

## ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	GOVERNANCE AND AUDIT COMMITTEE
DATE:	7 DECEMBER 2023
SUBJECT:	STATEMENT OF ACCOUNTS 2022/23
PORTFOLIO HOLDER(S):	COUNCILLOR ROBIN W. WILLIAMS – DEPUTY COUNCIL LEADER & PORTFOLIO HOLDER - FINANCE
LEAD OFFICER(S):	R MARC JONES, DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER
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### Nature and reason for reporting

Covering report for the presentation of the Statement of Accounts, commenting on the main issues arising since presentation of the draft Statement of Accounts 2022/23.

## 1. Background

- 1.1 The Isle of Anglesey County Council's draft Statement of Accounts 2022/23 was presented to the Council's external auditors, Wales Audit Office, for audit on 30 June 2023. The detailed audit work is now substantially complete, subject to a final review of the post-audit amendments made to the accounts. The financial position of the Council is not expected to change further and the review is likely to result in minor amendments to the narrative or the notes to the accounts. Should any significant issues arise in this review, Wales Audit Office will provide a verbal update to Full Council and retrospectively to this Committee at a future date.
- 1.2 Subject to the Isle of Anglesey County Council's confirmation, the Accounts will be signed by the Director of Function (Resources) / Section 151 Officer and the Council's Chairman and will be published following the receipt of the Auditor's final opinion.

## 2. Revised Welsh Government Deadline

- 2.1 The statutory deadline for the completion of the Audited Accounts for the financial year 2022/23 was extended to 31 December 2023 for all Welsh Councils.

## 3. Amendment to the Accounts since the Draft Accounts were published in June 2023

- 3.1 Audit Wales conducted a thorough review, testing and audit of the financial transactions in relation to 2022/23 and of the draft Statement of Accounts. The timescale for closing the accounts and the production of the Statement of Accounts is limited. A detailed audit is therefore essential to provide assurance that the Statement of Accounts is materially correct and represents a true and fair view of the financial performance for the year. New audit standards were implemented for 2022/23 and beyond which resulted in changes to how the audit was conducted, with a focus on more material and high-risk areas in addition to testing accuracy and completeness as usual.
- 3.2 The audit testing identified some changes needed and some errors which the Audit team recommended were amended to ensure that the Accounts are materially correct. A summary of the material changes or corrections is included in WAO ISA260 Audit report in Appendix 3.

- 3.3** One of the audit adjustments impacted on the Council's revenue outturn 2022/23. This related to a reduction of £72k in the amount of the value held in creditors for the value of cash the Council holds on behalf of the Isle of Anglesey Welsh Church Act Fund. This increased the underspend for the year 2022/23 from £1.212m to £1.284m. It is not possible for the auditor to test every transaction making up the Council's accounts, but their risk based strategy and materiality level and the fact that their testing only found this one error, does provide the Committee with assurance that the revenue account does not contain any material errors or misstatements.
- 3.4** The change to note 5 in relation to events after the reporting period relates to information about two schools affected by RAAC which emerged at the start of the academic year 2023.
- 3.5** The local government pension scheme remeasurement resulted in a net pension asset instead of a significant net liability as usual due to the impact of increased interest rates on the discount factor used by the actuary. This resulted in uncertainty for all councils in relation to how this was treated in the accounts due to stricter rules on the reporting net pension assets. The accounting rules stipulated that no pension asset should be reported in certain circumstances or a limit on the net pension asset was prescribed in certain circumstances. This was correctly reported on the balance sheet as nil. This resulted in a write off of the net pension asset of £19.814m which was included in the other comprehensive income and expenditure line on the Comprehensive Income and Expenditure Statement (CIES). However, Audit Wales highlighted that this value should be shown separately as it was an exceptional material event which was therefore amended on the CIES.
- 3.6** The majority of the remaining changes highlighted in appendix 3 of the ISA 260 audit report relate to changes to how items were classified on the balance sheet, some of which were due to interpretation differences. There were also some omissions due to the time constraints when producing the draft Statement of Accounts. This highlights the importance of detailed testing and audit of the annual accounts by Audit Wales.

#### **4. Recommendations**

- 4.1** It is proposed that the Governance and Audit Committee makes a recommendation to the County Council to confirm the acceptance of the 2022/23 Final Statement of Accounts presented in Appendix 1.
- 4.2** The Governance and Audit Committee note that any subsequent changes to the Statement of Accounts will be agreed by the Director of Function (resources) / Section 151 Officer and reported to the Full Council prior to the formal acceptance of the 2022/23 Statement of Accounts.

# Ynys Môn

# THE ISLE OF Anglesey

## Statement of Accounts 2022/23



CYNGOR SIR  
YNYS MÔN  
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COUNTY COUNCIL

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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.

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.

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. These regulations require Welsh Local Authorities to prepare a Statement of Accounts in accordance with these regulations and proper practices.

**The Statement of Accounts consist of: -**

**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 6 to ensure that these adjustments are not funded by Council Taxpayers. 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 of 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.

### **The Isle of Anglesey County Council Vision and Priorities**

The Isle of Anglesey County Council is a unitary authority and serves a population of approximately 69,000, 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.

The Council is a politically led organisation and has adopted a Leader and Cabinet model. The Council had 35 elected Members representing 14 multi-Member wards on 31 March 2023. Elections were held on 5 May 2022 for all Council seats, following which the successful candidates formed the full Council, which will remain in place until early May 2027. Plaid Cymru is the controlling party in the Council with more Plaid Cymru Councillors than any other group or party.

### **The Council Plan 2022/23**

The Council Plan 2022/23 was published to help the Council plan for the transition into learning to live with Covid-19. 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 2022/23 were: -

- Re-energising the local economy and embedding positive economic change;
- Enabling the visitor and hospitality sectors to capitalize on the Island's increased popularity, whilst protecting our assets and communities;
- Maintaining and modernising critical community services, such as care and education, across the Island.

The plan summarises the actions the Council undertook in response to the Pandemic and acknowledges that adapting for the next stage in the response to the virus with reduced restrictions and increased uncertainty will continue to be challenging, and the above priorities were developed with this in mind. The plan also highlights the Council's continuing commitment to achieving the Council's well-being objectives and national goals which will help the Council achieve its vision of "an Anglesey which is healthy and prosperous where families can thrive".

The Council Plan 2023/28 has recently been completed following widespread consultation. The plan highlights that the Council's long-term vision continues as "Creating an Anglesey which is healthy and prosperous where people can thrive". The strategic objectives of the new Council plan are:

- To increase opportunities to learn and use the Welsh language;
- To protect and support the vulnerable;
- To raise educational attainment and achievement;
- To work with partners to increase quality, affordable and accessible homes;
- To promote opportunities to develop the island's economy;
- To respond to the climate change crisis, tackle change and work towards being a net zero organisation by 2030.

The Council Plan 2023/28 can be found on the website at the web address:

[Council Plan and performance \(gov.wales\)](https://gov.wales/council-plan-and-performance)

### **Financial Scenario**

All 22 councils in Wales received a better-than-expected funding settlement from Welsh Government for 2022/23, at an all-Wales average of an increase of 9.4%, with Anglesey receiving an increase of 9.2%. This helped the Council increase funding for demand-led services, such as social care, and to increase capacity in services which had been subject to nearly a decade of budget cuts. In addition, to fund certain policy decisions that the Welsh Government wish Councils to implement, the main one being the funding of the real living wage for care staff.

This funding was confirmed prior to the war in Ukraine, which has led to significant widespread price increases due to the impact of the war on energy, food and material prices. These increases have then resulted in increases in the general level of inflation and subsequently has increased pay settlements above what had been factored into the 2022/23 revenue and capital budgets. These additional costs have placed an additional strain on the Council's financial resources. The final settlement for 2023/24 reflected the cost pressures faced by the Council, with the Aggregate External Finance received from Welsh Government rising by 7.9% The Council has budgeted to use part of its council balances to fund the budget 2023/24 but this will not be sustainable, costs and the demand for Council services continues to rise at a greater rate than the rise in funding. There are still significant risks for the Council in 2023/24 due to continuing high prices.

There is still a significant level of uncertainty surrounding the financial position for 2024/25, but the current expectation is that the funding available will be insufficient to fund the current level of service at the anticipated costs for 2024/25.

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 challenges for the Authority, its partners as well as communities, being the continuing catch-up for the wide-reaching health, wellbeing, and economic impact of the Coronavirus. The cost of living rises and significant inflationary pressures are creating another major widespread crisis at a time when the Council and stakeholders including the residents of Anglesey were starting to recover from the effects of the Pandemic.

## **The Budget**

The Council's Budget and Medium-Term Financial Strategy for 2022/23 was adopted by the Council at its meeting on 10 March 2022, and it provides an overall picture of the financial position of the Council and ensures that the Council funding is allocated to meet its priorities. The Medium-Term Financial Strategy is available at: -

**[MTFP English COUNTY COUNCIL - 10 MARCH 2022 - MTFP - ENGLISH FINAL - 03-03-22.pdf \(anglesey.gov.uk\) – item 10.](#)**

The settlement was better than anticipated during the majority of the budget planning stage and provided the Council with £114.551m, which was an increase in cash terms of £9.679m (9.2%). The Council resolved to increase the Band D Council Tax by 2%, which increased the charge for a Band D property to £1,367.46.

The revenue budget was set at £158.367m. The Council also resolved to approve the Capital Strategy 2022/23 and the Initial Capital Programme 2022/23 of £35.961m, as well as the Treasury Management Strategy Statement for 2022/23.

## **Budget Monitoring**

The Council has a well-established procedure for monitoring the budgets. This allows the Council to mitigate any overspending and provide additional funding from reserves for instances where demand for service is required. Both the Revenue and Capital information, alongside HRA, are reported to the Finance Scrutiny Subgroup, the Scrutiny Committee and then the Executive on a quarterly basis, which facilitates a level of challenge as well as being able to mitigate and impacts that are likely to occur for services.

## **Performance**

<https://democracy.anglesey.gov.uk/ieListDocuments.aspx?CId=134&MIId=4025&Ver=4&LLL=0>

Agenda Item 5

## **Revenue Expenditure 2022/23**

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 2022/23, the Council reported an underspend of £1.284m against a planned activity of £158.367m (net budget).



The table below reflects the final budget for 2022/23 and actual income and expenditure against it: -

Services	Annual Budget £'000	Outturn £'000	Variance £'000
Education, Young People and Skills	58,088	57,882	206
Adult Services	30,583	30,530	53
Children's Services	12,342	13,331	(989)
Housing	1,970	1,970	-
Highways, Waste, Property	17,727	15,758	1,969
Regulation	4,972	4,841	131
Transformation	6,621	6,280	341
Resources	3,622	3,506	116
Council Business & Corporate Finance	22,442	22,985	(543)
<b>Total Council Fund</b>	<b>158,367</b>	<b>157,083</b>	<b>1,284</b>

The impact of an underspend means that the Council increased its general reserves by £1.284m. In addition to this, the net impact of funding released from general balances during the year and the release of earmarked reserves back to general balances was an increase of £477k in the level of general balances. As at 31 March 2023, the level of general balances stood at £14.039m, an increase of £1.761m (14.3%).

#### Summary of Movements in Council Reserves 2022/23

	Council Fund General Reserve	Council Fund Earmarked Reserves	Housing Revenue Account (HRA) Reserve	School Reserves	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves
Items impacting on the Council's Reserve 2021/22	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance on Council General Reserve 1 April 2021	(12,278)	(23,181)	(12,333)	(7,827)	(2,381)	-	(58,000)
Net over / (underspend) 2021/22	(1,284)	-	226	-	-	-	(1,058)
Council Balance after over / (underspend)	(13,562)	(23,181)	(12,107)	(7,827)	(2,381)	-	(59,058)
Net transfers from/(to) Reserves for approved funding	(477)	3,544	-	1,111	473	(407)	4,244
<b>General Reserve Balance at 31 March 2022</b>	<b>(14,039)</b>	<b>(19,637)</b>	<b>(12,107)</b>	<b>(6,716)</b>	<b>(1,908)</b>	<b>(407)</b>	<b>(54,814)</b>

## **Capital Expenditure**

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

In March 2022, the Council approved a Capital Programme for non-housing services of £17.177m for 2022/23, and a Capital Programme of £18.784m for the Housing Revenue Account (HRA). In addition, in June 2022, the Executive approved capital slippage of £11.242m to be brought forward from 2021/22, bringing the Capital Programme for non-housing services to £28.419m and £18.784m for the HRA. Since the budget setting process, there have been additional schemes added to the programme, most of which are grant funded, which amounted to £11.111m, along with the HRA budget being reduced by £3.750m. This brings the total Capital budget for 2022/23 to £54.564m.

The programme has made steady progress in year, achieving a delivery rate of 75%. It is expected that most of the remaining schemes will be delivered in the next financial year. From this total spend of £40.690m, £26.722m 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 (£2.488m) or did not increase the value of the capital assets (£11.480m).

The table below details the expenditure that has been capitalised, per service: -

<b>Services</b>	<b>2022/23 £'000</b>	<b>2021/22 £'000</b>
Education, Young People and Skills	12,799	8,833
Adult Services	403	923
Housing	700	1,019
Housing HRA	11,180	9,723
Highways, Waste, Property	7,264	9,700
Regulation	7,321	2,465
Transformation	1,023	794
<b>Total Council Fund</b>	<b>40,690</b>	<b>33,457</b>

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

<b>Funded By</b>	<b>2022/23 £'000</b>	<b>Percentage %</b>
Unsupported Borrowing	4,009	9.85%
Supported Borrowing	2,757	6.78%
Capital Grants	20,168	49.57%
Capital Receipts	822	2.02%
Revenue Contribution	7,398	18.18%
REFCUS grants	2,488	6.11%
Loan	995	2.45%
Capital Reserve	2,053	5.05%
<b>Total</b>	<b>40,690</b>	<b>100%</b>

As at 31 March 2023, the Authority had £123.8m of External Borrowing (excluding accrued interest of £1.868m). At the end of the financial year, the Authority's Capital Financing Requirement (CFR), which essentially is a measure of the Council's underlying borrowing need, was £144.112m, which indicates that the Council has used £20.312m of its own surplus cash balances to fund capital expenditure. In the Treasury Management Strategy Statement for 2022/23, the Authorised Borrowing Limit approved by the Council was £185m, therefore, the Authority is well within its borrowing limit.

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

The Council's General Fund balance as at 31 March 2023 stood at £14.039m, which equates to 8.8% of the net revenue budget for 2022/23. The Council's financial strategy aims to hold a minimum of 5% of the net revenue budget as General Balances (£7.918m). As a result, the Council's General Balance is higher than the target. However, with the current inflationary pressures causing a cost-of-living crisis and increased costs facing the Council, this surplus provides more financial stability for the Council.

The financial performance for 2022/23 showed a net underspend of £1.284m. This is made up of overspends from some services such as an overspend of £989k in Children's Services which is experienced increased demand. The Highways, Waste and Property Service underspent by £1.969m. The significant majority of this was from the Waste Service due to surplus income which includes additional income from the sale of recyclable material which also has a positive impact on the environment. The increase in the Bank of England interest rate is benefitting the Council as the interest receivable from its investment of surplus funds is generating significantly higher levels of interest than in previous years. However, increased interest rates will negatively impact the Council when borrowing in the future for capital projects. No borrowing was taken out in 2022/23 and the Council will use cash balances for as long as possible to save on borrowing costs though this reduces the amount available to invest.

## **Housing Revenue Account**

The Council's Housing Revenue Account balance stood at £12.107m as at 31 March 2023. The reserve is earmarked to fund the cost of the development of new properties as set out in the Council's 30-year HRA Business Plan. This balance will delay the need for the HRA to borrow for refurbishing or building new council dwellings.

## **Coronavirus**

The Welsh Government has provided sizeable various grants and financial support throughout the pandemic since March 2020. The Council's Covid-19 related costs have reduced significantly in 2022/23 as the prevention measures are no longer needed as the risks from the virus are reduced. Welsh Government has provided £2.271m of grant in 2022/23 through its Hardship Fund compared with £6.153m in 2021/22 from various Welsh Government Covid-19 related grants. The covid related costs and the grant are included in the Comprehensive Income and Expenditure Statement (CIES) on page 11 in the amounts for the various services still incurring Covid-19 related costs.

## **Provisions**

The Council's total provisions amounted to £4.915m on 1 April 2022. During the year, the balance increased by £122k to £5.037m. Insurance coverage was decreased to £380k in line with estimated need. The total short-term provisions amounted to £702k, to accommodate expected future costs that may arise from past liabilities. The total provision for Penhesgyn Waste Site was reduced by £76k due the cost of improvement works undertaken on the landfill site in 2022/23 .

Details of the movements in provisions are shown in Note 21 Provisions.

## **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 defined benefit scheme which is 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.

There are two valuations completed for the pension fund. These are completed by an Actuary which is a pension valuation specialist. The first is the funding valuation which is completed every three years. This is important as it considers the actual assets that the fund is invested in at the valuation date and assesses whether the returns on the assets will fully fund the value of all future payments to members based on all benefits earned up to the valuation date. The present value of the liabilities are then discounted, so that the value are converted to their value as at the valuation date. If the valuation calculates that the pension fund is not fully funded then the Council's contributions rates will increase to move towards 100% funding over an agreed time period. If the valuation shows the scheme is more than 100% funded then contributions into the pension fund may reduce.

The second valuation is the accounting valuation (used for the purpose of these accounts) which is more theoretical and projects what the Council's liability or asset would be if the pension fund would cease to exist. This valuation is based on assets and obligations at the balance sheet date. It is theoretical because of the rules and regulations to protect the pension fund to ensure that it exists for as long as the pension fund obligations require and due to the assumptions the Actuary is required to make. This is based on accounting requirements which do not affect the Council's actual funds. The results of the funding valuation only affect council funds.

The pension accounting valuation is the value reported each year in the Council's statement of accounts. Some charges affect the Comprehensive Income and Expenditure Statement, CIES and the valuation at the end of the financial year is reported in the balance sheet. However, these are offset by adjustments in the movement in reserves statement to cancel them out so that the council tax is not required to fund these statutory accounting adjustments.

Historically, the Council's balance sheet has shown that the value of the Pension Fund as a significant liability. The fair value of all the Pensions Fund investments are offset against the present value of the obligations of the Pension Fund though typically it is not enough to cover of all the estimated present value of the pension obligations. At the end of the last financial year on 31 March 2022 the net pension liability was £121.199m.

Contrary to previous years, the Actuary's accounting valuation has determined that the value of the assets exceeds the value of the liabilities and that the Pension Fund is in a net asset position. In drawing up the valuation, the Actuary uses the yield rate on Government Gilts as the discount rate for future liabilities. As this rate increases, the discount rate increases, which has the overall effect of reducing the current value of future liabilities. For 2022/23 the discount factor which is linked to quality UK corporate bonds is 4.75%. This is then compared with the fair value (often market value) of fund assets. As a result, the closing position as at 31 March 2023 has moved from a liability of £121.199m as at 31 March 2022 to an asset /surplus of £19.814m, an improvement of £141.013m.

However, the pensions accounting standard IAS19 which was updated by IFRIC14 does not permit reporting a pension net asset for defined benefits pensions such as the Gwynedd Pension Fund, as the Council cannot realise the value of the asset at this point. In determining the carrying value on the Balance Sheet, the Council has applied the prudence concept and has adjusted the value of the asset to £0. However, the results of the accounting valuation is reported in the Local Government Pensions note 34 on page 48.

## **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.

## **Changes in Accounting Policy**

During the year, following a report from the Council's Treasury Management advisers, the Executive received a report on proposed changes to the Minimum Revenue Provision (MRP) Policy from 1 April 2022. The Executive recommended that the Council approve the revised MRP Policy effective from 1 April 2022, which was included in the Treasury Management Strategy Statement 2023/24 and was approved on 9 March 2023. This changed the MRP policy and the method of calculation of MRP from the asset life straight line approach to the asset life, annuity method for supported and unsupported borrowing for the Council Fund and the HRA. This method is considered a more prudent measure with the MRP charge reflecting more closely the change in asset values. The method reduces MRP charges in the near term, but they will be higher in the longer term. However, the asset life annuity method, when discounted back to its Net Present Value (NPV) results in a lower overall cost than the previous method. i.e. MRP costs will not have as much impact in the future as they would in the present day. MRP charges also creates cash capacity to repay loans. Most of the Council's borrowing are due to be repaid well into the future. This matches off the MRP charges with when the repayments fall due so that the capacity to repay is at the right time.

The Statement of Accounts is supplemented with the Annual Governance Statement (AGS) 2022/23. 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 and is presented alongside the Statement of Accounts.

## **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 2023: -

**Signed:**

**Richard Marc Jones FCPFA**

**DIRECTOR OF FUNCTION (RESOURCES) AND SECTION 151 OFFICER**

**Signed:**

**Councillor Margaret Murley Roberts**

**CHAIR ISLE OF ANGLESEY COUNTY COUNCIL**

**Date:**

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

## Opinion on financial statements

I have audited the financial statements of Isle of Anglesey County Council for the year ended 2022-23 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of Isle of Anglesey County Council as at 31 March 2023 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

## Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the [name of local government body and the group] in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Isle of Anglesey County Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## Other Information

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with guidance.

## Matters on which I report by exception

In the light of the knowledge and understanding of [name of local government body and the group] and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

## Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for:

- the preparation of the statement of accounts which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error;
- assessing the Isle of Anglesey County Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by the Isle of Anglesey County Council will not continue to be provided in the future.



## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the Isle of Anglesey County Council head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Isle of Anglesey County Council policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals;
- Obtaining an understanding of Isle of Anglesey County Council's framework of authority as well as other legal and regulatory frameworks that Isle of Anglesey County Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Isle of Anglesey County Council; and
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Isle of Anglesey County's controls, and the nature, timing and extent of the audit procedures performed.

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

## **Other auditor's responsibilities**

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales  
20 December 2023

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2023

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.

2022/23			Services	Note	2021/22		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
84,301	(16,540)	67,761	Education, Young People and Skills		77,543	(18,415)	59,128
48,246	(13,242)	35,004	Adult Services		46,593	(16,887)	29,706
22,207	(7,088)	15,119	Children's Services		18,826	(6,201)	12,625
8,168	(7,187)	981	Housing		8,214	(6,484)	1,730
33,479	(9,921)	23,558	Highways, Property and Waste		31,252	(9,192)	22,060
16,910	(9,691)	7,219	Regulation and Economic		14,734	(9,333)	5,401
7,509	(340)	7,169	Transformation		6,653	(291)	6,362
27,838	(16,803)	11,035	Resources		31,969	(22,723)	9,246
2,347	(217)	2,130	Council Business		2,337	(427)	1,910
3,384	(723)	2,661	Corporate and Democratic Costs		2,996	(781)	2,215
673	-	673	Corporate Management		588	-	588
93	-	93	Non-distributed costs		26	-	26
14,982	(19,942)	(4,960)	Housing Revenue Account (HRA)		16,029	(19,457)	(3,428)
<b>270,137</b>	<b>(101,694)</b>	<b>168,443</b>	<b>Deficit on Continuing Operations</b>		<b>257,760</b>	<b>(110,191)</b>	<b>147,569</b>
		15,570	Other operating expenditure	10			17,076
		10,990	Financing and investment income and expenditure	11a			9,559
		(189,647)	Taxation and non-specific grant Income	12			(180,266)
		<b>5,356</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>(6,062)</b>
		10,822	Impairment losses on non-current assets charged to the Revaluation Reserve	9b			1,924
		(12,139)	Surplus on revaluation of non-current assets	9b			(31,870)
		(19,814)	Write-off Net Pension Asset	9c & 34			-
		(116,642)	Re-measurement of net Pension liability	9c & 34			(72,063)
		<b>(137,773)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(102,009)</b>
		<b>(132,417)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(108,071)</b>

## 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. To ensure that these accounting costs do not affect Council taxpayers and Council funds, these costs are cancelled out in the EFA and are also shown in the Movement in Reserves Statement (MIRS) and Note 6.

2022/23			Services	2021/22		
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
60,297	7,464	67,761	Education, Young People and Skills	49,554	9,574	59,128
31,720	3,284	35,004	Adult Services	26,279	3,427	29,706
13,388	1,731	15,119	Children's Services	10,899	1,726	12,625
354	627	981	Housing	1,144	586	1,730
16,305	7,253	23,558	Highways, Property and Waste	14,505	7,555	22,060
4,917	2,302	7,219	Regulation and Economic	2,954	2,447	5,401
5,883	1,286	7,169	Transformation	5,123	1,239	6,362
10,353	682	11,035	Resources	8,437	809	9,246
1,853	277	2,130	Council Business	1,558	352	1,910
3,430	(769)	2,661	Corporate and Democratic Costs	2,219	(4)	2,215
695	(22)	673	Corporate Management	567	21	588
-	93	93	Non-distributed costs	-	26	26
(1,404)	(3,556)	(4,960)	Housing Revenue Account (HRA)	357	(3,785)	(3,428)
<b>147,791</b>	<b>20,652</b>	<b>168,443</b>	<b>Net Cost of Services</b>	<b>123,596</b>	<b>23,973</b>	<b>147,569</b>
(144,605)	(18,482)	(163,087)	Other Income and Expenditure	(141,616)	(12,015)	(153,631)
<b>3,186</b>	<b>2,170</b>	<b>5,356</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(18,020)</b>	<b>11,958</b>	<b>(6,062)</b>
(58,000)			Opening General Fund and HRA balance at 1 April	(39,980)		
3,186			Less Surplus on General Fund and HRA Balance in Year	(18,020)		
<b>(54,814)</b>			<b>Closing Council Fund Balances and HRA Balance at 31 March</b>	<b>(58,000)</b>		
(42,707)				(45,667)		
(12,107)				(12,333)		
<b>(54,814)</b>				<b>(58,000)</b>		

Comprised of:  
Council Fund  
HRA

Comprised of:  
Council Fund  
HRA

## MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2023

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 7) £'000	HRA Balance (Supplementary Financial Statements) £'000	Capital Receipts Reserve (Note 8) £'000	Capital Grants Unapplied £'000	Schools Balances (Note 7) £'000	Total Usable Reserves £'000	Total Unusable reserves (Note 9) £'000	Total Reserves (of the Council) £'000
<b>Balance 1 April 2021</b>	11,437	14,079	9,723	767	-	3,974	39,980	124,182	164,162
<b>Movement in reserves during the year</b>									
Adjustment to opening balance	-	-					-		-
Surplus/(Deficit) on provision of services	(1,068)	-	7,130		-		6,062		6,062
Other Comprehensive Income and Expenditure							-	102,009	102,009
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,068)</b>	<b>-</b>	<b>7,130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,062</b>	<b>102,009</b>	<b>108,071</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	14,129	-	(3,785)	1,614	-	-	11,958	(11,958)	-
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>13,061</b>	<b>-</b>	<b>3,345</b>	<b>1,614</b>	<b>-</b>	<b>-</b>	<b>18,020</b>	<b>90,051</b>	<b>108,071</b>
Transfers to/(from) Earmarked Reserves (Note 7)	(12,220)	9,102	(735)	-	-	3,853			
<b>(Decrease) / Increase In Year</b>	<b>841</b>	<b>9,102</b>	<b>2,610</b>	<b>1,614</b>	<b>-</b>	<b>3,853</b>	<b>18,020</b>	<b>90,051</b>	<b>108,071</b>
<b>Balance 31 March 2022</b>	<b>12,278</b>	<b>23,181</b>	<b>12,333</b>	<b>2,381</b>	<b>-</b>	<b>7,827</b>	<b>58,000</b>	<b>214,233</b>	<b>272,233</b>
<b>Movement in reserves during the year</b>									
<b>Adjustment to opening balance</b>									
Surplus/(Deficit) on provision of services	(12,468)	-	7,112	-	-	-	(5,356)	-	(5,356)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	137,773	137,773
<b>Total Comprehensive Income and Expenditure</b>	<b>(12,468)</b>	<b>-</b>	<b>7,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,356)</b>	<b>137,773</b>	<b>132,417</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	9,956		(7,338)	(448)			2,170	(2,170)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(2,512)</b>	<b>-</b>	<b>(226)</b>	<b>(448)</b>	<b>-</b>	<b>-</b>	<b>(3,186)</b>	<b>135,603</b>	<b>132,417</b>
<b>Net transfer from</b>									
Transfers to/(from) Earmarked Reserves	4,273	(3,544)	-	(25)	407	(1,111)	-	-	-
<b>(Decrease) / Increase In Year</b>	<b>1,761</b>	<b>(3,544)</b>	<b>(226)</b>	<b>(473)</b>	<b>407</b>	<b>(1,111)</b>	<b>(3,186)</b>	<b>135,603</b>	<b>132,417</b>
<b>Balance 31 March 2023</b>	<b>14,039</b>	<b>19,637</b>	<b>12,107</b>	<b>1,908</b>	<b>407</b>	<b>6,716</b>	<b>54,814</b>	<b>349,836</b>	<b>404,650</b>

## **BALANCE SHEET AS AT 31 MARCH 2023**

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 2023	31 March 2022
		£'000	£'000
Property, plant and equipment	13	487,064	466,935
Heritage assets	15	2,431	2,283
Investment property	16	6,579	6,117
Intangible assets		357	472
Long-term debtors	18	1,234	1,076
<b>Long-term Assets</b>		<b>497,665</b>	<b>476,883</b>
Assets held for sale		1,065	672
Inventories		392	297
Short-term debtors	18	38,855	42,997
Short-term Investments	35a	22,500	7,500
Cash and cash equivalents	19	19,740	44,478
<b>Current Assets</b>		<b>82,552</b>	<b>95,944</b>
Short-term borrowing	35b	(4,111)	(4,564)
Short-term creditors	20	(34,569)	(34,573)
Short-term provisions	21	(702)	(505)
Short-term grants receipts in advance	30	(4,735)	(11,615)
<b>Current Liabilities</b>		<b>(44,117)</b>	<b>(51,257)</b>
Long-term creditors	20	(158)	(162)
Long-term provisions	21	(4,335)	(4,411)
Long-term borrowing	35b	(121,557)	(122,677)
Long-term grants receipts in advance	30	(5,400)	(888)
Other long-term liabilities	34	-	(121,199)
<b>Long-term Liabilities</b>		<b>(131,450)</b>	<b>(249,337)</b>
<b>Net Assets</b>		<b>404,650</b>	<b>272,233</b>
Usable reserves	MIRS	54,814	58,000
Unusable reserves	9	349,836	214,233
<b>Total Reserves</b>		<b>404,650</b>	<b>272,233</b>

## **CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2023**

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	2022/23 £'000	2021/22 £'000
<b>Net Surplus / (Deficit) on the provision of services</b>		<b>(5,356)</b>	<b>6,062</b>
Non Cash Items charged to the Income and Expenditure Accounts	22	45,148	52,531
Cash items not charged to the Income & Expenditure Account	22	(11,388)	(10,283)
Movements in Net Current Assets	22	1,634	5,770
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	(20,815)	(22,633)
<b>Net cash flows from operating activities</b>		<b>9,223</b>	<b>31,447</b>
<b>Net cash flows from investing activities</b>	23	<b>(32,387)</b>	<b>(16,534)</b>
<b>Net cash flows from financing activities</b>	24	<b>(1,574)</b>	<b>825</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(24,738)</b>	<b>15,738</b>
Cash and cash equivalents at the beginning of the financial year		44,478	28,740
<b>Cash and cash equivalents at the end of the financial year</b>	19	<b>19,740</b>	<b>44,478</b>

## NOTES TO THE ACCOUNTS

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

2022/23

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Education, Young People and Skills	4,328	2,783	353	7,464
Adult Services	558	2,674	52	3,284
Children's Services	322	1,387	22	1,731
Housing	125	501	1	627
Highways, Property and Waste	5,916	1,355	(18)	7,253
Regulation and Economic	1,040	1,271	(9)	2,302
Transformation	446	839	1	1,286
Resources	16	709	(43)	682
Council Business	-	286	(9)	277
Corporate and Democratic Costs	1	(770)	-	(769)
Corporate Management	-	-	(22)	(22)
Non-distributed costs	-	93	-	93
Housing Revenue Account (HRA)	(4,465)	905	4	(3,556)
<b>Net Cost of Services</b>	<b>8,287</b>	<b>12,033</b>	<b>332</b>	<b>20,652</b>
Other Income and Expenditure from the Funding Analysis	(21,706)	3,224	-	(18,482)
<b>Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit</b>	<b>(13,419)</b>	<b>15,257</b>	<b>332</b>	<b>2,170</b>

2021/22

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Education, Young People and Skills	6,372	3,064	138	9,574
Adult Services	550	2,931	(54)	3,427
Children's Services	145	1,527	54	1,726
Housing	58	526	2	586
Highways, Property and Waste	5,957	1,502	96	7,555
Regulation and Economic Development	942	1,602	(97)	2,447
Transformation	455	774	10	1,239
Resources	16	797	(4)	809
Council Business	-	355	(3)	352
Corporate and Democratic Costs	531	(535)	-	(4)
Corporate Management	-	-	21	21
Non-distributed costs	-	26	-	26
Housing Revenue Account (HRA)	(4,571)	777	9	(3,785)
<b>Net Cost of Services</b>	<b>10,455</b>	<b>13,346</b>	<b>172</b>	<b>23,973</b>
Other Income and Expenditure from the Funding Analysis	(15,669)	3,654	-	(12,015)
<b>Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit</b>	<b>(5,214)</b>	<b>17,000</b>	<b>172</b>	<b>11,958</b>



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

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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: -

- Definition of accounting estimates (amendments to IAS8) issued in February 2021;
- Disclosure of accounting policies (amendments to IAS1 and IFRS practice statement 2), February 2021.

None of the new or amended standards within the 2022/23 Code are expected to have a material impact on the information provided in the financial statements. However, the above will lead to improved reporting.

The implementation of IFRS 16 – Leases, has been deferred to the financial year 2024/25. IFRS 16 will introduce significant changes to accounting for leases. In particular, for property, plant, equipment, and similar assets leased in by local authorities. Local authorities will be required to identify all significant leased assets in and to include these on each authority's balance sheets as though owned by each Council from 1 April 2024.

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

In applying the accounting policies set out in Note 41, 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, most notably the Council's Smallholdings Estate, 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.

## **NOTE 4 – 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 2023 may be considered to be most vulnerable for estimating error in the forthcoming financial year: -

**Non-Current Assets - Property, Plant and Equipment (PPE)** – 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 13 and note 13b Infrastructure Assets. The value of the Council's PPE assets at 31 March 2023 was £487.063m (£466.935m at 31 March 2022).

**Provisions** – The Council has made provisions amounting to £5.037m, (£4.916m on 31 March 2022) 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 21.

**Pensions Liability** – The Council's Actuary has valued the Pension Fund to a surplus position and therefore an asset of £19.814m. This is due to a change in the assumptions the Actuary has used in relation to the discount factor used to calculate how much the future pension obligations will be at today's prices, so that it can be compared with the current value/market value of investments and assets. (a liability of £121.199m was reported for the value on 31 March 2022). The pension's accounting valuation 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 34 and the narrative report. The note includes the surplus, however, as outlined in the narrative report, this is not included in the balance sheet due to restrictions prescribed by IAS19 and IFRIC14 on accounting for pensions.

**Impairment Loss Allowance and Bad Debt provisions** – As at 31 March 2023, the Council had a net debtor balance of £40.089m. A review of arrears balance suggested that impairment or provision for doubtful debts of £8.149m 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 18.

**Fair Value Measurement** – The majority of the Council's non-current assets are measured at Fair Value, with the exception of infrastructure assets valued at £68.807m, community assets valued at £259k, assets under construction valued at £29.034m and plant, vehicles and equipment valued at £11.746m. These are all valued at depreciated historical cost. Note 41 sections 7 and 8 provides further information on this.

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

There were no prior period adjustments. Changes in accounting policies or estimates are outlined separately above.

#### **NOTE 5 – EVENTS AFTER BALANCE SHEET DATE**

The Council must report material events which occur after the reporting period of 31 March 2023 and up to the date the final audited accounts were authorised for issue on 19 December 2023.

There were no material events between the reporting period and the date the final audited accounts were presented to Full Council and signed for, which the Council has had to adjust the accounts.

There is one event between 31 March 2023 and 19 December 2023 which is discussed below but does not require the accounts to be adjusted, as follow:

Reinforced Autoclaved Aerated Concrete (RAAC) - RAAC is a lightweight form of concrete and was used in many public buildings from the mid-1950s to the mid-1990s. The vulnerabilities of RAAC have been known since the 1990s and since 2019 Council buildings have been inspected for the presence of RAAC. The presence of RAAC has been confirmed in two local authority-maintained schools: Ysgol David Hughes and Ysgol Uwchradd Caergybi. The risks in these two schools have been managed through regular specialist inspections in line with Government guidance. All inspections concluded that there were no immediate risks or concerns.

On 31 August 2023, the UK Government announced new guidance on RAAC in education settings. This is due to a number of incidents over the summer period which led to there being a heightened safety risk regarding usage of RAAC.

The two schools affected by RAAC were closed at the start of the academic year to enable safety inspections to be completed. Ysgol David Hughes has a smaller area of the building with RAAC which has been closed off and repairs and reinforcement works are being completed. All pupils are back in school though no access to the affected area will be allowed until the improvement works have been completed. A considerable proportion of Ysgol Uwchradd Caergybi contained RAAC and several blocks are closed until the improvement and strengthening works are completed. Online learning was quickly organised from 7 September 2023 and from 11 September 2023 the school partially opened. The pupils attend school part-time each week in specified year groups with online learning for the days when the pupils' year groups are scheduled to learn online. The remedial works have progressed, and pupils will return to school full-time on completion of the works.

**NOTE 6 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2022/23	Usable Reserves			
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation, impairment and amortisation of non-current assets	13,600	3,070		(16,670)
Revaluation losses on Property, Plant and Equipment	(848)	-		848
Movements in the market value of Investment Properties loss/(gain)	2,568	-		(2,568)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(16,385)	(3,782)		20,167
Revenue expenditure funded from capital under statute	-	-		-
Derecognition	3	-		(3)
Carrying amount of non-current assets sold	109	-		(109)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Minimum Revenue Provision for Capital Funding	(1,325)	(129)		1,454
Capital expenditure charged against the Council Fund and HRA balances	(2,053)	(7,398)		9,451
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Proceeds from Sale of Non-Current Assets	(374)		374	-
Use of the Capital Receipts Reserve to finance capital expenditure			(822)	822
<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	(19)	(8)		27
<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 34)	25,740	905		(26,645)
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,388)			11,388
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>				
Adjustments in relation to short-term compensated absences	328	4		(332)
<b>Total Adjustments</b>	<b>9,956</b>	<b>(7,338)</b>	<b>(448)</b>	<b>(2,170)</b>

2021/22	Usable Reserves			Movement in Unusable Reserves £'000
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	
	£'000	£'000	£'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation, impairment and amortisation of non-current assets	15,589	6,088		(21,677)
Revaluation losses on Property, Plant and Equipment	(573)	-		573
Movements in the market value of Investment Properties loss/(gain)	94	-	-	(94)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(15,326)	(5,380)		20,706
Revenue expenditure funded from capital under statute	10	-		(10)
Derecognition	3,246	-		(3,246)
Carrying amount of non-current assets sold	804	-		(804)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Minimum Revenue Provision for Capital Funding	(2,752)	(784)		3,536
Capital expenditure charged against the Council Fund and HRA balances	(1,395)	(4,484)		5,879
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Proceeds from Sale of Non-Current Assets	(1,927)	-	1,927	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(313)	313
<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 34)	26,506	777	-	(27,283)
Employer's pensions contributions and direct payments to pensioners payable in the year	(10,283)	-	-	10,283
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>				
Adjustments in relation to short-term compensated absences	163	9	-	(172)
<b>Total Adjustments</b>	<b>14,129</b>	<b>(3,785)</b>	<b>1,614</b>	<b>(11,958)</b>

## NOTE 7 – EARMARKED RESERVES

	Balance as at 31/03/2021 £'000	Transfers In 2021/22 £'000	Transfers Out 2021/22 £'000	Balance as at 31/03/2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance as at 31/03/2023 £'000
<b>Restricted Reserves - smaller service reserves less than £500k *</b>	6,752	4,163	(3,737)	7,178	2,780	(3,636)	6,322
<b>Restricted Reserves - Larger service reserves - £500k or more :-</b>							
Waste Reserve / Recycling **	500	-	-	500	-	(400)	100
Recycling Process Income for Investment in future recycling costs and projects	635	-	-	635	-	(380)	255
Insurance (Catastrophe) Reserve	1,250	163	(72)	1,341	164	(255)	1,250
Revenue Contributions to Capital Unapplied	1,207	2,225	(1,325)	2,107	3,077	(2,210)	2,974
Housing Developer Contributions S106	-	-	-	-	808	-	808
Affordable Housing	454	-	(32)	422	1,099	(904)	617
Archaeological Works at Wylfa	625	-	-	625	-	(103)	522
NWREF Covid Economic Recovery	-	764	-	764	-	(764)	-
Supporting People Administration	560	137	(141)	556	-	(144)	412
Leisure Improvements	762	-	-	762	-	-	762
Covid Recovery Planning	565	-	-	565	-	(565)	-
Covid Hardship Funding Council Tax Collection	769	371	(356)	784	-	(418)	366
Additional Revenue Settlement - response to increase in inflation	-	2,256	-	2,256	2,065	(1,144)	3,177
Social Care Pressures	-	1,110	-	1,110	196	(1,163)	143
Cost of Living Scheme Discretionary payments	-	585	-	585	-	(585)	-
Out of County Education	-	500	-	500	-	-	500
Addysg Y Bont Substantial Roofing Works	-	3,000	(509)	2,491	-	(2,491)	-
Funds from General Reserves for Capital Reserves	-	-	-	-	1,821	(392)	1,429
<b>Total Earmarked Reserves</b>	<b>14,079</b>	<b>15,274</b>	<b>(6,172)</b>	<b>23,181</b>	<b>12,010</b>	<b>(15,554)</b>	<b>19,637</b>
School Balances	3,974	7,904	(4,051)	7,827	6,487	(7,598)	6,716
<b>Total</b>	<b>18,053</b>	<b>23,178</b>	<b>(10,223)</b>	<b>31,008</b>	<b>18,497</b>	<b>(23,152)</b>	<b>26,353</b>

\*The 2021/2022 figure has been restated to not include reserves that have reached £500k at the close of 2022/23

\*\* The title for this reserve has been corrected from 2021/22 Statement of Accounts

The more significant reserves are:-

**Waste Reserve / Recycling** – used to fund future waste management projects.

**Recycling Process Income** – any surplus income from recycling is transferred to this earmarked reserve for use in funding future recycling costs and projects.

**Insurance Reserve** – this is to fund uninsured losses and policy excesses.

**Revenue Contributions Unapplied to Capital** – this is a capital reserve which is made up of revenue contributions to projects which have not been completed or have been funded by general grant to minimise capital financing costs. Where projects have received alternative funding this frees up the revenue contribution to fund another project in the future, again to reduce capital financing costs.

**Housing Developer Contributions S106** – contributions received by housing developers which will be used to fund projects which are in line with the terms of agreement.

**Affordable Housing** – this reserve is for funding projects that will increase the affordable housing stock on Anglesey.

**Archaeological Works at Wylfa** – this is a reserve to fund the completion of archaeological works at the site which was previously being developed for a new nuclear power station by Horizon Nuclear Power Ltd. This is restricted to works agreed between the Council and Horizon.

**NWREF Covid Economic Recovery** – this is a new reserve which aids the delivery of the economy in North Wales. This funding was received from Welsh Government late in the 2021/22 financial year.

**Supporting People Administration** – this is used to fund the administration and management of supporting people projects and services provided.

**Leisure Improvements** – this reserve is funded from a windfall from HMRC, after HMRC lost a court case which argued that HMRC should not be collecting VAT on leisure services. The Council was repaid approximately £900k from HMRC. The current balance of £762k will be used to fund improvements to the Council's Leisure facilities on Anglesey.

**Covid Recovery Planning** – this reserve was used to help fund the recovery phase in the Council's response to the continuing impact of the Covid-19 Pandemic.

**Covid Hardship Funding Council Tax Collection** – it is likely that the financial impact from Covid-19 will impact on Anglesey residents into the medium-term. This reserve of £366k will help fund additional Council Tax benefits provided and help with any potential shortfall on the collection of Council Tax.

**Additional Revenue Settlement** – this is to fund unknown inflationary pressures as they arise during the financial year.

**Social Care Pressures** – the purpose of the funding was to support local authorities with social care pressures from overspends and winter pressures. This earmarked reserve will fund any future overspends as per the terms of the grant offer letter.

**Cost of Living Discretionary Payments** – this is the discretionary element of a much larger grant. Under the discretionary scheme, each local authority may use the funding to provide support to households it considers need assistance with their living costs. This support may take the form of payment to households not already covered in the main scheme, or it may cover the cost of essential services provided to households.

**Out of County Education** – this reserve will be used to reduce the risk associated with the demand led budget and fund in-year unexpected increases.

**Canolfan Addysg y Bont Substantial Roofing Works** – created in 2021/22 following the approval to use £3m from the General Reserves by Council to fund works required to repair the roof at Canolfan Addysg y Bont. Works have been completed during 2022/23.

**Funds from General Reserves for Capital Reserves** – unspent funds to support capital projects in accordance with grant conditions.

**Schools Balances** – these balances are reserved for each school's use in pursuance of its educational objectives. At 31 March 2023, none of the forty primary schools had balances in a deficit position (none as at 31 March 2022). None of the five secondary schools are in a deficit position at the end of the financial year (none as at 31 March 2022), the Special school is not in a deficit position at 31 March 2023. The combined value of the schools in deficit is £0k (£0k as at 31 March 2022). 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 8 – CAPITAL RECEIPTS RESERVE

These are cash receipts from the sale of Council assets. These are used to fund capital expenditure in the year or to carry forward for future years. A balance of £1.908m will be carried forward to 2023/24 to help fund next year's capital programme.

	2022/23 £'000	2021/22 £'000
<b>Balance 1 April</b>	2,381	767
Capital Receipts in year (net of reduction for administration costs)	374	1,927
	<b>2,755</b>	<b>2,694</b>
<b>Less:</b>		
Receipts set aside to repay debt	-	-
Capital Receipts used for financing	(822)	(313)
Other	(25)	-
<b>Balance 31 March</b>	<b>1,908</b>	<b>2,381</b>

## NOTE 9 – UNUSABLE RESERVES

	31/03/2023 £'000	31/03/2022 £'000
a) Capital Adjustment Account	179,955	162,758
Financial Instruments Adjustment Account	(329)	(355)
b) Revaluation Reserve	173,399	175,887
c) Pensions Reserve	-	(121,199)
ch) Accumulating Compensated Absences Adjustment Account	(3,190)	(2,858)
<b>Total Unusable Reserves</b>	<b>349,835</b>	<b>214,233</b>

## NOTE 9a – 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 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.



Capital Adjustment Account	2022/23		2021/22	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		162,758		153,976
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation, impairment and amortisation of non-current assets	(16,670)		(21,677)	
Derecognised assets	(3)		(3,246)	
Revaluation losses on Property, Plant and Equipment	933		573	
Revenue expenditure funded from capital under statute	-		(10)	
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	(195)		(804)	
		<b>(15,935)</b>		<b>(25,164)</b>
Adjusting amounts written out of the Revaluation Reserve		3,807		3,606
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(12,128)</b>		<b>(21,558)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	822		313	
Use of capital reserve	2,053		1,395	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	20,167		20,706	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	1,453		3,536	
Capital expenditure charged against the Council Fund and HRA balances	7,398		4,484	
		<b>31,893</b>		<b>30,434</b>
Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement		<b>(2,568)</b>		<b>(94)</b>
<b>Balance at 31 March</b>		<b>179,955</b>		<b>162,758</b>

## NOTE 9b – REVALUATION RESERVE

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

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

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

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

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

Revaluation Reserve	2022/23	2021/22
	£'000	£'000
<b>Balance at 1 April</b>	<b>175,887</b>	<b>149,546</b>
Revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	1,317	29,946
Difference between fair value depreciation and historical cost depreciation	(3,670)	(3,169)
Revaluation balances on assets scrapped or disposed of	(135)	(436)
<b>Balance at 31 March</b>	<b>173,399</b>	<b>175,887</b>

## NOTE 9c – PENSIONS RESERVE

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

Pensions Reserve	2022/23	2021/22
	£'000	£'000
<b>Balance at 1 April</b>	<b>(121,199)</b>	<b>(176,261)</b>
Re-measurement of net defined liability	156,270	72,088
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	(26,645)	(27,329)
Employers' pension contribution and direct payment to pensioners payable in the year	11,388	10,303
Remove net pension asset as at 31 March 2023	(19,814)	0
<b>Balance at 31 March</b>	<b>-</b>	<b>(121,199)</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 9ch – 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 on 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

Accumulating Compensated Absences Adjustment Account	2022/23		2021/22	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		(2,858)		(2,686)
Settlement or cancellation of accrual made at the end of the preceding year	2,858		2,686	
Amounts accrued at the end of the current year	(3,190)		(2,858)	
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		(332)		(172)
<b>Balance at 31 March</b>		<b>(3,190)</b>		<b>(2,858)</b>

## NOTE 10 – OTHER OPERATING EXPENDITURE

	2022/23 £'000	2021/22 £'000
Precept paid to the North Wales Police and Crime Commissioner	10,151	9,639
Precept paid to Community Councils	1,722	1,607
(Gains)/Losses on the disposal of non-current assets (Including Derecognition)	(262)	2,136
North Wales Fire and Rescue Authority	3,915	3,690
North Wales Community Joint Committee	36	-
Towyn Trewan Board of Conservators	4	-
Natural Resources Wales	4	4
<b>Total</b>	<b>15,570</b>	<b>17,076</b>

## NOTE 11 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2022/23 £'000	2021/22 £'000
Interest payable and similar charges	5,698	5,591
Net interest on the defined liability	3,428	3,654
Interest receivable and similar income	(963)	(19)
Income and Expenditure in relation to investment properties and changes in their fair value	2,227	(83)
Derecognition and impairment of Financial Assets	599	416
<b>Total</b>	<b>10,990</b>	<b>9,559</b>

## NOTE 12 – TAXATION AND NON-SPECIFIC GRANT INCOME

	2022/23 £'000	2021/22 £'000
Council Tax Income	54,929	53,346
Non-Domestic Rates Redistribution	25,493	23,480
Revenue Support Grant	89,058	82,734
Capital Grants Applied to Fund Capital Expenditure	20,167	20,706
<b>Total</b>	<b>189,647</b>	<b>180,266</b>

**NOTE 13a – NON-CURRENT ASSETS, PROPERTY, PLANT AND EQUIPMENT (PPE)**

2022/23	Property, Plant and Equipment						
	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>At 1 April 2022</b>	<b>167,761</b>	<b>205,744</b>	<b>18,055</b>	<b>259</b>	<b>19,294</b>	<b>1,364</b>	<b>412,477</b>
Additions (Note 17)	5,919	7,619	1,891	-	19,789	-	35,218
Revaluation inc./(decr.) to Revaluation Reserve	(5,080)	4,349	-	-	-	-	(731)
Revaluation inc./(decr.) to (Surplus) / Deficit on the Prov. of Services	-	501	-	-	-	-	501
Derecognition - Disposals	-	-	(93)	-	-	-	(93)
Derecognition - other	(1,616)	(4,139)	-	-	-	-	(5,755)
Reclassification	6,428	590	-	-	(7,018)	-	-
Reclassified (to) / from Assets Held for Sale	-	(584)	-	-	-	88	(496)
Reclassified (to) / from Investment Property	-	-	-	-	(3,031)	-	(3,031)
Reclassified (to) / from Heritage Assets	-	-	-	-	-	-	-
<b>Balance as at 31 March 2023</b>	<b>173,412</b>	<b>214,080</b>	<b>19,853</b>	<b>259</b>	<b>29,034</b>	<b>1,452</b>	<b>438,090</b>
<b>Depreciation and Impairment</b>							
<b>At 1 April 2022</b>	<b>1,616</b>	<b>7,599</b>	<b>6,183</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>15,402</b>
Depreciation Charge	2,658	7,174	2,012	-	-	5	11,849
Impairment charge to (Surplus) or Deficit on the Provision of Services	-	668	-	-	-	-	668
Impairment charge to Revaluation Reserve	5,919	4,903	-	-	-	-	10,822
Impairment written out to Revaluation Reserve	-	(6,330)	-	-	-	-	(6,330)
Impairment written out to (Surplus) or Deficit on the Provision of Services	-	(42)	-	-	-	-	(42)
Depreciation written out to Revaluation Reserve	-	(6,383)	-	-	-	(5)	(6,388)
Depreciation written out to (Surplus) or Deficit on the Provision of Services	-	(305)	-	-	-	-	(305)
Derecognition - Disposals	-	-	(88)	-	-	-	(88)
Derecognition - other	(1,616)	(4,139)	-	-	-	-	(5,755)
<b>Balance as at 31 March 2023</b>	<b>8,577</b>	<b>3,145</b>	<b>8,107</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>19,833</b>
<b>Net Book Value</b>							
<b>Balance as at 31 March 2023</b>	<b>164,835</b>	<b>210,935</b>	<b>11,746</b>	<b>259</b>	<b>29,034</b>	<b>1,448</b>	<b>418,257</b>
<b>Balance as at 31 March 2022</b>	<b>166,145</b>	<b>198,145</b>	<b>11,872</b>	<b>259</b>	<b>19,294</b>	<b>1,360</b>	<b>397,075</b>

2021/22	Property, Plant and Equipment						
	Council Dwellings	Land and Buildings	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
<b>At 1 April 2021</b>	<b>156,797</b>	<b>204,382</b>	<b>18,004</b>	<b>259</b>	<b>15,065</b>	<b>1,970</b>	<b>396,477</b>
Adjustment opening balance	-	-	-	-	-	-	-
Additions (Note 17)	6,141	4,648	5,094	-	11,511	-	27,394
Revaluation inc./(decr.) to Revaluation Reserve	7,335	3,624	-	-	-	286	11,245
Revaluation inc./(decr.) to (Surplus) / Deficit on the Prov. of Services	-	271	-	-	-	(17)	254
Derecognition - Disposals	-	(92)	(214)	-	-	(490)	(796)
Derecognition - other	(5,654)	(7,311)	(4,829)	-	(8)	-	(17,802)
Derecognition - replaced parts	-	-	-	-	-	-	-
Reclassification	3,142	280	-	-	(3,517)	95	-
Reclassified (to) / from Assets Held for Sale	-	-	-	-	-	(480)	(480)
Reclassified (to) / from Investment Property	-	(58)	-	-	(3,757)	-	(3,815)
Reclassified (to) / from Heritage Assets	-	-	-	-	-	-	-
<b>Balance as at 31 March 2022</b>	<b>167,761</b>	<b>205,744</b>	<b>18,055</b>	<b>259</b>	<b>19,294</b>	<b>1,364</b>	<b>412,477</b>
<b>Depreciation and Impairment</b>							
<b>At 1 April 2021</b>	<b>16,830</b>	<b>8,077</b>	<b>9,768</b>	-	-	<b>4</b>	<b>34,679</b>
Adjustment Cost and Depreciation	4,079	6,434	1,458	-	-	31	12,002
Depreciation Charge	1,616	4,139	-	-	-	-	5,755
Impairment	-	1,925	-	-	-	-	1,925
Depreciation written out to Revaluation Reserve	(15,255)	(5,342)	-	-	-	(4)	(20,601)
Depreciation written out to (Surplus) or Deficit on the Provision of Services	-	(316)	-	-	-	(2)	(318)
Derecognition - Disposals	-	(7)	(214)	-	-	(25)	(246)
Derecognition - other	(5,654)	(7,311)	(4,829)	-	-	-	(17,794)
<b>Balance as at 31 March 2022</b>	<b>1,616</b>	<b>7,599</b>	<b>6,183</b>	-	-	<b>4</b>	<b>15,402</b>
<b>Net Book Value</b>							
<b>Balance as at 31 March 2022</b>	<b>166,145</b>	<b>198,145</b>	<b>11,872</b>	<b>259</b>	<b>19,294</b>	<b>1,360</b>	<b>397,075</b>
<b>Balance as at 31 March 2021</b>	<b>139,967</b>	<b>196,305</b>	<b>8,236</b>	<b>259</b>	<b>15,065</b>	<b>1,966</b>	<b>345,461</b>

## Revaluations

The Council has £487.064m recognised as Property, Plant and Equipment (PPE). This includes £68.807m of infrastructure assets, such as roads and street lighting. This value for infrastructure is not included in Note 13a above for PPE but is, instead, reported below in Note 13b. The Council adopts a five-year rolling programme for the valuation of its land and property. The programme is constructed in such a way as to ensure that entire classes of assets within its land and property portfolio are revalued at least every five years, with the valuation effective on 31 March each year. In addition, to ensure that the valuations are materially correct, all Council property assets valued at £500k or higher will be valued each year and Council Dwellings will be valued every three years. 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 41 Accounting Policies.

### **NOTE 13b - INFRASTRUCTURE ASSETS**

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets, the below note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

#### **Infrastructure Assets**

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Net Book Value at 1 April	69,857	69,465
Additions	2,984	4,175
Depreciation	(4,034)	(3,783)
<b>Net Book Value at 31 March</b>	<b>68,807</b>	<b>69,857</b>

#### **Total PPE Assets**

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Infrastructure assets	68,807	69,857
Other PPE assets	418,257	397,078
<b>Total PPE assets</b>	<b>487,064</b>	<b>466,935</b>

## NOTE 14 - SIGNIFICANT CAPITAL COMMITMENTS

At 31 March 2023, 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 £14.004m in 2023/24 and future years, as shown in the table below: -

	Commitment into 2023/24 & future years as of 31 March 2023 £'000
Planned Maintenance Contracts - HRA	272
Development of New Properties - HRA	852
New Corn Hir School	187
New foundation unit at Ysgol Y Graig	8,759
Heat Pump Installation	24
Energy Projects	1,857
Penrhos Phase 3	2,053
<b>Total</b>	<b>14,004</b>

## NOTE 15 – HERITAGE ASSETS

### 2022/23

	Art Collection and Civic Regalia £'000	Heritage Land & Buildings £'000	Total Heritage Assets £'000
<b>Cost or Valuation At 1 April 2022</b>	2,121	144	2,265
Revaluation increase/(decrease) to the Revaluation Reserve	154	-	154
<b>At 31 March 2023</b>	<b>2,275</b>	<b>144</b>	<b>2,419</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>At 1 April 2022</b>	-	6	6
Depreciation Charge	-	6	6
<b>At 31 March 2023</b>	<b>-</b>	<b>12</b>	<b>12</b>
<b>Net Book Value</b>			
<b>At 31 March 2023</b>	<b>2,275</b>	<b>132</b>	<b>2,407</b>
<b>At 31 March 2022</b>	<b>2,121</b>	<b>162</b>	<b>2,283</b>

### 2021/22

	Art Collection £'000	Heritage Land £'000	Total Heritage £'000
<b>Cost or Valuation At 1 April 2021</b>	2,121	144	2,265
Revaluation increase/(decrease) to the Revaluation Reserve	-	24	24
<b>At 31 March 2022</b>	<b>2,121</b>	<b>168</b>	<b>2,289</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>At 1 April 2021</b>	-	-	-
Depreciation Charge	-	6	6
<b>At 31 March 2022</b>	<b>-</b>	<b>6</b>	<b>6</b>
<b>Net Book Value</b>			
<b>At 31 March 2022</b>	<b>2,121</b>	<b>162</b>	<b>2,283</b>
<b>At 31 March 2021</b>	<b>2,121</b>	<b>144</b>	<b>2,265</b>

## **Revaluation of Heritage Assets (Land and Buildings)**

A small number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. The Heritage Assets (Land & Buildings) were last revalued in 2021/22, as per the Council's revaluation procedures. The most notable heritage assets are: -

### **Melin Llynnon Mill**

The revaluation of this asset follows the Council's standard revaluation procedures for land and property. The mill and its land are leased out on an operating lease basis.

### **Felin Y Graig**

This asset transferred in 2020/21 from Investment Properties to Heritage Assets to reflect its classification more accurately.

## **Revaluation of Heritage Assets (Art Collections)**

The Council's Art Collections were revalued for 2022/23. The valuation was carried out by Bonhams of London, a firm of international Art Auctioneers and Valuers.

## **Revaluation of Heritage Assets (Civic Regalia)**

The Heritage Assets (Civic Regalia) have been revalued in 2021/22 as per the Council's revaluation procedures and in line with the five-year rolling programme adopted for Property, Plant and Equipment (PPE) and Heritage Assets.

## **NOTE 16 – INVESTMENT PROPERTIES**

### **a) Investment Properties**

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of the year</b>	6,117	5,619
Disposals	-	(68)
Net gains/(losses) from fair value adjustments	(2,568)	(93)
Derecognition	-	(3,156)
Transfers:		
- (to)/from Property, Plant and Equipment	3,030	3,815
- (to)/from Heritage Assets	-	-
<b>Balance at end of the year</b>	<b>6,579</b>	<b>6,117</b>

There are no restrictions on the Council's ability to realise the value inherent in its wholly owned investment property which relates to the significant majority of the investment properties, or on the Council's right to the remittance of income and the proceeds of disposal on these assets.

However, during the year, the construction of Units 17 to 26, Penrhos Industrial units, Holyhead was completed. This project is a joint venture with Welsh Government, whereby the Council's share in the property is 16% and Welsh Government's share is 84% due to Welsh Government's contribution to construction costs. The Council receives 16% of the income and holds 16% of the value of the property and which is accounted for within investment properties on its balance sheet (£191k) which is included in note 16a and 16b. There is also a restriction on the duration of the joint venture. The Council and Welsh Government have extended the joint venture at Penrhos Industrial Estate, Holyhead to build additional industrial units, as phase 2 of the project which will be completed in 2023/24.



The Council is also working in partnership with Welsh Government and the European Regional Development Fund (ERDF) on the construction of six new eco-friendly business units in Llangefni. The costs of these developments and phase 2 of Penrhos Industrial Estate are included in Assets under Construction within Property, Plant and Equipment (note 13a).

**b) Fair Value Measurement of Investment Properties 2022/23 Fair Value Hierarchy**

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (level 1) £'000	Other significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000	Fair Value as at 31 March 2023 £'000
Retail Properties	-	823	-	823
Office units	-	701	-	701
Commercial units	-	5,055	-	5,055
<b>Total</b>	-	<b>6,579</b>	-	<b>6,579</b>

**2021/22 Fair Value Hierarchy**

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000	Fair Value as at 31 March 2022 £'000
Retail Properties	-	788	-	788
Office units	-	709	-	709
Commercial units	-	4,620	-	4,620
<b>Total</b>	-	<b>6,117</b>	-	<b>6,117</b>

**NOTE 17 - CAPITAL EXPENDITURE AND FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically that has yet to be financed. The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to borrow during the year to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

Capital Expenditure and Financing	2022/23 £'000	2021/22 £'000
<b>Opening Capital Financing Requirement</b>	<b>137,804</b>	<b>136,560</b>
<b>Capital Invested in Year</b>		
Property, Plant and Equipment	38,202	31,570
Intangible Assets	-	97
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	2,488	1,790
<b>Total</b>	<b>40,690</b>	<b>33,457</b>
<b>Source of Finance</b>		
Capital receipts	(822)	(312)
Reserve	(2,053)	(1,395)
Government Grants and Contributions	(20,168)	(20,706)
Revenue Provisions	(7,398)	(4,484)
REFCUS Grants	(2,488)	(1,780)
Minimum Revenue Provision and Set Aside	(1,453)	(3,536)
<b>Total</b>	<b>(34,382)</b>	<b>(32,213)</b>
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>6,308</b>	<b>1,244</b>
<b>Closing Capital Financing Requirement</b>	<b>144,112</b>	<b>137,804</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow supported by Government assistance	2,757	1,764
Increase in underlying need to borrow unsupported by Government assistance	4,009	2,485
Loan	995	531
Minimum Revenue Provision and Voluntary Set Aside	(1,453)	(3,536)
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>6,308</b>	<b>1,244</b>

## NOTE 18– DEBTORS

	Long-Term Debtors		Short-Term Debtors	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Trade Receivables	-	-	2,327	5,823
Prepayments	-	-	1,329	1,086
Other Receivable Amounts	1,234	1,076	35,199	36,089
<b>Total</b>	<b>1,234</b>	<b>1,076</b>	<b>38,855</b>	<b>42,997</b>

The above debtors' figures are net of bad debt provisions totalling £8.149m in 2022/23 (£7.077m in 2021/22).

The past due date but not impaired amount for Council Tax can be analysed by age as follows: -

	31 March 2023 £'000	31 March 2022 £'000
Less than one year	2,530	1,453
More than one year	3,431	2,629
<b>Total</b>	<b>5,961</b>	<b>4,082</b>

## NOTE 19 – 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 2023 £'000	31 March 2022 £'000
Cash held by the Authority	125	230
Bank current accounts	593	5,630
Short term deposits	19,022	38,618
<b>Total</b>	<b>19,740</b>	<b>44,478</b>

## NOTE 20 – CREDITORS

	Long-Term Creditors		Short-Term Creditors	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Trade Creditors	-	-	(12,494)	(12,382)
Other Payables	(158)	(162)	(22,075)	(22,191)
<b>Total Creditors</b>	<b>(158)</b>	<b>(162)</b>	<b>(34,569)</b>	<b>(34,573)</b>

## NOTE 21 – PROVISIONS

	Balance at 1 April 2021 £'000	Increase / (Decrease) in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2022 £'000	Increase / (Decrease) in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2023 £'000
Insurance Claims Provision	290	350	(253)	387	200	(207)	380
Penhesgyn Waste Site	4,684	(228)	(45)	4,411	(76)	-	4,335
Gwynedd and Anglesey Additional Learning Needs & Inclusion Service	73	44	-	117	205	-	322
<b>Total</b>	<b>5,047</b>	<b>166</b>	<b>(298)</b>	<b>4,915</b>	<b>329</b>	<b>(207)</b>	<b>5,037</b>
<b>Short-Term Provisions</b>	<b>408</b>	<b>394</b>	<b>(298)</b>	<b>504</b>	<b>405</b>	<b>(207)</b>	<b>702</b>
<b>Long-Term Provisions</b>	<b>4,639</b>	<b>(228)</b>	<b>-</b>	<b>4,411</b>	<b>(76)</b>	<b>-</b>	<b>4,335</b>
<b>Total</b>	<b>5,047</b>	<b>166</b>	<b>(298)</b>	<b>4,915</b>	<b>329</b>	<b>(207)</b>	<b>5,037</b>

### Purpose of Main Provisions - 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.

## NOTE 22 – CASH FLOW FROM OPERATING ACTIVITIES

	2022/23 £'000	2021/22 £'000
<b>Adjustment to surplus or deficit on the Provision of Services for non-cash movements</b>		
Depreciation, Impairment and amortisation	16,670	21,677
Downward/(upwards) revaluations and non-sale derecognitions	(844)	2,673
(Increase)/decrease in Inventories	(95)	42
(Increase)/decrease in debtors	3,984	(9,679)
Increase/(decrease) in impairment for bad debts	-	-
Increase/(decrease) in creditors	(9)	9,771
Increase/(decrease) in grants receipts in advance	(2,367)	5,767
Transactions within the CIES relating to retirement benefits	15,257	17,000
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	109	804
Increase/(Decrease) in Provisions	121	(131)
Movement in value of investment properties - Impairment and downward revaluations (and non-sale derecognitions)	2,568	94
<b>Total</b>	<b>35,394</b>	<b>48,018</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	(374)	(1,927)
Capital Grants and Contributions Received	(20,441)	(20,706)
<b>Total</b>	<b>(20,815)</b>	<b>(22,633)</b>

## NOTE 23 – CASH FLOW FROM INVESTING ACTIVITIES

	2022/23 £'000	2021/22 £'000
Movement in short term Investments	(15,000)	(7,500)
Purchase of Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets	(38,202)	(31,667)
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	374	1,927
Capital Grants and Contributions Received	20,441	20,706
<b>Net Cash flows from Investing Activities</b>	<b>(32,387)</b>	<b>(16,534)</b>

## NOTE 24 – CASH FLOW FROM FINANCING ACTIVITIES

	2022/23 £'000	2021/22 £'000
<b>Movement in Borrowing</b>		
Short Term Borrowing	(454)	2,406
Long Term Borrowing	(1,120)	(1,581)
<b>Net Cash flows from Financing Activities</b>	<b>(1,574)</b>	<b>825</b>

## NOTE 25a – EXPENDITURE AND INCOME ANALYSED BY NATURE

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.

	2022/23 £'000	2021/22 £'000
<b>Expenditure</b>		
Employee benefits	120,052	111,624
Other services	133,415	124,460
Depreciation, amortisation, impairment & movement in market value of investment properties	19,238	21,771
Interest Payments	9,127	9,245
De-recognition and Impairment of Financial Assets	599	416
Precepts and levies	15,832	14,940
Gain on the disposal of assets	(262)	2,136
<b>Total Expenditure</b>	<b>298,001</b>	<b>284,592</b>
<b>Income</b>		
Fees, charges and other service income	(35,292)	(33,257)
Interest and investment income	(1,304)	(196)
Income from Council Tax, Non-Domestic Rates	(80,422)	(76,826)
Government grants and contributions	(175,627)	(180,375)
<b>Total Income</b>	<b>(292,645)</b>	<b>(290,654)</b>
<b>Surplus or Deficit on the provision of services</b>	<b>5,356</b>	<b>(6,062)</b>

## NOTE 25b 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	2022/23 Income from Services £'000	2021/22 Income from Services £'000
Education, Young People and Skills	(939)	(964)
Adult Services	(6,333)	(5,514)
Housing	(386)	(203)
Highways, Property and Waste	(4,513)	(4,013)
Regulation and Economic Development	(2,843)	(2,485)
Transformation	(42)	(49)
Resources	(167)	(181)
Council Business	(203)	(422)
Corporate and Democratic Costs	(148)	(115)
Housing Revenue Account (HRA)	(19,719)	(19,311)
<b>Total Income</b>	<b>(35,293)</b>	<b>(33,257)</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.wales/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 2022 to 31 March 2023. 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 services/goods are 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 26 – MEMBERS’ ALLOWANCES

A total of £918k (£717k in 2021/22) was paid in respect of allowances to Council Members during the year, as follows: -

	2022/23 £'000	2021/22 £'000
Basic and Special responsibility allowances	754	596
Chairman and Deputy Chairman’s Allowance	12	13
Pension Costs	75	57
National Insurance Costs	65	48
Travel Costs	3	-
Subsistence	-	-
Miscellaneous	9	3
<b>Total</b>	<b>918</b>	<b>717</b>

In addition, the Council spent £33,070 on expenses for lay members (£25,531 in 2021/22).

#### NOTE 27 – OFFICERS’ REMUNERATION

The number of employees (including senior officers) whose annual remuneration paid was more than £60k but not more than £150k in 2022/23, excluding pension contributions but including severance pay, is as follows: -

Officer Remuneration	Non-Schools 2022/23	Non-Schools 2021/22	Schools 2022/23	Schools 2021/22
	Number of Employees	Number of Employees	Number of Employees	Number of Employees
£60,000 to £64,999	10	6	28	25
£65,000 to £69,999	-	3	18	6
£70,000 to £74,999	-	1	5	2
£75,000 to £79,999	-	-	4	3
£80,000 to £84,999	3	6	4	2
£85,000 to £89,999	3	-	1	2
£90,000 to £94,999	3	3	1	-
£95,000 to £99,999	-	-	1	1
£100,000 to £104,999	1	1	-	-
£105,000 to £109,999	-	-	1	-
£110,000 to £114,999	-	-	-	1
£115,000 to £119,999	-	-	-	-
£120,000 to £124,999	-	-	-	-
£125,000 to £129,999	-	1	-	-
£130,000 to £134,999	1	-	-	-
<b>Total</b>	<b>21</b>	<b>21</b>	<b>63</b>	<b>42</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 2022/23	Note	Salary, fees and allowances £	Expenses allowances £	Pension contribution £	Total £
Chief Executive	1	124,259	-	26,591	150,850
Deputy Chief Executive	3	102,983	-	22,038	125,021
Director of Function (Council Business) / Monitoring Officer		87,840	-	17,905	105,745
Director of Function (Council Business) / Monitoring Officer (interim)	2	20,917	-	4,373	25,290
Director of Function (Resources) & S151		92,345	-	19,762	112,107
Director of Social Services		92,345	-	19,762	112,107
Director of Education, Skills and Young People	3	53,868	-	11,528	65,396
Head of Profession: HR & Transformation		82,219	-	17,595	99,814
Head of Service: Housing	4	82,516	-	17,658	100,174
Head of Regulation and Economic Development		85,373	-	17,595	102,968
Head of Service: Adult Services		82,219	-	17,595	99,814
Head of Service: Highways, Waste & Property		88,526	-	17,595	106,121
<b>Total</b>		<b>995,410</b>	<b>-</b>	<b>209,997</b>	<b>1,205,407</b>

<sup>1</sup> The Returning Officer element of the Chief Executive's salary is £7,885 and is not included in the figures above.

<sup>2</sup> The Director of Function (Council Business) / Monitoring Officer (interim) was in post until 30/06/2022 when the Director of Function (Council Business) returned from a period of absence.

<sup>3</sup> The Director of Education, Skills and Young People started in their post 01/09/2022, the position was vacant prior to this. The previous Director of Education left their post on 01/03/2022 and started in their new post as Deputy Chief Executive on 01/04/2022.

<sup>4</sup> The Head of Housing received an honorarium of £296.97 for extra responsibilities undertaken during the year.

The remuneration ratio of the Chief Executive to the median remuneration of all employees during 2022/23 is 5.17:1 (5.53:1 in 2021/22). The median salary for all employees in 2022/23 is £24,054 (£22,129 in 2021/22). This is the salary at the mid-point of all employees' salaries, from lowest to highest.

Comparative figures for 2021/22 are shown in the following table: -

Senior Officer Remuneration 2021/22	Salary, fees and allowances £	Expenses allowances £	Pension contribution £	Total £
Chief Executive <sup>1</sup>	122,940	-	25,405	148,345
Chief Executive <sup>1</sup>	3,617	-	774	4,391
Deputy Chief Executive <sup>1</sup>	98,070	-	20,987	119,057
Director of Function (Council Business) / Monitoring Officer <sup>2</sup>	81,943	-	17,493	99,436
Director of Function (Council Business) / Monitoring Officer (interim) <sup>2</sup>	29,972	-	6,414	36,386
Director of Function (Resources) & S151	90,420	-	19,350	109,770
Director of Social Services <sup>4</sup>	91,155	-	19,507	110,662
Director of Education, Skills and Young People	90,420	-	19,350	109,770
Head of Profession: HR & Transformation <sup>4</sup>	80,532	-	17,234	97,766
Head of Service: Housing <sup>4</sup>	81,956	-	17,539	99,495
Head of Regulation and Economic Development <sup>5</sup>	80,294	-	17,183	97,477
Head of Service: Adult Services <sup>3</sup>	45,723	-	9,785	55,508
Head of Service: Adult Services (interim) <sup>3</sup>	34,191	-	7,317	41,508
Head of Service: Highways, Waste & Property	80,294	-	17,183	97,477
<b>Total</b>	<b>1,011,527</b>	<b>-</b>	<b>215,521</b>	<b>1,227,048</b>

<sup>1</sup> The Chief Executive left her post on 20/03/2022 and the Deputy Chief Executive was appointed as the new Chief Executive on 21/03/2022. The Deputy Chief Executive post remained vacant for the remainder of the year.

2 The Interim Director of Function (Council Business / Monitoring Officer has been in post since 19/11/2021, due to the long term absence of the original post holder.

3 The Interim Head of Adult Services left the post on 31/08/2021 with the new Head of Adult Services commencing on 06/09/2021. The Director of Social Services and Head of Services (interim) also received a special recognition payment of £735 which was given to social care workers to recognise and reward the hard work of social care staff who have provided essential care to our most vulnerable citizens during the Covid-19 pandemic.

4 The Head of Service for Housing received an honorarium for additional duties for the sum of £1,662 between 1 April 2021 and 30 September 2021. The Head of Profession, HR and Transformation received an honorarium for additional duties for the sum of £238 between 1 December 2021 and 31 March 2021.

5 The Head of Regulation and Economic Development was made permanent on 27/04/2021.

**Note:** Returning Officer element of Chief Executive salary is £6,410 and is not included in the figures above. The Director of Place & Community Wellbeing has been removed from the structure.

## NOTE 28 – EXIT PACKAGES

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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23 £'000	2021/22 £'000
£0 - £20,000	1	5	1	3	2	8	20	71
£20,001 - £40,000	-	-	1	1	1	1	38	37
£40,001 - £60,000	1	-	-	-	1	-	46	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	1	-	-	-	1	-	81	-
£100,001 - £250,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>9</b>	<b>185</b>	<b>108</b>

In accordance with requirements, exit costs which the Council were committed to incurring at the 31st March, but paid after this date are included in the above. The totals disclosed are made up of payments made to the individual and any payments made by the Council to the pension fund when an employee retires early without actuarial reduction in pension in accordance with the Council's Discretionary Compensation Policy. In addition to the termination costs laid out in the table above, the council also accounted for a share in the termination costs of 25 employees for the Test, Trace and Protect joint working arrangement lead by Flintshire County Council and funded through Welsh Government grant income.

## NOTE 29 – EXTERNAL AUDIT FEES

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

	2022/23 £'000	2021/22 £'000
Fees payable to Audit Wales with regard to external audit services carried out by the appointed auditor for the year	229	193
Fees payable to Audit Wales in respect of statutory inspections	104	100
Fees payable to Audit Wales for the certification of grant claims and returns for the year	75	45
<b>Total</b>	<b>408</b>	<b>338</b>



## NOTE 30 – GRANTS INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23 and 2020/21 as follows: -

	Note	2022/23 £'000	2021/22 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>			
Revenue Support Grant (Non-ring-fenced Government Grants)	12	89,058	82,734
Capital Grants and Contributions	12	16,659	15,326
Non-Domestic Rates AEF (NDR)	12	25,493	23,480
Grant - HRA (Capital Grants and Contributions)	12	3,782	5,380
<b>Total</b>		<b>134,992</b>	<b>126,920</b>
<b>Credited to Services</b>			
<b>Grants:</b>			
Post-16 Grant (Education)		3,372	3,066
Education Improvement Grant (Education)		2,865	2,878
Pupil Development Grant (Education)		1,956	1,880
Children and Communities Grant (Children's Services)		3,577	3,423
Concessionary Fares Grant		541	793
Housing Benefit Subsidy		13,270	14,272
Housing Support Grant		3,721	3,502
Environment and Sustainable Development Grant		464	649
Levelling Up Fund		129	48
Community Renewal Fund		2,351	248
Integrated Care Fund		1,961	1,578
<b>Total</b>		<b>34,207</b>	<b>32,337</b>
<b>Covid Related Grants</b>			
<b>Covid Local Government Single Emergency Hardship Fund:</b>			
Lifelong Learning		620	1,006
Adult Services		15	1,643
Children's Services		-	310
Housing		-	564
Highways, Property and Waste		-	338
Economic Development and Regulatory Resources		37	463
Housing Revenue Account		-	220
NDR Relief Grant		1,799	8
<b>Total</b>		<b>2,471</b>	<b>11,371</b>
<b>Other Covid Grants:</b>			
Lifelong Learning		914	2,244
Highways, Property and Waste		-	2
Economic Development and Regulatory		-	4
<b>Total</b>		<b>914</b>	<b>2,250</b>
<b>Other Grants:</b>			
Lifelong Learning		3,992	4,751
Adult Services		1,308	4,136
Children's Services		3,360	3,032
Housing		2,551	1,340
Highways, Property and Waste		3,840	3,127
Economic Development and Regulatory		3,358	4,955
Corporate Transformation		293	239
Resources		1,408	1,170
Council Business		14	5
Corporate and Democratic Costs		-	396
Housing Revenue Account		116	-
<b>Total</b>		<b>20,240</b>	<b>23,151</b>
<b>Contributions:</b>			
		<b>8,295</b>	<b>7,827</b>
<b>Total grants and contributions credited to services</b>		<b>66,127</b>	<b>76,936</b>
<b>Total</b>		<b>201,119</b>	<b>203,856</b>

## Revenue Grants Received in Advance

Revenue Grants Received in Advance	2022/23 £'000	2021/22 £'000
Lifelong Learning	47	198
Economic Development and Regulatory	441	1,984
Housing	21	4
Social Services	155	257
Corporate Transformation	14	21
Rate Relief	447	192
<b>Total</b>	<b>1,125</b>	<b>2,656</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 Received in Advance	2022/23 £'000	2021/22 £'000
<b>Welsh Government Capital Grants and Contributions Received in Advance:</b>		
<b>Long-term</b>		
North Wales Economic Ambition Board	5,401	888
<b>Short-term</b>		
Welsh Government contribution to Construction in Penrhos Phase III	612	-
Welsh Government contribution to Construction in Penrhos Phase II	-	1,987
Welsh Government contribution to Construction in Llangefni	22	-
Contaminated Land	17	17
Gateway Units	-	261
21st Century Schools	50	50
Childcare small grant scheme	-	43
Area of Outstanding Natural Beauty Grant	-	-
Community Disabled Hub Grant	10	10
Hwb IT Infrastructure Grant	99	139
Green Recovery Grant	71	71
Circular Economy Grant	-	6
Anglesey Sustainable Landscapes, Sustainable Places	-	-
Green Spine Anglesey Project	-	-
Electric Vehicle Infrastructure	189	276
General Capital Grant	-	1,701
North Wales Economic Ambition Board	1,425	3,624
Local Transport Fund Bus Infrastructure	28	-
Optimised Retrofit Programme Phase 3	371	-
Social Sector Medium & High Rise Remediation Capital Grant	269	-
Other	19	-
<b>Capital Grants and Contributions Received in Advance from other Organisations:</b>		
Housing Commuted Sums	-	676
Amlwch 3G Pitch	-	75
Sports Wales	329	-
Other	100	22
<b>Total</b>	<b>9,012</b>	<b>9,846</b>

## NOTE 31 – 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 37 Joint Committees.

### Members

Members are responsible for the direct control of the policies of the Council. The total Members' allowances paid during 2022/23 is shown in Note 26. The Council appoints Members to certain public, charitable and voluntary bodies, which are independent from the Council but have an impact on its service areas. In order that the Council can maintain effective partnerships with a number of these organisations, representatives of the Council, usually elected Councillors, sit on the various committees and forums that are responsible for them. The breakdown of transactions with bodies under this heading are as follows:

	2022/23 £'000	2021/22 £'000
Payments made	3,555	4,138
Amounts owed by the Council	11	3,610
Amounts owed to the Council	3,473	669

A summary of the individual organisations (where not disclosed elsewhere) which have transactions with the Council in excess of £20k:-

Body	Relationship	Payments Made £'000	Amount owed by the Council £'000	Amounts owing to the Council £'000
<b>2022/23</b>				
Grŵp Llandrillo Menai	Member appointed by the Council to be a representative	761	4	19
Medrwn Môn	Member appointed by the Council to be a representative	310	-	-
Bangor University	Member appointed by the Council to be a representative	81	-	26
Citizens Advice Ynys Môn	Member appointed by the Council to be a representative	168	-	-
<b>Total for 2022/23</b>		<b>1,320</b>	<b>4</b>	<b>45</b>
<b>2021/22</b>				
Grŵp Llandrillo Menai	Member appointed by the Council to be a representative	340	-	19
Medrwn Môn	Member appointed by the Council to be a representative	306	-	-
North Wales Housing	Member appointed by the Council to be a representative	29	-	-
Cyngor ar Bopeth Ynys Môn	Member appointed by the Council to be a representative	204	-	-
<b>Total for 2021/22</b>		<b>879</b>	<b>-</b>	<b>19</b>

The Council is a member of the Welsh Local Government Association, to which subscriptions of £129k were paid in 2022/23 (£100k 2021/22).

Members have declared interests in contracts or in organisations which may have dealings with the Council. Of the eight Members who served for the period 1 April 2022 to 5 May 2022, three did not complete a declaration for the period. A breakdown of the payments made to these companies under this heading are as follows:

	2022/23 £'000	2021/22 £'000
Payments made	444	1043

Transactions greater than £20k and not included elsewhere in this note can be found below:

Organisation	Payments made £'000	Amounts owed by Council £'000	Amounts owed to Council £'000
<b>2022/23</b>			
Age Cymru Gwynedd a Môn	121	-	-
Cymell Ltd	137	-	2
Seiriol Community Centre	20	-	-
Bwyd Da Môn CBC	37	-	-
Cyngor Bro Llanfairpwll	22	-	-
<b>2021/22</b>			
Anglesey Young Farmers	38	-	-
Holyhead Town Council	102	-	14

### **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. Senior Officers' remuneration totals can be seen under Note 27. A breakdown of the payments made to these companies under this heading are as follows:

Interest	2022/23 Payments made £'000	2021/22 Payments made £'000
Head of Housing has interest in community run public house	9	17
Director of Social Services a director of a performing arts association	4	6

They did not take part in any decision or administration of the grant.

### **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 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 30. Totals for Taxation and Non-Specific Tax is included in Note 12.

### **Betsi Cadwaladr University Health Board (BCUHB)**

Betsi Cadwaladr University Health Board (BCUHB), through common control by central Government, is a related party to the Council. A breakdown of transactions are as follows:

	2022/23 £'000	2021/22 £'000
Payments made	1,317	1,536
Payments received	5,338	6,585
Amounts owed by the Council	490	380
Amounts owed to the Council	3,224	2,428

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

Payments to Cwmni Cynnal Cyf are as follows:

	<b>2022/23 £'000</b>	<b>2021/22 £'000</b>
Payments made	30	843
Amounts owed by the Council	-	3
Amounts owed to the Council	-	-

An extract from their financial statements is as follows:

	<b>Net (loss) before tax/ Net gain before tax £'000</b>	<b>Turnover £'000</b>	<b>Net (Liabilities) / Net Assets £'000</b>
31 March 2022	164	30	843
31 March 2021	113	-	-

This company appointed Ieuan Williams as their Chief Executive Officer in 2017. Ieuan Williams is a councillor of the Authority and previously held the role of Deputy Leader. The Deputy Chief Executive Officer of the Council, Mr. Rhys Howard Hughes also held a post as Director for the company.

The company ceased trading on 31 March 2022 and the staff transferred to the Isle of Anglesey County Council and Gwynedd Council under TUPE rules on 1 April 2022. The Company's contracts also transferred across, for which the Council paid £12.5k for the contracts it received. The net assets of the company will be transferred to a charity with similar charitable purposes upon liquidation. The winding up of the company commenced on 13 September 2022 and this process is still ongoing.

The Council also has interests in the following companies:-

<b>Organisation</b>	<b>2022/23 Payments made £'000</b>	<b>2021/22 Payments made £'000</b>
WJEC CBAC LTD	473	229
Menter Môn Cyf	677	453

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

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

An extract from their financial statements is as follows:

	<b>Net movement in funds £'000</b>	<b>Turnover £'000</b>	<b>Net (Liabilities) / Net Assets £'000</b>
30 September 2022	31,097	55,493	87,174
30 September 2021	17,113	31,385	56,077

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 2022 is not qualified.

### **Menter Môn Cyfyngedig**

The Council is a member of Menter Môn Cyf. 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.

The company accounts shows the following:

	<b>Net (loss) before tax/ Net gain before tax £'000</b>	<b>Turnover £'000</b>	<b>Net (Liabilities) / Net Assets £'000</b>
31 December 2021	(753)	5,963	(2,541)
31 December 2020	(306)	5,283	(3,240)

### **North Wales Corporate Joint Committee (North Wales CJC)**

The North Wales CJC was established during 2021/22 and comprises of the six North Wales local authorities and Snowdonia National Park. This joint committee is responsible for strategic development, planning, regional transport planning and promoting the economic well-being of North Wales. No budget was set for 2021/22. Isle of Anglesey Council's share for 2022/23 is £36k. The Statement of Accounts can be found here:

[North Wales Corporate Joint Committee \(llyw.cymru\)](http://llyw.cymru)

## 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 £687k at 31 March 2023 (£730k at 31 March 2022), 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 32 – TRUST FUNDS AND OTHER FUNDS ADMINISTERED BY THE COUNCIL**

The Council acts as trustee for a number of trust funds some of which are registered charities. The financial administration of the trusts is completed by the Council as Trustee though the financial information held about each trust is separately identifiable. The Isle of Anglesey County Council Welsh Act Fund and the Anglesey Further Education are the two larger trusts for which the Council is trustee for.

2022/23	2022/23 Income £'000	2022/23 Expenditure £'000	2022/23 Assets £'000	2022/23 Liabilities £'000
Isle of Anglesey County Council Welsh Church Act Fund	12	0	705	-
Anglesey Further Education Trust Fund	702	242	4,906	22

2021/22	2021/22 Income £'000	2021/22 Expenditure £'000	2021/22 Assets £'000	2021/22 Liabilities £'000
Isle of Anglesey County Council Welsh Church Act Fund	3	0	694	-
Anglesey Further Education Trust Fund - final accounts	137	113	4,737	22

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

The Anglesey Further Education Trust is made up of three funds. This includes the David Hughes Estate of farms and smallholdings which is managed by the Council's Smallholdings team within the Property Section. The David Hughes fund collects rents from its smallholdings and interest on its other investments. The other two funds earn income from non-property managed investments. The net income from the trust is to fund financial assistance for eligible older pupils and young people under 25 to help them to complete courses where they are at a financial disadvantage.

The current final audited accounts for the trust relate to 2021/22 which can viewed using the below link.

[Accounts and annual returns, ANGLESEY FURTHER EDUCATION TRUST FUND - 525254, Register of Charities - The Charity Commission](#)

### **Isle of Anglesey County Council Welsh Church Act Fund**

This fund was previously managed by Gwynedd County Council which transferred the assets of the fund to the Council in May 2019. A consultant is currently reviewing the trust with a view to launching a new scheme which will outline the purpose of the fund, its plan for the provision of charitable aid as well creation of the fund as a new charity. The net assets of the fund at 31 March 2023 was £705k (£694k in 2021/22).

## Minor Trusts

The Council is also trustee for a number of small education trusts as shown below.

	2022/23 Assets £	2021/22 Assets £
<b>Minor Education Trusts</b>		
<b>Amlwch</b>		
Sir Thomas Jones and feeder schools	1	1
Mrs Dilys Evans BA	2	2
Mr Caradoc Evans MSc	2	2
<b>Holyhead</b>		
Stanley Scholarship	13	14
<b>Menai Bridge</b>		
F C Baines AP	33	34
<b>Others</b>		

### Other funds administered by the Council

The Council as part of its safeguarding and supporting vulnerable people remit also administer a number of client bank accounts which the Council has been appointed to manage by the Department of Work and Pensions (DWP) as Corporate Appointee or the Court of Protection as relevant. This is on behalf of individuals who lack the capacity to manage their financial affairs themselves. These are managed by a team in Adults services and are monitored biannually by the Court of Protection. The total value of these accounts at 31 March 2023 was £842k (£698k in 2021/22). This value is not included in the Council balance sheet as the funds do not belong to the Council.

### NOTE 33 – 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 2022/23, the Council paid £6.332m to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 23.63% of pensionable pay (£5.838m and 23.68% in 2021/22).



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 34 below.

## NOTE 34 – 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. In addition, the Council's share of the pension income, costs, assets and liability relating to the North Wales Economic Ambition Board are included in these figures.

#### 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: -

	2022/23 £'000	2021/22 £'000
<b>Service cost comprising:</b>		
Current service cost	23,124	23,603
Losses on settlements or curtailments	93	26
<b>Total Service cost</b>	<b>23,217</b>	<b>23,629</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest cost on defined benefit obligation	14,201	10,839
Interest Income on scheme Assets	(10,773)	(7,185)
<b>Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service</b>	<b>26,645</b>	<b>27,283</b>
Return on Plan Assets (excluding amounts included in net interest expense)	16,664	(29,390)
Actuarial losses / (gains) arising on changes in demographic assumptions	(11,417)	(2,830)
Actuarial losses / (gains) arising on changes in financial assumptions	(211,308)	(39,560)
Other	49,790	(283)
<b>Total re-measurement of net defined benefit liability - Asset</b>	<b>(156,270)</b>	<b>(72,063)</b>
<b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(129,625)</b>	<b>(44,780)</b>
Reversal of net charges made for retirement benefits in accordance with the code	16,179	17,000
<b>Actual amount charged against the Council Fund balance for pensions in the year:</b>		
Employers' contributions payable to scheme	10,466	10,283
<b>Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service</b>	<b>26,645</b>	<b>27,283</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 2023.

Amounts included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows:	31 March 2023	31 March 2022 Restated
	£'000	£'000
Present Value of Scheme Assets	383,797	397,617
Present Value of Scheme Liabilities	(363,983)	(518,816)
<b>Net liability arising from defined obligation</b>	<b>19,814</b>	<b>(121,199)</b>

### Reconciliation of Present Value of the Scheme Liabilities

	2022/23	2021/22 £'000 Restated
<b>Balance as at 1 April</b>	<b>518,816</b>	<b>534,216</b>
<b>Adjustment to opening balance to amend NWEAB 2021/22</b>	<b>149</b>	<b>-</b>
Current service cost	23,124	23,486
Interest cost	14,201	10,839
Contributions from scheme participants	3,144	2,796
Remeasurement losses / (gains)	(183,988)	(42,673)
Past service costs	93	26
Estimated unfunded benefits paid	(923)	(793)
Estimated benefits paid	(10,632)	(9,081)
<b>Balance as at 31 March</b>	<b>363,983</b>	<b>518,816</b>

### Reconciliation of Present Value of the Scheme Assets

	2022/23 £'000	2021/22 £'000 Restated
<b>Opening Fair Value of Scheme Assets as at 1 April</b>	<b>397,617</b>	<b>357,955</b>
<b>Adjustment to opening balance to amend NWEAB 2021/22</b>	<b>149</b>	<b>-</b>
Interest Income	10,773	7,185
Return on plan assets (excl. net interest expense)	(16,664)	29,390
Other Experience	(11,055)	-
Contributions by members	3,143	2,796
<b>Contributions by employer</b>	<b>10,466</b>	<b>9,372</b>
Contributions in respect of unfunded benefits	923	793
Unfunded benefits paid	(923)	(793)
Benefits paid	(10,632)	(9,081)
<b>Balance as at 31 March</b>	<b>383,797</b>	<b>397,617</b>

**c) Fair Value of Scheme Assets**

The table below shows a difference between 2021/22 and 2022/23 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: -**

	2022/23 Prices Quoted in Active Markets £'000	2022/23 Prices not quoted in Active Markets £'000	2021/22 Prices Quoted in Active Markets £'000	2021/22 Prices not quoted in Active Markets £'000
<b>Cash and cash equivalents</b>	1,197	-	2,084	-
<b>Private Equity</b>	-	24,150	-	22,734
<b>Investment Funds and Unit Trusts</b>				
Equities	-	238,805	-	247,932
Infrastructure	-	10,891	-	9,657
Other	-	77,139	-	79,038
	-	-	-	-
<b>Real Estate</b>				
UK Property	-	31,615	-	36,172
Overseas property	-	-	-	-
<b>Total Value – All Assets</b>	<b>1,197</b>	<b>382,600</b>	<b>2,084</b>	<b>395,533</b>
<b>Total Value of Active and Non-Active Assets</b>		<b>383,797</b>		<b>397,617</b>

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

	31 March 2023	31 March 2022
<b>Cash and cash equivalents</b>	0%	0%
<b>Equity investment (by industry type)</b>		
<b>Private equity</b>	6%	6%
<b>Investment Funds and Unit Trusts</b>		
Equities	62%	64%
Infrastructure	3%	2%
Other	21%	20%
<b>Real Estate</b>		
UK Property	8%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### ch) Scheme History

Analysis of scheme assets and liabilities: -

	31 March 2023	31 March 2022	31 March 2021	31 March 2020	31 March 2019
	£'000	restated £'000	£'000	£'000	£'000
Fair Value of Assets in pension scheme	383,797	397,617	357,955	274,492	312,536
Present Value of Defined Benefit Obligation	(363,983)	(518,816)	(534,216)	(399,012)	(443,266)
<b>(Deficit)/Asset in the Scheme</b>	<b>19,814</b>	<b>(121,199)</b>	<b>(176,261)</b>	<b>(124,520)</b>	<b>(130,730)</b>

The analysis of scheme assets and 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 £363.983m which is significantly lower than usual value due to the increased discount factor prescribed by accounting standards and used by the Actuary. This as mentioned in the narrative report is linked to the increased bank base rate and the value of UK corporate bonds which the discount factor is based on. The fair value of assets in the pension scheme is £383.797m which is higher than the obligations.

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

	2022/23	2021/22
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	20.9 years	21.3 years
Women	23.7 years	23.7 years
<i>Longevity at 65 for future pensioners:</i>		
Men	22.1 years	22.4 years
Women	25.5 years	25.7 years
Inflation/Pension Increase Rate	2.95%	3.20%
Salary Increase Rate	3.45%	3.50%
Expected Return on Assets	-1.50%	10.20%
Rate for discounting scheme liabilities	4.75%	2.70%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2008	50%	50%
Service post April 2008	65%	75%

## 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 0.1% increase in the real discount rate due to potential market changes which could decrease the fund's liabilities by £6.939m. A one year increase in member life expectancy could increase liabilities by £14,554m. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e if improvements to survival rates predominately apply to younger or older ages). A 0.1% increase in the salary increase rate, could increase the fund's costs by £935k. A 0.1% increase in the pensions' rate could increase liabilities by £6.106m. 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 0.1% assumptions below were selected by the specialist actuary in accordance with his/her professional judgement. The Actuary would have considered current and past information. Information about people's lifespans and demographic information would have also influenced this.

Change in assumptions as at 31 March 2023	Approximate % increase to employer	Approximate Monetary Amount £'000
0.1% decrease in real Discount Rate	2%	6,939
1 year increase in member life expectancy	4%	14,554
0.1% increase in the Salary Increase Rate	0%	935
0.1% increase in the Pension Increase Rate (CPI)	2%	6,106

## 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 2023.

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 net asset/liability show underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net asset of £19.814m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. This is a statutory accounting asset which does not affect Council balances. However, the accounting standard for Pensions IAS19 and IFRIC14 requires that a net pension asset cannot be included as an asset on the balance sheet, this has therefore been excluded and the pension liability and related pension unusable reserve also have nil balances.

#### **f) Estimated contributions to be paid to Gwynedd Pension Fund in 2023/24**

The Council anticipates paying £9.808m contributions to the scheme in 2023/24. The amount outstanding to Gwynedd Council in respect of the LGPS contributions for 2021/22 as at 31 March 2023 is £1.147m and is included in the short-term creditors' disclosure note.

#### **NOTE 35 – 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 favourable return on the investment. The transaction would be a financial liability for the other party or parties. This would be the agreement to repay the money at the contracted time and for the agreed return. For example, the Council's main financial assets are its investments in bank deposits.

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.

#### **Note 35a FINANCIAL ASSETS**

This note shows the different categories of financial assets required by IFRS 9 and the value of the Council's financial assets at 31 March 2023. 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 35a.

The table below shows the carrying amount of the financial assets. This is the value of the financial assets in the Balance Sheet based on amortised cost. would be the price to sell the financial assets on 31 March 2023.

Financial Assets	Short-term				Long-term				Total			
	31/03/2023		31/03/2022		31/03/23		31/03/2022		31/03/2023		31/03/2022	
	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
<b>Financial assets held at amortised cost</b>												
<b>Cash and cash equivalents</b>												
Cash and cash equivalents - deposits	19,021	19,021	38,616	38,618	-	-	-	-	19,021	19,021	38,616	38,618
Other Cash and cash equivalents	719	719	5,862	5,862	-	-	-	-	719	719	5,862	5,862
<b>Other Short-term Investments</b>	22,500	22,500	7,500	7,501	-	-	-	-	22,500	22,500	7,500	7,501
<b>Total Investments</b>	<b>42,240</b>	<b>42,240</b>	<b>51,978</b>	<b>51,981</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,240</b>	<b>42,240</b>	<b>51,978</b>	<b>51,981</b>
<b>Debtors</b>												
Rents	317	317	648	648	-	-	-	-	317	317	648	648
Employee Loans	131	131	159	159	14	14	95	95	145	145	254	254
Trade Debtors	2,327	2,327	3,242	3,242	-	-	-	-	2,327	2,327	3,242	3,242
Deferred Income	-	-	-	-	1,220	1,220	967	967	1,220	1,220	967	967
Housing Benefits Overpayments	170	170	950	950	-	-	-	-	170	170	950	950
Other debtors	637	637	59	59	-	-	-	-	637	637	59	59
<b>Total Debtors</b>	<b>3,582</b>	<b>3,582</b>	<b>4,940</b>	<b>4,940</b>	<b>1,234</b>	<b>1,234</b>	<b>1,062</b>	<b>1,062</b>	<b>4,816</b>	<b>4,816</b>	<b>6,002</b>	<b>6,002</b>
<b>Total Financial Instruments</b>	<b>45,822</b>	<b>45,822</b>	<b>56,918</b>	<b>56,921</b>	<b>1,234</b>	<b>1,234</b>	<b>1,062</b>	<b>1,062</b>	<b>47,056</b>	<b>47,056</b>	<b>57,980</b>	<b>57,983</b>
<b>Assets not Defined as Financial Instruments</b>	<b>36,730</b>	<b>36,730</b>	<b>39,028</b>	<b>39,028</b>	<b>496,430</b>	<b>496,430</b>	<b>475,820</b>	<b>475,820</b>	<b>533,160</b>	<b>533,160</b>	<b>514,848</b>	<b>514,848</b>
<b>Total Assets</b>	<b>82,552</b>	<b>82,552</b>	<b>95,946</b>	<b>95,949</b>	<b>497,664</b>	<b>497,664</b>	<b>476,882</b>	<b>476,882</b>	<b>580,216</b>	<b>580,216</b>	<b>572,828</b>	<b>572,831</b>

The financial assets are split between investments and debtors. The investments are the cash deposits in UK banks along with other cash and cash equivalents which relate to the amounts held for operational banking and payment of day-to-day costs. The Council also invested £10.000m in a fixed term deposit at a higher interest rate. 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 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 35b – FINANCIAL LIABILITIES HELD BY THE COUNCIL**

All of the Council's Financial Liabilities are classified as Financial Liabilities at Amortised Cost. This is shown below in Note 35b. The note also shows the value of non-financial liabilities.

The Council's borrowing liabilities amounted to £125.668m at 31 March 2023. 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 2024. The long-term loans are due to be paid in more than one year's time. 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 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 £120.003m, lower than the carrying value on the Balance Sheet of £125.668m at 31 March 2023. The fair value of the assets is £5.665m lower than the carrying amount because the PWLB is offering a net discount if the Council replaces these loans with new loans. The Council has benefitted from lower interest loans while the base rate of interest has been low. This has helped ensure that interest repayable each year is lower than previous years when interest rates were higher. The cost in increased interest repayable each year would be higher than the value of the PWLB total discount and the annual interest cost on the new loans would not be affordable.



Financial Liabilities	Short-term				Long-term				Total			
	31/03/2023		31/03/2022		31/03/2023		31/03/2022		31/03/2023		31/03/2022	
	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	3,738	3,811	4,191	4,261	117,708	112,664	119,578	162,446	121,446	116,475	123,769	166,707
Salix	373	373	373	456	3,849	3,155	3,099	2,410	4,222	3,528	3,472	2,866
<b>Total Financial Liabilities - Borrowing</b>	<b>4,111</b>	<b>4,184</b>	<b>4,564</b>	<b>4,717</b>	<b>121,557</b>	<b>115,819</b>	<b>122,677</b>	<b>164,856</b>	<b>125,668</b>	<b>120,003</b>	<b>127,241</b>	<b>169,573</b>
<b>Creditors</b>												
Trade	11,650	11,650	3,037	3,037	-	-	-	-	11,650	11,650	3,037	3,037
Other Creditors	1,177	1,177	2,642	2,642	-	-	163	163	1,177	1,177	2,805	2,805
<b>Total Financial Liabilities - Creditors</b>	<b>12,827</b>	<b>12,827</b>	<b>5,679</b>	<b>5,679</b>	<b>-</b>	<b>-</b>	<b>163</b>	<b>163</b>	<b>12,827</b>	<b>12,827</b>	<b>5,842</b>	<b>5,842</b>
<b>Total Financial Liabilities</b>	<b>16,938</b>	<b>17,011</b>	<b>10,243</b>	<b>10,396</b>	<b>121,557</b>	<b>115,819</b>	<b>122,840</b>	<b>165,019</b>	<b>138,495</b>	<b>132,830</b>	<b>133,083</b>	<b>175,415</b>
<b>Total Liabilities not defined as Financial Liabilities</b>	<b>27,178</b>	<b>27,178</b>	<b>41,901</b>	<b>41,901</b>	<b>9,893</b>	<b>9,893</b>	<b>125,610</b>	<b>125,610</b>	<b>37,071</b>	<b>37,071</b>	<b>167,511</b>	<b>167,511</b>
<b>Total Liabilities</b>	<b>44,116</b>	<b>44,189</b>	<b>52,144</b>	<b>52,297</b>	<b>131,450</b>	<b>125,712</b>	<b>248,450</b>	<b>290,629</b>	<b>175,566</b>	<b>169,901</b>	<b>300,594</b>	<b>342,926</b>

<sup>1</sup> The total fair value of total liabilities not defined as financial liabilities has been restated from £157.214m to the correct value of £167.511m resulting in a revised total fair value for 2022/23 from £332.629m to £342.926m.

## NOTE 35c – 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 2022/23.

The table shows that the Council was charged £599k (£416k in 2021/22) for the impairment and de-recognition of the financial assets noted above in Note 35a. Impairment and de-recognition charges are shown in more detail in Note 36a. The debtors asset is impaired to consider the risk that not all outstanding debts will be paid. A charge for de-recognition is made for outstanding income unlikely to be paid. This reduces the value of the assets by this amount and charged the Comprehensive Income and Expenditure Statement (CIES).

The Council received £963k (£19k in 2021/22) in interest from its deposits in UK banks and loans to other local authorities. Interest on investments has increased significantly due to the impact of the increasing interest rates. This will also increase the interest receivable for 2023/24. The interest payable on borrowings relating to 2022/23 was £5.699m (£5.591m in 2021/22).

Income, Expense, Gains and Losses	2022/23		2021/22	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000
<b>Net (gain)/losses on:</b>				
Financial assets measured at amortised cost (impairment loss allowance and derecognition)	599	-	416	-
<b>Total net gains/losses</b>	<b>599</b>	<b>-</b>	<b>416</b>	<b>-</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	(963)	-	(19)	-
<b>Total interest revenue</b>	<b>(963)</b>	<b>-</b>	<b>(19)</b>	<b>-</b>
<b>Interest expense:</b>				
Financial liabilities measured at amortised cost	5,699	-	5,591	-
<b>Total Interest Expense</b>	<b>5,699</b>	<b>-</b>	<b>5,591</b>	<b>-</b>

## NOTE 36 – 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 Council has only invested in UK banks and other local authorities during the year. The base rate increases have led to a significant increase in interest receivable. However, if the Council borrows from the PWLB in the future the interest rates will be much higher which would increase annual interest costs.

**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. This is called the Impairment loss allowance (ILA). Instead of basing potential losses on historic information only, the Council will consider 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 41 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, the impact of the Pandemic and more recently, the war in Ukraine. 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.

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 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, 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.

#### **NOTE 36a – IMPAIRMENT AND DERECOGNITION OF FINANCIAL ASSETS**

In order to ensure that the Council’s income is not overstated in these accounts, debtors balances are impaired to account for the credit risk of receiving less income than is outstanding. This impairment takes into account more current debtors as well as debts outstanding over a longer period of time. In order to ensure that the Council does not recognise any income which might never be recovered, these debts are considered for write-off, which must be approved in accordance with the Council’s constitution. Those approved for write-off are removed from the debtors balance and charged against revenue in the Financing and Investment Income and Expenditure section of the CIES.

The changes in impairment allowance and amount de-recognised is shown below: -

Asset Class (amortised cost)	2022/23	2021/22
	Lifetime expected credit losses - not credit impaired £'000	Lifetime expected credit losses - not credit impaired Restated £'000
Opening Balance as at 1 April	4,121	3,743
Deposits in UK Banks	-	-
Trade Debtors (excluding public sector and taxation)	441	389
Soft Loans	-	(21)
Housing Benefit Overpayments	34	(34)
Rents	9	44
<b>Total Impairment Allowance 31 March 2022</b>	<b>4,605</b>	<b>4,121</b>
Financial Assets that have been derecognised	39	39
<b>Total Impairment and Derecognition charged</b>	<b>523</b>	<b>417</b>

#### NOTE 36b – Credit risk from investments

The below criteria provides the minimum credit ratings for institutions the Council invests in. In practice the Council invests in UK banks and building societies and other UK local authorities after assessment of their financial information. The criteria also allows for UK Central Government financial instruments and triple A rated money market funds. This criteria below is included in the annual Treasury Management Strategy Statement and has been approved by Full Council.

Category	Short Term Credit Rating (Fitch)	Short Term Credit Rating (Moody's)	Short Term Credit Rating (Standard & Poor's)	Long Term Credit Rating (Fitch)	Long Term Credit Rating (Moody's)	Long Term Credit Rating (Standard & Poor's)	Cash Limit	Time Limit
Bank and Building Societies (not nationalised or part nationalised)	F1+	P-1	A-1+	AAA	Aaa	AAA	£10m	5 years
	F1+	P-1	A-1+	AA	Aa2	AA	£10m	3 years
	F1+	P-1	A-1+	AA-	Aa3	AA-	£10m	364 days
	F1	P-1	A-1	A	A2	A	£7.5m	6 months
Nationalised / Part Nationalised UK Banks	n/a	n/a	n/a	n/a	n/a	n/a	£10m	364 days
NatWest Bank (Part Nationalised)	n/a	n/a	n/a	n/a	n/a	n/a	£30m	364 days
UK Central Government (irrespective of credit rating)	n/a	n/a	n/a	n/a	n/a	n/a	No maximum	No maximum
UK Local Authorities*	n/a	n/a	n/a	n/a	n/a	n/a	£10m	364 days
Money Market Funds	n/a	n/a	n/a	AAA	AAA	AAA	£5m	6 months

The table below details all the investments made by the Council as of 31 March, and the organisations' credit ratings which meet the Council's minimum criteria. In 2022, the Council started placing investments in fixed term fixed interest accounts which are secure but secure a higher rate of interest. This will continue throughout 2022/23 while cash balances are sufficient to allow investments for fixed periods of time.

Counterparty (Bank)	Short Term Credit Rating (Fitch)	Short Term Credit Rating (Moody's)	Short Term Credit Rating (Standard)	Long Term Credit Rating (Fitch)	Long Term Credit Rating	Long Term Credit Rating (Standard & Poor's)	Fair Value of Investments 31.03.23 £'000	Carrying Value of Investments 31.03.22 £'000
Goldman Sachs International Bank	F1	P-1	A-1	A+	A1	A+	7,500	7,501
Bank of Scotland	F1	P-1	A-1	A+	A1	A+	-	7,207
Natwest Cash Fixed Term Deposit	n/a	n/a	n/a	n/a	n/a	n/a	10,000	-
Natwest Cash Manager Call Account	n/a	n/a	n/a	n/a	n/a	n/a	11,518	24,001
Santander	F1	P-1	A-1	A+	A1	A	7,500	7,408
Royal Bank of Scotland	F1	P-1	A-1	A+	A1	A	2	2
Wrexham County Boough Council	n/a	n/a	n/a	n/a	n/a	n/a	5,000	-
							<b>41,520</b>	<b>46,119</b>

### NOTE 36c – LIQUIDITY RISK AND PROFILE OF WHEN THE COUNCIL IS DUE TO REPAY LOANS

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 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 36c below. Trade and other payables are due to be paid in less than one year.

	2022/23 Outstanding principal £'000	2022/23 Accrued interest £'000	2022/23 Cost less accumulated amortisation £'000	2021/22 Outstanding principal £'000	2021/22 Accrued interest £'000	2021/22 Cost less accumulated amortisation £'000
>50 years	-	-	-	-	-	-
34-50 years	41,476	-	41,476	49,976	-	49,976
23-33 years	41,738	-	41,738	45,712	-	45,712
15-22 years	23,219	-	23,219	11,932	-	11,932
11-14 years	2,422	-	2,422	2,194	-	2,194
7-10 years	3,816	-	3,816	4,938	-	4,938
4-6 years	5,620	-	5,620	4,523	-	4,523
1-3 years	3,266	-	3,266	3,401	-	3,401
<b>Total Long-Term Borrowing</b>	<b>121,557</b>	<b>-</b>	<b>121,557</b>	<b>122,676</b>	<b>-</b>	<b>122,676</b>
<b>Total Short-Term Borrowing (&lt; 1 year)</b>	<b>2,243</b>	<b>1,868</b>	<b>4,111</b>	<b>2,672</b>	<b>1,892</b>	<b>4,564</b>
<b>Total</b>	<b>123,800</b>	<b>1,868</b>	<b>125,668</b>	<b>125,348</b>	<b>1,892</b>	<b>127,240</b>

## NOTE 36ch – MARKET RISK AND ESTIMATED IMPACT OF A ONE PERCENT INCREASE IN INTEREST RATES ON FINANCIAL ASSETS

**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 39ch 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. The rate increase would have a positive impact on the Council's deposits as an extra £115k interest receivable would be received if there was a 1% increase in interest rates. However, as the Council's investments are mainly fixed term which offer much higher returns, the impact of a 1% increase on this is not included in the below figure.

<b>Impact of a 1% interest rate increase</b>	<b>£'000</b>
Increase in interest receivable from investments	115
<b>Impact on other Comprehensive Income and Expenditure</b>	<b>115</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>15,393</b>

The Council receives regular market information and advice from its treasury management consultants and potential outcomes in relation to Brexit, Covid-19 and more recently the war in Ukraine.

The Council has sufficient cash balances and has not had to take out PWLB borrowing during the year. However, the Council did undertake two new Salix loans that are specific towards the development of more efficient energy usage.

## **NOTE 37 – JOINT COMMITTEES AND POOLED BUDGETS**

### **NOTE 37a – 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 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 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 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>

#### **Parc Adfer (North Wales Residual Waste Treatment Project)**

The Parc Adfer plant became fully operational during 2019/20. Service costs are being incurred and are reflected under the Highways, Property and Waste part of the Comprehensive Income and Expenditure Statement. Flintshire Council acts as lead authority on this project. A copy of the 2021/22 accounts can be viewed using the following:

<https://committeemeetings.flintshire.gov.uk/ieListDocuments.aspx?CId=300&MId=5127&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, as follows:-

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

- Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between North Wales local authorities and the Betsi Cadwaladr University Health Board (see Note 37b);
- Penrhos Industrial Estate – A joint arrangement since 2020/21 with Welsh Government where the Council keeps 16% of the net rental income and the remainder transferred to the Welsh Government. The first phase has been completed and phases 2 & 3 are currently underway;
- Tregarnedd – a new joint arrangement with Welsh Government for the construction of industrial units in Llangefni. Building work on six new business units have been completed. Capital income from these units will be shared with Welsh Government.

The joint operations relating to Anglesey in 2022/23, which are a result of the Covid-19 crisis, are:-

- Test, Trace and Protect Programme – tracing the contacts of individuals who have contracted coronavirus to interrupt the spread of Covid-19 by ensuring cases and their contacts isolate. Flintshire County Council acts as lead for the six North Wales local authorities. Isle of Anglesey County Council's share of expenditure for 2022/23 is £364k;
- Bus Emergency Scheme – funding from Welsh Government to support regional bus operators. Flintshire County Council acts as agent for the six North Wales local authorities. The income and expenditure is shared between the North Wales authorities on the basis of the Bus Services Support Grant. Isle of Anglesey County Council received £852k during 2022/23 to be distributed to bus operators.

#### **NOTE 37b POOLED BUDGETS FOR HEALTH AND SOCIAL CARE**

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between North Wales local authorities and the Betsi Cadwaladr University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1 April 2019. Denbighshire County Council is acting as host authority during the initial term of the agreement. The transactions for Isle of Anglesey County Council are included in the Adults Services line of the Comprehensive Income and Expenditure Statement. This amounts to £5.708m in 2022/23 (£5.209m 2021/22).

Income and expenditure for these pooled budget arrangements for the year ending 31 March 2023 are as follows; the contributions for quarter 4 are included for information only and have not been accrued in each partners' accounts. As per the Partnership Agreement, these payments will be made in arrears during 2023/24:



<b>North Wales Pooled Budget for Care Homes for Older People</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Care Home Costs	111,032	98,982
<b>Total Expenditure</b>	<b>111,032</b>	<b>98,982</b>
<b>Funding</b>		
Isle of Anglesey County Council	(5,708)	(5,209)
Conwy County Borough Council	(15,864)	(14,221)
Denbighshire County Council	(10,236)	(9,340)
Flintshire County Council	(10,556)	(10,095)
Gwynedd Council	(11,214)	(9,143)
Wrexham County Borough Council	(14,434)	(15,317)
Betsi Calwaladr University Health Board	(43,020)	(35,657)
<b>Total Funding</b>	<b>(111,032)</b>	<b>(98,982)</b>
<b>(Surplus)/Deficit transferred to Reserve</b>	<b>-</b>	<b>-</b>

## **NOTE 38 – AGENCY ARRANGEMENTS**

The Isle of Anglesey County Council acts as an agent for various schemes on behalf of the Welsh Government.

### **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:-

Houses into Homes £715k (£715k 2021/22);  
Home Improvements Empty Homes £108k (£108k 2021/22);  
Town Centre Scheme £810k (£875k 2021/22);  
Empty Homes Renovations Scheme £333k (£333k 2021/22).

### **The Covid Pandemic**

During 2022/23, 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 and post pandemic recovery period.

The Council has continued to provide core services throughout the pandemic in addition to dealing with the additional work associated with these circumstances, namely administering the following Covid related grants:-

- Business Support Grants – grants to support businesses during lockdown closures;
- Self-Isolation Grants – payment to individuals who are self-isolating as a result of exposure / potential exposure to Covid-19;
- Winter Fuel Payments – payments to eligible households to provide support towards paying their winter fuel bills;
- Statutory Sick Pay (SSP) Enhancement – top up of SSP to full pay for care workers when they are unable to work due to Covid-19;

- Social Care Payments – bonus payment to social care workers as recognition of their work during the pandemic.

Grant Title	2022/23				2021/22			
	Payments Made £'000	Grant (Received)/Re paid from Welsh Government	Admin Fee Received £'000	Balance due (to)/from Welsh Government at 31 March £'000	Payments Made £'000	Grant Received from Welsh Government	Admin Fee Received £'000	Balance due (to)/from Welsh Government at 31 March £'000
		£'000				£'000		
Business Grants	-	2,172	-	-	1,119	(1,119)	(179)	(2,172)
Self-Isolation Scheme	416	(633)	(23)	-	522	(444)	(92)	452
Winter Fuel Payments	1,287	(1,545)	(46)	219	609	(212)	(28)	438
SSP Enhancement	137	(162)	-	-	80	(69)	-	41
Cost of Living Support Scheme	3,289	(3,289)	-	-	-	-	-	3,557
Energy Bills Support Scheme	-	(450)	-	-	-	-	-	-
Social Care Payments*	2,890	-	-	2,890	1,582	(1,584)	-	(1)
Homes for Ukraine	103	99	-	4	-	-	-	-
<b>Total</b>	<b>8,122</b>	<b>(3,808)</b>	<b>(69)</b>	<b>3,113</b>	<b>3,912</b>	<b>(3,428)</b>	<b>(299)</b>	<b>2,315</b>

Note – The 2021/22 figure of £3,557k for the Cost of Living Support Scheme has been correctly restated as balance due from Welsh Government at 31 March 2022 rather than payments made during the year.

### Cost of Living Support Scheme

The Welsh Government announced a package of measures to help people with the cost of living crisis. The schemes are intended to provide immediate support as Wales recovers from the pandemic and support households to deal with the impact of increasing energy and other costs.

### Energy Bills Support Scheme

This is a scheme to help reduce the impact of the rise in energy costs where £400 is provided to all households towards their energy bills.

### Homes for Ukraine

The agency element of this scheme consisted of a £350 a month thank you payment to those who host families fleeing from the Ukraine, this rate increases to £500 after 12 months, up to a maximum of two years. The other element of this scheme is a £200 payment to Ukrainian families to help them to start a life in Wales.

### NOTE 39 – 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 2022/23 was 32,042.00 (31,548.20 in 2021/22).

The amount for a band D property in 2022/23, £1,738.01 (£1,697.14 in 2021/22), 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	Total Dwellings	Multiplier	Band "D" Equivalent
A*	12	5/9	6.39
A	4,218	6/9	2,812.00
B	6,135	7/9	4,771.47
C	6,324	8/9	5,621.11
D	6,822	9/9	6,822.00
E	5,248	11/9	6,414.53
F	2,573	13/9	3,716.56
G	1,072	15/9	1,787.08
H	159	18/9	318.50
I	53	21/9	122.50
<b>Total</b>			<b>32,392.14</b>

The Council Tax Base is calculated as follows:-

	2022/23	2021/22
Band D equivalent as above	32,392.14	31,880.58
Collection Rate	98.50%	98.50%
Revised Band D equivalent	31,906.26	31,402.37
MoD Properties – Band D equivalent	135.74	145.83
<b>Council Tax Base</b>	<b>32,042.00</b>	<b>31,548.20</b>

Analysis of the net proceeds from Council Tax:	2022/23 £'000	2021/22 £'000
<b>Gross Council Tax</b>	<b>55,595</b>	<b>53,931</b>
Add/Less: provision for non-payment not required or not previously accounted for	(666)	(585)
<b>Council Tax collectable</b>	<b>54,929</b>	<b>53,346</b>
Less Council Tax Reduction awarded to residents	(6,236)	(6,294)
<b>Net Proceeds from Council Tax</b>	<b>48,693</b>	<b>47,052</b>

In 2013/14, the Welsh Assembly Government introduced the Council Tax Reduction Scheme to replace the Council Tax benefit scheme. £6.236m of Council Tax reductions were awarded in 2022/23 (£6.294m in 2021/22).

#### NOTE 40 – 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. The most recent list came into force on 1 April 2017, a new list is taking effect as of the 1<sup>st</sup> of April 2023, which will impact 2023/24 onwards. 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 2022/23 (53.5p in 2021/22), 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), amounted to £14.061m for 2022/23 (£8.207m in 2021/22) and was based on rateable value at the year-end of £41.428m (£40.998m in 2021/22).

<b>Analysis of the net proceeds from non-domestic rates:</b>	<b>2022/23 £'000</b>	<b>2021/22 £'000</b>
Non-domestic rates collectable	14,061	8,207
Cost of collection allowance	(184)	(179)
Interest paid on overpayments	-	-
Provision for bad debts	(169)	(1)
Contribution to cost of charitable relief	72	74
Retail, Leisure and Hospitality Business Rates Relief Scheme met from grant	1,578	6,853
High Street and Retail Relief met from grant	-	1
<b>Payments into national pool</b>	<b>15,358</b>	<b>14,955</b>
<b>Redistribution from national pool</b>	<b>25,493</b>	<b>23,480</b>

## NOTE 41 – 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 2022/23 financial year and its financial position at the year-end of 31 March 2023. 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 2022/23 and the CIPFA Service Reporting Code of Practice 2022/23, 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 2023. Income and expenditure are 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 Section 151 Officer signs the final audited accounts, after the accounts are approved by full Council. The law requires that the audited, authorised final accounts are completed by 31 July 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 of 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 His 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 Sheets 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, which 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 indicators 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). However, if any assets whose estimated useful economic lives are expected to be below or higher than the periods indicated below, due to professional opinion or provided by the manufacture or indicated as an industry standard. Depreciation can be charged on the estimated economic useful life outside the below boundaries.

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;
- Infrastructure – straight-line allocation over periods of up to 45 years;
- Vehicles, plant, furniture, and equipment – straight-line allocation over 5 to 15 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.

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; and

- 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 depreciation 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 the wider group and not to each individual depreciating asset within the group.

## **8.5 Disposals and Nos-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 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 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.

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 as of 31 March 2022 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 were 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 evaluated 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 2022/23, 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 6 months: -

- Day 1 to 14 days from invoice being raised – 2%;

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

The Council would then continue to apply the current percentages for debts older than 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.

### **Housing Benefits Overpayments**

The Council's impairment loss allowance is 90% of the outstanding debtor for housing benefits overpaid to service users at year-end. The impairment loss allowance is high as recipients of benefits tend to have limited financial resources and the risk of not recovering benefits overpaid is high.

### **Rents**

The impairment loss allowance on rental debtors is based on the amount of debt owed, with higher values impaired on a higher percent as the risk of non-payment increases as the amount of debt escalates. The percentage for loss allowance per banding is then applied to the actual debt outstanding within each band. The banding and percentage of loss allowance applied is as follows: -

### **Current Tenants**

<b><u>Value of Arrears</u></b>	<b><u>Impairment Loss Allowance</u></b>
£0.01 to £49.99	10%
£50 to £99.99	20%
£100 to £249.99	30%
£250 to £499.99	45%
£500 to £999.99	60%
> £1000	85%

An impairment loss allowance of 90% is applied to all outstanding amounts owed by former tenants as these debts are less likely to be recovered than from existing tenants.

### **13.4 Financial Assets Measured at Fair Value through Profit or 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 Service.

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

Instruments with quoted market price – 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 2022/23.

## **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 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, considering 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.

When 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 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 an obligation, whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events not 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 should they arise.

## **14.3 Contingent Assets**

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

## **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 considered 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 considering 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. Charge 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 MRP charge on HRA borrowing has historically been charged at 2% of the HRA's proportion of Capital Financing Requirement (CFR). In 2015, Welsh Government changed the determination to allow the HRA MRP charge to be calculated by more options. It was recommended that the annuity asset life method would result in the highest NPV for both supported and unsupported borrowing, and the most affordable option for the present and future generations is the option where the annuity is based on 60-year asset lives, using the Council's average borrowing rate of 4.58%. Therefore, for both HRA supported and unsupported borrowing the annuity methods as recommended over 60 years at the interest rate of 4.58% should be implemented from 1 April 2022. It would allow a more prudent approach rather than a current one as, instead of the CFR taking 300 years to be reduced to zero, it would only take 60.

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 on 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 were 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;
- Unities 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 (considering any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments).
- c) Benefit liability (asset) during the period as a result of contributions and benefit payments).
- d) 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.
- e) 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 Welsh 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 on 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 conducting 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;

Welsh Government – the Council has acted as agent on behalf of Welsh Government in the payment of Covid Business Grants in support of specified businesses during the Pandemic particularly to support businesses during lockdowns.

## SUPPLEMENTARY FINANCIAL STATEMENT

### HOUSING REVENUE ACCOUNT (HRA)

#### Income and Expenditure Statement for the year ended 31 March 2023

	2022/23 £'000	2021/22 £'000
<b><u>Expenditure</u></b>		
Management and Maintenance - Repairs and Maintenance	5,084	4,174
Management and Maintenance - Supervision and Management	6,714	5,751
Rents, Rates, Taxes and Other Charges	22	6
Depreciation, Impairment and Revaluation Losses of Non-current Assets	3,070	6,088
Debt Management Costs	12	12
Movement in the Impairment Allowance for Bad Debts	123	79
Movement in the Accumulated Absences Accrual	4	9
<b>Total Expenditure</b>	<b>15,029</b>	<b>16,119</b>
<b><u>Income</u></b>		
Dwelling Rents	(19,230)	(18,779)
Non-dwelling Rents	(230)	(218)
Charges for Services and Facilities	(179)	(228)
Contributions towards Expenditure	(166)	(184)
Other	(116)	(115)
<b>Total Income</b>	<b>(19,921)</b>	<b>(19,524)</b>
<b>Net Expenditure of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>	<b>(4,892)</b>	<b>(3,405)</b>
HRA Services' Share of Corporate and Democratic Core	56	56
<b>Net Expenditure of HRA Services</b>	<b>(4,836)</b>	<b>(3,349)</b>
<b>HRA Share of the Operating Income and Expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		
Pension net interest cost	204	-
Interest Payable and Similar Charges	1,543	1,605
Interest and Investment Income	(241)	(6)
Capital Grants and Contributions receivable:		
- Major Repairs Allowance	(2,688)	(2,685)
- Other	(1,094)	(2,695)
<b>Deficit for the Year on HRA Services</b>	<b>(7,112)</b>	<b>(7,130)</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

	2022/23 £'000	2021/22 £'000
<b>Balance on the HRA at the end of the Previous Reporting Period</b>	<b>(12,333)</b>	<b>(9,723)</b>
(Surplus)/Deficit for the Year on HRA Services	(7,112)	(7,130)
Adjustments between Accounting and Funding Bases under Statute	7,338	3,785
<b>Net (increase)/decrease before Transfers to/from Reserves</b>	<b>226</b>	<b>(3,345)</b>
Transfers to/(from) Earmarked Reserves	-	-
<b>Net (Increase)/Decrease in Year on the HRA</b>	<b>226</b>	<b>(3,345)</b>
<b>Adjustment to Reserve</b>		<b>735</b>
<b>Balance on the HRA at the end of the Current Reporting Period</b>	<b>(12,107)</b>	<b>(12,333)</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 had affected the Council’s ability to purchase former Council Houses and commission newly built properties. However, the service is making progress as the increase in the number of Council dwellings between 31 March 2023 and 31 March 2022 is more than double the number of additional properties in 2020/21. The number of dwellings at 31 March 2023 totalled 3,953, an increase of 66 from 2021/22, with the split by type of dwelling made up as follows: -

	31 March 2023	31 March 2022
<b>Council Owned Stock</b>		
Houses	2,109	2,067
Bungalows	1,068	1,058
Flats	768	754
Bedsits	8	8
<b>Total Council Owned</b>	<b>3,953</b>	<b>3,887</b>

### NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2022/23 £'000	2021/22 £'000
<b>Capital investment</b>		
Capital Expenditure	11,180	9,723
<b>Sources of funding</b>		
Capital Receipts		-
Government grants and other contributions	(3,782)	(5,379)
Direct Revenue Financing	(7,398)	(4,344)
<b>Total</b>	<b>(11,180)</b>	<b>(9,723)</b>

The Major Repairs Allowance for 2022/23 of £2,688k was used in full during the year (£2,685k in 2021/22).

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

	2022/23 Impairment £'000	2022/23 Depreciation £'000	2022/23 Total £'000	2021/22 Impairment £'000	2021/22 Depreciation £'000	2021/22 Total £'000
Land			-	-	-	-
Dwellings	5,919	2,658	8,577	1,616	4,079	5,695
Other Property - Operational Assets		412	412	-	393	393
	<b>5,919</b>	<b>3,070</b>	<b>8,989</b>	<b>1,616</b>	<b>4,472</b>	<b>6,088</b>

### NOTE 5 – RENT ARREARS AND BAD AND DOUBTFUL DEBTS

During 2022/23, total rent arrears increased by £99k. A summary of rent arrears and prepayments is shown in the following table: -

<b>Rent Arrears</b>	2022/23 £'000	2021/22 £'000
Current Tenant Arrears	664	553
Former Tenant Arrears	290	285
<b>Total Rent Arrears</b>	<b>954</b>	<b>838</b>
Prepayments	(292)	(275)
<b>Total Debt</b>	<b>662</b>	<b>563</b>

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £637k against rents (£628k in 2021/22).

## NOTE 6 – 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>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Current Service Cost	701	777
Pension net interest cost	204	-
Current service cost included in movement in reserves statement	(701)	(777)
Pension net interest cost included in movement in reserves statement	(204)	-
<b>Contribution to Pension Reserve</b>	-	-



**APPENDIX 1**

<b>RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS</b>	
Anglesey Access Group	Robert G Parry OBE FRAGS
Anglesey Agricultural Show	Kenneth P Hughes
Anglesey and Gwynedd Safer Communities Partnership	Llinos Medi Huws
Anglesey 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 Frân Wen	Vaughan Hughes
CYNNAL Management Committee	R Meirion Jones, Dafydd Roberts, Ieuan Williams Deputy Leader of the Council is the Chief Executive Officer of Cynnal
Destination Anglesey Partnership (DAP)	Richard Dew
Fostering Panel	Richard Griffiths
Grŵp Llandrillo/Menai	R Meirion Jones
GwE Joint Committee	R Meirion Jones
Gwynedd & Anglesey Adoption Panel	Dylan Rees
Gwynedd & Anglesey Youth Justices Service	Llinos Medi Huws
Gwynedd Pensions Fund Committee (Gwynedd Council)	Robin Wyn Williams
Joint Council for Wales	John Griffith, Dafydd Rhys Thomas
Medrwn Môn	Llinos Medi Huws
Member Board of the Consortium of Local Authorities in Wales (CLAW)	Robert G Parry OBE FRAGS
Menter Môn	Ieuan Williams
North and Mid Wales Trunk Road Joint Committee	Robert G Parry OBE FRAGS
North Wales Community Health Council (Anglesey Local Committee)	Trefor Lloyd Hughes MBE, Glyn Haynes, Dylan Rees
North Wales Economic Ambition 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
North Wales Fire and Rescue	Richard Griffiths, Dylan Rees

<b>RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS</b>	
Authority Executive Panel	
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, J Arwel Roberts
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 of 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**

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This represents the concept that the Statement of Accounts is prepared on the assumption that the Council will  
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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 Council borrows money to fund part of its capital programme. This borrowing is recognised by Central GBORROWING**

The overnment 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.