ISLE OF ANGLESEY COUNTY COUNCIL

COMMITTEE:	**AUDIT COMMITTEE / EXTRAORDINARY COUNTY COUNCIL**
DATE:	**23 SEPTEMBER 2014 / 30 SEPTEMBER 2014**
TITLE OF REPORT:	**FINAL ACCOUNTS 2013/14**
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:	**ACTING HEAD OF FUNCTION (RESOURCES)**
ACTION:	**TO RECOMMEND ACCEPTANCE OF THE STATEMENT**

1. BACKGROUND

1.1 The County Council's draft accounts for 2013/14 were presented for audit on 22 July 2014. 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 Acting 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 2013/14 is the third consecutive year in which the statutory deadline for completion of the audited accounts has been met.

2.2 I am also pleased to recognise that 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 the Auditor's Report 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 value of Pension fund liability following a revised Actuarial report received from the Hymans Robertson (Actuary) on the 12 August 2014.
- Changes to the Balance Sheet in respect of movements in the valuations of fixed assets.
- 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.
- Changes to the analysis contained within the Comprehensive Income and Expenditure Statement to adjust for compensating errors in both income and expenditure.

4. LATE CHANGES AND ADDITIONAL INFORMATION

4.1 The Statement of Accounts brings together a number of items of financial information which are the responsibility of third parties to provide that impact on the Council's financial position. This year, I wish to draw the Committee's attention to the 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.

A review of Actuarial report relating to IAS 19 (employee benefits) for the Local Government Defined Benefit Pension Scheme has brought to light discrepancies in the methodology of calculating the Authority's net asset and liabilities between closed fund (prior to Welsh Government re-organisation 1996) and the current fund (post re-organisation).

It has been ascertained that the original actuarial report in which the Authority completed its draft Statement of Accounts contained discrepancies relating to these two funds. This has resulted in the Authority's Pension Fund asset and liabilities been adjusted by £11.6m within the Final Accounts.

5. THE APPROVAL PROCESS

5.1 The responsibility for approval of the accounts now lies with the County Council. The responsibility for scrutinising the accounts remains with the Audit Committee. I am, therefore, recommending that the Audit Committee requests the County Council to approve the accounts on 23 September 2014.

6. RECOMMENDATION

6.1 It is proposed that the Audit Committee makes a recommendation to the County Council to confirm acceptance of the 2013/14 Statement of Accounts.

6.2 That the Audit Committee approves the Annual Governance Statement and refers the document to the Leader of the Council and the Chief Executive for signature.

RICHARD MICKLEWRIGHT **18 SEPTEMBER 2014**
ACTING HEAD OF FUNCTION (RESOURCES)
AND SECTION 151 OFFICER

ISLE OF ANGLESEY COUNTY COUNCIL

STATEMENT OF ACCOUNTS 2013/14

CONTENTS

EXPLANATORY FOREWORD

1. INTRODUCTION

The following pages include the Statement of Accounts for the Isle of Anglesey County Council for the year ended 31 March 2014.

Each year the Council must prepare and publish annually a Statement of Accounts, the purpose of which is to give electors, local taxpayers, Members of the Council, employees and other interested parties clear information about the Council's finances.

The aim is to provide information on: -

- The cost of the services provided in 2013/14.
- Where the money came from.
- What we own and what we owed at the end of the financial year.

The purpose of this foreword is to provide an explanation of the Council's financial position, including the main influences affecting the accounts, and to assist in the interpretation of the accounting statements.

Within the foreword we will set out:

What the various elements of the accounts are and what each section tells you.

- Summary of the Council's financial performance during 2013/14.
- An explanation of the main external factors that have influenced the information contained in the Accounts in 2013/14.
- A summary of the key information from the accounts alongside an explanation of the reasons for any significant year on year changes.

The Statement of Accounts for 2013/14 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 2013/14 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 Acting Head of Function (Resources) who is the designated Section 151 Officer.
- **Annual Governance Statement** – comprises the systems and processes that enable the authority to monitor the achievement of its strategic objectives. This includes the system of internal control used to manage risk. It sets out the main features of this system and its effectiveness.
- **Financial Statements** – the Statement of Accounts includes four core financial statements which are: -
- **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. The surplus (or deficit) on the provision of services line shows the true economic cost of providing the Council services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves shows the position before any discretionary transfers to/from Earmarked Reserves are undertaken.

- **The Comprehensive Income and Expenditure Statement (CIES)** – which shows 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. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **The Balance Sheet** – which sets out the financial position of the Council at 31 March 2014 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.

- **The Cash Flow Statement** – This summarises the cash inflows and outflows during the year, arising from transactions with third parties for revenue and capital purposes.

- **The Housing Revenue Account** is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants**.** The Housing Revenue account is ring-fenced from the Council's General fund.

- **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 2013/14 and the Service Reporting Code of Practice 2013/14 issued by CIPFA, supported by International Financial Reporting Standards (IFRS).

3. CHANGES IN ACCOUNTING TREATMENT

There are no material changes to accounting treatment required for 2013/14 and consequently only minor changes to the accounting policies in use at the Council (see note 2b).

4. SUMMARY OF THE YEAR

The Council spends money in two ways; revenue and capital. Revenue spending is on items that are used up within a year and is paid for from Council Tax, government grants, rents and other income. Capital spending generally relates to items of expenditure that will give benefits to the Council for a period of more than one year. The financing of capital expenditure is mainly from capital receipts, capital grants and contributions, or borrowing.

5. REVENUE EXPENDITURE AND INCOME 2013/14

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.

The Council produces quarterly reports on the revenue expenditure for the Management Team and Portfolio Holders. On a quarterly basis reports on the financial and performance position are considered by the Executive Committee.

What we planned to spend and what we actually spent

The Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement show our financial performance and the net expenditure to be charged against Council Tax. The Council agreed the expenditure budget for 2013-14 in February 2013. This budget has been updated in year to reflect additional funding becoming available and budgets being re-profiled into 2013-14 to result in a final revenue budget of £129m.

This was funded by the Council's Revenue Support Grant from the Welsh Assembly of £78.203m, receipts from the National Non-Domestic Rates Pool of £22.025m and Council Tax receipts of £29.983m.

a) Council Fund Services

The Council's Executive Committee received a provisional out-turn report at its meeting of 10 June 2014, which showed a net underspend of £846k against the Council's approved budget. The revised outturn position shows a net underspend of £1.217m

The underspend has been achieved by

- general restraints on spending by services in response to the forecast financial position of the Council;

However, there were a series of significant budget variances across all service areas, details of which are provided in the following paragraphs:-

Lifelong Learning

Central Education

There is a net underspend of £118k. Within the Service there are a number of areas that are overspent whilst others are below budget. The significant sums are summarised as follows:-

- Pupil Transport
  Cost of transport for pupils to schools and colleges was overspent by £177k and included all sectors i.e. Primary, Secondary, Special as well as Further Education establishments.

- Combined School Meals
  Overspend of £172k and this was partly attributable to a greater take up of free school meals and primary schools meal income has underachieved against the budget target.

- Central Education Administration
  This budget was overspent by £126k. This overspend is spread over a number of areas including supplies and services, but has also been partly offset by underspending on energy costs and over achievement of income/contributions.

- Cynnal
  Overspent by £135k – this was mainly as a result of unbudgeted costs for service level agreement with Cynnal – the service included IT support, Curriculum support and administration management.

- Other Central
  Performance management budget was underspent by £92k and was partly due to underspending on contract costs. The home tuition and sickness budget was also underspent by £96k, mainly due to underspend on staffing. There was also a smaller underspend on Appetite for Life of £24k.

Community Services

Social Care

The Social care overall outturn position shows a net overspend of £180k. The main variances for social care (excluding the provider unit) are as follows:-

- Services for the Elderly
  This area is showing an underspend of £230k. This is partly due to vacant posts within the Service of £84k. However, the Service is also seeing a reduction in spend as a result of a strategy to move away from residential care to home care.

- Learning Disability
  This area is showing an overspend of £142k. This is mainly as a result of unforeseen demand for adult placement in residential care.

- Physical Disability
  These show a service underspend of £90k. This is mainly as a result of the tightened eligibility criteria for adaptations for the home.

- Mental Health
  This shows an overspend of £275k and is as a result of issues relating to a combination of budget pressures relating to residential care.

- Children and Young People Service
  The Service is showing a net underspend of £216k and includes underspend in Family support of £99k. Likewise, Children with Disability budget is underspent by £73k. However, there are also overspends in other parts of the budget; this includes overspending in legal costs of £32k and out of county placements of £106k.

Non HRA Housing

This Service is showing a net underspend of £248k. Within the Service there has been an additional bad debt provision posted of £53k relating to Private Sector Leasing. The Service also shows a gain of £256k relating to grant reserves monies that have been released from grant reserves. (The figure net of the bad debt and grant reserves adjustments is an under-spend of £45k).

Leisure and Culture
The Culture Services had an overall underspend of £138k, the main variances to this underspend were as follows:-

- Additional running costs at the new archives building has led to an overspend of £25k. Heritage sites were under spent by £15k due to an improved performance at South Stack. Admission fee income was ahead of budget by £21k, but additional running costs of £6k partly offset the increased income performance.

- Museums and galleries were under spent by £5k. Oriel Ynys Món over spent by £35k due to an under achievement of income, but Beaumaris Gaol and Court generated an under spend of £10k. There was a further under spend of £32k on the museums administration budget.

- The Library Service underspent by £90k mainly due to staff vacancy savings that amount to £60k. There are further underspends on transport and supplies and services that amount to £30k.

The Leisure services showed an overall underspend of £142k, the main variances were as follows:-

- Park and Outdoor facilities services were overspent by £23k.

- Indoor sports and recreation facilities are underspent by £158k. Income generation is significantly ahead of budget, amounting to £120k. There are also underspends on premises related budgets of £33k. The historic trend of over spending on the golf course has continued, amounting to £44k.

Sustainable Development

Highways and Transportation

The Service is showing a net overspend of £191k. The main variances are as follows:-

- Works budget (Traffic, Lighting and Maintenance)
  Combined overspend of £198k. This is mainly accounted for by the need to respond to additional emergency works during the winter period.

- Development Control Management
  underspend by £82k. This was mainly as a result of not achieving budgeted income.

- Other
  School crossing patrol was underspent by £24k. This was mainly due to a significant number of schools crossing posts remaining vacant during the year. Car park income was under budget by £36k.

Waste Management.
The total underspend was £265k. The major items were improvements in the Gas Management at Penhesgyn (£159k), and reduced waste going into landfill producing savings of £60k.

Planning
The total overspend was £211k.The major items were:-

Legal and consultancy costs were £165k over budget due to disputed planning committee decisions. The collaboration with Gwynedd Council for the policy unit was £23k over budget. Energy Island development was £46k over budget due to additional computer expenditure.

Deputy Chief Executive

- ICT -
  This service is underspent by £167k. The majority of this related to the staffing budget being underspent as a result of vacancies.

- Legal and Administration -
  This Service is underspent by £174k and is as a result of a combination of various service elements within the budget. Committee Services are underspent by £42k. Legal Services are underspent on staffing due to vacant solicitor post.

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 2013/14 the account successfully funded all operational expenditure and made capital contributions of £0.488m towards the long-term maintenance and upgrading of the stock whilst the HRA budget for the year was a surplus of £499k with an outturn surplus of £1.19m. The principal reasons were:

i) the call on revenue contributions by the capital programme was £1.2m less than anticipated.
ii) Rental receipts were buoyant and performed £500k better than anticipated.
iii) However, general expenditure was £300k higher than anticipated. This was as a result of additional costs relating to a new computer system implementation.
iv) Upgrades to lifts, fire alarms and sewage facilities costs were £200k higher than budget
v) And revenue repairs and maintenance was higher than anticipated.

However, after taking to an adjustment required by statute to be credited to the HRA this resulted in an increase of £1.189m to the HRA balance leaving a balance of £1.671m on the HRA balance. Further information on the HRA can be found in the Supplementary Statements to the Accounts on page 88

Use of revenue reserves and balances

Council Fund

At out-turn, the balance on the Council Fund at 31 March 2014 reduced by £233k, from £5.910m to £5.677m. In-year movements on the Council Fund can be found in Movement in Reserves Statement on page 17.

Earmarked Reserves
At 1 April 2013, the Council held earmarked reserves of £16.627m. The in year movement of £1.779m resulted in an increase to balances, which now stand at £18.406m (see Note 8 – page 47).

Schools Balances
School reserves are limited to the uses approved by the individual schools and the position varies from school to school. Seven schools had a deficit at the end of the financial year (ten 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 has reduced, resulting in increased reserves balances (in total) of £0.334m, so that the total value of schools reserves at 31 March 2014 stood at £1.518m (£1.184m at 31 March 2013). Details of the breakdown of the value of the reserves by school type can be found in note 9 to the Accounts on page 48

CAPITAL EXPENDITURE 2013/14

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 £28.8m for 2013/14. Whilst there were no major schemes commenced during the year, there were two major projects that were completed; firstly the completion of the improvement works to the Penhesgyn improvement works and, secondly the construction of the new Canolfan Y Bont Special Needs School.

What we actually spent

The Executive considered a capital out-turn report at its meeting of 9 June 2014, which showed that the Council actually spent £24.1m on capital projects in 2013/14.

Details of spending against individual project budgets are:-

Project	Budget for 2013/14 £000	Actual spend in 2013/14 £000	Variance in Year £000
Housing			
Council Houses	4,948	3,169	(1,779)
Private grants	2,721	1,573	(1,148)
Affordable Housing	513	120	(393)
Education			
Ysgol y Bont	6,368	6,707	339
21st Century Schools - Holyhead	587	10	(577)
Flying Start	535	527	(8)
Learning in Digital Wales	590	614	24
Other	802	603	(199)
Regeneration			
Econ Dev. - Strategic Infrastructure	450	235	(215)
Econ Dev. - Coastal environmental project	80	89	9
Econ Dev. - Other	1,077	356	(721)
Property - Smallholding improvements	(1,369)	683	2,052
Property – Other	1,046	593	(453)
Penhesgyn	6	295	289
Planning - Regeneration (3 towns)	2,000	830	(1,170)
Highways - Borrowing Initiative	1,800	1,785	(15)
Highways - Regional Transport Consortia grant	663	621	(42)
Highways - Safe Routes in Communities Grants	422	438	16
Highways – Other Grants	963	585	(378)
Other			
Other Department Schemes	4,610	2,907	(1,703)
Total	**28,812**	**22,740**	**(6,072)**

Total capital spending of £22.74m was £6.07m less than the approved budget for the capital programme. This is lower than the previous year's outturn of £25.4m, reconciled as follows:-

There was a reduction in year on year expenditure as a result of-:

Reduced activity on some ongoing projects/schemes, including:

(i) HRA works (£5.5m less than 2012/13) mainly due to the WHQS (Welsh Housing Quality Standard) programme of works which was completed in the third quarter of 2012/13 and

(ii) Other reductions were as follows:

- Minor works to schools –the budget was greater in 2012/13 as new boiler was required at one of the schools. (£0.6m).
- Penhesgyn – project was mostly completed in 2013/14 (£0.7m).
- Smallholdings – reduced activity as capital receipts are not at the level forecast (this is a ring fenced programme funded from sales of smallholdings) (£0.4m).

- Anglesey Coastal Environmental Projects were drawing to a close in 2013/14. (£0.4m)
- Other schemes – slippage on various miscellaneous. Minor areas (£0.3m).

(iii) schemes completed in 2012/13 such as the Welsh Government (WG) funded Streetscape and Environmental Works 2012/13 (£0.4m), the WG funded upgrade works to leisure centres (costing £0.8m in 2012/13) and other schemes (£0.3m).

This was countered to an extent by increased expenditure as a result of:-

(i) the WG funded Learning in Digital Wales grant (£0.6m).

(ii) increased activity on ongoing projects and schemes such as: private sector housing grants (£0.7m), the WG funded relocation of Ysgol y Bont (£2.4m), and other projects and schemes (£1.9m).

There were number of small cost overruns during the year, most of which funded from service revenue budgets. The two most significant schemes that exceeded the budget allocation were the relocation of Ysgol y Bont, which amounted to £0.3m, and the Penhesgyn Household Waste Recycling Centre improvement works, which were overspent by £0.3m. The overspend on the relocation of Ysgol y Bont was mainly due to the extended construction period and additional unforeseen items. The Penhesgyn overspend was partly as a result additional costs in the design phase of the project together with additional work commissioned to improve infrastructure assets relating to access roads and car parking; the overspend was funded from service reserves.

Budgeted external resources for the year

Capital Grants
The significant proportion of capital grants were claimed in full.

Capital Receipts
The actual capital receipts on a usable basis amounted to £928k. The budgeted capital receipts were estimated to bring in funds to the value of £1.6m. The shortfall was mainly as a result of HRA anticipated land sales not being achieved, however slippage in the programme compensated for this shortfall.

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.

	Council Fund £000	Housing Revenue Account £000	Total £000
Capital Expenditure	**20,936**	**3,169**	**24,105**
Grants and Contributions	10,567	2,600	13,167
Revenue Contributions	0	488	488
Capital Receipts	847	81	928
Supported Borrowing	992	0	992
Unsupported Borrowing	5,985	0	5,985
Earmarked Reserves	1,180	0	1,180
Total Financing	**19,571**	**3,169**	**22,740**
Resources available at 31 March 2014			
Capital Expenditure Reserve	565	0	565
Leisure Improvement Reserve	196	0	196
Supported Borrowing carried forward	4,050	0	4,050
Total available	**4,811**	**0**	**4,811**

Capital commitments outstanding at the year-end were £2.07m (2012/13: £6.8m). Capital reserves of £0.56m and an unused approved borrowing capacity of £4.1m, 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.

MAIN INFLUENCES ON THE 2013/14 ACCOUNTS
There are a number of externally driven factors that have had a significant influence on the 2013/14 accounts and the reported financial position of the Council: Impact of the Economy on the Council's borrowing strategy and the impact of the Economy on the pensions deficit.

TREASURY MANAGEMENT STRATEGY
The Council is required to operate a balanced budget, meaning that total revenue due during the financial year must be sufficient to meet expenditure, and also that actual cash inflows must be adequate to cover cash outflows. A key part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed.

BORROWING
In line with the approved Treasury Management Strategy, the Council was in an under borrowed (internally borrowed) position at the year end, a position which commenced in 2011/12. This means that the capital borrowing needed (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as a temporary measure. This approach is prudent as investment returns were low, counterparty risk high and forecast interest rates not expected to rise sharply.

The Council was in an under-borrowed position at the start of the year (£10.3m). During the year one loan of £6.5m matured and the Council's underlying need to borrow increased by £3.8m, resulting in an under-borrowed position at the year-end of £20.6m. As a result of the continued internalisation of borrowing, the year-end borrowing was £89.58m (31 March 2013: £89.59m), with an average interest rate of 5.72% (31 March 2013: 5.53%).

Impact of the economy of the Council's borrowing strategy
The prevailing financial climate has continued to influence the Council's approach to its Treasury Management activities. The Council's strategy has been to use existing cash balances to fund capital expenditure rather than raising new long-term loans. This avoids the need to hold financial assets (cash and investments) that were not generating a significant return. The Council still has sufficient cash balances to operate effectively and could access additional funds at short notice with minimal cost should it be required.

INVESTMENTS (cash held on deposit for more than 3 Months)
The Council operated within its approved Annual Investment Strategy during the year. The investments at the year- end totalled £9.2m (31 March 2013: 13.5m).

BALANCE SHEET POSITION AT 31 MARCH 2014

During 2013/14, the Council's reserves were £152.072m an increase of £1.611m from the previous financial year. This increase was a combination of usable reserves increasing by £2.793m from £24.479m to £27.272m, whilst unusable reserves balance reduced from £125.982m to £124.800m, a decrease of £1.182m. The analysis of the balances of the unusable reserves can be found in note 11 Page 49.

The Balance Sheet also shows an increase in long term assets valuations, which amounts to a net increase of £11.477m. Likewise, there have been reductions in both current asset and current liabilities balances of £6.326m and £6.941m respectively. There also has been a material movement in long term liabilities, which have increased by £10.451m. The majority of which related to the pension reserve (as documented below).

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 current economic climate also has a significant impact on the net Pensions Liability. One of the most significant changes on the Balance Sheet relates to the Council's pensions reserve which has increased from £80.034m to £91.152m, an increase £11.118m. It is important to note that the apparent deterioration in the pension position is based on actuarial valuations and does not represent an immediate call on the Council's reserves. The Council's actual payments to the Pension Fund are reviewed every three years as part of the triennial valuation of the Pension Fund. An investment strategy is then determined which aims to recover this deficit over the period as determined by the Pension Fund's Actuary (Hymans Robertson).

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

PROVISIONS

Total provisions held by the Council amounted to £7.598m at 1 April 2013. During the year the balance decreased by £2.290m to £5.308m, principally due to the settlement of a number of equal pay claims that had previously been provided for.

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

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 Acting 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 Acting Section 151 Officer has:-

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

The Section 151 Officer has also:-

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

<u>Certificate</u>

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 2014.

Signed: ....…
RICHARD MICKLEWRIGHT
(ACTING) HEAD OF FUNCTION (RESOURCES) & SECTION 151 OFFICER

Dated: ………………………………….

Approval of Accounts

In accordance with the Accounts and Audit (Wales) Regulations 2005 and the (Amendment) Regulations 2010, I certify that the Statement of Accounts was approved fy Full Council on 30 September 2014.

Signed …………………………………..
VAUGHAN HUGHES
CHAIRMAN
ISLE OF ANGLESEY COUNTY COUNCIL

Dated: ………………………………….

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 31/03/2014 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 2013-14 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 31/03/2014 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 2013-14.

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.

In respect of the Governance Statement, 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

30 September 2014

MOVEMENT IN RESERVES STATEMENT
FOR YEAR ENDED 31 MARCH 2014

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

Restated 2012/13	Council Fund	Earmarked Council Fund Reserves (Note 8)	HRA Balance (Supplementary Financial Statements)	Capital Receipts Reserve (Note 10)	Schools Balances (Note 9)	Capital Grants Unapplied (Note 14)	HRA Earmarked Reserve (Note 8)	**Total Usable Reserves**	**Total Unusable Reserves (Note 11)**	**Total Reserves of the Council**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance 1 April 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	4,788	0	(6,776)	0	0	0	0	**(1,988)**	**0**	**(1,988)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	**(11,147)**	**(11,147)**
Total Comprehensive Income and Expenditure	**4,788**	**0**	**(6,776)**	**0**	**0**	**0**	**0**	**(1,988)**	**(11,147)**	**(13,135)**
Adjustments between accounting basis and funding basis under regulations (note 7)	(2,013)	0	8,027	14	0	262	0	**6,290**	**6,290**	**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 (note 8)	(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**
Movement in reserves during the year										
(Deficit) on provision of service	(4,430)	0	(456)	0	0	0	0	(4,886)	0	(4,886)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	6,499	6,499
Total Comprehensive Income and Expenditure	**(4,430)**	**0**	**(456)**	**0**	**0**	**0**	**0**	**(4,886)**	**6,499**	**1,613**
Adjustments between accounting basis and funding basis under regulations (note 7)	6,267	0	1,688	(14)	0	(262)	0	7,679	**(7,679)**	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**1,837**	**0**	**1,232**	**(14)**	**0**	**(262)**		**2,793**	**(1,180)**	**1,613**
Transfers to/(from) Earmarked Reserves (note 8)	(2,070)	1,736	(43)	0	334	0	43	0	0	0
Other adjustments	0	0	0	0	0	0	0	0	(2)	**(2)**
(Decrease) / Increase in Year	**(233)**	**1,736**	**1,189**	**(14)**	**334**	**(262)**	**43**	**2,793**	**(1,182)**	**1,611**
Balance 31 March 2014	**5,677**	**17,347**	**1,671**	**0**	**1,518**	**0**	**1,059**	**27,272**	**124,800**	**152,072**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2014

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.

2013/14					2012/13 Restated		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
739	(341)	398	Central Services		5,684	(5,405)	279
8,170	(3,452)	4,718	Cultural and related services		8,344	(3,297)	5,047
71,884	(12,832)	59,052	Children and educational services		67,797	(13,364)	54,433
15,443	(3,970)	11,473	Highways and transport services		15,489	(4,832)	10,657
15,237	(13,484)	1,753	Council housing (HRA)		13,084	(13,116)	(32)
25,862	(23,757)	2,105	Other housing services		21,688	(20,140)	1,548
35,860	(8,421)	27,439	Adult social care		32,934	(13,587)	19,347
10,265	(4,761)	5,504	Planning and development		8,739	(3,446)	5,293
12,836	(2,524)	10,312	Environmental services		12,351	(3,045)	9,306
7,025	(1,487)	5,538	Corporate and democratic core		6,864	(1,451)	5,413
76	0	76	Non distributed costs		243	0	243
203,397	**(75,029)**	**128,368**	**Deficit on Continuing Operations**		**193,217**	**(81,683)**	**111,534**
		10,403	Other operating expenditure	12			20,809
		8,566	Financing and investment income and expenditure	13			7,957
		(142,451)	Taxation and non-specific grant Income	14			(138,312)
		4,886	**Deficit on Provision of Services**				**1,988**
		(12,516)	Surplus on revaluation of non current assets	11c,15 &17			(6,124)
		6,017	Re-measurement of net Pension liability	11ch & 41			17,271
		(6,499)	**Other Comprehensive Income and Expenditure**				**11,147**
		(1,613)	**Total Comprehensive Income and Expenditure**				**13,135**

BALANCE SHEET AS AT 31 MARCH 2014

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 2014 £000	31 March 2013 £000
Property, plant and equipment	15	315,636	303,537
Heritage assets	17	3,313	3,306
Investment property	18	7,139	7,991
Intangible assets	19	379	213
Long term investments	44	0	0
Long term debtors	24	460	433
Long Term Assets		**326,927**	**315,480**
Short term investments	44	0	10,101
Assets held for sale	21	1,011	196
Inventories	23	447	545
Short term debtors	24	24,701	25,798
Cash and cash equivalents	25	6,459	2,304
Current Assets		**32,618**	**38,944**
Short term borrowing	44	(1,688)	(8,447)
Short term creditors	26	(19,395)	(18,223)
Short term Provisions	27	(2,613)	(4,184)
Capital Grants receipts in advance	37	(288)	(71)
Current Liabilities		**(23,984)**	**(30,925)**
Long term creditors	26	(59)	(0)
Long term Provisions	27	(2,695)	(3,414)
Long term borrowing	44	(89,583)	(89,590)
Other long term liabilities	41	(91,152)	(80,034)
Long Term Liabilities		**(183,489)**	**(173,038)**
Net Assets		**152,072**	**150,461**
Usable reserves	8-10	27,272	24,479
Unusable reserves	11	124,800	125,982
Total Reserves		**152,072**	**150,461**

CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2014

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 that are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Note	2013/14 £000	Restated 2012/13 £000
Net Deficit on the provision of services		**(4,886)**	**(1,988)**
Adjustments to net surplus or deficit on the provision of services for non- cash movements	28	23,261	21,405
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(12,290)	(12,166)
Net cash flows from operating activities		**6,085**	**7,251**
Net cash flows from investing activities	29	**4,604**	**(16,105)**
Net cash flows from financing activities	30	**(6,534)**	**(6)**
Net increase in cash and cash equivalents		**4,155**	**(8,860)**
Cash and cash equivalents at the beginning of the financial year	25	2,304	11,164
Cash and cash equivalents at the end of the financial year	25	**6,459**	**2,304**

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	Non- Current Assets (Property, Plant and Equipment)
8	Investment Properties
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	Charges to Revenue for Non- Current Assets-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
26	Exceptional Items
27	Accounting for NNDR
28	Agency Income and Expenditure

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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 and financial instruments.

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:-

- Income and expenditure is accounted for in the year the activity it relates to takes place, not simply when cash is paid or received, i.e. on an accruals basis. This means income is recorded when it is earned not received and expenditure when it is incurred not when it is paid;
- 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;
- 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. Non- Current Assets (Property, Plant and Equipment)

Expenditure on the acquisition, creation or enhancement of non-current assets is capitalised on an accruals basis, provided that it will yield benefits to the Council for more than one financial year. These include intangible assets, property, plant and equipment, heritage assets and investment properties. It would not typically include assets held for sale, as they would normally be expected to be disposed of within twelve months.

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

Recognition

Expenditure on the acquisition, creation or enhancement of Non-Current Assets 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.

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

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 15 years.
- Infrastructure – straight-line allocation over periods of up to 45 years.

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

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

Non-current Assets Held for Sale

These assets are actively marketed for sale and where the Council expects that sale will go through in the next twelve months. They are identified separately as the value in the Balance Sheet will be recovered principally through a sale transaction rather than future continued 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.

Disposals of Non-current Assets

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are 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 the 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 that is most appropriate and relevant in respect of the individual asset or class of assets. Where it is not practicable to obtain a valuation at a cost, which is commensurate with the benefits to users of the financial statements, Heritage Assets are measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). Where Heritage Assets are measured at valuation, then the carrying amount is measured with sufficient frequency to ensure that the valuations remain current, and at intervals of no greater than five years.

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

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

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

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

Treatment of school assets

Land and buildings of voluntary aided and foundation school are owned and controlled by the trustees of the schools or the foundation body and are therefore not shown on the balance sheet of the Council. The Chartered Institute of Public Finance and Accountancy (CIPFA) are currently reviewing the accounting treatment of those schools specifically in relation to whether they should be fully disclosed within the balance sheet of councils'; pending conclusion of this review the council continues with the previous practice of not including them on its balance sheet.

Capital expenditure on community schools is added to the balances for those schools. Capital expenditure on voluntary aided, controlled and foundation schools is treated as "REFCUS" (Revenue Expenditure Funded from Capital under Statute) and written off each year to the comprehensive income and expenditure statement within Education and Children's services.
Individual schools' balances at 31 March 2014 are included in the balance sheet of the Council as any unspent delegated schools budgets remain the property of the Council.

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 amortised cost. 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 amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

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

Available for Sale Assets

Where applicable and if material, available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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. For instance the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

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

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.

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

14. Reserves

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

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

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

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

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

The Council as lessee

i. Finance Leases

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

Lease payments are apportioned between:-

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

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

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

ii. Operating Leases

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

The Council as lessor

i. Finance Leases

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

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

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

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

ii. Operating Leases

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

18. Charges to Revenue for Non - Current Assets - Minimum Revenue Provision (MRP)

The comprehensive income and expenditure statement is charged with the following amounts to record the real cost of holding non-current assets during the year:-

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

The Council is not required to raise council tax to cover these costs. However it is required to set aside an annual contribution from revenue towards its overall borrowing requirement. These costs are therefore replaced by the Minimum Revenue Provision by way of an adjusting entry in the Movement in Reserves Statements.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets are fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement. The Local Government Act 2003 requires the Council to charge the Council Fund a provision for the redemption of debt. This is then reduced by the amount of depreciation charge already made to the Comprehensive Income and Expenditure Account to leave the net MRP chargeable to the Council Fund.

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

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

- the Housing Revenue Account (HRA) provision is calculated as being 2% of the opening HRA Capital Financing Requirement (CFR).

- the Council Fund provision is based on 4% of the opening Non-HRA CFR 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. This REFCUS expenditure does form part of the Council's Capital Financing Requirement.

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 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation. However, a charge is made to the Housing Revenue Account;

- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

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. To prevent fluctuations from impacting on Council Tax, the year on year change in cost generated by this accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Accumulating Absences Adjustment Account, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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

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 entitled to be members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Department for Education;

- The Local Government Pension Scheme administered by Gwynedd Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees 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

All employees (other than teachers) and councillors, subject to certain qualifying criteria are able to join the Local Government Pension scheme. The Scheme is known as the Gwynedd Pension Fund and is administered by Gwynedd Council in accordance with the Pension Regulations 2008 on behalf of all participating employers. Under International Accounting Standard (IAS 19) the Local Government Scheme is accounted for as a defined benefits scheme:

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

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

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

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

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

a) current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

b) past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

c) Net interest on the net defined benefit liability i.e. the net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, to the net defined liability at the beginning of the period (taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments);

ch) Re-measurement comprising:-

- The return on plan assets (excluding amounts already included in the net interest on net defined benefit) this is charged to the Pensions reserve as Other Comprehensive Income and Expenditure

- The actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions reserve as other Comprehensive Income and Expenditure;

d) 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;

dd) contributions paid to the Gwynedd Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense;

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

This means that there are appropriations to and from the Pensions Reserve to remove the 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 that it intends to defend. However, the Council has prudently set up both a reserve and a provision to meet the costs arising from these potential liabilities. The Statement of Accounts therefore does not currently reflect the actual value of the claims but rather an estimate of the financial liability which will arise from them.

26. Exceptional Items

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

27. Accounting for NNDR

As the Council acts as an agent in the collection of NNDR income it does not include the financial position with regard to the ratepayers and only reports the net cash position with Central Government in its Balance Sheet. The Council maintains records of NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records, however for final accounts purposes these balances are consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool. The cost of collection allowance received by Anglesey Council is the billing council’s income and is included in the Comprehensive Income and Expenditure Statement.

28. Agency Income and Expenditure

Under various statutory powers, a Council may agree with other local authorities, water companies and government departments to do work on their behalf. The body carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution toward administrative costs.

Anglesey has acted as an agent on behalf of:-

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

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

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies, which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

The Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 will introduce a number of new requirements for Councils to comply with updated reporting standards that have been adopted. The relevant changes relate to the following standards all of which will be amended for accounts produced for financial periods starting after 1 April 2014.

- IFRS 10 - Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 32 – Financial Instruments: Presentation
- IAS 1 - Annual improvements to IFRS (2009-2011 cycle). The changes will be adopted retrospectively meaning that on adoption 2013/14 information included within these accounts will be restated in the 2014/15 accounts to reflect the new reporting requirements.

- This note sets out what the changes would have been if the new standards had already been in force. The first five standards listed above relate to how group accounts are prepared and the consolidation process for reporting interests in other companies. The 2013/14 accounts are not produced on a group accounts basis as the Council's interest in such bodies are considered immaterial, the adoption of the new standards would not have impacted on this judgment.

- Those accounts will be produced in line with the new accounting standards outlined above. The amendments to IAS 1 clarify the circumstances where it is necessary to include comparative information in the accounts. Comparative information is already included within these statements in line with the revised requirements.

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

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

- The IAS 19 requirements have changed the way in which the interest costs on the net pension liability are shown. Previously, the Financing and Investment Income line within the Comprehensive Income and Expenditure Statement was 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 has been 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 IAS 19 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 Non-Current Assets - 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 within creditors until such time as either the terms and conditions associated with the grant are met or the grant is repaid to the grant provider should the terms and conditions not be met. This treatment can result in material balances being carried in the balance sheet as deferred income in the year.

- The group boundaries have been reviewed using the criteria outlined in the relevant accounting standards and Code of Practice, the council has not identified any companies or organisations that would require it to complete group accounts.

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

The following items in the Council's Balance Sheet at 31 March 2014 may be considered to be most vulnerable for estimating error in the forthcoming financial year:-

Non- Current Assets - Property, Plant and Equipment – Assets are depreciated over useful lives in accordance with standard accounting practices. Any difference between the depreciation applied and actual deterioration to assets will naturally reflect in future spending patterns. Information relating to Property, Plant and Equipment is contained in Note 15 on page 53.

The accounting policy for the depreciation of Property, Plant and Equipment (page 21) identifies that:-

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

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

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

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

Council Housing - The Council's Housing stock is valued under a standard methodology, part of which requires the application of an adjustment factor to allow for the difference between rents and yields on private sector and social housing. There is currently no published adjustment factor for Wales, and 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 relating to discount rates, projected salary increases, changes in retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged by the administering Council to provide expert advice on the assumptions to be applied. Further details are contained in Note 41.

Doubtful Debts Impairment/Allowance – As at the 31of March 2014 the council had a short-term debtor balance of £29.3m. A review of arrears balance suggested that impairment for doubtful debts of £5.6m was appropriate. Any differences between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Doubtful Debts impairments are contained within the figures for Short Term Debtors contained in Note 24 on page 59.

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

Prior period adjustments have been made to the Council's 2012/13 published financial statements in relation to the following:

Reclassification and Adjustments
Within the accounts there are a number of items that have been reclassified in 2012/13 comparator data. Where this occurs, an appropriate narrative has been documented within the notes to the accounts. The notes are as follows:

i) Reclassification between Inventory and Heritage Assets (Note 23, Note 17 and Balance Sheet)
Stock to the value of £64k which was previously classified as stock has been identified as Heritage Assets in 2013/14. For previous year's comparable data has been amended to reflect this adjustment within the narrative note.

ii) Review of short and long term provisions (Note 27 and Balance Sheet)
The analysis between short and long term provision has been adjusted to reflect the likely call on the provisions and this year's analysis has been amended to reflect this adjustment.

iii) IAS 19 Change to Accounting Standard (Note 41, CIES, MIRS and Balance Sheet)
There have been several significant changes in relation to the international accounting standard IAS 19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. There is no impact on the net asset value on the Balance Sheet however; the main changes are as follows:

Expected Return on Assets
This is in relation to the return on Pension Scheme assets such as those held by the Gwynedd Pension Fund. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

Asset Disclosures
IAS 19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in the Council's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further.

Disclosure Presentation
In order to be consistent with the new requirements of IAS 19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012/13.

The impact of the above changes are shown in the tables below, where disclosures have been restated in line with the adjustments, the 2012/13 column is headed as "Restated"

Adjustment to the Comprehensive Income and Expenditure account 2012/13	Net Expenditure	IAS 19 Pension Restatement	Restated
	£000	£000	£000
Deficit on Continuing Operations	**111,534**		**111,534**
Other operating expenditure	20,809		20,809
Financing and investment income and expenditure	6,610	**1,347**	7,957
Taxation and non-specific grant Income	(138,312)		(138,312)
Deficit on Provision of Services	**641**	**1,347**	**1,988**
(Surplus) on revaluation of non current assets	(6,124)		(6,124)
Actuarial Losses on pension assets / liabilities	18,618	**(1,347)**	17,271
Other Comprehensive Income and Expenditure	**12,494**		**12,494**
Total Comprehensive Income and Expenditure	**13,135**	**0**	**13,135**

Adjustment to Movement in Reserves Statement	Council Fund Balance	Earmarked Council Fund Reserves (Note 8)	HRA Balance (Supplementary Financial Statements)	Capital Receipts Reserve (Note 10)	School Balances (Note 9)	Capital Grants Unapplied (Note 14)	HRA Earmarked Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Council
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance 1 April 2012										
Movement in reserves during the year										
(Deficit) on provision of services	(1,347)	0	0	0	0	0		(1,347)	0	**(1,347)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	1,347	**1,347**
Total Comprehensive Income and Expenditure	(1,347)	0	0	0	0	0	0	**(1,347)**	**1,347**	**0**
Adjustments between accounting basis and funding basis under regulations (note 7)	**1,347**	**0**	**0**	**0**	**0**	**0**	**0**	**1,347**	**(1,347)**	**0**

Restated Cashflow	2012/13 £,000	adjustment £000	2012/13 £000
Net Surplus/(Deficit) on the provision of services	**(641)**	**(1,347)**	**(1,988)**
Adjustments to net surplus or deficit on the provision of services for non- cash movements	20,058	1,347	21,405
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(12,166)	0	(12,166)
Net cash flows from operating activities	**7,251**		**7,251**
Net cash flows from investing activities	**(16,105)**	**0**	**(16,105)**
Net cash flows from financing activities	**(6)**	**0**	**(6)**
Net increase in cash and cash equivalents	**(8,860)**	**0**	**(8,860)**
Cash and cash equivalents at the beginning of the financial year	11,164	0	11,164
Cash and cash equivalents at the end of the financial year	**2,304**	**0**	**2,304**

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 30 September 2014.

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 2014, 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 REGULATIONS

2013/14	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation impairment and amortisation of non current assets	10,294	5,664	0	0	(15,958)
Revaluation losses on Property, Plant and Equipment	1,377	0	0	0	(1,377)
Movements in the market value of Investment Properties	6	0	0	0	(6)
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(8,373)	(2,600)	0	(262)	11,235
Revenue expenditure funded from capital under statute	2,385	0	0	0	(2,385)
Carrying amount of non current assets sold	400	331	0	0	(731)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Minimum Revenue Provision For Capital Funding	(3,402)	(1,017)	0	0	4,419
Capital expenditure charged against the Council Fund and HRA balances	(479)	(489)	0	0	968
Adjustments involving the Capital Receipts Reserve:					
Proceeds From Sale of Non Current Assets	(787)	(222)	1,009	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(928)	0	928
Other Capital Receipts	(46)	0	46	0	0
Capital Receipts Reserve set aside to repay debt	0	0	(141)	0	141
Adjustments involving the Financial Instruments Adjustment Account:					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	104	14	0	0	(118)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	13,556	195	0	0	(13,751)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,455)	(195)	0	0	8,650
Adjustment involving Unequal Pay Back Adjustment Account					
Amounts charged to CIES that are difference from cost of settlements chargeable in year in accordance with statutory requirements	(497)	0	0	0	497
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Adjustments in relation to Short-term compensated absences	184	7	0	0	(191)
Total Adjustments	**6,267**	**1,688**	**(14)**	**(262)**	**(7,679)**

2012/13 Restated	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
	Usable Reserves				
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
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)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
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
Adjustments involving the Capital Receipts Reserve:					
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
Adjustments involving the Financial Instruments Adjustment Account:					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	104	31	0	0	(135)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	7,419	0	0	0	(7,419)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,402)	0	0	0	8,402
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Adjustments in relation to Short-term compensated absences	(596)	(11)	0	0	607
Total Adjustments	**(2,013)**	**8,027**	**14**	**262**	**(6,290)**

NOTE 8 – EARMARKED RESERVES

	Balance as at 01 April 2012 £000	Transfers In 2012/13 £000	Transfers Out 2012/13 £000	Balance as at 31 March 2013 £000	Transfers In 2013/14 £000	Transfers Out 2013/14 £000	Balance as at 31 March 2014 £000
Capital Expenditure	1,000	1,209	(1,209)	1,000	904	(1,339)	565
Penhesgyn Waste Landfill Site Reserve	886	0	(886)	0	2,000	0	2,000
Service Reserves	1,507	1,540	(1,156)	1,891	0	(268)	1,623
Restricted Services	1,781	4,037	(754)	5,064	1,996	(754)	6,306
Equal Pay, Single Status and Job Evaluation	1,966	701	0	2,667	0	(311)	2,356
Recycling	1,473	302	(986)	789	108	(667)	230
Performance Management Reserve	1,054	412	(26)	1,440	0	0	1,440
Major Repairs Reserve (HRA)	0	860	0	860	0	0	860
Insurance Fund	2,529	0	(178)	2,351	184	0	2,535
Other	686	0	(121)	565	11	(85)	491
Total	**12,882**	**9,061**	**(5,316)**	**16,627**	**5,203**	**(3,424)**	**18,406**

Purpose of Earmarked Revenue Reserves

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

Penhesgyn Waste Landfill Site Reserve – this reserve has been set up to fund remodelling work relating to groundwork relating to the landfill 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 2012 £000	Addition / (Reduction) for 2012/13 £000	Balance 31 March 2013 £000	Addition / (Reduction) for 2013/14 £000	Balance 31 March 2014 £000
Community and Voluntary Primary Schools	666	180	846	189	1,035
Community Secondary Schools	384	(224)	160	149	309
Community Special School	90	(62)	28	(23)	5
Foundation Primary School	112	38	150	19	169
Total	**1,252**	**(68)**	**1,184**	**334**	**1,518**

At 31 March 2014 all schools had balances in surplus apart from 5 primary schools (8 as at 31 March 2013) and 2 secondary schools (2 as at 31 March 2013), which had a combined deficit of £0.864m (£0.994m as at 31 March 2013). 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.

	2013/14 £000	2012/13 £000
Balance 1 April	14	0
Capital Receipts in year (net of reduction for administration costs)	1,055	1,062
	1,069	**1,062**
Less:		
Receipts set aside to repay debt	(141)	(89)
Capital Receipts used for financing	(928)	(959)
Balance 31 March	**0**	**14**

NOTE 11 – UNUSABLE RESERVES

	31 March 2014 £000	31 March 2013 £000
a) Capital Adjustment Account	170,542	172,400
b) Financial Instruments Adjustment Account	22	140
c) Revaluation Reserve	48,083	36,477
ch)Pensions Reserve	(91,152)	(80,034)
d) Unequal Pay Reserve	(1,438)	(1,935)
dd)Accumulating Compensated Absences Adjustment Account	(1,257)	(1,066)
Total Unusable Reserves	**124,800**	**125,982**

a) Capital Adjustment Account

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

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 on page 43 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2013/14		2012/13	
	£000	£000	£000	£000
Balance at 1 April		**172,400**		**179,315**
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	(15,958)		(12,950)	
Revaluation losses on Property, Plant and Equipment	(1,377)		(1,031)	
Revenue expenditure funded from capital under statute	(2,385)		(2,197)	
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	(731)		(11,156)	
		(20,451)		**(27,334)**
Adjusting amounts written out of the Revaluation Reserve		910		830
Net written out amount of the cost of non-current assets consumed in the year		**(19,541)**		**(26,504)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	928		959	
Application of grants to capital financing from the Capital Grants unapplied account	0		0	
Capital Receipts Reserve set aside to repay debt	141		89	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,235		11,118	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	4,419		4,305	
Capital expenditure charged against the Council Fund and HRA balances	966		3,209	
		17,689		**19,680**
Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement		**(6)**		(91)
Balance at 31 March		**170,542**		**172,400**

b) 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 2014 will be charged to the Council Fund over the next 5 years.

	2013/14 £000	2012/13 £000
Balance at 1 April	**140**	**275**
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	(118)	(135)
Balance at 31 March	**22**	**140**

c) Revaluation Reserve

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

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

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

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

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

	2013/14 £000	2012/13 £000
Balance at 1 April	**36,477**	**31,184**
Revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	12,516	6,123
Difference between fair value depreciation and historical cost depreciation	(813)	(830)
Revaluation balances on assets scrapped or disposed of	(97)	0
Balance at 31 March	**48,083**	**36,477**

ch) Pensions Reserve

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

The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pay 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.

	2013/14 £000	2012/13 restated £000
Balance at 1 April	**(80,034)**	**(63,746)**
Re-measurement of net defined liability	(6,017)	(17,271)
Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(13,751)	(7,419)
Employers pension contribution and direct payment to pensioners Payable in the year	8,650	8,402
Balance at 31 March	**(91,152)**	**(80,034)**

d) Unequal Pay Reserve

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

	2013/14 £000	2012/13 £000
Balance at 1 April	**(1,935)**	**(1,935)**
Increase in provision for back pay in relation to Equal Pay cases	(1,438)	0
Cash settlements paid in the year	1,935	0
Balance at 31 March	**(1,438)**	**(1,935)**

dd) Accumulating Compensated Absences Adjustment Account

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

	2013/14 £000	2012/13 £000
Settlement or cancellation of accrual made at the end of the preceding year	1,066	1,673
Amounts accrued at the end of the current year	(1,257)	(1,066)
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	**(191)**	**607**

NOTE 12 – OTHER OPERATING EXPENDITURE

	2013/14 £000	2012/13 £000
Police Council and Community Council Precepts (See below)	7,564	7,323
(Surplus) / Losses on the disposal of non-current assets (Including De-recognition)	(366)	10,109
Levies	3,218	3,391
Other	(13)	(14)
Total	**10,403**	**20,809**

Precepts

	2013/14 £000	2012/13 £000
Precept paid to North Wales Police	6,618	6,406
Precept paid to Community Councils	946	917
Total	**7,564**	**7,323**

NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14 £000	restated 2012/13 £000
Interest payable and similar charges	5,274	5,316
Net interest on the defined liability	3,678	3,016
Interest receivable and similar income	(201)	(284)
Income and expenditure in relation to investment properties and changes in their fair value	(185)	(91)
Total	**8,566**	**7,957**

Income, Expenditure and changes in Fair Value of Investment Properties

	2013/14 £000	2012/13 £000
Income/Expenditure from Investment Properties:		
Income including rental income	(798)	(698)
Expenditure	606	516
Net income from investment properties	**(192)**	**(182)**
Deficit on sale of Investment Properties:		
Proceeds from sale	(50)	(350)
Carrying amount of investment properties sold	51	350
Deficit on sale of Investment Properties:	**1**	**0**
Changes in Fair Value of Investment Properties	**6**	**91**
Total	**(185)**	**(91)**

NOTE 14 - TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and Non-Specific Grant Income

	2013/14 £000	2012/13 £000
Council Tax Income	29,983	33,872
Non Domestic Rates Redistribution	22,025	18,787
Central Government Grants	79,470	74,273
Capital Grants Applied to fund Capital Expenditure	10,973	11,118
Capital Grant Unapplied Houses into Homes	0	262
Total Taxation and Non-Specific Grant Income	**142,451**	**138,312**

Central Government Grants

	2013/14 £000	2012/13 £000
Revenue Support Grant	73,036	73,544
Council Tax Reduction Scheme Grant	5,166	0
Other	1,268	729
Total	**79,470**	**74,273**

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

Current Year

	Property, Plant and Equipment							
	Council Dwellings £000	Land and Buildings £000	Infrast-ructure Assets £000	Vehicles, Plant and Equipment £000	Community Assets £000	PPE Under Constr-uction £000	Surplus Assets £000	Total £000
Cost or Valuation								
At 1 April 2013	**98,494**	**161,375**	**62,113**	**7,834**	**9**	**4,562**	**2,359**	**336,746**
Additions (Note 20)	2,969	2,779	3,621	1,437	0	6,717	0	**17,523**
Revaluation inc. / (decr.) to (Rev. Reserve)	0	11,765	44	0	0	0	0	**11,809**
Revaluation inc / (decrease) to Surplus / Deficit on the Prov. of Services	0	(1,921)	0	0	0	0	0	**(1,921)**
Derecognition - Disposals	(230)	(206)	0	(16)	0	0	(117)	**(569)**
Reclassifications & Transfers	0	12,063	0	0	0	(11,269)	0	**794**
Reclassified to Held for Sale Assets	0	(128)	0	0	0	0	(979)	**(1,107)**
Balance as at 31 March 2014	**101,233**	**185,727**	**65,778**	**9,255**	**9**	**10**	**1,263**	**363,275**
Depreciation and Impairment								
At 1 April 2013	**8,937**	**9,129**	**10,748**	**4,271**	**0**	**0**	**124**	**33,209**
Adjustment between cost/ depreciation	0	0	(2)	(2)	0	0	0	**(4)**
Depreciation Charge	2,565	5,011	2,290	719	0	0	59	**10,644**
Depreciation written out to Revaluation Reserve.	0	(683)	(24)	0	0	0	0	**(707)**
Depreciation written out to Surplus or Deficit on the Provision of Services.	0	(544)	0	0	0	0	0	**(544)**
Impairment losses/referrals to Surplus or Deficit on the Provision of Services	2,969	2,253	0	0	0	0	0	**5,222**
Derecognition – Disposals	(30)	(24)	0	(16)	0	0	(30)	**(100)**
Reclassifications to held for Sale Assets	0	(15)	0	0	0	0	(66)	**(81)**
Balance as at 31 March 2014	**14,441**	**15,127**	**13,012**	**4,972**	**0**	**0**	**87**	**47,639**
Net Book Value								
Balance as at 31 March 2014	**86,792**	**170,600**	**52,766**	**4,283**	**9**	**10**	**1,176**	**315,636**
Balance as at 31 March 2013	**89,557**	**152,246**	**51,365**	**3,563**	**9**	**4,562**	**2,235**	**303,537**

2012/13

	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Constr-uction	Surplus Assets	TOTAL PPE
	Property, Plant and Equipment							
	£000	£000	£000	£000	£000	£000	£000	£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)**
	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**

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

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 £315.636m recognised as Property, Plant and Equipment on its Balance Sheet as at 31 March 2014. 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 2014, the Council had two significant construction contracts in progress giving rise to a significant capital commitment for financial year 2014/15 as follows (2013/14: £6.8m):

Contract	Commitment £000
Anglesey Business Centre	1,005
Planned Maintenance Contract	1,066
Total	**2,071**

NOTE 17 – HERITAGE ASSETS

2013/14

	Art Collections: Oriel Ynys Môn £000	Heritage Land & Buildings £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2013	**1,776**	**1,644**	**3,420**
Additions	64	0	64
At 31 March 2014	**1,840**	**1,644**	**3,484**
Accumulated Depreciation and Impairment			
At 1 April 2013	**0**	**114**	**114**
Depreciation Charge	0	57	57
At 31 March 2014	**0**	**171**	**171**
Net Book Value			
At 31 March 2014	**1,840**	**1,473**	**3,313**
At 31 March 2013	**1,776**	**1,530**	**3,306**

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**
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
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**

Revaluation of Heritage Assets

A number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. At 31 March 2014, there were four such assets (unchanged from 31 March 2013):

Beaumaris Gaol
Beaumaris Courthouse
Mill, Melin Llynnon
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 1 April 2011.

A valuation for the Art Collections was obtained during the previous year and the resulting value was reflected in the 2012/13 Accounts. The last valuation is based on a representative sample of the collections. The valuation was carried out by Bonhams of London, a firm of international art auctioneers and valuers. There are no material changes in the Art Collection portfolio in the year.

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 disclosed in the tables that precede this note.

NOTE 18 – INVESTMENT PROPERTIES

	2013/14 £000	2012/13 £000
Balance at start of the year	7,991	8,379
Additions:		
- Subsequent expenditure	0	53
Disposals	(51)	(350)
Net losses from fair value adjustments	(6)	(91)
Transfers:		
-(to)/from Property, Plant and Equipment	(795)	0
Balance at end of the year	**7,139**	**7,991**

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 £34k charged to revenue in 2013/14 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:-

	2013/14 £000	2012/13 £000
Balance at start of year:		
Gross carrying amounts	868	708
Accumulated amortisation	(655)	(634)
Net carrying amount at start of year	**213**	**74**
Additions	200	160
Amortisation for the financial year	(34)	(21)
Net carrying amount at end of year	**379**	**213**
Comprising:		
Gross carrying amounts	1,068	868
Accumulated amortisation	(689)	(655)
Net carrying amount at end of year	**379**	**213**

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.

	2013/14 £000	2012/13 £000
Opening Capital Financing Requirement	**106,408**	**100,660**
Capital Invested in Year		
Property, Plant and Equipment	17,523	23,016
Investment Properties	0	53
Intangible Assets	200	160
Other	0	2
Revenue Expenditure Funded from Capital Under Statute	5,017	2,197
Total	**22,740**	**25,428**
Source of Finance		
Capital Receipts and Reserves	(928)	(959)
Government Grants and Contributions	(11,235)	(11,118)
Revenue Provisions	(1,668)	(3,209)
REFCUS Grants	(1,932)	0
Minimum Revenue Provision and Set Aside	(4,560)	(4,394)
Total	**(20,323)**	**(19,680)**
Net Increase/(Decrease) in Capital Financing Requirement	**2,417**	**5,748**
Closing Capital Financing Requirement	**108,825**	**106,408**
Explanation of movement in year		
Increase in underlying need to borrow supported by Government assistance	992	2,937
Increase in underlying need to borrow unsupported by Government assistance	5,985	7,205
Minimum Revenue Provision and Voluntary Set Aside	(4,560)	(4,394)
Net Increase in Capital Financing Requirement	**2,417**	**5,748**

NOTE 21 – ASSETS HELD FOR SALE

	Current		Non-Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000	£000	£000	£000
Balance outstanding at start of year	196	180	0	0
Assets newly classified as held for sale:				
Transferred from Property, Plant & Equipment during the year	1,026	16	0	0
Cost of Assets Sold	(211)	0	0	0
Balance outstanding at year-end	**1,011**	**196**	**0**	**0**

NOTE 22 – LEASES

Operating Leases

The Council has leased 32 properties at 31 March 2014 for its homelessness function (71 properties at 31 March 2013) and the lease rentals for the year totalled £0.261m (£0.382m 2012/13). 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 during the year.

The Council also holds certain items of plant and equipment under operating leases or rental agreements within schools and other Council departments. The charge to revenue for these items is £0.189m in 2013/14 (£0.25m 2012/13).

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 2014	31 March 2013
	£000	£000
Work In Progress	84	108
Central Stores – Building supplies	133	129
Gofal Môn - Social Services supplies	87	125
Other – Stationery and other consumables, fuel and goods held for resale	143	183
Total	**447**	**545**

Note: The inventory balance in 2013/14 has been reduced by £64k to reflect the movement from Inventory to Heritage Assets. For comparability purposes the total stock inventory would have shown a balance of £481k as at March 2013.

NOTE 24 - DEBTORS

	Long Term Debtors 31 March 2014	Long Term Debtors 31 March 2013	Short Term Debtors 31 March 2014	Short Term Debtors 31 March 2013
	£000	£000	£000	£000
Government Departments	0	0	9,868	10,070
NNDR and Council Tax	0	0	4,539	4,942
Other Local Authorities	0	0	2,150	980
Rents	0	0	535	400
Public Corporations and Trading Funds	0	0	22	22
Employee car loans	269	242	178	184
Health Service /Public bodies	0	0	1,553	1,541
VAT	0	0	1,382	1,945
Prepayments	0	0	575	743
Trade debtors	97	97	1,311	450
Other	94	94	2,588	4,521
Total	**460**	**433**	**24,701**	**25,798**

The above debtors' figures are net of bad debt provisions totalling £5.602m (£4.403m 2012/13), which can be analysed as follows:

	31 March 2014 £000	31 March 2013 £000	Movement in Year £000
Council Tax	1,328	1,128	200
NNDR	708	622	86
Rents	428	458	(30)
Trade Debtors	3,138	2,195	943
Total	**5,602**	**4,403**	**1,199**

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 2014 £000	31 March 2013 £000
Cash and Bank balances	11,498	5,834
Bank Overdraft	(5,039)	(3,530)
Total	**6,459**	**2,304**

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 2014 £000	31 March 2013 £000
Government Departments	4,174	4,542
Other Authorities	256	1,263
Public corporations and trading funds	148	589
Bodies External to Central Government	124	150
Trust Balances	877	1,074
HRA	0	0
Remuneration due to employees	0	327
Accumulated Absences	1,257	1,066
Receipts in advance	1,398	592
Trade creditors	638	6,163
Other	10,523	2,457
Total Short Term Creditors	**19,395**	**18,223**

Long Term Creditors

	31 March 2014 £000	31 March 2013 £000
Other creditors falling due after more than one year	59	0
Total Long Term Creditors	**59**	**0**

NOTE 27 - PROVISIONS

2013/14

	Balance at 1 April 2013 £000	Increase in Provisions during year £000	Utilised during year £000	Balance at 31 March 2014 £000
Insurance Claims Provision	456	374	229	601
Penhesgyn Waste Site	2,669	0	0	2,669
Termination Benefits	247	0	102	145
MMI Scheme of Arrangement	40	0	40	0
Other	4,186	1,438	3,731	1,893
Total	**7,598**	**1,812**	**4,102**	**5,308**
Current Provisions	4,184	1,812	3,383*	2,613
Long Term Provisions	3,414	0	719*	2,695
Total	**7,598**	**1,812**	**4,102**	**5,308**

***Reclassification** Note: There has been an in-year reclassification between current provision and long term provision as documented in the table above*.

2012/13

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

Purpose of Main Provisions

Insurance Claims Provision

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

Penhesgyn Waste Site

The provision 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)

The Council has now utilised last year’s provision balance during the year.

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 DEFICIT ON THE PROVISION OF SERVICES

	2013/14 £000	restated 2012/13 £000
Adjustment to surplus or deficit on the Provision of Services for non cash movements		
Depreciation	15,923	12,928
Depreciation written out to the surplus or deficit on the provision of services, impairment and downward revaluations (and non-sale derecognitions)	1,377	1,031
Amortisation	35	21
Decrease in Inventories	98	130
(Increase) in Debtors	(102)	(3,839)
Increase in impairments for Bad Debts	1,199	421
Increase / (Decrease) in Creditors	1,183	(710)
Transactions within the CIES relating to retirement benefits	5,101	(984)
Carrying amount of non-current assets sold	731	11,156
Contributions to Provisions	(2,290)	1,160
Movement in value of investment properties- Impairment and downward revaluations (and non-sale derecognitions)	6	91
	23,261	**21,405**
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	(1,055)	(1,048)
Capital grants included in "Taxation and non-specific grant income"	(11,235)	(11,118)
Total	**(12,290)**	**(12,166)**

NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

	2013/14 £000	2012/13 £000
Purchase of property, plant and equipment, heritage assets, investment property and intangible assets	(17,787)	(23,229)
Short Term Investments (not considered to be cash equivalents)	10,101	(5,042)
Proceeds from the sale of property, plant and equipment, investment property and assets held for sale	1,055	1,048
Capital Grants and Contributions Received	11,235	11,118
Net Cash flows from Investing Activities	**4,604**	**(16,105)**

NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

	2013/14 £000	2012/13 £000
Cash Receipts from Short and Long Term Borrowing	(27)	0
Repayment of Short and Long Term Borrowing	0	(6)
Other payments	(6,507)	
Net Cash flows from Financing Activities	**(6,534)**	**(6)**

Cash flow from operating activities include the following amounts relating to Interest

	2013/14 £000	2012/13 £000
Interest Received	(215)	(267)
Interest Paid	5,533	5,316

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

2013/14 – 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	(10,698)	(13,224)	(9,828)	(1,846)	0	(22,602)	**(58,198)**
Government Grants	(9,140)	(6,080)	(6,930)	(19,883)	0	0	**(42,033)**
Total Income	**(19,838)**	**(19,304)**	**(16,758)**	**(21,729)**	**0**	**(22,602))**	**(100,231)**
Employee expenses	46,208	19,625	11,437	6,622	0	2,398	**86,290**
Other Service Expenditure	21,241	33,554	25,476	19,740	7,942	12,017	**119,970**
Support Service Expenditure	1,137	1,456	815	1	0	1,197	**4,606**
Total Expenditure	**68,586**	**54,635**	**37,728**	**26,363**	**7,942**	**15,612**	**210,866**
Net Expenditure	**48,748**	**35,331**	**20,970**	**4,634**	**7,942**	**(6,990)**	**110,635**

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**

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.

	2013/14 £000	2012/13 £000
Net expenditure in the Directorate analysis	110,635	102,120
Net expenditure of services and support services not included in the analysis	21,514	19,141
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,605	1,813
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(5,386)	(11,540)
Net Expenditure in the Comprehensive Income and Expenditure Statement	**128,368**	**111,534**

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.

2013/14

	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Allocation of recharge	Amounts not included in CIES £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(58,198)	0	9,802	33,240	0	(15,156)	0	**(15,156)**
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	(201)	**(201)**
Income from council tax	0	0	0	0	0	0	(29,984)	**(29,984)**
Government grants and contributions	(42,033)	261	(9,802)	0	0	(52,096)	(112,467)	**(164,563)**
Total Income	**(100,231)**	**261**	**0**	**33,240**	**0**	**(67,252)**	**(142,652))**	**(209,904)**
Employee expenses	86,290	0	1,605	0	0	87,895	0	**87,895**
Other service expenses	119,970	5,833	0	(28,634)	(5,386)	91,783	3,665	**95,448**
Support Service recharges	4,606	0	0	(4,606)	0	0	0	**0**
Depreciation, amortisation and impairment and other capital charges	0	15,942	0	0	0	15,942	(185)	**15,757**
Interest Payments	0	0	0	0	0	0	5,274	**5,274**
Precepts & Levies	0	0	0	0	0	0	10,782	**10,782**
Payment to Housing Capital Receipts Pool	0	0	0	0	0	0	0	**0**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(366)	**0**
Total expenditure	**210,866**	**21,775**	**1,605**	**(33,240)**	**(5,386)**	**195,620**	**19,170**	**214,790**
Surplus or deficit on the provision of services	**110,635**	**21,514**	**1,605**	**0**	**(5,386)**	**128,368**	**(123,482)**	**4,886**

2012/13

	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES £000	Cost of Services £000	Corporate Amounts £000	Total £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	3,016	**78,129**
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 and other capital charges	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**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	**0**
Total expenditure	0	0	0	0	0	10,096	**10,096**
	209,237	**19,141**	**1,017**	**(11,540)**	**217,855**	**29,822**	**247,677**
Surplus or deficit on the provision of services	**102,120**	**19,141**	**1,813**	**(11,540)**	**111,534**	**(109,546)**	**1,988**

The Reconciliation of the Directorate Analysis to the Deficit on the provision of services within the Comprehensive Income and Expenditure Account for 2012/13 has been restated as a result of the changes to the accounting standard IAS19, as disclosed in Note 4 to the accounts.

NOTE 32 – SIGNIFICANT TRADING OPERATIONS

Trading operations are those, which the Council carries out, in a competitive environment. Last year the Council operated one trading operation, which was Môn Care Services.

However, due to reorganisation of the operational function, there is no longer a formal Client / Contractor arrangement. Care packages are fixed irrespective whether this is in-house or a third party provider. The provider of the care package is predominately based on the client preference and as a result, Môn Care is not operating on a competitive environment. Môn Care's budget has been re-cast to remove any internal recharge / profit element and as a consequence is no longer regarded as a Trading Operation.

NOTE 33 - MEMBERS' ALLOWANCES

A total of £0.681m (£0.668m in 2012/13) was paid in respect of allowances to Council Members during the year as follows:

	2013/14 £000	2012/13 £000
Basic and Special responsibility allowances	557	560
Chairman and Deputy Chairman's Allowance	8	12
Pension Costs	62	45
National Insurance Costs	39	34
Travel Costs	12	16
Miscellaneous	3	1
Total	**681**	**668**

NOTE 34 – OFFICERS' REMUNERATION

The number of employees, whose actual remuneration paid more than £60,000 but not more than £150,000 in 2013/14, excluding pension contributions but including severance pay:

Officer Remuneration	Including Severance Pay 2013/14 Number of Employees	Including Severance Pay 2012/13 Number of Employees	Excluding Severance Pay 2013/14 Number of Employees	Excluding Severance Pay 2012/13 Number of Employees
£60,000 to £65,000	5	0	5	0
£65,001 to £70,000	2	2	2	2
£70,001 to £75,000	1	1	1	1
£75,001 to £80,000	1	5	1	5
£80,001 to £85,000	1	0	1	0
£85,001 to £90,000	0	1	0	1
£90,001 to £95,000	0	0	0	0
£95,001 to £100,000	2	2	2	1
£100,001 to £105,000	1	1	1	1
£105,001 to £110,000	0	0	0	0
£110,001 to £115,000	1	0	1	0
£140,001 to £145,000	1	1	1	1
Total	**15**	**13**	**15**	**12**

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.

2013/14

Senior Officer Remuneration	Salary, Fees and Allowances £000	Expenses Allowances £000	Compensation for loss of Office £000	Pension Contribution £000	Total £000
Chief Executive (Richard Parry Jones) *	153	2	0	32	187
Deputy Chief Executive	114	0	0	26	140
Director (Lifelong Learning)	99	2	0	22	123
Director (Sustainable Development)	99	1	0	22	122
Head of Function (Resources)	80	1	0	18	99
Director (Community)	99	0	0	22	121
Head Of Function – Legal & Administration	72	1	0	16	89
Head of Human Resources	61	0	0	14	75
Head of Service (Housing)	60	1	0	14	75
Total	**837**	**8**	**0**	**186**	**1,031**

* Note: Within the Chief Executive' salaries fees and allowances payment includes Returning Officer payment of £12,000

.

Comparative figures for 2012/13 are shown in the following table

Senior Officer Remuneration	Salary, Fees and Allowances £000	Expenses Allowances £000	Compensation for loss of Office £000	Pension Contribution £000	Total £000
Chief Executive (Richard Parry Jones)**	144	2	0	31	177
Deputy Chief Executive – Appointed 02/07/2013	85	0	0	19	104
Director (Lifelong Learning) – Appointed 02/07/2013	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 28/08/2013	59	0	0	13	72
Head Of Function – Legal & Administration	72	0	0	16	88
Total	**551**	**5**	**0**	**121**	**677**

** Note: Within the Chief Executive' salaries fees and allowances payment includes Returning Officer payment of £3,000

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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14 £000	2012/13 £000
£0 - £20,000	23	14	3	2	26	16	172	67
£20,001 - £40,000	0	5	1	4	1	9	23	258
£40,001 - £60,000	1	1	0	3	1	4	45	182
£60,001 - £80,000	0	1	0	1	0	2	0	134
£80,001 - £100,000	0	0	1	0	1	0	90	0
£200,000 - £250,000	0	1	0	0	0	1	0	244
Total	**24**	**22**	**5**	**10**	**29**	**32**	**330**	**885**

This amount is included in the total cost of £1.458m charged to the Comprehensive Income and expenditure account for 2013/14. The difference is the cost of a further 66 employees leaving during 2014 /15.

NOTE 36 – EXTERNAL AUDIT FEES

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

	2013/14 £000	2012/13 £000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	193	155
Fees payable to the Wales Audit Office in respect of statutory inspections	169	170
Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns for the year	145	143
Fees payable to Wales Audit Office in respect of other services	0	4
Fees payable to PricewaterhouseCoopers LLP for other work as appointed auditor	8	0
Total	**515**	**472**

NOTE 37 – GRANTS INCOME

The Council Credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	Note	2013/14 £000	2012/13 £000
Credited to Taxation and Non Specific Grant Income			
Council Tax Reduction Scheme Grant	14	5,166	n/a
Revenue Support Grant (Non-ring-fenced Government Grants)	14	73,036	73,544
Capital Grants and Contributions (Capital Grants and Contributions)	14	8,373	8,518
Grant - Major Repairs Allowance (Capital Grants and Contributions)	14	2,600	2,600
Other (Non-ringfenced Government Grants)	14	1,268	729
Total		**90,443**	**85,391**
Credited to Services			
Grants:			
Council Tax Benefit Granted		0	5,218
Post 16 Grant (Education)		3,205	3,383
Foundation Phase Grants (Education)		2,385	2,255
Concessionary Fares Grant		734	664
Housing Benefit Subsidy		18,794	18,459
Supporting People Grant (SPG & SPRG)		3,052	2,859
Sustainable Waste Management		1,722	1,715
Total		**29,892**	**34,553**
Other Grants:			
Central Services		121	0
Cultural and Related Services		467	612
Children and Education Services		3,614	4,305
Highways and Transport Services		1,190	2,451
Other Housing Services		455	801
Adult Social Care Grants		1,217	1,353
Planning and Development		3,868	2,400
Environmental Services		412	132
Corporate and Democratic Core		798	819
Trading Operations		0	117
Total		**12,142**	**12,990**
Contributions:		**9,802**	**9,285**
Total		**142,279**	**142,219**

Capital Grants Received in Advance

	2013/14 £000	2012/13 £000
Opening balance	71	144
Add: new capital grants received in advance (condition of use not met)	11,285	9,953
Capital Grants Repaid	0	(75)
Less: amounts released to the Comprehensive Income and Expenditure Account (conditions met)	(11,068)	(9,951)
Closing Balance	**288**	**71**

NOTE 38 – RELATED PARTIES

The Council appoints members to certain public, charitable and voluntary bodies. During 2013/14, a total of £4.407m was paid in grants for the purchase of services from these bodies (£4.861m 2012/13). The Council has assessed the materiality of individual transactions arising through related parties and the following disclosures are concerned with transactions between the Council and the related party that have a value in excess of £0.02m:

The Council is a member of the Welsh Local Government Association, to which subscriptions of £0.069m was paid in 2013/14 (£0.069m 2012/13).

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 £0.240m was paid by the Council in 2013/14 in relation to these interests (£0.783m 2012/13).

- Councillor F M Hughes – Husband a director of Huws Gray builders' merchant, and the value of payments made to the company in 2013/14 was £0.166m (£0.161m 2012/13).

- Councillor G Winston Roberts O.B.E. – payments of £0.047m to Parys Training, which is owned by Councillor Winston Roberts (£0.104m 2012/13)

This declaration relates to Councillors who were acting in their capacity as elected Members of the Authority irrespective of whether this related to part, or all of the financial year. The value of the payments made relate to full year costs.

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. Note14 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 2013/14 to BCUHB amounted to £1.020m, and no further amounts were owed at year-end. Receipts taken in by the Council from BCUHB came to £2.174m with £0.895m due from our related party at year-end.

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

INTERESTS IN COMPANIES

The Council has a 50% interest in one company (Cwmni Cynnal Cyf) and the other member is Gwynedd Council:-

Cwmni Cynnal Cyf

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

The company accounts for 2012/13 show a net income of £0.286m (£0.516m in 2011/12). The turnover for 2012/13 was £5.766m (£5.910m 2011/12). The company's published accounts show net assets of £1.395m as at 31 March 2013 (net assets £0.415m 2011/12).

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 2013 is not qualified. During 2013/14 financial year, the Council accounted for £1.133m costs relating to purchase of services from the company.

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

Welsh Joint Education Committee - WJEC CBAC Limited

The Council is a member of WJEC CBAC Limited, a charitable company whose members are the 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 2013/14 financial year, the Council accounted for £147,577 (£36,000 2012/13) for purchase of services from the company.

The Company accounts for 2012/13 (that is to year ending 30 September) show a net positive movement in funds of £3.06m (net positive movement in funds of £3.98m 2011/12). The turnover for 2012/13 was £39.90m (£40.67m 2011/12) and net assets totalled £22.53m as at 30 September 2013 (£19.47m as at 30 September 2012).

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 2013 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 2014. 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 2013/14 financial year the Council accounted for £1.071m of payments to the company in support of the activities (£1.360m 2012/13).

The company accounts for the financial year ended 31 December 2012 shows net income after tax of £0.053m (net income of £0.068m 2011). The turnover for 2012 was £5.436m (£5.526m 2011) and net assets totalled £1.013m as at 31 December 2012 (£1.049m 2011).

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 2012 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 that are stated on the school’s balance sheet at £0.667m (£0.674m at 31 March 2013) on a combination of valuation and historical cost, less depreciation. The non-current assets are vested in the school’s Governing Body and are not consolidated in this Council’s balance sheet.

NOTE 39 - TRUST FUNDS

The Council acts as trustee for a number of trust funds. Their accounts are available from the 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:

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

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

In 2013/14 the Council received £0.215m (£0.230m 2012/13) 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 Fund (Reg. No. 525254)

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

On 31 March 2014 the balances of these Trust funds (at market value of the assets) are:-

Pre Audited Statement Summaries	2013/14 Income £000	2013/14 Expenditure £000	2013/14 Assets £000	2013/14 Liabilities £000
Isle of Anglesey Charitable Trust (*)	1,176	438	20,816	1,941
Welsh Church Fund (**)	15	19	815	14
Anglesey Further Education Trust Fund (***)	85	160	1,764	0

Restated - Audited Statements	2012/13 Income £000	2012/13 Expenditure £000	2012/13 Assets £000	2012/13 Liabilities £000
Isle of Anglesey Charitable Trust (*)	2,202	342	19,640	1,504
Welsh Church Fund (**)	16	18	536	11
Anglesey Further Education Trust Fund (***)	81	88	1,838	0

(*) 2012/13 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 £0.236m as at 31 March 2014 (£0.213m as at 31 March 2013).

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 2013/14, the Council paid £2.99m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.17% of pensionable pay (£3.1m and 14.2% 2012/13). In addition, payments relating to enhancements for early retirement etc. made on a pay-as-you-go basis amounted to £NIL (£0.006m 2012/13). 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.

a) Transactions Relating to Post –Employment Benefits

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

	2013/14 £000	2012/13 restated £000
Service cost comprising:		
Current service cost	9,996	4,160
Losses on settlements or curtailments	76	243
Total Service cost	**10,072**	**4,403**
Financing and Investment Income and Expenditure		
Interest cost on defined benefit obligation	12,275	11,093
Interest Income on scheme Assets	(8,596)	(8,077)
Total Post employment benefits charged to the Surplus or deficit on Provision of Service	**13,751**	**7,419**
Return on Plan Assets (excluding amounts included in net interest expense)	489	(13,296)
Actuarial losses arising on changes in demographic assumptions	5,528	30,544
Actuarial gain and losses arising on changes in financial assumptions	0	0
Other	0	23
Total re-measurement of net defined benefit liability comprising	**6,017**	**17,271**
Total Post employment benefits charged to the Comprehensive Income and Expenditure	**19,768**	**24,690**
Reversal of net charges made for retirement benefits in accordance with the code	5,101	(983)
Actual amount charged against the Council Fund balance for pensions in the year:		
Employers' contributions payable to scheme	8,650	8,402
Total Post employment benefits charged to the Surplus or deficit on provision of Services	**13,751**	**7,419**

b) Pension Assets and Liabilities recognised in the Balance Sheet

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP and independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2014.

Amounts included in the Balances sheet arising from the Authority's obligation in respect of its defined benefit plan is as follows:	31 March 2014 £000	restated 31 March 2013 £000
Present Value of Scheme Assets	199,636	190,773
Present Value of Scheme Liabilities	(290,788)	(270,807)
Net liability arising from defined obligation	**(91,152)**	**(80,034)**

c) Reconciliation of Present Value of the Scheme liabilities

	2013/14 £000	2012/13 restated £000
Balance as at 1 April	**270,807**	**230,971**
Current service cost	9,996	4,160
Interest cost	12,274	11,092
Contributions from scheme participants	2,058	2,057
Re-measurement (gain) and losses		
Actuarial losses) arising from changes in demographic assumptions	5,529	30,544
Actuarial losses arising from other	0	23
Past service costs	0	0
Losses on curtailments	76	243
Liabilities assumed in a business combination	0	0
Liabilities extinguished on settlement	0	0
Estimated unfunded benefits paid	(1,042)	(1,031)
Estimated benefits paid	(8,910)	(7,252)
Balance as at 31 March	**290,788**	**270,807**

Reconciliation of present value of the scheme assets:

	2013/14 £000	2012/13 restated £000
Opening Fair Value of Scheme Plan Assets as at 1 April	**190,773**	**167,224**
Interest Income	8,596	8,077
Return on planned assets (excl. net interest expense)	(489)	13,296
Contributions by members	2,058	2,057
Contributions by employer	7,608	7,371
Contributions in respect of unfunded benefits	1,042	1,031
Unfunded benefits paid	(1,042)	(1,031)
Benefits paid	(8,910)	(7,252)
Balance as at 31 March	**199,636**	**190,773**

ch) Fair Value of Plan Assets
The Council's Pension Scheme assets comprise:

	2013/14 Prices Quoted in Active Markets £000	2013/14 Prices not quoted in Active Markets £000	2012/13 Prices Quoted in Active Markets £000	2012/13 Prices not quoted in Active Markets £000
Cash and cash equivalents	4,864		4,219	
Equity investment (by industry type)				
Consumer	3,737		2,269	
Financial Institutions	1,668		3,205	
Energy and utilities	4,779		5,786	
Health and care	8,847		9,619	
Information technology	5,570		2,989	
Other	9,107		9,190	
Private Equity investments		9,554		9,392
Equities	44,780	58,485	4,247	58,706
Bonds		29,673	38,500	25,212
Infrastructure		881		
<u>Real Estate</u>				
UK Property		17,181		16,361
Overseas property		510		588
Derivatives				
Inflation				490
Total Value – All Assets	83,352	116,284	80,024	110,749
Total Value of Active and Non Active Assets		**199,636**		**190,773**

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 2014	31 March 2013
Cash and cash equivalents	2%	2%
Equity investment (by industry type)		
Consumer	2%	1%
Energy and utilities	2%	3%
Financial institutions	1%	2%
Health and care	4%	5%
Information technology	3%	2%
Other	5%	5%
Equity investments	5%	5%
Investment Funds and Unit Trust		
Equities	52%	33%
Bonds	15%	33%
Infrastructure	<1%	<1%
Real Estate		
Property	9%	9%
Overseas property	<1%	<1%
Total	**100%**	**100%**

d) Scheme History

Analysis of scheme assets and liabilities

	31 March 2014 £000	31 March 2013 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Fair Value of Assets in pension scheme	199,636	190,773	167,224	165,562	175,644
Present Value of Defined Benefit Obligation	(290,788)	(270,807)	(230,971)	(212,134)	(311,535)
Deficit in the Scheme	**(91,152)**	**(80,034)**	**(63,747)**	**(46,572)**	**(135,891)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The present value of defined benefit obligations of £290.8m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £91.1m.

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.

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dd) The Significant Assumptions used by the actuary have been:

	2013/14	2012/13
Mortality assumptions:		
Longevity at 65 current pensioners:		
Men	22.0 years	20.5 years
Women	24.0 years	23.0 years
Longevity at 65 for future pensioners:		
Men	24.4 years	23.3 years
Women	26.6 years	25.6 years
Inflation/Pension Increase Rate	2.8%	2.8%
Salary Increase Rate	4.6%	5.1%
Expected Return on Assets	4.3%	4.5%
Rate for discounting scheme liabilities	4.3%	4.5%
Take-up of option to convert annual pension into retirement lump sum:		
Service to April 2008	50.0%	50.0%
Service post April 2008	75.0%	75.0%

e) Sensitivity Analysis

The sensitivity analysis is based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in previous years. The sensitivities regarding the principle assumptions used to measure the schemes liabilities are set out below:

Change in assumptions as at 31 March 2014	Approximate% increase to employer	Approximate Monetary Amount £'000
0.5% decrease in real discount rate	10%	30,160
1 year increase in members life expectancy	3%	8,724
0.5% increase in the salary increase rate	4%	10,652
0.5% increase in pension increase rate	7%	18,926

f) Impact on the Authority's Cash Flows

The objective of the scheme is to keep employers' contributions at a constant a rate as possible. The Council has a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed 31 March 2016.

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

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

The liabilities show underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The net liability of £91.52m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

ff) Estimated contributions to be paid to Gwynedd Pension Fund in 2014/15

The Council anticipates paying £7.5m contribution to the scheme in 2014 /15. The weighted average duration of the defined benefit obligation for scheme members is 17.9 years.

The amount outstanding to Gwynedd County Council in respect of the LGPS contributions for 2013/14 as at 31 March is £0.796m and is included in the short term creditors' disclosure note.

NOTE 42 – CONTINGENT LIABILITIES

Equal Pay, Single Status and Job Evaluation

The Council is the subject of a number of equal pay claims from current and former employees that have been lodged with the Council. The Council intends to defend these claims. However, the final amount that will be payable is 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. Whilst a number of cases have been settled, the total potential liability is difficult to quantify whilst there is a sum set aside in an earmarked reserve for such repayments, it is unclear at this stage to total liability.

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 contract 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.

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 2014 there were 143 such properties and it was estimated that the maximum amount that might potentially be received was approximately £9.4m (£9.4m 2012/13). 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 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Investments				
Loans and receivables	0	0	0	10,101
Cash balances				
Bank deposits	0	0	11,498	5,834
Total cash and investments	**0**	**0**	**11,498**	**15,935**
Debtors				
Loans and Receivables	460	433	8,337	8,098
Total Debtors	**460**	**433**	**8,337**	**8,098**
Borrowings				
Financial Liabilities at Amortised Cost	89,583	89,590	6,850	11,977
Total Borrowings	**89,583**	**89,590**	**6,850**	**11,977**
Creditors				
Financial Liabilities at Amortised Cost	0	0	12,567	11,563
Total Creditors	**0**	**0**	**12,567**	**11,563**

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;

	2013/14			2012/13		
	Financial Liabilities measured at cost less accumulated amortisation	Financial Assets Loans and receivables	Total	Financial Liabilities measured at cost less accumulated amortisation	Financial Assets Loans and receivables Restated	Total
	£000	£000	£000	£000	£000	£000
Interest expense	5,274	0	,5,274	5,316	0	5,316
Total expense in Surplus or Deficit on the Provision of Services	**5, 274**	**0**	**5,274**	**5,316**	**0**	**5,316**
Interest income	0	(185)	(185)	0	(284)	(284)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(185)**	**(185)**	**0**	**(284)**	**(284)**
Net gain/(loss) for the year	**5,274**	**(185)**	**5,089**	**5,316**	**(284)**	**5,032**

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 2014 of 2.18% to 4.32% for loans from the Public Works Loans Board (PWLB) based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 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:

2013/14

		2013/14 Outstanding Principal £000	2013/14 Accrued Interest £000	2013/14 Cost less accumulated amortisation £000
>25 years		60,514	0	60,514
15-25 years		2,187	0	2,187
10-15 years		2,638	0	2,638
5-10 years		13,707	0	13,707
2-5 years		10,529	0	10,529
1-2 years		8	0	8
Total Long Term Borrowing		**89,583**	**0**	**89,583**
Total Short Term Borrowing	**(< 1 year)**	**7**	**1,681**	**1,688**

2012/13

		2012/13 Outstanding Principal £000	2012/13 Accrued Interest £000	2012/13 Cost less accumulated amortisation £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**

The fair values calculated are as follows:-

	31 March 2014		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	94,629	115,177	99,627	126,953
Long term creditors	59	59	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 2014		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	11,958	12,015	16,368	16,482

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 2014) 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 2014 £000	Historical Experience of default %	Estimated Maximum Exposure 2013/14* £000	Estimated Maximum Exposure 2012/13 £000
Banks and financial institutions (Non National)	2,546	0	0	0
UK Nationalised / Part Nationalised Banks	8,952	0	0	0
UK Local Authorities	**0**	**0**	**0**	**0**
Trade Debtors under 1 year	**3,146**	**10**	**315**	**287**
Trade Debtors between 1-2 years	**435**	**20**	**87**	**81**
Trade Debtors between 2-6 years	**837**	**30-70**	**419**	**468**
Trade Debtors 6+ years	**138**	**100**	**138**	**214**
Total Trade Debtors	**4,556**		**959**	**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 Statement refer to the full amount due to the Council from all sources, including government grants, council tax and business rates, which are collected separately from sundry debtors.

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

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

	31 March 2014 £000	31 March 2013 £000
Less than six months	2,617	2,453
Six months to one year	529	416
More than one year	1,410	1,566
Total	**4,556**	**4,435**

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 76.

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	2013/14 £000	2012/13 £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	231	285
Share of overall impact paid to the Housing Revenue Account	10	8
Net impact on the Comprehensive Income and Expenditure Account	**241**	**293**

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 1.323m Euro (1.219m Euro in 2012/13): equivalent to £1.093m (£1.035m in 2012/13).

NOTE 46 - JOINT COMMITTEES

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

- Joint Planning Committee
- Special Educational Needs Joint Committee

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

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

	Joint Committee - GwE		Joint Planning Committee		Special Educational Needs Joint committee	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Short-term debtors	1,041	0	45	107	311	189
Short-term creditors	(440)	0	(45)	(107)	(34)	(24)
Net Assets		**0**	**0**	**0**	**277**	**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 2013/14 with payments against this sum amounting to £2.060m of which £160k was allocated to this Council. In 2012/13 £1.847m was received from the Welsh Government of which £0.301m was allocated to this Council.

NOTE 48 – COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the Council and the North Wales Police for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The Council Tax base for 2013/14 was £29,662.00 (£29,856.38 2012/13).

The amount for a band D property in 2013/14, £1,194.14 (£1,139.68 2012/13) 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	3,901	5,885	5,866	6,517	4,923	2,320	974	141	42	30,584
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
Band "D" Equivalent	8.06	2,600.67	4,576.83	5,214.44	6,516.50	6,017.00	3,350.39	1,623.33	284.50	98.00	30,289.72

	2013/14	2012/13
Band D equivalent as above	30,289.72	30,179.55
Collection Rate	97.50%	98.50%
Revised Band D equivalent	29,532.48	29,726.86
MOD Properties – Band D equivalent	129.52	129.52
Council Tax Base for 2013/14	**29,662.00**	**29,856.38**

In 2013/14 the Welsh Assembly Government introduced the Council Tax Reduction Scheme to replace the Council Tax benefit scheme. This was partly funded by Council Tax Reduction Scheme grant of £5.166m (see note 14).

Analysis of the net proceeds from Council Tax:	2013/14 £000	2012/13 £000
Gross Council Tax	**35,739**	33,939
Less Council Tax Reduction awarded to residences	(5,394)	0
Council Tax collectable	**30,345**	33,939
Less: provision for non-payment not previously accounted for	(362)	(67)
Net Proceeds from Council Tax	**29,983**	**33,872**

NOTE 49 – NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate – 46.2p in 2013/14 (45.2p 2012/13), 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 £9.651m for 2013/14 (£14.606m 2012/13) and was based on rateable value at the year-end of £38.727m (£40.292m 2012/13). During 2013/14 NNDR income was considerably reduced due to:-

- a significant reduction in the rateable value of a large energy hereditament that also saw a backdating of the reduction over previous years; and
- a significant award of part occupancy relief to a large industrial plant which is now only partly occupied

The average rateable value for the year was £39.103m (£41.793m 2012/13).

Analysis of the net proceeds from non-domestic rates:	2013/14 £000	2012/13 £000
Non – domestic rates collectable	9,651	14,606
Cost of collection allowance	(142)	(143)
Interest paid on overpayments	0	1
Provision for bad debts	(181)	(133)
Contribution to cost of charitable relief/rural rate relief	55	68

Payments into national pool	**9,383**	**14,399**
Redistribution from national pool	22,025	18,787

SUPPLEMENTARY FINANCIAL STATEMENT
HOUSING REVENUE ACCOUNT

Income and Expenditure Statement for the year ending 31 March 2014

	2013/14 £000	2012/13 £000
Income		
Gross Rent Income:		
-Dwelling rents	(13,022)	(12,413)
-Non Dwelling rents	(198)	(184)
-Charges for facilities and services	(54)	(20)
-Contributions towards expenditure	(63)	(428)
Other	(147)	(71)
Total Income	**(13,484)**	**(13,116)**
Expenditure		
Repairs and Maintenance	4,577	3,331
Supervision and Management:		
-General	2,100	1,753
-Special	805	634
Rents, Rates and Taxes	72	104
Housing Revenue Account Subsidy payable	1,696	1,888
Depreciation and Impairment of Non Current Assets	5,664	5,324
Debt Management Costs	15	15
Allowance for Bad Debts	245	46
Total Expenditure	**15,174**	**13,095**
Net Cost of HRA Services	**1,690**	**(21)**
Accumulated absences accrual movement	7	(11)
Net Cost of HRA Services per Comprehensive Income and Expenditure Statement	**1,697**	**(32)**
HRA Services Share of Corporate and Democratic Core	56	55
Net Cost of HRA Services	**1,753**	**23**
Loss on sale of HRA Non Current Assets	109	8,065
Interest Payable and Similar Charges	1,202	1,296
HRA Investment Income	(8)	(8)
Capital grants and contributions receivable	(2,600)	(2,600)
Deficit for Year on HRA Services	**456**	**6,776**

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

	2013/14 £000	2012/13 £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	(13)	(31)
Depreciation and Impairment of Non Current Assets	(5,664)	(5,324)
Accumulated absences accrual	(7)	11
Loss on sale of HRA Non Current Assets (including derecognition)	(109)	(8,065)
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	**(5,793)**	**(13,409)**
Transfer to reserves	2,643	3,616
HRA Minimum Revenue Provision	1,017	782
Employer's contributions payable to the Gwynedd Pension Fund and retirement benefits payable direct to pensioners	0	0
Capital expenditure funded by the HRA	488	2,000
	4,148	**6,398**
Net additional amount required by statute to be credited to the HRA Balance for the year	**(1,645)**	**(7,011)**

Note to the Statement of Movement on the HRA balance

	2013/14 £000	2012/13 £000
Deficit for Year on HRA services	456	6,776
Net additional amount required by statute to be credited to the HRA	(1,645)	(7,011)
Increase in HRA Balance	**(1,189)**	**(235)**
HRA Account Balance B/Fwd	(482)	(247)
HRA Account Balance C/Fwd	**(1,671)**	**(482)**

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 2013/14, the Council sold 3 dwellings under the Right-to-Buy Scheme (see note 5). The number of dwellings in the Council's housing stock, as at 31 March 2014, totalled 3,802 properties. With the split by type of dwelling made up as follows:

	31 March 2014	31 March 2013
Council Owned Stock		
Houses	2,030	2,033
Bungalows	1,044	1,044
Flats	721	721
Bedsits	7	7
Total Council Owned	**3,802**	**3,805**

NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2013/14 £000	2012/13 £000
Capital investment		
Houses	3,169	8,751
	3,169	**8,751**
Sources of funding		
Unsupported borrowing	0	(4,121)
Capital Receipts	(81)	(30)
Government grants and other contributions	(2,600)	(2,600)
Direct Revenue Financing	(488)	(2,000)
Total	**(3,169)**	**(8,751)**

The Major Repairs Allowance for 2013/14 of £2.6m was used in full during the year (£2.6m 2012/13).

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

	2013/14 Impairments £000	2013/14 Depreciation £000	2013/14 Total £000	2012/13 Impairments £000	2012/13 Depreciation £000	2012/13 Total £000
Land	0	0	0	0	0	0
Dwellings	2,969	2,565	5,534	2,534	2,660	5,194
Other Property - Operational Assets	0	130	130	0	130	130
	2,969	**2,695**	**5,664**	**2,534**	**2,790**	**5,324**

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

	2013/14 No. of Sales	2013/14 £000	2012/13 No. of Sales	2012/13 £000
Council dwellings				
Right to Buy	3	189	2	126
Discounts repaid		0		0
Other Receipts				
Land sales	0	0	0	0
Other property sales				
Mortgage Property		33		0
		222		**126**
Less set aside		(141)		(8)
		81		**118**

NOTE 6 – HOUSING SUBSIDY

In 2013/14, the Council paid housing subsidy to the Welsh Government of £1.696m (£1.888m 2012/13).

NOTE 7 – RENT ARREARS AND BAD AND DOUBTFUL DEBTS

Rent arrears at 31 March 2014 stood at £0.759m (£0.757m as at 31 March 2013). This excludes prepayments of £0.174m at 31 March 2014 (£0.135m as at 31 March 2013).

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £0.428m against rents (£0.458m in 2012/13).

NOTE 8 – PENSION COSTS

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

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

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	2013/14 £000	2012/13 £000
Current Service Cost	(195)	(169)
Employer Contributions actually paid	195	169
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.

APPENDIX 1

RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS

Third Party Organisations	Stakeholder representation
Age Concern Gwynedd and Anglesey	Jim Evans
Anglesey Access Group	Robert G Parry OBE
Anglesey CAB	Robert Llewelyn Jones
Anglesey Community Health Council	Ann Griffith & Jeffrey M Evans
Area of Outstanding Natural Beauty Joint Advisory Committee (Ynys Môn)	Lewis Davies, Richard A Dew, Derlwyn Rees Hughes, Victor Hughes & J Arwel Roberts
Betsi Cadwaladr Stakeholder Reference Group	Kenneth P Hughes
Carers' Champion	Llinos Medi Huws
Court of Governors, University of Wales, Bangor	Ieuan Williams
Cwmni CYNNAL AGM	Alwyn Rowlands
Cwmni Fran Wen	R Meirion Jones
Cymdeithas Tai Eryri	Kenneth P Hughes
CYNNAL Management Committee	R Meirion Jones & Ieuan Williams
Gofal a Thrwsio Môn Management Committee	Kenneth P Hughes & Alun Wyn Mummery
Grwp Llandrillo/Menai	Ieuan Williams
Gwynedd and Anglesey Youth Justices Service	Ieuan Williams
Gwynedd Liaison Committee (Superannuation Fund)	Hywel Eifion Jones
Gwasanaeth Effeithiolrwydd a Gwella Ysgolion Rhanbarthol (GwE)	Ieuan Williams
Horizon Nuclear Project Liaison Group	John Griffith, Kenneth P Hughes, William Thomas Hughes, Llinos Medi Huws, Aled Morris Jones, Richard Owain Jones & Dafydd Rhys Thomas
Joint Council for Wales	John Griffith
Joint Local Service Board (Anglesey and Gwynedd)	Ieuan Williams
Leader for Adult's Safeguarding	Kenneth P Hughes
Medrwn Môn	Ieuan Williams
Member Board of the Consortium of Local Authorities in Wales (CLAW)	Richard A Dew & Kenneth P Hughes
Menai Strait Fishery Order Management Association	NONE
Menter Môn	Aled Morris Jones
North and Mid Wales Trunk Road Joint Committee	Richard A Dew & Victor Hughes
North Wales Economic Forum	Aled Morris Jones & Ieuan Williams
North Wales Fire and Rescue Authority	Lewis Davies, Jim Evans & Jeffrey M Evans
North Wales Fire and Rescue Authority Audit Committee	Jim Evans
North Wales Fire and Rescue Authority Executive Panel	Lewis Davies & Jeffrey M Evans
North Wales Housing Association	Kenneth P Hughes
North Wales Police and Crime Panel	William Thomas Hughes
North Wales Regional Waste Plan Review Steering Group	J Arwel Roberts
North Wales Residual Waste Treatment Joint Committee	Richard A Dew & J Arwel Roberts
North Wales Tourism Partnership	Aled Morris Jones
Special Educational Needs Joint Committee	Gwilym O Jones (Chair person), Trefor Lloyd Hughes, Llinos Huws,R Meirion Jones,R Llewelyn Jones, Derlwyn Hughes

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

GLOSSARY

ACCOUNTING PERIOD
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 polices 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 form 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.

ANNUAL GOVERNANCE STATEMENT – 2013-14

1 BACKGROUND

This is the first Governance Statement for the Council elected on new wards in May 2013 at the end of a period of government intervention. It sets out the governance arrangements in place for the year focusing on those current significant governance issues in relation to the authority achieving its vision. It highlights changes made during the year and includes a brief evaluation where weaknesses or significant improvements are identified.

Aspects of the Council's governance arrangements had been strengthened and modernised in recent years across a number of governance themes, and these were then incorporated in the Transformation Plan for the authority which was adopted in January 2013 setting out the agenda for its work up to 2016. It was designed as a programme of change driven by the Council itself.

The Vision for the Council is that by 2016:

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

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

"In doing so, we will –

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

The six key themes supporting the vision are:

- **Professional and Well Run**
- **Innovative, Ambitious and Outward Looking**
- **Customer, Citizen and Community Focused**
- **Valuing and Developing our People**
- **Committed to Partnership**
- **Achieving**

The Governance Statement assesses the arrangements against the six principles of governance:

Focusing on the purpose of the authority and on outcomes for the community and creating a vision for the local area
Members and officers working together to achieve a common purpose with clearly defined functions and roles
Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour
Taking informed transparent decisions which are subject to effective scrutiny and managing risk
Developing the capacity and capability of Members and Officers to be effective
Engaging with local people and other stakeholders to ensure robust accountability

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 2014 and remains applicable up to the date of the approval of the Statement of Accounts. Where new arrangements have been introduced during the year 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 2013-14 financial year.

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

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

The Council's Corporate Plan 2012-15 continued to guide the work of the Council until the Corporate Plan (2013-17) for the new Council was adopted in December 2013. Wales Audit Office (WAO) reported that the Plan describes the Council's priorities succinctly and clearly and explains how the priorities reflect the views of the public as well as those of the Council and other partners. The Transformation Plan, which was key to the governance improvements of 2013, continues to support the transformation of the Authority to achieve its Vision and priorities. Whilst the strategic aspects are embedded in the new Corporate Plan other aspects guide and help prioritise the work of the Authority's Transformation Boards.

The Single Integrated Strategic Plan developed under the oversight of the Local Services Board was in place by 1 April 2013 as required, superseding the Community Strategy and the strategies for Health, Social Care and Wellbeing; Children; and Community Safety. A Joint Local Services Board is now in place for Anglesey and Gwynedd and the Single Integrated Plans of both council areas are being merged to provide renewed focus on the main priorities for joint action.

An annual budget and high level Medium Term Revenue Budget Strategy was approved in March 2013 and updated in February 2014 following public consultation. Budget cuts continue to be applied across the Council's services. The budget process included discussion in the public domain on the adequacy of reserves; robustness of estimates and treasury management arrangements as required. Little progress was made during the year on the Medium Term Financial Strategy, which still needs to be developed. Work has also commenced on an Efficiency Strategy to identify and confirm the savings which are required to achieve a balanced budget. The continuing cuts to funding and increasing demand for services and for increased performance provide a significant challenge to focus on what is really important.

The Statement of Accounts were published with an unqualified audit opinion at the end of September 2013. The auditor's Annual Audit Letter highlighted an error in producing the draft accounts which had led to a material misstatement, subsequently corrected, and proposed improvements for the current year.

An Improvement Plan (Performance Review) report was approved by the County Council in October 2013. The Plan looked back to assess how we performed against the priorities and targets as set out in our 2012-13 Corporate Business Plan. This was assessed by WAO in its Improvement Assessment Letter as the Council having discharged its improvement reporting duties under the Measure and having acted in accordance with Welsh Government guidance. A Corporate Self-Assessment workshop was held in July 2014 and the results are being incorporated in a Self-Assessment statement.

Partnership governance 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 as partnering and commissioning becomes more of a priority for the Council and a programme of work is planned. However, governance and scrutiny arrangements are in place for the new Joint Local Services Board and the related Joint Partnership Unit. A transformation plan is being developed to ensure that these arrangements are effective and that the partnership is making a positive contribution to the objectives of the constituent organisations.

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 was strengthened during the year although there is still room for improvement. Weaknesses in performance management and accountability had contributed to failings in both the Education and Children Services in recent years but it is now acknowledged that improvements in planning and accountability have improved the prospects for these key services. The good practices in these services will be extended to other areas of the Council.

A Performance Management Framework was in place throughout the year including quarterly score cards, half yearly challenges to Services and regular reports to the Executive and to Scrutiny. The framework continues to be developed to focus on self-assessment by Heads of Service, and on the key areas of risk and transformation. It is also focusing on improvements to reporting of workforce and financial information. During the autumn of 2013, a series of Service Reviews was undertaken which covered budgets and performance and which informed the budget process.

Financial Management arrangements were in place throughout the year, although there were recognised weaknesses in the old financial ledger and related systems which were used to close the 2012-13 accounts. The implementation of a new financial system which went live in April 2013 was intended to resolve these weaknesses but the implementation of the system led to delays and inaccuracies in the making and recording of some transactions. The effect was that there were gaps in financial controls and some non-compliance with system controls. Addition resource has been brought in to address the issues identified, the situation is being kept under review and an Action Plan is in place to resolve any outstanding issues.

The planned work on developing a commissioning strategy and updating procurement policies and procedures has been delayed. There are weaknesses of compliance and Value for Money relating to Procurement and a critical consultant's report was received during the year. An Improvement Programme for Procurement is underway.

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

Managing grant claims has been a weakness over a number of years and there was a large percentage of qualified claims for 2013. This area continues to be monitored by the Audit Committee. There is an action plan in place and new procedures are due to be issued.

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

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

Arrangements for committees and a scheme of delegation to officers and members are included in the Council's constitution. Significant changes have been made to the committee structure and to the scrutiny function over recent years, especially so in the run-up to the May 2013 elections to cater for the reduction in the number of members from forty to thirty and for multi member wards.

There is a new Relationship Protocol for Members and Officers and during 2013 a programme of work supported by the Welsh Local Government Association (WLGA) was implemented to help develop the Executive and the way members and senior officers work together; this includes the key roles of Leader and Chief Executive, and the Shadow Executive.

The Council's new senior management structure was completed during 2012. A review of the next tier of Head of Service was undertaken in 2013-14 and this led to a reduction of six posts at this level. The exercise was substantially complete in December 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 Council Business 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 is held to account in that role; and that the extended management team has an implementation role. The CFO and Monitoring Officer attend SLT meetings as required and are key members of the Heads of Service management team. They have ready access to the Chief Executive and the SLT and its individual members. The Executive has requested that the Chief Executive reviews the functions and composition of SLT.

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. Since January 2013, 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. The effectiveness of the protocol for committee papers has been reviewed, and was amended and implemented in February 2014.The effectiveness of these arrangements is being reviewed by management in autumn 2014.

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

Some corporate services were strengthened as part of the response to the Corporate Governance Inspection in 2009. During the year, as a result of the budget cuts, and difficulties in recruitment, a number of corporate services are now looking at ways of managing client demand to front line functions and is currently the subject of review by the Deputy Chief Executive.

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

A Pay Policy Statement has been adopted as required and this was reviewed and updated in March 2013 and 2014.

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

Key Theme: Professional and Well Run

The Corporate Plan for 2012-15 set out the Council's values and these became embedded in the Vision of the Transformation Plan and the Transformation Culture. The Six Key Themes underpin the corporate way of working and the importance of good governance is emphasised in the new Corporate Plan.

The Local Code of Corporate Governance was updated in September 2013.

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 in an annual report at the end of the year. There has been a history of complaints against council members, often by other members. The number of these complaints has reduced very significantly with no complaints upheld during the year, and the Chair of the Standards Committee refers to a huge improvement in standards within the council which has naturally lead to a reduction in conduct issues and complaints being raised.

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

Key Theme: Innovative, Ambitious and Outward Looking

The arrangements for delegation of Executive decisions to individual Members are becoming better understood across the Authority and guidance was reissued in August 2013 and its effectiveness will be reviewed by management in the autumn.

In 2012, the Council introduced new systems to ensure easy access to the Council's agendas, papers and minutes and from May 2013 members and the public have had the full benefit of access to committee papers and supporting information. Members 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 WAO 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 national report and guidance and an improvement plan is being put in place. From June 2013 the number of scrutiny committees has been reduced from five to two and the effectiveness of this change is being reviewed. The Deputy Chief Executive is working with Scrutiny to bring in a more corporate way of working, with a view to Scrutiny effectively adding value to service performance and to the Council achieving its objectives. A Working Group has been established to review the terms of reference of the Scrutiny Committees.

Risk Management arrangements have been developing over the last two years and the policies and guidance were reaffirmed and formally adopted in 2012. Arrangements continue to be embedded in services and corporately but progress is slow. Additional resources have been identified to support progress.

The management of change had been weak within the authority and project management not embedded. During 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. The effectiveness of the framework is being reviewed.

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. Internal Audit has undertaken sample testing of compliance and a report has been produced. Areas of service non-compliance were addressed corporately through an agreed Action Plan. The number of complaints to the Ombudsman were again relatively low and none were investigated.

The Council has recently updated and re-launched its Policy on Whistleblowing to comply with the new statutory legal test. The Policy has been given more prominence on the Council's website. However, it is acknowledged that there are deficiencies, namely a documented procedure is required, there is a need to increase awareness/training and to develop a centralised corporate database to capture the information and ensure that it is analysed and appropriately reported. It is proposed that there will shortly be training for middle managers through the Middle Managers Conference and that dealing with whistleblowing complaints will form part of the investigation skills training which is currently being arranged.

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

KeyTheme: Valuing and Developing our People

During the year, the Council achieved the Welsh Charter for Member Support and Development which has been developed by the WLGA and authorities to provide a guide, some impetus and recognition for authorities wishing to provide high standards of support for their members. Member job descriptions have been in place since 2012. Most members have completed personal development reviews. The Member Development Plan takes account of these reviews. 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. Job descriptions/person specifications and personal development reviews for elected Members have now been extended to include the seven coopted members of the Standards Committee. The job descriptions of the Executive members have been revised recently to take account of evolving issues. From 2014, members also prepare individual annual reports which are published on the Council website.

A Democratic Renewal Strategy was completed in preparation for the elections held in May 2013. This strategy contributed to increased participation and increased voter turnout. There are still concerns about lack of diversity of candidates and membership.

We have a People Strategy and Strategies for Workforce Development, Talent and Succession Planning and the Council has Investors in People accreditation. There was an induction programme in place for staff and managers throughout the year.

It had been planned that the Corporate Personal Development Review be further embedded and developed in the year. The scheme covers all staff including senior managers. As it turned out, the compliance rate was lower than in previous years, partly due to management changes. A target of 70% has been set to ensure a higher rate during 2014-15. Arrangements are being made to target training and development on a more consistent and focused basis, linked to appraisal, as budgets are reduced.

As a consequence of the priority afforded to completing the corporate Job Evaluation project, there has been less progress on developing the strategic HR plans. These strategies will be updated to incorporate the needs of the Transformation Plan and outcomes of the staff survey.

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

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

Key Theme: Customer, Citizen and Community Focused

The Community Engagement Strategy produced in 2011 was still in place during the year 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 Charter and by the Corporate Communication Strategy. Effective public consultation was achieved as part of the corporate planning and budget setting processes as well as in developing strategies for future delivery of key services. 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 as consultees in the future. The Council is working closely with Menter Mon via the Local Voices project to optimise consultation opportunities.

Arrangements for engagement with groups of stakeholders are in place and include a Community Council Charter and a Voluntary Sector Compact.

The Council conducted a surveys of its residents in 2012 but is now using the results of the National Survey for Wales to obtain feedback on a comparable basis annually across Welsh authorities. The 2014 survey shows that 59% of Anglesey respondents agree that the Council provides high quality services. This rate is higher than the average for Wales and is a significant improvement on last year (48%). The Survey also showed that slightly more respondents agree than disagree that the Council is good at letting people know how it is performing – also better than average and a significant increase on last 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 is in place for 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.

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

The Council's first staff survey for some years attracted a response rate of 32% and results were encouraging. Of those staff who responded, most (71%) are proud to work for the Council and 75% are satisfied with the Council as an employer. 89% of staff enjoy their work most of the time and 85% are satisfied with their job.. The survey has highlighted that work needs to be done at all levels to make staff feel valued, to communicate and consult better on major issues affecting staff and to inform them about decisions taken which affect Anglesey as a whole.

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 review of progress against the Transformation Plan;
- a review of the six themes which underpin the authority's values
- reviews of feedback from Estyn and CSSIW and the related recovery boards on the improvement work in relation to Education and Children's Services;
- a series of interviews with key officers;
- discussion with, and receiving comments from, groups of officers and members including the SLT and the Executive.

Regular in-year review and monitoring includes:

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

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

In July, a Corporate Self-Assessment workshop was conducted by Senior Members and Officers, based on the evidence collected for this Governance Statement and the Annual Performance Report and other information. The results of the self-assessment will be consulted on and made available to staff and stakeholders. It has also informed this Statement and the related Action Plans.

The Audit Committee was asked for views on the effectiveness and completeness of the assurance and governance 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

Good progress was made across a number of governance themes during the year leading to an Annual Improvement Report (AIR) from Wales Audit Office concluding "that the Council is likely to make arrangements to secure continuous improvement for 2014-15. [they] found that:

- "the Council made steady progress in delivering improvements in most of its priority areas for 2012-13 but further improvements are required in some key services.";
- "more thorough and consistent procedures and developing governance arrangements have strengthened the Council's ability to evaluate and improve services."; and
- "if delivered effectively, the Council's plans for improvement and its arrangements to support improvement should help it to meet the financial and other challenges that lie ahead.."

They also made a proposal that "To make progress and achieve the objectives of the Transformational Plan, the Council should:

- secure sufficient capacity, capability and stability in its corporate finance service; and
- identify and improve weaknesses in the management of the financial ledger system."

The report of the Head of Internal Audit gives assurance on the framework for internal control. It identifies one review carried out during the year which received a "red" assurance opinion. This review related to Creditor Payments made through the new CIVICA system which went live at the beginning of the year, and identified some control gaps and some non-compliance with system controls. Reports on another two financial systems based on CIVICA (debtors and ledger) were given a red/amber assurance for similar reasons. The report of the Head of Internal Audit also identifies five 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; and
- System Implementations, especially with regard to replacement of key financial systems.

Good progress was made on a number of the actions identified in the 2012-13 Annual Governance Statement as Significant Issues:

- We established Transformation Programme Boards; a Corporate Programme Management Office and related governance arrangements;
- Progress has been made in the management of data security and information assets, but there is still more to do;

but progress was slower on planning for and delivering the savings required of the Council although progress is being made now.

Progress is also slower on some of the other areas in the Governance and Assurance Action Plan:

- Risk Management,
- Business Continuity;
- Compliance with key corporate policies;
- Information Systems.

These items are reflected in the report of the Head of Internal Audit; in the Self-assessment; or in the AIR and are included in the governance action plan for 2014-15.

Based on the review outlined above, and in particular, the annual report of the Head of Internal Audit; the corporate self-assessment, and the Annual Improvement Report by the Wales Audit Office, 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**
The need to plan for and deliver the savings required of the Council	*Develop a Medium Term Budget Strategy based on existing plans and projections* *Establish the Efficiency Strategy as part of the Council's core strategic plans* *Introduce Commissioning and Procurement Policy and Strategy*
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	*Complete the agreed action plan* *Work with ICO on the planned re-inspection and our response to their report*
Corporate Services Capacity *To include Finance, ICT, Legal, HR and Scrutiny*	*Review current and future arrangements* *Services are drafting the corporate service "offer" for discussion in order to ensure resourcing of corporate and service priorities.*
Financial Systems, especially the ledger system	*Action Plan being implemented following a post implementation review*
Risk Management	*Programme of work due in the Autumn*
Procurement	*Procurement Improvement Programme being put in place*
Compliance with Key Corporate Policies	*Identify relevant policies* *Agree corporate format for relevant policies* *Specify automated system for policy and procedure management*

A detailed action plan is available on the Council's website.

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 **Chief Executive**

Date: **Date:**

On behalf of the Isle of Anglesey County Council

Archwilydd Cyffredinol Cymru
Auditor General for Wales

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit of Financial Statements Report

Isle of Anglesey County Council

Audit year: 2013/2014

Issued: September 2014

Document reference: C14216

Purpose of this document

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

Handling prior to publication

Status of report

This document was produced by PricewaterhouseCoopers LLP on behalf of Anthony Barrett, the Appointed Auditor. The team who delivered the work comprised Lynn Pamment, Joe Hargreaves and Martin George from PricewaterhouseCoopers LLP.

Contents

Anthony Barrett, as Appointed Auditor, intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

Summary report

Introduction

1. Anthony Barrett, as Appointed Auditor, is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Isle of Anglesey County Council at 31 March 2014 and its income and expenditure for the year then ended. PricewaterhouseCoopers LLP are responsible for undertaking the financial statements audit work.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative level at which we judge such misstatements to be material for the Isle of Anglesey County Council are £2,343,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Isle of Anglesey County Council, for 2013/14, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2014 on 30 June 2014 and at the date of our presentation of this report the following were outstanding:
    - Finalisation of the adjustments to asset valuations
    - Completion of work on provision for additional Equal Pay claims
    - Assessment of progress on Job Evaluation
    - Bank confirmation letter from RBS
    - Work on related party transactions
    - Work on the segmental analysis
    - Work on cash flow statement
    - Completion procedures and review of the final financial statements

   We will update the Audit Committee on the progress of these matters verbally on 23 September 2014.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team

has already discussed these issues with the interim s.151 officer, Richard Micklewright.

Proposed audit report

8. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in Appendix 1.

9. The proposed audit report is set out in Appendix 2.

Significant issues arising from the audit

Uncorrected misstatements

10. We set out below the misstatements we identified in the financial statements, which have been discussed with management but remain uncorrected, and request that these are corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction.

Error in Calculation of depreciation

DR Depreciation expense	£102,000
CR Accumulated depreciation	£102,000

An error of £633 arose in an item of depreciation being tested, extrapolating to a projected error of £102,000. The error arose as the useful economic life applied to an asset within the depreciation calculation was incorrect.

Prepayments

DR Cost of service	£174,000
CR Prepayments	£174,000

An error of £174,000 was noted in relation to prepayments that were brought forward from 2012/13 but not appropriately reversed at the beginning of 2013/14.

Corrected misstatements

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

Significant audit risks

12. In our Financial Audit Strategy, we set out information regarding the significant and elevated audit risks that were identified during the audit planning process. The table below sets out the outcome of our audit procedures in respect of those risks:

Significant risks

Risks	Action taken
Control environment risks	
Management override of controls In any organisation, management may be in a position to override the financial controls that you have in place. A breach of controls of this nature may result in a material misstatement.	• We understood and evaluated internal control processes and procedures as part of our planning work. We reviewed and tested the appropriateness of a sample of manual journals processed during the year. • We looked carefully at management estimations and considered if they were subject to bias. • We understood the business rationale for significant transactions which appeared out of the normal course of business. • Our audit procedures also included an unpredictable element that varies year on year. We have not identified any misstatements as a result of our testing to date.
Revenue and expenditure recognition There is a risk that the Council could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to material misstatement in the Comprehensive Income & Expenditure Statement. We have specifically identified two risks. The first is in respect of non-recurring revenue grants funding, in that revenue may not be recognised in line with the terms and conditions of its funding where these grants are for specific programmes or one-off purposes. The second is in respect of expenditure relating to non-payroll costs which may be recognised incompletely, inaccurately, or in the wrong accounting period.	We have: • evaluated key controls to confirm our understanding of the design of the control; • tested key reconciliations. • tested non-recurring revenue grant income to check that the Council was entitled to include it within its financial statements, • tested non-payroll expenditure to ensure that it is appropriately included in the accounts. • tested that transactions that occurred around year-end were appropriately classified within the financial year to which they related. We have considered the accounting policies adopted by the Council and subjected income and expenditure to the appropriate level of testing to identify any material misstatement. We have also considered the work we undertook in relation to the risk of management override of controls (see above). We did not identify any misstatements as a result of our work.

Elevated risks

Risks	Action taken
Financial statements risks	
Property, plant and equipment (PPE) The Council is required to ensure that its PPE held on the Balance Sheet is valued sufficiently regularly to ensure that the carrying amount is not materially different to the fair value of these assets at the year-end. We have previously identified audit adjustments around assets not formally valued in year which have not been adjusted on basis of immateriality. There is a risk that any such adjustments proposed in future could be material.	We considered the Council's approach to assessing and justifying valuation of its PPE at 31 March 2014 and considered whether it was sufficient and appropriate. We engaged our internal valuation experts to consider the robustness of key management assumptions and estimates. As a result of our work, some amendments to the financial statements were made (see below and appendix 3).
Pensions liability The Council currently holds a material net liability in respect of its pension obligations on the balance sheet. We identified errors in the census data underlying the net pension liability figure in the Council's accounts in 2012/13 as a result of the Council's failure to provide Gwynedd Council pension scheme with sufficient information regarding employee movements and role changes on a timely basis.	We assessed the Council's approach to assessing its net pension liability at 31 March 2014 and tested the accuracy and completeness of the underlying census data provided to the pension scheme. As a result of our work, we identified a number of discrepancies in the census data underlying the net pension liability. Our work is currently ongoing on this area and may result in amendments to the financial statements (see below). The Council additionally identified an error in the actuary's reporting, resulting in the actuary re-issuing his report, and an adjustment to the pension liability of £11.6m (see appendix 3).

Risks	Action taken
Equal pay provision and Job Evaluation The Council currently holds a material provision on its balance sheet in respect of a number of Equal Pay claims which it has calculated it may be required to settle. We are not aware that any offers have yet been issued to claimants.	We assessed the impact that offers to claimants for Equal Pay that the Council made had on its provision as well as identifying further claims in the intervening period. We identified misstatements as a result of our work in this area (see below and appendix 3).
The Council is additionally currently undertaking a pay and grading scale review as part of its Job Evaluation exercise. Based on the extent to which a liability may arise to backdate any pay differences and compensate staff, the Council may require further provision to be put in place for this.	We assessed the Council's progress in undertaking the pay and grading scale review, assessing whether a liability was required as a result of this. Our work is currently ongoing on this area and may result in amendments to the financial statements (see below).

Other risks

13. We additionally identified two further risks which the significant and elevated audit risks set out above should be considered in light of.

Risks	Action taken
Accounts preparation: Difficulties in filling positions permanently in the Finance Team had an adverse effect on the Council's accounts production process in 2009/10 and 2010/11. Experienced interim staff were successful in meeting deadlines in 2011/12 and 2012/13. However, two experienced interim staff members occupying key accounting roles have left the Council. It is essential that the council ensures that sufficient and appropriate resources are dedicated to the production of the statutory accounts in accordance with required timetables.	We worked closely with management in order to monitor the progress made in the preparation and production of the 2013/14 accounts. Staff were successful in meeting the relevant deadlines. We continue to have concerns regarding the reliance on temporary staff within the finance team and have reported this below.

Risks	Action taken
Implementation of new general ledger system (Civica): A new general ledger system was implemented as at 1 April 2013. The accuracy and integrity of the 2013/14 financial statements will be contingent on the new system being implemented effectively, and closing balances from the prior year being rolled forward accurately and completely.	We undertook work to assess that the closing balances from the prior year had been rolled forward accurately and noted no misstatements. We note that the Council's Internal Auditors have reported issues regarding the implementation of Civica to the Audit Committee, particularly in respect of identifying duplicate payments made, and the granting of extended rights to Council staff to raise and approve invoices in order to clear previous backlogs. We have not repeated their findings in this report. We undertook further work to assess whether these access rights had been inappropriately used. We did not identify any issues as a result of our work.

Significant estimates

14. During the course of our audit we undertook specific procedures in respect of areas subject to estimation risk.

Fixed asset valuations

15. The Council revalued a proportion of its fixed asset portfolio at 31 March 2014 in accordance with its accounting policy to revalue assets on a rolling five year basis. Our audit focussed on the robustness of the calculations performed by the Council's qualified internal valuer and the assumptions used in the valuation.

16. For the assets formally revalued by the Council, we identified a misstatement of £55k in the value of Investment Properties based on an error in the methodology used in their calculation. We note that a similar error arose in the prior year.

17. An additional misstatement arose as a result of an assessment by the Council's valuers that several assets were no longer classified as Investment Properties. These were removed from the value of the Council's Investment Property assets, but were not subsequently added to other categories of fixed assets. The net reduction in investment properties was £429k and there was an increase of £794k to property, plant and equipment.

18. In previous years, the Council have undertaken an indexation exercise to assess whether the value of those significant categories of land and property not formally valued in year to 31 March 2014 may have been materially misstated. No such exercise had been undertaken by the Council when the draft Statements of Account were provided to the audit team.

19. We challenged the Council to provide evidence that the value of those significant categories of land and property not formally valued in year were not materially misstated. As a result, the Council's valuers undertook formal revaluations of the majority of their land and property assets. This resulted in an increase in the value of fixed assets of £7.3m as a result of the formal revaluations. This has been amended in the financial statements.

20. Further, as a result of the revaluation exercise, it was identified that part of the property at Ysgol David Hughes had not been transferred to the Council's existing asset register system when it was introduced, meaning that the value of the school was under-reported by approximately £2.8m. This has been amended in the financial statements.

21. We noted in the previous year that the Council uses the Beacon approach to value its council housing stock, which involves selecting a number of 'beacon' properties which are representative of differing categories or tiers of social housing, valuing them, and then applying this value to each tier respectively.

22. In order to reflect the difference between private housing and social housing (such as council dwellings) where tenants have much greater rights, under the Beacon approach an adjustment factor is applied.

23. At the time of the last formal valuation there was no data on adjustment factors available for Wales, so the Council selected a comparator region (Yorkshire and Humberside) and applied this adjustment factor of 31%.

24. A research paper, published by DVS (public sector valuation specialists) in April 2011, provided indicative information on adjustment factors for the Welsh regions, and the factor given for North and North-East Wales was 39%. This paper has not however yet been incorporated within any formal guidance.

25. A 1% change in the adjustment factor applied would have a material impact on the value of council dwellings. The Council therefore carefully considered which adjustment factor to apply, concluding that the research paper had not undergone sufficient consultation and validation in order for it to be relied upon for such a significant change to their statement of accounts. It has therefore retained its existing adjustment factor of 31% but has drawn the readers' attention to the research paper in its statement of accounts noting that it could lead to a significant change in the value of its council dwellings in future by approximately £3m per 1% difference. We considered this approach reasonable.

Equal pay liabilities

26. In 1997, local government employers and the trade unions signed the 'Single Status Agreement'. Enshrined in equal pay legislation the agreement committed authorities to undertake equal pay reviews and to introduce non-discriminatory pay structures, addressing the fact that local government employees were employed on differing terms and conditions.

27. In recent years the Council has received equal pay claims and continued to receive further claims during 2013/14. Management have assessed the Council's potential exposure to claims in order to arrive at an estimate of the liability in respect of these legal claims.

28. During 2013/14, a number of these claims were settled by the Council and compensation payments were made. Compensation payments which were made after the year end date were accrued for. The total of compensation payments and accruals made was £3.3m.

29. The value of compensation payments and accruals was not removed from the existing provision balance in the draft accounts. This has now been corrected.

30. The Council additionally held an Unequal Pay Back Pay reserve of £1.9m which had been established in 2011/12 to defer the impact on the Council Fund of providing for Equal Pay claims until the claims were settled. The Council did not release the reserve to impact the Council Fund on settlement of claims during 2013/14, therefore an adjustment was proposed to this effect. The Capitalisation Direction granted by the Welsh Government was intended to mitigate only this £1.9m adjustment, rather than the value of £3.3m which the Council had accounted for, therefore a further adjustment has been made to amend for this.

31. After making compensation payments, the Council received a further 200 Equal Pay claims, approximately. No provision was made for these in the draft Statement of Accounts. We challenged management over this, and they agreed to make a provision for the 200 additional claims received (see appendix 3) of £1.9m.

32. We have substantively tested the calculations performed by management and discussed the estimate with the s151 officer. Our work in respect of the key judgements within the calculation of the provision is ongoing and we will update the audit committee as to the outcome of this work at the meeting on 23 September 2014.

Job evaluation

33. The Council is currently undertaking its Job Evaluation exercise, but has not yet been able to provide a detailed assessment of its potential liabilities resulting from the requirement to introduce a new pay and grading system with effect from 1 April 2007.

34. Job Evaluation scores associated with posts have been issued to Council Heads of Service, who have responded with a number of questions which the Council are currently addressing. Job Evaluation scores have not yet been issued to individual staff members, or associated with a new pay and grading system.

35. It is possible that the Council may have to recognise a material liability in respect of this exercise. It has a reserve of £2.4m set aside to fund its anticipated costs. As the Council has not yet proposed a new pay and grading system and has not quantified any potential back pay liabilities, no provision has been made in respect of the job evaluation exercise although a contingent liability is disclosed.

36. At the date of writing, the Council in engaged in ongoing discussions with the trade unions and modelling of a new pay and grading structure. We will continue to monitor any developments in this area.

Waste provision

37. The Council has retained a £2.7m provision in the statement of accounts in respect of after-care costs at part of the capped Penhesgyn waste site. The valuation of this provision derives from a specialist environmental assessment undertaken in 2008 and the Council's assessment based on on-going aftercare costs. The assessment projects costs for after-care over a 30 year period for the whole site. These costs, which are revenue in nature, are required to be incurred by environmental legislation and therefore are correctly provided for.

38. We have undertaken some sensitivity analysis, discounting based on the costs stated in the specialist environmental assessment and those experienced by the Council in recent years, applying a number of discount rate and inflation assumptions to give a range of potential provision values. We are satisfied that the Council's provision falls within a reasonable range of estimates which are based on a discounted model.

Pensions

39. The Council holds a net pension liability as a result of its obligations to members of the current pension scheme, and in respect of the Council's proportion of the former Gwynedd County Council pension scheme liabilities. Information about these liabilities is provided to the Council by its actuaries, Hymans Robertson, in two separate reports. However, Hymans Robertson initially provided inaccurate information to the Council. This was subsequently identified by the Council, and new information was therefore issued by Hymans Robertson leading to a decrease of £11.6m in the Council's pension liability and associated actuarial loss. This has been adjusted in the Statement of Accounts.

40. During the 2012/13 audit, following testing on the completeness and accuracy of membership data provided to the pension scheme, we identified that the membership data used by the actuary was inaccurate, leading to an amendment of £2m to the Council's net pension liability. In the current year we have undertaken further testing on the membership data used by the actuary and identified a number of differences in it to the data held by the Council relating to the date of commencement of employment and pensionable salaries of employees.

41. If the data held by the Council and that used by the actuary differs significantly, it is possible that the Council may have to make a material adjustment in respect of its pension liabilities. Our work is ongoing in this area and we will update the Audit Committee verbally on 23 September 2014.

Other significant issues arising from the audit

42. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work.
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There is one other matter significant to the oversight of the financial reporting process that we need to report to you.**

  The reliance on temporary staff for a number of key positions within the Council's finance team has continued. This has continued to place pressure 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.

  We identified two materials error through the course of our audit fieldwork and a number of further immaterial errors (see Appendix 3). These issues could have been identified by a more detailed review during the production of the accounts.

  We have not identified any further material weaknesses in control, although we have identified several areas in which it would be possible to improve control. These will be reported separately to management.
- **We identified some material weaknesses in internal controls in the year.**

  As noted above, the Council's Internal Auditors have reported issues regarding the implementation of Civica to the Audit Committee, particularly in respect of identifying duplicate payments made, and the granting of extended rights to Council staff to raise and approve invoices in order to clear previous backlogs. We also noted weaknesses in the audit trail of users posting manual journals to the ledger. Our testing did not identify any issues in material transactions undertaken whilst the extended access rights had been granted however we consider that the control environment was weakened in this period.

  Our fieldwork over payments noted that a fraudulent request to change bank details for one of the Council's suppliers was received and actioned during the year. A payment of approximately £0.3m was made to the false bank details as part of the Council's normal course of business. The transaction was however stopped by the Council's bankers and brought to the Council's attention. The Council subsequently contacted the supplier who confirmed that they had not submitted any request to amend their bank details. We understand the matter is now being investigated by the Council's Internal Auditors.
- **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

43. As part of the finalisation process, we are required to provide you with representations concerning our independence.

44. PwC provides grants certification services to the Council, on behalf of the Auditor General for Wales, which give rise to annual charges of approximately £160,000.

45. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Isle of Anglesey County Council that we consider to bear on our objectivity and independence.

Other matters

46. In our audit plan presented to you in April, we reported our planned overall materiality which we used in planning the overall audit strategy and based on the 2012/13 Statement of Accounts. We varied our materiality to £2.3m on the basis of the 2013/14 draft Statement of Accounts received by the audit team in July.

Appendix 1

Final Letter of Representation

[Audited body’s letterhead]

Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

[Date]

Representations regarding the 2013/14 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of the Isle of Anglesey County Council for the year ended 31/03/2014 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 based on International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Isle of Anglesey County Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed. We confirm that the attached appendix to this letter is a complete list of the Council's related parties. All transfer of resources, services or obligations between the Council and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

We confirm that we have identified to you all members of key management, as defined by IAS 24, and included their remuneration in the disclosures of key management compensation.

Based on progress to date, we are currently unable to make an assessment of our potential liabilities for back pay with respect to the ongoing Job Evaluation exercise.

The 'Other' provision (included in respect of Equal Pay claims) is based on our best estimate of the potential liabilities arising from the settlement of these claims, and that all claims and developments in applicable case law which we are aware of have been taken into account. We confirm that the Council intends to attempt to settle these claims out of tribunal, and that settlements are only to be offered to those claimants who the Council currently considers has a valid claim, and has accordingly made provision in the statements of account for.

We confirm that we are satisfied that the figures given in respect of Fixed Assets and Investment Properties in the Statements of Account represent our best estimate of the value of those assets and that the valuation methods used are appropriate.

The underlying assumptions and membership data used in the actuarial valuation of the pension scheme are appropriate for the Isle of Anglesey County Council.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

Error in Calculation of depreciation

DR Depreciation expense	£102,000
CR Accumulated depreciation	£102,000

An error of £633 arose in an item of depreciation being tested, extrapolating to a projected error of £102,000. The error arose as the useful economic life applied to an asset within the depreciation calculation was incorrect.

Prepayments

DR Cost of service	£174,000
CR Prepayments	£174,000

An error of £174,000 was noted in relation to prepayments that were brought forward from 2012/13 but not appropriately reversed at the beginning of 2013/14.

The Council is satisfied that the errors in the prior year have been correctly identified and quantified.

The Council has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

The Council has satisfactory title to all assets and there are no liens or encumbrances on the authority's assets, except for those that are disclosed in the financial statements.

We confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. We confirm that we have used the appropriate assumptions with those reviews. The Council's investments have been reviewed for impairment and any such impairment is reflected in the financial statements accordingly.

The Council is satisfied that the depreciation charge in the accounts is not materially misstated as a result of its approach to componentisation.

Where we have assigned fair values to financial instruments, we confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate.

The Council has recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and has disclosed in the financial statements all guarantees that we have given to third parties, including oral guarantees made by the authority on behalf of an affiliate, member, officer or any other third party.

All retirement benefits that the Council is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed. We confirm that we have made you aware of all employee benefit schemes in which employees of the Council participate.

Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss. Other such items, where in my opinion provision is unnecessary, have been appropriately disclosed in the financial statements.

We confirm that, to the best of our knowledge and belief, in accordance with the requirements of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), the Council financial statements include a reasonable estimate of the outstanding potential liabilities arising from the equal pay claims brought against the Council.

All contractual arrangements (including side-letters to agreements) entered into by the Council have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

We have complied with the taxation requirements of all countries within which we operate and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any corporation or other direct tax or any indirect taxes. We are not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and we have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In managing the tax affairs of the Council, we have taken into account any special provisions such as transfer pricing, debt cap, tax avoidance disclosure and controlled foreign companies legislation as applied in different tax jurisdictions.

Representations by the Audit Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council on 26 September 2014.

Signed by:	Signed by:
[Officer who signs on behalf of management]	[Officer or Member who signs on behalf of those charged with governance (director only for companies)]
Date:	Date:

Related parties

Welsh Government

Welsh Government has significant influence over the general operations of the Authority in respect of providing the statutory framework within which the Authority operates, providing the majority of funding in the form of revenue and capital grants, revenue support grant and NNDR. Further details regarding grant income received and due can be found in Note 37 to the Accounts, whilst details of revenue support grant received and NNDR Pool transactions are summarised in Note 14 to the Accounts.

Precepting bodies

These are set out in Note 12 to the Accounts.

Members

Members of the council have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2013/2014 is shown in Note 33 to the Accounts.

Members have declared interests in contracts, or in organisations, which may have dealings with the Council, in the Statutory Register of Members' Interests. Details of transactions with these entities are disclosed in Note 38 to the accounts.

Chief Officers

Details of chief officers' emoluments are provided in Note 34 to the accounts.

Pension Contributions

Employer's contributions are made to the Teachers' Pension Agency and the Gwynedd Pension Fund in respect of the Authority's employees. Further details of amounts involved are given in Notes 40 and 41 to the Accounts.

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 2014.

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.

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 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.

Other Bodies

The Authority is a member of the Welsh Joint Education Committee - WJEC CBAC Limited and the Welsh Local Government Association (WLGA).

The Council also acts as trustee for a number of trust funds, including the Isle of Anglesey Charitable Trust, Welsh Church Fund and Anglesey Further Education Trust. Details of transactions with these entities are disclosed in Note 38 and 39 to the accounts.

Appendix 2

Proposed audit report of the Appointed Auditor to the Isle of Anglesey County Council

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 31/03/2014 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 2013-14 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 31/03/2014 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 2013-14.

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.
In respect of the Governance Statement, 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.

[Appointed Auditor

Address

Date]

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Audit Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

	Nature of correction	CIES Dr	CIES Cr	BS Dr	BS Cr
		£'000	**£'000**	**£'000**	**£'000**
1	DR Provisions CR Accruals CR Cost of Services expenditure DR General Fund (MiRS) CR CAA (MiRS) A number of liabilities in respect of equal pay claims made against the Council were settled during the 2013/14 financial year. Provision for any settlements arising from these claims had been made in the accounts in previous years, however payments were not then subsequently netted off against the existing provision as should have been the case and the treatment of the payments made was inappropriate.	3,731	 431 3,300	 3,300	 3,300
2	DR Provisions CR Cost of Services expenditure A provision for the replacement of a partly-damaged culvert on the Penhesgyn landfill site was made by management. However, as any replacement would be capitalised as an infrastructure asset, there is no requirement to make such provision in the financial statements. The Council has established an earmarked reserve for this balance.		 2,000	2,000	
3	DR General fund CR Unequal pay reserve			1,935	 1,935

	DR Capital Adjustment Account CR General fund An unequal pay reserve was established by the Council in 2011/12 to allow them to partially defer the impact on the general fund of making provision for Equal Pay claims against the Council until claims were settled. As a number of claims exceeding this value have now been settled, the Unequal pay reserve should have been reversed. The effect of this on the general fund should be ameliorated through application of the Authority's Capitalisation Direction			1,935	 1,935
4	DR Cost of Services expenditure CR Provisions DR Capital Adjustment Account CR General Fund Following settlement of a number of liabilities in respect of equal pay claims made against the Council during the 2013/14 financial year, additional claims have been received which have not yet been provided for. The adjustment represents the liability estimated by the Council's HR advisor and suggested by legal counsel.	1,438		 1,438	 1,438 1,438
5	DR Accounts receivable CR Accounts payable The Council has recorded a number of grant accounts receivable and payable balances in the same account in the general ledger, leading to a net presentation in the draft financial statements. Amounts should not be presented as a net total, but as separate accounts receivable and payable balances.			1,337	 1,337
6	DR PPE CR Investment property (IP) CR Loss on revaluation of IP An error has arisen in the valuation process for investment property,		 365	794	 429

	resulting in a reduction to the value of investment property and transfer to PPE.				
7	DR Cost of Services income CR Cost of Services expenditure Being correction of the accounting for the Council Tax cost and income incorrectly recorded in the CIES.	5,083	5,083		
8	DR Revaluation Reserve CR PPE Being the removal of the revaluation increase recognised in relation to the Community Asset element of Ynys Llanddwyn as value already included in Heritage Assets and so is double counted			147	147
9	DR Pension Liability CR Actuarial Loss Being an adjustment to the net pension liability upon removal of the double counting of the IoACC share of the closed Gwynedd Pension Scheme's funded liabilities.		11,607	11,607	
10	DR Gross Income CR Gross Expenditure Being the removal of internal recharges that were not appropriately coded to internal recharge codes.	1,346	1,346		
11	DR Cash and Cash Equivalents CR Creditors Being the reclassification of cheques that were raised in duplicate in 2013/14 but cancelled in 2014/15.			122	122
12	DR PPE CR Revaluation Reserve Being the increase in land and buildings values and recognition of the leisure centre at Ysgol David Hughes, following an updated revaluation exercise.			10,083	10,083
	Total	**11,612**	**24,132**	**34,712**	**22,192**

There is nil net effect on the Council Fund to that presented in the draft Statement of Accounts.

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