fire and Rescue Authority Executive Panel | Richard Griffiths, Eric Wyn Jones |
| North Wales Housing Association | Alun Wyn Mummery |
| North Wales Leadership Board | Llinos Medi Huws |
| North Wales Police and Crime Panel | Dylan Rees |
| North Wales Regional Waste Plan Review Steering Group | Robert G Parry OBE FRAgS |
| North Wales Residual Waste Treatment Joint Committee | Richard Dew, Robert G Parry OBE FRAgS |
| North Wales Safer Communities Board | Llinos Medi Huws |
| North Wales Tourism Partnership | Llinos Medi Huws |
| North Wales Valuation Tribunal (Joint Appointing Panel) | John Griffith |
| Older People's Champion | Robert Llewelyn Jones |
| Owen Lloyd, Penrhoslligwy Educational Trust | Vaughan Hughes |
| Pensions Committee (Gwynedd Council) | Hywel Eifion Jones |
| Public Service Board Anglesey and Gwynedd | Llinos Medi Huws |
| Regional Partnership Board | Llinos Medi Huws |
| Royal British Legion Association | Trefor Lloyd Hughes |
| SACRE | Bryan Owen |
| Sustainable Development Fund Partnership | Richard Dew |
| TALNET (Joint Bibliographic Society) | Richard Dew, Vaughan Hughes |
| The Harbour Trust, Caernarfon | Robert G Parry OBE FRAgS |
| Voluntary Sector Liaison Committee | Kenneth P Hughes, Llinos Medi Huws, R Meirion Jones, Alun Wyn Mummery, Gwilym O Jones |
| Welsh Local Government Association | Llinos Medi Huws, J Arwel Roberts, Ieuan Williams |
| Wylfa Site Stakeholder Group | John Griffith, Kenneth P Hughes, William Thomas Hughes, Llinos Medi Huws, Aled Morris Jones, Gwilym O Jones, Richard Owain Jones, Alwyn Rowlands, Richard Griffiths |
| Ynys Mon Island Games Association | Richard Owain Jones |

Please note that Councillors Jim Evans, Jeff Evans, Hywel Eifion Jones, Victor Hughes and Alwyn Roberts included in this list did not represent the Council at these organisations beyond the election in May 2017. These individuals either chose not to stand for election or were not re-elected in May 2017.

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 FINANCING COSTS

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPTS

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

CASH AND CASH EQUIVALENTS

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

CASH FLOW STATEMENT

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

CIPFA

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:-

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or

- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit pension scheme's liabilities, expected to arise from employee service in the current year.

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

EXPENDITURE AND FUNDING ANALYSIS

This statement aims to show how annual expenditure is used and funded from resources. The first column, the net expenditure chargeable to the General Fund and HRA balances, shows the true impact of the cost of providing services for the year excluding accounting adjustments.

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

Impairment is a reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet. This is usually due to an event which has substantially reduced the value of the asset for example, a fire or if an asset has become obsolete.

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVENTORIES

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

INVESTMENTS (PENSION FUND)

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

INTEREST RECEIVABLE OR PAYABLE

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

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end of the year for all the usable reserves held by the Council which can be used to fund Council costs or reduce local taxation, and unusable reserves.

NET BOOK VALUE

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

NET DEBT

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

NET WORTH

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

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

A Prior Year Adjustment is a material adjustment applicable to previous years arising from changes in accounting policy or from the correction of a fundamental error. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

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

PUBLIC WORKS LOANS BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (REFCUS)

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

REVENUE SUPPORT GRANT

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

SUPPORTED BORROWING

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

UNSUPPORTED BORROWING

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

USEFUL ECONOMIC LIFE (UEL)

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

WORK IN PROGRESS (WIP)

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

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Annual Governance Statement 2017/2018

1. INTRODUCTION

To demonstrate good governance, the Authority must show that it is complying with the core (and supporting) principles contained within the Framework for Delivering Good Governance in Local Government (2007) and addendum 2012, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). The International Framework Good Governance in the Public Sector (2014) published an updated set of Principles. A revised Framework for Delivering Good Governance in Local Government (Wales) was published in 2016.

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

Aspects of the Council's governance arrangements have been strengthened and modernised in recent years across a number of governance themes, and these were then incorporated in the previous Corporate Plan for the authority which was adopted in January 2013 setting out its work up to and including 2017. A new Council plan has since been adopted in the autumn of 2017 and this places an emphasis on our governance structures to enable the outcomes of the plan to be delivered.

<http://www.anglesey.gov.uk/Journals/wl/r/2017---2022-Plan-14-11.pdf>

In addition, over the last few years six key themes have been developed by staff and management to support our aims and objectives :-

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

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

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

Principle B. Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

We have sought within this Annual Governance Statement to show how all the above key themes and principles are central to all our endeavours during 2017/18

2. SCOPE OF RESPONSIBILITY

The Isle of Anglesey County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure ***continuous improvement*** in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

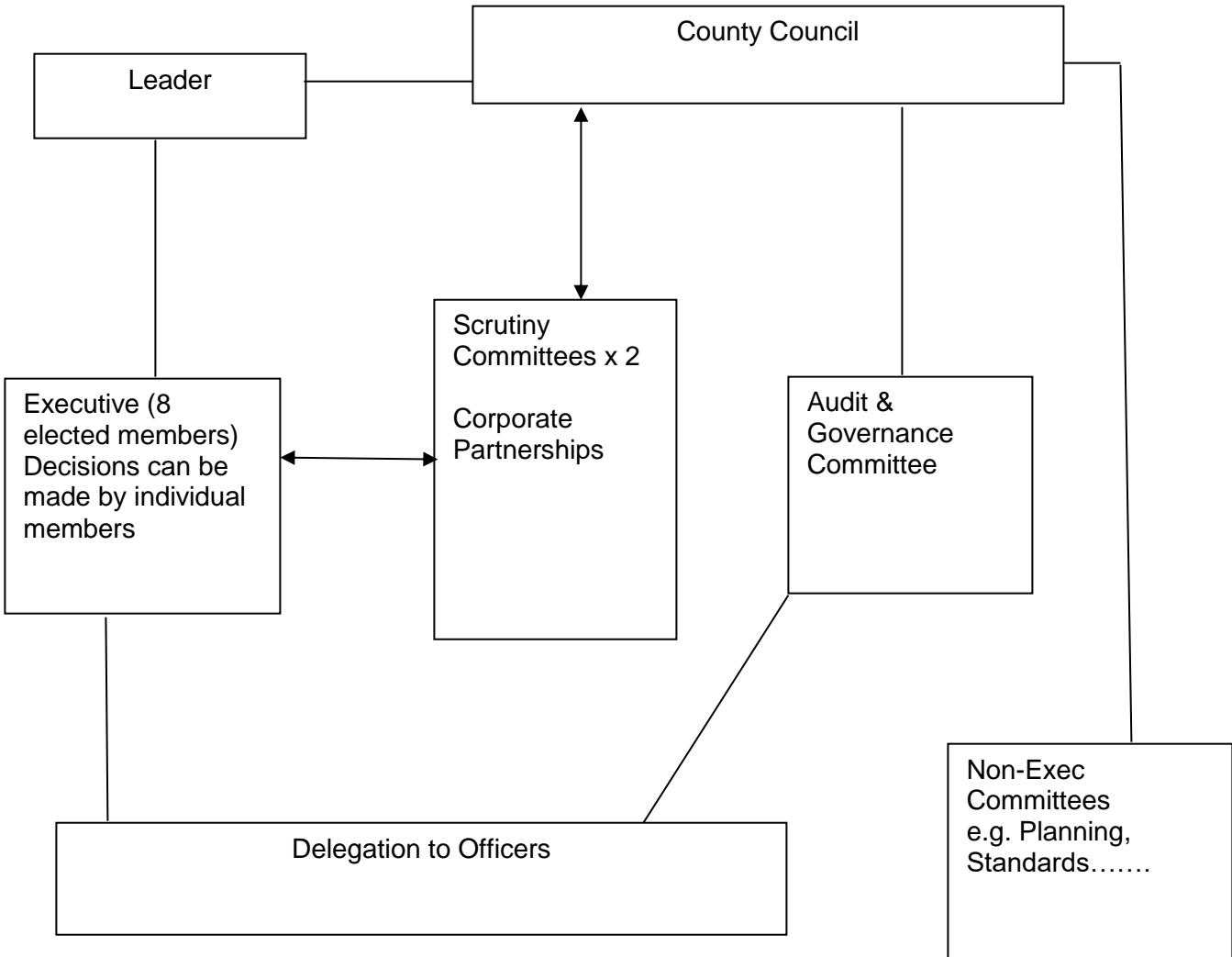
The Council has approved and adopted a local code of corporate governance that is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the local code is on our website at <http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance>

This statement explains how the Council has complied with the code and meets the requirements of non-statutory proper practice encouraging the publication of an Annual Governance Statement. It also meets the requirement of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2014 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. A broad overview of structure of IoACC Political Management arrangements can pictorially be represented as follows –



The governance framework has been in place at the Council for the year ended 31 March 2018 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.

4. ANALYSIS OF THE GOVERNANCE FRAMEWORK 2017/18

The current framework as it relates to each of the seven Corporate Governance principles is described in the interlinked topics as outlined and available at <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 2017/18 financial year.

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| Principle A | Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law |
| Related Key Theme: | Professional and well Run |
| | Assured – The County Council has clear, transparent decision-making processes which incorporate strong ethical values and are lawful. The codes of conduct set out expectations for behaving with integrity. |

The six key themes incorporated within the revised **Council Plan** for 2017-22 set out the Council's values and these are embedded in the Council's transformational activity and future vision for delivery. As a result, the Six Key Themes continue to underpin the corporate way of working and the importance of good governance is emphasised in the Council Plan.

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

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

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

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

The reports packs and minutes of the Standards Committee can be found using the below link:-

<http://democracy.anglesey.gov.uk/ieListMeetings.aspx?CId=148&Year=0&LLL=0>

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

There is joint working between the Council's two management teams. The Penaethiaid (Heads of Service) meetings and members of the Senior Leadership Team who act as link officers with Penaethiaid (Heads of Service) to ensure clear communication on how strategic/corporate priorities are being implemented within Services. This helps cascade corporate standards and decisions to help achieve a professional and well-run authority.

Ynys Môn and Gwynedd have undertaken a joint recruitment process to replace our independent members of the Audit and Governance Committee, now that the previous term of office has ended.

During 2017/18 Internal Audit continued to operate to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006' produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2014/15. The Terms of Reference define the purpose, authority and responsibility of the internal audit activity, which is led by the Head of Audit & Risk. An external assessment of the Council's Internal Audit Service conducted in March 2017, provided assurance that the service 'Generally Conforms' with the standards. This is the top assessment available to the assessor. The external assessor raised seven areas of improvement for consideration. Six of these have been fully addressed which leaves one remaining issue, that is, to develop an audit assurance framework. This will be addressed with the implementation of the new risk management software (4Risk) in 2018.

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| Principle B: Related Key Theme: | Ensuring openness and comprehensive stakeholder engagement Customer, Citizen and Community Focused Assured – The Council exists to serve its residents and is dependent on a wide variety of stakeholders for working effectively in partnership. Engagement and consultation mechanisms are in place. |
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All **Executive** and Council meetings are held in public (with the exception of exempt items) and all papers are published on the Council website. All reports to committees are accompanied with a cover report, which details a summary of the report, the recommendations seeking approval and a rationale for why that recommendation has been made, in order to show the reasoning and evidence for decisions.

A Combined **Forward Work Programme** for the Executive and Scrutiny Committees is publicly available and published on the Council's website. There are clear timescales for the submission, publication and distribution of reports.

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

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

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

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

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

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

The **Public Services Boards** for Gwynedd and Ynys Môn local authority areas became a statutory body under the Well-being of Future Generations (Wales) Act 2015. The PSB agreed to work collaboratively with the Board set up for the Gwynedd local authority area and a Joint PSB has been established for Gwynedd a Môn. The Board has met regularly during the 17/18 financial year and during this time the PSB has led on the work of producing the Assessment of Local Well-being for the area and consulted upon the local well-being plan prior to the end of the 17/18 financial year.

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

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

As part of the work commissioned by the Customer Service Excellence Board a mystery shop was undertaken during 16/17 looking at how well and efficiently services dealt with customer interaction. This piece of work concluded that –

“Overall the standard of Customer Care within Anglesey Council has improved since the last audit, however there is still room for improvement” and recommendations put forward are tracked and realised as part of the Boards remit.

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

A **staff survey** was undertaken during the winter of 2016/2017 and the results have been used to inform varying agendas across the council. The results of the survey were encouraging, showing that the council had made significant strides in terms of informing, listening to and supporting our workforce. A further survey is planned for 2018/19

Arrangements are in place to engage with Welsh Government, External Audit, other regulators and WLGA on a regular basis. These have been significantly strengthened over the last few years and have been sustained under our new Administration (elected May 2017) as part of the continuing governance arrangements.

Work continues on refining the **Internal Communication Framework**. We value the views and opinions of staff and Members in contributing to the agenda. Opportunities have been provided through a range of fora in which staff and members have been encouraged to actively participate. A cohort of future leaders recognised amongst staff have been proactive in critiquing current arrangements and proposing future improvements. For Members, regular informal briefing sessions have been held on a range of subjects. This enables them to better understand specific areas of work and allows them to prepare for informed scrutiny and decision-making. For the 18/19 Council year, there is a full and varied agenda for the monthly briefing sessions.

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

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

A **Concerns and Complaints Policy** is operational and provides an emphasis on; Customer Care, the systematic recording of all concerns, early resolution, and the demonstration of lessons learnt and the implementation of improvements. The Policy is based on that of the Public Services Ombudsman for Wales as required by the Welsh Government.

Statistical information about service complaints are published monthly on the Council's website and form part of an annual report to the Audit Committee which also deals any complaints dealt with under the Whistleblowing Policy.

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| Principle C: Related Key Theme: | Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits Customer, Citizen and Community Focused Committed to Partnership; Achieving |
| | Assured – The County Council works with communities to plan outcomes. In setting policies and strategies, the County Council take a long term view about outcomes, taking into account sustainable economic, social, cultural and environmental benefits. |

The Council's newly adopted Plan 2017-22 (September 2017) now guides the work of the Council and provided certainty of direction for the local area during 2017/18.

It is a Plan which describes priorities succinctly and clearly and explains how the priorities reflect the views of the citizen and is aligned to the ever developing medium term financial plan. This highlights the resources which are required to realise the current council plan. The Council Plan provides the framework that helps shape budgets, and against which the Authority can assess and account to the community on the level of progress made against targets set, and inform them about areas for further improvement. A **Medium Term Financial Strategy** is also reviewed annually, in line with the corporate priorities.

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

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

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

The Council actively engages in a number of strategic partnerships at national, regional and local level. The criteria and reasoning for entering into partnerships has been reviewed recently as part of the partnerships policy and guidance, and still stands.

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

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

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

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

Anglesey Social Services are committed to partnership working on both a local, sub regional, regional and national basis in order to deliver outcomes which are of benefit to citizens and communities. This has been recognised as a strength in external inspection reports for us to build on. Both Children and Adult Services remain actively involved in the All Wales and the North Wales agendas to improve the delivery of social services through a collaborative approach.

Governance arrangements are in place via the **North Wales Social Care and Wellbeing Improvement Collaborative (NWSWIC) and the Regional Partnership Board**. NWSWIC has in place a comprehensive programme of improvement through collaboration focused on the requirements under Part 9 of the **Social Services and Wellbeing (Wales) Act 2014**. This partnership ethos can be further evidenced through the collaboration of the Council’s Social Services with BCUHB via the Integrated Delivery Board (IDB).

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

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

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| Principle D: Related Key Theme: | Determining the interventions necessary to optimise the achievement of the intended outcomes Innovative, Ambitious and Outward Looking |
| | Assured – The County Council takes decisions on interventions based on its clear vision for services, engaging with communities, regulators and practical expertise of professional service officers. This combination leads to optimizing the achievement of intended outcomes. |

Anglesey County Council has an approved **Constitution** that sets out clearly how the Council operates and how decisions are made and procedures need to be followed to ensure efficiency transparency and accountability.

The arrangements for delegation of Executive decisions to individual Members are now well established across the Authority following guidance that was reissued in August 2013.

Members and the public have had the full benefit of access to committee papers and supporting information for a number of years. Members also continue to enjoy direct access to this electronic system during meetings as they now have all been issued with tablet / laptops.

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

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

Political governance within the authority has been embedded since the last elections and a cross-party ruling group of 21 members now lead the Council. Specific changes were made to the constitution, such as the introduction of a four / five year term for the Leader of the Council, which has enabled political stability.

These foundations have created a structure which allows for effective political governance. The evidence from the last few years demonstrates a functioning and effective decision-making process, with appropriate mechanisms for assurance and improved performance.

The approach incorporates **Council, the Executive, the Audit Committee, Democratic Services Committee, Planning & Licensing, Scrutiny, and the Standards Committee**.

The **Council** has responsibility for the policy and budget framework. Key governance reports are matters for Council, and Council agree the annual revenue and capital budget.

The **Executive** is the key decision-making body and consists of the Leader (who takes the Social Services portfolio) and eight further Portfolio Holders, which take responsibility for the following portfolios:-

- Education, Libraries, Youth & Culture
- Planning and Public Protection
- Service Transformation & Welsh Language
- Finance
- Corporate
- Highways, Property and Waste Management
- Major Projects & Economic Development
- Housing & Supporting Communities

The membership of the Executive has been revised following the election (May 2017) and its growing effectiveness is starting to become evident. Where appropriate, the Executive can delegate decision-making powers to the relevant Portfolio Holder(s).

The Audit and Governance Committee is a key component of the authority's governance framework. The committee has two lay co-opted Members which serves to widen its independent knowledge and experience base. These new appointments have been appointed for the term of the current Council.

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

The Committee undertakes an annual self-assessment on its performance which informs its forward work plan.

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

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

There are two **Scrutiny Committees**; one concerned with the internal working of the Council – *Corporate Scrutiny*, and the second concerned with external partnerships and the impact of the Council on its communities – *Partnership & Regeneration Scrutiny*. These two committees have enabled Members to take a more holistic and corporate view of the Council, its role and impact. Members represent Scrutiny on various internal Boards and review groups, the purpose of this being to promote inclusion, add value to the discussion and to report back to their Scrutiny Committee on progress and to raise areas which may require formal Scrutiny.

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

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

During 2016/17 the Council commissioned an external review of our scrutiny arrangements in order to make recommendations for consideration by our new Council. The review highlighted the need for a new vision for scrutiny to be adopted and greater focus given on how the scrutiny function can add value to the governance of the Council with greater emphasis on forward work planning and prioritisation.

As a result, the Council has now established three standing panels of scrutiny which will focus on –

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

Members of the Corporate Scrutiny Committee hold briefing meetings in advance of every committee in order to prepare and focus discussion at the formal meetings of the committee. This is regarded as good practice and it is intended to continue with these arrangements in 2018-2019.

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

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

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

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

Members represent Scrutiny on various internal Boards and review groups, the purpose of this being to promote inclusion, add value to the discussion and to report back to their Scrutiny Committee on progress and to raise areas which may require formal Scrutiny. Each of the two Scrutiny Committees reports their activity to the Council at its annual meeting.

In order to drive the change agenda and deliver the Council's Plan, a Programme Management framework is in operation.

Two Corporate Transformation Programme Boards have now been re-established post May 2017 elections –

1. Business Processes and Governance Transformation Board, and
2. Service, Community and Partnerships Improvement Board

These have an overview of a number of high priority projects which the Council is committed to achieving and are responsible for setting a direction for them.

Each of the Corporate Transformation Boards includes representatives of both Scrutiny Committees and the Executive, providing an opportunity to identify areas where the Members' role can add value either on the Boards themselves or through the Scrutiny process. In the recent past, managers were given the opportunity to become members in order to increase the challenge and corporate awareness by communicating the key messages within their services.

The corporate method of managing projects and programmes is maturing year on year as a result of strengthening our Governance arrangements. Welsh Government has identified good practice in some of our programmes and other projects and programmes have gained national success and UK wide recognition over the past 12 months.

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

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

In addition, a number of Members have undertaken professional development reviews (PDR's) and training needs have been identified from these. Whilst still in its infancy at Anglesey, such a development is seen as key to enabling Members to be more effective in their role. This has now been extended to include independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair. During 2017/18, this practice continued to be further embedded. Member training is monitored by the Council's Democratic Services Committee.

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

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

The People Strategy has five key priorities:

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

There is a lively Middle Managers forum and the **Ignite Club** provides inspirational learning sessions which are open to all staff. Due to decreasing number of attendees, it is acknowledged that during 2018/19 there will be a need to refocus on the Terms of Reference / alignment of the Ignite Club with other activities and timings of scheduled meetings. As part of the activity on the Corporate Plan and staff engagement activity, individuals across the authority have been given an opportunity to work on corporate projects and strategies.

The **staff awards ceremony** continues apace and recognises, celebrates and promotes the achievements of Council staff. Every day our staff work hard to deliver public services for the people of Anglesey, and the staff awards are an opportunity to showcase good work and demonstrate how much we value our people. There are six categories of award which mirror the '*Six Key Themes*'. During 2017 the ceremony was expanded to include staff recognition to those who have gained a professional qualification and to present long service awards.

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

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

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

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

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

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

- Monthly Penaethiaid meetings
- Quarterly Managers Conference
- Ignite Club / Clwb Sbardun
- Member Briefing Sessions
- Thematic Workshops (i.e. budget)
- Service Management Meetings
- Annual Service Reviews
- Team Meetings
- One to One Supervisions
- Employee appraisals
- Staff suggestion schemes
- Use of Y Ddolen to keep abreast of corporate initiatives
- Use of Medra Mon as a newsletter

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

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

We are a fully bi-lingual Council and a high proportion of our staff and most Members are first language Welsh speakers. All corporate communications, therefore, are produced bi-lingually, providing staff and Members with the ability to communicate in the language of their choice. Non-fluent Welsh speakers are supported to improve their Welsh language skills in an inclusive environment.

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| Principle F: | Managing risks and performance through robust internal control and strong public financial management |
| Related KeyTheme: | Professional and Well Run |
| The governing bodies of public sector entities need to ensure that the entities they oversee have implemented and can sustain an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity's outcomes. | |

The **Risk Management Policy** was adopted by the Executive on 26th May 2015 and both the Policy and associated guidance have been uploaded to Monitor (the council's intranet). The key objectives of the Council's risk management policy are to:-

1. Develop a consistent approach to risk management across the Council.
2. Embed risk management as an integral part of the management process within the Council, and ensure clear links with Service Plans.
3. Ensure a proactive risk aware culture across all parts of the Council, where risk is taken (and not taken) knowledgeably in all major decisions and actions.
4. Maintain and improve customer confidence in our ability to deliver on our commitments.
5. Reduce the possibility of unplanned activity or financial costs, and the impact of such surprises on the Council's reputation and ability to deliver our objectives.
6. Manage risk in accordance with best practice, statutory obligations and the Wales Programme for Improvement.
7. Work with our partners and providers to develop a common approach to achieving these risk management objectives.

The Risk Management Policy and Framework were reviewed on 5 December 2017 by the Audit and Governance Committee and Senior Leadership Team (SLT). The review concluded that while work remains to be done to fully embed risk management throughout the Council, progress has been made and is continuing. These documents align the Risk Management and Performance Management frameworks.

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

During 2017/18 the Audit and Governance Committee have been presented with two updates on the Corporate Risk Register (21 June 2017 and 13 February 2018). At both meetings it was resolved that the Audit and Governance "Committee takes assurance that the risks to the Council's aims and objectives are being recognised and managed by the Senior Leadership Team". During the year work has been on-going on the management of Partnership risks.

A Performance Management Framework is in place which starts with the medium-term Corporate Plan (the current plan is for the period 2017/2022 as mentioned above) and each subsequent year with an Annual Delivery Plan. These set out what the key priorities of the council are and what it hopes to achieve. The framework also include performance management reports to identify whether the Council is achieving its planned objectives. These reports include quarterly scorecards, half-yearly challenges to Services and regular reports to the Executive and to Scrutiny. The final Scorecard for 2017/18 relating to Quarter 4 was reported to the Executive on 18 June 2018. This highlighted that it was encouraging to note that the majority of Council's indicators performed well against their targets. The report acknowledged an embedded mindset within the council to continuously improve, despite another challenging year for the public sector. The report highlights areas, which the Council should target for improvement going forward in relation to: Children and Families Service, Adults Service, Learning, sickness and complaints.

The Performance Framework continues to evolve and to focus on self-assessment by Heads of Service, and on the key areas of risk and transformation. It is also focusing on improvements to reporting of workforce and financial information. During 2017, a series of Service Reviews was undertaken which covered -

- (i) Efficiencies and Service Budgets (June-July 2017)
- (ii) Performance (November-December 2017)

Whilst we have established strong approaches to ensuring effective governance for new partnerships, governance arrangements for some of the more historical partnership arrangements require strengthening.

An Annual Performance Report, accounting for performance and benchmark with other Authorities is published by 31st October each year. The most recent Annual Performance Report relates to 2016/17 which was completed in 2017/18 and can be found following the below link.

<http://democracy.anglesey.gov.uk/documents/q3116/Public%20reports%20pack%2030th-Oct-2017%2010.00%20The%20Executive.pdf?T=10&LLL=0>

The Annual Performance Plan for 2017/18 will be published in October 2018.

The Executive approved the **Medium Term Financial Plan (MTFP)** for the period 2017/18 to 2019/20 in September 2016. The MTFP identified the potential savings required over the three-year period and set the strategy for the 2017/18 budget. The annual budget was approved by the full Council at its meeting of the 28th February 2017. The requirement to implement budget cuts and efficiencies was a pivotal part of the budget setting, with an in-year savings target of £2.444m being required to balance the budget. The MTFP was updated at this point, following the completion of the 2017/18 budget, and identified that future budget reductions would range from £3.2m (optimistic scenario) to £8.8m (worst case scenario). The updated plan identifies the continued need to focus on budget reductions and identifying further efficiencies over the next three years in order to ensure the future financial stability of the Council.

The Budget Planning Process was undertaken from May 2016 to February 2017. This included consultation with statutory groups, including the Schools Forum, Town and Community Councils and businesses, as well as other stakeholders such as Llais Ni and the Older Persons Forum. This also included an extensive public consultation process. The comments made during the consultation process were considered by the Executive as they drew up their final budget proposals and it did result in some budget proposals being withdrawn or amended.

The Council has continued to develop and embed structures, systems, processes and supporting arrangements to ensure that they support the demands of a 21st Century Local Authority. Formal arrangements are in place for the management of performance, finance, programmes and contracts, which contribute to the upholding of key elements of governance.

Quarterly financial reports (Revenue and Capital) were made to the Executive during 2017/18 which included a budget against actual measurement as well as a forecast of the position at the year end, which also covers a range of financial information and plan with corrective measures to bring the budgets back under control if required. The final financial performance for the year 2017/18 was broadly in line with the forecast performance in the quarterly reports. Both the forecasts and actual year-end financial position highlighted significant budgetary pressures arising from increased demand for statutory Children's Services and Learning. This information has been used for future planning and budgeting including consideration of different delivery approaches such as increased preventative support and increasing provision on the Island.

The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Audit & Governance Committee, the Executive and the Full Council.

Internal Audit's self-assessment against the Public Sector Internal Audit Standards (PSIAS) shows that, the service is being delivered to the required standard. Areas for further improvement are documented in an action plan, which will be shared with the Audit and Governance Committee in June 2018 as part of the review process for agreeing the Final AGS.

The External Audit Findings Report for 2016/17 was presented to the Audit and Governance Committee on 21 September 2017 and Full Council on 26 September 2017, reflecting that the prepared accounts represented a true and fair view. There were three accounting corrections highlighted in the audit report. During the closure period adjustments had the impact of reducing the Council General Balance by £342k. There were no unadjusted misstatements which required restatement for Members to consider. An unqualified opinion was given in respect of both the statement of accounts and the value for money opinion. This means that there were no major concerns raised about the accounts. The action plan set out eight recommendations in relation to accounting and payroll control; five recommendations in relation to IT and eight recommendations in relation to Asset Valuation. The recommendations to improve processes and internal controls have been accepted by Management and are in the process of being implemented.

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

The **Annual Certificate of Compliance** confirmed that the Council complied with its responsibilities relating to financial reporting, use of resources, improvement planning and performance management.

The Council has made significant progress on **information governance** over the last two years but it remains a priority. Under the leadership of the appointed Senior Information Risk Owner (SIRO), a large number of staff have undertaken the mandatory training on **data protection** and regular refreshers are scheduled annually particularly in light of the new General Data Protection Regulations and the Data Protection Act 2018 which are effective from 25 May 2018.

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

All **agendas and reports are available on the Council Website** unless they contain exempt information. This includes any information on ‘declarations of interest’ that are made at meetings. The Members’ Register of Interests is also published on the Council’s website.

As noted previously in Section D there are two **Scrutiny Committees**; one concerned with the internal working of the Council – *Corporate Scrutiny*, and the second concerned with external partnerships and the impact of the Council on its communities – *Partnership & Regeneration Scrutiny*. These two committees have enabled Members to take a more holistic and corporate view of the Council, its role and impact.

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

The **Audit & Governance Committee** meets regularly to consider the effectiveness of the Council’s internal control; risk management and governance arrangements; monitors the work of internal and external auditors and inspectors; monitors the relationships between auditors and staff; and monitors the responses to audit and inspection recommendations.

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

The Committee developed a work programme for 2017/18 and the Chair reports annually to Council's Annual General Meeting (AGM), including a report on the Member Development Plan. Themes associated with the WLGA Member Development Charter awarded to the Council form an integral part of its work programme.

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

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

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

In their annual compliance certificate (November 2017) the Wales Audit Office states:-

"The Council complied with its responsibilities relating to financial reporting and use of resources...The Auditor General is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources...The Auditor General has issued a certificate confirming that the audit of the accounts has been completed on 29 September 2017".

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

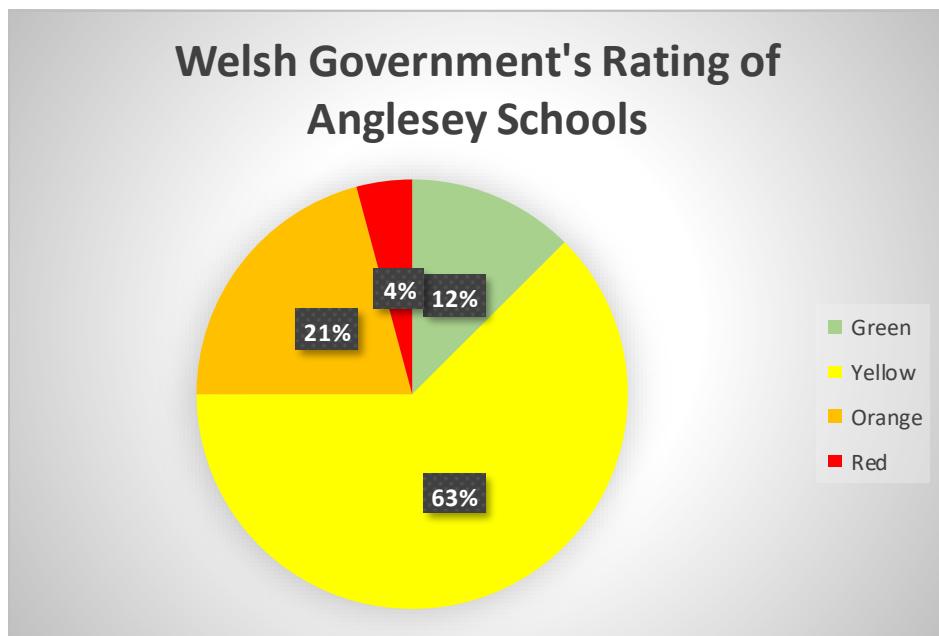
"senior managers accept the inspection's findings and have committed themselves to achieving the necessary improvements".

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

School performance on an Authority level, generally, has dipped in comparison with other Councils and from 2016. There is a need to keep a close eye on this and try to ensure that performance in all stages improves.

Welsh Government has judged that the vast majority of Anglesey schools (75%) are now performing effectively (yellow and green rated schools) with six of these schools placed in the highest category (green) in 2017 (compared to seven in 2016). The Council will aim to increase the number of schools in the green category in 2018.

It can be seen that the number of schools placed in the red category (i.e. schools needing significant support) has increased in 2017 from one to two and the number of schools in the orange category has increased from six schools in 2016 to eight schools in January 2017. These results are shown in the below chart.



During the year, six primary schools were closed and two newly built, 21st Century Primary Schools were opened in September 2017. The 21st Century School Programme aims to rationalise schools where there are too many surplus places and to provide for schools fit for the 21st Century. Therefore, Anglesey schools have reduced from fifty two schools to forty eight schools. This may have had an impact upon the results between 2016 and 2017. The pupils from the three primary schools closed in Holyhead now attend the new Ysgol Cybi Holyhead and the former pupils of the three closed primary schools in North West Anglesey attend the new Ysgol Rhyd Y Llan. These changes will impact on results going forward hopefully in a positive way.

Estyn's Framework for inspecting the authority's schools assesses the standards of teaching, learning and the welfare of pupils in individual schools. There was an increase in the percentage of schools placed in the most intensive support categories (an increase from 15.4% in 2016/17 to 25.0% in 2017/18). Currently four schools continue to be in Estyn follow-up categories compared to three schools in 2016, and these schools are monitored by the Education Standards Scrutiny Panel.

5. REVIEW OF EFFECTIVENESS

The Isle of Anglesey County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditor 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 auditor;
- 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 auditor and other review agencies and inspectorates;
- the regular monitoring of improvement and performance against the Corporate Plan and its supporting plans and strategies by members and senior managers.

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

In May 2017 the Wales Audit Office completed an assessment of the Council's Governance when Determining Significant Service Changes. The report (concluded that:

"The Council's arrangements for decision-making on significant service changes are generally effective but it recognises that they could be further strengthened"

The report acknowledged that the Council has a clear vision and strategy for determining service change proposals. The report commented positively on the Council's procedures to encourage stakeholders to engage in decision-making and that the Council continues to strengthen engagement arrangements. The report acknowledges that the Council annually reviews the effectiveness of its decision-making arrangements and is aware of areas where it can improve. Areas of improvement were reported such as the Council could do more to review and reflect on service benefits following implementation. The risk of duplication between the transformation boards and scrutiny committees was also highlighted.

6. SIGNIFICANT GOVERNANCE ISSUES

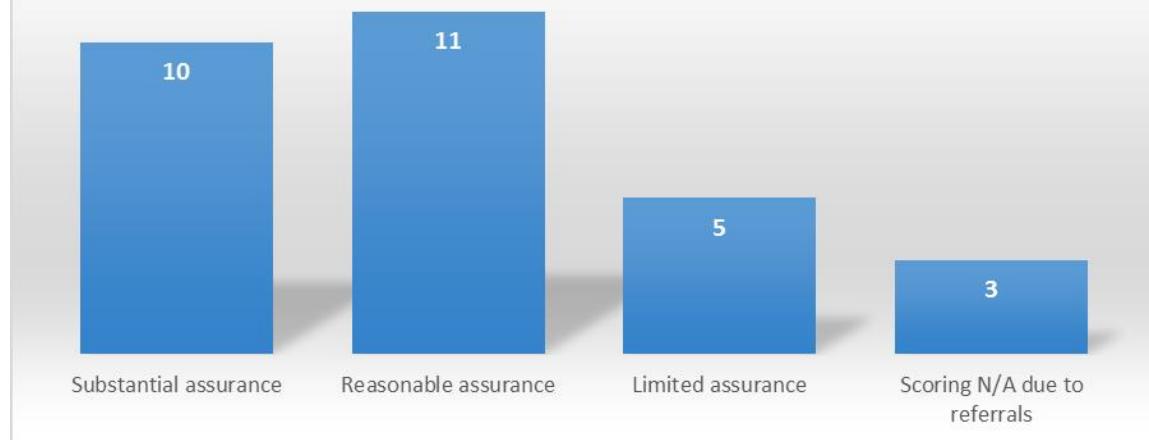
Wales Audit Office completes an Annual Improvement Report. The latest Annual Improvement Report 2016/17 was published in June 2017, please see below link. This highlighted that no formal recommendations were made but some proposals for improvement were suggested. The report commented that the Council's governance arrangements are generally good. This report also usefully summarised the results from all Wales Audit Office specific reports on the Isle of Anglesey County Council during the period 2016/17.

<http://audit.wales/publication/isle-anglesey-county-council-%E2%80%93-annual-improvement-report-201617>

The Annual Report 2017 of the Head of Internal Audit gives assurance on the framework for internal control. The Head of Audit and Risk's opinion for the year ended 31 March 2018 "is that the organisation has an adequate and effective framework for risk management, governance and internal control. Some areas require the introduction or improvement of internal control...these are subject to monitoring...There are no qualifications (major concerns) to this opinion"

The Annual Audit Report identifies that the Function completed 29 audits during the year. This is a reduction from 2016 due to reduced staffing levels arising from vacancies. The levels of assurance identified in each audit is summarised in the chart below. This highlights that 10 audits received substantial assurance. 11 audits were found to identify reasonable assurance and 5 audits identified areas of more significant improvement required which offered limited assurance.

Results of Internal Audit Reports 2017/18



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

- Corporate Procurement Framework;
- Date Protection and Information Governance;
- Payment Card Industry Data Security Standards;
- Sundry Debtors;
- School Transport

The audits listed above will be followed up during 2018/19.

In addition, the internal audit and risk function completed audits arising from three referrals; follow-audit work and general counter fraud work, National Fraud Initiative and enquiries. The function reported to Audit and Governance Committee, which included training for members. The function provided corporate consultancy during the year and completed work in relation to risk and insurance.

Internal Audit continued to focus resources into grant-related areas during 2017/18 to ensure that the risks presented by this type of funding were being appropriately managed. No significant risks were identified in respect of the grants reviewed with all five grants audited receiving substantial assurance.

The overall results of the Internal Audit work identified **80%** of reviews resulted in ‘positive’ opinions (Substantial or Reasonable) and **20%** resulted in ‘negative’ assurance opinions.

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

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

Recommendations are currently rated as red, amber, yellow or green according to the perceived risk. Those rated green are not subject to formal follow up by Internal Audit and are not included in this analysis. Management had implemented all of the outstanding high priority rated recommendations highlighted during the former audit methodology and 69% of new 'Red' Issues/Risks. This highlighted that management are responsive to the work of the Audit and Risk Function.

The report of the Head of Internal Audit and Risk 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 Annual Audit Report noted that there are no issues that we judge particularly relevant to the Annual Governance Statement. The report highlights the following outstanding 'Red' Issues and Risk as at 31 March 2018.

| Significant governance Issues | Actions identified to address weaknesses |
|---|--|
| Corporate Procurement Framework – Although a procurement framework has been developed within the Authority the level of compliance with the Contract Procedure Rules and EU regulations remains a weakness. The procurement processes require improvement in Housing, Adults Services and Children and Families Service. | Social Services are currently developing a work plan to address the issues with a wider contract work plan for both Children's and Adults' Services. The Services are working with other North Wales local authorities in joint tenders and frameworks. The services are reviewing safeguarding clauses particularly in relation to requirements for DBS checks. |

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| <p>Children's Services – Child Care Court Orders under the Public law Outline – The Public Law Outline is a protocol attempting to reduce unwarranted delays in family court cases. Weakness were evidenced in record keeping, evidence gathering and court skills, which are deemed crucial to ensure speedy resolution. Support worker visits were not always conducted in accordance with plans to ensure the safety and wellbeing of a child</p> | <p>The audit resulted in a limited assurance rating and will be followed up in 2018. All Support Workers' visits are required to comply with the relevant care plan and legislation. Disciplinary proceedings may be followed where there is a failure to comply with care plans.</p> |
| <p>Payment Card Industry Data Security Standards (PCI DSS) – The Authority has not identified the level of compliance required or produced a compliance programme to meet PCI DSS requirements.</p> | <p>A cross-departmental working group including the Head of Function (Resources) and Section 151 Officer as champion has been established to ensure PCI DSS compliance.</p> |

7. CERTIFYING THE ANNUAL GOVERNANCE STATEMENT

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined in the document.

We propose to take appropriate steps to address these and the other weaknesses identified in the Annual Governance Statement and to further enhance our governance and assurance arrangements in the forthcoming year. We will monitor the implementation and operation of improvements through the Audit Committee and as part of our next annual review.

Leader of the Council

Date:

Chief Executive

2018 Date:

2018

On behalf of the Isle of Anglesey County Council