

ISLE OF ANGLESEY COUNTY COUNCIL		
REPORT TO:	GOVERNANCE AND AUDIT COMMITTEE	
DATE:	23 JUNE 2021	
SUBJECT:	SUMMARY OF DRAFT FINAL ACCOUNTS 2020/21	
PORTFOLIO HOLDER(S):	COUNCILLOR ROBIN WYN WILLIAMS - PORTFOLIO HOLDER (RESOURCES)	
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LOCAL MEMBERS:	n/a	
<b>A - Recommendation/s and reason/s</b>		
<p>This report presents the draft Statement of Accounts for 2020/21.</p> <p>It is important to note that these figures are unaudited and may, therefore, be subject to change. A report will be presented to the Council following the completion of the External Audit.</p> <p>Recommendations:-</p> <p>1) That the Audit and Governance Committee note the draft unaudited main financial statements for 2020/21.</p>		
<b>B - What other options did you consider and why did you reject them and/or opt for this option?</b>		
n/a		
<b>C - Why is this a decision for the Executive?</b>		
This matter is delegated for scrutiny to the Governance and Audit Committee.		
<b>CH - Is this decision consistent with policy approved by the full Council?</b>		
Yes		
<b>D - Is this decision within the budget approved by the Council?</b>		
Yes		
<b>DD - Who did you consult?</b>		<b>What did they say?</b>
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	No comment
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	No comment
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	

<b>E - Risks and any mitigation (if relevant)</b>		
<b>1</b>	<b>Economic</b>	
<b>2</b>	<b>Anti-poverty</b>	
<b>3</b>	<b>Crime and Disorder</b>	
<b>4</b>	<b>Environmental</b>	
<b>5</b>	<b>Equalities</b>	
<b>6</b>	<b>Outcome Agreements</b>	
<b>7</b>	<b>Other</b>	
<b>F - Appendices:</b>		
<ul style="list-style-type: none"> <li>• Appendix 1 - Report summarising the main financial statements and impact on reserves.</li> <li>• Appendix 2 – Draft Statement of Accounts 2020/21.</li> </ul>		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
<ul style="list-style-type: none"> <li>• 2020/21 Revenue Budget outturn report 21 June 2021 to the Executive.</li> </ul>		

## 1. PURPOSE

This report presents the draft Statement of Accounts for the financial year 2020/21.

## 2. BACKGROUND

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that the Responsible Financial Officer of the Isle of Anglesey County Council sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations require that this be completed by 31 May 2021

The 2020/21 statutory deadlines are shown in the table below along with the extended deadlines provided by Welsh Government. Welsh Government have recognised that 'as the pandemic continues there is an ongoing impact on local authority staff resources and there may be additional work to finalise the accounts this year. Authorities may, therefore, wish to prepare their accounts to the extended timetable used for 2019/20 accounts'.

Draft Statement of Accounts 31 August 2021

Audited Statement of Accounts 30 November 2021

- 2.1 The full draft Statement of Accounts 2020/21 is presented below as Appendix 2. The final audited accounts will be presented to Governance and Audit Committee and full Council in September 2021.

## 3. THE DRAFT COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2020/21

- 3.1 The draft Comprehensive Income and Expenditure Statement (CIES) 2020/21 is presented on page 17, within Appendix 2.
- 3.2 This statement shows the cost of providing services in the year in accordance with the statutory accounting requirements and covers both the Council Fund and the Housing Revenue Account (HRA) in one financial statement. Costs of services in this statement differ from that reported for draft outturn to the Executive on 21 June 2021 because of statutory accounting adjustments such as depreciation and pension adjustments which do not affect outturn, so the outturn report and the CIES are not directly comparable.
- 3.3 The CIES shows that the net cost of services was £127.318m, with the surplus of £10.213m on the provision of services. The Government accepts that council tax payers should not be required to fund accounting adjustments such as depreciation. Therefore, local authority accounts exclude the impact of these in the note called Adjustments between Accounting Basis and Funding Basis under Regulations (Note 7 in the Authority's Statement of Accounts). This note for 2020/21 shows £4.041m of accounting adjustments which are cancelled out in the Movement in Reserves Statement (MIRS). This means that the true impact on the Council and HRA reserves from the provision of services is reduced from a surplus on the provision of services of £10.213m to a surplus of £14.254m, which is an increase in Council reserves. This is due to an underspend on the Council Fund and Housing Revenue Account (HRA) and transfers into earmarked reserves.
- 3.4 In addition, there is a deficit of £34.444m on other comprehensive income and expenditure from accounting adjustments relating to the revaluation of non-current assets, such as Land and Buildings, and the re-measurement of the Pension Liability. The total comprehensive income and expenditure on the CIES is a deficit on services of £24.231m.

- 3.5** The Revenue Budget Monitoring Report, Quarter 4 2020/21, 21 June 2021, highlighted an estimated net underspend of £4.204m for the Council Fund (page 1 of report). The statement of accounts also highlights that the Council Fund underspend is £4.204m at the start of audit period. However, this may be subject to change if the auditors recommend any further post-audit adjustments. The Council's Council Fund General Reserve will increase by this amount from the financial performance of the Council in 2020/21.

Table 1 below shows the movement in the Council's useable reserves during the year, and the balance of all useable reserves as at 31 March 2021 was £40.198m, an increase of £14.253k. It should be noted that the HRA Reserve, School Balances and Capital Receipts Reserve are ring fenced reserves and can only be used for the designated purpose.

**Table 1 - Movements from the Council Fund General Reserve during 2020/21**

Summary of Movements in Council Balances/Reserves 2020/2021	Council Fund General Reserve	Council Fund Earmarked Reserves	Housing Revenue Account (HRA) reserve	School Reserves	Capital receipts reserve	Total Usable Reserves
Items impacting on the Council's Reserve 2020/21	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance 1 April 2020	(7,060)	(8,760)	(8,597)	(197)	(1,330)	(25,944)
Net over/(under)spend 2020/21	(4,204)	-	(1,145)	-	-	(5,349)
<b>Council Balance after overspend</b>	<b>(11,264)</b>	<b>(8,760)</b>	<b>(9,742)</b>	<b>(197)</b>	<b>(1,330)</b>	<b>(31,293)</b>
Net transfers from/(to) Reserves for approved funding	(329)	(5,319)	-	(3,818)	563	(8,905)
<b>General Reserve Balance at 31 March 2021</b>	<b>(11,593)</b>	<b>(14,079)</b>	<b>(9,742)</b>	<b>(4,015)</b>	<b>(767)</b>	<b>(40,198)</b>

- 3.6** Table 1 above is a summary of the movement in the reserves due to the financial performance of the year and net movements to / from reserves. Table 2 below summarises the movement in reserves using information from the Statement of Accounts. This is a different way to present it, but both tables 1 and 2 result in the same reserve balances.

**Table 2 - Movement in Council Fund and HRA Reserves**

Analysis of the Movement in Council Fund and HRA General Reserves 2019/20 ANGEN NEWID HWN I 2020/21???	Council Fund £m	HRA £m	Total £m
<b>Opening general reserve 1 April 2020</b>	<b>(7.060)</b>	<b>(8.597)</b>	<b>(15.657)</b>
Net surplus on the provision of services (Statement of Accounts (SOA) page 17)	(5.499)	(4.713)	(10.212)
Statutory accounting adjustments cancelled out in the MIRS	(8.172)	3.567	(4.605)
<b>Net balance before transfers from earmarked reserves to fund earmarked costs within cost of service</b>	<b>(20.731)</b>	<b>(9.743)</b>	<b>(30.474)</b>
Use of earmarked reserves to fund earmarked costs within the cost of services (excluding movements between the general reserve and earmarked reserves noted above)	9.137	-	9.137
<b>Council Fund General Reserve Balance as at 31 March 2021</b>	<b>(11.594)</b>	<b>(9.743)</b>	<b>(21.337)</b>
Remaining balances within earmarked reserves and school balances	(18.861)	-	(18.861)
<b>Total Usable Reserves available to the Council 31 March 2021</b>	<b>(30.455)</b>	<b>(9.743)</b>	<b>(40.198)</b>

- 3.9** In the full Council meeting of 10 March 2020, the recommended minimum General Reserve balance was set at £7.3m. The General Reserve at 31 March 2021 was £11.593m, which is above the minimum but, in addition to this, there are £14.079m of earmarked reserves relating to the Council Fund. These figures do not include the items identified post draft statement of accounts.

As the country moves out of the current restrictions and a more normal way of life returns, it is likely that Services will experience an increase in demand for services, particularly those services which have not been able to operate as normal during 2020/21. This is likely to result in a level of overspending in 2021/22. The increased level of reserves, above the minimum recommended level of 5% of the net revenue expenditure, will allow the Council to meet these additional service demands in 2021/22 and 2022/23. It is anticipated that the Council's general balances will move back towards the 5% of net revenue expenditure level over the next 2 to 3 years.

#### **4. DRAFT BALANCE SHEET AS AT 31 MARCH 2021**

- 4.1** The Balance Sheet as at 31 March 2021 is presented on page 20, within Appendix 2.
- 4.2** The overall net assets of the Council decreased from £188.286m as at 31 March 2020 to £164.056m as at 31 March 2021. This is due to: the revaluation of other Council assets and increased current assets such as cash and cash equivalents (deposits / investments due within three months). The decision to review the Pensions Valuation was taken last year to understand the impact of the Pandemic on the pension fund. The impact of NE in 2020/21 is that the pension liability has increased from £124.520m to £146.262m.

#### **5. EARMARKED RESERVES**

- 5.1** Earmarked reserves are an essential part of the funding of the Council and ensure that specific funds are allocated to meet known or potential future commitments, to fund longer term projects which span more than one financial year and to hold unspent grants received which may be clawed back at some point in the future. The movement in the Earmarked Reserves is shown in Table 3 below:-

**Table 3 – Movement in Earmarked Reserves 2020/21**

	<b>Earmarked Reserves £'m</b>
Balance as at 1 April 2020	8.760
Net movement on existing reserves	0.468
Proposed new reserves created during the year from revenue	4.851
<b>Balance as at 31 March 2021</b>	<b>14.079</b>

#### **6. SCHOOL BALANCES**

- 6.1** Table 4 provides a summary of school balances which amounted to £4.015m at 31 March 2021 (£0.197m at 31 March 2020). 1 of the 40 primary schools had a deficit balance (9 primary schools as at 31 March 2020) and 1 of the secondary schools (3 as at 31 March 2020) were in deficit. The Special School also has a deficit position at the end of the financial year.

**Table 4 – Summary of School Balances**

	Balance 1 April 2019 £'000	Addition / (Reduction) for 2019/20 £'000	Balance 31 March 2020 £'000	Addition / (Reduction) for 2020/21 £'000	Balance 31 March 2021 £'000
Community and Voluntary Primary Schools	788	54	842	1,933	2,775
Community Secondary Schools	(258)	(435)	(693)	1,670	977
Community Special School	(60)	(24)	(84)	24	(60)
Foundation Primary School	161	(29)	132	191	323
<b>Total</b>	<b>631</b>	<b>(434)</b>	<b>197</b>	<b>3,818</b>	<b>4,015</b>

## 7. HOUSING REVENUE ACCOUNT (HRA) BALANCE

**7.1** The opening balance on the HRA on 1 April 2020 was £8.597m. During the year, there was an underspend of £1.145m due to slipped capital projects, resulting in a closing balance of £9.742m. This balance will be reinvested in the HRA in the future.

**Isle of Anglesey County Council Draft Statement of Accounts 2020/21**



# Ynys Môn

THE ISLE OF

# Anglesey

## Draft Statement of Accounts 2020/21



CYNGOR SIR  
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## **Narrative Report**

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

The narrative report is structured as follows:-

1. The Statutory Framework;
2. About the Isle of Anglesey County Council;
3. Overview and Performance Analysis;
4. Main issues impacting on the 2020/21 Accounts;
5. Explanation of the Financial Statements;
6. Effect of the Covid-19 Pandemic.

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

The Council has a statutory duty to approve and publish a Statement of Accounts. The following pages relate to the Statement of Accounts for the Isle of Anglesey County Council for the year ended 31 March 2021.

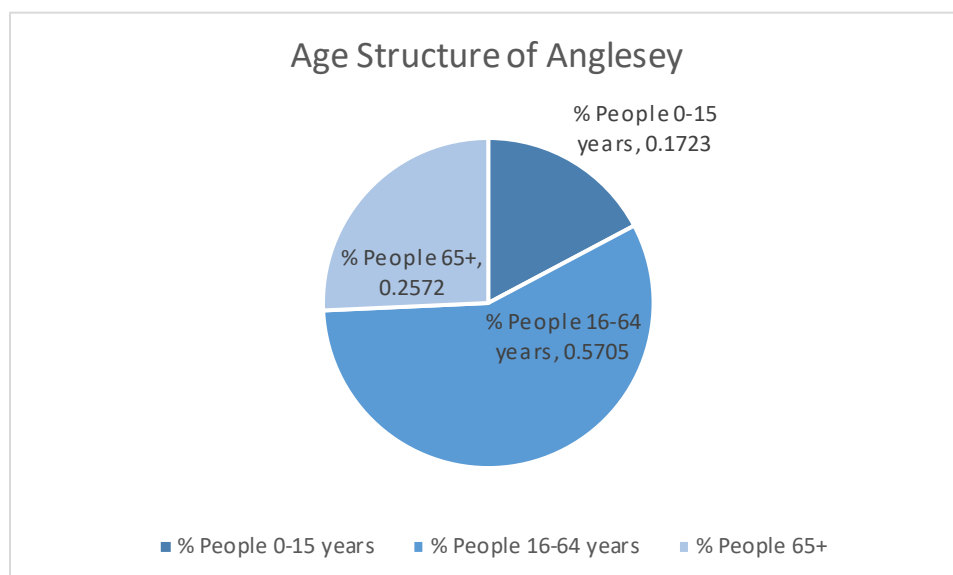
The Accounts and Audit (Wales) Regulations 2014 came into force on 31 March 2015, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018 for the accounts year 2015/16 and future periods. These regulations require Welsh Local Authorities to prepare a Statement of Accounts in accordance 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 2020/21 issued by CIPFA, supported by International Financial Reporting Standards (IFRS). In addition, this narrative incorporates guidance from HM Treasury's Financial Reporting Manual (FReM), Sections 5.2.1 to 5.2.10, as encouraged by the CIPFA code.

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

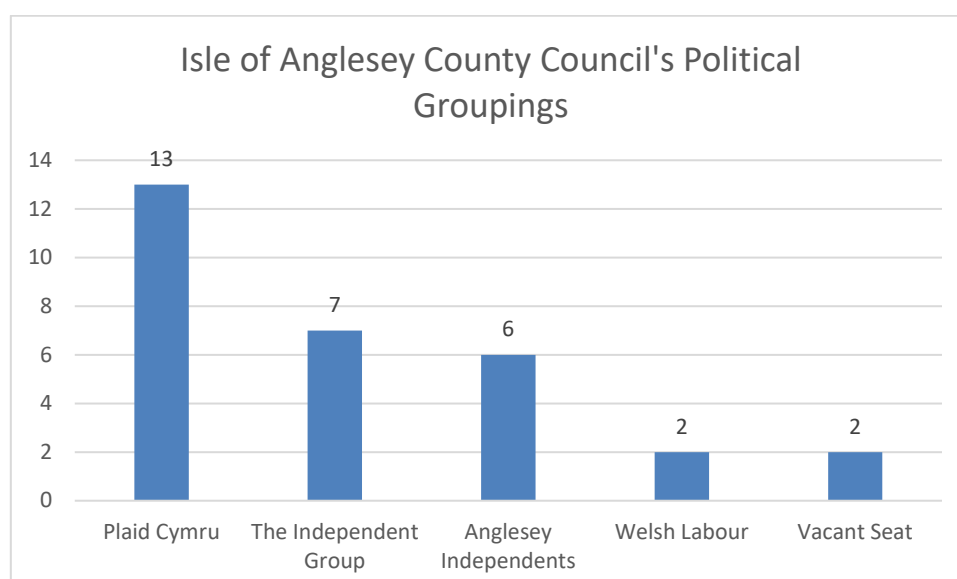
The Isle of Anglesey County Council is a unitary authority and serves a population of approximately 70,000, situated on the north coast of Wales with an area of 276 square miles. Anglesey is by far the largest island in Wales, and the seventh largest in the British Isles. Anglesey is also the largest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

Anglesey has a relatively older population than the Wales average (21.00%), with 25.72% of the population aged 65+. This figure reflects in the Council's plan to support people to live well and for longer.



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

The Council is a politically-led organisation and has adopted a Leader and Cabinet model. It has 30 elected Members representing 11 multi-Member wards across the County. Following the election in May 2017, the Council has operated under a Plaid Cymru and Y Grŵp Annibynnol (The Independent Group) coalition administration. The political make-up of the Council as at 31 March 2021 is shown below:-



### **3. Overview and Performance Analysis**

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

As Leader of the Council, it is my responsibility to ensure that the important milestone of producing the annual Statement of Accounts is achieved on time each year. The accounts provide a large amount of financial information on how the Council was funded and how it spent that money during 2020/21. 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 (RSG) and the Council's share of the Non Domestic Rates (NDR) pool, local taxation through Council Tax and the fees and charges paid by the Council's customers. In 2020/21, the Council's net budget was increased by £6.9m to £142.1m, of which £41.1m came from Council Tax. The increase in Council Tax was 4.5%.

2020/21 has been like no other financial year faced by the Council, with the Covid pandemic dominating the work of the Council over the year and having a significant impact on its financial position. The Council is grateful for the financial support from Welsh Government, with over £6.104m of additional costs and £2.369m of lost income being covered by the Welsh Government's Hardship Fund. This additional support, along with other specific grants provided by the Welsh Government, resulted in the Council underspending its revenue budget by £4.204m (2.96%). The underspend has increased the Council's General Balances to £11.593m, school balances increased to £4.015m and designated reserves stood at £14.079m. However, it should be noted that grants received late in the financial year have added to the Council's reserves and these grants will be spent during the 2021/22 financial year.

As the country emerges from the pandemic during 2021/22, it is anticipated that the demand for services will increase to deal with problems and issues which may not have been identified during the lockdown, this is particularly true for Social Services and Education. The Council's reserves will allow the Council to address those issues, even if this requires a level of expenditure above the revenue budget for 2021/22.

One important milestone was reached during 2020/21, with the Council, along with the other 5 North Wales authorities, reaching agreement with both the UK and Welsh Governments on the North Wales Growth Bid. The bid will bring significant public and private sector investment into North Wales and Anglesey over the next 15 years.

The position of the Council's Housing Revenue Account is healthy, with the reserve balance currently standing at £9.742m. This is higher than planned due to a slippage in the programme of building new properties. The balance of this reserve will reduce over the forthcoming years as the development programme is accelerated. The use of the Housing Revenue Account is set out in the Council's 30-year business plan, which is reviewed and approved by the Welsh Government annually.

The future for public sector funding still remains uncertain, and in particular what impact the coronavirus emergency combined with the decision to leave the European Union will have on the UK economy. The Senedd elections and the priorities of the new Welsh Government will also have an impact on the future funding levels for local government in Wales, but it is too early to know how whether funding levels will increase or decrease over the short to medium term. Whatever the future funding levels are the Council will continue to review the way services are, delivered to ensure that the services give value for money.

2021/22 will be the last year of the present Council and as the Leader of the Council, I am committed to deliver as much of the outstanding elements of the Council's Corporate Plan during the final year of the present Council.

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 2021**

### **3.2 Key Purpose and Activities of the Council**

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

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

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

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

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

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

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

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

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

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

#### **3.2.1 Financial Scenario**

In common with all Local Authorities in Wales, the Isle of Anglesey County Council has been at the forefront in responding to the Coronavirus pandemic, supporting businesses and its residents whilst also delivering its day to day services. The last twelve months have proven to be a challenge in that the United Kingdom also left the European Union, the costs and demands of services have grown but uncertainty exists in the level of core Government funding that the Council will receive in future years. The Coronavirus pandemic has shown the importance of delivering on the needs of its residents and, whilst extra funding has been received and savings have been made in areas where services were suspended due to the local and national lockdowns, the unknown cost of rebuilding and supporting key services into the near future is somewhat of an unknown. The added pressure, both financially and operationally, on the Council is unclear at this stage as regards to what extent these financial pressures will be alleviated through additional funding. Against this backdrop, the Council needs to manage growing demands for services, inflationary pressures, a need to invest in the local economy to promote growth and a desire to continually improve services.



The Council's Medium Term Financial Plan (MTFP) is reviewed and reported to Members in September and February each year to help plan how the Council will manage its finances with ongoing budgetary pressures and funding risks.

The Council's most recent MTFP (September 2020) estimated that the cost of maintaining the existing level of services is around £4m per annum. For 2021/22, the Aggregate External Finance to be received from Welsh Government increased by £3.5m (3.4%), which, along with a 2.75% increase in Council Tax, allowed a balanced budget to be set for 2021/22 without the need for reductions in services. No indication has been given by Welsh Government as to the level of future funding and no assumption has been made at this point. It is likely that the demand for Council services will continue to increase, as will pay and price inflation. Some of these additional costs can be offset by increasing Council Tax but it is likely that further revenue budget savings will be required over the medium term. The Council has achieved savings in previous years by:-

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

The Council will continue to follow this strategy to identify and implement any future savings, but it is becoming increasingly difficult to rely on all of the above to deliver savings.

Capital funding is also becoming more of a challenge, with limited increases in the level of general capital grant and supported borrowing. The Council's ability to generate additional funds through capital receipts has been all but exhausted, and the Council is now having to use reserves and balances to provide additional capital funding.

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

During 2020/21, work began on these priorities with the following key achievements achieved during the financial year:-

- Completion of 21 new Council Homes;
- Completion of the Industrial Units in Holyhead;
- Completion of the Beaumaris flood alleviation works;
- Agreeing the development of the new Ysgol Corn Hir with Welsh Government;
- Paying over £40m of Covid Business grants whilst maintaining services during the pandemic;
- Agreeing a new waste contract, which includes the procurement of new fleet of waste vehicles and plant.

### **3.3.1 Working with Partners**

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

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

**3.3.2.1** The Welsh Government increased the Council's Aggregate External Funding by 3.4% in 2021/22 and this, and an increase of 2.75% in Council Tax, has allowed the Council to allocate an extra £0.600m to the Services in 2021/22 for budget pressures in addition to funding pay and price inflation. The Council implemented £0.307m of revenue savings in 2020/21 with a no revenue savings planned for 2021/22.

**3.3.2.2** The Council's general balance is £11.593m, which is 8.16% of its net revenue budget for 2021/22, this is an increase of £4.534m from the general balance of £7.060m at 31 March 2020. This is an improvement on the last three years where the balances of the general reserve had developed a trend of reducing year-on-year. The continued demand for services above the level allowed for in the current year revenue budget increases the risk that these balances will continue the downward trend of prior years to a level which places the Council at significant financial risk.

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

**3.3.2.4** The Council is embarking on a programme of change with the aim of making the Council carbon neutral by 2030. This will require significant capital investment along with additional revenue costs to deliver the required changes.

## **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 2020/21, the Council reported an underspend of £4.204m against a planned activity of £142.146m (net budget) and achieved £0.244m of savings. The table below reflects the final budget for 2020/21 and actual income and expenditure against it:-

Services	Annual Budget £'000	Outturn £'000	Variance £'000
Lifelong Learning	53,565	52,046	-1,519
Adult Services	27,160	26,927	-233
Children's Services	10,971	10,258	-713
Housing	1,168	1,131	-37
Highways, Waste, Property	15,242	14,645	-597
Regulation	4,131	3,775	-356
Transformation	4,998	4,527	-471
Resources	3,164	2,998	-166
Council Business & Corporate Finance	21,747	21,635	-112
<b>Total Council Fund</b>	<b>142,146</b>	<b>137,942</b>	<b>-4,204</b>

### Subjective Analysis

Services	Annual Budget £'000	Outturn £'000	Variance £'000
Employee	90,587	87,713	(2,874)
Premises	8,685	7,113	(1,571)
Transport	4,354	1,988	(2,366)
Supplies and Services	30,979	27,774	(3,205)
Third Party Payments	49,507	48,940	(567)
Transfer Payments	26,576	32,635	6,059
Fees and Charges	(11,526)	(8,944)	2,583
Rental Income	(1,526)	(1,009)	518
Transfers and Grants	(54,929)	(58,502)	(3,573)
Other Adjustments	(560)	233	793
<b>Total Council Fund</b>	<b>142,146</b>	<b>137,942</b>	<b>(4,204)</b>

The impact of an underspend means that the Council increased its general reserves by £4.204m.

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

### 3.4.2 Capital Expenditure

The capital programme supports the Council's wider objective to deliver services and to support economic growth.

In March 2020, the Council approved a Capital Programme (which included estimated slippage) for non-housing services of £17.050m for 2020/21, and a Capital Programme of £20.255m for the HRA. In addition, in June 2020, the Executive approved Capital Slippage of £12.109m to be brought forward from 2019/20, bringing the revised Capital Programme for non-housing services to £22.336m, and £19.032m for the HRA. Since the budget setting process, there have been additional schemes added onto the programme, most of which are grant funded, which amounted to £17.057m. This brings the total Capital budget for 2020/21 to £58.425m.

The programme has made steady progress in year, achieving a delivery rate of 56.70%. It is expected that most of the remaining schemes will be delivered over the coming few years.

From this total spend of £33.129m, £21.227m 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 (£2.163m) or did not increase the value to the capital assets (£9.739m).

The table below analyses the expenditure that has been capitalized, those schemes/assets with an individual value over £0.100m individually listed:-

Scheme	Amount (£'000)
Band A 21st Century School – Ysgol Llangefni	567
Modular Building (Y Tywyn) – Child Care for children between 2 and 11 years old	180
Modular Building (Esceifiog) – Child Care for children between 2 and 11 years old	362
Ysgol David Hughes Capital works	578
Plas Arthur Fitness Room	116
Penrhos Industrial Units	1,469
Llangefni Industrial Units	232
Gateway Units	513
Active Travel Mapping	193
Vehicles	465
Highways Resurfacing	1,619
Beaumaris Flood Alleviation	204
Pentraeth Flood Alleviation	297

<b>Scheme</b>	<b>Amount (£'000)</b>
Small Scale Work (flood alleviation)	721
Resilient Roads works	123
Mill Lane Structure	112
Road Safety	518
Gaerwen Park and Share	368
Thermal Road Repair Equipment	203
Circular Economy Funding	805
Waste Fleet	2,283
Capital works to existing assets	149
Compulsory Purchase Housing Scheme	299
Acquisition of Existing Properties and Development of New Properties	7,397
IT Projects	770
Other capital schemes (<£0.100m individually)	684
<b>Total</b>	<b>21,227</b>

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

<b>Funded By</b>	<b>Amount (£'000)</b>	<b>Percentage %</b>
Unsupported Borrowing	453	2%
Supported Borrowing	497	2%
Capital Grant	14,420	68%
Capital Receipts	876	4%
Revenue Contribution	4,620	22%
Capital Reserve	361	2%
<b>Total</b>	<b>21,227</b>	<b>100%</b>

As at 31 March 2021, the Authority had £124.510m (note 45c) 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 £136.560m. In the Treasury Management Strategy Statement for 2021/22, the Authorised Borrowing Limit approved by the Council was £180m, 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 2021, the Authority's internal sources of funds were cash deposits at bank and other investments of £28.740m (Note 44a/b). The external borrowing figure was £124.510 (Note 45c as above).

### **3.4.3 Balance Sheet**

The Council's Balance Sheet demonstrates a good financial position at the end of 2020/21 with net assets of £164.056m. This is a decrease of £24,230m from last year. The value of the Council's long-term assets (property, plant etc.) increased by £15.065m. Short-term assets also increased, such as cash which increased by circa £9m. The Council's overall net pension liability rose by £51.741m to £176.261m (see note 41)

The details of the Council's long-term and short-term assets and liabilities are shown in the Balance Sheet as at 31 March 2021.

#### **Reserves**

The £24.230m decrease in the Council's net assets set out above is the result of a £38.484m decrease in unusable reserves and £14.254m increase in usable balances (including the HRA).

## **4. Main Issues from the 2020/21 Accounts**

The Council set a net budget of £142.146m for 2020/21 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 £0.307m, which was incorporated into the individual service budgets. The outturn position was an underspend of £4.204m. The underspend is made up of departmental under or overspends, unused contingencies and any other one-off items identified during the financial year.

### **Coronavirus**

The Council's finances were fairly stable during the financial year. The Welsh Government have provided £661m to date to meet the additional costs incurred by Councils in dealing with the pandemic, which has covered the cost of purchasing PPE, supporting the Adult Care Sector, providing additional services for the homeless, helping with the costs of transferring to home working, funding the cost of weekly payments to parents of children who would normally receive free school meals and covering the loss of income incurred by Councils as a result of the closure of services. To date, the Council has claimed £6.104m in additional funding, of which £4.917m has been received. The net expenditure to date and the projected net expenditure to the yearend take account of this additional funding.

In addition, the Welsh Government provided further unhypothecated funding to cover the potential loss of Council Tax, increased costs of the Council Tax Reduction scheme, digital transformation and to meet the costs of planned savings which could not be implemented due to the pandemic. In total, the Council received an additional £2.16m.

During 2020/21 the Isle of Anglesey County Council has acted on behalf of the Welsh Government administering the different support grants made available to the residents and businesses of Anglesey during the pandemic. A total of £41m was compensated to Anglesey residents/businesses, supporting 2,499 individuals and establishments. The Authority has continued to provide core services throughout the pandemic in addition to dealing with the additional work associated with the circumstances, namely, administering Covid Support Grants, establishing and supporting the Track, Trace and Protect Service, Covid enforcement and additional support for the homeless. Welsh Government have provided financial support via the Covid Hardship Fund to relieve the Authority of pressures associated with the additional costs (£6m) of the pandemic and associated loss of income (£2.3m).

## 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 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 £5.180m at 1 April 2020. During the year, the balance reduced by £0.133m to £5.047m. The insurance provision was decreased to £0.290m in accordance with estimated need. Short-term provisions amounted to £0.363m in total, to provide for future expected costs which might arise from past obligations. A total of £0.082m of the Penhesgyn provision was used to fund costs relating to the landfill site during 2020/21.

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

## Going Concern

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

## 5. Explanation of the Financial Statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2020/21 and its Balance Sheet as at 31 March 2021. These statements include the General Fund and the Housing Revenue Account (HRA). They set out the respective responsibilities of the Council and the Council's Director of Function (Resources), who is the designated Section 151 Officer.

### Core Financial Statements:-

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

1. **The Comprehensive Income and Expenditure Statement (CIES)** – shows the accounting cost in the year of providing services, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.



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

#### **Supplementary Financial Statements**

1. **The Statement of Responsibilities for the Statement of Accounts** – explains the responsibilities of the Council and the Section 151 Officer.
2. **The Housing Revenue Account (HRA)** is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. The Housing Revenue Account is ring-fenced from the Council's General Fund.
3. **Auditor's Opinion** - as the Council's External Auditor, the Auditor General for Wales will carry out the statutory audit and sign the Statement of Accounts following the Section 151 Officer signing and dating the Statement of Accounts. They then issue an opinion as to whether the Accounts need to be qualified or are unqualified. The deadline for this opinion is 15 September following the year-end.

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

There are no material changes to accounting treatment required for 2020/21.

The Statement of Accounts concludes with the Annual Governance Statement (AGS) 2020/21. 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.

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

The Council's General Fund balance as at 31 March 2021 stood at £11.594m, which equates to 7.87% of the net revenue budget for 2021/22. The Council's financial strategy aims to hold a minimum of 5% of the net revenue budget as General Balances (£7.4m). As a result, the Council's General Balance is higher than the target.

The financial performance for 2020/21 showed a net underspend of £4.204m and was due to receipt of funding from the Welsh Government during the pandemic and the services provided to the public was limited.

The Council's Housing Revenue Account balance stood at £9.742m as at 31 March 2021. The reserve is earmarked to fund the cost of the development of new properties as set out in the Council's 30 HRA Business Plan. Any significant reduction in the HRA reserve as a result of the pandemic will lead to a reduction in the planned new development programme.

## **Conclusion**

The pandemic has had an impact on the Council's financial position in terms of the loss of income and additional expenditure during the lockdown, even though the Welsh Government have provided support. While the future prospects are looking better, the financial impact going forward for the Council is still unknown and could result in the provision of services becoming more costly in the future as the Council has to adjust to the requirements of social distancing. The availability of capital funding may also be reduced, which will impact on the Council's capital programme and, in particular, the two main priorities, school modernisation and the building of new homes.

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

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

The Isle of Anglesey County Council is required to:-

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

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

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

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

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

The Section 151 Officer has also:-

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

### **Certificate**

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Isle of Anglesey County Council at the accounting date and its income and expenditure for the year ended 31 March 2021:-

**Signed:**

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

**Signed:**

**Councillor Glyn Haynes  
CHAIR ISLE OF ANGLESEY COUNTY COUNCIL**

**Dated:  
27 September 2021**

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

Adrian Crompton  
Auditor General for Wales

24 Cathedral Road  
Cardiff  
CF11 9LJ

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2021

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 Services reported below are based on the organisational structure of the Council. 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.

2020/21			Services	Note	2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
68,950	(16,017)	52,933	Lifelong Learning		73,291	(15,907)	57,384
43,082	(14,175)	28,907	Adult Services		40,699	(11,431)	29,268
14,914	(4,141)	10,773	Children's Services		11,753	(1,072)	10,681
7,372	(6,091)	1,281	Housing		5,983	(4,098)	1,885
28,175	(9,055)	19,120	Highways, Property and Waste		26,793	(6,390)	20,403
13,330	(8,414)	4,916	Regulation and Economic Development		12,291	(6,317)	5,974
5,754	(416)	5,338	Transformation		5,666	(261)	5,405
33,939	(25,642)	8,297	Resources		26,947	(17,679)	9,268
1,962	(333)	1,629	Council Business		2,245	(412)	1,833
2,146	(1,792)	354	Corporate and Democratic Costs		1,936	(332)	1,604
522	-	522	Corporate Management		482	-	482
7	-	7	Non-distributed costs		418	-	418
12,321	(19,080)	(6,759)	Housing Revenue Account (HRA)		12,591	(18,717)	(6,126)
<b>232,474</b>	<b>(105,156)</b>	<b>127,318</b>	<b>Deficit on Continuing Operations</b>		<b>221,095</b>	<b>(82,616)</b>	<b>138,479</b>
		24,541	Other operating expenditure	12			23,105
		9,333	Financing and investment income and expenditure	13a			8,945
		(171,405)	Taxation and non-specific grant Income	14			(163,380)
		<b>(10,213)</b>	<b>Deficit on Provision of Services</b>				<b>7,149</b>
		(10,039)	Surplus on revaluation of non-current assets	11c			(13,487)
		44,483	Re-measurement of net Pension liability	11ch & 41			(19,492)
		<b>34,444</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(32,979)</b>
		<b>24,231</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(25,830)</b>

## EXPENDITURE AND FUNDING ANALYSIS

2020/21			Services	2019/20		
Net Expenditure Chargeable to the General Fund and HRA Balances - A = C - B £'000	Adjustments between Funding and Accounting Basis - B £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement - C £'000		Net Expenditure Chargeable to the General Fund and HRA Balances - A = C - B £'000	Adjustments between Funding and Accounting Basis - B £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement - C £'000
47,216	5,717	52,933	Lifelong Learning	50,198	7,186	57,384
26,954	1,953	28,907	Adult Services	26,601	2,667	29,268
9,922	851	10,773	Children's Services	10,496	185	10,681
1,073	208	1,281	Housing	1,508	377	1,885
13,824	5,296	19,120	Highways, Property and Waste	14,464	5,939	20,403
3,048	1,868	4,916	Regulation and Economic Development	3,895	2,079	5,974
4,446	892	5,338	Transformation	4,276	1,129	5,405
7,866	431	8,297	Resources	8,619	649	9,268
1,464	165	1,629	Council Business	1,524	309	1,833
1,271	(917)	354	Corporate and Democratic Costs	1,881	(277)	1,604
522	-	522	Corporate Management	482	-	482
-	7	7	Non-distributed costs	-	418	418
(3,192)	(3,567)	(6,759)	Housing Revenue Account (HRA)	(4,075)	(2,051)	(6,126)
<b>114,414</b>	<b>12,904</b>	<b>127,318</b>	<b>Net Cost of Services</b>	<b>119,869</b>	<b>18,610</b>	<b>138,479</b>
(128,668)	(8,863)	(137,530)	Other Income and Expenditure	(120,969)	(10,361)	(131,330)
<b>(14,254)</b>	<b>4,041</b>	<b>(10,212)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(1,100)</b>	<b>8,249</b>	<b>7,149</b>
(25,944)			Opening General Fund and HRA balance at 1 April	(24,844)		
(14,254)			Less Surplus on General Fund and HRA Balance in Year	(1,100)		
<b>(40,198)</b>			<b>Closing Council Fund Balances and HRA Balance at 31 March</b>	<b>(25,944)</b>		

## MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2021

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 (Deficit)/Surplus 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 (Decrease)/Increase 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	Total Usable Reserves £'000	Total Unusable reserves (Note 11) £'000	Total Reserves (of the Council) £'000
<b>Balance 1 April 2019</b>	<b>5,912</b>	<b>8,728</b>	<b>8,387</b>	<b>1,186</b>	<b>631</b>	<b>24,844</b>	<b>137,612</b>	<b>162,456</b>
<b>Movement in reserves during the year</b>								
Surplus/(Deficit) on provision of services	(9,410)	-	2,261	-	-	(7,149)	-	(7,149)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	32,979	32,979
<b>Total Comprehensive Income and Expenditure</b>	<b>(9,410)</b>	<b>-</b>	<b>2,261</b>	<b>-</b>	<b>-</b>	<b>(7,149)</b>	<b>32,979</b>	<b>25,830</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	10,156	-	(2,051)	144	-	8,249	(8,249)	-
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>746</b>	<b>-</b>	<b>210</b>	<b>144</b>	<b>-</b>	<b>1,100</b>	<b>24,730</b>	<b>25,830</b>
Transfers to/(from) Earmarked Reserves (Note 8)	402	32	-	-	(434)	-	-	-
<b>(Decrease) / Increase In Year</b>	<b>1,148</b>	<b>32</b>	<b>210</b>	<b>144</b>	<b>(434)</b>	<b>1,100</b>	<b>24,730</b>	<b>25,830</b>
<b>Balance 31 March 2020</b>	<b>7,060</b>	<b>8,760</b>	<b>8,597</b>	<b>1,330</b>	<b>197</b>	<b>25,944</b>	<b>162,342</b>	<b>188,286</b>
<b>Movement in reserves during the year</b>								
Surplus/(Deficit) on provision of services	5,499	-	4,713	-	-	10,212	-	10,212
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(34,442)	(34,442)
<b>Total Comprehensive Income and Expenditure</b>	<b>5,499</b>	<b>-</b>	<b>4,713</b>	<b>-</b>	<b>-</b>	<b>10,212</b>	<b>(34,442)</b>	<b>(24,230)</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	8,172	-	(3,567)	(563)	-	4,042	(4,042)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>13,671</b>	<b>-</b>	<b>1,146</b>	<b>(563)</b>	<b>-</b>	<b>14,254</b>	<b>(38,484)</b>	<b>(24,230)</b>
Transfers to/(from) Earmarked Reserves (Note 8)	(9,137)	5,319	-	-	3,818	-	-	-
<b>(Decrease) / Increase In Year</b>	<b>4,534</b>	<b>5,319</b>	<b>1,146</b>	<b>(563)</b>	<b>3,818</b>	<b>14,254</b>	<b>(38,484)</b>	<b>(24,230)</b>
<b>Balance 31 March 2021</b>	<b>11,594</b>	<b>14,079</b>	<b>9,743</b>	<b>767</b>	<b>4,015</b>	<b>40,198</b>	<b>123,858</b>	<b>164,056</b>



## BALANCE SHEET AS AT 31 MARCH 2021

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 2021 £'000	31 March 2020 £'000
Property, plant and equipment	15	431,645	414,585
Heritage assets	17	2,265	3,640
Investment property	18	5,619	6,189
Intangible assets	19	506	501
Long-term debtors	24	111	166
<b>Long-term Assets</b>		<b>440,146</b>	<b>425,081</b>
Assets held for sale	21	461	763
Inventories	23	339	333
Short-term debtors	24	36,716	32,606
Cash and cash equivalents	25	28,740	23,045
<b>Current Assets</b>		<b>66,256</b>	<b>56,747</b>
Short-term borrowing	44	(2,158)	(16,837)
Short-term creditors	26	(30,956)	(20,429)
Short-term provisions	27	(363)	(413)
Capital grants receipts in advance	37	(3,509)	(1,993)
<b>Current Liabilities</b>		<b>(36,986)</b>	<b>(39,672)</b>
Long-term creditors	26	(156)	(159)
Long-term provisions	27	(4,684)	(4,767)
Long-term borrowing	44	(124,258)	(124,424)
Other long-term liabilities	41	(176,262)	(124,520)
<b>Long-term Liabilities</b>		<b>(305,360)</b>	<b>(253,870)</b>
<b>Net Assets</b>		<b>164,056</b>	<b>188,286</b>
Usable reserves	MIRS	40,198	25,944
Unusable reserves	11	123,858	162,342
<b>Total Reserves</b>		<b>164,056</b>	<b>188,286</b>

## CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2021

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	2020/21 £'000	2019/20 £'000
<b>Net Deficit on the provision of services</b>		<b>10,212</b>	<b>(7,149)</b>
Non Cash Items charged to the Income and expenditure Accounts	28	43,297	46,619
Cash items not Charged to the Income & Expenditure Account	28	(9,851)	(8,514)
Movements in Net Current Assets	28	7,846	(1,482)
<b>Net cash flows from operating activities</b>		<b>51,504</b>	<b>29,474</b>
<b>Net cash flows from Capital</b>	29	<b>(30,966)</b>	<b>(28,627)</b>
<b>Net cash flows from financing activities</b>	30	<b>(14,845)</b>	<b>6,373</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>5,693</b>	<b>7,220</b>
Cash and cash equivalents at the beginning of the financial year		23,045	15,825
<b>Cash and cash equivalents at the end of the financial year</b>	25	<b>28,738</b>	<b>23,045</b>

## **NOTES TO THE ACCOUNTS**

### **Expenditure and Funding Analysis**

The Expenditure and Funding Analysis (EFA) aims to show the real impact of the year's financial performance on the Council's balances. The Comprehensive Income and Expenditure Statement (CIES) includes many accounting adjustments such as depreciation and pension adjustments, which, by law, are not allowed to be funded by Council Tax. These are not true costs which affect Council usable balances. The CIES shows a surplus on the provision of services of £10.213m. This is also shown in column C, called Net Expenditure in the Comprehensive Income and Expenditure Statement, within the EFA. To ensure that these accounting costs do not affect Council tax payers and Council funds, these costs of £4.041m are cancelled out in the EFA and are also shown in the Movement in Reserves Statement (MIRS). These are shown in column B in the EFA called Adjustments between Funding and Accounting Basis. Column A on the EFA shows the costs properly incurred against Council Funds. This shows a surplus balance of £14.254m and it is calculated by deducting column B from column C. This helps to identify usable Council balances without these accounting adjustments. The impact of these statutory accounting adjustments is shown in the unusable reserves column in the Movement in Reserves Statement. Note 1a summarises the type of accounting adjustments which are not funded by the Council.

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

	£'000
<b>Council usable reserves/balances 1 April 2020</b>	<b>(25,944)</b>
Deficit/(surplus) on the Provision of Services 2020/21 – CIES	(10,213)
Adjustments to remove impact of accounting adjustments which do not affect the Council Fund – see Note 7	(4,041)
<b>Revised deficit/(surplus) affecting Council balances (including HRA)</b>	<b>(14,254)</b>
<b>Council usable reserves/balances 31 March 2021</b>	<b>(40,198)</b>

The above table shows that, when all the accounting adjustments (detailed in Note 7) are cancelled out, there was an underspend (surplus of income over expenditure) of £14.254m. This, therefore, led to an increase in Council usable balances to £40.198m.

## Summary of Movements in Council Reserves 2020/21

Summary of Movements in Council Balances/Reserves 2020/2021	Council Fund General Reserve	Council Fund Earmarked Reserves	Housing Revenue Account (HRA) Reserve	School Reserves	Capital receipts Reserve	Total Usable Reserves
Items impacting on the Council's Reserve 2020/21	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance on Council General Reserve 1 April 2020	(7,060)	(8,760)	(8,597)	(197)	(1,330)	(25,944)
Net overspend/(underspend) 2020/21	(4,204)	-	(1,145)	-	-	(5,349)
Council Balance after overspend/(underspend)	(11,264)	(8,760)	(9,742)	(197)	(1,330)	(31,293)
Net transfers from/(to) Reserves for approved funding	(329)	(5,319)	-	(3,818)	563	(8,905)
<b>General Reserve Balance at 31 March 2021</b>	<b>(11,593)</b>	<b>(14,079)</b>	<b>(9,742)</b>	<b>(4,015)</b>	<b>(767)</b>	<b>(40,198)</b>

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

### NOTE 1a – NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS 2020/21

2020/21

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Lifelong Learning	3,663	1,174	880	5,717
Adult Services	472	1,152	329	1,953
Children's Services	138	573	140	851
Housing	10	192	6	208
Highways, Property and Waste	4,607	575	114	5,296
Regulation and Economic Development	1,056	569	243	1,868
Transformation	569	289	34	892
Resources	16	323	92	431
Council Business	1	140	24	165
Corporate and Democratic Costs	-	(940)	23	(917)
Non-distributed costs	-	7	-	7
Housing Revenue Account (HRA)	(3,917)	292	58	(3,567)
				-
<b>Net Cost of Services</b>	<b>6,615</b>	<b>4,346</b>	<b>1,943</b>	<b>12,904</b>
Other Income and Expenditure from the Funding Analysis	(11,776)	2,913	-	(8,863)
<b>Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit</b>	<b>(5,161)</b>	<b>7,259</b>	<b>1,943</b>	<b>4,041</b>

2019/20

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

## NOTE 1b – SEGMENTAL INCOME

The table below shows the total of the Council's income from fees, charges and rents for the provision of services. This excludes grant income and council tax income.

Services	2020/21 Income from Services £'000	2019/20 Income from Services £'000
Lifelong Learning	(397)	(1,390)
Adult Services	(5,525)	(5,301)
Housing	(120)	(70)
Highways, Property and Waste	(2,191)	(2,788)
Regulation and Economic Development	(1,165)	(2,778)
Transformation	(53)	(45)
Resources	(117)	(151)
Council Business	(213)	(402)
Corporate and Democratic Costs	(129)	(111)
Housing Revenue Account (HRA)	(18,785)	(18,585)
<b>Total Income</b>	<b>(28,695)</b>	<b>(31,621)</b>

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) requires disclosure of the expected impact of any accounting standards that have been issued but not yet adopted.

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

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

The Code requires implementation from 1 April 2021 and therefore there is no impact on the 2020/21 Statement of Accounts, and none of the new or amended standards within the 2021/22 Code are expected to have a material impact on the information provided in the financial statements.

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

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

- IFRS 16 – Leases. The requirement to adopt IFRS16 has been deferred to 2021/2022

## **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. Consequently, 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.



## NOTE 4

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

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

The following items in the Council's Balance Sheet at 31 March 2021 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.

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

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

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

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

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

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

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

**Impairment Loss Allowance** – As at 31 March 2021, the Council had a net debtor balance of £36.827m. A review of arrears balance suggested that impairment for doubtful debts of £6.149m was appropriate. Any differences between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Impairment loss allowances/provision for bad debts are contained within the figures for Short-Term Debtors contained in Note 24.

**Fair Value Measurement** – The majority of the Council's assets are measured at Fair Value, with the exception of infrastructure, community assets and assets under construction which are valued at depreciated historical cost. Note 51 sections 7 and 8 provides further information on this.

#### **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 Draft Statement of Accounts was authorised for issue by the Council's Section 151 Officer on 14 June 2021.

Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

2020/21	Usable Reserves				Movement in Unusable Reserves  £'000
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b><i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>					
Charges for depreciation, impairment and amortisation of non-current assets	10,588	3,956	-	-	(14,544)
Revaluation losses on Property, Plant and Equipment	(56)	(94)	-	-	150
Movements in the market value of Investment Properties loss/(gain)	542	-	-	-	(542)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(13,571)	(5,377)	-	-	18,948
Revenue expenditure funded from capital under statute	258	-	-	-	(258)
Derecognition - replaced parts	4,925	5,654	-	-	(10,579)
Carrying amount of non-current assets sold	673	-	-	-	(673)
<b><i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>					
Minimum Revenue Provision for Capital Funding	(2,696)	(800)	-	-	3,496
Capital expenditure charged against the Council Fund and HRA balances	(363)	(7,245)	-	-	7,608
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Proceeds from Sale of Non-Current Assets	(953)	-	953	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(1,516)	-	1,516
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(27)	(11)	-	-	38
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	16,817	292	-	-	(17,109)
Employer's pensions contributions and direct payments to pensioners payable in the year	(9,851)	-	-	-	9,851
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>					
Adjustments in relation to short-term compensated absences	1,885	58	-	-	(1,943)
<b>Total Adjustments</b>	<b>8,171</b>	<b>(3,567)</b>	<b>(563)</b>	<b>-</b>	<b>(4,041)</b>

2019/20	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b><i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>					
Charges for depreciation, impairment and amortisation of non-current assets	9,872	3,776	-	-	(13,648)
Revaluation losses on Property, Plant and Equipment	945	(31)	-	-	(914)
Movements in the market value of Investment Properties loss/(gain)	(294)	-	-	-	294
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(13,954)	(4,202)	-	-	18,156
Revenue expenditure funded from capital under statute	125	-	-	-	(125)
Derecognition - replaced parts	3,281	6,213	-	-	(9,494)
Carrying amount of non-current assets sold	1,062	-	-	-	(1,062)
<b><i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>					
Minimum Revenue Provision for Capital Funding	(2,655)	(816)	-	-	3,471
Capital expenditure charged against the Council Fund and HRA balances	(224)	(7,609)	-	-	7,833
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Proceeds from Sale of Non-Current Assets	(1,194)	-	1,194	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(1,050)	-	1,050
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(101)	(42)	-	-	143
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	20,796	999	-	-	(21,795)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,104)	(410)	-	-	8,514
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>					
Adjustments in relation to short-term compensated absences	602	71	-	-	(673)
<b>Total Adjustments</b>	<b>10,157</b>	<b>(2,051)</b>	<b>144</b>	<b>-</b>	<b>(8,250)</b>

## NOTE 8 – EARMARKED RESERVES

	Balance as at 01/04/2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance as at 31/03/2020 £'000	Transfers In 2020/21 £'000	Transfers Out 2020/21 £'000	Balance as at 30/03/2021 £'000
Capital - Revenue contributions unapplied	1,111	180	(448)	843			843
Restricted Reserves	3,805	1,950	(1,573)	4,182	2,781	(1,759)	5,204
Recycling Process Income	635			635			635
Earmarked Grant Funding				-	838		838
Recycling	268	250	(268)	250			250
Archaeological Works at Wylfa				-	625		625
Support People Admin	774		(69)	705		(146)	559
Restricted Contingency Funded Projects	112	20		132	486	(2)	616
Leisure (VAT CLAIM)	773		(10)	763			763
Covid Recovery planning				-	565		565
Digital Transformation				-	581		581
Support for savings				-	581		581
Covid Hardship funding council tax collection				-	769		769
Insurance Fund	1,250	-	-	1,250	344	(344)	1,250
<b>Total</b>	<b>8,728</b>	<b>2,400</b>	<b>(2,368)</b>	<b>8,760</b>	<b>7,570</b>	<b>(2,251)</b>	<b>14,079</b>

### Purpose of Earmarked Revenue Reserves

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

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

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

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

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

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

## NOTE 9 – SCHOOLS BALANCES

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

	Balance 1 April 2019 £'000	Addition / (Reduction) for 2019/20 £'000	Balance 31 March 2020 £'000	Addition / (Reduction) for 2020/21 £'000	Balance 31 March 2021 £'000
Community and Voluntary Primary Schools	788	54	842	1,933	2,775
Community Secondary Schools	(258)	(435)	(693)	1,670	977
Community Special School	(60)	(24)	(84)	24	(60)
Foundation Primary School	161	(29)	132	191	323
<b>Total</b>	<b>631</b>	<b>(434)</b>	<b>197</b>	<b>3,818</b>	<b>4,015</b>

At 31 March 2021, One of the forty primary schools had balances in a deficit position (nine as at 31 March 2020). One of the five secondary schools are in a deficit position at the end of the financial year (three as at 31 March 2020), the Special school is also in a deficit position at 31<sup>st</sup> March 2021. The combined value of the schools in deficit is £0.326m (£1.2m as at 31 March 2020). Copies of the Section 52 Statements, which each Council is required to prepare after the end of each financial year under Section 52(2) of the School Standards and Framework Act 1998, can be obtained from the Accountancy Section, Resources Function, County Offices, Llangefni, Anglesey, LL77 7TW.

## NOTE 10 – CAPITAL RECEIPTS RESERVE

These are cash receipts from the sale of Council assets. These are used to fund capital expenditure in the year or to carry forward for future years. A balance of £0.767m will be carried forward to 2021/22 to help fund next year's capital programme.

	2020/21 £'000	2019/20 £'000
<b>Balance 1 April</b>	1,330	1,186
Capital Receipts in year (net of reduction for administration costs)	953	1,194
	<b>2,283</b>	<b>2,380</b>
<b>Less:</b>		
Receipts set aside to repay debt	-	-
Capital Receipts used for financing	(1,516)	(1,050)
Other	-	-
<b>Balance 31 March</b>	<b>767</b>	<b>1,330</b>

## NOTE 11 – UNUSABLE RESERVES

	31/03/2021 £'000	31/03/2020 £'000
a) Capital Adjustment Account	154,358	146,341
b) Financial Instruments Adjustment Account	(393)	(431)
c) Revaluation Reserve	149,546	142,402
ch) Pensions Reserve	(176,261)	(124,520)
d) Accumulating Compensated Absences Adjustment Account	(3,393)	(1,450)
<b>Total Unusable Reserves</b>	<b>123,857</b>	<b>162,342</b>

### NOTE 11a CAPITAL ADJUSTMENT ACCOUNT

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

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

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

Capital Adjustment Account	2020/21		2019/20	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>146,341</b>		<b>137,949</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and amortisation of non-current assets	(14,544)		(13,648)	
Derecognised assets	(10,579)		(9,494)	
Revaluation losses on Property, Plant and Equipment	150		(914)	
Revenue expenditure funded from capital under statute	(258)		(125)	
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	(673)		(1,062)	
		<b>(25,904)</b>		<b>(25,243)</b>
Adjusting amounts written out of the Revaluation Reserve		2,895		2,831
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(23,009)</b>		<b>(22,412)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,516		1,050	
Use of capital reserve	363		224	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	18,948		18,156	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	3,496		3,470	
Capital expenditure charged against the Council Fund and HRA balances	7,245		7,609	
		<b>31,568</b>		<b>30,509</b>
Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement		<b>(542)</b>		<b>295</b>
<b>Balance at 31 March</b>		<b>154,358</b>		<b>146,341</b>

## NOTE11b – FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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



<b>Financial Instruments Adjustment Account</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
<b>Balance at 1 April</b>	<b>(431)</b>	<b>(574)</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	38	143
<b>Balance at 31 March</b>	<b>(393)</b>	<b>(431)</b>

#### **NOTE 11 c – REVALUATION RESERVE**

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

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

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

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

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

<b>Revaluation Reserve</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
<b>Balance at 1 April</b>	<b>142,402</b>	<b>131,743</b>
Revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	10,039	13,487
Difference between fair value depreciation and historical cost depreciation	(2,574)	(2,053)
Revaluation balances on assets scrapped or disposed of	(321)	(775)
<b>Balance at 31 March</b>	<b>149,546</b>	<b>142,402</b>

## NOTE 11ch – PENSIONS RESERVE

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

<b>Pensions Reserve</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
<b>Balance at 1 April</b>	<b>(124,520)</b>	<b>(130,730)</b>
Re-measurement of net defined liability	(17,109)	(21,795)
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	(44,483)	19,491
Employers' pension contribution and direct payment to pensioners payable in the year	9,851	8,514
<b>Balance at 31 March</b>	<b>(176,261)</b>	<b>(124,520)</b>

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

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

## NOTE 11d – ACCUMULATING COMPENSATED ABSENCES ADJUSTMENT ACCOUNT

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

<b>Accumulating Compensated Absences Adjustment Account</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
Settlement or cancellation of accrual made at the end of the preceding year	(1,450)	(776)
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	(1,943)	(674)
<b>Amounts accrued at the end of the current year</b>	<b>(3,393)</b>	<b>(1,450)</b>

## NOTE 12 – OTHER OPERATING EXPENDITURE

	2020/21 £'000	2019/20 £'000
Precept paid to North Wales Police Authority	9,164	8,780
Precept paid to Community Councils	1,480	1,441
(Surplus)/Losses on the disposal of non-current assets (Including Derecognition)	10,299	9,356
Levies paid to North Wales Fire and Rescue Authority, Natural Resources Wales and Towyn Trewan Board of Conservators	3,598	3,528
<b>Total</b>	<b>24,541</b>	<b>23,105</b>

## NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

### 13a – Financing and Investment Income

	2020/21 £'000	2019/20 £'000
Interest payable and similar charges	5,886	6,007
Net interest on the defined liability	2,912	3,260
Interest receivable and similar income	(50)	(149)
Income and Expenditure in relation to investment properties and changes in their fair value	279	(499)
Derecognition and impairment of Financial Assets	306	326
<b>Total</b>	<b>9,333</b>	<b>8,945</b>

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

	2020/21 £'000	2019/20 £'000
<b>(Income)/Expenditure from Investment Properties:</b>		
Income including rental income	(373)	(349)
Expenditure	111	140
<b>Net Expenditure/(Income) from investment properties</b>	<b>(262)</b>	<b>(209)</b>
<b>(Surplus)/Deficit on sale of Investment Properties:</b>		
Proceeds from sale	-	(100)
Carrying amount of investment properties sold	-	105
<b>(Surplus)/Deficit on sale of Investment Properties</b>	<b>-</b>	<b>5</b>
<b>Changes in Fair Value of Investment Properties</b>	<b>541</b>	<b>(295)</b>
<b>Total</b>	<b>279</b>	<b>(499)</b>

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

	2020/21 £'000	2019/20 £'000
Council Tax Income	51,452	49,433
Non-Domestic Rates Redistribution	24,313	22,754
Revenue Support Grant	76,692	73,037
Capital Grants Applied to Fund Capital Expenditure	18,948	18,156
<b>Total</b>	<b>171,405</b>	<b>163,380</b>

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

2020/21	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2020</b>	<b>153,573</b>	<b>199,204</b>	<b>102,764</b>	<b>15,109</b>	<b>9</b>	<b>3,789</b>	<b>4,518</b>	<b>478,966</b>
Additions (Note 20)	8,184	5,257	4,440	4,634	-	8,293	-	30,808
Revaluation inc./(decr.) to Revaluation Reserve	-	4,556	-	-	-	-	329	4,885
Revaluation inc./(decr.) to (Surplus) / Deficit on the Prov. of Services	-	(215)	-	-	-	-	(94)	(309)
Derecognition - Disposals	-	(463)	-	(527)	-	-	-	(990)
Derecognition - other	-	(4,859)	(2,243)	-	-	-	(51)	(7,153)
Derecognition - replaced parts	(5,654)	(4,085)	-	-	-	-	(2,739)	(12,478)
Reclassification	(1,384)	1,139	-	-	-	2,984	-	2,739
Reclassification to Assets Held for Sale	-	(186)	-	-	-	-	-	(186)
Reclassified from Investment Property	-	-	-	-	-	-	7	7
Reclassified to Investment Property	-	(51)	-	-	-	-	-	(51)
Reclassified from Heritage Assets	-	-	-	-	250	-	-	250
<b>Balance as at 31 March 2021</b>	<b>154,719</b>	<b>200,297</b>	<b>104,961</b>	<b>19,216</b>	<b>259</b>	<b>15,066</b>	<b>1,970</b>	<b>496,488</b>
<b>Depreciation and Impairment</b>								
<b>At 1 April 2020</b>	<b>10,670</b>	<b>9,604</b>	<b>33,640</b>	<b>10,412</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>64,381</b>
Depreciation Charge	3,701	5,757	3,784	1,095	-	-	11	14,348
Depreciation written out to Revaluation Reserve	-	(5,799)	-	-	-	-	(9)	(5,808)
Depreciation written out to (Surplus) or Deficit on the Provision of Services	-	(559)	-	-	-	-	(2)	(561)
Derecognition - Disposals	-	(153)	-	(527)	-	-	-	(680)
Derecognition - other	-	(4,859)	(1,928)	-	-	-	(51)	(6,838)
<b>Balance as at 31 March 2021</b>	<b>14,371</b>	<b>3,991</b>	<b>35,496</b>	<b>10,980</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>64,842</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2021</b>	<b>140,348</b>	<b>196,306</b>	<b>69,465</b>	<b>8,236</b>	<b>259</b>	<b>15,066</b>	<b>1,966</b>	<b>431,646</b>
<b>Balance as at 31 March 2020</b>	<b>142,903</b>	<b>189,600</b>	<b>69,124</b>	<b>4,697</b>	<b>9</b>	<b>3,789</b>	<b>4,463</b>	<b>414,585</b>

2019/20	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2019</b>	<b>147,974</b>	<b>179,745</b>	<b>96,249</b>	<b>13,575</b>	<b>9</b>	<b>11,222</b>	<b>3,446</b>	<b>452,220</b>
Additions (Note 20)	11,812	4,749	6,515	1,534	-	3,835	-	28,445
Revaluation inc./(decr.) to Revaluation Reserve	-	8,483	-	-	-	-	412	8,895
Revaluation inc./(decr.) to (Surplus) / Deficit on the Prov. of Services	-	(1,166)	-	-	-	-	17	(1,149)
Derecognition - replaced parts	(6,213)	(3,069)	-	-	-	-	-	(9,282)
Reclassification	-	10,732	-	-	-	(11,268)	535	(1)
Reclassifications & Transfers from Assets Held for Sale	-	-	-	-	-	-	108	108
Reclassification to Assets Held for Sale	-	(270)	-	-	-	-	-	(270)
<b>Balance as at 31 March 2020</b>	<b>153,573</b>	<b>199,204</b>	<b>102,764</b>	<b>15,109</b>	<b>9</b>	<b>3,789</b>	<b>4,518</b>	<b>478,966</b>
<b>Depreciation and Impairment</b>								
<b>At 1 April 2019</b>	<b>7,149</b>	<b>9,092</b>	<b>30,071</b>	<b>9,401</b>	-	-	<b>55</b>	<b>55,768</b>
Depreciation Charge	3,521	5,316	3,569	1,011	-	-	8	13,425
Depreciation written out to Revaluation Reserve	-	(4,567)	-	-	-	-	(8)	(4,575)
Depreciation written out to (Surplus) or Deficit on the Provision of Services	-	(237)	-	-	-	-	-	(237)
<b>Balance as at 31 March 2020</b>	<b>10,670</b>	<b>9,604</b>	<b>33,640</b>	<b>10,412</b>	-	-	<b>55</b>	<b>64,381</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2020</b>	<b>142,903</b>	<b>189,600</b>	<b>69,124</b>	<b>4,697</b>	<b>9</b>	<b>3,789</b>	<b>4,463</b>	<b>414,585</b>
<b>Balance as at 31 March 2019</b>	<b>140,825</b>	<b>170,653</b>	<b>66,178</b>	<b>4,174</b>	<b>9</b>	<b>11,222</b>	<b>3,391</b>	<b>396,452</b>

## Revaluations

The Council has £433.910m recognised as Property, Plant and Equipment and Heritage Assets on its Balance Sheet as at the valuation date of 31 March 2021. The Council has now adopted a five-year rolling programme for the valuation of its land and property. However, PPE assets with a fair value of £500k or more are revalued each year. The programme is constructed in such a way as to ensure that entire classes of assets within its land and property portfolio greater than £500k are revalued in a single year. The valuations are undertaken by the Council's in-house valuation team who are members of the Royal Institute of Chartered Surveyors (RICS). The valuations have been completed in accordance with IFRS 13. Non-property assets have not been revalued as the Council has judged that the carrying value of these assets is approximate to fair value, given their relatively short useful economic lives and the relative value of these assets. Additional information on the Council's policy on the measurement and valuation of non-current assets is included in sections 7 to 10 of Note 51 Accounting Policies.

## NOTE 16 - SIGNIFICANT CAPITAL COMMITMENTS

At 31 March 2021, 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 £5.023m in 2021/22 and future years as shown in the table below.

	<b>Commitment into 2021/22 &amp; future years as at 31 March 2021 £'000</b>
Planned Maintenance Contracts - HRA	1,722
Development of New Properties - HRA	1,111
Waste Fleet	2,190
<b>Total</b>	<b>5,023</b>

## NOTE 17 – HERITAGE ASSETS

2020/21

	Art Collection and Civic Regalia £'000	Heritage Land & Buildings £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>			
<b>At 1 April 2020</b>	<b>2,110</b>	<b>1,866</b>	<b>3,976</b>
Additions	11	-	11
Derecognition	-	(875)	(875)
Revaluation increase/(decrease) to the Revaluation	-	(542)	(542)
Revaluation increase/(decrease) to Surplus/Deficit on	-	(128)	(128)
Transfer to Community Assets	-	(250)	(250)
Transfer from Investment Properties	-	73	73
<b>At 31 March 2021</b>	<b>2,121</b>	<b>144</b>	<b>2,265</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>At 1 April 2020</b>	-	<b>336</b>	<b>336</b>
Depreciation Charge	-	53	53
Depreciation Charge written out to the Revaluation Reserve	-	(17)	(17)
Depreciation Charge written out to the Surplus/Deficit on the Provision of Services	-	(22)	(22)
Derecognition	-	(350)	(350)
<b>At 31 March 2021</b>	-	-	-
<b>Net Book Value</b>			
<b>At 31 March 2021</b>	<b>2,121</b>	<b>144</b>	<b>2,265</b>
<b>At 31 March 2020</b>	<b>2,110</b>	<b>1,530</b>	<b>3,640</b>

2019/20

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



## **Revaluation of Heritage Assets**

A number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. At 31 March 2021, there was one such asset:

Melin Llynnon Mill

The revaluation of this asset follows the Council's standard revaluation procedures for land and property. The Heritage Assets were last revalued in 2018/19, with those over £500k being revalued in 2020/21 as per the Council's revaluation procedures.

Beaumaris Gaol and Courthouse were transferred freehold to Beaumaris Town Council during 2020/21.

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

## NOTE 18 – INVESTMENT PROPERTIES

### a) Investment Properties

	2020/21 £'000	2019/20 £'000
<b>Balance at start of the year</b>	6,190	6,000
Disposals	-	(105)
Net gains/(losses) from fair value adjustments	(541)	295
Transfers:		
- (to)/from Property, Plant and Equipment	44	-
- (to)/from Heritage Assets	(73)	-
<b>Balance at end of the year</b>	<b>5,620</b>	<b>6,190</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has one contractual obligation to construct and develop an industrial unit at Penrhos, Holyhead, as part of a joint venture with the Welsh Government. These will be operational in 2021/22

### b) Fair Value Measurement of Investment Properties

#### 2020/21 Fair Value Hierarchy

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Fair Value as at 31 March 2021
	£'000	£'000	£'000	£'000
Retail Properties	-	780	-	780
Office units	-	679	-	679
Commercial units	-	4,160	-	4,160
<b>Total</b>	<b>-</b>	<b>5,619</b>	<b>-</b>	<b>5,619</b>

#### 2019/20 Fair Value Hierarchy

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

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

### Retail

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

### Investment Properties

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

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

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

Expenditure and Income on Investment Properties	2020/21 £000	2019/20 £000
<b>Expenditure</b>		
Repairs and Maintenance	18	54
Energy Costs	29	31
Rates	14	10
Cleaning and Domestic Supplies	3	6
Other premises costs	31	13
Supplies and Services	16	26
<b>Expenditure</b>	<b>111</b>	<b>140</b>
<b>Income</b>		
Fees and Charges	(8)	(5)
Rental income	(340)	(344)
Grants and other contributions	(25)	-
<b>Income</b>	<b>(373)</b>	<b>(349)</b>
<b>Net Expenditure/(Income)</b>	<b>(262)</b>	<b>(209)</b>

## NOTE 19 – INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.143m charged to revenue in 2020/21 was charged to the IT Administration cost centre within the Transformation line of the Net Expenditure of Services.

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

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

	2020/21 £'000	2019/20 £'000
<b>Balance at start of year:</b>		
Gross carrying amounts	1,841	1,970
Accumulated amortisation	(1,339)	(1,268)
<b>Net carrying amount at start of year</b>	<b>502</b>	<b>702</b>
Additions	147	181
Derecognition	(961)	(310)
Amortisation for the financial year	(143)	(169)
Amortisation - Derecognition	961	98
<b>Net carrying amount at end of year</b>	<b>506</b>	<b>502</b>
<b>Comprising:</b>		
Gross carrying amounts	1,027	1,841
Accumulated amortisation	(521)	(1,339)
<b>Net carrying amount at end of year</b>	<b>506</b>	<b>502</b>

## NOTE 20 - CAPITAL EXPENDITURE AND FINANCING

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

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

<b>Capital Expenditure and Financing</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
<b>Opening Capital Financing Requirement</b>	<b>136,904</b>	<b>138,661</b>
<b>Capital Invested in Year</b>		
Property, Plant and Equipment	30,807	28,446
Intangible Assets	147	181
Heritage Assets	12	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	2,162	1,388
<b>Total</b>	<b>33,128</b>	<b>30,015</b>
<b>Source of Finance</b>		
Capital receipts	(1,516)	(1,050)
Reserve	(363)	(224)
Government Grants and Contributions	(18,948)	(18,156)
Revenue Provisions	(7,245)	(7,609)
REFCUS Grants	(1,904)	(1,263)
Minimum Revenue Provision and Set Aside	(3,496)	(3,470)
<b>Total</b>	<b>(33,472)</b>	<b>(31,772)</b>
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>(344)</b>	<b>(1,757)</b>
<b>Closing Capital Financing Requirement</b>	<b>136,560</b>	<b>136,904</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow supported by Government assistance	1,242	817
Increase in underlying need to borrow unsupported by Government assistance	509	300
Loan	1,401	596
Minimum Revenue Provision and Voluntary Set Aside	(3,496)	(3,471)
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>(344)</b>	<b>(1,758)</b>

## NOTE 21 – ASSETS HELD FOR SALE

	Current	
	31 March 2021 £'000	31 March 2020 £'000
<b>Balance outstanding at start of year</b>	<b>763</b>	<b>1,557</b>
<b>Assets newly classified as held for sale:</b>		
Transferred from Property, Plant and Equipment during the year	186	270
Transfer to Property, Plant and Equipment	-	(108)
Transfer to Investment Property		-
Costs of Assets Sold	(363)	(956)
Revaluation	(125)	-
<b>Balance outstanding at year-end</b>	<b>461</b>	<b>763</b>

## NOTE 22 – LEASES

### Operating Leases

The Council had leased eleven properties at 31 March 2021 for its homelessness function (one property at 31 March 2020) and the lease rentals for the year totaled £0.003m (£0.028m in 2019/20).

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 £0.121m in 2020/21 (£0.175m in 2019/20).

During the year, the Council leased out a number of other assets on short-term leases which have, therefore, remained on the Council's Balance Sheet.

The Council currently has one vehicle leased with the agreement ended in April 2020. A monthly charge is now paid until a decision is made whether to purchase or return to the supplier. Consequently, it is not on the Council's Balance Sheet but an annual charge of £5.4k is incurred for this vehicle.

As at 31 March 2021, Beaumaris Gaol and Court has been transferred to Beaumaris Town Council on a freehold basis and has been taken off the Balance Sheet. The leasing out of Melin Llynnon is not yet complete and, therefore, still in the Council's ownership. It is likely that Melin Llynnon will be leased as an operating lease and will remain on the Balance Sheet.

## 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 2021 £'000	31 March 2020 £'000
Salt Stock	137	137
Gofal Môn - Social Services Supplies	62	62
Other - Stationery and other consumables, fuel and goods held for resale	140	134
<b>Total</b>	<b>339</b>	<b>333</b>

## NOTE 24 – DEBTORS

	31 March 2021 £'000	31 March 2020 £'000
Trade Receivables	2,287	3,131
Prepayments	1,191	1,342
Other Receivable Amounts	33,349	28,299
<b>Total</b>	<b>36,827</b>	<b>32,772</b>

The above debtors' figures are net of bad debt provisions totaling £6.149m in 2020/21 (£5.767m in 2019/20), which can be analysed as follows:-

	31 March 2021 £'000	31 March 2020 £'000	Movement in Year
Council Tax	2,005	1,839	166
NDR	473	513	(40)
Rents	584	544	40
Trade Debtors	1,536	1,368	168
Other	1,551	1,503	48
<b>Total</b>	<b>6,149</b>	<b>5,767</b>	<b>382</b>

## NOTE 25 - CASH AND CASH EQUIVALENTS

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

	31 March 2021 £'000	31 March 2020 £'000
Cash and Bank balances	28,739	23,045
Bank Overdraft	-	-
<b>Total</b>	<b>28,739</b>	<b>23,045</b>

## NOTE 26 – CREDITORS

	31 March 2021 £'000	31 March 2020 £'000
Trade Creditors	2,470	2,130
Other Payables	28,642	18,458
<b>Total</b>	<b>31,112</b>	<b>20,588</b>

## NOTE 27 – PROVISIONS

	Balance at 1 April 2019 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2020 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2021 £'000
Insurance Claims Provision	270	345	(278)	337	356	(403)	290
Penhesgyn Waste Site	4,805	-	(39)	4,766	-	(82)	4,684
Home Carers Travel Provision	159	-	(119)	40	-	(40)	-
G & A Additional Learning Needs & Inclusion Service	-	37	-	37	36	-	73
<b>Total</b>	<b>5,234</b>	<b>382</b>	<b>(436)</b>	<b>5,180</b>	<b>392</b>	<b>(525)</b>	<b>5,047</b>
<b>Short-Term Provisions</b>	<b>429</b>	<b>382</b>	<b>(397)</b>	<b>414</b>	<b>392</b>	<b>(443)</b>	<b>363</b>
<b>Long-Term Provisions</b>	<b>4,805</b>	<b>-</b>	<b>(39)</b>	<b>4,766</b>	<b>-</b>	<b>(82)</b>	<b>4,684</b>
<b>Total</b>	<b>5,234</b>	<b>382</b>	<b>(436)</b>	<b>5,180</b>	<b>392</b>	<b>(525)</b>	<b>5,047</b>

### Purpose of Main Provisions

#### Insurance Claims Provision

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

#### Penhesgyn Waste Site

The provision is for the aftercare of the areas of the site formerly used for landfill. There is no defined timescale for this work to be completed although, for management purposes, a time span of 30 years has been used on an ongoing basis until there is evidence that a shorter period would be sufficient. This funds annual decontamination works at Penhesgyn each year and provides for the risk of the culvert at the site collapsing.



## Other Short-term Provisions created in 2020/21

A provision of £0.040m held in relation to Home Carers' Travel was brought forward from 2019/20. The final settlement payments were made during the year and as a result this provision is no longer required

A provision of £0.036m had been created within 2019/20 as the council is liable to contribute towards the central services costs of the Gwynedd and Anglesey Additional Learning Needs and Inclusion Service, a service that is hosted by Gwynedd Council to date an agreement has not yet been reached and as a result the provision has been increased.

## NOTE 28 – CASH FLOW FROM OPERATING ACTIVITIES

	2020/21 £'000	2019/20 £'000
<b>Adjustment to surplus or deficit on the Provision of Services for non-cash movements</b>		
Depreciation, Impairment and amortisation	14,544	13,648
Downward/(upwards) revaluations and non-sale derecognitions	10,429	10,408
(Increase)/Decrease in Inventories	(6)	(33)
(Increase)/Decrease in Debtors	(4,055)	(2,853)
Increase/(Decrease) in Creditors	10,524	2,280
Increase/(Decrease) in Capital Grants receipts in advance	1,516	(822)
Transactions within the CIES relating to retirement benefits	7,258	13,281
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	673	1,062
(Increase)/Decrease in Provisions	(133)	(54)
Movement in value of investment properties - Impairment and downward revaluations (and non-sale derecognitions)	542	(294)
<b>Total</b>	<b>41,292</b>	<b>36,623</b>

## NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

	2020/21 £'000	2019/20 £'000
<b>Capital Expenditure</b>		
Purchase of Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets	(30,807)	(28,446)
Short-term Investments (not considered to be cash equivalents)	(147)	(181)
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	(12)	-
Capital Grants and Contributions Received		
<b>Net Cash flows from Investing Activities</b>	<b>(30,966)</b>	<b>(28,627)</b>

## NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

	2020/21 £'000	2019/20 £'000
<b>Movement in Borrowing</b>		
Long Term Borrowing	(14,679)	9,302
Short Term Borrowing	(166)	(2,928)
<b>Net Cash flows from Financing Activities</b>	<b>(14,845)</b>	<b>6,374</b>

## NOTE 31 – NATURE OF EXPENSES NOTE

### NOTE 31a

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

	2020/21 £'000	2019/20 £'000
<b>Expenditure</b>		
Employee benefits	95,249	98,951
Other services	122,590	109,001
Depreciation, amortisation, impairment and revaluations	15,085	13,353
Interest Payments	8,798	9,279
De-recognition and Impairment of Financial Assets	306	321
Precepts and levies	14,242	13,749
Gain on the disposal of assets	10,299	9,356
<b>Total Expenditure</b>	<b>266,568</b>	<b>254,010</b>
<b>Income</b>		
Fees, charges and other service income	(28,720)	(31,621)
Interest and investment income	(312)	(316)
Income from Council Tax, Non-Domestic Rates	(75,765)	(72,187)
Government grants and contributions	(172,077)	(142,189)
<b>Total Income</b>	<b>(276,873)</b>	<b>(246,313)</b>
<b>Surplus or Deficit on the provision of services</b>	<b>(10,305)</b>	<b>7,697</b>

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

#### Income from service recipients

Local authorities were required to implement a new financial standard, IFRS 15 Revenue from Contracts with Customers, from 1 April 2018. This applies to income from individuals or organisations who have contracted to receive a service or goods from the Council as part of the Authority's normal operating activities. The term 'Contracts' is interpreted widely to include most of the Council's fees, charges and rents where services/goods are provided for those fees, charges and rents. Contracts can be written, oral or implied by the Council's normal business practices. Statutory charges such as Council Tax, Non Domestic Rates (NDR) and fines are excluded from IFRS 15 and are not included in any of the information about income from service recipients. Grants and contributions are also excluded. The Council receives significant grants and contributions each year. Note 37 provides details of grants and contributions received by the Council for 2020/21 and 2019/20.

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

<b>Revenue From Contracts with Service Recipients</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Revenue From Contracts with Service Recipients	(28,695)	(31,621)
Impairment of receivables or contract assets	262	(2)
<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>(28,433)</b>	<b>(31,623)</b>

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

<b>Amounts included in the Balance Sheet for Contracts with Service Recipients</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>
Receivables, which are included in debtors (Note 24)	8,752	6,078
Contract Assets	-	-
Contract Liabilities	-	-
<b>Total included in Net Assets</b>	<b>8,752</b>	<b>6,078</b>

Most transactions the Council enters into with service recipients are straightforward. All transaction prices are based on the Council's Fees and Charges booklet which has been approved by the Executive and which are outlined on the Council's website at the following link/web address <https://www.anglesey.gov.uk/en/Council/Council-finances/Council-fees-and-charges.aspx>

Service recipients, typically, are given 14 days to pay the Council fees and charges owed. This excludes fees and charges payable at the point of provision of the goods/services.

Contracts can relate to the financial year from 1 April 2020 to 31 March 2021. Any income not received by the end of March is accrued to match with the services provided. Some income is received at the same time as the service/good is provided, for example, sale of gifts in the Oriel shop, admission for a swimming session at the Leisure Centres. One of the most complex income types relates to fees and charges for complex Adult Social Care placements. These charges can be deferred until income is available from sale of property. The Adult Services does recognise this income each financial year, despite it being deferred to match with the period when the care is provided.

## **NOTE 32 – TRADING OPERATIONS**

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

### NOTE 33 - MEMBERS' ALLOWANCES

A total of £0.693m (£0.700m in 2019/20) was paid in respect of allowances to Council Members during the year as follows:-

	2020/21 £'000	2019/20 £'000
Basic and Special responsibility allowances	576	582
Chairman and Deputy Chairman's Allowance	12	12
Pension Costs	59	48
National Insurance Costs	46	46
Travel Costs	(4)	6
Subsistence	-	1
Miscellaneous	4	5
<b>Total</b>	<b>693</b>	<b>700</b>

In addition, the Council spent £13,404 on expenses for lay members (£24,025 in 2019/20).

### NOTE 34 – OFFICERS' REMUNERATION

The number of employees whose actual remuneration paid was more than £60k but not more than £150k in 2020/21, excluding pension contributions but including severance pay, is as follows:-

Officer Remuneration	Non-Schools 2020/21 Number of Employees	Non-Schools 2019/20 Number of Employees	Schools 2020/21 Number of Employees	Schools 2019/20 Number of Employees
£60,000 to £64,999	1	1	17	3
£65,000 to £69,999	1	1	4	3
£70,000 to £74,999	1	1	2	1
£75,000 to £79,999	3	4	2	1
£80,000 to £84,999	2	-	-	1
£85,000 to £89,999	3	2	3	1
£90,000 to £94,999	-	-	1	-
£95,000 to £99,999	1	-	-	-
£100,000 to £104,999	-	-	-	-
£105,000 to £109,999	-	1	-	-
£110,000 to £114,999	-	-	-	-
£115,000 to £119,999	-	-	-	-
£120,000 to £124,999	1	-	-	1
<b>Total</b>	<b>13</b>	<b>10</b>	<b>29</b>	<b>11</b>

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

Senior Officer Remuneration 2020/21	Salary, Fees and Allowances £'000	Expenses Allowances £'000	Compensation for loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive	121	-	-	26	147
Deputy Chief Executive	100	-	-	21	121
Director of Function (Council Business) / Monitoring Officer	81	-	-	17	98
Director of Function (Resources) & S151	89	-	-	19	108
Director of Social Services *	22	-	-	5	27
Director of Social Services (interim) *	71	-	-	15	86
Director of Education, Skills and Young People	89	-	-	19	108
Director of Place & Community Wellbeing **	-	-	-	-	-
Head of Service: HR & Transformation	79	-	-	17	96
Head of Service: Housing	82	-	-	18	100
Head of Regulation and Economic Development (interim)	79	-	-	17	96
Head of Service: Children & Families	17	-	-	4	21
Head of Service: Adult Services (interim) *	63	-	-	13	76
Head of Service: Highways, Waste & Property	79	-	-	17	96
<b>Total</b>	<b>971</b>	<b>-</b>	<b>-</b>	<b>208</b>	<b>1,180</b>

\* Director of Social Services left post on 30/06/2020 and the Head of Children's Service was appointed as an Interim to the Director Post. A Head of Adult Services was appointed on an interim basis.

\*\* The Director of Place & Community Wellbeing remains vacant

The remuneration ratio of the Chief Executive to the median remuneration of all employees during 2020/21 is 6.12:1 (6.24:1 in 2019/20). The median salary for all employees is £19,698. This is the salary at the mid-point of all employees' salaries, from lowest to highest.

Comparative figures for 2019/20 are shown in the following table:-

Senior Officer Remuneration 2019/20	Salary, Fees and Allowances £'000	Expenses Allowances £'000	Compensation for loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive *	59	-	-	11	70
Chief Executive **	59	-	-	11	70
Deputy Chief Executive ***	40	-	-	7	47
Assistant Chief Executive ***	47	-	-	9	56
Director of Function (Council Business) / Monitoring Officer	78	-	-	15	93
Director of Function (Resources) & S151	87	1	-	16	104
Director of Social Services	87	1	-	16	104
Director of Education, Skills and Young People	50	1	-	9	60
Director of Place & Community Wellbeing	49	1	-	9	59
Head of Service: HR & Transformation	76	1	-	14	91
Head of Service: Housing	75	1	-	14	90
Head of Regulation and Economic Development ***	15	-	-	3	18
Head of Lifelong Learning ***	32	1	-	6	39
Head of Service: Children & Families	78	1	-	15	94
Head of Service: Highways, Waste & Property	74	1	-	14	89
<b>Total</b>	<b>906</b>	<b>9</b>	<b>-</b>	<b>169</b>	<b>1,084</b>

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

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

\*\*\* Note: Assistant Chief Executive left post on 30/09/2019 and Deputy Chief Executive commenced on 04/11/2019.  
Head of Regulation and Economic Development in post since 20/01/2020.  
Head of Lifelong Learning left post on 31/08/2019.

## NOTE 35 - TERMINATION PAYMENTS

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

Exit Cost Band (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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
							£'000	£'000
£0 - £20,000	11	38	16	29	27	67	68	315
£20,001 - £40,000	-	1	-	5	-	6	-	175
£40,001 - £60,000	-	-	1	-	1	-	50	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £250,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11</b>	<b>39</b>	<b>17</b>	<b>34</b>	<b>28</b>	<b>73</b>	<b>118</b>	<b>490</b>

## NOTE 36 – EXTERNAL AUDIT FEES

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

	2020/21 £'000	2019/20 £'000
Fees payable to Audit Wales with regard to external audit services carried out by the appointed auditor for the year	192	192
Fees payable to Audit Wales in respect of statutory inspections	100	100
Fees payable to Audit Wales for the certification of grant claims and returns for the year	45	135
<b>Total</b>	<b>337</b>	<b>427</b>

## NOTE 37 – GRANTS INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21 and 2019/20 as follows:-

	Note	2020/21 £'000	2019/20 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>			
Revenue Support Grant (Non-ring-fenced Government Grants)	14	76,692	73,037
Capital Grants and Contributions	14	13,571	13,954
Grant - HRA (Capital Grants and Contributions)	14	5,377	4,202
Other (Non-ring-fenced Government Grants)	14	-	-
<b>Total</b>		<b>95,640</b>	<b>91,193</b>
<b>Credited to Services</b>			
<b>Grants:</b>			
Post-16 Grant (Education)		2,671	2,320
Flying Start (Education)		1,393	1,410
Foundation Phase Grants (Education)		-	-
Education Improvement Grant (Education)		2,773	2,847
Pupil Development Grant (Education)		1,677	1,685
Concessionary Fares Grant		2,011	728
Housing Benefit Subsidy		15,375	16,774
Supporting People Grant (SPG & SPRG)		2,266	2,644
Environment and Sustainable Development Grant		523	691
<b>Total</b>		<b>28,689</b>	<b>29,099</b>
<b>Other Grants:</b>			
Lifelong Learning		7,005	4,760
Adult Services		2,982	1,008
Children's Services		2,544	897
Housing		2,969	1,330
Highways, Property and Waste		4,175	1,922
Economic Development and Regulatory		3,782	2,609
Corporate Transformation		360	222
Resources		10,050	600
Council Business		121	10
Corporate and Democratic Costs		1,260	10
Corporate Finance		-	-
Housing Revenue Account		46	13
<b>Total</b>		<b>35,294</b>	<b>13,381</b>
<b>Contributions:</b>			
		12,454	8,515
<b>Total</b>		<b>172,077</b>	<b>142,188</b>

## Capital Grants Received in Advance

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

Capital Grants and Contributions Received in Advance	2020/21 £'000	2019/20 £'000
<b>Welsh Government Capital Grants and Contributions Received in Advance:</b>		
Welsh Government contribution to Construction in Penrhos	1,900	713
Contaminated Land	25	35
Gateway Units	646	-
21st Century Schools	-	388
Childcare small grant scheme	-	152
Area of Outstanding Natural Beauty Grant	100	100
Community Disabled Hub Grant	10	10
Hwb IT Infrastructure Grant	195	-
Green Recovery Grant	96	-
Circular Economy Grant	77	-
Anglesey Sustainable Landscapes, Sustainable Places	26	-
Green Spine Anglesey Project	60	-
TMF Grant	-	124
Local Transport Fund	-	87
Other	7	-
<b>Capital Grants and Contributions Received in Advance from other Organisations:</b>		
Housing Commuted Sums	342	167
Holyhead Gateway Reclamation	-	139
Market Hall HLF	-	54
Other	25	24
<b>Total</b>	<b>3,509</b>	<b>1,993</b>

## NOTE 38 – RELATED PARTIES

The Council is required to disclose information in relation to the authority's transactions and outstanding balances with its related parties. The materiality of individual transactions arising through related parties and the following disclosures are concerned with transactions between the Council and its related parties. Details regarding joint committees and joint arrangements can be found in Note 46 Joint Committees.

### Members

Members are responsible for the direct control of the policies of the Council. The total members' allowances paid during 2020/21 is shown in Note 33. The Council appoints members to certain public, charitable and voluntary bodies, which are independent from the Council but have an impact on its service areas. In order that the Council can maintain effective partnerships with a number of these organisations, representatives of the Council, usually elected Councilors, sit on the various committees and forums that are responsible for them. A list of the outside bodies and the Council's representation can be found in Appendix 1.



During 2020/21, a total of £3.260m was paid in grants for the purchase of services from these bodies (£3.087m in 2019/20). A summary of the individual organisations (where not disclosed elsewhere) which have transactions with the Council in excess of £0.02m:-

## 2020/21

Related Party	Relationship	Payments Made £'000	Amount owed by the Council £'000	Amounts owing to the Council £'000
Grwp Llandrillo Menai	Member appointed by the Council to be a representative	236	2	5
Medrwn Môn	Member appointed by the Council to be a representative	322	-	-
University Of Wales - Bangor	Member appointed by the Council to be a representative	21	-	18
Ynys Môn C AB Ltd	Member appointed by the Council to be a representative	80	-	-
		<b>659</b>	<b>2</b>	<b>23</b>

## 2019/20

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

The Council is a member of the Welsh Local Government Association, to which subscriptions of £0.099m were paid in 2020/21 (£0.096m in 2019/20).

Members have declared interests in contracts or in organisations which may have dealings with the Council in the Statutory Register of Members' Interests, which can be found on the Council's website. A total of £0.583m was paid by the Council in 2020/21 in relation to these interests where a form of control or significant influence exists (£0.838m 2019/20).

## Senior Officers

Senior Officers are required to complete a personal declaration of interest, stating any interests they may hold with any organisation which may receive payments from the council. No material related party transaction occurred in relation to senior officers in 2020/21. Senior Officers' remuneration totals can be seen under Note 34.

## **Government**

Welsh Government has effective control over the general operations of the Council as it provides the statutory framework within which the Council operates. It also provides the majority of the Council's funding is in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. council tax, housing benefits). Details of Grant Income is set out in Note 37. Totals for Taxation and Non-Specific Tax is included in Note 14.

Betsi Cadwaladr University Health Board (BCUHB), through common control by central Government, is a related party to the Council. Payments made by the Council for 2020/21 to BCUHB amounted to £1.189m (£1.162m 2019/20) and £0.457m (£0.348m 2019/20) was owing at year-end. Receipts taken in by the Council from BCUHB came to £6.132 (£4.410m 2019/20), with £1.354m (£1.632m 2019/20) due from our related party at year-end.

## **INTERESTS IN COMPANIES**

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

### **Cwmni Cynnal Cyf**

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

The company accounts for 2019/20 show a net loss of £0.149m (£0.175m loss 2018/19). The turnover for 2019/20 was £1.923m (£2.188m 2018/19). The company's published accounts show net assets of £0.371m as at 31 March 2020 (net liabilities were £0.782m at 31 March 2019).

Copies of the financial statements are available from Cwmni Cynnal Cyf, Penrallt, Caernarfon, Gwynedd. The auditor's report on the accounts for the financial year ended 31 March 2020 is not qualified. During 2020/21 financial year, the Council accounted for costs of £0.521m (£0.625m 2019/20) relating to the purchase of services from the company.

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

The Council also has interests in the following companies:-

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

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

During the 2020/21 financial year, the Council accounted for £0.252m (£0.402m 2019/20) for purchase of services from the company.

The company accounts for 2018/19 (that is to year ended 30 September) show a net negative movement in funds of £10.755m (net positive movement in funds of £7.774m in 2017/18). The turnover for 2018/19 was £47.666m (£45.114m 2017/18) and net assets amounted to £36.477m as at 30 September 2019 (£47.232m as at 30 September 2018).

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 2019 is not qualified.

### **Menter Môn Cyfyngedig**

The Council is a member of Menter Môn Cyf, and was one out of a total of three members at 31 March 2021. The company's objectives are to promote economic growth in rural Anglesey. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to £1.

During the 2020/21 financial year, the Council made payments of £0.466m to the company in support of the activities (£0.100m 2019/20).

The company accounts for the financial year ended 31 December 2019 shows net loss before tax of £0.172m (net loss before tax of £0.146m in 2018). The turnover for 2019 was £4.365m (£5.050m in 2018) and net liabilities amounted to £0.596m as at 31 December 2019 (net assets of £0.206m in 2018).

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 2019 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 £0.699m at 31 March 2021 (£0.725m at 31 March 2020), on a combination of valuation and historical cost, less depreciation. The non-current assets are vested in the school's Governing Body and are not consolidated in this Council's Balance Sheet.

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

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

During 2020/21, 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 Association (Reg. 1174536)**

The Isle of Anglesey Charitable Association, previously the Isle of Anglesey Charitable Trust, was established by the Isle of Anglesey Borough Council, a forerunner of the County Council, to administer investments purchased from monies received from Shell (UK) Limited when the company ceased to operate an Oil Terminal on Anglesey.

The new Organisation is a separate legal entity with the same charitable purposes as the Isle of Anglesey Charitable Trust. The existing assets and liabilities of the Isle of Anglesey Charitable Trust have been transferred to the new entity from 1 October 2019 following a formal resolution by the Trustees on 24 September 2019.

The objectives of the Charitable Association 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 the accounting period of 01 October 2019 to 30 September 2020, the Council received £0.215m from the Association towards the running costs of Oriel Ynys Môn.

### **Welsh Church Fund**

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

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

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

On 31 March 2021, the estimated balances of these Trust funds (at market value of the assets) are:-

<b>Pre Audited Statement Summary</b>	<b>2020/21 Income £'000</b>	<b>2020/21 Expenditure £'000</b>	<b>2020/21 Assets £'000</b>	<b>2020/21 Liabilities £'000</b>
The Isle of Anglesey Charitable Association (accounting year 01.10.19-30.09)	457	893	21,344	1,912
Welsh Church Fund	3	0	894	21
Anglesey Further Education Trust Fund	133	190	3,113	17

<b>Audited Statement Summary</b>	<b>2019/20 Income £'000</b>	<b>2019/20 Expenditure £'000</b>	<b>2019/20 Assets £'000</b>	<b>2019/20 Liabilities £'000</b>
Anglesey Further Education Trust Fund	136	188	3,170	17

The total value of the other funds, including investments at market value, is £0.112m as at 31 March 2021 (£0.106m as at 31 March 2020).

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

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

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

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

In 2020/21, the Council paid £5.371m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.27% of pensionable pay (£4.612m and 20.05% in 2019/20).

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.

The Council acts as guarantor for the organisation Caterlink which provides school meals in Anglesey's schools. If Caterlink becomes insolvent, is wound up or liquidated the Council will pay Caterlink's pensions contributions. This is because Council catering staff transferred to Caterlink under TUPE rules when the service was externalised. In addition, if the employer's contribution rate rises above a certain level under the terms of the contract, the Council is obliged to refund Caterlink that additional cost. The contract with Caterlink will be ending during 2021/22 with a new company commencing with the school meals provision from September 2021 onwards.

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

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

	2020/21 £'000	2019/20 £'000
<b>Service cost comprising:</b>		
Current service cost	14,190	18,117
Losses on settlements or curtailments	7	418
<b>Total Service cost</b>	<b>14,197</b>	<b>18,535</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest cost on defined benefit obligation	9,254	10,787
Interest Income on scheme Assets	(6,342)	(7,527)
<b>Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service</b>	<b>17,109</b>	<b>21,795</b>
Return on Plan Assets (excluding amounts included in net interest expense)	(74,203)	46,482
Actuarial losses / (gains) arising on changes in demographic assumptions	6,618	(15,239)
Actuarial losses / (gains) arising on changes in financial assumptions	115,778	(37,219)
Other	(3,710)	(13,515)
<b>Total re-measurement of net defined benefit liability</b>	<b>44,483</b>	<b>(19,491)</b>
<b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>61,592</b>	<b>2,304</b>
Reversal of net charges made for retirement benefits in accordance with the code	7,258	13,281
<b>Actual amount charged against the Council Fund balance for pensions in the year:</b>		
Employers' contributions payable to scheme	9,851	8,514
<b>Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service</b>	<b>17,109</b>	<b>21,795</b>

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

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the Scheme as at 31 March 2021.

Amounts included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows:	31 March 2021 £'000	31 March 2020 £'000
Present Value of Scheme Assets	357,955	274,492
Present Value of Scheme Liabilities	(534,216)	(399,012)
<b>Net liability arising from defined obligation</b>	<b>(176,261)</b>	<b>(124,520)</b>

## Reconciliation of Present Value of the Scheme Liabilities

	2020/21 £'000	2019/20 £'000
<b>Balance as at 1 April</b>	<b>399,012</b>	<b>443,266</b>
Current service cost	14,190	18,117
Interest cost	9,254	10,787
Contributions from scheme participants	2,632	2,511
Remeasurement losses / (gains)	118,686	(65,973)
Past service costs	7	418
Estimated unfunded benefits paid	(998)	(1,009)
Estimated benefits paid	(8,567)	(9,105)
<b>Balance as at 31 March</b>	<b>534,216</b>	<b>399,012</b>

## Reconciliation of Present Value of the Scheme Assets

	2020/21 £'000	2019/20 £'000
<b>Opening Fair Value of Scheme Assets as at 1 April</b>	<b>274,492</b>	<b>312,536</b>
Interest Income	6,342	7,527
Return on plan assets (excl. net interest expense)	74,203	(46,482)
Contributions by members	2,632	2,511
<b>Contributions by employer</b>	<b>8,853</b>	<b>7,505</b>
Contributions in respect of unfunded benefits	998	1,009
Unfunded benefits paid	(998)	(1,009)
Benefits paid	(8,567)	(9,105)
<b>Balance as at 31 March</b>	<b>357,955</b>	<b>274,492</b>

### c) Fair Value of Scheme Assets

The table below shows a difference between 2019/20 and 2020/21 in the categorisation of equities and other investments between the Prices Quoted in Active Markets and Prices Not quoted in Active Markets. The Pension fund managers have since 2018/19 started to move investments from those quoted in active markets to two global pooled funds in the Wales Pensions Partnership (WPP). These investments are shown within Investment Funds and Unit Trusts which are not quoted in open markets.

More information about the Gwynedd Pension Fund in its entirety is available on the following link: <https://www.gwyneddpensionfund.wales/en/Home.aspx>

The Council's share of the Pension Scheme assets comprise:-

	2020/21 Prices Quoted in Active Markets £'000	2020/21 Prices not quoted in Active Markets £'000	2019/20 Prices Quoted in Active Markets £'000	2019/20 Prices not quoted in Active Markets £'000
Cash and cash equivalents	2,066		1,360	-
Private Equity	-	22,257	-	15,956
Investment Funds and Unit Trusts				
Equities	-	229,343	-	184,082
Infrastructure	-	6,310	-	6,312
Other	-	69,589	-	39,695
Real Estate				
UK Property	-	28,391	-	27,055
Overseas property	-	-	-	32
<b>Total Value – All Assets</b>	<b>2,066</b>	<b>355,889</b>	<b>1,360</b>	<b>273,132</b>
<b>Total Value of Active and Non-Active Assets</b>		<b>357,955</b>		<b>274,492</b>

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

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

	31 March 2021	31 March 2020
Cash and cash equivalents	1%	0%
Equity investment (by industry type)		
Private equity	6%	6%
Investment Funds and Unit Trusts		
Equities	64%	67%
Infrastructure	2%	2%
Other	19%	14%
Real Estate		
UK Property	8%	10%
<b>Total</b>	<b>100%</b>	<b>100%</b>



## ch) Scheme History

Analysis of scheme assets and liabilities:-

	31 March 2021 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2017 £'000
Fair Value of Assets in pension scheme	357,955	274,492	312,536	288,424	275,083
Present Value of Defined Benefit Obligation	(534,216)	(399,012)	(443,266)	(390,612)	(380,591)
<b>(Deficit)/Asset in the Scheme</b>	<b>(176,261)</b>	<b>(124,520)</b>	<b>(130,730)</b>	<b>(102,188)</b>	<b>(105,508)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The present value of defined benefit obligations of £534.216m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £176.261.

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:-

	2020/21	2019/20
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	21.5 years	21.3 years
Women	23.9 years	23.4 years
<i>Longevity at 65 for future pensioners:</i>		
Men	22.7 years	22.2 years
Women	25.9 years	25.1 years
Inflation/Pension Increase Rate	2.85%	1.90%
Salary Increase Rate	3.15%	2.20%
Expected Return on Assets	29.20%	-7.30%
Rate for discounting scheme liabilities	2.00%	2.30%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2008	50.00%	50.00%
Service post April 2008	75.00%	75.00%

## 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 £57.419m 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 £6.436m. A 0.5% increase in the pensions' rate could increase liabilities by £49.725m. The estimations in the sensitivity analysis have been calculated in accordance with professional actuarial assumptions, IAS 19 and FRS 102.

This means that the use of the 0.5% assumptions below were selected by the specialist actuary in accordance with his/her professional judgement. The Actuary would have taken into account current and past information. Information about people's lifespans and demographic information would have also influenced this.

Change in assumptions as at 31 March 2021	Approximate % increase to employer	Approximate Monetary Amount £'000
0.5% decrease in real discount rate	11%	57,419
0.5% increase in the salary increase rate	1%	6,436
0.5% increase in pension increase rate	9%	49,725

#### e) **Impact on the Authority's Cash Flows**

The objective of the scheme is to keep employers' contributions at as constant a rate as possible. The Council has a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed by 31 March 2022.

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

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

The liabilities show underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £176.261m 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 2021/22**

The Council anticipates paying £9.245m contributions to the scheme in 2021/22.

The amount outstanding to Gwynedd Council in respect of the LGPS contributions for 2020/21 as at 31 March 2021 is £0.955m and is included in the short-term creditors' disclosure note.

## **NOTE 42 – CONTINGENT LIABILITIES**

### **Section 117 Mental Health Act 1983**

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

### **Risk of Costs arising from the Schools' Rationalisation Programme**

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

### **Other Risks relating to Social Services**

Damages/cost order against the Council is a possibility in a Court of Protection matter where the Authority has caused delay to a service user whose advocate has had to issue an application in the Court of Protection to force the Authority to fulfil its statutory obligations.

A case has been brought against the Authority where the Authority has failed in its duty to promote reasonable contact between two children in its care and their parents. The Court made a number of findings against the Local Authority and asked that the matter be referred to the Official Solicitor for consideration of any possible claims that could be brought on behalf of the children.

## **NOTE 43 – CONTINGENT ASSETS**

### **Legal Charges**

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

## **NOTE 44 – FINANCIAL INSTRUMENTS**

Financial instruments are contractual agreements between two or more parties regarding a right to payment of money. One party would have a financial asset where money or another financial asset is given to the other party, in exchange for the agreed return of the money or financial instrument, often with interest or a favorable return on the investment. The transaction would be a financial liability for the other party or parties. This would be the agreement to repay the money at the contracted time and for the agreed return. For example, the Council's main financial assets are its investments in bank deposits. Table 44b shows that Council had financial assets of £20.066m in bank deposit accounts. In exchange for these, the Council will have the money returned when requested and will also earn interest at a fixed rate for the duration of the investments. These transactions are financial liabilities for the UK banks the Council has deposits with, as the money will be repaid to the Council.

The cost of this liability to the banks is the interest it pays to the Council. Examples of financial assets are cash, bank deposits, trade receivables (debtors), equities, bonds and derivatives. Examples of financial liabilities are borrowings, trade payables (creditors) and any contractual obligation to deliver cash or financial assets to another entity.

## Financial Assets

Note 44a shows the different categories of financial assets required by IFRS 9 and the value of the Council's financial assets at 31 March 2021. It also provides the value of non-financial assets, which includes the value of Land and Property and other assets. The Council can only enter into financial assets and liabilities in accordance with the Council's Treasury Management Strategy Statement. The Strategy specifies strict criteria, therefore the Council can only invest in financial assets which are highly secure and which can be accessed when the Council needs the cash. Most investments are deposits in UK banks which meet the Council's credit rating criteria, or loans to other local authorities. These all fall under the IFRS 9 classification of Financial Assets measured at Amortised cost as highlighted by Note 44a.

Measurement by Amortised cost starts with the initial acquisition amount and is then reduced (impaired) for any expected credit losses. If the Council held more complex financial assets, such as equities or money market instruments, these would be measured at fair value and classified as one of the differing fair value categories as relevant.

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

Financial Assets	Non-Current			
	Investments		Debtors	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
Fair value through profit or loss	-	-	-	-
Amortised Cost	28,740	23,045	8,752	6,078
Fair value through other comprehensive income - designated equity instruments	-	-	-	-
Fair value through other comprehensive income - other	-	-	-	-
<b>Total Financial Assets</b>	<b>28,740</b>	<b>23,045</b>	<b>8,752</b>	<b>6,078</b>
Non-financial assets	441,085	426,011	28,075	26,694
<b>Total</b>	<b>469,825</b>	<b>449,056</b>	<b>36,827</b>	<b>32,772</b>

Note 44b provides a more detailed breakdown of the Council's financial assets. The table shows the carrying amount of the financial assets. This is the value of the financial assets in the Balance Sheet based on amortised cost. The fair value is also provided; this is a more current value which would be the price to sell the financial assets on 31 March 2021. This was calculated by Link Asset Services. The valuation was based on a comparison of the deposits with a comparable investment with the same/similar lender. The financial assets are split between investments and debtors. The investments are the cash deposits in UK banks and a minor amount in cash. The other cash and cash equivalents relate to the amounts held for operational banking and payment of day-to-day costs. The Council also lent £5m in short-term loans to another local authority. The amounts held as cash and cash equivalents in UK bank deposit accounts are surplus to the day-to-day needs but which will be required in the future. These earn interest for the period invested. The other category of financial assets is debtors. These relate to organisations or individuals who owe the Council money. The most significant are trade debtors and other debtors which relate to amounts due for services received. Employee loans are also shown; these are soft loans which mainly relate to car loans for members of staff who travel more extensively on Council business. The loans were provided at lower than market value rate due to the need for work-related travel. Debtors exclude transactions with government departments, and income and payments arising from taxation, including Council Tax and business rates

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

Financial Assets	Short-term				Long-term				Total			
	31/03/2021		31/03/2020		31/03/2021		31/03/2020		31/03/21		31/03/20	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets held at amortised cost</b>												
<b>Cash and cash equivalents</b>												
Cash and cash equivalents - deposits	20,066	20,067	14,208	14,212	-	-	-	-	20,066	20,067	14,208	14,212
Other Cash and cash equivalents	3,674	3,674	2,837	2,837	-	-	-	-	3,674	3,674	2,837	2,837
Loans to other Local Authorities	5,000	5,002	6,000	6,007					5,000	5,002	6,000	6,007
<b>Total</b>	<b>28,740</b>	<b>28,743</b>	<b>23,045</b>	<b>23,056</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,740</b>	<b>28,743</b>	<b>23,045</b>	<b>23,056</b>
<b>Debtors</b>												
Rents	375	375	460	460	-	-	-	-	375	375	460	460
Employee loans	208	208	197	197	97	97	152	152	305	305	349	349
Trade Debtors	2,287	2,287	3,131	3,131	-	-	-	-	2,287	2,287	3,131	3,131
Other Debtors	5,784	5,784	2,138	2,138			-	-	5,784	5,784	2,138	2,138
<b>Total</b>	<b>8,655</b>	<b>8,655</b>	<b>5,926</b>	<b>5,926</b>	<b>97</b>	<b>97</b>	<b>152</b>	<b>152</b>	<b>8,752</b>	<b>8,752</b>	<b>6,078</b>	<b>6,078</b>
<b>Total Financial Assets</b>	<b>37,395</b>	<b>37,398</b>	<b>28,971</b>	<b>28,982</b>	<b>97</b>	<b>97</b>	<b>152</b>	<b>152</b>	<b>37,492</b>	<b>37,495</b>	<b>29,123</b>	<b>29,134</b>

## Financial Liabilities

All of the Council's Financial Liabilities are classified as Financial Liabilities at Amortised Cost. This is shown in Note 44c. The note shows the value of non-financial liabilities. The non-financial liabilities at 31 March 2021 includes the Pension Fund Liability of £176.261m.

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

Financial Liabilities	Non-Current			
	Borrowings		Creditors	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Amortised Cost	126,417	141,261	19,554	13,926
<b>Total Financial Liabilities</b>	<b>126,417</b>	<b>141,261</b>	<b>19,554</b>	<b>13,926</b>
Non-financial Liabilities	-	-	196,375	138,355
<b>Total</b>	<b>126,417</b>	<b>141,261</b>	<b>215,929</b>	<b>152,281</b>

Note 44ch below details the types of financial liabilities held by the Council. The Council's borrowing liabilities amounted to £126.417m at 31 March 2021. This is the borrowing taken out over the years to fund capital expenditure on the construction of or refurbishment of Council assets. The short-term loans are the amounts due to be repaid by 31 March 2022. The long-term loans are due to be paid in more than one year's time. A summary of the Council's loans portfolio and maturity profile is provided in Note 45c. The main provider of loans to the Council is the Public Works Loans Board (PWLb) which is part of Central Government's Treasury Department. The Council has also borrowed from Welsh Government and Salix, at 0% interest which was used to fund energy efficient LED lighting. The remaining financial liabilities relate to creditors which are the individuals and/or organisations to which the Council owes money to for goods and services provided in 2020/21 or earlier. These are the invoices which are sent to the Council after the end of the financial year or where payment is due beyond 31 March 2021.

The fair value of the Council's borrowing was calculated by the Council's Treasury Management consultants, Link Asset Services. The total fair value on the Council's borrowing was £184.600m, significantly higher than the carrying value on the Balance Sheet of £126.417m at 31 March 2021. The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay, if the lender requested, or agreed to, early repayment of loans.

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

- Estimated ranges of interest rates at certainty rates (discounted by 0.2%) at 31 March 2021 for loans from the PWLB based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value; and
- The fair value of short-term debtors and creditors is deemed to be equivalent to their carrying amount at the Balance Sheet date.

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

Financial Liabilities	Short-term				Long-term				Total			
	31/03/2021		31/03/2020		31/03/2021		31/03/2020		31/03/2021		31/03/2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Financial liabilities held at amortised cost</b>												
<b>Borrowing</b>												
PWLB	1,893	1,893	16,542	16,759	121,877	180,388	121,891	168,335	123,770	182,281	138,433	185,094
Welsh Government	-	-	44	43	-	-	-	-	-	-	44	43
Salix	252	299	252	223	2,381	2,020	2,533	2,158	2,633	2,319	2,785	2,381
Other Loans	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,145</b>	<b>2,192</b>	<b>16,838</b>	<b>17,025</b>	<b>124,258</b>	<b>182,408</b>	<b>124,424</b>	<b>170,493</b>	<b>126,403</b>	<b>184,600</b>	<b>141,262</b>	<b>187,518</b>
<b>Creditors</b>												
Accumulated Absences	3,393	3,393	1,450	1,450	-	-	-	-	3,393	3,393	1,450	1,450
Rents	-	-	-	-	-	-	-	-	-	-	-	-
Trade Creditors	2,470	2,470	2,130	2,130	-	-	-	-	2,470	2,470	2,130	2,130
Other Creditors	12,259	12,259	8,991	8,991	-	-	159	159	12,259	12,259	9,150	9,150
<b>Total</b>	<b>18,122</b>	<b>18,122</b>	<b>12,571</b>	<b>12,571</b>	<b>-</b>	<b>-</b>	<b>159</b>	<b>159</b>	<b>18,122</b>	<b>18,122</b>	<b>12,730</b>	<b>12,730</b>
<b>Total Financial Liabilities</b>	<b>20,267</b>	<b>20,314</b>	<b>29,409</b>	<b>29,596</b>	<b>124,258</b>	<b>182,408</b>	<b>124,583</b>	<b>170,652</b>	<b>144,525</b>	<b>202,722</b>	<b>153,992</b>	<b>200,248</b>

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

The table below shows the impact of the Council's financial instruments held on the Council's annual revenue account for 2020/21.

The table shows that the Council was charged £306k (£322k in 2019/20) for the impairment and de-recognition of the financial assets noted above in Notes 44a and 44b. This reduced the value of the assets by this amount and charged the Comprehensive Income and Expenditure Statement (CIES). However, the Council received £50k (£149k in 2019/20) in interest from its deposits in UK banks and loans to other local authorities.

The interest payable on borrowings relating to 2020/21 was £5,886k (£6,007k in 2019/20).

	2020/2021		2019/2020	
Income, Expense, Gains and Losses	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000	Surplus or Deficit on the Provision of Services £'000	Other Comprehensive Income and Expenditure £'000
<b>Net (gain)/losses on:</b>				
Financial assets measured at amortised cost (impairment loss allowance and derecognition)	306	-	322	-
<b>Total net gains/losses</b>	<b>306</b>	<b>-</b>	<b>322</b>	<b>-</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	50	-	149	-
<b>Total interest revenue</b>	<b>50</b>	<b>-</b>	<b>149</b>	<b>-</b>
<b>Interest expense:</b>				
Financial liabilities measured at amortised cost	5,886	-	6,007	-
<b>Total interest expense</b>	<b>5,886</b>	<b>-</b>	<b>6,007</b>	<b>-</b>

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

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

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

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

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

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

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



## Credit Risk

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

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

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

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

Note 45a below shows the increases in impairment loss allowances for 2020/21.

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

Asset Class (amortised cost)	2020/21	2019/20
	Lifetime expected credit losses - not credit impaired	Lifetime expected credit losses - not credit impaired
	£'000	£'000
Opening Balance as at 1 April 2020	3,415	3,417
Deposits in UK Banks	-	-
Trade debtors (excluding public sector and taxation)	212	(32)
Soft Loans	(6)	(6)
Rents	56	36
<b>Total Impairment Allowance 31 March 2021</b>	<b>3,677</b>	<b>3,415</b>
Financial Assets that have been derecognised	44	324
<b>Total Impairment and Derecognition charged</b>	<b>306</b>	<b>322</b>

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

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

	Credit Risk Rating	Gross Carrying Value £000	Impairment Allowance required 2020/21 £0
<b>Simplified Approach - Council Policy</b>			
Day 1 to 14	2.00%	89	2
Outstanding 15-45 days	2.50%	385	10
Outstanding 46-75 days	4.50%	268	12
Outstanding 76-105 days	7.50%	170	13
Outstanding 106 - 182 days	15.00%	252	38
Outstanding 183 - 365 days	50.00%	318	159
Outstanding 366 - 730 days	75.00%	331	248
Outstanding 731 days or more	100.00%	787	787
<b>Housing Benefits Overpayments</b>	90.00%	1,639	1,475
<b>Deferred income - Social Services</b>	10.00%	456	46
<b>Additional credit risk from Covid-19</b>			
Day 1 to 14	2.00%	89	2
Outstanding 15-45 days	2.50%	385	10
Outstanding 46-75 days	4.50%	268	12
Outstanding 76-105 days	7.50%	170	13
Outstanding 106 - 182 days	5.00%	252	13
Rent	NA	NA	544
Soft Loans and other	15.07%	219	33
		6,078	3,415
<b>Total</b>		6,078	3,415

## Liquidity Risk

Liquidity Risk is low as the Council had no difficulty in the past in obtaining finance and has ready access to the Public Works Loans Board (PWLb) as lender of last resort. The key aims of the Treasury Management Strategy are to ensure the Authority is exposed to low risk and to ensure liquidity. The majority of the Authority's investments are in instant access deposit accounts. Therefore, there is a reduced risk that it will be unable to raise finance to meet its commitments under financial instruments. However, there is often a risk that the Council will need to renew a significant proportion of its borrowings at a time of high interest rates. The practice is to ensure that not more than 20% of loans are repayable within any two-year period and to continuously assess the market rates and forecasts in order to replace maturing loans or reschedule existing loans at the most beneficial time. The current low interest rates would reduce interest rates on new loans that are taken out to repay the debt maturing. To assist in achieving this, the Council uses external treasury management advisors. The maturity analysis of outstanding loans is shown in Note 45c below. Trade and other payables are due to be paid in less than one year.

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

	2020/21 Outstanding Principal £'000	2020/21 Accrued Interest £'000	2020/21 Total £'000	2019/20 Outstanding Principal £'000	2019/20 Accrued Interest £'000	2019/20 Total £'000
>50 years	-	-	-			
34-50 years	49,976	-	49,976	49,964	-	49,964
23-33 years	45,712	-	45,712	44,703	-	44,703
15-22 years	11,932	-	11,932	13,553	-	13,553
11-14 years	2,260	-	2,260	4,105	-	4,105
7-10 years	4,745	-	4,745	6,227	-	6,227
4-6 years	4,462	-	4,462	3,236	-	3,236
1-3 years	5,157	-	5,157	2,636	-	2,636
<b>Total Long-Term Borrowing</b>	<b>124,244</b>	<b>-</b>	<b>124,244</b>	<b>124,424</b>	<b>-</b>	<b>124,424</b>
<b>Total Short-Term Borrowing (&lt; 1 year)</b>	<b>266</b>	<b>1,892</b>	<b>2,158</b>	<b>14,808</b>	<b>2,030</b>	<b>16,838</b>
<b>Total</b>	<b>124,510</b>	<b>1,892</b>	<b>126,402</b>	<b>139,232</b>	<b>2,030</b>	<b>141,262</b>

### Market Risk

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

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

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

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

All of the Council's current and long-term borrowings are held at fixed rates. This helps reduce the impact of bank rate changes on the Council. Note 45ch shows the impact of a 1% interest rate increase on the fair value of the Council Financial Instruments. The value of the loans in the Balance Sheet would remain the same due to the interest rates being fixed. However, the fair value would reduce by £30.270m. The rate increase would have a positive impact on the Council's deposits as an extra £0.251m interest receivable would be received if there was a 1% increase in interest rates.

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

<b>Impact of a 1% interest rate increase</b>	<b>£'000</b>
Increase in value of fixed rate investment assets	251
<b>Impact on other Comprehensive Income and Expenditure</b>	<b>251</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income)	<b>30,270</b>

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

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

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

##### **Joint Planning Committee**

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

Gwynedd Council is responsible for the operation of this committee, and the year-end balances are reflected in its Balance Sheet. The 2020/21 accounts for the committee can be viewed by following:- <https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/Joint-Planning-Policy-Committee.aspx>

##### **GwE**

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

Gwynedd Council is responsible for the operation of this committee, and the year-end balances are reflected in its Balance Sheet. The 2020/21 accounts for the committee can be viewed by following:- <https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/GwE-Joint-Committee.aspx>

## **North Wales Economic Ambition Board**

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

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

<https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/North-Wales-Economic-Ambition-Board.aspx>

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

The North Wales Residual Waste Treatment Project (NWRWTP) entered a new phase during 2019/20 as the Parc Adfer waste treatment facility became operational. Deliveries of waste from the five partner authorities commenced on 27 August 2019 as the commissioning phase began, and the plant became fully operational on 20 December 2019. Service costs are now being incurred and are reflected under the Highways, Property and Waste part of the Comprehensive Income and Expenditure Statement. Flintshire Council will continue to act as lead authority on this project and the Joint Committee arrangements will remain in the future. Anglesey Council's share of the joint committee costs for 2020/21 were £124 and a copy of the 2019/20 accounts can be viewed using the following:

<https://committeemeetings.flintshire.gov.uk/ieListDocuments.aspx?CId=300&MId=4715&Ver=4&LLL=0>

The Isle of Anglesey County Council is also involved in various joint arrangements with neighbouring North Wales Councils and the Welsh Government are 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).
- Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between North Wales local authorities and the Betsi Cadwaladr University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1<sup>st</sup> April 2019. Denbighshire County Council is acting as host authority during the initial term of the agreement (2019/20 to 2021/22).
- The Transactions for Isle of Anglesey County Council are included under Adult Services in the Comprehensive Income and Expenditure Statement.
- Penrhos Industrial Estate – A new joint arrangement for 2020/21 with Welsh Government where the Council keeps 16% of the net income and the remainder is transferred to the Welsh Government. No rent for the Units were collected during 2020/21.

The three joint operations relating to Anglesey in 2020/21, which are a result of the Covid-19 crisis, are:

- Test, Trace and Protect Programme
- Temporary Mortuary at Mochdre
- Bus Emergency Scheme

#### 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 2020/21, £0.106m (£0.106m in 2019/20) 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 2020/21 was 31,532.53 (31,571.46 in 2019/20).

The amount for a band D property in 2020/21, £1,642.27 (£1,572.32 in 2019/20), is multiplied by the proportion specified for the particular band to give the amount due by band. Individual amounts due are calculated by applying discounts and benefits to the amount due by band.

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

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

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

Band	A*	A	B	C	D	E	F	G	H	I	Total
Total Dwellings	13	4,144	6,045	6,189	6,733	5,176	2,561	1,031	160	50	
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
Band "D" Equivalent	6.94	6.94	6.94	6.94	6.94	6.94	6.94	6.94	6.94	6.94	31,884.68

	2020/21	2019/20
Band D equivalent as above	31,884.68	31,928.10
Collection Rate	98.50%	98.50%
Revised Band D equivalent	31,406.41	31,449.18
MoD Properties – Band D equivalent	126.12	122.28
<b>Council Tax Base</b>	<b>31,532.53</b>	<b>31,571.46</b>

In 2013/14, the Welsh Assembly Government introduced the Council Tax Reduction Scheme to replace the Council Tax benefit scheme. £6.326m of Council Tax reductions were awarded in 2020/21 (£5.778 m in 2019/20).



<b>Analysis of the net proceeds from Council Tax:</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
<b>Gross Council Tax</b>	<b>51,801</b>	<b>49,618</b>
Add/Less: provision for non-payment not required or not previously accounted for	(182)	(185)
<b>Council Tax collectable</b>	<b>51,619</b>	<b>49,433</b>
Less Council Tax Reduction awarded to residents	(6,326)	(5,778)
<b>Net Proceeds from Council Tax</b>	<b>45,293</b>	<b>43,655</b>

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

NDR is organised on a national basis.

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

The Welsh Government specifies an amount for the rate 53.5p in 2020/21 (54.5p in 2019/20), 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 £8.042m for 2020/21 (£14.239m in 2019/20) and was based on rateable value at the year-end of £41.082m (£39.915m in 2019/20).

<b>Analysis of the net proceeds from non-domestic rates:</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
Non-domestic rates collectable	8,042	14,239
Cost of collection allowance	(168)	(159)
Provision for bad debts	33	15
Contribution to cost of charitable relief	78	63
Retail, Leisure and Hospitality Business Rates Relief	7,160	-
Scheme met from grant	(12)	440
High Street and Retail Relief met from grant		
<b>Payments into national pool</b>	<b>15,133</b>	<b>14,598</b>
<b>Redistribution from national pool</b>	<b>22,173</b>	<b>22,754</b>

#### **NOTE 50 - MARITIME**

The Council, as a Harbour Authority, is responsible for the following maritime services: Beaumaris, Fryars Bay, Glyn Garth, Menai Bridge, Red Wharf Bay and Amlwch Harbour. The Statutory Harbour Undertakings (Accounts, etc.) Regulations 1983, no. 931, exempts harbour authorities with a turnover of less than £250,000 from the requirement to prepare separate harbour accounts under the Harbours Act 1964. The income and expenditure for Maritime Services are, instead, included in these accounts within the expenditure and income for the Regulation and Economic Development Service. In 2020/21, the turnover on maritime services was £34,774 (£48,361.45 in 2019/20). Costs incurred during the year were £91,669 (which includes £18,809 of loan interest/capital repayment).



## NOTE 51 - AGENCY

### **Anglesey County Council acts as an agent for various schemes on behalf of the Welsh Government**

Houses into Homes £0.574m (£0.519m 19/20)  
Home Improvements £0.108m (£0.108m 19/20)  
Town Centre Scheme £0.475m (£0.475m 19/20)  
Empty Homes Renovation Scheme £0.127m (£0.141m 19/20)  
Horizon Bank Account £0.910m (£0.910m 19/20)

### **The Covid Pandemic**

During 2020-21 the Isle of Anglesey County Council has acted on behalf of the Welsh Government administering the different support grants made available to the residents and businesses of Anglesey during the pandemic. A total of £41million was compensated to Anglesey residents/businesses, supporting 2,499 individuals and establishments. The Authority has continued to provide core services throughout the pandemic in addition to dealing with the additional work associated with the circumstances, namely, Administering Covid Support Grants, Establishing and Supporting the Track, Trace and Protect Service, Covid Enforcement, and Additional Support for the homeless. Welsh Government have provided financial support via the Covid Hardship Fund to relieve the Authority of pressures associated with the additional costs (£6m) of the pandemic and associated loss of income (£2.3m).

<b>Agency Grants</b>	<b>Value</b>	<b>Number Supported</b>
Business Grant	£22,379,105	1,975
Covid Start Up	£147,500	59
Covid Childcare	£365	1
Freelancer	£395,000	72
Firebreak	£4,043,000	1,632
Christmas Restrictions	£4,484,000	1,480
Extensions	£4,493,000	1,492
March Business Grants	£5,311,000	1,289
Self - Isolation	£50,500	101
SSP Enhancement	£42,566.52	111

## NOTE 52 – 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 2020/21 financial year and its financial position at the year-end of 31 March 2021. 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 2020/21 and the CIPFA Service Reporting Code of Practice 2020/21, supported by International Financial Reporting Standards (IFRS). All principal accounting policies have been applied consistently throughout the year. The Statement of Accounts has been prepared on a "going concern" basis.

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

Transactions are accounted for in the year that they take place, not simply when cash payments are made or received. This accruals accounting approach provides a more complete basis for reporting the Council's financial performance as it includes the Council's future commitments to pay/receive cash for goods and services received but not paid by 31 March 2021. Income and expenditure is accounted for in the year the activity it relates to takes place, not simply when cash is paid or received, i.e. on an accruals basis. This means income is recorded when it is earned not received and expenditure when it is incurred not when it is paid. Income from the sale of goods is included in the accounts when the sale is completed, not when the cash is received. Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and, as a result of this, the Council is due income in return for the services provided. In addition:-

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

## **3. Events after the Balance Sheet Date**

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

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

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

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

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

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

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

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

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

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

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

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

## **7. Fair Value Measurement**

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

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

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

### **8.1 Recognition**

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

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

### **8.2 Measurement**

Assets are initially measured at cost, comprising:-

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

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

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

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

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

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

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

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

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

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

### **8.3 Impairment**

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

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

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

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

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

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

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

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

#### **8.4 Depreciation**

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

Depreciation is calculated on the following bases:-

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

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

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

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

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

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



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

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

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

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

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

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

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

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

## **8.7 Surplus Assets**

The fair value of surplus assets is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This will be based on the highest and best use estimated using Level 1 inputs.

## **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 2021 are included in the Balance Sheet of the Council as any unspent delegated schools' budgets remain the property of the Council.

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

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

## **9. Investment Properties**

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

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

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

## **10. Intangible Assets**

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

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

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

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

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

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

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

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

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

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

## **13. Financial Instruments**

### **13.1 Financial Liabilities**

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

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

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

## 13.2 Financial Assets

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

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

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

### Financial Assets Measured at Amortised Cost

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

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

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

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

## 13.3 Expected Credit Loss Model

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

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

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

For 2020/21, in respect of Sundry Debtors the following bad debt percentages applied:-

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

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

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

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

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

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

The following allowances are applied for periods up to six months:-

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

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

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

#### **Deferred charges**

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

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

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

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

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

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

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

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

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

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

### **13.5 The Financial Statements**

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

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

The Council does not have any available-for-sale financial assets and is unlikely to have any in the short-term as these financial assets are not included in the Treasury Management Strategy Statement 2020/21.

## **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.

### **14.2 Contingent Liabilities**

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

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

### **14.3 Contingent Assets**

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

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

## **15. Reserves**

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



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

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

## **16. Revenue Recognition**

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

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

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

## **17. Internal Interest**

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

## **18. Leases**

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

### **18.1 The Council as Lessee**

#### **18.1.1 Finance Leases**

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

Lease payments are apportioned between:-

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

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

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

#### **18.1.2 Operating Leases**

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

## **18.2 The Council as Lessor**

### **18.2.1 Finance Leases**

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

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

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

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

### **18.2.2 Operating Leases**

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

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

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

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

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

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

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

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

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

## **20. Government Grants and Contributions**

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

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

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

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

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

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

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

## **22. Overheads and Support Services**

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

## **23. Foreign Currency**

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

## **24. Employee Benefits**

### **24.1 Benefits Payable during Employment**

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

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

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

## **24.2 Termination Benefits**

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

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

## **24.3 Post-Employment Benefits**

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

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

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

## **24.4 Teachers' Pension Scheme**

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

## 24.5 The Local Government Pension Scheme

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

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

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

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

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

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

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

- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- ch)** Contributions paid to the Gwynedd Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### **24.6 Discretionary Benefits**

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

### **25. Exceptional Items**

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

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

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

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



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

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

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

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

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

# SUPPLEMENTARY FINANCIAL STATEMENT HOUSING REVENUE ACCOUNT (HRA)

## Income and Expenditure Statement for the year ended 31 March 2021

	2020/21 £'000	2019/20 £'000
<b><u>Expenditure</u></b>		
Management and Maintenance - Repairs and Maintenance	3,147	3,512
Management and Maintenance - Supervision and Management	5,001	5,134
Rents, Rates, Taxes and Other Charges	144	61
Depreciation, Impairment and Revaluation Losses of Non-current Assets	9,610	9,989
Debt Management Costs	12	12
Movement in the Impairment Allowance for Bad Debts	57	118
Movement in the Accumulated Absences Accrual	58	71
<b>Total Expenditure</b>	<b>18,029</b>	<b>18,897</b>
<b><u>Income</u></b>		
Dwelling Rents	(18,313)	(18,025)
Non-dwelling Rents	(212)	(219)
Charges for Services and Facilities	(212)	(209)
Contributions towards Expenditure	(132)	(92)
Other	(169)	(172)
<b>Total Income</b>	<b>(19,038)</b>	<b>(18,717)</b>
<b>Net Expenditure of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>	<b>(1,009)</b>	<b>180</b>
HRA Services' Share of Corporate and Democratic Core	56	56
<b>Net Expenditure of HRA Services</b>	<b>(953)</b>	<b>236</b>
<b>HRA Share of the Operating Income and Expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		
(Gain) on sale of HRA Non-current Assets	-	-
Revaluation of Assets	(94)	(31)
Interest Payable and Similar Charges	1,722	1,773
Interest and Investment Income	(10)	(38)
Capital Grants and Contributions receivable:	-	-
- Major Repairs Allowance	(2,674)	(2,660)
- Other	(2,703)	(1,541)
<b>Deficit for the Year on HRA Services</b>	<b>(4,712)</b>	<b>(2,261)</b>

## Statement of Movements on the HRA Balance

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

	2020/21 £'000	2019/20 £'000
<b>Balance on the HRA at the end of the Previous Reporting Period</b>	<b>(8,597)</b>	<b>(8,387)</b>
(Surplus)/Deficit for the Year on HRA Services	(4,787)	(2,261)
Adjustments between Accounting and Funding Bases under Statute	3,642	2,051
<b>Net (increase)/decrease before Transfers to/from Reserves</b>	<b>(1,145)</b>	<b>(210)</b>
Transfers to/(from) Earmarked Reserves	-	-
<b>Net (Increase)/Decrease in Year on the HRA</b>	<b>(1,145)</b>	<b>(210)</b>
<b>Adjustment to Reserve</b>	<b>-</b>	<b>-</b>
<b>Balance on the HRA at the end of the Current Reporting Period</b>	<b>(9,742)</b>	<b>(8,597)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

### NOTE 1 – HOUSING REVENUE ACCOUNT

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

### NOTE 2 – HOUSING STOCK

The Covid pandemic has affected the Councils ability to purchase former Council Houses and commission newly built properties. As at 31 March 2021, the number of dwellings totaled 3855, an increase of 3 from 2019/20, with the split by type of dwelling made up as follows:-

	31 March 2021	31 March 2020
<b>Council Owned Stock</b>		
Houses	2,043	2,041
Bungalows	1,054	1,054
Flats	750	749
Bedsits	8	8
<b>Total Council Owned</b>	<b>3,855</b>	<b>3,852</b>

### NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2020/21 £'000	2019/20 £'000
<b>Capital investment</b>		
Houses	12,623	11,811
<b>Sources of funding</b>		
Capital Receipts	-	-
Government grants and other contributions	(5,377)	(4,202)
Direct Revenue Financing	(7,246)	(7,609)
<b>Total</b>	<b>(12,623)</b>	<b>(11,811)</b>

The Major Repairs Allowance for 2020/21 of £2.674m was used in full during the year (£2.660m in 2019/20).

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

	2020/21 Derecognition £'000	2020/21 Depreciation £'000	2020/21 Total £'000	2019/20 Derecognition £'000	2019/20 Depreciation £'000	2019/20 Total £'000
Land	-	-	-	-	-	-
Dwellings	5,654	3,701	9,355	6,213	3,533	9,746
Other Property - Operational Assets	-	255	255	-	243	243
	<b>5,654</b>	<b>3,956</b>	<b>9,610</b>	<b>6,213</b>	<b>3,776</b>	<b>9,989</b>

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

	2020/21 No. of Sales	2020/21 £'000	2019/20 No. of Sales	2019/20 £'000
<b>Council dwellings</b>				
Discounts repaid	-	-	1	(4)
<b>Other Receipts</b>				
Land sales	6	(14)	-	-
Other property sales	1	(3)	-	-
<b>Total</b>		<b>(17)</b>		<b>(4)</b>

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

During 2020/21, total rent arrears increased by £0.006m. A summary of rent arrears and prepayments is shown in the following table:-

<b>Rent Arrears</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
Current Tenant Arrears	541	550
Former Tenant Arrears	278	275
<b>Total Rent Arrears</b>	<b>819</b>	<b>825</b>
Prepayments	(271)	(229)
<b>Total Debt</b>	<b>548</b>	<b>596</b>

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £0.584m against rents (£0.544m in 2019/20).

## NOTE 7 – PENSION COSTS

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

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

<b>HRA Income and Expenditure Account</b>	<b>2020/21 £'000</b>	<b>2019/20 £'000</b>
Current Service Cost	(292)	(589)
Employer Contributions actually paid	292	589
<b>Contribution to Pension Reserve</b>	<b>-</b>	<b>-</b>

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

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

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

## GLOSSARY

### **12-MONTH EXPECTED CREDIT LOSSES**

This is the portion of lifetime expected credit losses that represent the expected credit losses that result from default on a financial instrument which are possible within the 12 months after the reporting date.

### **ACCOUNTING PERIOD**

This is the period of time covered by the accounts, normally a period of 12 months, commencing on 1 April. The end of the accounting period is the Balance Sheet date, usually 31 March of the following year.

### **ACCRUALS**

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

### **ACTUARIAL GAINS AND LOSSES**

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

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

### **AGENCY SERVICES**

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

### **APPROPRIATIONS**

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

### **ASSET**

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

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

### **AUDIT OF ACCOUNTS**

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

### **BALANCE SHEET**

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



## **BUDGET**

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

## **CAPITAL EXPENDITURE**

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

## **CAPITAL FINANCING**

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

## **CAPITAL FINANCING COSTS**

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

## **CAPITAL PROGRAMME**

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

## **CAPITAL RECEIPTS**

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

## **CASH AND CASH EQUIVALENTS**

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

## **CASH FLOW STATEMENT**

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

## **CIPFA**

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

## **COMMUNITY ASSETS**

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

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

## **CONSISTENCY**

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

## **CONTINGENT ASSET**

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

## **CONTINGENT LIABILITY**

A contingent liability is either:-

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## **CORPORATE AND DEMOCRATIC CORE**

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

## **CREDIT LOSS**

This is the difference between the cash amounts due to the Authority in accordance with the contract and all cash flows that the Authority expects to receive, discounted at the original effective interest rate.

## **CREDITOR**

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

## **CURRENT SERVICE COST (PENSIONS)**

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

## **DEBTOR**

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

## **DEFINED BENEFIT PENSION SCHEME**

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

## **DEPRECIATION**

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

**DISCRETIONARY BENEFITS (PENSIONS)**

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

**EVENTS AFTER THE BALANCE SHEET DATE**

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

**EXPECTED RETURN ON PENSION ASSETS**

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

**EXPENDITURE AND FUNDING ANALYSIS**

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

**FAIR VALUE**

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

**FINANCE LEASE**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**HERITAGE ASSETS**

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

**HOUSING BENEFITS**

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

**HOUSING REVENUE ACCOUNT (HRA)**

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

**IMPAIRMENT**

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

## **INFRASTRUCTURE ASSETS**

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

## **INTANGIBLE ASSETS**

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

## **INTEREST COST (PENSIONS)**

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

## **INVESTMENTS (PENSION FUND)**

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

## **INTEREST RECEIVABLE OR PAYABLE**

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

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

## **INVENTORIES**

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

## **LIABILITY**

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

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

## **LIQUID RESOURCES**

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

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

## **LONG-TERM CONTRACT**

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

**MATERIALITY**

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

**MINIMUM REVENUE PROVISION (MRP)**

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

**MOVEMENT IN RESERVES STATEMENT**

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

**NET BOOK VALUE**

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

**NET DEBT**

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

**NET WORTH**

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

**NON-DISTRIBUTED COSTS**

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

**NON-DOMESTIC RATES (NDR)**

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

**NON-OPERATIONAL ASSETS**

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

**OPERATING LEASE**

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

**OPERATIONAL ASSETS**

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

**PAST SERVICE COST (PENSIONS)**

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

## **PENSION SCHEME LIABILITIES**

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

## **PRECEPT**

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

## **PRIOR YEAR ADJUSTMENT**

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

## **PROVISION**

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

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

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

## **RATEABLE VALUE**

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

## **RELATED PARTIES**

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

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

## **RELATED PARTY TRANSACTIONS**

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

## **REMUNERATION**

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

## **RESERVES**

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

## **RESIDUAL VALUE**

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

## **RETIREMENT BENEFITS**

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

**REVENUE EXPENDITURE**

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

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

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

**REVENUE SUPPORT GRANT**

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

**SUPPORTED BORROWING**

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

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TRUST FUNDS**

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

**UNSUPPORTED BORROWING**

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

**UNUSABLE RESERVES**

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

**USABLE RESERVES**

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

**USEFUL ECONOMIC LIFE (UEL)**

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

**WORK-IN-PROGRESS (WIP)**

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

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