

ISLE OF ANGLESEY COUNTY COUNCIL

COMMITTEE:	COUNTY COUNCIL
DATE:	26 SEPTEMBER 2013
TITLE OF REPORT:	FINAL ACCOUNTS 2012/13
PURPOSE OF REPORT:	COVERING REPORT FOR PRESENTATION OF FINALISED STATEMENT OF ACCOUNTS, COMMENTING ON THE MAIN ISSUES ARISING FROM THE AUDIT OF THE ACCOUNTS
REPORT BY:	HEAD OF FUNCTION (RESOURCES)
ACTION:	TO RECOMMEND ACCEPTANCE OF THE STATEMENT

1. BACKGROUND

1.1 The County Council's draft accounts for 2012/13 were presented for audit on 28 June 2013. The detailed audit work is now substantially complete and the Auditor's Report has been issued. A number of amendments to the draft have been incorporated into the Accounts. Subject to the County Council's confirmation, the accounts will be signed by the Head of Function (Resources), the Council's Section 151 Officer, and will be published following receipt of the Auditor's opinion.

2. QUALITY OF PROCESS

2.1 I am pleased to say that 2012/13 is the second consecutive year in which the statutory deadline for completion of the audited accounts has been met.

2.2 I am also pleased to recognise the improvements in the audit process identified last year have continued and that all the issues that have arisen throughout the audit were dealt with promptly and in a satisfactory manner.

3. AMENDMENTS TO THE ACCOUNTS

3.1 The details of the main amendments to the draft accounts are as set out in Appendix 3 to the Auditor's Report considered by the Audit Committee and so will not be listed again here. There may be minor corrections of narrative and consistency to be applied again before the accounts are signed.

3.2 The significant amendments required to the draft statements have been largely confined to:

- Changes to the Balance Sheet in respect of movements in the valuations of fixed assets;
- Changes to the analysis contained within the Comprehensive Income and Expenditure Statement to adjust for compensating errors in both income and expenditure;
- Changes to the levels of reserves and provisions to reflect revised requirements following audit, particularly in respect of the Penhesgyn landfill site, where a transfer has been made between reserves and provisions to comply with advice from the Welsh Audit Office concerning after-care costs of this type of facility.

4. LATE CHANGES AND ADDITIONAL INFORMATION

- 4.1** The Statement of Accounts brings together a number of items of information which are the responsibility of a third party but which impact on the Council's financial position. We draw areas of concern to the attention as part of this process. This year, I wish to draw attention to position of the Gwynedd Pension Fund. Each year the Council includes an estimate of the Council's pension liability based on figures provided by the actuary appointed by Gwynedd Pension Fund. The audit of the Pension Fund accounts has brought to light discrepancies between the number of active and deferred members within the scheme between February and August 2013, which might materially affect the value of the pensions liability within the 2012/13 accounts. Work is being progressed to determine if the potential change to the pensions liability is a material sum but Members should be aware that there is the potential for a delay to the issue of the final audit certificate for 2012/13 should this work not be completed within the statutory deadline for the closure of the accounts. A verbal update will be provided at the meeting.

5. ANNUAL CORPORATE GOVERNANCE STATEMENT 2012/13

- 5.1** The Statement of Accounts includes the Annual Governance Statement for 2012/13. The current Statement presented with this report incorporates the comments of the Audit Committee and those of officers and Members. The document has also been amended for regulators' reports relating to the relevant year. The main amendments from the draft considered in July are:

- to include reference to the WAO's report on Scrutiny;
- to include an outline of the Member governance arrangements;
- to include context in relation to assurance requirements;
- in response to the comments of officers and other consultees.

6. RECOMMENDATION

- 6.1** The responsibility for approval of the accounts lies with the County Council and it is, therefore, recommended that the County Council confirms acceptance of the 2012/13 Statement of Accounts.

**ISLE OF ANGLESEY
COUNTY COUNCIL**

**STATEMENT OF
ACCOUNTS
2012/13**

CONTENTS

	Page
Explanatory Foreword	3
The Statement of Responsibilities for the Statement of Accounts	11
Movement in Reserves Statement	12
Comprehensive Income and Expenditure Statement	13
Balance Sheet	14
Cash Flow Statement	15
Note 1 Statement of Accounting Policies	16
Note 2 Accounting Standards that have been issued but have not yet been adopted	32
Note 3 Critical judgments in applying Accounting Policies	33
Note 4 Assumptions made about future and other major sources of estimation uncertainty	33
Note 5 Material items of Income and Expense	34
Note 6 Events after Balance Sheet date	34
Note 7 Adjustments between accounting basis and funding basis under Regulation	35
Note 8 Earmarked reserves	37
Note 9 Schools balances	38
Note 10 Capital receipts reserve	38
Note 11 Unusable reserves	39
Note 12 Other operating expenditure	42
Note 13 Financing and investment income and expenditure	42
Note 14 Taxation and non-specific grant income	43
Note 15 Property, plant and equipment (PPE)	43
Note 16 Significant Capital Commitments	45
Note 17 Heritage Assets	45
Note 18 Investment Properties	46
Note 19 Intangible assets	47
Note 20 Capital expenditure and financing	47
Note 21 Assets held for sale	48
Note 22 Leases	48
Note 23 Inventories	49
Note 24 Debtors	49
Note 25 Cash and cash equivalents	50
Note 26 Creditors	50

Note 27	Provisions	51
Note 28	Analysis of adjustments to the surplus / deficit on the provision of services	52
Note 29	Cash flow from investing activities	53
Note 30	Cash flow from financing activities	53
Note 31	Amounts reported for resource allocation decisions	53
Note 32	Significant trading operations	58
Note 33	Members' allowances	58
Note 34	Officers remuneration	58
Note 35	Termination payments	60
Note 36	External audit fees	60
Note 37	Grants income	61
Note 38	Related parties	62
Note 39	Trust funds	64
Note 40	Teachers pension scheme	65
Note 41	Local government defined benefit pension scheme	65
Note 42	Contingent liabilities	69
Note 43	Contingent assets	70
Note 44	Financial instruments	70
Note 45	The nature and extent of risks arising from financial instruments	73
Note 46	Joint Committees	76
Note 47	Houses Into Homes	76
Note 48	Council tax	76
Note 49	National non-domestic rates (NNDR)	77
	Housing Revenue Account (HRA)	
	- Income and expenditure statement	78
	- Statement of movement on the HRA balance	79
	- Notes to the HRA	80
	Glossary	82
	Independent auditor's report to the Members of the Isle of Anglesey County Council	89

EXPLANATORY FOREWORD

1. INTRODUCTION

The Statement of Accounts for 2012/13 has been prepared using best accounting practice set down by the Chartered Institute of Public Finance and Accountancy (CIPFA). The foreword provides an understandable guide to the most significant matters reported in the Accounts and an overview of the Council's overall financial position.

The Council's Accounts for 2012/13 consist of the following:-

- **Statement of Responsibilities for the Statement of Accounts** - which sets out the respective responsibilities of the Council and the Council's Section 151 Officer, the Head of Function (Resources);
- **Annual Governance Statement** – this sets out the framework within which corporate governance is managed and reviewed, including arrangements for internal audit;
- **Financial Statements** – the Statement of Accounts includes four core financial statements which are:-
 - a) **The Movement in Reserves Statement (MIRS)** – which shows the movement in the year of the different reserves held by the Council analysed between usable and unusable reserves;
 - b) **The Comprehensive Income and Expenditure Statement (CIES)** – which shows the cost of providing services in the year using accepted accounting practices, rather than the amount to be funded from taxation and general grants in accordance with statutory regulation;
 - c) **The Balance Sheet** – which sets out the financial position of the Council at 31 March 2013 as reflected in the level of balances and reserves at the Council's disposal and the level of assets and liabilities held by the Council;
 - d) **The Cash Flow Statement** – which summarises the cash inflows and outflows during the year, arising from transactions with third parties for revenue and capital purposes.
- **Notes to the Financial Statements** – which are intended to explain the key figures shown in the financial statements. The notes include the Statement of Accounting Policies which supports and explains the basis of the figures in the Accounts and it sets out the significant accounting policies and estimation techniques used to prepare the Accounts.

2. STATUTORY FRAMEWORK

Regulation 7 of the Accounts and Audit (Wales) Regulations 2005 (SI 2005/368 (W.34), as amended) requires Welsh Local Authorities to prepare a Statement of Accounts in accordance with proper practices.

Regulation 25 of the Local Authorities (Capital Finance and Accounting) (Wales). Regulation 2003 (SI 2003/3239 (W.319), as amended), identifies proper practices for the preparation of the Statement of Accounts. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13 issued by CIPFA, supported by International Financial Reporting Standards (IFRS).

3. CHANGES IN ACCOUNTING TREATMENT

There are no changes to accounting treatment required for 2012/13 and consequently there are no changes to the accounting policies in use at the Council.

4. REVENUE EXPENDITURE AND INCOME 2012/13

What is Revenue Expenditure and Income?

Before the start of a financial year, the Council prepares its annual revenue budget, which reflects the expenditure and income expected to be needed during the year to provide services. Expenditure relates to running costs such as employee salaries and overheads, repair and maintenance, energy costs, rates and other costs of occupying Council buildings, the cost of running its vehicle fleet and the cost of supplies and services to support the Council's departments. Income relates to receipts from sales of goods and fees and charges from the Council's service users and grants and contributions from the Welsh Government and other external bodies.

What we planned to spend

The revenue budget approved by Council for 2012/13 amounted to £119m, after including general grant of £0.729m and use of balances of £1.2m. This was funded by the Council's Revenue Support Grant from the Welsh Assembly of £73.544m, receipts from the National Non-Domestic Rates Pool of £18.787m and Council Tax receipts of £26.704m.

What we actually spent

a) Council Fund Services

The net revenue budget for 2012/13 was set at £119m, which incorporated spending reductions of £3.7m and required the use of £1.2m from reserves.

The Council's Executive Committee received a provisional out-turn report at its meeting of 10 June 2013, which showed a net underspend of £1.1m, against the Council's approved budget.

Generally the underspend has been achieved by

- A spending moratorium on certain types of expenditure in the latter part of the year;
- General restraints on spending by services in response to the forecast financial position of the Council;
- A series of significant budget variances across all service areas, details of which are provided in the following paragraphs;

Lifelong Learning

- An overspend of £0.358m in the Education Integration budget;
- Additional grant of £0.230m has been received to fund sixth form places;
- An underspend of the Youth Service of £0.093m;
- An improvement in the net cost of school meals service, which is £0.2m better than budget.

Community Services

- A net overspend of £0.303m in Children and Families. This due to increases in the number and costs of Looked After Children giving rise to an overspend of £0.663m and additional costs of agency staff of £0.160m. The overspend has been offset by savings of £0.532m from the cost of fostering and adoption £0.179m, Activities and Other Family Services £0.203m and the closure of the Queens Park Centre £0.150m.
- A net overspend of £0.381m in the Provider Unit due mainly to increases in the costs of residential homes, Telecare facilities and Sheltered Housing.
- A net overspend of £0.068m in Leisure and Community Services arising mainly from overspends in Parks and Outdoor facilities £0.097m, Archives £0.049m and Museums £0.065m. These overspends have been offset by a saving in the cost of operating leisure centres of £0.111m.

Sustainable Development

- A saving of £0.143m in the cost of Planning and the Environment service is due to the over-achievement of income streams within the service.
- A net surplus in the activities within Property Services of £0.180m arising from savings to the cleaning contract of £0.096m and other property activities of £0.074m.
- Savings of £0.254m in Highways and Transportation, due mainly to savings in Street Lighting costs of £0.191m and in the Works Administration Account of £0.102m.
- Savings of £0.270m in Waste Services, due to reductions in the net cost of managing the Penhesgyn Site of £0.198m and a small net saving of £0.072m in other waste services.

Deputy Chief Executive

- A saving of £0.254m in the operational cost of the Information Communication Technology Service due to staffing savings.

Corporate Risks

- Significant reduction in the cost of providing out of county Education and Social Services places which has resulted in savings of £0.149m and £0.333m respectively.
- A reduction in the cost of housing benefits of £0.183m due to a change in the expected level of subsidy to be received in respect of the 2011/12 financial year.

The overall improvement shown in the provisional out-turn position for 2012/13 meant that the forecasted use of earmarked reserves and general balances for the year of £1.2m would reduce to £0.092m. This position released resources, which will help the Council meet any potential funding shortfall arising from the current constraints on public sector finances.

Since the figures were reported to the Executive, the actual out-turn position has been finalised and a further improvement has been identified, with an increase in the general balance of £0.114m taking place, rather than a reduction of £0.092m as reported previously.

b) Housing Revenue Account

The Housing Revenue Account (HRA) identifies costs and income expended and received in respect of the Council's own housing stock. In 2012/13 the account successfully funded all operational expenditure and made capital contributions of £2m towards the long-term maintenance and upgrading of the stock, while retaining a working balance of £0.482m.

Further information on the HRA can be found in the Supplementary Statements to the Accounts on page 78.

Use of revenue reserves and balances

Council Fund

The 2012/13 budget assumed that £0.9m would be taken from the Council Fund balance to support services. At out-turn the balance on the Council Fund at 31 March 2013 increased by £0.114m from £5.796m to £5.910m. In year movements on the Council Fund can be found in Movement in Reserves Statement on page 12.

Earmarked Reserves

At 1 April 2012, the Council held earmarked reserves of £12.882m. The 2012/13 budget assumed that £0.3m would be taken from earmarked reserves to support the revenue budget. The improved out-turn position has led to a significant increase in the value of earmarked reserves, which now stand at £16.627m, an increase of £3.745m in the year. The improvement arises mainly from a technical change in the categorisation of £2.1m of ring-fenced grant income for Supporting People (previously shown in the accounts as receipts in advance), a net increase of £1.1m in other service reserves and the creation of a major repairs reserve of £0.860m within the Housing Revenue Account.

Schools Balances

School reserves are limited to the uses approved by the individual schools and the position varies from school to school. Ten schools had a deficit at the end of the financial year (fourteen at the end of the previous year) and a number of other schools are projecting deficits in future years.

During the year, net spending by schools reduced their reserves (in total) by £0.068m, so that the total value of schools reserves at 31 March 2013 stood at £1.18m (£1.25m 2011/12). Details of the breakdown of the value of the reserves by school type can be found in note 9 to the Accounts on page 38.

HRA balance

The HRA balance stood at £0.482m at 31 March 2013, an increase of £0.235m over the balance of £0.247m held at 31 March 2012, which is an acceptable level for the HRA balance.

CAPITAL EXPENDITURE 2012/13

What is Capital Expenditure?

Capital expenditure relates to the cost of providing or enhancing assets or other spending where the benefits last beyond the financial year in question.

What we planned to spend

The Council approved a capital programme of £32.274m for 2012/13, largely to meet the Council's commitment to bring its housing stock up to Welsh Housing Quality Standards (WHQS) and to implement major projects for the relocation of Ysgol y Bont, the 3 town's regeneration initiative and improvements to small holdings.

What we actually spent

The Executive considered a capital out-turn report at its meeting of 10 June 2013, which showed that the Council actually spent £25.4m on capital projects in 2012/13. Details of spending against individual project budgets are as follows:

Project	Budget for 2012/13 £000	Actual spend in 2012/13 £000	Variance in Year £000	Cumulative Spend £000	Total Project Budget £000
Ysgol y Bont, relocation	6,203	4,335	(1,868)	4,562	10,932
Housing Stock – WHQS	6,650	7,378	728	28,470	35,000
Other Council Housing projects	3,150	1,373	(1,777)	1,373	3,150
Council Fund Housing	2,315	1,088	(1,227)	1,088	2,315
3 Towns Regeneration	1,601	669	(932)	4,765	8,248
Coastal environment	502	538	36	4,718	4,590
Penhesgyn Civic Amenities Site	992	986	(6)	986	1,000
Small Holdings – improvements	(546)	1,043	1,589	3,489	6,300
Local Government Borrowing initiative	1,700	1,795	95	1,796	5,300
Strategic Infrastructure on Anglesey	150	0	(150)	0	2,013
Other	9,557	6,223	(3,334)	6,223	9,557
Total	32,274	25,428	(6,846)	57,470	88,405

Total capital spending of £25.428m was £6.846m less than the approved budget for the capital programme. The main reasons for the underspend are

- Construction of the new building at Ysgol y Bont is behind schedule due to delays brought about by bad weather. Completion is now expected in January 2014.
- Work on energy efficiency works in council housing is behind schedule and will slip into 2013/14 due to contractual delays with external suppliers.
- A delay in approving the Council's new renewal strategy, which only occurred towards the end of 2012, has resulted in significant slippage to the improvements grant programme.
- A time extension to the 3 Towns Scheme to 2014/15 has been agreed as a result of significant slippage in spending on the project.
- Improvements to small holdings show a significant overspend against budget. This is due to the fact that the programme is intended to be self financing and be funded from the sale of the properties. At the end of 2011/12, spending on the scheme exceeded income by £0.546m, leading to the negative budget position. It is expected that position will correct itself during 2013/14, when income is expected to far exceed works costs.
- The budget for Other Schemes included £0.9m for the 21st century schools programme which has been deferred until 2013/14. The remaining underspends relate to slippage on Highways schemes (£0.523m), Property Services (£0.676m) and other Departmental Schemes (£1.248m) to 2013/14.

How the capital programme was paid for

Funding for the Capital Programme is dependent on resources from grants, from anticipated capital receipts, and on a level of borrowing close to the level assumed by the Welsh Assembly when calculating revenue support.

A small number of projects have been approved for unsupported borrowing to be financed through budgets or new income sources. The most notable of these is the Housing WHQS project which has been part funded in this way since 2010.

	Council Fund	Housing Revenue Account	Total
	£000	£000	£000
Capital Expenditure	16,677	8,751	25,428
Grants and Contributions	8,518	2,600	11,118
Revenue Contributions	1,209	2,000	3,209
Capital Receipts	929	30	959
Supported Borrowing	3,084	0	3,084
Unsupported Borrowing	2,937	4,121	7,058
Total Financing	16,677	8,751	25,428
Resources available at 31 March 2013			
	1,000	0	1,000
Capital Expenditure Reserve	196	0	196
Leisure Improvement Reserve	2,901	0	2,901
Supported Borrowing carried forward	4,097	0	4,097
Total available			

Capital commitments outstanding at the year end were £6.8m (2011/12: £6.1m). Capital reserves of £1m and an unused approved borrowing capacity of £2.9m, have been set aside to partially meet these commitments. It is anticipated that the remaining balance of the current capital commitments and the cost of new projects that are brought forward in future years will be financed from capital grants, receipts from projected asset sales and borrowing.

BORROWING AND INVESTMENTS

No loans matured during the year and no new long term borrowing was taken out as it was decided that utilising cash balances would be most beneficial approach in the current economic climate. This resulted in external borrowing at the year end of £96.1m, unchanged from the balance at 31 March 2012 resulting in an average external borrowing rate for 2012/13 of 5.53%, which was unchanged from 2011/12.

As a result of these transactions and changes in debtors, creditors and other items, there was a reduction in the total level of investments and cash on the balance sheet date of £3.8m to £12.4m by the year end, partly as a result of an increase in short term debtors.

BALANCE SHEET POSITION AT 31 MARCH 2013

During 2012/13, the Council's estimated net pension liability has risen by £16.3m to £80.0m (2011/12 £17.1m increase and a liability of £63.7m). This estimate is very dependent on the assumptions used and was mostly attributable to falling bond yields and poor investment returns. The projected pensions' expense for next year has also risen for the same reasons, reducing the expected rate of return on assets.

The increase in the pensions liability is the single largest factor affecting the movement in the Council's balance sheet with the Council's net worth reducing from £163.596m in 2011/12 to £150.461m by 31 March 2013.

SIGNIFICANT ITEMS

The best assessment of financial standing is the extent to which the Authority has made provisions for known liabilities and the amount of distributable reserves available to cover other risks and uncertainties. The Council has made full provision for all identified liabilities wherever proper accounting practice requires this. The circumstances that require specific provision to be made are shown in item 13 under Note 1 to the Statement. Earmarked reserves have been established where they are required to meet statutory or regulatory requirements, by grant conditions, by specific Council plans, or where it is prudent to do so to allow for risks and uncertainties. As set out above, the Council had originally planned to use £1.2m of balances to support spending in 2012/13, but the year-end position actually showed an increase in general balances of £0.114m to £5.9m, representing a significant strengthening of the Council's underlying financial position. While this would be welcome news at any time, it is particularly welcome at a time when the Council is both undertaking a programme of corporate transformation and planning to meet an increasingly challenging economic and financial situation.

Within the Earmarked Reserves of £16.6m (£12.9m at 31 March 2012), £2.7m (£2.0m at 31 March 2012) has been set aside for costs arising from the implementation of Single Status and Job Evaluation, although this does not represent an estimate of the actual liability. In addition, a further £9.4m is identified for specific purposes (e.g. the Insurance Fund of £2.4m) or ring-fenced by grant conditions. Schools balances stand at £1.2m (£1.3m at 31 March 2012) and the HRA balance at £0.48m, an increase of £0.23m in the year.

PENSIONS

- **TEACHERS PENSION SCHEME**

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

- **LOCAL GOVERNMENT PENSION SCHEME**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits by participating in the Gwynedd Pension Fund administered by Gwynedd County 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.

International Accounting Standard (IAS) 19 – Employee Benefits applies to all local authorities and relates to the Gwynedd Local Government Pension Fund administered by Gwynedd County Council. The net pension liability is recognised in the Balance Sheet and has increased by £16.3m from £63.7m to £80.0m during 2012/13. The Council's actual liability is reviewed every three years as part of the triennial valuation of the Pension Fund and an investment strategy is determined which aims to recover the deficit over a stated period (currently 25 years). However, it is important to note that this does not represent an immediate call on the Council's reserves as it is a notional amount which shows how much the Council's pension liabilities exceed its share of the Fund's assets.

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

PROVISIONS

Total provisions held by the Council amounted to £6.438m at 1 April 2012. During the year the balance increased by £1.16m to £7.598m largely due to the requirement to provide an additional provision to meet liabilities in respect of after-care costs of the Penhesgyn landfill site, the MMI Scheme of Arrangement and to meet increased equal pay liabilities.

Details of the movements in provisions are shown in note 27 to the Accounts on page 51.

CONTINGENT LIABILITIES

A number of contingent liabilities are disclosed in the accounts in relation to issues where an event has taken place that gives the Council potential obligations whose existence will only be confirmed by the occurrence or otherwise of uncertain future events that are not wholly within the control of the Council. The value of these potential liabilities and the probability that a cash outflow to meet these obligations are both uncertain at this time. For 2012/13 the disclosures covered;

- Equal Pay, Single Status and Job Evaluation claims
- Recovery of charges made by the Council under Section 117 of the Mental Health Act 1983
- A potential contractual obligation arising from the renovation of Beaumaris Pier.

Full details of these contingent liabilities are provided in note 42 to the Accounts on page 69.

CONTINGENT ASSETS

The Council retains a number of legal charges over privately owned residential properties, where it provided support to the buyers under schemes for assisted home purchase, with the Council being entitled to a share of proceeds on the sale of the properties. Further details are provided in note 43 to the Accounts on page 70.

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Isle of Anglesey County Council's responsibilities

The Isle of Anglesey County Council is required to:

- * make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Function (Resources) who is 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 The IFRS Code of Practice.

The Section 151 Officer has also:

- * kept proper 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 2013.

Signed:

**CLARE J. WILLIAMS
HEAD OF FUNCTION (RESOURCES) & SECTION 151 OFFICER**

26 SEPTEMBER 2013

**MOVEMENT IN RESERVES STATEMENT
FOR YEAR ENDED 31 MARCH 2013**

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

	Council Fund Balance £000	Earmarked Council Fund Reserves (Note 8) £000	HRA Balance (Supplementary Financial Statements) £000	Capital Receipts Reserve (Note 10) £000	School Balances (Note 9) £000	Capital Grants Unapplied (Note 14) £000	HRA Earmarked Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Council £000
Balance 1 April 2011	6,743	11,645	255	0	2,246	0	0	20,889	168,264	189,153
Movement in reserves during the year										
(Deficit) on provision of services	(3,520)	0	(4,957)	0	0	0	0	(8,477)	0	(8,477)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(17,080)	(17,080)
Total Comprehensive Income and Expenditure	(3,520)	0	(4,957)	0	0	0	0	(8,477)	(17,080)	(25,557)
Adjustments between accounting basis and funding basis under regulations (note 7)	2,816	0	4,949	0	0	0	0	7,765	(7,765)	0
Net (Decrease) before Transfers to Earmarked Reserves	(704)	0	(8)	0	0	0	0	(712)	(24,845)	(25,557)
Transfers to/(from) Earmarked Reserves (note 8)	(243)	1,237	0	0	(994)	0	0	0	0	0
Increase/(Decrease) in Year	(947)	1,237	(8)	0	(994)	0	0	(712)	(24,845)	(25,557)
Balance 31 March 2012	5,796	12,882	247	0	1,252	0	0	20,177	143,419	163,596
Movement in reserves during the year										
Surplus/(Deficit) on provision of services	6,135	0	(6,776)	0	0	0	0	(641)	0	(641)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(12,494)	(12,494)
Total Comprehensive Income and Expenditure	6,135	0	(6,776)	0	0	0	0	(641)	(12,494)	(13,135)
Adjustments between accounting basis and funding basis under regulations (note 7)	(3,360)	0	8,027	14	0	262	0	4,943	(4,943)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	2,775	0	1,251	14	0	262	0	4,302	(17,437)	(13,135)
Transfers to/(from) Earmarked Reserves	(2,661)	2,729	(1,016)	0	(68)	0	1,016	0	0	0
Increase/(Decrease) in Year	114	2,729	235	14	(68)	262	1,016	4,302	(17,437)	(13,135)
Balance 31 March 2013	5,910	15,611	482	14	1,184	262	1,016	24,479	125,982	150,461

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR YEAR ENDED 31 MARCH 2013**

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

2012/13				2011/12		
Gross Expenditure	Gross Income	Net Expenditure	Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
5,684	(5,405)	279	Central Services	5,719	(5,413)	306
8,344	(3,297)	5,047	Cultural and related services	8,154	(3,356)	4,798
67,797	(13,364)	54,433	Children and educational services	71,486	(12,720)	58,766
15,489	(4,832)	10,657	Highways and transport services	16,981	(4,374)	12,607
13,084	(13,116)	(32)	Council housing (HRA)	10,256	(12,426)	(2,170)
21,688	(20,140)	1,548	Other housing services	21,976	(19,525)	2,451
32,934	(13,587)	19,347	Adult social care	33,883	(11,590)	22,293
8,739	(3,446)	5,293	Planning and development	9,405	(3,510)	5,895
12,351	(3,045)	9,306	Environmental services	11,374	(3,173)	8,201
6,864	(1,451)	5,413	Corporate and democratic core	8,355	(1,284)	7,071
243	0	243	Non distributed costs	419	0	419
193,217	(81,683)	111,534	Deficit on Continuing Operations	198,008	(77,371)	120,637
		20,809	Other operating expenditure			19,660
		6,610	Financing and investment income and expenditure	13		4,392
		(138,312)	Taxation and non-specific grant Income	14		(136,212)
		641	Deficit on Provision of Services			8,477
		(6,124)	(Surplus) on revaluation of non current assets	15-16		(1,807)
		18,618	Actuarial Losses on pension assets / liabilities	41		18,887
		12,494	Other Comprehensive Income and Expenditure			17,080
		13,135	Total Comprehensive Income and Expenditure			25,557

BALANCE SHEET AS AT 31 MARCH 2013

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 are 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 2013 £000	31 March 2012 £000
Property, plant and equipment	15	303,537	299,444
Heritage assets	17	3,306	3,040
Investment property	18	7,991	8,379
Intangible assets	19	213	74
Long term investments	44	0	0
Long term debtors	24	433	450
Long Term Assets		315,480	311,387
Short term investments	44	10,101	5,058
Assets held for sale	21	196	180
Inventories	23	545	675
Short term debtors	24	25,798	22,363
Cash and cash equivalents	25	2,304	11,164
Current Assets		38,944	39,440
Short term borrowing	44	(8,447)	(1,946)
Short term creditors	26	(18,223)	(18,856)
Provisions	27	(4,184)	(4,296)
Capital Grants receipts in advance	37	(71)	(144)
Current Liabilities		(30,925)	(25,242)
Long term creditors	26	(0)	(4)
Provisions	27	(3,414)	(2,142)
Long term borrowing	44	(89,590)	(96,097)
Other long term liabilities	41	(80,034)	(63,746)
Long Term Liabilities		(173,038)	(161,989)
Net Assets		150,461	163,596
Usable reserves	8-10	24,479	20,177
Unusable reserves	11	125,982	143,419
Total Reserves		150,461	163,596

CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2013

The Cash Flow Statement shows the changes on 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 which 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	2012/13 £000	2011/12 £000
Net Surplus/(Deficit) on the provision of services		(641)	(8,477)
Adjustments to net surplus or deficit on the provision of services for non- cash movements	28	20,058	14,319
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(12,166)	(10,976)
Net cash flows from operating activities		7,251	(5,134)
Net cash flows from investing activities	29	(16,105)	13,347
Net cash flows from financing activities	30	(6)	(6,506)
Net increase in cash and cash equivalents		(8,860)	1,707
Cash and cash equivalents at the beginning of the financial year	25	11,164	9,457
Cash and cash equivalents at the end of the financial year	25	2,304	11,164

NOTES TO THE ACCOUNTS

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES

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

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	Property, Plant and Equipment
8	Investment Property
9	Intangible Assets
10	Inventories and Long Term Contracts
11	Cash and Cash Equivalents
12	Financial Instruments
13	Provisions, Contingent Liabilities and Contingent Assets
14	Reserves
15	Revenue Recognition
16	Internal Interest
17	Leases
18	Minimum Revenue Provision (MRP)
19	Grants Receivable
20	Revenue Expenditure Funded from Capital Under Statute (REFCUS)
21	Overheads and Support Services
22	Foreign Currency
23	Charges to Revenue for Non-Current Assets
24	Employee Benefits
25	Equal Pay, Single Status and Job Evaluation Claims

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005 (as amended 2010), which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

All principal accounting policies have been applied consistently throughout the year.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and bank deposits and payable on borrowings (including bank overdrafts) is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than necessarily the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.

3. Events after the Balance Sheet date

Events 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. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the financial year – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the financial year – the Statement of Accounts are 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 venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

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

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

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

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

6. Value Added Tax (VAT)

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

7. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- infrastructure, community assets, assets under construction and surplus assets – depreciated historical cost;
- council dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- property, plant and equipment – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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 7 years or less, although it may be longer for specialist items of plant & equipment.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In practice, the Council undertakes valuations of its assets based on a five-year rolling programme. Individual items within distinct classes of asset, e.g. primary schools, smallholdings, etc are valued in a single year, in order to ensure that all assets of any one type are revalued within a short period. In the years between valuations, reference is made to the relevant indices and adjustments made to valuations if there is any indication of material change. Increases in asset values are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, revaluation gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

Valuations are currently carried out at the start of the financial year. It is therefore necessary to review the valuations at the Balance Sheet date to determine if there have been any material changes during the year to the value of the assets. This is usually due to identifiable indexation increases that affect property values. As with formal valuations increases from indexation are reflected in the Balance Sheet by debiting fixed assets and crediting the Revaluation Reserve. However as these increases do not arise from formal property valuations, then the value of the increase arrived at through indexation is reversed from the Balance Sheet when formal revaluations of relevant assets takes place.

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.

Impairment

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

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

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

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

Where impairment losses are identified, they are accounted for by:

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over periods of up to 75 years, as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over 5 to 10 years, dependent on the initial value of the asset;
- infrastructure – straight-line allocation over periods of up to 45 years, dependant on the value of the asset.

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.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset (or disposal group) will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset (or disposal group) is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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. 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 £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is set aside to reduce the need to borrow and to match debt charges funded from housing subsidy. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

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

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. Heritage Assets held by the Council include 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). For completeness, information in respect of operational Heritage Assets, in addition to being incorporated into disclosures under the relevant operation heading(s) (e.g. Property, Plant and Equipment), is separately identified and disclosed together with those relating to other Heritage Assets.

Heritage Assets are valued on the basis which is most appropriate and relevant in respect of the individual asset or class of assets. Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, Heritage Assets are measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). Where Heritage Assets are measured at valuation, then the carrying amount is measured with sufficient frequency to ensure that the valuations remain current, and at intervals of no greater than five years.

Where a Heritage Asset has a finite life, depreciation is provided for on the same bases as for other classes of asset (for detail see under 'Property, Plant and Equipment').

Depreciation is not provided on Heritage Assets which have indefinite lives.

The carrying amount of a Heritage Asset is reviewed where there is evidence of impairment; for example, where it has suffered physical deterioration or breakage or new doubts arise as to its authenticity. Any impairment is recognised on the same basis as for other classes of asset (for detail see under 'Property, Plant and Equipment').

The Council does not currently actively seek further acquisitions of Heritage Assets, but responds to opportunities to enhance its portfolio as they arise. The art collections are housed at Oriel Ynys Môn, with maintenance work being carried out as required. Parts of the collection are on display at any one time, while access to the remainder is available by arrangement. The Heritage Properties are managed and maintained, with due regard for their heritage characteristics, as part of the Council's overall portfolio of land and buildings.

8. Investment Properties

Investment properties are those 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 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. Properties are not depreciated but are revalued annually according to market conditions at the balance sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

9. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses, and disposal gains and losses are, not permitted to have an impact on the Council Fund Balance. The gains and losses are therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

10. 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.

11. 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.

12. Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the cost less accumulated amortisation of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

13. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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.

14. Reserves

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

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

15. Revenue Recognition

The revenue recognition policy covers the sale of goods (produced by the Council for the purpose of sale or purchased for resale), the rendering 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 recognised and measured at the fair value of the consideration receivable. However, if payment is on deferred terms, the consideration receivable is recognised initially at the cash price equivalent. 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.

16. Internal Interest

The Council invests its cash balances in accordance with its Treasury Management and Investment Policies for periods up to 5 years and the interest is accrued and credited to the Council Fund. Interest is credited to trust funds and other third party funds based on the rate of interest earned by the Council. Some reserves receive interest by way of an appropriation calculated on the same basis.

17. Leases

The Council acting as a lessee

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.

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.

Rentals paid under operating leases are charged in the Comprehensive Income and Expenditure Statement as an expense to the services benefitting from the 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).

The Council as Lessor

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 leases granted by the Council do not meet these conditions and are therefore all classified as operating leases.

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 either the relevant service line or the Financing and Investment Income and Expenditure line (in relation to income received from leases of investment properties) 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.

18. Minimum Revenue Provision (MRP)

The Local Government Act 2003 requires the Council to charge the Council Fund a provision for the redemption of debt. This is then reduced by the amount of depreciation charge already made to the Comprehensive Income and Expenditure Account to leave the net MRP chargeable to the Council Fund.

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

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

- the Housing Revenue Account (HRA) provision is calculated as being 2% of the opening HRA Capital Financing Requirement (CFR).
- the Council Fund provision is based on 4% of the opening Non-HRA CFR up to 2007/08, in line with Regulations implemented under the Local Government Act 2003. Since 2007/08, MRP is based on the useful life of the asset.

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

19. Grants Receivable

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or services potential must be returned to the transferor.

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-ringfenced 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.

20. 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.

21. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Chartered Institute of Public Finance Accounting (CIPFA) Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

22. Foreign Currency

The Council has a number of grant aided schemes under the 'Interreg' programme where the lead body is an Irish Institution and grants are denominated in Euros. A Euro Bank account was opened to support these schemes and to limit the exposure to movements in exchange rates. The balance on this bank account at the year-end is converted at the spot exchange rate at 31 March with resulting gains or losses being recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

23. Charges to Revenue for Non-Current Assets

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

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

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

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

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

24. Employee Benefits

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. The 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.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Corporate and Democratic Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council 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 such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

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

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

Teachers' Pension Scheme

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

The Local Government Pension Scheme

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;
 - Property – market value.

The change in the net pensions liability is analysed into seven components:

- 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;
- 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;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes on the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited / (credited) to the Pensions Reserve;
- 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 Council Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations 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 Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

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. Equal Pay, Single Status and Job Evaluation Claims

The Council is the subject of equal pay, single status and job evaluation claims from current and former employees which it intends to defend. However, the Council has prudently set up both a reserve and a provision to meet the costs arising from these potential liabilities. The Statement of Accounts therefore does not currently reflect the actual value of the claims but rather an estimate of the financial liability which will arise from them.

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

Changes to the following accounting standards have been issued but not yet adopted;

- IAS 1 – amendments to the Presentation of Financial Statements (other comprehensive income) issued in June 2011.
- IFRS 7 – amendments to Financial Instruments: Disclosures (offsetting financial assets and liabilities) issued in December 2011.
- IAS 12 – amendments to Income Taxes (deferred tax; recovery of underlying assets) issued in December 2010.
- IAS 19 – Employee benefits issued in June 2011.
- IFRS 13 - Fair value Measurement issued in May 2011.

These changes will only apply from financial year 2013/14 and details of the disclosures required will be included in the Accounting Code of Practice for that year.

This note however also sets out the position on the accounts had the new standards already been in force. The only material impact relates to the way that pension and termination costs are reflected in the Council's Accounts.

- The IAS19 requirements will change the way in which the interest costs on the net pension liability are shown. At present, the Financing and Investment Income line within the Comprehensive Income and Expenditure Statement is credited with an expected return on assets based on an actuary's assessment of the likely long-term returns the Pension Fund will achieve on its assets held on behalf of the Council. This is based on achieving different returns for different classes of assets (shares, bonds, property etc.). In 2012/13 the return on assets was valued at £9.424m

Following adoption of the new standard this will be replaced by a calculation of interest on assets held based on the presumption that the long-term return on assets will be calculated solely on yields from corporate bonds at the time the Accounts are prepared. The project return on assets using the new standard for 2013/14 is £8.632m, a reduction of £0.792m over the return on assets contained within the Comprehensive Income and Expenditure Statement for 2012/13. The value of the Financing and Investment Income line would therefore reduce by £0.792m resulting in increases of the same value to the reported deficit on the provision of services and the total deficit on the Comprehensive Income and Expenditure Statement.

However, interest costs on the net pension liability form part of the statutory adjustments to the Accounts and therefore there is no impact to the level of balances held by the Council Fund or to the balance sheet.

- The other change resulting from the introduction of IAS19 relates to the point at which the Council recognises termination benefits. Under the new standard, recognition takes place when the Council cannot withdraw an offer. This generally matches the current recognition practices at the Council so there will be no material changes arising from the implementation of this standard.

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- The Accounts have been prepared on a going concern basis, which assumes that the functions and services provided by the Council will continue in operational existence for the foreseeable future.
- The Council has determined that a number of assets which are used for social or economic development purposes are not solely held for income generation or capital appreciation purposes and therefore do not meet the definition of investment properties. As a consequence these assets are shown as Property, Plant and Equipment within the Balance Sheet.
- In accordance with current guidance regarding the treatment of certain types of school, only the value of the land for voluntary controlled schools is included in the Balance Sheet. As the Council does not own these types of school and does not have access to them for valuation purposes, the value of the buildings is excluded from the Balance Sheet. In addition to this, Voluntary Aided and Foundation Schools, neither the value of land nor the buildings are included on the Balance Sheet.
- Capital and grants are reviewed regularly to assess if the terms and conditions attached to the respective grants have been met. If the terms and conditions have been met they will be recognised within the Comprehensive Income and Expenditure Statement in the year. If not, they will be carried within the balance sheet as deferred income until such time as either the terms and conditions associated with the grant are met or the grant is repaid to the grant provider should the terms and conditions not be met. This treatment can result in material balances being carried in the balance sheet as deferred income in the year.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

NOTE 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 2013 may be considered to be most vulnerable for estimating error in the forthcoming financial year:

Property, Plant and Equipment – Assets are depreciated over useful lives in accordance with standard accounting practices. Any difference between the depreciation applied and actual deterioration to assets will naturally reflect in future spending patterns. Information relating to Property, Plant and Equipment is contained in Note 15 on page 43.

The accounting policy for the depreciation of Property, Plant and Equipment (page 18) identifies that:

'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.'

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

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

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

Council Housing - The Council's Housing stock is valued under a standard methodology, part of which requires the application of an adjustment factor to allow for the difference between rents and yields on private sector and social housing. There is currently no published adjustment factor for Wales, and so the Council has selected the most comparable of the English regions and applied the published factor for that, which was 31%. Should a specific factor be published, either for Wales as a whole, or on a regional basis, then this will be applied. Each 1% of any resulting change would increase or decrease the reported value of the stock by approximately £3.4m.

Provisions –The Council has made provision for a series of uncertainties which could result in significant costs in later years. These principally relate to equal pay, after-care costs for the Penhesgyn landfill site, prospective termination benefits for staff leaving the Council and possible liabilities arising from insurance liabilities. Full details are contained in Note 27. A change in the anticipated value of settlements for legal claims by 10% would increase or decrease the expected value of the liability by approximately £0.4m.

Pensions Liability – The Pension Liability position as contained within the accounts is based on a number of complex assessments and judgments as provided by actuaries engaged by the administering Council. Further details are contained in Notes 40 and 41 on page 65.

Doubtful Debts Impairment/Allowance – A certain impairment level of doubtful debts is contained within the accounts, which is based on a specific policy. Any departure between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Doubtful Debts impairments are contained within the figures for Short Term Debtors contained in Note 24 on page 49.

NOTE 5 – MATERIAL ITEMS OF INCOME AND EXPENSE

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

NOTE 6 – EVENTS AFTER BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Council's Section 151 Officer on 26 September 2013.

Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

2012/13	Usable Reserves				Movement In Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Charges for depreciation and amortisation of non current assets	7,626	5,324	0	0	(12,950)
Revaluation losses / (gains) on Property, Plant and Equipment	1,031	0	0	0	(1,031)
Movements in the market value of Investment Properties	91	0	0	0	(91)
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(8,780)	(2,600)	0	262	11,118
Revenue expenditure funded from capital under statute	2,197	0	0	0	(2,197)
Carrying amount of non current assets sold	2,972	8,184	0	0	(11,156)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Minimum Revenue Provision For Capital Funding	(3,523)	(782)	0	0	4,305
Capital expenditure charged against the Council Fund and HRA balances	(1,209)	(2,000)	0	0	3,209
<u>Adjustments involving the Capital Receipts Reserve:</u>					
Proceeds From Sale of Non Current Assets	(929)	(119)	1,048	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(959)	0	959
Other Capital Receipts	(14)	0	14	0	0
Capital Receipts Reserve set aside to repay debt	0	0	(89)	0	89
<u>Adjustments involving the Financial Instruments Adjustment Account:</u>					
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	104	31	0	0	(135)
<u>Adjustments involving the Pensions Reserve:</u>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	6,072	0	0	0	(6,072)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,402)	0	0	0	8,402
<u>Adjustment involving the Accumulating Compensated Absences Adjustment Account</u>					
Adjustments in relation to Short-term compensated absences	(596)	(11)	0	0	607
Total Adjustments	(3,360)	8,027	14	262	(4,943)

2011/12 (Comparative)	Usable Reserves			Movement in Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and amortisation of non current assets	7,819	2,760	0	(10,579)
Revaluation losses / (gains) on Property, Plant and Equipment	1,376	0	0	(1,376)
Movements in the market value of Investment Properties	(395)	0	0	395
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(7,359)	(2,623)	0	9,982
Revenue expenditure funded from capital under statute	3,811	0	0	(3,811)
Carrying amount of non current assets sold	1,512	8,720	0	(10,232)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Minimum Revenue Provision For Capital Funding	(3,272)	(603)	0	3,875
Capital expenditure charged against the Council Fund and HRA balances	(445)	(3,200)	0	3,645
<u>Adjustments involving the Capital Receipts Reserve:</u>				
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(944)	944
Proceeds From Sale of Non Current Assets	(855)	(139)	994	0
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	0	5	(5)	0
Other Capital Receipts	(53)	(19)	72	0
Capital Receipts Reserve set aside to repay debt	0	0	(117)	117
<u>Adjustments involving the Financial Instruments Adjustment Account:</u>				
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	107	28	0	(135)
<u>Adjustments involving the Pensions Reserve:</u>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	6,544	115	0	(6,659)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,256)	(115)	0	8,371
<u>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</u>				
Amounts by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	1,935	0	0	(1,935)
<u>Adjustment involving the Accumulating Compensated Absences Adjustment Account</u>				
Adjustments in relation to Short-term compensated absences	347	20	0	(367)
Total Adjustments	2,816	4,949	0	(7,765)

NOTE 8 – EARMARKED RESERVES

	Balance as at 01 April 2011	Transfers In 2011/12	Transfers Out 2011/12	Balance as at 31 March 2012	Transfers In 2012/13	Transfers Out 2012/13	Balance as at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
Capital Expenditure	988	478	(466)	1,000	1,209	(1,209)	1,000
Penhesgyn Waste Landfill Site Reserve	886	0	0	886	0	(886)	0
Service Reserves	1,918	1,115	(1,526)	1,507	1,540	(1,156)	1,891
Restricted Services	1,333	827	(379)	1,781	4,037	(754)	5,064
Equal Pay, Single Status and Job Evaluation	1,222	776	(32)	1,966	701	0	2,667
Recycling	1,161	312	0	1,473	302	(986)	789
Performance Management Reserve	1,170	196	(312)	1,054	412	(26)	1,440
Major Repairs Reserve (HRA)	0	0	0	0	860	0	860
Insurance Fund	2,145	417	(33)	2,529	0	(178)	2,351
Other	822	110	(246)	686	0	(121)	565
Total	11,645	4,231	(2,994)	12,882	9,061	(5,316)	16,627

Purpose of Earmarked Revenue Reserves

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

Penhesgyn Waste Landfill Site Reserve - This reserve was created from the net cash assets, less winding up and capping costs, of Cwmni Gwastraff Môn-Arfon Cyf which is in the process of being wound up. The reserve has been transferred in the year to provisions to meet future after-care liabilities for the site.

Service Reserves - under the Council's Financial Procedure Rules over and under-spending is carried forward as earmarked reserves to the level set by the Executive.

Restricted Service Reserves - earmarked budgets within service areas which remain unspent at year end.

Equal Pay, Single Status and Job Evaluation - As a result of the 'Single Status' agreement, the Council, in common with most other local authorities, is required to introduce a new pay and grading system with effect from 1 April 2007. The extent to which this may involve an obligation to back pay is uncertain. Negotiations are proceeding on a revised pay and grading structure. A sum has been set aside in the Job Evaluation reserve towards the overall cost of the exercise, including the administrative costs, the cost of new pay scales, any pay protection and any back pay. Although the individual elements cannot be estimated with certainty, the Council is of the view that the sums set aside are adequate.

Recycling - landfill cost savings created by diverting waste to recycling. The reserve will be utilised towards recycling initiatives.

Performance Management Reserve - amounts earmarked towards performance improvement measures from the Outcome Agreement Grant.

Major Repairs Reserve – amounts set aside from HRA balances to fund capital spending on council housing.

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

Other - This balance comprises the aggregation of the balances of 7 individual reserves, which individually hold balances of less than £0.5m, which are not considered to be material amounts.

NOTE 9 – SCHOOLS BALANCES

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

	Balance 01 April 2011 £000	Addition / (Reduction) for 2011/12 £000	Balance 31 March 2012 £000	Addition / (Reduction) for 2012/13 £000	Balance 31 March 2013 £000
Community and Voluntary Primary Schools	975	(309)	666	180	846
Community Secondary Schools	1,013	(629)	384	(224)	160
Community Special School	149	(59)	90	(62)	28
Foundation Primary School	109	3	112	38	150
	2,246	(994)	1,252	(68)	1,184

At 31 March 2013 all schools had balances in surplus apart from 8 primary schools (12 as at 31 March 2012) and 2 secondary schools (2 as at 31 March 2012) which had a combined deficit of £0.994m (£0.839m as at 31 March 2012). 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 Finance Department.

NOTE 10 – CAPITAL RECEIPTS RESERVE

These are cash receipts from the sale of Council assets, which have not yet been used to finance capital expenditure. From April 2004, all receipts are usable, although some of the HRA receipts are set aside on a voluntary basis to repay debt, in order to match the subsidy on the HRA. The amounts set aside were transferred to the Capital Adjustment Account

	2012/13 £000	2011/12 £000
Balance 1 April	0	0
Capital Receipts in year (net of reduction for administration costs)	1,062	1,061
	1,062	1,061
Less:		
Receipts set aside to repay debt	(89)	(117)
Capital Receipts used for financing	(959)	(944)
Balance 31 March	14	0

NOTE 11 – UNUSABLE RESERVES

	31 March 2013 £000	31 March 2012 £000
Capital Adjustment Account	172,400	179,315
Financial Instruments Adjustment Account	140	275
Revaluation Reserve	36,477	31,183
Pensions Reserve	(80,034)	(63,746)
Unequal Pay Reserve	(1,935)	(1,935)
Accumulating Compensated Absences Adjustment Account	(1,066)	(1,673)
Total Unusable Reserves	125,982	143,419

Capital Adjustment Account

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

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 on page 35 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2012/13		2011/12	
	£000	£000	£000	£000
Balance at 1 April		179,315		185,174
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and amortisation of non-current assets	(12,950)		(10,579)	
Revaluation losses on Property, Plant and Equipment	(1,031)		(1,376)	
Revenue expenditure funded from capital under statute	(2,197)		(3,811)	
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	(11,156)		(10,232)	
		(27,334)		(25,998)
Adjusting amounts written out of the Revaluation Reserve		830		1,181
Net written out amount of the cost of non-current assets consumed in the year		(26,504)		(24,817)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	959		944	
Capital Receipts Reserve set aside to repay debt	89		117	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,118		9,982	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	4,305		3,875	
Capital expenditure charged against the Council Fund and HRA balances	3,209		3,645	
		19,680		18,563
Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement		(91)		395
Balance at 31 March		172,400		179,315

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2013 will be charged to the Council Fund over the next 6 years.

	2012/13 £000	2011/12 £000
Balance at 1 April	275	410
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(135)	(135)
Balance at 31 March	140	275

Revaluation Reserve

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

	2012/13 £000	2011/12 £000
Balance at 1 April	31,184	30,557
Revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	6,123	1,808
Difference between fair value depreciation and historical cost depreciation	(830)	(1,151)
Revaluation balances on assets scrapped or disposed of	0	(30)
Balance at 31 March	36,477	31,184

Pensions Reserve

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

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

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

	2012/13 £000	2011/12 £000
Balance at 1 April	(63,746)	(46,571)
Actuarial gains / (losses) on pensions assets and liabilities	(18,618)	(18,887)
Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,330	1,712
Balance at 31 March	(80,034)	(63,746)

Unequal Pay Reserve

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

	2012/13 £000	2011/12 £000
Balance at 1 April	(1,935)	0
Increase in provision for back pay in relation to Equal Pay cases	0	(1,935)
Cash settlements paid in the year	0	0
Balance at 31 March	(1,935)	(1,935)

Accumulating Compensated Absences Adjustment Account

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

	2012/13 £000	2011/12 £000
Settlement or cancellation of accrual made at the end of the preceding year	1,673	1,306
Amounts accrued at the end of the current year	(1,066)	(1,673)
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	607	(367)

NOTE 12 – OTHER OPERATING EXPENDITURE

	2012/13 £000	2011/12 £000
Police Council and Community Council Precepts (See below)	7,323	7,100
Losses on the disposal of non-current assets (Including De-recognition)	10,109	9,243
Levies	3,391	3,389
Other	(14)	(72)
Total	20,809	19,660

Precepts

	2012/13 £000	2011/12 £000
Precept paid to Police Council	6,406	6,232
Precept paid to Community Councils	917	868
Total	7,323	7,100

NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2012/13 £000	2011/12 £000
Interest payable and similar charges	5,316	5,413
Pensions interest cost and expected return on pensions assets	1,669	180
Interest receivable and similar income	(284)	(437)
Income and expenditure in relation to investment properties and changes in their fair value (See Below)	(91)	(764)
Total	6,610	4,392

Income, Expenditure and changes in Fair Value of Investment Properties

	2012/13 £000	2011/12 £000
Income/Expenditure from Investment Properties:		
Income including rental income	(698)	(728)
Expenditure	516	360
Net income from investment properties	(182)	(368)
(Surplus) on sale of Investment Properties:		
Proceeds from sale	(350)	(40)
Carrying amount of investment properties sold	350	39
(Surplus)/Deficit on sale of Investment Properties:	0	(1)
Changes in Fair Value of Investment Properties	91	(395)
Total	(91)	(764)

NOTE 14 - TAXATION AND NON SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income

	2012/13 £000	2011/12 £000
Council Tax Income	33,872	32,243
Non Domestic Rates Redistribution	18,787	16,324
Non-ringfenced Government Grants	74,273	77,663
Capital Grants Applied to fund Capital Expenditure	11,118	9,982
Capital Grant Unapplied Houses into Homes	262	0
Total Taxation and Non-Specific Grant Income	138,312	136,212

Central Government Grants

	2012/13 £000	2011/12 £000
Revenue Support Grant	73,544	77,112
Other	729	551
Total	74,273	77,663

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (PPE)

Current Year

	Council Dwellings £000	Land and Buildings £000	Infrast- ructure Assets £000	Property, Plant and Equipment Vehicles, Plant and Equipment £000	Community Assets £000	PPE Under Constru- ction £000	Surplus Assets £000	Total £000
Cost or Valuation								
At 1 April 2012	98,557	157,994	54,186	7,067	9	2,660	2,030	322,503
Additions (Note 20)	8,751	3,661	4,969	775	0	4,860	0	23,016
Revaluation increase / (decrease) to Revaluation Reserve	0	4,033	0	0	0	0	127	4,160
Revaluation increase / (decrease) to Surplus or Deficit on the Provision of Services	0	(1,224)	0	0	0	0	0	(1,224)
Derecognition - Disposals	(63)	(92)	0	(8)	0	0	0	(163)
Derecognition – Other	(8,751)	(2,779)	0	0	0	0	0	(11,530)
Reclassifications & Transfers	0	(218)	2,958	0	0	(2,958)	218	0
Reclassified to Held for Sale	0	0	0	0	0	0	(16)	(16)
Balance as at 31 March 2013	98,494	161,375	62,113	7,834	9	4,562	2,359	336,746
Depreciation and Impairment								
At 1 April 2012	4,373	6,435	8,582	3,578	0	0	91	23,059
Depreciation Charge	2,660	4,751	2,166	701	0	0	60	10,338
Depreciation written out to Revaluation Reserve	0	(1,608)	0	0	0	0	(26)	(1,634)
Depreciation written out to Surplus or Deficit on the Provision of Services	0	(200)	0	0	0	0	(1)	(201)
Impairment losses/reversals to Surplus or Deficit on the Provision	2,534	0	0	0	0	0	0	2,534
Derecognition – Disposals	(6)	(11)	0	(8)	0	0	0	(25)
Derecognition – Other	(624)	(238)	0	0	0	0	0	(862)
Reclassifications and Transfers	0	0	0	0	0	0	0	0
Balance as at 31 March 2013	8,937	9,129	10,748	4,271	0	0	124	33,209
Net Book Value								
Balance as at 31 March 2013	89,557	152,246	51,365	3,563	9	4,562	2,235	303,537
Balance as at 31 March 2012	94,184	151,559	45,604	3,489	9	2,660	1,939	299,444

2011/12

	Council Dwellings	Land and Infrastructure Buildings	Property, Plant and Equipment	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	TOTAL PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2011	98,623	156,639	52,326	6,509	9	1,825	1,855	317,786
Additions (Note 20)	9,237	3,764	1,855	558	24	2,079	2	17,519
Revaluation increase / (decrease) to Revaluation Reserve	0	(20)	0	0	0	0	(8)	(28)
Revaluation increase / (decrease) to Surplus or Deficit on the Provision of Services	0	(2,299)	0	0	0	0	0	(2,299)
Derecognition - Disposals	(66)	(211)	0	0	0	0	0	(277)
Derecognition - Other	(9,237)	(754)	0	0	(24)	0	(3)	(10,018)
Reclassifications & Transfers	0	875	5	0	0	(1,244)	364	0
Reclassified to Held for Sale	0	0	0	0	0	0	(180)	(180)
Balance as at 31 March 2012	98,557	157,994	54,186	7,067	9	2,660	2,030	322,503
Depreciation and Impairment								
At 1 April 2011	2,326	4,121	6,422	2,889	0	0	126	15,884
Depreciation Charge	2,630	4,970	2,160	689	0	0	50	10,499
Depreciation written out to Revaluation Reserve	0	(1,718)	0	0	0	0	(53)	(1,771)
Depreciation written out to Surplus or Deficit on the Provision of Services	0	(898)	0	0	0	0	(39)	(937)
Derecognition - Disposals	(3)	(5)	0	0	0	0	0	(8)
Derecognition - Other	(580)	(28)	0	0	0	0	0	(608)
Reclassifications and Transfers	0	(7)	0	0	0	0	7	0
Balance as at 31 March 2012	4,373	6,435	8,582	3,578	0	0	91	23,059
Net Book Value								
Balance as at 31 March 2012	94,184	151,559	45,604	3,489	9	2,660	1,939	299,444
Balance as at 31 March 2011	96,297	152,518	45,904	3,620	9	1,825	1,729	301,902

Details of depreciation and revaluation methodologies are shown in the Accounting Policies (policy 7 on page 18).

The status for accounting purposes of the assets of voluntary controlled & voluntary aided schools is currently under review. Pending the outcome of this, the following position has been adopted:

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

Revaluations

The Council has £303.537m recognised as Property, Plant and Equipment on its Balance Sheet as at 31 March 2013. The Council has now adopted a 5 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 (e.g. primary schools, small holdings, car parks) are revalued in a single year. The valuations are undertaken by the Council's in-house valuation team who are members of the Royal Institute of Chartered Surveyors (RICS). 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.

All land and property assets of the Council were however valued as at 31 March 2011, prior to the implementation of the on-going 5-year rolling programme.

NOTE 16 - SIGNIFICANT CAPITAL COMMITMENTS

At 31 March 2013, the Council had two significant construction contracts in progress giving rise to a significant capital commitment for financial year 2013/14 as follows (2011/12: £6.1m):

Contract	Commitment £000
New Special Educational Needs school – Ysgol Y Bont	6,501
Smallholding Programme of Improvement	313
Total	6,814

NOTE 17 – HERITAGE ASSETS

2012/13

	Art Collections: Oriel Ynys Môn £000	Heritage Land & Buildings £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2012	1,454	1,644	3,098
Additions	0	0	0
Revaluation taken to the Revaluation Reserve	330	0	330
Revaluation taken to the Surplus/Deficit on the Provision of Service	(8)	0	(8)
At 31 March 2013	1,776	1,644	3,420
Accumulated Depreciation and Impairment			
At 1 April 2012	0	58	58
Depreciation Charge	0	56	56
Depreciation written out to the Revaluation Reserve	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0
At 31 March 2013	0	114	114
Net Book Value			
At 31 March 2013	1,776	1,530	3,306
At 31 March 2012	1,454	1,586	3,040

2011/12

	Art Collections: Oriel Ynys Môn £000	Heritage Land & Buildings £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2011	1,454	1,643	3,097
Additions	0	10	10
Revaluation taken to the Revaluation Reserve	0	6	6
Revaluation taken to the Surplus/Deficit on the Provision of Service	0	(15)	(15)
At 31 March 2012	1,454	1,644	3,098
Accumulated Depreciation and Impairment			
At 1 April 2011	0	59	59
Depreciation Charge	0	58	58
Depreciation written out to the Revaluation Reserve	0	(59)	(59)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0
At 31 March 2012	0	58	58
Net Book Value			
At 31 March 2012	1,454	1,586	3,040
At 31 March 2011	1,454	1,584	3,038

Revaluation of Heritage Assets

A number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. At 31 March 2013, there were four such assets (unchanged from 31 March 2012):

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

Revaluation of these assets follows the Council's standard revaluation procedures for land and property. The last revaluation for these properties was carried out as at 1st April 2011.

An updated valuation for the Art Collections was obtained during the year and the resulting value has been reflected in the 2012/13 Accounts. The latest valuation is based on a representative sample of the collections. The valuation was carried out by Bonhams of London, a firm of international art auctioneers and valuers.

Five Year Summary of Transactions

There have been no transactions in respect of heritage assets during the current or previous four accounting periods that require disclosure other than amounts relating to the identified heritage land and buildings and the revaluation of the art collection in 2012/13. These items are shown in the tables that precede this note.

NOTE 18 – INVESTMENT PROPERTIES

Income/Expenditure from Investment Properties:	2012/13 £000	2011/12 £000
Rental income from investment property	(698)	(728)
Direct operating expenses arising from investment property	516	360
'Net (Gain) included in Financing and Investment Income in the Comprehensive Income and Expenditure Statement'	(182)	(368)

	2012/13 £000	2011/12 £000
Balance at start of the year	8,379	7,874
Additions:		
- Subsequent expenditure	53	149
Disposals	(350)	(39)
Net gains/(losses) from fair value adjustments	(91)	395
Transfers:		
-(to)/from Property, Plant and Equipment	0	0
Balance at end of the year	7,991	8,379

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

NOTE 19 – INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.02m charged to revenue in 2012/13 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

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

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

	2012/13 £000	2011/12 £000
Balance at start of year:		
Gross carrying amounts	708	689
Accumulated amortisation	(634)	(612)
Net carrying amount at start of year	74	77
Additions	160	19
Amortisation for the financial year	(21)	(22)
Net carrying amount at end of year	213	74
Comprising:		
Gross carrying amounts	868	708
Accumulated amortisation	(655)	(634)
Net carrying amount at end of year	213	74

NOTE 20 - CAPITAL EXPENDITURE AND FINANCING

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

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

	2012/13 £000	2011/12 £000
Opening Capital Financing Requirement	100,660	97,716
Capital Invested in Year		
Property, Plant and Equipment	23,016	17,529
Investment Properties	53	149
Intangible Assets	160	19
Other	2	111
Revenue Expenditure Funded from Capital Under Statute	2,197	3,811
	25,428	21,619
Source of Finance		
Capital Receipts and Reserves	(959)	(944)
Government Grants and Contributions	(11,118)	(10,092)
Revenue Provisions	(3,209)	(3,646)
Minimum Revenue Provision and Set Aside	(4,394)	(3,993)
	(19,680)	(18,675)
Net Increase/(Decrease) in Capital Financing Requirement	5,748	2,944
Closing Capital Financing Requirement	106,408	100,660
Explanation of movement in year		
Increase in underlying need to borrow supported by Government assistance	2,937	3,579
Increase in underlying need to borrow unsupported by Government assistance	7,205	3,358
Minimum Revenue Provision and Voluntary Set Aside	(4,394)	(3,993)
Net Increase/(Decrease) in Capital Financing Requirement	5,748	2,944

NOTE 21 – ASSETS HELD FOR SALE

	Current		Non-Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Balance outstanding at start of year	180	514	0	0
Assets newly classified as held for sale:				
Transferred from Property, Plant & Equipment during the year	16	180	0	0
Cost of Assets Sold	0	(514)	0	0
Balance outstanding at year-end	196	180	0	0

NOTE 22 – LEASES

Operating Leases

The Council has leased 71 properties at 31 March 2013 for its homelessness function (127 properties at 31 March 2012) and the lease rentals for the year totalled £0.382m (£0.739m 2011/12). These properties have break clauses at twelve months. This was due to a deliberate policy to return empty leased properties to their owners rather than pay rental on an empty property.

The Council also holds certain items of plant and equipment under operating leases or rental agreements within schools and other council departments. The charge to revenue for these items is £0.25m in 2012/13 (£0.1m 2011/12).

NOTE 23 – INVENTORIES

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

	31 March 2013 £000	31 March 2012 £000
Work In Progress	108	153
Central Stores – Building supplies	129	155
Gofal Môn - Social Services supplies	125	91
Other – Stationery and other consumables, fuel and goods held for resale	183	276
Total	545	675

NOTE 24 - DEBTORS

	Long Term Debtors 31 March 2013 £000	Long Term Debtors 31 March 2012 £000	Short Term Debtors 31 March 2013 £000	Short Term Debtors 31 March 2012 £000
Government Departments	0	0	10,070	9,005
NNDR and Council Tax	0	0	4,942	3,894
Other Local Authorities	0	0	980	1,030
Rents	0	0	400	415
Public Corporations and Trading Funds	0	0	22	283
Employee car loans	242	249	184	177
Health Service	0	0	1,541	1,424
VAT	0	0	1,945	1,242
Prepayments	0	0	743	644
Trade debtors	97	97	450	508
Other	94	104	4,521	3,741
Total	433	450	25,798	22,363

The above debtors figures are net of bad debt provisions totalling £4.403m (£3.982m 2011/12), which can be analysed as follows:

	31 March 2013 £000	31 March 2012 £000	Movement in Year £000
Council Tax	1,128	1,032	96
NNDR	622	489	133
Rents	458	420	38
Trade Debtors	2,195	2,041	154
Total	4,403	3,982	421

NOTE 25 - CASH AND CASH EQUIVALENTS

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

	31 March 2013 £000	31 March 2012 £000
Cash and Bank balances	5,834	12,070
Bank Overdraft	(3,530)	(906)
Total	2,304	11,164

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

NOTE 26 – CREDITORS

Short Term Creditors

	31 March 2013 £000	31 March 2012 £000
Government Departments	4,542	7,473
Other Authorities	1,263	1,107
Public corporations and trading funds	589	0
Bodies External to Central Government	150	80
Trust Balances	1,074	1,244
HRA	0	326
Remuneration due to employees	327	432
Accumulated Absences	1,066	1,673
Receipts in advance	592	701
Trade creditors	6,163	3,443
Other	2,457	2,377
Total Short Term Creditors	18,223	18,856

Long Term Creditors

	31 March 2013 £000	31 March 2012 £000
Other creditors falling due after more than one year		
Other	0	4
Total Long Term Creditors	0	4

NOTE 27 - PROVISIONS

2012/13

	Balance at 1 April 2012	Increase in Provisions during year	Utilised during year	Balance at 31 March 2013
	£000	£000	£000	£000
Insurance Claims Provision	253	539	(336)	456
Penhesgyn Waste Site	1,894	775	(0)	2,669
Termination Benefits	326	116	(195)	247
MMI Scheme of Arrangement	0	40	(0)	40
Other	3,965	221	(0)	4,186
	6,438	1,691	(531)	7,598
Current Provisions	4,296	83	(195)	4,184
Long Term Provisions	2,142	1,608	(336)	3,414
	6,438	1,691	(531)	7,598

2011/12

	Balance at 1 April 2011	Increase in Provisions during year	Utilised during year	Balance at 31 March 2012
	£000	£000	£000	£000
Insurance Claims Provision	409	29	(185)	253
Penhesgyn Waste Site	1,977	0	(83)	1,894
Termination Benefits	978	326	(978)	326
Other	2,118	1,935	(88)	3,965
	5,482	2,290	(1,334)	6,438
Current Provisions	1,072	4,290	(1,066)	4,296
Long Term Provisions	4,410	(2,000)	(268)	2,142
	5,482	2,290	(1,334)	6,438

Purpose of Main Provisions

Insurance Claims Provision

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

Penhesgyn Waste Site

The provision has been provided for the aftercare of the areas of the site formerly used for landfill. There is no defined timescale for this work to be completed.

Termination Benefits

The provision is to meet known future liabilities arising from staff reductions following the restructure of Council departments. Benefits are currently being paid either in the year in which the termination is agreed or by payments in instalments to Gwynedd Pension Fund, All benefits are expected to be paid in full over the next four years.

Municipal Mutual Insurance (MMI)

In January 1994 the insurer of the Council's predecessor authorities, Municipal Mutual Insurance (MMI), made a scheme of arrangement with its creditors. The Scheme was set up to generate resources for the Company to allow it to agree a final settlement with its creditors and allow it to cease trading in case the Company was unable to achieve a solvent "run-off". The Council was notified on 13 November 2012 that the scheme of arrangement has been triggered as a solvent "run-off" was not now expected. The current estimated liability is estimated to be 15% of claims paid on behalf of the Council since January 1994, which equates to £0.17m. Guidance has been received through the Council's external auditors that the part of liability relating to settled claims should be treated within the accounts as a creditor with the balance being included within provisions. The Council is now therefore making a provision £0.04m for this liability, with the balance of £0.13m being recognized as a creditor. The provision will be met initially from the insurance reserve. Settlement of the outstanding liability is expected to take place during financial year 2013/14.

Other - This provision has been provided for a number of legal claims made against the Council, which are currently on-going.

NOTE 28 – ANALYSIS OF ADJUSTMENTS TO SURPLUS / DEFICIT ON THE PROVISION OF SERVICES

	2012/13 £000	2011/12 £000
Adjustment to surplus or deficit on the Provision of Services for non cash movements		
Depreciation	12,928	10,557
Depreciation written out to the surplus or deficit on the provision of services, impairment and downward revaluations (and non-sale derecognitions)	1,031	1,376
Amortisation	21	22
(Increase) / Decrease in Inventories	130	(176)
(Increase) in Debtors	(3,839)	(3,240)
Increase in Bad Debts Provision	421	407
(Decrease) in Creditors	(710)	(3,864)
Increase in Interest Creditors	0	156
Transactions within the CIES relating to retirement benefits	(2,331)	(1,712)
Carrying amount of non-current assets sold	11,156	10,232
Contributions to Other Reserves/Provisions	1,160	956
Movement in value of investment properties- Impairment and downward revaluations (and non-sale derecognitions)	91	(395)
	20,058	14,319
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of Property, Plant and Equipment, investment property and intangible assets	(1,048)	(994)
Capital grants included in "Taxation and non-specific grant income"	(11,118)	(9,982)
Total	(12,166)	(10,976)

NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

	2012/13 £000	2011/12 £000
Purchase of property, plant and equipment, heritage assets, investment property and intangible assets	(23,229)	(17,697)
(Purchase) / Sale of Short Term Investments (not considered to be cash equivalents)	(5,042)	20,068
Proceeds from the sale of property, plant and equipment, heritage assets, investment property and intangible assets	1,048	994
Capital Grants and Contributions Received	11,118	9,982
Net Cash flows from Investing Activities	(16,105)	13,347

NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

	2012/13 £000	2011/12 £000
Cash Receipts from Short and Long Term Borrowing	0	5,000
Repayment of Short and Long Term Borrowing	(6)	(11,506)
Net Cash flows from Financing Activities	(6)	(6,506)

NOTE 31 – AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

Amounts Reported For Resource Allocation Decisions

2012/13 – Directorate Analysis

	Education & Lifelong Learning	Community Services	Sustainable Development	Deputy Chief Executive	Corporate and Democratic Core	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges and Other Service Income	12,014	16,204	10,169	1,023	1,581	17,696	58,687
Government Grants	10,618	6,271	6,616	24,515	0	410	48,430
Total Income	22,632	22,475	16,785	25,538	1,581	18,106	107,117
Employee expenses	46,032	13,200	11,174	6,597	940	1,336	79,279
Other Service Expenditure	14,728	40,238	25,166	26,879	5,337	12,845	125,193
Support Service Expenditure	2,469	44	879	0	0	1,373	4,765
Total Expenditure	63,229	53,482	37,219	33,476	6,277	15,554	209,237
Net Expenditure	40,597	31,007	20,434	7,938	4,696	(2,552)	102,120

2011/12 – Directorate Analysis

	Education & Lifelong Learning	Community Services	Sustainable Development	Deputy Chief Executive	Corporate and Democratic Core	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges and Other Service Income	8,362	21,196	8,677	446	2,020	17,218	57,919
Government Grants	8,268	5,728	6,100	23,687	87	410	44,280
Total Income	16,630	26,924	14,777	24,133	2,107	17,628	102,199
Employee expenses	43,175	19,374	11,037	6,238	527	32	80,383
Other Service Expenditure	14,389	39,370	25,259	25,953	6,237	15,646	126,854
Support Service Expenditure	757	742	277	23	0	1,121	2,920
Total Expenditure	58,321	59,486	36,573	32,214	6,764	16,799	210,157
Net Expenditure	41,691	32,562	21,796	8,081	4,657	(829)	107,958

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

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

	2012/13 £000	2011/12 £000
Net expenditure in the Directorate analysis	102,120	107,958
Net expenditure of services and support services not included in the analysis	19,141	12,679
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,813	0
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(11,540)	0
Net Expenditure in the Comprehensive Income and Expenditure Statement	111,534	120,637

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

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

2012/13

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to manage-ment for decision making	Amounts not included in CIES	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	58,687	0	(698)	0	57,989	698	58,687
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	358	358
Income from council tax	0	0	0	0	0	33,872	33,872
Government grants and contributions	48,430	0	(98)	0	48,332	104,440	152,772
Total Income	107,117	0	(796)	0	106,321	139,368	245,689
Employee expenses	79,279	(397)	(2,100)	(1,669)	75,113	1,669	76,782
Other service expenses	125,193	6,883	92	(9,721)	122,447	515	122,962
Support Service recharges	4,765	(108)	0	0	4,657	0	4,657
Depreciation, amortisation and impairment	0	12,763	3,006	(150)	15,619	90	15,709
Interest Payments	0	0	19	0	19	5,392	5,411
Precepts & Levies	0	0	0	0	0	10,713	10,713
Payment to Housing Capital Receipts Pool	0	0	0	0	0	0	0
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	10,096	10,096
Total expenditure	209,237	19,141	1,017	(11,540)	217,855	28,475	246,330
Surplus or deficit on the provision of services	102,120	19,141	1,813	(11,540)	111,534	(110,893)	641

2011/12

	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to manage- ment for decision making	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	57,919	0	0	0	0	57,919	728	58,647
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	0	0	0	0	0	0	473	473
Income from council tax	0	0	0	0	0	0	32,242	32,242
Government grants and contributions	44,280	0	0	0	0	44,280	103,970	148,250
Total Income	102,199	0	0	0	0	102,199	137,413	239,612
Employee expenses	80,383	(1,566)	0	0	0	78,817	180	78,997
Other service expenses	126,854	(1,501)	0	0	0	125,353	360	125,713
Support Service recharges	2,920	0	0	0	(20)	2,900	0	2,900
Depreciation, amortisation and impairment	0	15,766	0	0	0	15,766	(543)	15,223
Interest Payments	0	0	0	0	0	0	5,595	5,595
Precepts & Levies	0	0	0	0	0	0	10,489	10,489
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	9,172	9,172
Total expenditure	210,157	12,699	0	0	(20)	222,836	25,253	248,089
Surplus or deficit on the provision of services	107,958	12,699	0	0	(20)	120,637	(112,160)	8,477

NOTE 32 – SIGNIFICANT TRADING OPERATIONS

Trading operations are those which the Council carries out in a competitive environment. The Council operates one trading operation that has a material turnover in excess of £0.5m, which is Môn Care Services.

Môn Care Services is the in-house provider, within the Community Services Directorate, of the following services: Home Care, Residential and Day-care, Sheltered Employment Workshops, Sheltered Housing and Meals on Wheels.

The financial objective of Môn Care Services is to break-even on its activities. It is treated as part of the operation of Social Services. The transactions of the organisation for the last two years are as follows:

2012/13			2011/12		
Turnover £000	Expenditure £000	Deficit £000	Turnover £000	Expenditure £000	Deficit £000
(8,805)	10,100	1,295	(9,547)	10,797	1,250

NOTE 33 - MEMBERS' ALLOWANCES

A total of £0.668m (£0.619m in 2011/12) was paid in respect of allowances to Council Members during the year as follows;

	2012/13 £000	2011/12 £000
Basic and Special responsibility allowances	560	520
Chairman and Deputy Chairman's Allowance	12	11
Pension Costs	45	45
National Insurance Costs	34	31
Travel Costs	16	11
Miscellaneous	1	1
Total	668	619

NOTE 34 – OFFICERS' REMUNERATION

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 £0.06m per annum. Senior employees whose remuneration exceeds £0.150m per annum are also named individually to comply with statutory requirements.

2012/13

	Salary, Fees and Allowances £000	Expenses Allowances £000	Compensation for loss of Office £000	Pension Contribution £000	Total £000
Chief Executive (Richard Parry Jones)	141	2	0	31	174
Deputy Chief Executive – Appointed 02/07/2012	85	0	0	19	104
Director (Lifelong Learning) – Appointed 02/07/2012	74	1	0	16	91
Director (Sustainable Development)	98	2	0	22	122
Head of Function (Resources) – Appointed 07/01/2013	19	0	0	4	23
Director (Community) – Appointed 28/08/2012	59	0	0	13	72
Head Of Function – Legal & Administration	72	0	0	16	88
Total	548	5	0	121	674

In addition the Council employed two senior officers on an interim basis during 2012/13 pending the appointment of permanent staff. The staff in question related to the Council's Directors of Finance and Housing & Social Services and the costs incurred in the year for the respective members of staff were £0.105m and £0.093m. The contract of the Interim Finance Director terminated in March 2013, and the contract of the Interim Director of Housing & Social Services terminated in August 2012 due to the restructuring of the Council services. The senior officers shown in the above table have been appointed to posts in 2012/13 to the new departmental structure.

Comparative figures for 2011/12 are shown in the following table

	Salary, Fees and Allowances £000	Expenses Allowances £000	Compensation for loss of Office £000	Pension Contribution £000	Total £000
Chief Executive	102	2	0	23	127
Corporate Director (Environment and Technical)	78	2	0	17	97
Corporate Director (Finance)	75	2	0	16	93
Corporate Director (Housing and Social Services) (T. Gwyn Jones)	83	2	79	13	177
Director of Legal Services / Monitoring Officer	64	0	0	14	78
Total	402	8	79	83	572

Senior Employees' Remuneration

The number of employees whose remuneration paid in 2012/13, excluding pension contributions but including severance pay, was £0.06m or more was:

	Including Severance Pay 2012/13 No. of Employees	Including Severance Pay 2011/12 No. of Employees	Excluding Severance Pay 2012/13 No. of Employees	Excluding Severance Pay 2011/12 No. of Employees
£60,000 to £65,000	1	1	1	1
£65,001 to £75,000	0	0	0	0
£75,001 to £80,000	0	1	0	1
£80,001 to £85,000	1	1	0	2
£85,001 to £100,000	1	0	0	0
£100,001 to £105,000	0	1	0	1
£105,001 to £160,000	0	0	0	0
£160,001 to £165,000	0	1	0	0
£165,001 to £180,000	0	0	0	0
Total	3	5	1	5

NOTE 35 - TERMINATION PAYMENTS

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

Exit package 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 in each band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13 £000	2011/12 £000
£0 - £20,000	14	0	2	27	16	27	67	217
£20,001 - £40,000	5	0	4	9	9	9	258	280
£40,001 - £60,000	1	0	3	12	4	12	182	553
£60,001 - £80,000	1	0	1	1	2	1	134	70
£80,001 - £100,000	0	0	0	5	0	5	0	448
£200,000 - £250,000	1	0	0	0	1	0	244	0
Total	22	0	10	54	32	54	885	1,568

This cost is included within the deficit on the provision of services within the Comprehensive Income and Expenditure Account for 2012/13.

NOTE 36 – EXTERNAL AUDIT FEES

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

	2012/13 £000	2011/12 £000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	155	155
Fees payable to the Wales Audit Office in respect of statutory inspections	170	174
Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns for the year	143	145
Fees payable to Wales Audit Office in respect of other services	4	0
Total	472	474

NOTE 37 – GRANTS INCOME

The Council Credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	Note	2012/13 £000	2011/12 £000
Credited to Taxation and Non Specific Grant Income			
Revenue Support Grant (Non-ringfenced Government Grants)	14	73,544	77,112
Capital Grants and Contributions (Capital Grants and Contributions)	14	8,518	7,359
Grant - Major Repairs Allowance (Capital Grants and Contributions)	14	2,600	2,623
Other (Non-ringfenced Government Grants)	14	729	551
		85,391	87,645
Credited to Services			
Grants:			
Council Tax Benefit Granted		5,218	5,032
Post 16 Grant (Education)		3,383	3,272
Foundation Phase Grants (Education)		2,255	2,133
Concessionary Fares Grant		664	687
Housing Benefit Subsidy		18,459	17,890
Supporting People Grant (SPG & SPRG)		2,859	1,992
Sustainable Waste Management		1,715	1,636
		34,553	32,642
Other Grants:			
Cultural and Related Services		612	664
Children and Education Services		4,305	4,656
Highways and Transport Services		2,451	2,037
Other Housing Services		801	900
Adult Social Care Grants		1,353	1,344
Planning and Development		2,400	2,033
Environmental Services		132	166
Corporate and Democratic Core		819	743
Trading Operations		117	479
		12,990	13,022
Contributions:			
		9,285	6,564
Total		142,219	139,873

Capital Grants Received in Advance

	2012/13 £000	2011/12 £000
Opening balance	144	502
Add: new capital grants received in advance (condition of use not met)	9,953	8,768
Capital Grants Repaid	(75)	(17)
Less: amounts released to the Comprehensive Income and Expenditure Account (conditions met)	(9,951)	(9,109)
Closing Balance	71	144

NOTE 38 – RELATED PARTIES

The Council appoints members to certain public, charitable and voluntary bodies. During 2012/13, a total of £4,861m was paid in grants for the purchase of services from these bodies (£3.242m 2011/12). The Council has assessed the materiality of individual benefits arising through related parties and the following disclosures are concerned with transactions between the Council and the related party that have a value in excess of £0.02m:

The Council is a member of the Welsh Local Government Association, to which subscriptions of £0.069m were paid in 2012/13 (£0.071m 2011/12).

Members have declared interests in contracts, or in organisations which may have dealings with the Council, in the Statutory Register of Members' Interests. A total of £0.783m was paid by the Council in 2012/13 in relation to these interests (£0.313m 2011/12).

- Councillor F M Hughes – Husband a director of Huw's Gray builders merchant, and the value of payments made to the company in 2012/13 was £0.161m.
- Councillor R Medi – payments in employment to Medrwn Môn £0.047m, and payments of £0.024m to Siop Cwprdd Cornel, a book supply company, her husband is a partner in this company.
- Councillor G Winston – payments of £0.104m to Parys Training which is owned by Councillor Winston.

Some payments of housing benefit are made direct to landlords; in 2012/13 such payments totalling £0.036m were made directly to four members of the Council (and their related parties) in this capacity (£0.014m 2011/12).

- Councillor G Winston – Housing Benefits payments of £0.022m made in the year in respect of properties in Amlwch.

The Welsh Government sets the national priorities, strategic context and overall level of funding for services. The Councils have the responsibility to deliver these services on a local level within the national context. This relationship means the Welsh Assembly exercises a significant influence over the Council. Notes 14, 38 and 47 provide information on the funding relationship which exists between the Council and the Welsh Assembly.

Betsi Cadwalader University Health Board, through common control by central Government, is a related party to the Council. Payments made by the Council for 2012/13 to BCUHB amounted to £1.351m, and no further amounts were owed at year end. Receipts taken in by the Council from BCUHB came to £3.119m with £1.489m due from our related party at year end.

INTERESTS IN COMPANIES

The Council has a 50% interest in two companies and in each case the other member is Gwynedd Council:-

Cwmni Gwastraff Môn-Arfon Cyf

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

Following a change in legislation, the two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff were transferred to the Council in January 2008 together with a balancing amount in cash. The investment has been re-valued each year and most of the shareholders funds have been returned to the two Councils. The remaining interest in the company at 31 March 2013 is not material to the accounts of the Council.

Cwmni Cynnal Cyf

This company was established jointly by Ynys Môn and Gwynedd Councils on local government reorganisation. It provides education support services under contract to maintained schools and to the local education authorities and schools inspection services to Estyn. The income of the company can only be applied towards the promotion of its objectives. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound. Payments made by the Council, including its schools, in 2012/13 total £1.802m (£1.789m 2011/12).

The company accounts for 2011/12 show a net income of £0.52m (£0.20m in 2010/11). The turnover for 2011/12 was £5.91m (£5.69m 2010/11). The company's published accounts show net assets of £0.42m as at 31 March 2012 (net assets £0.36m 2010/11).

Copies of the financial statements are available from Cwmni Cynnal Cyf, Plas Llanwnda, Caernarfon, Gwynedd. The auditor's report on the accounts for the financial year ended 31 March 2012 is not qualified.

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

Welsh Joint Education Committee - WJEC CBAC Limited

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

During 2012/13 the Council paid £0.36m (£0.40m 2011/12) for purchase of services from the company.

The Company accounts for 2011/12 show a net positive movement in funds of £3.98m (net positive movement in funds of £4.27m 2010/11). The turnover for 2011/12 was £40.67m (£35.1m 2010/11) and net assets totalled £19.47m as at 30 September 2012 (£15.50m as at 30 September 2011).

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 2012 is not qualified.

Menter Môn Cyfyngedig

The Council is a member of Menter Môn Cyf, and was one out of a total of 3 members at 31 March 2013. The company's objectives are to promote economic growth in rural Anglesey. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound.

During 2012/13 the Council made payments of £1.360m to the company in support of the activities (£1.817m 2011/12).

The company accounts for the financial year ended 31 December 2011 shows net income after tax of £0.030m (net income of £0.2m 2010). The turnover for 2011 was £3.00m (£2.52m 2010) and net assets totalled £1.03m as at 31 December 2011 (£1.18m 2010).

Copies of the company's accounts can be obtained from Menter Môn, Llys Goferydd, Bryn Cefni Industrial Estate, Llangefni, Ynys Môn. The auditor's report on the accounts for the financial year ended 31 December 2011 is not qualified.

Caergeiliog Foundation School

Balances for current assets and liabilities controlled by Caergeiliog Foundation School are included in these accounts, and so the school's reserves as stated in this balance sheet, represents only the net current assets. The school also has non-current assets which are stated on the school's balance sheet at £0.674m (£0.678m at 31 March 2012) on a combination of valuation and historical cost, less depreciation. The non-current assets are vested in the school's Governing Body and are not consolidated in this Council's balance sheet.

NOTE 39 - TRUST FUNDS

The Council acts as trustee for a number of trust funds. The funds are not assets of the Council so they are not included in the Council's Consolidated Balance Sheet. Their accounts are available from the Finance Department. Besides the legacies left for purposes such as prize funds at schools and comforts and improvements in Social Services establishments, the Council is also responsible for the following Trust funds:

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

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

The fund is administered by the Council free of charge. In 2012/13 the Council received £0.230m (£0.250m 2011/12) towards the running costs of Oriel Ynys Môn.

Welsh Church Fund

The investments of this fund are currently being administered by Gwynedd Council on behalf of the successor authorities of Gwynedd County Council although there are plans to transfer them to this Council. The scheme for the administration of the fund provides that the income is to be applied to charitable purposes - educational, recreational and social - at the discretion of the Council.

Anglesey Further Education Trust (Reg. No. 525254)

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

On 31 March 2013 the balances of these Trust funds (at market value of the assets) are:-

	2012/13 Income £000	2012/13 Expenditure £000	2012/13 Assets £000	2012/13 Liabilities £000
Isle of Anglesey Charitable Trust (*)	2,038	426	19,472	1,584
Welsh Church Fund (**)	16	18	536	11
Anglesey Further Education Trust Fund (***)	81	88	1,838	0

	2011/12 Income £000	2011/12 Expenditure £000	2011/12 Assets £000	2011/12 Liabilities £000
Isle of Anglesey Charitable Trust (*)	553	559	17,368	1,093
Welsh Church Fund (**)	21	32	553	25
Anglesey Further Education Trust Fund (***)	65	59	1,845	0

(*) 2011/12 figures restated to reflect the final accounts

(**) Council Portion Only

(***) Prior year figures subject to Audit

The total value of the other funds including investments at market value is £0.213m as at 31 March 2013 (£0.236m as at 31 March 2012).

NOTE 40 – TEACHERS PENSION SCHEME

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

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

In 2012/13, the Council paid £3.1m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.2% of pensionable pay (£3.106m and 14.1% 2011/12) In addition, payments relating to enhancements for early retirement etc. made on a pay-as-you-go basis amounted to £0.006m (£0.595m 2011/12). There were no contributions remaining payable at the year-end.

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

NOTE 41 – LOCAL GOVERNMENT DEFINED BENEFIT PENSION SCHEME

Retirement Benefits

Participation in the Local Government Pension Scheme

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

The Council participates in the Gwynedd Pension Fund administered by Gwynedd County 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.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Cost of Services on Continuing Operations when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against the Council Tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the adjustments between accounting basis and funding basis under regulations line, in the Movement In Reserves Statement. The following transactions have been made in the CIES and the adjustments between accounting basis and funding basis under regulations line, in the Movement In Reserves Statement during the year:

	2012/13 £000	2011/12 £000
Net cost of services:		
Current service cost	4,160	6,060
Past service costs	0	93
Gains and losses on settlements or curtailments	243	326
Net operating expenditure:		
Interest cost	11,092	11,664
Expected return on scheme assets	(9,423)	(11,484)
Net charge to the CIES	6,072	6,659
Adjustments between accounting basis and funding basis under regulations:		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(6,072)	(6,659)
Actual amount charged against the Council Fund balance for pensions in the year:		
Employers' contributions payable to scheme	8,402	8,371
Net charge to the Council Fund Summary	2,330	1,712

The service cost figures include an allowance for administration expenses of 0.5% of pay.

In addition to the recognised gains and losses included in the Surplus / Deficit on the Provision of Services, actuarial losses of £18.618m (£18.887m gain 2011/12) were included in other comprehensive income and expenditure in the CIES. The cumulative amount of actuarial gains and losses recognised in other comprehensive income and expenditure up to 31 March 2013 is a loss of £70.054m (£51.436m loss 2011/12).

Assets and liabilities in Relation to Retirement Benefits

Reconciliation of Present Value of the Scheme liabilities

	2012/13 £000	2011/12 £000
Balance as at 1 April	230,971	212,133
Current service cost	4,160	6,060
Interest cost	11,092	11,664
Contributions by members	2,057	2,070
Actuarial losses	30,566	7,287
Past service costs	0	93
Losses on curtailments	243	326
Liabilities assumed in a business combination		
Estimated unfunded benefits paid	(1,031)	(1,052)
Estimated benefits paid	(7,252)	(7,610)
Balance as at 31 March	270,806	230,971

Reconciliation of present value of the scheme assets:

	2012/13 £000	2011/12 £000
Balance as at 1 April	167,224	165,561
Expected return on assets	9,423	11,484
Contributions by members	2,057	2,070
Contributions by employer	7,372	7,319
Contributions in respect of unfunded benefits	1,031	1,052
Actuarial (losses)/gains	11,949	(11,600)
Liabilities assumed in a business combination		
Unfunded benefits paid	(1,031)	(1,052)
Benefits paid	(7,252)	(7,610)
Balance as at 31 March	190,773	167,224

The expected return on scheme assets is based on the long-term future expected investment return for each asset class as at the beginning of the financial year.

The actual return on scheme assets in the year was a loss of £21.416m (2011/12 gain of £0.098m).

Fair Value of Plan Assets

	31 March 2013 £000	31 March 2012 £000
Equity Investments	146,896	130,436
Bonds	24,800	21,739
Property	15,262	13,377
Cash	3,815	1,672
	190,773	167,224

Major categories of plan assets as percentage of total plan assets

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

	31 March 2013	31 March 2012
Equity investments	77%	78%
Bonds	13%	13%
Property	8%	8%
Cash	2%	1%
	100%	100%

The Council's share of the Net Pension Liability (included in the Balance Sheet):

	31 March 2013 £000	31 March 2012 £000
Fair Value of Employer Assets	190,773	167,226
Present value of funded liabilities	(254,865)	(215,720)
Net Underfunding in Funded Plans	(64,092)	(48,494)
Present Value of Unfunded Liabilities	(15,942)	(15,252)
Net Liability	(80,034)	(63,746)
Amount in the Balance sheet:		
Liabilities	(270,807)	(230,972)
Assets	190,773	167,226
Net Liability	(80,034)	(63,746)

Scheme History

Analysis of scheme assets and liabilities

	31 March 2013 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Fair Value of Assets in pension scheme	190,773	167,226	165,562	175,644	123,950
Present Value of Defined Benefit Obligation	(270,807)	(230,972)	(212,134)	(311,535)	(192,983)
Deficit in the Scheme	(80,034)	(63,746)	(46,572)	(135,891)	(69,033)

Amount recognised in Other Comprehensive Income and Expenditure:

	31 March 2013 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Actuarial (losses)/gains	(18,618)	(18,887)	68,656	(66,106)	(26,645)
Cumulative actuarial losses	(70,054)	(51,436)	(32,549)	(101,205)	(35,099)
History of experience gains and losses:					
Experience (losses) and gains on assets	11,949	(11,600)	(25,169)	40,897	(43,474)
Experience (losses) and gains on liabilities	(23)	(2,669)	62,574	(510)	(377)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £270.807m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £ 80.034m.

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

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	31 March 2013 %	31 March 2012 %	31 March 2011 %	31 March 2010 %	31 March 2009 %
Experience (losses) and gains on Assets	(6.26)	(6.94)	(15.20)	23.28	(35.07)
Experience (losses) and gains on liabilities	0.01	1.16	(29.50)	0.16	0.20

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Council Funds liabilities have been assessed by an independent firm of actuaries, estimates for the Council Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2013.

	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	5.9%	6.2%
Bonds	3.0%	3.3%
Property	3.9%	4.4%
Cash	3.0%	3.5%
Mortality assumptions:		
<i>Longevity at 65 current pensioners:</i>		
Men	20.5 years	20.5 years
Women	23.0 years	23.0 years
<i>Longevity at 65 for future pensioners:</i>		
Men	23.3 years	23.3 years
Women	25.6 years	25.6 years
Inflation/Pension Increase Rate	2.8%	2.5%
Salary Increase Rate	5.1%	4.8%
Expected Return on Assets	4.5%	5.6%
Discount Rate	4.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum:		
Service to April 2010	50.0%	50%
Service post April 2010	75.0%	75%

Estimated contributions to be paid to Gwynedd Pension Fund in 2013/14

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £7m.

NOTE 42 – CONTINGENT LIABILITIES

Equal Pay, Single Status and Job Evaluation

The Council is the subject of 360 equal pay claims from 300 current and former employees which have been lodged at the tribunal. The Council intends to defend these claims. Both a reserve and a provision have been established in the Council's accounts towards the potential costs arising from Equal Pay, Single Status, Job Evaluation and Equal Pay.

The element of provision relating to equal pay claims has been calculated on the basis of the number of existing claims and the estimate of the financial liability which will arise from them. The final amount that will be payable is, however, uncertain both because of possible variations in settlement amounts for current claims and because of the possibility that some further claims may yet be lodged.

Section 117 Mental Health Act 1983

Following judgements confirmed at the House of Lords and a recent report by the Local Government Ombudsman on test cases elsewhere, there was no power to charge for services provided under Section 117 of the Mental Health Act 1983 and the Council is liable to repay any such charges. Six cases have been settled. The total amount of this liability is difficult to quantify but £0.299m remains from the sum set aside in an earmarked reserve for such repayments (£0.299m 2011/12).

Beaumaris Pier

Beaumaris Pier has been renovated as part of the Coastal Environment Project. Although the renovation has been completed, there are on-going discussions over the actual value of the works carried out under the contract. This may result in the Council being required to pay an additional sum under the works contract but the value of this sum cannot be assessed with any certainty at this time.

Municipal Mutual Insurance (MMI)

In January 1994 the insurer of the Councils predecessor authorities, Municipal Mutual Insurance (MMI), made a scheme of arrangement with its creditors whereby, if the eventual winding up of the company is likely to result in insufficient assets to meet all liabilities, a claw back clause will be triggered which could affect claims already paid since 1993 less £50,000.

In November 2012 the Scheme was triggered. In April 2013, the Scheme Administrator announced the “initial rate of the levy” would be 15% of the total of claims paid since 1993 (less £50,000) by the Scheme member or its successors. Scheme members face an imminent call on funds to eliminate MMI’s current deficit. In future only 85% of claim amounts will be paid out. Members also face potential future calls if the situation deteriorates further. If the whole amount were clawed back, the estimated potential liability is £1.3m. As at 31 March 2013, the Council has recognised a liability of £138,000 following the Scheme Administrator’s indication of their call on funds, and an additional provision of £40,000.

NOTE 43 – CONTINGENT ASSETS

The Council retains a number of legal charges over privately owned residential properties, where it provided support to the buyers under schemes for assisted home purchase, with the Council being entitled to a share of proceeds on the sale of the properties. At 31 March 2013 there were 143 such properties and it was estimated that the maximum amount that might potentially be received was approximately £9.4m (£4.6m 2011/12). However, the actual amount that will be received will vary, dependent upon both the selling prices of individual properties and the nature of any other legal charges against them which may take precedence over the Council’s. The timing of any receipts is dependent upon the occurrence of sales.

NOTE 44 – FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Investments				
Loans and receivables	0	0	10,101	5,058
Cash balances				
Loans and receivables	0	0	5,834	12,070
Total cash and investments	0	0	15,935	17,128
Debtors				
Loans and Receivables	433	450	8,098	7,578
Total Debtors	433	450	8,098	7,578
Borrowings				
Financial Liabilities at Amortised Cost	89,590	96,097	11,977	2,852
Total Borrowings	89,590	96,097	11,977	2,852
Creditors				
Financial Liabilities at Amortised Cost	0	4	11,563	9,442
Total Creditors	0	4	11,563	9,442

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

Income, Expense, Gains and Losses

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

	2012/13			2011/12		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	measured at cost less accumulated amortisation £000	Loans and receivables £000	£000	measured at cost less accumulated amortisation £000	Loans and receivables Restated £000	£000
Interest expense	5,316	0	5,316	5,407	0	5,407
Total expense in Surplus or Deficit on the Provision of Services	5,316	0	5,316	5,407	0	5,407
Interest income	0	(284)	(284)	0	(273)	(273)
Total income in Surplus or Deficit on the Provision of Services	0	(284)	(284)	0	(273)	(273)
Net gain/(loss) for the year	5,316	(284)	5,032	5,407	(273)	5,134

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2013 of 1.41% to 4.41% for loans from the Public Works Loans Board (PWLB) and 0.67% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value;
- The fair value of short-term debtors and creditors is deemed to be equivalent to their carrying amount at the Balance Sheet date.

Analysis of Loans by Maturity:

2012/13

	2012/13 Outstanding Principal	2012/13 Accrued Interest	2012/13 Cost less accumulated amortisation
	£000	£000	£000
>25 years	60,515	0	60,515
15-25 years	2,213	0	2,213
10-15 years	4,482	0	4,482
5-10 years	16,848	0	16,848
2-5 years	5,526	0	5,526
1-2 years	6	0	6
Total Long Term Borrowing	89,590	0	89,590
Total Short Term Borrowing (< 1 year)	6,507	1,940	8,447

2011/12

	2011/12 Outstanding Principal	2011/12 Accrued Interest	2011/12 Cost less accumulated amortisation
	£000	£000	£000
>25 years	60,515	0	60,515
15-25 years	3,911	0	3,911
10-15 years	5,083	0	5,083
5-10 years	20,057	0	20,057
2-5 years	24	0	24
1-2 years	6,507	0	6,507
Total Long Term Borrowing	96,097	0	96,097
Total Short Term Borrowing (< 1 year)	6	1,940	1,946

The fair values calculated are as follows:

	31 March 2013		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	99,627	126,953	97,009	118,706
Long term creditors	4	4	4	4

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

	31 March 2013		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	16,368	16,482	17,578	17,639

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2013) attributable to the commitment to receive interest above current market rates.

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

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

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

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

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

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

Credit Risk

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

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

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

	Amount 31 March 2013	Historical Experience of default	Estimated Maximum Exposure *
	£000	%	£000
Deposits with Banks and Financial Institutions	2,297	0	0
UK Nationalised / Part Nationalised Banks	10,101	0	0
UK Local Authorities	0	0	0
Trade Debtors under 1 year	2,869	10	287
Trade Debtors between 1-2 years	406	20	81
Trade Debtors between 2-6 years	946	30-70	468
Trade Debtors 6+ years	214	100	214
Total Trade Debtors	4,435		1,050

*Estimated Maximum Exposure to Default and Uncollectability

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

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

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

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

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

	31 March 2013 £000	31 March 2012 £000
Less than three months	1,828	1,386
Three to six months	625	279
Six months to one year	416	394
More than one year	1,566	1,683
Total	4,435	3,742

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

Liquidity Risk

Liquidity Risk is low as the Council had no difficulty in the past in obtaining finance and has ready access to the Public Works Loans Board (PWLB) as lender of last resort. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. However, there is a risk that the Council will need to renew a significant proportion of its borrowings at a time of unfavourable interest rates. The practice is to ensure that not more than 30% of loans are repayable within any three year period and to continuously assess the market rates and forecasts in order to replace maturing loans or reschedule existing loans at the most beneficial time. To assist in achieving this, the Council uses external treasury management advisors. The maturity analysis of outstanding loans is shown at note 44 on page 70.

All trade and other payables are due to be paid in less than one year.

Market Risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Comprehensive Income and Expenditure Account 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 Account would rise;
- investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and effect 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 from the PWLB, thus obtaining certainty as to interest payable over the period of the loans. The Council, supported by its treasury advisors, continually monitors the prevailing interest rates and the market forecasts. If there was a significant risk of a sharp rise in long and short term rates, then the portfolio position would be re-appraised with the likely outcome being that fixed rate funding would be drawn down whilst interest rates were still relatively cheap. If there was a significant risk of a sharp fall in long and short term rates then long term borrowings would be postponed, and any appropriate rescheduling from fixed rate funding into short rate funding would be undertaken.

All of the Council's current and long-term borrowing is held at fixed rates. The effect of a 1% increase in interest rates would therefore only affect interest received on its current investments. If interest rates had been 1% higher, with all other variables remaining constant, the financial effects would have been:

Interest Rate Risk	2012/13 £000	2011/12 £000
Increase in interest payable on current variable rate borrowings	0	0
Increase in interest payable on long-term variable rate borrowing	0	0
Increase in interest receivable on current variable rate investments	285	437
Share of overall impact paid to the Housing Revenue Account	8	12
Net impact on the Comprehensive Income and Expenditure Account	293	449

Foreign Exchange Risk – The Council has a number of relatively small grant aided schemes under the ‘Interreg’ programme where the lead body is an Irish Institution and grants are denominated in Euro. A Euro Bank account was opened to support these schemes and to limit the exposure to movements in exchange rates. The balance on this account at year end was 1.219m Euro (0.507m Euro in 2011/12): equivalent to £1.035m (£0.422m in 2011/12).

NOTE 46 - JOINT COMMITTEES

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

- Joint Planning Committee
- Special Educational Needs Joint Committee

Gwynedd County Council is responsible for the operation of the two joint committees and the year-end balances are reflected in their balance sheet, details of which are shown in the following table:

Balance Sheet at 31 March 2013	Joint Planning Committee £000	Special Educational Needs Joint Committee £000
Short-term debtors	107	189
Short-term creditors	(107)	(24)
Net Assets	0	165

NOTE 47 – HOUSES INTO HOMES

The six North Wales councils act as agents of the Welsh Government in providing recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long-term vacant with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and is responsible for administering the fund. Total income of £2.333m was received from the Welsh Government during 2012/13 with payments against this sum amounting to £1.847m, of which £0.301m was allocated to this Council (2011/12: £nil).

NOTE 48 – COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the Council and the North Wales Police Council 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 2012/13 was 29,856.38 (29,768.15 2011/12).

The amount for a band D property in 2012/13, £1,139.68 (£1,094.41 2011/12) is multiplied by the proportion specified for the particular band to give the amount due by band. Individual amounts due are calculated by applying discounts and benefits to the amount due by band.

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

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

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

Band	A*	A	B	C	D	E	F	G	H	I	Total
Total Dwellings	15	3,918	5,833	5,881	6,516	4,881	2,294	970	144	42	30,494
Multiplier Band "D" Equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
Equivalent	8.06	2,611.83	4,536.78	5,227.11	6,515.50	5,965.36	3,312.83	1,617.08	287.00	98.00	30,179.55

Band D equivalent as above	30,179.55
Collection Rate	98.5%
Revised Band D equivalent	29,726.86
MOD Properties – Band D equivalent	129.52
Council Tax Base for 2012/13	29,856.38

Analysis of the net proceeds from Council Tax:	2012/13 £000	2011/12 £000
Council Tax Collectable	33,939	32,496
Less: provision for non-payment not previously accounted for	(67)	(254)
Net Proceeds from Council Tax	33,872	32,242

NOTE 49 – NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate – 45.2p in 2012/13 (42.8p 2011/12), and local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government then redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

NNDR income, after reliefs and provisions (including Small Business Rates Relief provided by the Welsh Government), totalled £14.606m for 2012/13 (£15.126m 2011/12) and was based on rateable value at the year end of £40.292m (£44.194m 2011/12). The average rateable value for the year was £41.793m (£43.293m 2011/12).

Analysis of the net proceeds from non-domestic rates:	2012/13 £000	2011/12 £000
Non – domestic rates collectable	14,606	15,126
Cost of collection allowance	(143)	(142)
Interest paid on overpayments	1	0
Provision for bad debts	(133)	(358)
Contribution to cost of charitable relief/rural rate relief	68	40
Payments into national pool	14,399	14,666
Redistribution from national pool	18,787	16,324

**SUPPLEMENTARY FINANCIAL STATEMENT
HOUSING REVENUE ACCOUNT**

Income and Expenditure Statement for the year ending 31 March 2013

	2012/13 £000	2011/12 £000
Income		
Gross Rent Income:		
-Dwelling rents	(12,413)	(11,769)
-Non Dwelling rents	(184)	(180)
-Charges for facilities and services	(20)	(19)
-Contributions towards expenditure	(428)	(452)
Other	(71)	(6)
Total Income	(13,116)	(12,426)
Expenditure		
Repairs and Maintenance	3,331	3,292
Supervision and Management:		
-General	1,753	1,424
-Special	634	452
Rents, Rates and Taxes	104	108
Housing Revenue Account Subsidy payable	1,888	2,122
Depreciation and Impairment of Non Current Assets	5,324	2,760
Debt Management Costs	15	15
Allowance for Bad Debts	46	63
Total Expenditure	13,095	10,236
Net Cost of HRA Services	(21)	(2,190)
Accumulated absences accrual movement	(11)	20
Net Cost of HRA Services per Comprehensive Income and Expenditure Statement	(32)	(2,170)
HRA Services Share of Corporate and Democratic Core	55	53
Net Cost of HRA Services	23	(2,117)
Loss on sale of HRA Non Current Assets	8,065	8,567
Interest Payable and Similar Charges	1,296	1,133
HRA Investment Income	(8)	(3)
Capital grants and contributions receivable	(2,600)	(2,623)
Deficit for Year on HRA Services	6,776	4,957

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

	2012/13 £000	2011/12 £000
Difference between amounts charged to income and expenditure for		
Amortisation of premiums and discounts determined in accordance with the Code and the charge for the year in accordance with statute	(31)	(28)
Depreciation and Impairment of Non Current Assets	(5,324)	(2,760)
Accumulated absences accrual	11	(20)
(Loss) on sale of HRA Non Current Assets (including derecognition)	(8,065)	(8,567)
Net charges made for retirement benefits in accordance with IAS 19	0	0
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	(13,409)	(11,375)
Transfer to / (from) reserves	3,616	2,623
HRA Minimum Revenue Provision	782	603
Employer's contributions payable to the Gwynedd Pension Fund and retirement benefits payable direct to pensioners	0	0
Capital expenditure funded by the HRA	2,000	3,200
	6,398	6,426
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(7,011)	(4,949)

Note to the Statement of Movement on the HRA balance

	2012/13 £000	2011/12 £000
Deficit for Year on HRA services	6,776	4,957
Net additional amount required by statute to be debited/(credited) to the HRA	(7,011)	(4,949)
Decrease in HRA Balance	(235)	8
HRA Account Balance B/Fwd	(247)	(255)
HRA Account Balance C/Fwd	(482)	(247)

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – HOUSING REVENUE ACCOUNT

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

NOTE 2 – HOUSING STOCK

During 2012/13, the Council sold 2 dwellings under the Right-to-Buy Scheme (see note 5). The number of dwellings in the Council’s housing stock, as at 31 March 2013, totalled 3,805 properties. with the split by type of dwelling made up as follows:

	31 March 2013	31 March 2012
Council Owned Stock		
Houses	2,033	2,035
Bungalows	1,044	1,044
Flats	721	721
Bedsits	7	7
Total Council Owned	3,805	3,807

NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2012/13 £000	2011/12 £000
Capital investment		
Houses	8,751	9,237
	8,751	9,237
Sources of funding		
Unsupported borrowing	(4,121)	(3,358)
Capital Receipts	(30)	(56)
Government grants and other contributions	(2,600)	(2,623)
Direct Revenue Financing	(2,000)	(3,200)
Total	(8,751)	(9,237)

The Major Repairs Allowance for 2012/13 of £2.6m was used in full during the year (£2.6m 2011/12).

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

	2012/13 £000		2012/13 £000	2011/12 £000		2011/12 £000
	Impairments	Depreciation	Total	Impairments	Depreciation	Total
Land	0	0	0	0	0	0
Dwellings	2,534	2,660	5,194	0	2,630	2,630
Other Property - Operational Assets	0	130	130	0	130	130
	2,534	2,790	5,324	0	2,760	2,760

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

	2012/13 No. of Sales	2012/13 £000	2011/12 No. of Sales	2011/12 £000
Council dwellings				
Right to Buy	2	126	2	131
Discounts repaid		0		22
Other Receipts				
Land sales	0	0	2	17
Other property sales				
Mortgage Property		0		3
		<u>126</u>		<u>173</u>
Less set aside		<u>(8)</u>		<u>(117)</u>
		118		56

NOTE 6 – HOUSING SUBSIDY

In 2012/13, the Council paid housing subsidy to the Welsh Government of £1.888m (£2.122m 2011/12)

NOTE 7 – RENT ARREARS AND BAD AND DOUBTFUL DEBTS

Rent arrears at 31 March 2013 stood at £0.757m (£0.649m as at 31 March 2012). This excludes prepayments of £0.135m at 31 March 2013 (£0.101m as at 31 March 2012).

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £0.458m against rents and £0.572m in total against rent payers (£0.420m and £0.538m in 2011/12).

NOTE 8 – PENSION COSTS

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

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

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

HRA Income and Expenditure Account	2012/13 £000	2011/12 £000
Current Service Cost	(169)	(115)
Employer Contributions actually paid	169	115
Contribution to Pension Reserve	0	0

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

GLOSSARY

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

ASSET

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

- A current asset will be consumed or cease to have material 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

An independent examination of the Council's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the financial year.

BUDGET

The forecast of net revenue and capital expenditure over the financial year.

CAPITAL EXPENDITURE

Expenditure on the acquisition 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.

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPTS

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.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

COMMUNITY ASSETS

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.

CONSISTENCY

The concept that the accounting treatment of like items within a financial year and from one year to the next are 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.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

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 are thus, over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the financial year but for which payment has not been made by the end of that financial year.

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

Amount owed to the Council for works done, goods received or services rendered 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)

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior year items merely because they relate to a prior year.

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 lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee.

GOING CONCERN

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the Council Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVENTORIES

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

INVESTMENTS (PENSION FUND)

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

INTEREST RECEIVABLE OR PAYABLE

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

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NEGATIVE SUBSIDY

The Housing Revenue Account Subsidy calculation shows that the Council's assumed income exceeds expenditure giving rise to a "negative subsidy". In this case the Council must pay an amount equivalent to the deficit, from its Housing Revenue Account to the Welsh Assembly Government.

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 Council's borrowings less cash and liquid resources.

NET WORTH

The Council's value of total assets less total liabilities.

NON-DISTRIBUTED COSTS

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

NATIONAL NON-DOMESTIC RATES (NNDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

A lease 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

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

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

PUBLIC WORKS LOANS BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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 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

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.

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.

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.

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

I have audited the accounting statements and related notes of the Isle of Anglesey County Council for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

The Isle of Anglesey County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

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

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the Isle of Anglesey County Council as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9JL

27 September 2013

ANNUAL GOVERNANCE STATEMENT – 2012-13

1 BACKGROUND

Following a Corporate Governance Inspection in 2009 the Auditor General took intervention measures in the affairs of the Isle of Anglesey County Council under section 15 of the Local Government Act 1999. From March 2011 to September 2012, Commissioners appointed by the then Minister for Social Justice and Local Government exercised the Council's executive function. In October 2012 decision making powers were returned to the Leader and his Executive Committee with safeguards. Following the elections for county council members in May 2013 and the subsequent appointment of a new administration, the intervention was brought to an end at the end of May.

During the period of intervention, the Council worked to the Commissioners' ten improvement themes which included a number of areas to strengthen corporate governance. For 2012-13, Improving Corporate Governance was one of the Council's key Improvement Objectives in order to ensure the Council fully achieves its promise to promote and protect the interests of the Island, its citizens and its communities. In preparation for the new Council with thirty members rather than forty as previously, the County Council's Constitution and in particular the scrutiny arrangements were updated. A Transformation Plan for the authority was adopted in January 2013 setting out the agenda for its work up to 2016. It is a programme of change driven by the Council itself.

2 SCOPE OF RESPONSIBILITY

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

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

The Council has approved and adopted a local code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the local code is on our website at <http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance-/corporate-governance/>. This statement explains how the Council has complied with the code and it meets the requirements of non-statutory proper practice encouraging the publication of an Annual Governance Statement. It also meets the requirement of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

3 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2013 and remains applicable up to the date of the approval of the Statement of Accounts. Where new arrangements have been introduced during the year, or following the elections in May 2013, this has been noted.

4 THE GOVERNANCE FRAMEWORK

The current framework as it relates to each of the six Corporate Governance principles is described in the schedules to the Local Code of Governance which is available at <http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance-/corporate-governance/>.

The following summary focuses on the areas of weakness and work on development and strengthening of the framework during the 2012-13 financial year. It is also linked back to the Transformation Plan themes.

Principle One: Focusing on the purpose of the authority and on outcomes for the community and creating a vision for the local area

**Transformation Theme: Customer, Citizen and Community Focused
Committed to Partnership; Achieving**

A Community Strategy was in place during the year and a Single Integrated Strategic Plan was being developed in its place under the oversight of the Local Services Board. This change resulted from the national initiative to rationalise partnerships and plans. The Single Integrated Strategic Plan was subsequently approved soon after the end of the year.

A Corporate Plan 2012-15 was in place throughout the year and was reinforced by work undertaken during the year. The New Anglesey Roadmap which was a strategic, high level report, was endorsed by the Council in September 2012. The Transformation Plan to identify the programme of work emanating from the Roadmap and integrating it with the Council's other work programmes was developed by the Senior Leadership Team and adopted in January 2013.

An annual budget and high level Medium Term Revenue Budget Strategy was approved in March 2012 and updated in March 2013 following public consultation. The budget process included discussion in the public domain on the adequacy of reserves; robustness of estimates and treasury management arrangements as required. The Medium Term Financial Strategy needs to be developed.

The Statement of Accounts for 2011-12 were published on a timely basis with a draft being publicly available at the end of June and published with an unqualified audit opinion by the end of September as required. The certificate of completion of the audit was not issued until July as a result of an objection to the accounts by an elector. Arrangements are in place to publish the 2012-13 accounts in line with the statutory timetable.

An Improvement Plan (Performance Review) report was approved by the County Council in October 2012. The Plan looked back to assess how we performed against the priorities and targets as set out in our 2011/12 Corporate Business Plan. This was assessed by the Wales Audit Office in its Improvement Assessment Letter as the Council having complied in full with its improvement reporting duties under the Measure; but the content and structure of the Report could include more qualitative information to provide a more rounded evidence base. A Corporate Self-Assessment was undertaken in April 2013.

Partnership arrangements are in place on a case by case basis but there is no overarching partnership framework in place. This has been identified as a weakness.

Progress is being made on the way service quality standards are set and measured, and the information needs are to be assessed and improved. Target setting continues to be weak. During the autumn of 2012, a series of Service Reviews was undertaken which covered budgets and performance and which informed the budget process.

A Performance Management Framework was in place throughout the year with quarterly challenges to Services and reports to the Executive and Scrutiny. The framework continues to be developed to focus on key areas of risk and transformation.

Financial Management arrangements were in place throughout the year, although there were recognised weaknesses in the old financial ledger and related systems. The implementation of new financial systems which went live in April 2013 will resolve these weaknesses.

Principle Two: Members and officers working together to achieve a common purpose with clearly defined functions and roles

Transformation Theme: Professional and Well Run

The Council has adopted an Executive system with a Leader elected by the Council and an Executive of up to ten members appointed by the Leader. The Executive makes decisions on key strategic issues and is responsible for implementing the agreed policies of the Council. Each Councillor has a portfolio for a particular council function. Five scrutiny committees hold the Executive to account, these are made up of councillors not on the Executive. There are six regulatory committees including Planning, Licensing, Appeals and Audit, together with a number of other committees set up for specific purposes. From March 2011 to September 2012, Commissioners exercised the Council's executive function and in October 2012 decision making powers were returned to the Leader and his Executive Committee with safeguards.

Arrangements for committees and a scheme of delegation to officers and members are included in the Council's constitution. Significant changes have been made to the committee structure and to the scrutiny function over recent years. During 2012-13 new arrangements were developed in preparation for the May 2013 elections to cater for the reduction in members from forty to thirty and for multi member wards.

A new Relationship Protocol for Members and Officers was approved in May 2012 and during 2013 we have agreed a programme supported by the Welsh Local Government Association (WLGA) to help develop the Executive and the way members and senior officers work together; this includes the key roles of Leader and Chief Executive.

The Council's new senior management structure was completed during the year as the Deputy Chief Executive started in post in June 2012, Directors of Lifelong Learning and

Community in July and September 2012 respectively and a Head of Function (Resources) in January 2013. The approved senior management structure includes a Chief Executive who is the designated Head of Paid Service; a Deputy Chief Executive who is responsible for leading the internal functions of the Council and for ensuring good corporate governance; and three Directors who lead the agenda for their group of services, taking responsibility for the policy, planning and performance of those functions. These five officers form the Authority's Senior Leadership Team (SLT).

Heads of Function for Resources and for Legal and Administration are respectively the authority's designated Chief Financial Officer (CFO) and Monitoring Officer. They both report to the Deputy Chief Executive who is responsible for the management of their performance and for coordinating their governance roles within the wider corporate governance and performance and change management framework.

The approved management model is that the SLT leads on developing the vision and strategic direction of the Council and are held to account in that role; and that the extended management team has an implementation role. The CFO and Monitoring Officer are key members of the extended management team and have access to the Chief Executive and the SLT and its individual members.

It is a requirement that local authorities assess their arrangements on an annual basis against the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and report on compliance or explain any alternative arrangements. Up to January 2013 the interim CFO was a member of the SLT reporting to the Deputy Chief Executive but having access to the Chief Executive. Since January, the approved management model has been in place which is a different model to that envisaged by CIPFA but which is intended to have an equivalent impact to that envisaged by the CIPFA Statement. A protocol is being drawn up to ensure that the Council's arrangements deliver an equivalent impact; this includes access to SLT meetings and papers and other safeguards. The effectiveness of the protocol for committee papers is also being reviewed to ensure that these officers are able to provide advice at the appropriate time. The effectiveness of these arrangements will be reviewed on an annual basis.

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

A Pay Policy Statement was adopted for the first time in March 2012 as required and this was updated in 2013.

Principle Three: Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour

Transformation Theme: Professional and Well Run

The Corporate Plan for 2012-15 sets out the Council's values and these became embedded in the Vision of the Transformation Plan and the Transformation Culture.

A Local Code of Corporate Governance was adopted in October 2012, drawing together and formalising existing governance arrangements.

There are a number of codes of conduct and protocols in place as part of the Constitution to ensure high standards of conduct and behaviour. There is a Policy for the Prevention of Fraud and Corruption in the Constitution with subsidiary plans in place.

An active and effective Standards Committee is in place and it reported on its work at the end of the year.

Principle Four: Taking informed transparent decisions which are subject to effective scrutiny and managing risk

Transformation Theme: Innovative, Ambitious and Outward Looking

The constitution and associated procedures establish responsibilities for decision making. Decisions are made taking account of appropriate professional advice including legal and financial advice. Executive decisions are published and subject to scrutiny. The arrangements for delegation of Executive decisions to individual members are not well understood across the authority and guidance is being reissued.

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

The role of Scrutiny was strengthened as part of the Commissioners' programme of work and an Annual Report was published in May setting out the work done by the Committees during the year. Scrutiny was also the subject of a national Wales Audit Office Improvement Study in early 2013 and the Council conducted a self-evaluation as part of the study. The results of the self-evaluation show a perception that scrutiny is not yet positively supporting the Council and its Services. The results of the self-evaluation will be considered in the context of changes made since May 2013 and the forthcoming national report and guidance. From June 2013 the number of scrutiny committees has been reduced from five to two.

Risk Management arrangements have been developing over the last two years and the policies and guidance were reaffirmed and formally adopted in September 2012. Arrangements continue to be embedded in services and corporately.

The management of change has been weak within the authority and project management not embedded. Since the end of the year, significant steps have been taken to develop a new programme and project management framework and to provide capacity to support the Transformation Plan.

An effective Audit Committee is in place. The committee conducted a self-assessment during the year and reported on its work at the end of the year.

There are transparent and accessible arrangements for dealing with complaints and a new Concerns and Complaints Policy came into force in April 2013 based on the Model Policy developed with the Public Services Ombudsman for Wales. There are also formal arrangements for whistle blowing.

Principle Five: Developing the capacity and capability of Members and Officers to be effective

Transformation Theme: Valuing and Developing our People

The Council has been working towards achieving the Member Charter awarded by WLGA. Member job descriptions have been in place since 2012 and personal development reviews and development plans were being introduced. An induction programme for new members was undertaken in June 2013 onwards. The Democratic Services Committee oversees these areas and its Chair serves as Member Development Champion.

A Democratic Renewal Strategy was completed in the year in preparation for the elections held in May 2013. This strategy contributed to increased participation and increased voter turnout.

As a result of public engagement activity over the last few years, there is a pool of citizens who have volunteered to assist the Council in the future.

We have a People Strategy and we retained our Investors in People accreditation in the year. There was an induction programme in place for staff throughout the year and a managers' induction programme was launched in April 2013.

The Corporate Personal Development Review scheme introduced in 2011-12 was further embedded and developed in the year. The scheme covers all staff including senior managers. Over 60% of staff received their appraisal, a similar level to the previous year. Targets have been set to ensure a higher rate during 2013-14. Arrangements are being made to target training and development on a more consistent and focused basis, linked to appraisal, as budgets are reduced.

During 2012 we adopted a Workforce Development Strategy and Succession Planning Strategy. A Talent Strategy was being developed in the year and work is proceeding to embed it into the competency appraisal process. This is due to be fully adopted in 2013.

The People Strategy 2012-15 is due to be reviewed in 2013 and will incorporate the needs of the Transformation Plan and outcomes of the staff survey conducted in May and June 2013.

As part of the activity on the Transformation Plan and staff engagement activity, individuals across the authority have been given an opportunity to work on corporate projects and strategies.

Principle Six: Engaging with local people and other stakeholders to ensure robust accountability

Transformation Theme: Customer, Citizen and Community Focused

The Community Engagement Strategy produced in 2011 was still in place and was supported by Good Practice Consultation and Engagement Guidelines for staff. This strategy is now dated and is to be replaced by a Customer Care Strategy and the new Corporate Communication Strategy.

Arrangements for engagement with groups of stakeholders continued to develop during the year with a Community Council Charter approved in 2012 and a Voluntary Sector Compact formally approved at the end of the year.

Arrangements are in place to engage with Welsh Government, External Audit and other regulators and WLGA. These have been strengthened during the recent periods of intervention and need to be sustained as part of the continuing governance arrangements.

A Communication Strategy produced for 2012-15 was in place for the year and gained formal approval during the year. The strategy has four strands: Citizen and Community Engagement; Media; the Council Brand; and Internal Communication. Internal Communication is a key area for development in the Transformation Plan.

Corporate planning for the year was firmly based on engagement with local people and stakeholders in respect of the Corporate Plan and the Single Integrated Strategic Plan. Corporate Planning was linked to financial planning by consulting jointly on the Improvement Priorities and the Budget Strategy.

Annual reports on their work were published by Scrutiny as well as the Standards and Audit Committees.

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

5 REVIEW OF EFFECTIVENESS

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

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

- the results of the regular in-year review and monitoring by officers and committees;
- a review of relevant documents prepared during the year or relating to the year;
- the reports of the Commissioners leading to the ending of intervention at the end of May 2013;
- the Corporate Self-Assessment Report covering the period November 2012 – April 2013 and the transition back to local control, including reviews of feedback from Estyn and CSSIW and the related recovery boards on the improvement work in relation to Education and Children's Services;
- a series of interviews with key officers;
- discussion with, and receiving comments from, groups of officers and members including the SLT and the Executive.

Regular in-year review and monitoring includes:

- reviews of the Constitution and ethical governance arrangements by the Monitoring Officer, and the review of compliance with the Regulation of Investigatory Powers Act;
- formal risk management activity, including specific consideration of those risks linked to governance processes;
- Internal Audit, whose work takes account of identified risks through regular audits of the major systems, establishments, major projects and major governance processes; including risk management, in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that senior officers implement agreed recommendations;

- the annual assessment of Internal Audit by the Council's external auditors;
- the work of the Council's Scrutiny and other Committees, including its Audit and Standards committees;
- the opinions and recommendations of the Council's external auditors and other review agencies and inspectorates;
- the regular monitoring of improvement and performance against the Corporate Plan and its supporting plans and strategies by members and senior managers;
- assessments of the statutory officers, such as the Chief Financial Officer and the Monitoring Officer against regulatory requirements and recommended best practice.

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

The sources of assurance have been more formal and more varied on aspects of governance over the last two years because of the additional focus, resulting from intervention, through the Self-Assessments, the Commissioners' reports and the regulators' reports. This assurance was substantial over the key aspects of governance identified by Commissioners although some of the assessment was based on improvements made during the year and work planned for 2013-14.

As the Council moves out of intervention and puts its new governance arrangements in place it is necessary to identify new sources of assurance for future years.

The Audit Committee was asked for views on the effectiveness and completeness of the framework and comments on a draft version of this AGS before final draft was taken back to the Committee for approval.

6 SIGNIFICANT GOVERNANCE ISSUES

Excellent progress was made across a number of governance themes during the year leading to an Annual Improvement Report from Wales Audit Office concluding "that the Council has a comprehensive plan for improvement which will be challenging to achieve, but which has realistic prospects to bring significant improvements to services and the people of Anglesey. [they] found that:

- the Council has discharged its improvement planning duties under the Local Government (Wales) Measure 2009 (the Measure) and has acted in accordance with Welsh Government guidance;
- the Council continues to make steady progress in addressing the proposals for improvement identified in previous assessments;
- the Council has clear and robust financial plans but faces a number of financial challenges with continuing austerity measures; and
- the Council has developed an organisational development plan to support long-term improvement and modernise the way the Council works."

Subsequently, intervention was brought to an end at the end of May 2013.

The report of the Head of Internal Audit gives assurance on the framework for internal control. It identifies three reviews carried out during the year which received a "red" assurance opinion. These reviews related to Business Continuity, Data Security and Modern Records Management. The recommendations from all of these reports have been included in a Corporate Information Management Action Plan. The report also identifies four areas where significant weaknesses in control would prevent the Council placing reasonable reliance on the systems of internal control in respect of those systems reviewed during the year. These areas were:

- Business Continuity;
- Risk Management;
- Governance: compliance with key corporate policies and procedures;
- Information Management.

Good progress was made on a number of the actions resulting from the 2011-12 Annual Governance Statement:

- The Council adopted a Local Code of Governance and signed off the Single Integrated Plan incorporating the Health, Social Care and Wellbeing Strategy;
- We published unqualified accounts by the statutory deadline;
- Work was well underway on the Action Plans developed following adverse reports on the Council's services by Estyn and CSSIW;
- Added impetus was given to the Job Evaluation and Equal Pay processes during the year.

Progress is slower on some of the other areas:

- Risk Management, although the Framework is now formally approved;
- Business Continuity;
- Compliance with key corporate policies, including staff appraisals;
- Data Security and Information Governance.

These items are reflected in the report of the Head of Internal Audit and are included in the governance action plan for 2013-14.

Based on the review outlined above, and in particular, the annual report of the Head of Internal Audit; the findings of the outgoing Commissioners in their Commissioners' Reports; the Annual Improvement Report by the Wales Audit Office; and the work of the Senior Leadership Team in formulating the Council's Transformation Plan, the following issues have been identified as the current significant governance issues in relation to the authority achieving its vision:

Significant Governance Issues	
Issue	Actions Identified
<i>The need to ensure that the Transformation Programme is delivered as planned while continuing to provide services effectively</i>	<i>Establish Transformation Boards; Programme Management Office and Governance arrangements</i> <i>Developing internal capacity to support transformation and improvement</i>
<i>The need to plan for and deliver the savings required of the Council</i>	<i>Develop a Medium Term Budget Strategy based on existing plans and projections</i> <i>Establish the Efficiency Strategy as part of the Council's core strategic plans</i> <i>Introduce Commissioning and Procurement Policy and Strategy</i>
<i>Taking appropriate technical and organisational measures against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data</i>	<i>The Council has accepted a consensual audit by the Information Commissioner</i> <i>Establish a project board to implement existing work plans and the recommendations of the Information Commissioner</i>

7 CERTIFYING THE ANNUAL GOVERNANCE STATEMENT

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

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

Leader of the Council

Date:

On behalf of the Isle of Anglesey County Council

Chief Executive

Date:



The Audit Committee
Isle of Anglesey County Council
Council Offices
Llangefni
Anglesey
LL77 7TW

24 September 2013

Dear Sirs

In our Audit Of Financial Statements Report we identified a number of matters which we would update you on at the meeting of the Audit Committee on 24 September 2013. We include our update below.

Update on audit procedures outstanding

1. Pension scheme membership data testing

Our audit procedures identified an error in the data sent to the Council's actuaries for use in calculating the IAS19 provision within the accounts. We have undertaken further testing to identify the possible extent of the error and its impact on the financial statements. We have completed this work, noting that approximately 15% of the pension scheme member records used by the actuary in their work to provide the Council's IAS 19 pension numbers for the accounts were incorrectly classified.

Management have amended the Comprehensive Income & Expenditure Statement and reduced the net Pension Liability by £2.1m to reflect an estimated impact of the error. We estimated the likely range of potential impact to be £1.6m - £2.7m and have concluded therefore that management's adjustment is within a reasonable range, and there is no risk of a remaining material misstatement.

2. Manual journals testing

We have completed our work in this area with no matters to bring to the attention of audit committee members.

3. Resolution of issues arising from our initial testing of completeness of accruals and accounts payable

Our Audit of Financial Statements report noted that our testing of year end accruals identified 4 errors in a test population of 14 postings to the accounts. This equated to a £17k understatement of accruals.

PricewaterhouseCoopers LLP, One Kingsway, Cardiff CF10 3PW
T: +44 (0) 29 2023 7000, F: +44 (0) 29 2080 2400, www.pwc.co.uk

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



We requested that the Council review invoices posted after the year end to ascertain whether any further items of expenditure should be corrected in the financial statements. The further work undertaken by the Council identified that £354k of expenditure should be accrued within the accounts. This has not been adjusted within the financial statements and is included in our schedule of unadjusted misstatements.

Our testing of the further work undertaken by the Council has identified further errors of £150k being an understatement of the accruals balance. The Council has not adjusted for these errors or for the original identified error of £17k.

In total therefore, accruals are understated by £521k. This has not been adjusted by the Council and is included in our final schedule of unadjusted misstatements.

4. Testing of the HRA subsidy and reconciliation

We have completed our work in this area. We identified an error in which the HRA subsidy was over-accrued by £230,000. This has been amended in the accounts.

5. Final responses to queries on the accounts from the audit team

We have substantially completed our work, subject to our checking and review of the final set of financial statements.

6. Completion of our work on key judgemental provisions in the accounts in respect of equal pay claims

We have completed our work in this area. We are satisfied that the provision for equal pay claims falls within a reasonable range and is not materially misstated.

7. Completion of remaining Whole of Government Accounts procedures

Work is still underway in this area: the deadline for audited Whole of Government Accounts submission was deferred until 4 October 2013 to reflect the introduction of a new system in 2012/13.

8. Audit completion procedures

Our audit completion procedures are substantially complete, and will be finalised at the point of the signing of the audit opinion.

Further errors adjusted by management in the Statement of Accounts

The following errors have been corrected by management since the production of our Audit of Financial Statements Report:



Value of correction	Nature of correction	Reason for correction
£263,000	DR Cost of services (income) CR Short term creditors	Being the removal from the CIES of the Houses into Homes Grant balance incorrectly released as income
£232,000	DR Short term creditors CR Cost of services (expense)	Being the release of the unsupported HRA accrual to CIES
£138,000	DR Long term provisions CR Short term creditors	Being the reclassification of part of the MMI provision which is to be invoiced in 2013/14 to creditors
£2,100,000	DR Pension liability CR Cost of services (income)	Being the reduction of the pension liability and release to CIES to correct for the effect of the misclassification of scheme members in the actuarial valuation

Errors not adjusted by management in the Statement of Accounts

Value of correction	Nature of correction	Reason for correction
£126,000	DR Council fund CR Cost of services (expenditure)	A trivial £256 error was identified in our testing of cost of services expenditure which related to the 2011/12 period. Were the same rate of error to be replicated across cost of services expenditure, it would give rise to an extrapolated value of £126,000
£178,000 £85,000 £93,000	DR Cost of services (income) CR Cost of services (expenditure) CR Short term debtors	Three trivial errors totalling £39,317 (out of a sample of 42 items) were identified in our testing grant income received in year, representing an internal recharge recognised within the balance in error, an overpayment against purchase invoices posted to income in error, and income from another council which is currently being disputed by them. Were the same rate of error to be replicated across our test population, it would give rise to an extrapolated value of £138,000.



<p>£454,000 £67,000 £521,000</p>	<p>DR Cost of services (expenditure) DR Property, plant and equipment CR Accruals</p>	<p>Our testing of year end accruals identified 4 errors in a test population of 14 postings to the accounts. This equated to a £17k understatement of accruals. The Council subsequently identified that an additional £354k of expenditure should be accrued within the accounts.</p> <p>Our testing following the further work undertaken by the Council has identified further errors of £150k being an understatement of the accruals balance. The Council has not adjusted for these errors or for our original identified error of £17k.</p> <p>In total therefore, accruals are understated by £521k. This has not been adjusted by the Council and is included in our final schedule of unadjusted misstatements.</p>
--	---	---

The total impact to the Council Fund of unadjusted hard errors would be a decrease of £493,000.

Other matters to report to you

The departure of the finance manager in early September and absence of the senior accountant for leave has resulted in significant pressure being placed on the finance team to produce a CIPFA Code-compliant final draft of the Statement of Accounts in time for audit committee.

It is essential that arrangements are put in place as soon as possible to ensure that the finance team has adequate and appropriately skilled resources going forwards.

Yours sincerely

Lynn Pamment
Partner