

FOREWORD BY THE CORPORATE DIRECTOR (FINANCE)

This Statement of Accounts explains the Isle of Anglesey County Council's finances during the financial year 2008/09 and its financial position at the end of that year. It follows accounting standards and is necessarily technical in parts. This foreword summarises the main features.

C O N T E N T S	Page
Foreword by the Corporate Director (Finance)	1 - 4
Statement of Accounting Policies	5 - 13
<u>Main Financial Statements</u>	
Income and Expenditure Account	14
Statement of the Movement on the Council Fund Balance	15
Statement of Total Recognised Gains & Losses	16
Balance Sheet	17
Cash Flow Statement	18
Notes to the Main Financial Statements	19 - 51
<u>Additional Financial Statements</u>	
Housing Revenue Income and Expenditure Account	52
Statement of Movement on the HRA Balance	53
Notes to the Housing Revenue Account	54 -55
Statement of Responsibilities for the Statement of Accounts	56
Statement of Internal Control	57 - 59
Auditor's Report	60 - 61

The Income & Expenditure Account shows the overall net cost for the year of all the functions for which the Council is responsible and shows how that cost has been financed. The Statement shows that on this income & expenditure basis the revenue account incurred a deficit of £31.6 million in 2008-09.

The Statement of Movement on the Council Fund Balance reconciles the surplus/deficit shown on the Income and Expenditure Account to the change in the Council Fund Balance. The statement shows that when converted to the basis used for determining what is funded from grants and taxes, the revenue account was in deficit by £1.7 million. The difference between this and the Income and Expenditure account deficit is mostly attributable to the charge for depreciation and impairment of fixed assets in the latter. This difference also helps explain the apparent deterioration in the Income and Expenditure account between 2007-08 and 2008-09.

The Statement of Total Recognised Gains and Losses brings together the outturn on the Income & Expenditure Account with other gains or losses and shows the decrease of £58.9 million for the year 2008/2009 in the net worth of the Council shown on the Balance Sheet. This was principally the effect of the fall in the value of the Council's assets and an increase in the net liability in the Pension Reserve.

The Balance Sheet shows that the net worth of the Council's assets at 31 March 2009, as now defined by the Code, was £97 million. The way in which net worth is defined by the Code has changed for these accounts.

The Cash Flow Statement restates the financial position in cash terms and shows that the Council's cash position was increased by £9.8 million with a corresponding reduction in other liquid resources reflecting the use of cash deposit accounts at year end.

The Housing Revenue Income and Expenditure Account shows the income and expenditure incurred on the provision of Council housing.

The Statement of Movement on the Housing Revenue Account shows how the HRA Income & Expenditure Account deficit reconciles to the change on the Housing Revenue Account Balance for the year.

Modified Group Accounts have been prepared in the past which consolidated 50% of Cwmni Gwastraff Môn Arfon as if it was a subsidiary company. Following a change to the Code of Practice for 2005, it is the Council's view that it is not required to produce Group Accounts and following the decision of the shareholders to close the company down during 2007/08 and the transfer of the relevant operational assets and liabilities to the Council in 2007/2008 a further dividend was paid in December 2008. The remaining assets and liabilities will be allocated as the company is wound up. Details of the Company are shown in the disclosures relating to investments and to interests in companies.

REVIEW OF THE YEAR

The Council's revenue budget for 2008/09 reflected efficiency savings and income generation initiatives affecting all services, and some developments to services. The budget was funded by grants from the National Assembly and a 1.5% increase in Band D Council Tax.

As the economic downturn began to affect the local economy during the year, the outturn showed a shortfall on Council Tax and some other income budgets. Still, most council services spent within their budgets. The main exception to this was Social Services, where the budget was overspent by £1.1 million. The continued rolling out of recycling projects significantly reduced tonnages directed to landfill and this along with the use of an earmarked Waste Reserve allowed £0.94 million to be returned to Council Fund general balances and £0.24 million towards earmarked reserves.

During the year, net spending by schools increased their reserves (in total) by £0.05 million to £3.246 million. The total of school reserves still remains high compared to other Welsh Authorities. These are limited to the uses of the individual schools and the position of individual schools varies. Four schools had a deficit at the end of the financial year.

COUNCIL FUND	Original Budget £'000	Outturn £'000
Current Expenditure	106,075	107,741
Capital Financing and Interest	5,792	5,448
Levies & Precepts	3,233	3,395
	115,100	116,584
Revenue Support Grant and Other General Grants	74,264	74,264
National Non Domestic Rates	18,278	18,278
Local Taxation	22,558	22,065
(Surplus) / Deficit and Change in Reserves	0	1,977
Change in Earmarked Reserves	0	(235)
(Surplus) / Deficit and Changes in General Balances	0	1,742

Major items in the capital budget are shown below. The largest project is the relocation of Ysgol y Graig, Llangefni. The project was completed during the year and the new school opened in January 2009.

The programme for the year was notable for the number of large projects which were completed: all the outstanding projects relating to the Objective One Programme were completed during the year as were several other individual projects including Trearddur Bay Coastal Defences and Oriel Kyffin Williams.

Amongst those projects part funded from the Objective One Programme was the Regional Composting Facility. As lead body for three local authorities, £3.6m was spent in year from a £4.5m total cost. This asset is owned by the three authorities and each accounts for one third of the cost of the asset and its operation.

MAJOR CAPITAL PROJECTS	In Year £'000	Total Project £'000
Relocation of Ysgol y Graig	3,135	8,604
Oriel Kyffin Williams	1,050	1,500
Regional Composting Facility (with Conwy and Gwynedd)	3,541	4,519
Llangefni Redevelopment	737	1,737
Holyhead Town Centre Regeneration	2,416	5,893
Trearddur Sea Defences	1,854	1,915

All major projects had been underway in 2007/08 but a significant programme of works commenced in the year: the programme to upgrade housing stock to meet the Welsh Housing Quality Standard (WHQS) by 2012 is expected to cost approximately £40 million.

The Capital Budget was financed by a mixture of grants from external funders, borrowing, revenue resources and capital receipts. The Capital Financing Requirement at year end is less than had been anticipated when setting the budget for the year. External debt remained at the same level ending the year at £90.1 million. One debt rescheduling exercise totalling £13m was undertaken during the year.

Capital commitments outstanding at the year end were £2.4 million. A sum of £ 9.0 million, together with unused approved borrowing capacity which was a further £ 3.2 million, has been reserved towards these commitments and other projects programmed for future years. Other plans will be financed from approved grants, receipts from projected asset sales and borrowing. Major projects for future years in the Council's capital plan include potential obligations in Waste Management, and upgrade of Residential Homes.

The Capital Plan is dependent on resources from grants, from anticipated capital receipts, and on a level of borrowing close to the level assumed by the National Assembly when calculating revenue support. Economic conditions have affected the prospects for sales of assets and the Capital Plan is being revised for these changes.

A small number of projects have been approved for unsupported borrowing to be financed through budgets or new income sources. The most notable of these is the Penhesgyn Power Generation project - generating electricity from Methane. The Oriel Kyffin Williams project is also partly funded by unsupported borrowing and the WHQS project will also be part funded in this way from 2010 onwards.

FINANCIAL POSITION AT 31 MARCH 2009

The net worth of the Authority as disclosed on the balance sheet has decreased by £58.9 million, mainly due to the fall in the value of fixed assets during the year and a change in the Council's net Pensions liability. The statement discloses an estimated net liability of £69.0 million in respect of pensions, increased from £41.7 million at 31 March 2008.

The best assessment of financial standing is the extent to which the authority has made provisions for known liabilities and the amount of distributable reserves available to cover other risks. The Council has made provision for known liabilities and has established reserves where required by statute, where earmarked by Council plans, or where prudent to meet risk or uncertainty. A total of £1.88 million has been reserved for the costs arising from Single Status and Job Evaluation, although this is not an estimate of any actual liability. At the year end, schools' reserves stood at £3.25 million, the Housing Revenue Account balance at £1.84 million and the General Balances at £4.70 million. The total of earmarked reserves has increased by £0.24 million mainly as a result of increases in the Penhesgyn Waste Landfill Site reserve, the Insurance Reserve and the Recycling Reserve although these were partly offset by decreases in the Service Reserves, LABGI reserve and the Capital Expenditure reserve.

The Council has decided to use £1m from general balances and another £1m from various earmarked reserves to support its budget in 2009-10. In the light of wider economic changes, the outlook for public finance in subsequent years is exceptionally poor. The position as at 31 March 2009 must be judged against this backdrop

OTHER INFORMATION

Other financial information is available on the Council's website : www.anglesey.gov.uk/finance
Documents referred to in the Statement of Accounts are available from the Finance Department, Council Offices, Llangedfni, LL77 7TW unless another address is given.

STATEMENT OF ACCOUNTING POLICIES**1. GENERAL PRINCIPLES**

The Statement of Accounts has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom (The Code of Practice), issued in 2008 by the Chartered Institute of Public Finance and Accountancy (CIPFA), which adopts the Best Value Accounting Code of Practice. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. FIXED ASSETS

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis provided that the asset yields benefit for a period of more than one year. This excludes expenditure of less than £10,000 and routine repairs and maintenance of assets which are charged to service revenue accounts. Expenditure which is properly capitalised during the year but which will not add to the value of the asset, is written out to the Income & Expenditure Account in the same year.

The Balance Sheet has been prepared on the basis of the requirements of The Code of Practice on accounting for fixed assets. The Fixed Assets are categorised into classes under Intangible Fixed Assets and Tangible Fixed Assets. The latter are further categorised as "Operational" property and "Non-Operational" property and are included in the Balance Sheet on the following basis:-

- a) Operational land and buildings are valued on the basis of current value in existing use net of depreciation, unless they are of a specialist nature in which case they are valued on a depreciated replacement cost basis.
- b) Non-operational assets including investment properties and surplus assets held for disposal are valued on the basis of market value less depreciation, i.e. on a commercial basis.
- c) Infrastructure: New assets and developments are included at construction cost net of depreciation. The value of assets such as highways in existence at 1 April 1994 were included in the Balance Sheet at a figure reflecting undischarged borrowing at that date and are written down annually.
- ch) The value of community assets such as parks are recorded at nominal value. The Council's art collection is shown at insured value, which is a departure from the Code of Practice which requires such assets to be valued at historical cost. The insured value is deemed to be a more appropriate valuation in this instance.
- d) Equipment and vehicles are included at historical cost net of depreciation.

When a tangible fixed asset is included in the balance sheet at current value, it is formally revalued at intervals of not more than five years and the revised amount is included in the Balance Sheet. The value of these assets is reviewed on an annual basis and values of categories of assets may be updated if there is a material change in value for those categories. Any impairment of assets identified by this review are dealt with in accordance with the Council's accounting policy on impairment (see policy 5).

Increases in the valuation of assets are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Intangible Fixed Assets are capitalised when they will bring benefits to the Council for more than one financial year (e.g. software licences). They are amortised over the economic life of the asset and are included in the balance sheet at historical cost net of amortisation.

3. **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

These are payments of a capital nature where no asset is created in the Council's Balance Sheet. Revenue Expenditure funded from Capital Under Statute incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of the revenue expenditure funded from capital under statute from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

Renovation grants and any sums received relating to the Council's Assisted House Purchase scheme are considered to be revenue expenditure funded from capital under statute and if any of these sums are repaid during the year they are credited back to the revenue account in the year in which they are received.

Note 4 details the revenue expenditure funded from capital under statute for the year.

4. **DEPRECIATION**

Depreciation is provided for all tangible fixed assets with a finite life according to the following policy:

- newly acquired assets and assets in the course of construction are not depreciated until they are brought into use;
- depreciation is calculated by writing off the cost, or revalued amount, less estimated residual value, on the following basis:-
 - Buildings are depreciated over their estimated useful lives (various, up to 100 years) using the straight line method;
 - Infrastructure is normally depreciated over thirty years using the straight line method;
 - Vehicles and equipment are depreciated over their estimated useful lives, usually 5-7 years although can be up to 15 years, using the straight line method;
 - Land and Community Assets are not depreciated.

Revaluation gains are also depreciated by 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. This sum is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

5. **IMPAIRMENT**

Both Tangible and Intangible Fixed Assets are reviewed for impairment at the end of each reporting period.

Where impairment is identified, the accounting treatment depends on the nature of the impairment:

- If the impairment is due to a clear consumption of economic benefits (similar to depreciation) it is charged against the service revenue account and appropriated to the Capital Adjustment Account through the Statement of Movement on the Council Fund Balance. Any appropriation to the Capital Adjustment Account will be reduced by the value of any revaluation gain held on the Revaluation Reserve for the individual asset (by the lower of the impairment loss or the revaluation gain).

- If the impairment is caused through a general fall in prices or other reason it is written off against any revaluation gain held on the Revaluation Reserve for the individual asset (by the lower of the impairment loss or the revaluation gain). If the impairment loss exceeds the value of the revaluation gain any excess amount is written off to the service revenue account and appropriated to the Capital Adjustment Account through the Statement of Movement on the Council Fund Balance.

6. DISPOSAL OF TANGIBLE FIXED ASSETS

Income from sales of assets is accounted for on an accruals basis. A proportion of the receipts from the sale of council houses (75%) is set aside voluntarily to repay debt in order to reflect the assumptions made in the calculation of Housing Revenue Account Subsidy. Usable capital receipts are held in the Capital Receipts Unapplied Reserve until such time as they are used to finance capital expenditure or to repay debt. The net receipts from the disposal of an asset (value of receipt received less the carrying value of the asset at the time of disposal) are credited to the Income and Expenditure Account.

The written off value of the disposals is not a charge against Council Tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the Council Fund Balance. Any revaluation gains held on the Revaluation Reserve for the individual asset are transferred to the Capital Adjustment Account.

Tenants who purchase their Council House under the Right to Buy Scheme may be entitled to a discount which reduces the selling price. If this discount is subsequently repaid it is treated as a gain on the sale of fixed assets and credited to the revenue account in the year the income is received.

Where assets are sold which has no value on the balance sheet and the income is considered as a capital receipt, it is treated as a gain on the sale of fixed assets and credited to the revenue account in the year the income is received.

7. BASIS OF CHARGES FOR FIXED ASSETS

Service revenue accounts and statutory accounts are charged with an annual provision for depreciation for all fixed assets used in the provision of services.

The depreciation provisions are then reversed out in the Statement of Movement on the Council Fund Balance in order that these charges have a neutral impact on the overall net operating expenditure of the Council Fund and the Housing Revenue Account.

Net operating expenditure contains accounting entries that are not revenue-based and should not have an impact on Council Tax or Housing Rents. Consequently, after the disclosure of net operating expenditure, a second reconciliation is needed to reverse out non-revenue items (depreciation and amortised government grants deferred) and to replace them with Minimum Revenue Provision.

8. CAPITAL RESERVES

Capital Reserves have been established as required by The Code of Practice in respect of accounting for Fixed Assets.

The Revaluation Reserve is a new non distributable reserve which represents the balance of unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets.

The Capital Adjustment Account represents amounts set aside from revenue or from capital receipts to finance expenditure on fixed assets, for the repayment of external loans and certain other capital financing transactions. Amounts credited to the account are not normally distributable.

9. INVESTMENTS AND OTHER 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 initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

When loans are made at less than market value (soft loans) a loss is made which is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the Council Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account to the Statement of Movement on the Council Fund Balance. The Council has no soft loans.

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 Income and Expenditure Account. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 Income and Expenditure Account 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.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL).

The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the 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, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

10. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council's investments in companies and other entities appear in the Balance Sheet at fair value or, where fair value can not be measured reliably, at original cost with provision being made as appropriate for any impairment losses.

When the Council has an interest in a related body and has access to the benefits as well as exposure to the risks associated with that body the Council will determine having regard to materiality whether Consolidated Financial Statements are required in accordance with the requirements of the Code. The Council considers the degree of influence and control that the Council can exert over that body in determining the accounting treatment applied to the interest held in a body.

Subject to materiality the Council prepares Consolidated Financial Statements if the following conditions are met:

- a) the Council has interest in the body;
- b) the body is delivering a service of carrying on a trade or business of its own;
- c) the Council has access to benefits and exposure to risks inherent in the benefits;
- ch) the Council controls the majority of equity capital or equivalent voting rights or appoints the majority of the governing body; and
- d) the Council exercises or has the right to exercise dominant influence.

11. FINANCIAL LIABILITIES - LOANS AND DEBT REDEMPTION

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Council's portfolio, this means that the amount presented in the Balance Sheet is the outstanding principal plus accrued interest up to 31 March 2009 and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. The movement in the carrying amount for the period equals the difference between the interest cost charged to the Income and Expenditure Account and cash paid, both principal and interest.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account 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 Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

The charge to the Council Fund and to the Housing Revenue Account is governed by regulation. The Housing Revenue Account is charged over ten years or the remaining life of the redeemed loan (if less) to match the subsidy received. Where there is a difference between the premium relating to the HRA charged to revenue and the sum recharged to the HRA according to statutory arrangements, an appropriation from the Financial Instruments Adjustment account is made to maintain the HRA balance at the level calculated under the statutory accounting procedures.

Where premium and discount have been charged to the Income and Expenditure Account, regulations allow the impact on the Council Fund Balance to be spread over future years. The reconciliation of amounts charged to the Income and Expenditure Account 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 Statement of Movement on the Council Fund Balance.

12. ACCRUAL OF INCOME AND EXPENDITURE

The accounts are maintained on an accruals basis in accordance with The Code of Practice. This means that sums due to or from the Council, where the supply or service was provided or received during the year, are included in the accounts whether or not the cash has actually been received or paid in the year.

An exception to this principle relates to energy, telephone and similar payments which are allocated by four quarterly charges in each financial year.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Accruals are made in respect of grants claimed or claimable for revenue and capital purposes. Some grant claims are finalised after the accounts have been completed and in this case the grant is accrued on the basis of the best estimate available, and any differences are accounted for in the following year.

13. VALUE ADDED TAX

With the exception of VAT incurred for certain vehicle acquisitions, the Council is reimbursed VAT. Consequently, the accounts are prepared net of this tax except where it is irrecoverable.

14. GOVERNMENT GRANTS

Revenue grants are credited to income to match relevant expenditure.

Grants are accounted for on an accruals basis and recognised when the conditions for the receipt of the grant have been complied with and there is reasonable assurance that the monies will be received.

Government grants and contributions relating to fixed assets and revenue expenditure funded from capital under statute are credited to a government grants deferred account and released to revenue in line with the depreciation charged on the asset or the write off of the revenue expenditure funded from capital under statute to which it relates.

Where grants are received and cannot be attributed directly to a depreciated asset, the income received is credited to the service revenue account in the year it is received.

For 2008/09 the Code of Practice introduced a change in the accounting for the accumulated balance of government grants, and the Council is working towards fully complying with the Code of Practice.

15. RESERVES AND PROVISIONS

Reserves are maintained to meet future expenditure. A list of reserves together with their purpose is set out in Note 23 to the Main Financial Statements. The Council sets aside provisions for liabilities of uncertain timing or amount; details are given in Note 22.

16. CONTINGENT LIABILITIES

Where a reasonable estimate of a material contingent loss can be made it is provided for in the accounts. Otherwise a disclosure is made in Note 40 to the Main Financial Statements.

17. RETIREMENT BENEFITS

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

- The Teachers' Pension Scheme, administered by the Department for Children, Schools and Families (DCSF).
- The Local Government Pensions Scheme, administered by Gwynedd Council.

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

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme - no liability for future payments of benefits is recognised in the balance sheet and revenue accounts are charged with the employer's contributions payable to the DCSF in the year.

The Local Government Pension Scheme - The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Gwynedd pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a real discount rate (based on the indicative rate of return on high quality corporate bonds as measured by the yield on iBoxx Sterling Corporate Index AA over 15 years).
- The assets of the Gwynedd pension fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities – bid price (from 2009)
 - unquoted securities - professional estimate
 - unlisted securities - average of the bid and offer rates
 - property - market value.

- The change in the net pensions liability is analysed into seven components:
 - current service cost - the increase in liabilities as result of years of service earned this year - allocated to the revenue accounts of services for whom the employees worked.
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Net Cost of Services as part of Non Distributed Costs.
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure.
 - expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Net Operating Expenditure.
 - gains/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 to the Net Cost of Services as part of Non Distributed Costs.
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - not charged to revenue.
 - contributions paid to the Gwynedd pension fund - cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the Council Fund Balance this means that the notional debits and credits for retirement benefits are removed and replaced with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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 member of staff (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.

18. **STOCKS AND WORK IN PROGRESS**

a) **Stocks**

The Building Maintenance Service maintains a store. It includes building materials and vehicle spares and is shown in the balance sheet at the latest price. The Code of Practice requires these to be valued at lower of cost and net realisable value but accounting systems only provide latest price figures and this is a departure from the Code of Practice. The other stocks are valued at cost.

b) **Work in Progress**

Work in Progress mainly relates to the Highway Service rechargeable works. It is valued at cost.

19. INTERNAL INTEREST

The Authority invests its cash balances in accordance with its Treasury Management and Investment Policies for periods up to five 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. Where appropriate, reserves receive interest by means of an appropriation calculated on the same basis.

20. OVERHEADS

Support service costs - both central and departmental - are charged or apportioned to the revenue account of services on an appropriate basis in accordance with The Best Value Code of Practice. The exception to total absorption costing is that items comprising the Corporate and Democratic Core and Non Distributed Costs are not apportioned and are disclosed in the Income & Expenditure Account.

Corporate and Democratic Core costs comprise all activities which the Council engages in specifically because it is an elected, multi-purpose authority. The costs 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. Non Distributed Costs mainly comprise elements of pension costs such as past service costs, settlements and curtailments.

INCOME AND EXPENDITURE ACCOUNT 2008/09

EXPENDITURE ON SERVICES	Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	2007/08 Net Expenditure £'000
- Central Services to the Public		5,417	(4,779)	638	538
- Cultural and Related Services	footnote 1	8,839	(2,589)	6,250	5,200
- Education and Children's Services		70,831	(12,024)	58,807	54,958
- Highways, Roads and Transport Services		15,564	(4,178)	11,386	9,969
- Housing Services		63,773	(45,901)	17,872	6,926
- Adult Social Care		33,020	(11,748)	21,272	20,164
- Planning & Development	footnote 1	11,835	(3,649)	8,186	3,156
- Environmental Services	footnote 1	14,461	(4,075)	10,386	11,675
- Corporate and Democratic Core		5,010	(420)	4,590	3,987
Non Distributed costs	footnote 2	206	0	206	0
NET COST OF SERVICES		228,956	(89,363)	139,593	116,573
Levies by Joint Committees & Other Bodies	33	3,396	0	3,396	3,272
Precepts paid to Community Councils		784	0	784	728
Interest and Investment Income		0	(3,433)	(3,433)	(5,707)
Interest Payable and Similar Charges		5,208	0	5,208	5,326
Premium / (Discount) on Early Redemption of Loans		0	(691)	(691)	(146)
Pension interest cost and expected return on pension asset	38	13,485	(11,129)	2,356	241
Loss / (Gain) on Disposal of Fixed Assets			(248)	(248)	0
Other Income			0	0	(37)
NET OPERATING EXPENDITURE		251,829	(104,864)	146,965	120,250
Revenue Support Grant and other General Grants				(74,264)	(73,653)
Council Tax	29			(22,849)	(22,619)
Non-Domestic Rate Income	30			(18,278)	(16,726)
Total Sources of Financing				(115,391)	(112,998)
(SURPLUS)/DEFICIT FOR THE YEAR				31,574	7,252

- Under the Best Value Accounting Code of Practice these three service lines of expenditure would be combined under 'Cultural, environmental and planning services'. The Council discloses these lines separately in order to give a more detailed breakdown of expenditure.
- Non Distributed Costs relate to past service pension costs which cannot be matched to a particular service – see note 38.

STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE 2008/09

STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE 2008/2009	2008/09 £'000	2007/08 £'000
(Surplus) / Deficit for the year on the Income and Expenditure Account	31,574	7,252
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the year	(29,884)	(9,102)
(Increase) / Decrease in the Council Fund for the Year	1,690	(1,850)
Council Fund Balance brought forward	(9,632)	(7,782)
Council Fund Balance carried forward	(7,942)	(9,632)
Amount of the Council Fund Balance held by Schools under local management schemes	(3,246)	(3,194)
Amount of Council Fund Balance generally available for new expenditure	(4,696)	(6,438)
	(7,942)	(9,632)

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE 2008/09

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the Council Fund Balance for the year				
Amortisation of intangible fixed assets	(113)		(108)	
Depreciation and impairment of fixed assets	(41,363)		(19,635)	
Government Grants Deferred - Matching Depreciation	3,711		4,471	
Government Grants Deferred - Matching Revenue Expenditure Funded from Capital Under Statute	1,628		789	
Write down of Revenue Expenditure Funded from Capital Under Statute to be financed from capital resources	(2,500)		(3,190)	
Repayment of Grants and Advances and Mortgages	369		328	
Difference between amounts charged to the Income & Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt	653		149	
Transfer of Assets from Cwmni Gwastraff Môn Arfon	0		2,230	
Net Gain / (Loss) on the Sale of Fixed Assets	248		0	
Net Charges made for retirement benefits in accordance with FRS 17	(7,982)		(5,954)	
Other Income	0		37	
		(45,349)		(20,883)
Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the Council Fund Balance for the year				
Statutory provision for the repayment of debt	3,107		2,967	
Capital Expenditure charged in-year to the Council Fund	4,880		1,098	
Employer's contribution payable to the Pension Fund	7,296		6,894	
		15,283		10,959
Transfers to or from the Council Fund Balance that are required to be taken into account when determining the Movement on the Council Fund Balance for the year				
Net Transfer To / (From) Housing Revenue Account	(53)		764	
Net Transfer To / (From) Earmarked Reserves - note 23	235		58	
		182		822
Net Additional Amount Required to be credited to the Council Fund balance for the year		(29,884)		(9,102)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES 2008/09

	2008/09	2007/08
	£'000	£'000
(Surplus) / Deficit for the year on the Income and Expenditure Account	31,574	7,252
(Gains) / Losses arising on the revaluation of Fixed Assets	(382)	(7,002)
(Surplus) / deficit arising from the revaluation of available for sale assets	1,097	(1,909)
Net Additional Amount Required by Statute & Non Statutory Proper Practices to be debited or credited to the General Fund Balance	0	0
Actuarial (Gains) / Losses relating to Pensions - see note 38	26,645	(8,674)
Total Recognised (Gains) / Losses for the Year	58,934	(10,333)

BALANCE SHEET		Note	2009		2008	
AS AT 31 MARCH			£'000	£'000	£'000	£'000
Fixed Assets						
Intangible Fixed Assets	2		165		245	
Tangible Fixed Assets - Operational assets	3					
-Council Dwellings		93,225		108,712		
-Other Land and Buildings		141,287		139,930		
-Vehicles, plant and equipment		2,816		2,956		
-Infrastructure		40,127		36,224		
-Community assets		18,121	295,576	18,121	305,943	
Tangible Fixed Assets - Non Operational assets	3					
-Surplus Assets held for Disposal			5,220		4,804	
-Investment Properties			1,810		1,870	
-Assets Under Construction			886		8,170	
TOTAL FIXED ASSETS			303,657		321,032	
Long Term Debtors	15		276		345	
Long Term Investments	16		5,265		1	
TOTAL LONG TERM ASSETS			309,198		321,378	
Current Assets:						
- Stocks and Work in Progress	17	384		377		
- Debtors and Payments in Advance	18	21,268		23,413		
- Investments	16	13,345		34,204		
- Cash and Bank	19	9,976	44,973	3,053	61,047	
TOTAL ASSETS			354,171		382,425	
Current Liabilities :						
- Creditors, Receipts in Advance and Deposits	20	(19,694)		(21,523)		
- Short Term Borrowing	9	(1,610)		(1,741)		
- Bank Overdraft	19	(3,808)	(25,112)	(6,708)	(29,972)	
TOTAL ASSETS LESS CURRENT LIABILITIES			329,059		352,453	
Long-term liabilities:						
Long Term Borrowing	9	(90,115)		(90,121)		
Provisions	22	(3,457)		(3,486)		
Liability related to defined benefit pension schemes	38	(69,033)		(41,701)		
Deferred Credits	21	(6)		(8)		
Capital Grants & Contributions Unapplied	14	0		(250)		
Deferred Government Grants	6	(69,567)	(232,178)	(61,072)	(196,638)	
TOTAL ASSETS LESS LIABILITIES			96,881		155,815	
Revaluation Reserve	7		5,634		6,242	
Capital Adjustment Account	11		136,135		165,225	
Financial Instruments Adjustment Account	26		679		26	
Usable Capital Receipts Reserve	13		1,659		1,611	
Available for Sale Reserve	27		812		1,909	
Pensions Reserve	38		(69,033)		(41,701)	
Housing Revenue Account Reserve			1,836		1,889	
Other Earmarked Reserves	23		11,217		10,982	
School Balances	28		3,246		3,194	
General Balances			4,696		6,438	
TOTAL NET WORTH			96,881		155,815	

Net worth is made up of the revenue and capital resources available to meet future expenditure, unrealised gains or losses (revaluation reserve) and adjustments to absorb the effect of differences between UK GAAP and statutory accounting requirements (Capital Adjustment Account & Pensions Reserve).

CASH FLOW STATEMENT 2008/09

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
REVENUE ACTIVITIES				
Cash Outflows:				
Cash Paid to and on behalf of employees	76,413			75,399
Other Operating Cash Payments	86,033			76,791
Housing Benefit Paid Out	6,479			5,961
Precepts Paid	6,261			5,825
National Non Domestic Rates Payment to National Pool	13,262			12,893
		188,448		176,869
Cash Inflows:				
Rents (after Rebates)	(3,993)			(3,809)
Council Tax Receipts	(28,502)			(28,069)
National Non Domestic Rates Payment from National Pool	(18,728)			(16,726)
National Non Domestic Rate Receipts	(13,414)			(12,637)
Revenue Support Grant and Other General Grants	(74,264)			(73,652)
Department of Work and Pensions grants for benefits	(6,148)			(5,824)
Other Government Grants (note 19c)	(37,907)			(26,521)
Cash Received for Goods and Services	(17,572)			(16,280)
		(200,528)		(183,518)
REVENUE ACTIVITIES CASH FLOW (see note 19a)			(12,080)	(6,649)
RETURN ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows :				
- Interest paid		5,078		5,339
Cash Inflows :				
- Income on Investments	(1,200)			(1,347)
- Interest received	(1,262)	(2,462)		(2,004)
			2,616	1,988
CAPITAL ACTIVITIES :				
Cash Outflows :				
- Purchase of Fixed Assets	24,778			20,265
- Expenditure on Deferred Charges	2,543			3,310
		27,321		23,575
Cash Inflows :				
- Sale of Fixed Assets	(906)			(3,336)
- Capital Grants received (Note 19c)	(12,699)			(14,130)
- Other Capital Cash receipts	(411)			(328)
		(14,016)		(17,794)
			13,305	5,781
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING			3,841	1,120
MANAGEMENT OF LIQUID RESOURCES				
Net increase/(decrease) in long term deposits		0		0
Net increase/(decrease) in short term deposits		(13,671)		6,885
			(13,671)	6,885
FINANCING :				
Cash Outflows:				
- Repayments of amounts borrowed		13,007		21,018
Cash Inflows:				
- New loans raised		(13,000)		(20,938)
- New short term loans		0		0
			7	80
NET (INCREASE)/DECREASE IN CASH			(9,823)	8,085

NOTES TO THE MAIN FINANCIAL STATEMENTS**1. PRIOR PERIOD ADJUSTMENTS**

There were no prior period adjustments made to the 2007/08 accounts.

2. INTANGIBLE FIXED ASSETS

Intangible Fixed Assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights.

Movements in intangible fixed assets were:

	2008/09 Total £'000	2007/08 Total £'000
Balance Brought Forward 1 April	245	350
Expenditure in Year	33	4
Amortisation	(113)	(109)
Balance Carried Forward 31 March	165	245

All the above Intangible Fixed Assets relate to software, the cost of which is amortised over the economic life of the asset - normally five years.

3. TANGIBLE FIXED ASSETS

The Isle of Anglesey County Council owned the following Tangible Fixed Assets as at 31 March 2009:

Land & Buildings					
Education	49	Primary Schools	Public Protection	35	Public Convenience Blocks
	5	Secondary Schools			
	1	Special Schools	Administration	10	Administration Buildings/Depots
Leisure & Heritage	3	Leisure Centres with Pools	Housing	3,818	Houses & Flats
	2	Leisure Centre without Pool		various	Plots for Sale
	13	Youth community Facilities			
	10	Libraries	Vehicles	42	Minibuses
	9	Museums/Galleries		3	Mobile Libraries
	1	Golf Course		152	Others
	11	Facilities		2	Boats
				2	Personal Watercraft
Social Services	2	Childrens Homes			
	7	Elderly Persons Homes	Infrastructure	1212 Km	Roads
	10	Day Centres		7	Piers/Docks/Slipways
	various	Land & Miscellaneous Properties		68	Car Parks
Property	97	Smallholdings		1	Waste Treatment Plant
	1	Airport Terminal		1	Waste Disposal Site
				1	Pedestrian Bridge
Economic Development	130	Shops / Workshops / Industrial Units		1	Electricity Generating Plant
	4	Industrial Estates	Community Assets	1	Art Collection

The basis for including assets in the balance sheet is shown in the Statement of Accounting Policies (Note 2).

Movements in the tangible fixed assets were:

	2008/09						2007/08	
	Council Dwellings	Other Land and Buildings	Equipment and Vehicles	Infra structure	Community	Non-operational	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Valuations B/fwd	112,740	144,071	3,728	37,706	18,121	14,859	331,225	
Less Accumulated Depreciation	(4,028)	(4,141)	(772)	(1,482)	0	(15)	(10,438)	
Net Book Value B/fwd	108,712	139,930	2,956	36,224	18,121	14,844	320,787	313,545
Revaluation	(11,840)	(7,509)	0	0	0	(46)	(19,395)	6,462
Additions	0	266	637	5,621		7,275	13,799	14,491
Disposals	(286)	(287)	0	0	0	(60)	(633)	(3,273)
Reclassification	216	13,866	0	0	0	(14,082)	0	0
Depreciation for year	(3,577)	(4,979)	(777)	(1,718)	0	(15)	(11,066)	(10,438)
Net Book Value C/fwd	93,225	141,287	2,816	40,127	18,121	7,916	303,492	320,787
Accumulated Depreciation C/fwd	(7,597)	(9,119)	(1,550)	(3,201)	0	(29)	(21,496)	

The Council's land and buildings were revalued as at 1 April 2005 by the Council's Valuer. The certificates were provided by a valuer who is a Member of the Royal Institute of Chartered Surveyors (FRICS) and who was an employee of the Council when the certificates were issued. Reviews and updates in 2008/09 have been done by the current valuer who is a MRICS. The valuer has also provided updates to the valuation of certain categories of assets from 2008 to 2009 on a percentage uplift basis. These ranged from a reduction of between 2% and 15%.

The valuation basis of the various classes of assets is shown at Policy 2 in the Statement of Accounting Policies. Depreciation is charged on a straight-line basis as shown at Policy 4 in the Statement of Accounting Policies.

The Valuer has also undertaken an impairment review of the Council's buildings. The demolition of existing buildings resulted in the impairment of one site and this reduced the carrying value.

4. **CAPITAL EXPENDITURE AND FINANCING**

During 2008/09 £26.9 million (£24.1m in 2007/08) was spent on Intangible Fixed Assets (Note 2), Tangible Fixed Assets (Note 3) and Revenue Expenditure funded from Capital Under Statute .

	2008/09	2007/08
	£'000	£'000
Opening Capital Financing Requirement	88,501	86,557
Capital Investment		
Operational Assets - Intangible Fixed Assets	33	4
- Tangible Fixed Assets	6,524	4,780
- Non Enhancing Capital Expenditure	10,521	8,656
Non-operational Assets	7,275	7,480
Reclassification	0	0
Revenue Expenditure Funded From Capital Under Statute	2,500	3,190
Sources of Finance		
Capital receipts (including those set aside to repay debt)	(1,203)	(3,766)
Government Grants and other contributions applied	(13,835)	(14,335)
Revenue provision (including amounts set aside to repay debt)	(7,987)	(4,065)
Closing Capital Financing Requirement	92,329	88,501
Explanation of movements in year:		
Increase / (decrease) in underlying need to borrow * (supported by Government Financial Assistance)	3,294	1,056
Increase / (decrease) in underlying need to borrow (unsupported by Government financial assistance)	534	888
Increase / (decrease) in Capital Financing Requirement	3,828	1,944

* This increase represents the expenditure financed from borrowing in year less the Minimum Revenue Provision less Set Aside Capital Receipts.

The Council had budgeted to use its powers to finance capital expenditure under the Prudential Framework from borrowing that was unsupported by Government financial assistance.

The flexibility of the Prudential Framework was used again in 2008/09 when as part of the financing of capital expenditure for the year, a decision was taken to use some, but not all, capital receipts and revenue in preference to borrowing. As a result of those financing decisions £2.3m of supported borrowing capacity is carried forward. The nominal value of external loans (see Note 9) is £2.2m less than the Capital Financing Requirement. Loans exceeded Capital Financing Requirement by £1.6 million in 2007/08. Over time we expect external loans to be at about the same level as Capital Financing Requirement.

The expenditure by service and financing was as follows:

	2008/09		2007/08	
	Fixed Assets £'000	Revenue Expenditure Funded From Capital Under Statute £'000	Fixed Assets £'000	Revenue Expenditure Funded From Capital Under Statute £'000
Housing (HRA) - non enhancing capital expenditure	6,488	0	5,278	0
Housing (Other)	0	1,786	0	1,863
Education	6,082	39	3,936	612
Social Services	678	0	1,274	0
Transport	6,737	282	5,813	495
Environmental Services	1,186	0	2,391	0
Other	3,182	393	2,228	220
	24,353	2,500	20,920	3,190
Total		26,853		24,110
Which was (or will be) financed from :				
Borrowing		7,157		6,028
Grants - Central Government		10,419		11,766
- European Regional Development Fund		2,025		1,672
- Other		544		827
Contributions		847		70
Capital Receipts		981		2,649
Revenue and Balances		4,880		1,098
		26,853		24,110

Revenue Expenditure funded from Capital Under Statute incurred during the year on was all written out in year.

The assets sold and other capital receipts during the year were:-

	2008/09		2007/08	
	No.	Proceeds £'000	No.	Proceeds £'000
Council Houses	7	311	24	1,519
Housing Revenue Account Land	0	0	0	0
Houses and Building Plots	9	152	3	1782
Industrial Land and Plots	5	155	1	35
Other Property	4	431	0	0
Repayment of grants/loans/deposits	-	219		328
		1,268		3,664

5. CAPITAL COMMITMENTS

As at 31 March 2009, the Council was contractually committed to capital works which amounted to approximately £1.7 million (£9.7 million in 2007/08). In addition, commitments had been given for Housing Improvement Grants totalling £0.7 million (£0.8 million in 2007/08).

The major commitments included only the following schemes:-

	£'000
Council Houses – Welsh Housing Quality Standard	600
Council Houses – Planned Maintenance	350
Ysgol Y Graig	210

The Council's approved Capital Plan as at year end will involve expenditure of £36.3 million over and above these commitments. It is planned that funding will be mainly by grants and borrowing and from resources already reserved for that purpose. No substantial use of unearmarked balances is envisaged.

6. DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

The balance on this account represents the value of capital grants and contributions which have been applied to finance the acquisition or enhancements of fixed assets held in the asset register, or revenue expenditure funded from capital under statute. The balance on this account is released to revenue in line with depreciation or with the write off of the revenue expenditure funded from capital under statute.

	2008/09 £'000	2007/08 £'000
Balance brought forward 1 April	61,071	51,996
Grants and contributions applied	13,835	14,335
Grants and contributions written off		
- against depreciation	(3,711)	(4,471)
- on deferred charges in the year	(1,628)	(789)
Balance carried forward 31 March	69,567	61,071

7. REVALUATION RESERVE

The Code of Practice requires the maintenance of a Revaluation Reserve. The balance represents the unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets.

	2008/09 £'000	2007/08 £'000
Balance brought forward 1 April	6,242	0
Revaluation	4,477	7,002
Disposal of fixed assets	(91)	(760)
Impairments	(4,096)	0
Excess of Current Value Depreciation over Historic Cost Depreciation	(898)	0
Balance Carried forward 31 March	5,634	6,242

8. LEASES

The Council has no significant items of equipment or vehicles financed by way of finance leases. The Council holds certain items of plant and equipment under operating leases or rental agreements but the charge to revenue for these items is not significant.

9. LONG AND SHORT TERM BORROWING

During the year all the Council's external borrowing was from the Public Works Loans Board, part of the UK Debt Management Office, an Executive Agency of HM Treasury. Fixed rate loans of £90.1m (nominal) were outstanding at year end at rates ranging from 2.08% to 10.375%.

Analysis of loans by maturity:-

	2009	2009	2009	2009	2008
	Outstanding Principal	Accrued Interest	Premiums / Discounts See Note 1	Amortised Cost	Amortised Cost
	£'000	£'000	£'000	£'000	£'000
>25 years	60,515	0	0	60,515	73,512
15-25 years	4,824	0	0	4,824	6,695
10-15 years	8,707	0	0	8,707	6,848
5-10 years	3,044	0	0	3,044	3,040
2-5 years	13,018	0	0	13,018	19
1-2 years	7	0	0	7	7
Total long-term borrowing	90,115	0	0	90,115	90,121
< 1 year - short term borrowing	7	1,603	0	1,610	1,741
	90,122	1,603	0	91,725	91,862

Note 1 - All premia and discounts arising from debt rescheduling exercises have been charged to the Income & Expenditure account in the year the transaction took place in accordance with the requirements of the Code. As a result there are no premia or discounts to add to the carrying value of the replacement loan.

Financial liabilities are carried in the Balance Sheet at amortised cost. The Council has obtained fair value amounts in relation to the PWLB loans outstanding using the rate applying to a new loan from the PWLB with the same duration and structure. For short-term borrowing the carrying amount is assumed to approximate fair value.

The fair values are as follows:

	2009		2008	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Loans	90,122	109,725	90,129	108,889

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

10. DISCOUNT AND PREMIUM ON DEBT REDEMPTION

One loan rescheduling exercise was undertaken during the year, with long term loans totalling £13.0m being repaid prematurely. Replacement loans of £13.0m were taken. Of the repaid loans, all were repaid at a total discount of £0.69m. The overall effect was to reduce the average interest rate on the loans portfolio by 0.25% and to shorten its average maturity by over four years.

The charge to the Income and Expenditure Account is calculated according to the requirement of the Code as revised in 2007. It requires all premia and discounts arising from loan extinguishments from 1 April 2006 to be charged to Income and Expenditure in full. Where transactions meet the definition of a modification any premia or discounts are added to the carrying value of the loan and are then amortised to the Income and Expenditure account over the life of the new loan. A modification exists where the terms of the new debt are not "substantially different" from those of the old debt. For 2008/09 the debt rescheduling exercise did not result in any transaction meeting the requirements of the modification test.

Statutory provisions override the requirements of the Code in arriving at the charge to the Council Fund and Housing Revenue Account:

- Premia amortised under statutory provisions are charged to the Council fund over the greater of the life of the original loan or the life of the replacement loan. Discounts are credited over the shorter of the life of the original loan or 10 years. The credit to the Council Fund arising from the loan rescheduling exercise undertaken in 2008/09 is £10k net. In addition a net credit of £56k arising from loans rescheduled in 2007/08 has also been made to the Council Fund.
- The charge to the Housing Revenue Account balance is determined by statute, and discounts and premia are taken to the HRA over 10 years or the remaining life of the redeemed loan (if less) to match subsidy; (see note to the HRA). The difference in treatment necessitates a credit of £2k to the HRA Fund for discounts arising in 2008/09, a credit of £9k for premia and discounts arising from 2007/08 and a charge of £39k for premia and discounts arising from rescheduling under the old system up to 2006/07.

In order to reconcile the two different amortisation methods, the charges to the Income and Expenditure Account are reversed out to the Financial Instruments Adjustment Account in the Statement of Movement on Balances (see note 26).

11. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account is an amalgamation of the Fixed Asset Restatement Account and the Capital Financing Account. It contains the amounts which are set-aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

	2008/09 £'000	2007/08 £'000
Balance Brought Forward 1 April	165,225	13,284
Balance of Fixed Asset Restatement Account as at 31/03/07	0	161,942
Capital Receipts Set-Aside in year	222	1,117
Capital Financing in Year - Capital Receipts	981	2,649
- Revenue	4,880	1,098
Adjustment with Financial Instruments Adjustment Account	0	122
Repayment of Grants & Advances netted off against deferred charges	(369)	(328)
Difference Between Current Value Depreciation Charge and Historic Cost	898	0
Depreciation Charge on assets where Current Value exceeds Historic Cost		
Value of Assets Disposed, net of any Carrying Value on the Revaluation Reserve	(542)	(2,512)
Net Appropriation from Statement of Movement on the Council Fund Balance	(35,160)	(12,147)
	136,135	165,225

The Appropriation from the Statement of Movement on the Council Fund Balance is reconciled as follows:		
Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the Council Fund Balance for the year		
Depreciation	(11,066)	(10,438)
Amortisation of intangible fixed assets	(113)	(108)
Impairment Losses / Non enhancing Capital Expenditure	(30,296)	(9,196)
Amortisation of Government Grants Deferred		
- matching depreciation	3,711	4,471
- matching revenue expenditure funded from capital under statute	1,628	789
Write Down of Revenue Expenditure funded from Capital Under Statute	(2,500)	(3,190)
Transfer of Fixed Assets from Cwmni Gwastraff Môn Arfon	0	2,230
Repayment of Grants & Advances netted off against deferred charges	369	328
Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the Council Fund Balance for the year		
Statutory Provision for the Repayment of Debt (MRP)	3,107	2,967
	(35,160)	(12,147)

12. MINIMUM REVENUE PROVISION (MRP)

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

	2008/09			2007/08	
	Housing Revenue Account £'000 £'000	Council Fund £'000 £'000	S40(6) £'000 £'000	Total £'000 £'000	Total £'000 £'000
Capital Financing Requirement at Beginning of Year	12,451	76,037	13	88,501	86,558
Adjustment for assets not commissioned		(2,542)			
Adjusted CFR for 4% calculation		73,495			
MRP - 2%	249			249	256
MRP - 4%		2,940		2,940	2,922
Section 40(6) Amortisation			6	6	6
Adjustment for loans commutation		(88)		(88)	(217)
Minimum Revenue Provision				3,107	2,967
LESS depreciation				(11,179)	(10,546)
MRP Adjustment				(8,072)	(7,579)

Expenditure incurred under Section 40(6) of the Local Government and Housing Act 1989 up to 2003/04 is required to be amortised over 7 years, rather than be subjected to the 4% MRP calculation.

The Council based the 2007/08 statutory Council fund provision on 4% of the opening capital financing requirement. This is in line with Regulations implemented under the Local Government Act 2003. These Regulations have been replaced with a more flexible MRP system based on statutory guidance. A new policy has been adopted for 2008/09 to enable assets financed from unsupported borrowing to be charged to the Council Fund according to some appropriate method such as life of the asset. The policy also allows MRP to be deferred until the asset is commissioned.

Until 2007/08 the Capital Financing Requirement adjusted by an amount equivalent to the difference between the Credit Ceiling which formed part of the system pre 2004 and the CFR; to ensure that the charge to revenue did not differ from the charge under the previous system. Taking advantage of the new regulations, this adjustment ceased for 2008/09 onwards.

13. USABLE CAPITAL RECEIPTS RESERVE

From April 2004, all receipts are usable, although part 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.

	2008/09 £'000	2007/08 £'000
Balance Brought Forward 1 April	1,611	1,741
Capital Receipts Received in year	1,268	3,665
Reduction for administration	(17)	(29)
Receipts Set Aside to repay debt	(222)	(1,117)
Receipts used for financing	(981)	(2,649)
Balance Carried Forward 31 March	1,659	1,611

Receipts include £1,964 already recognised in the balance sheet as deferred credits (£31,668 in 2007/08).

14. CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

The balance on the account represents monies held on account for financing future capital expenditure.

	2008/09 £'000	2007/08 £'000
Balance Brought Forward 1 April	250	60
Grants and Contributions receivable	13,585	14,525
Applied to finance capital expenditure	(13,835)	(14,335)
Balance Carried Forward 31 March	0	250

15. LONG TERM DEBTORS

These represent the value of long term loans made by the Council and are analysed as follows:-

	31 March	
	2008/09 £'000	2007/08 £'000
Mortgages		
Purchase of Council Houses	6	8
Housing Advances	9	9
Loans to Staff	151	103
Other Long Term Debtors	110	225
	276	345

16. INVESTMENTS

	31 March	
	2008/09 £'000	2007/08 £'000
Deposits over one year	5,264	0
Other Gilts (at cost)	1	1
Total Long Term investments	5,265	1
Debenture - Association of District Councils (at cost)	0	50
Cwmni Gwastraff Mon Arfon (at fair value)	812	1,909
Short Term Deposits (at amortised cost)	12,533	32,245
Total Short Term Investments	13,345	34,204
Total Investments	18,610	34,205

Financial assets such as investments are carried in the Balance Sheet at amortised cost. The majority of the Council's investments consist of term deposits with Banks and Building Societies. The fair value of deposits is not materially different from the amortised cost. This is because the amortised cost of the short term deposits is £12.533 million, or £0.03 million higher than the nominal value £12.5million. As at 31 March 2009 the only long term investments, other than bank deposits, was a small holding of gilts; and where an instrument is expected to mature in the next twelve months, the carrying amount is assumed to approximate fair value.

Available for sale assets in 2007/08 included a mortgage debenture loan maturing in 2011 issued by the former Association of District Councils. This was redeemed in 2008.

The Council also owns a 50% interest in Cwmni Gwastraff Mon-Arfon Cyf, a waste disposal company, received in exchange for rights to land and other assets with a negative value in total at the date of the transfer in 1994. The Company is in the process of being wound up and further related details are given in Note 43. The investment was reclassified as available for sale in 2008 and is shown at fair value in the balance sheet. The value as at 31 March 2008 was £1.909 million. During the year a dividend of £1.394 million was received and the holding revalued by £0.297 million leaving an investment value of £0.812 million.

17. **STOCKS AND WORK IN PROGRESS :-**

	31 March	
	2008/09 £'000	2007/08 £'000
Prepaid Envelopes	7	19
Social Services - Gweithdy Mona	21	25
Oriel Ynys Môn prints and shop stock	114	122
Building Maintenance Service	(47)	(55)
Other Stocks	75	116
	170	227
Work in Progress - Building Maintenance Service	45	45
- Highways Service	169	105
	384	377

18. **DEBTORS**

This represents the net monies owed to the Council after making provision for sums that might not be recovered. This is analysed below, followed by the movement in Provision for Bad Debts in year.

	31 March	
	2008/09 £'000	2007/08 £'000
Taxpayers		
Council Tax	2,682	2,578
Business Rate Payers	1,132	1,287
Others		
Central Government - VAT	1,235	1,610
Central Government - Grants & Other	9,259	11,599
Housing Rent Payers	709	650
Debtor Reserves	2,930	2,139
Sundry Debtors & others (incl Payments in Advance)	6,457	6,044
Total Debtors	24,404	25,907
Less Provisions for Bad Debts	(3,136)	(2,494)
Total Net Debtors	21,268	23,413

Debtor Reserves represent income in the financial year where the goods or services were provided prior to the end of the year but where the income was not received or invoiced as at the end of the year.

Sundry Debtors represent amounts invoiced for goods or services but where the payment was not received as at the end of the year.

Movements in Provisions for Bad Debts in Year is:

	Balances at 01.04.08 £'000	New Provisions £'000	Debts Written Off £'000	Balances at 01.04.09 £'000
Taxpayers				
Council Tax	(562)	(132)	29	(665)
Business Ratepayers	(272)	(188)	125	(335)
Others				
Housing Rent Payers	(550)	(66)	1	(615)
Other	(1,110)	(485)	74	(1,521)
	(2,494)	(871)	229	(3,136)

19. NOTES TO THE CASH FLOW STATEMENT**a. Reconciliation of Net Surplus on the Income & Expenditure Account to the Revenue Activities Cash Flow.**

	2008/09 £'000	2008/09 £'000	2007/08 £'000	2007/08 £'000
(Surplus) / Deficit - Income & Expenditure Account (excl Transfer to / from School Balances)		31,217		5,299
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the Year		(29,754)		(6,565)
Transfer (to) / from Reserves	(365)		(4,881)	
Transfer (to) / from School Balances	(53)		(585)	
Transfer (to) / from HRA	53		(764)	
Sub Total		(365)		(6,230)
Adjustment for Cash Movements				
Increase / (Decrease) in Debtors & Payments in Advance		(219)		1,960
Increase / (Decrease) in Stocks and Work in Progress		8		(120)
(Increase) / Decrease in Creditors, Receipts in Advance & Deposits		(601)		3,232
Decrease / (Increase) in Provisions		233		(424)
Other Non Cash Transfers		(12,599)		(3,801)
Net Cash Flow From Revenue Activities		(12,080)		(6,649)

b. Reconciliation of the Movement in Liquid Resources

	Balance 31.03.09 £'000	Balance 31.03.08 £'000	2008/09 Movement £'000	2007/08 Movement £'000
Bank Overdraft	3,808	6,708	(2,900)	3,769
Cash and Bank	(9,976)	(3,053)	(6,923)	4,316
Short and Long Term Deposits	(17,500)	(31,171)	13,671	(6,885)
Liquid Resources	(23,668)	(27,516)	3,848	1,200
Long and Short Term Borrowing	90,122	90,130	(8)	(80)
Total Financing and Management of Liquid Resources	66,454	62,614	3,840	1,120

c. Analysis of Capital Grants Received and Other Government Grants

SOURCE	2008/09 Revenue £'000	2008/09 Capital £'000	2007/08 Revenue £'000	2007/08 Capital £'000
National Assembly for Wales	20,304	11,008	19,680	11,626
European Regional Development Fund	351	584	(222)	987
Department for Work and Pensions (DWP)	16,483	0	6,831	0
Other	769	1,107	232	1,517
Total	37,907	12,699	26,521	14,130

The total grants and subsidies from the DWP is £22.631 million (£12.655 m in 2007/08) - that element which matches Rent Allowances paid to private tenants is shown separately on the face of the Cash Flow Statement.

20. CREDITORS

This represents monies owed by the Council analysed as follows:-

	31 March	
	2009 £'000	2008 £'000
Pending Payments	4,574	5,898
Creditor Reserves - Central Government	140	60
Central Government - General Creditors	7,633	8,424
Other Creditors	6,351	6,142
Total Creditors	18,698	20,524
Receipts in Advance	462	506
Deposits	534	493
	19,694	21,523

Pending Payments represents expenditure in the financial year which had been certified for payment, but where the actual cash payment was not made until shortly after the end of the financial year.

Creditor Reserves represents expenditure in the financial year, where the goods and services were received prior to the end of the year but where the payment has not been certified until after year end.

21. DEFERRED CREDITS

This represents the sums outstanding on mortgages advanced on the sale of Council Houses. The advances are due to be repaid over the next 12 years.

22. PROVISIONS

The Council sets aside provisions for specific future liabilities which are likely or certain to be incurred but amounts and timing cannot yet be determined accurately.

	Balance 01.04.08 £'000	Movement in Year £'000	Balance 31.03.09 £'000
Insurance	1,026	(60)	966
Penhesgyn Waste Site	2,460	(309)	2,151
Other	0	340	340
	3,486	(29)	3,457

Purpose of Provisions**Insurance Provision**

The Council's external insurance policies have deductibles which means that the first part of any loss or claim under these policies is self insured and protected by means of a stop-loss (see also insurance reserve note 23). 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 Council's share of Cwmni Gwastraff Môn Arfon, which was transferred in January 2008 (see note 43) included £2.46 million in respect of a provision for aftercare of the areas of the Penhesgyn Waste Site formerly used for landfill. This provision is set aside in the Council's accounts to cover aftercare and reinstatement works at the site. The movement reflects a small revaluation by the Company and the use of £119k to meet aftercare costs incurred during 2008/09.

23. RESERVES

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practices, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance as at 1 April 2008 £'000	Net Movement in Year £'000	Balance as at 31 March 2009 £'000	Purpose of the Reserve	Further Details of Movements
Revaluation Reserve	6,242	(608)	5,634	The balance of any unrealised gains since 1 April 2007 arising from fixed assets	See Note 7
Capital Adjustment Account	165,225	(29,090)	136,135	Balance of capital resources set aside to meet past expenditure	See Note 11
Financial Instruments Adjustment Account	26	653	679	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	See Note 26
Available for Sale Financial Instruments Reserve	1,909	(1,097)	812	Records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets	See Note 27
Pensions Reserve	(41,701)	(27,332)	(69,033)	A balancing account in order that the Pensions Liability can be shown on the balance sheet	See Note 38
Sub-total : Non Distributable Reserves	131,701	(57,474)	74,227		
Useable Capital Receipts	1,611	48	1,659	The proceeds of fixed asset sales available to meet future capital investment	See Note 13
Housing Revenue Account	1,889	(53)	1,836	Resources available to meet future running costs for Council Houses	See HRA Statements page 52
Council Fund	6,438	(1,742)	4,696	Resources available to meet future running costs for non HRA services	See Statement of Movement on the Council Fund Balance page 15
School Balances	3,194	52	3,246	Resources available to meet future running costs of educational objectives of schools	See Note 28
Other Earmarked Reserves	10,982	235	11,217	See below	See Below
Sub-total : Distributable Reserves	24,114	(1,460)	22,654		
TOTAL	155,815	(58,934)	96,881		

Earmarked reserves established for specific revenue purposes are detailed below:-

	Balance 01.04.08 £'000	Movement in Year £'000	Balance 31.03.09 £'000
Capital Expenditure	2,360	(1,211)	1,149
Penhesgyn Waste Landfill Site Reserve	(1,364)	1,394	30
Insurance	1,319	391	1,710
Infrequent Events	0	9	9
Museum Purchases	10	0	10
Oriel Kyffin Williams Development Fund	323	(323)	0
Leisure Improvements Reserve	166	253	419
School Days	29	(33)	(4)
Service Reserves	2,826	(637)	2,189
Restricted Service Reserves	559	188	747
Fire Services Reserve	102	0	102
Building Maintenance Service	146	44	190
Equal Pay, Single Status and Job Evaluation	1,467	411	1,878
Section 117 (Mental Health Act 1983)	341	(14)	327
Recycling	842	113	955
Risk Management Reserve	0	71	71
Performance Management Reserve	1,392	(75)	1,317
LABGI	464	(346)	118
	10,982	235	11,217

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 created from the net cash assets of Cwmni Gwastraff Môn Arfon which is in the process of being wound up. The cash transferred was reduced by £2.46 million treated as a provision (see note 22) and costs related to winding up the company and capping costs. The reserve will be used to contribute towards any future liabilities arising from the management of the Penhesgyn site. During the year a further dividend was paid which exceeded the negative value of the reserve and has resulted in a positive reserve at 31 March 2009. The remaining value in the Company (£0.812 million) is currently classified as a Financial Instrument Available for Sale (Note 27). These remaining assets are now due to transfer during 2009 and the proceeds will be brought into this reserve.

Insurance - The Council runs an internal insurance account which pays for self insured losses and which receives 'premia' from service accounts. The known losses at year end are provided for (see insurance provision Note 22). £0.9 million of 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. A further £0.4 million has been earmarked from balances to protect the Council's budget from particularly high losses in any year. This will be released to general balances in 2009/10 to help finance the Council's budget for the year.

Infrequent Events - to allow the Council to even out from year to year the cost of making contributions to events which occur less frequently than annually.

Museum Purchases - earmarked gifts and other finances to fund future expenditure of Oriel Ynys Môn.

Oriel Kyffin Williams Development Fund - Contributions received and sales proceeds earmarked towards the development of a new gallery at Oriel Ynys Môn. Most of the income is restricted by contract to be used for this specific purpose only, and was applied as intended as the Oriel was completed in 2008/09.

Leisure Improvements Reserve - to fund capital expenditure on improvements to, and provision of, strategic leisure facilities. The balance of the Island Games Reserve, shown as part of Restricted Service Reserves previously has been transferred to the reserve.

School Days - to equalise the costs of varying number of school days in each financial year.

Service Reserves - under the Council's Financial Procedure Rules over and underspendings are carried forward as earmarked reserves unless limited by the Executive.

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

Fire Service Reserve - The North Wales Fire Authority returned to its constituent authorities a sum which had been set aside by it to help manage fluctuations in pension costs, in view of the transfer of responsibility for fire pension costs to the UK Government. This will be used in 2009/10 to support the 2009/10 budget.

Building Maintenance Service - to provide a working balance. A substantial part of this balance accrued under the unit's previous status as a Direct Service Organisation under Compulsory Competitive Tendering legislation. All surpluses arising from work on the Housing Revenue Account is now transferred back to the HRA. £120k has been allocated to be used in 2009/10 to support the 2009/10 budget.

Equal Pay, Single Status and Job Evaluation - As a result of the 'Single Status' agreement, the Authority, 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 authority is of the view that the sums set aside are adequate. The movement in 2008/09 includes the excess of the pay award over the initial budget. The Council has received approximately 100 equal pay claims from current and former employees of which 80 are currently being considered by Tribunal. The outcomes of these cases are not known at this time.

Section 117 (Mental Health Act 1983) - to provide for the anticipated repayment of charges previously levied on some social service users. (See also Note 40)

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

Risk Management Reserve – The Risk Management Reserve was set up to cover work done in collaboration with the Council's Insurers including Corporate Risk Management; Business Continuity; Health and Safety.

Performance Management Reserve - amounts earmarked towards performance improvement measures from the Performance Incentive Grant

Local Authority Business Growth Incentive Grant (LABGI) - amounts received as a payment on account from the Welsh Assembly Government under a UK Treasury scheme to reward Local Authorities for growth in the non domestic rateable value of their area. The grant has been partly allocated in 2008/09 and the balance has been clawed back to support the 2009/10 budget. This grant ended in 2007/08.

24. FINANCIAL INSTRUMENTS GAINS AND LOSSES

The gains and losses in the Statement of Movement on the Council Fund Balance in relation to financial instruments are made up of the difference between the annual net charge for premia and discounts charged to the Income and Expenditure Account and charge made in accordance with statute to the Council Fund and the Housing Revenue Account. The adjustment is £653k net (£148k in 2007/08).

25. DISCLOSURE OF 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 and credit limits are set for each counterparty. An exception is made for the larger, unrated Building Societies but no investments remained at 31 March. The Council has set a number of limits based on credit ratings 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 Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount 31 March 2009 £'000	Historical Experience of default %	Adjustment for market conditions 31 March 2009 %	Estimated Maximum Exposure to Default and Uncollectability £'000
Deposit with Banks and Financial Institutions - Aaa	0	0.0	0.0	0
- Aa	26,025	0.0	0.0	0
- A	0	0.0	0.0	0
Trade Debtors	3,771	1.8	3.6	960

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

The Council does not generally allow credit for customers; it has prescribed collection procedures for amounts owed by its customers and appropriate provisions are made for potential 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 2009 £'000	31 March 2008 £'000
Less than three months	1,688	1,540
Three to six months	507	180
Six months to one year	185	193
More than one year	1,391	1,108
Total	3,771	3,021

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. It also 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. In order to achieve this the Council uses external treasury management advisors. The maturity analysis of outstanding loans is shown at note 9.

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 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 Income and Expenditure Account would rise;
- Investments at fixed rates – the fair value of the assets would fall.

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 action that fixed rate funding would be drawn 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.

Price Risk – The Council does not normally invest in equity shares but does have shares in Cwmni Gwastraff Môn-Arfon, a Local Authority Waste Disposal Company. The company is currently being wound up and has therefore been classified as an ‘available for sale asset’ and is shown at fair value in the Balance Sheet. The fair value of the shares is expected to be realised during 2009.

Foreign Exchange Risk – The Council has no financial assets or liabilities denominated in foreign currencies apart from relatively minor grants funded schemes where the grants are denominated in Euro. Thus it has limited exposure to loss arising from movements in exchange rates.

26. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account provides a balancing mechanism between the different rates at which gains and losses (such as the premium on the early repayment of debt) are recognised under the Code and are required by statute to be met from the Council Fund or the Housing Revenue Account.

	2008/09 £'000	2007/08 £'000
Balance brought forward 1 April	26	0
Adjustment from Capital Adjustment Account (see note 11)	0	(122)
Net Adjustment for Premiums & Discounts (see note 10)	653	148
Balance Carried forward 31 March	679	26

27. AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE

The Available-for-Sale Financial Instruments Reserve records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

	2008/09 £'000	2007/08 £'000
Balance brought forward 1 April	1,909	0
Investments Recognised in the Year	297	5,486
Investments Disposed of during the Year	(1,394)	(3,577)
Balance Carried forward 31 March	812	1,909

The movement on the reserve relates to the unrealised gain on the Council's holding in Cwmni Gwastraff Môn Arfon.

28. SCHOOL BALANCES

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

	Opening Balance 01.04.08 £'000	Addition / (Reduction) for Year £'000	Closing Balance 01.04.08 £'000
Community and Voluntary Primary Schools	1,444	(87)	1,357
Community Secondary Schools	1,573	66	1,639
Community Special School	130	24	154
Foundation Primary School (see note 44)	47	49	96
	3,194	52	3,246

At 31 March 2009 all schools had balances in surplus apart from three primary schools and one secondary school which had a combined deficit of £55,029. Copies of the Section 52 Statements which each authority 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.

29. 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 Isle of Anglesey County Council and the North Wales Police Authority for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts 29,418.92 for 2008/09 (28,614.53 for 2007/08).

The amount for a band D property (average £979.62 for 2008/09, £959.07 in 2007/08) is multiplied by the proportion specified for the particular band and discounts and benefits applied to give the individual amount due.

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

Analysis of the net proceeds from Council Tax:	2008/09	2007/08
	£'000	£'000
Council Tax collectable	28,458	27,784
Less : payable to North Wales Police Authority	(5,477)	(5,097)
: provision for non-payment not previously accounted for	(132)	(68)
Net proceeds from Council Tax (inc. Community Council precepts)	22,849	22,619

30. NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Welsh Assembly Government (WAG) specifies an amount for the rate – 46.6p in 2008/09 (44.8p in 2007/08) 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 National Assembly for Wales (NAfW). NAfW redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income, after reliefs and provisions, of £13,489,274 for 2008/09 (£13,100,787 for 2007/08) was based on rateable value at the year end of £33,888,958 (£32,872,504 for 2007/08). The average for the year was approximately £33,380,731 (£32,561,000 for 2007/08).

Analysis of the net proceeds from non-domestic rates:	2008/09	2007/08
	£'000	£'000
Non - domestic rates collectable	13,489	13,101
Cost of collection allowance	(134)	(132)
Interest paid on overpayments	(19)	0
Provision for bad debts	(188)	(113)
Contribution to cost of charitable relief/rural rate relief	36	37
Payment into national pool	13,184	12,893
Redistribution from national pool	18,278	16,726

31. PUBLICITY

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity, which is defined as “any communications, in whatever form, addressed to the public at large or to a section of the public”. In 2008/09 the Council spent £418,635 (£389,585 in 2007/08) on Advertising and Publicity. £192,799 (£173,084 in 2007/08) related to advertising for staff, £225,836 (£216,501 in 2007/08) was spent on other advertising and publicity including publishing statutory notices in connection with Highway and Planning matters.

32. INCOME AND EXPENDITURE UNDER THE LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council activities in providing work for other public bodies are minor.

33. LEVIES BY JOINT SERVICES AND OTHER BODIES

Certain services are operated across individual council boundaries and this Council pays a share of the services costs. The contributions were as follows:-

Service	2008/09 £'000	2007/08 £'000
<u>Levies by Outside Bodies</u>		
North Wales Fire Authority	3,094	3,006
Environment Agency - Internal Drainage Board	2	2
Tywyn Trewan Board of Conservators	10	0
North Western and North Wales Sea Fisheries Committee	128	121
	3,234	3,129
<u>Joint Services included as Levies</u>		
Anglesey & Gwynedd Coroner Service	162	143
Levies in the consolidated revenue account	3,396	3,272
<u>Other Joint Services</u>		
North West Wales Bibliographic Network (TalNet)	73	70
Anglesey and Gwynedd Special Education Needs Joint Board	440	433
	3,909	3,775

34. TRADING SERVICES

The Council runs commercial operations, mainly financed by charges to recipients of the service, and are analysed below:-

Trading Account	2008/09 Turnover £'000	2008/09 (Suplus) / Deficit £'000	2007/08 (Suplus) / Deficit £'000
Building Maintenance	5,631	(597)	(197)
Môn Care Services	11,401	2,027	1,820
Hyfforddiant Môn Training	1,610	52	166
GRAND TOTAL	18,642	1,482	1,789

As a consequence of a change to the Code of Practice, services are no longer charged capital financing charges for the use of fixed assets. Had these charges still been made the Building Maintenance surplus would reduce to £0.586 million (£0.186 million in 07/08), the Môn Care Services deficit would increase to £2.22 million (£1.98 million in 07/08) and the Hyfforddiant Môn Training deficit would increase to £0.070 million (£0.183 million in 07/08).

The transactions of each are shown under the relevant service head in the revenue account.

Nature of Operations**Building Maintenance**

The Building Maintenance unit carries out the day to day repairs and maintenance to the Council Housing stock, public buildings and other property owned or leased by the Council. The financial objective of the Building Maintenance unit is to be commercially successful while employing locally.

Môn Care Services

Môn Care Services is the in-house provider, within the Housing and Social Services Department, of the following services throughout the six operational areas of the island: Home care, Residential and Day-care, Sheltered Employment Workshops, Sheltered Housing and Meals on Wheels.

The financial objective of Môn Care Services is to break-even. It is treated as part of the operation of the Social Services and has no specific reserve of its own.

Hyfforddiant Môn Training

Hyfforddiant Môn Training provides Youth and Adult Training which is mainly funded by the Department for Education, Lifelong Learning and Skills (DCELLS). It also runs courses in Information Technology, Health and Safety and Food Hygiene and Technology.

The financial objective of Hyfforddiant Môn Training is to ensure that it has sufficient reserves for the development of its services and for the protection from loss of contracts.

35. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Charges Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account 2008/09	Chargeable 2008/09 £'000	Non Chargeable 2008/09 £'000	Total Building Control 2008/09 £'000	Total Building Control 2007/08 £'000
Expenditure				
Employee Expenses	123	61	184	221
Premises	0	1	1	4
Transport	14	3	17	15
Supplies and Services	83	5	88	90
Central & support service charges	45	15	60	55
TOTAL EXPENDITURE	265	85	350	385
Income				
Building Regulation Charges	213	0	213	287
Miscellaneous income	0	1	1	0
TOTAL INCOME	213	1	214	287
Surplus/(Deficit) for year	(52)	(84)	(136)	(98)

36. MEMBERS ALLOWANCES

A total of £869,860 (£831,902 in 2007/08) was paid in respect of allowances to Council Members during the year. Since 2006/07, Members are eligible to join the pension scheme and the allowances figure includes £55,318 (£52,328 in 2007/08) for the Council's contribution to the fund. Details of individual payments, as required by The Local Authorities (Allowances for Members) (Wales) Regulations 2002, are published by the Council and is available on the Council's website: www.anglesey.gov.uk. Further details are available from the Managing Director's department, Council Offices, Llangefni, LL77 7TW.

37. EMOLUMENTS

The number of employees (including head teachers and senior school staff) whose remuneration paid in 2008/09, excluding pension contributions but including severance pay, was £60,000 or more.

Remuneration Band	Including Severance Pay		Excluding Severance Pay	
	2008/09 No. of Employees	2007/08 No. of Employees	2008/09 No. of Employees	2007/08 No. of Employees
£60,000 - £69,999	7	5	7	5
£70,000 - £79,999	5	2	5	2
£80,000 - £89,999	1	0	1	0
£90,000 - £99,999	0	0	0	0
£100,000 - £109,999	1	0	0	0
£110,000 - £119,999	0	1	0	1
£120,000 - £129,999	0	0	0	0
£130,000 - £139,999	1	0	1	0

38. PENSIONS

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

The costs incurred by the Council are through two different pension schemes, all of which provide defined benefits based on final salary.

Teachers

This is an unfunded scheme administered by the Department for Education and Skills, who set the contribution rates supported by five yearly actuarial reviews of a notional fund.

Employers' contributions of £3.058 million (£2.968m in 2007/08) were made in 2008/09 at the rate of 14.1% of pensionable pay (14.1% in 2007/08). In addition, payments relating to enhancements for early retirements etc. made on a pay-as-you-go basis amounted to £0.592 million (£0.544m in 2007/08) or 2.81% of pensionable pay (2.65% in 2007/08).

Other Employees

A fund is maintained by the Gwynedd Council under the Local Government Pension Scheme regulations. Periodic actuarial valuations are carried out. The last valuation of the fund was undertaken on 31 March 2007 and the estimate of scheme assets and liabilities given below is based on that valuation with the Actuary taking account of contributions, retirements and fund performance between that date and 31 March 2009.

During 2008/09 employers contributions of £6.833 million (£5.989m in 2007/08) were made, at the rate of 21.0% (19.3% in 2007/08) of pensionable pay. The increase follows an actuarial valuation, as at 31 March 2007, (which was implemented in 2008/09) which identified that the funding level of the Fund at that date was 84% (from 74% in 2004) and that a common rate of 20.1% was necessary to return the fund to 100% funding over a period of 20 years. The Council's rate was higher than this and it was decided to increase the rate immediately. Payments relating to enhancements for early retirements amounted to £0.924 million (£0.888m in 2007/08). An Annual Report on the Pension Fund is available from the Pensions Section, Gwynedd Council.

The capital cost of discretionary increases in pension payments agreed by the Authority during 2008/09 is estimated at £8,000 (Nil in 2007/08).

Change of accounting policy

Under the 2008 Code of Practice the Council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. On the grounds of materiality the previous years figures have not been restated, however a move to a bid value will result in an actuarial loss in the revenue accounts.

Transactions Relating to Retirement Benefits

The cost 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 that the Council is required to make against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement on the Council Fund Balance. The following transactions have been made in the Income & Expenditure Account and Statement of Movement on the Council Fund Balance:

	2008/09 £'000	2007/08 £'000
<u>Income & Expenditure Account</u>		
Net Cost of Services:		
▪ Current Service Costs	(4,052)	(5,713)
▪ Past Service Costs (see footnote)	(1,553)	0
▪ Impact of settlements & curtailments	(21)	0
Net Operating Expenditure:		
▪ Interest Costs	(13,485)	(10,296)
▪ Expected Return on Assets in the Scheme	11,129	10,055
Net Charge to Income & Expenditure Account	(7,982)	(5,954)
Statement of Movement on the Council Fund Balance		
▪ Reversal of net charges made for retirement benefits in accordance with FRS 17	686	(940)
Actual Amount charge against the Council Fund for Pensions in the year		
▪ Employers' Contributions payable to the Scheme	(7,296)	(6,894)

Footnote

The Past Service Cost figure for this year includes an adjustment in respect of retrospective changes to member benefits that came into effect on 1 April 2008. The changes relate to the extension of the death grant upon death after retirement to 10 times the pension less the total pension payments already paid and the extension of the eligibility criteria for dependants' pensions upon death to include a nominated cohabitee.

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £26.644m (gain of £8.675m in 2007/08) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses arising since 2004/05 recognised in the Statement of Total Recognised Gains and Losses is £35.099m.

The assumptions made (on price inflation, pay increases etc.) in estimating the figures in this table are shown on page 46. Costs arising from revisions to estimates made in previous years (e.g. the expected return on investments) are shown on page 45.

Assets and Liabilities in Relation to Retirement Benefits

The movement in the net pension liability for the year to 31 March 2009 is summarised as follows:

	2008/09 £'000	2007/08 £'000
Net pensions liability as at 1 April	41,701	51,315
Current Service cost	4,052	5,713
Employers contributions payable to the scheme	(7,296)	(6,894)
Past service cost/curtailment cost	1,574	0
Net interest/return on assets	2,357	241
Actuarial Loss/(Gain)	26,645	(8,674)
Net pension liability as at 31 March	69,033	41,701

Reconciliation of present value of the scheme liabilities:

	2008/09 £'000	2007/08 £'000
Liabilities at 1 April	(194,584)	(190,109)
Current Service Cost	(4,053)	(5,713)
Interest Cost	(13,486)	(10,296)
Contributions by Scheme Participants	(2,038)	(1,882)
Actuarial Gains and (Losses)	16,829	6,982
Benefits Paid	6,354	6,434
Past Service Costs and Losses on Curtailments	(2,006)	0
Liabilities at 31 March	(192,984)	(194,584)

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. We have taken the view that there is not enough reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently the valuation of the Council's retirement benefit liabilities as at 31 March 2009 does not include any allowance for this change to the pension scheme.

Reconciliation of the fair value of the scheme assets:

	2008/09 £'000	2007/08 £'000
Assets at 1 April	152,883	138,794
Expected Rate of Return	11,129	10,055
Actuarial Gains and Losses	(43,474)	1,693
Employer Contributions	6,828	6,046
Contributions in Respect of Unfunded Benefits	900	847
Contributions by Scheme Participants	2,038	1,882
Benefits Paid	(6,354)	(6,434)
Assets at 31 March	123,950	152,883

The actual return on the scheme assets in the year was £31.882 million (£7.314 million in 2007/08).

Scheme History

	2008/09 £'000	2007/08 £'000	2006/07 £'000	2005/06 £'000	2004/05 £'000
Present Value of Liabilities	(192,984)	(194,584)	(190,109)	(189,401)	(157,566)
Fair Value of Assets	123,951	152,883	138,794	127,661	101,527
Surplus / (Deficit) in the Scheme	(69,033)	(41,701)	(51,315)	(61,740)	(56,039)

This deficit does not directly affect the Council's distributable reserves, but it could have an effect on future budgets as deficits are taken into account when the employer's contribution rate is set during triennial review.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

	2008/09	2007/08
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
Men	19.6 yrs	
Women	22.5 yrs	
Longevity at 65 for Future Pensioners:		
Men	20.7 yrs	
Women	23.6 yrs	
Rate of Inflation	3.10%	3.60%
Rate of Increase in Salaries	4.60%	5.10%
Rate of Increase in Pensions	3.10%	3.60%
Rate for Discounting Scheme Liabilities	6.90%	6.90%

The value and distribution of assets and anticipated returns for the Council's share within the Gwynedd Fund used for the assessment was as follows:-

Asset	March 2009			March 2008		
	Sum £ million	Asset Distribution	Anticipated Rate of Return	Sum £ million	Asset Distribution	Anticipated Rate of Return
Equities	90.5	73%	7.0%	113.9	75%	7.7%
Bonds	17.3	14%	5.4%	22.1	14%	5.7%
Property	10.0	8%	4.9%	13.2	9%	5.7%
Cash	6.2	5%	4.0%	3.7	2%	4.8%
Total	124.0	100%		152.9	100%	

The Council's share of these assets, £124.0 million, includes the Council's share of the former Gwynedd County Council Fund assets (31 March 2008 £152.9 million). Against these assets, it is calculated that there exist liabilities which amount to £192.98 million (including the share of those liabilities of the former Gwynedd County Council for which the Council is responsible) (31 March 2008 £194.58 million) giving rise to a net liability of £69.0 million (31 March 2008 £41.70 million). These liabilities have been calculated to include liabilities for discretionary increases outside the main scheme relating to decisions taken in earlier years for which payments will still need to be made and are estimated at £12.75 million (31 March 2008 £12.58 million). These include the share of those liabilities of the former Gwynedd County Council for which the Council is responsible and for members of the Teachers Pension Scheme.

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2008/09 %	2007/08 %	2006/07 %	2005/06 %	2004/05 %
Difference between the expected and actual return on assets	(35.1)	1.1	0.1	13.7	3.4
Experience (gains) and losses on liabilities	0.9	0.5	0.0	13.5	0.2

39. AUDIT COSTS

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

	2008/09 £'000	2007/08 £'000
Fees payable to PricewaterhouseCoopers LLP with regard to external audit services carried out by the appointed auditor	252	229
Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns	190	140
Fees payable to the Wales Audit Office in respect of statutory inspection	89	86

40. CONTINGENT LIABILITIES**The Former Gwynedd County Council**

Agreement has been reached with the other successor authorities of the former Gwynedd County Council on the distribution of the various assets and liabilities in its balance sheet including insurance claims, which is reflected in the opening balances on the Consolidated Balance Sheet. A number of matters relating to certain debtors and creditors of the old authority remain uncertain. Provision believed to be adequate has been made for these by Gwynedd Council, with agreement that any surplus or deficit on eventual resolution will be settled with all successors.

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. Four cases have been settled. The total amount of this liability is difficult to quantify but £0.33 million remains from the sum set aside in an earmarked reserve for such repayments.

41. STATEMENT OF ACCOUNTS

The Statement of Accounts was authorised for issue by the Corporate Director (Finance) on 29 September 2009. Events after the balance sheet date have been considered up until the date the accounts were authorised for issue.

42. TRANSACTIONS WITH RELATED PARTIES

Material transactions with the Government are summarised in the Cash Flow Statement.

Details of transactions with subsidiary and associated companies are given in Note 41, and details of transactions with trusts for which the Council is trustee are given in Note 43.

The Council appoints members to certain public bodies who levy on the Council's budget. Details of these levies are given in Note 33.

The Council also appoints members to certain public, charitable and voluntary bodies. During 2008/09, a total of £5,693,225 was paid in grants or for the purchase of services from these bodies.

The Council is a member of the Welsh Local Government Association, to which subscriptions of £72,750 were paid in 2008/09.

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 £544,766 was paid by the Council in 2008/09 in relation to these interests. Some payments of housing benefit are made direct to landlords; in 2008/09 such payments totalling £12,964 were made directly to three members of the Council (and their related parties) in this capacity.

A Corporate Director of the Council is related to a Board Member of the North West Wales NHS Trust and during the year the following transactions took place:

- payments to related party	£ 1,845,019
- receipts from related party	£ 12,589
- amounts owed to related party at year end	£ 172,911
- amounts due from related party at year end	£ 5,277

A Corporate Director of the Council is a council member of the General Teaching Council for Wales and during the year the following transactions took place:

- payments to related party	£ 52,807
- receipts from related party	£ 0
- amounts owed to related party at year end	£ 0
- amounts due from related party at year end	£ 0

Four Members/Officers of the Council, including a Corporate Director are a board member of the Anglesey Local Health Board and during the year the following transactions took place:

- payments to related party	£ 0
- receipts from related party	£2,134,939
- amounts owed to related party at year end	£ 0
- amounts due from related party at year end	£ 463,042

Apart from normal transactions such as the payment of non-domestic rates, there are no other material transactions with these bodies.

43. INTERESTS IN COMPANIES

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

Cwmni Gwastraff Môn-Arfon Cyf

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

Following a change in legislation, the two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff were transferred to the Council in January 2008 together with a balancing amount in cash. A further dividend was paid in December 2008. The remaining company assets and liabilities will be divided between the two Councils when the company is wound up. The Company final accounts were completed as at January 2008 and the investment on the Balance Sheet has been re-valued to its projected value when the distribution of assets takes place.

Cwmni Cynnal Cyf

This company was established jointly by Ynys Môn and Gwynedd Councils on local government reorganisation. It provides education support services under contract to maintained schools and to the local education authorities and schools inspection services to Estyn. The income of the company can only be applied towards the promotion of its objectives. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound. Payments made by the Council including its schools in 2008/09 total £2.109 million (£1.863 million in 2007/08).

The Company accounts for 2007/08 shows net income £0.29 million (net income of £0.21 million in 2006/07). The turnover for 2007/08 was £5.84 million (£5.56 million in 2006/07). The Company's published accounts as at 31 March 2008 showed net assets of £0.21 million (net liability £1.38 million in 2006/07) as at 31 March 2008.

Copies of the financial statements are available from Cwmni Cynnal Cyf, Plas Llanwnda, Caernarfon, Gwynedd. The auditor's report on the accounts for the period ended 31 March 2008 is not qualified.

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

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 2008/09 the Council paid £0.314 million (£0.324 million in 2007/08) for purchase of services from the company.

The Company accounts for 2007/08 shows net movement in funds of £2.16 million (net movement in funds of £5.71 million in 2006/07). The turnover for 2007/08 was £29.56 million (£27.25 million in 2006/07) and net assets totalled £12.58 million (£10.43 million in 2007/08) as at 30 September 2008.

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 period ended 30 September 2008 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 2008. 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 2008/09 the Council made payments of £0.127 million to the company in support of the activities. (£0.211 million in 2007/08).

The Company accounts for 2008 shows net income after tax of £51,701 (net income of £29,637 in 2007). The turnover for 2008 was £3.51 million (£2.29 million in 2007) and net assets totalled £0.45 million (£0.30 million in 2007) as at 31 December 2008.

Copies of the company's accounts can be obtained from Menter Môn, Llys Goferydd, Bryn Cefni Industrial Estate, Llangefni, Ynys Môn. The auditors report on the accounts for the period ended 31 December 2008 is not qualified.

44. CAERGEILIOG FOUNDATION SCHOOL

Balances for current assets and liabilities controlled by Ysgol 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 tangible fixed assets which are stated on the school's balance sheet at £736,732 (£744,654 at 31 March 2008) on a combination of valuation and historical cost, less depreciation. The fixed assets are vested in the school's Governing Body and are not consolidated in this balance sheet.

45. TRUST FUNDS

The Council acts as trustee for a number of trust funds. The funds are not assets of the Council so they are not included in the Council's Consolidated Balance Sheet. Their accounts are no longer included in this Statement of Accounts but are available from the Finance Department.

Besides the legacies left for purposes such as prize funds at schools and comforts and improvements in social service establishments, the Council is also responsible for the following Trust funds:-

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

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

The fund is administered by the Council free of charge. In 2008/09 the Council received £270,000 towards the running costs of Oriel Ynys Môn.

Welsh Church Fund

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

Anglesey Further Education Trust (Reg. No. 525254)

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

The Council administers the estate and in 2008/09 received a fee of £6,560 for this service.

On 31 March 2009 the balances of these Trust funds (at market value of the assets) are:-

	2009					2008
	Income	Expenditure	Assets	Liabilities	Balance	Balance
	£'000	£'000	£'000	£'000	£'000	£'000
Isle of Anglesey Charitable Trust (*)	446	435	13,041	776	12,265	15,751
Welsh Church Fund (**)	24	21	597	11	586	581
Anglesey Further Education Trust Fund (*)	112	74	1,812	0	1,812	1,826

(*) 2008 figures restated to reflect the final accounts

(**) Anglesey portion only

The total value of the other funds including investments at market value is £193,000 as at 31 March 2009 (£228,000 as at 31 March 2008).

46. EURO COSTS

The Council has as yet made no specific preparation for adapting its systems to accommodate the single currency and is not able to estimate costs likely to be incurred. It is considering the issue as financial systems are upgraded or replaced and will keep abreast of developments through relevant professional bodies.

ADDITIONAL FINANCIAL STATEMENTS**HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE ACCOUNT**

	Note	2008/09 £'000	2007/08 (Restated) £'000
INCOME			
Dwelling Rents (Gross)		(10,933)	(10,647)
Non-dwelling rents		(175)	(169)
Charges for Services and Facilities		(56)	(36)
Contributions towards expenditure		(447)	(475)
Other Income		0	(17)
		(11,611)	(11,344)
EXPENDITURE			
Repairs & Maintenance	2	3,916	4,156
Supervision & Management		1,048	975
Special Services		551	513
Rents, Rates & Other Charges		909	557
Housing Revenue Account Negative Subsidy Payable	3	1,749	2,066
Increase in provision for bad and doubtful debts		67	145
Depreciation and impairment of fixed assets (see footnote)	7	19,297	9,308
Amortisation of deferred charges		0	0
Debt management costs		10	7
		27,547	17,727
Net Cost of HRA Services per Income & Expenditure Account		15,936	6,383
HRA Service share of Corporate & Democratic Costs		0	0
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		0	0
Net Cost of HRA Services		15,936	6,383
HRA share of the operating income and expenditure included in the whole Authority Income and Expenditure Account			
Gain or Loss on sale of HRA Fixed Assets		0	0
Interest payable and similar charges		733	737
Amortisation of Premiums and Discounts		0	(21)
Interest and Investment Income		(62)	(76)
Pension interest cost and expected return on pensions assets		0	0
(Surplus) / Deficit for the Year on HRA Services		16,607	7,023

The Depreciation and impairment figure for 2007/08 has been restated to account for non-enhancing capital expenditure of £5,280,000 which was omitted from the 2007/08 Statement of Accounts

STATEMENT OF MOVEMENT ON THE HRA BALANCE 2008/09

STATEMENT OF MOVEMENT ON THE HRA BALANCE 2008/2009	2008/09 £'000	2007/08 £'000
(Surplus) / Deficit for the year on the HRA Income and Expenditure Account	16,607	7,023
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(16,554)	(7,787)
(Increase) or Decrease in the Housing Revenue Account	53	(764)
Housing Revenue Account Balance brought forward	(1,889)	(1,125)
Housing Revenue Account Balance carried forward	(1,836)	(1,889)

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE 2008/09

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Amounts included in the HRA Income & Expenditure Account but excluded from the Movement on the HRA Balance for the year				
Difference between amounts charged to the Income & Expenditure Account for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	0		15	
Depreciation and impairment of fixed assets	(19,297)		(9,308)	
Net Gain / (Loss) on the Sale of HRA Fixed Assets	0		0	
Net Charges made for retirement benefits in accordance with FRS 17	(65)		(93)	
		(19,362)		(9,386)
Amounts not included in the HRA Income & Expenditure Account but included in the Movement on the HRA Fund Balance for the year				
Transfers to / (from) Housing Repairs Account	0		0	
Difference between amounts charged to the Income & Expenditure Account for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	28		45	
HRA Minimum Revenue Provision	249		257	
Capital Expenditure funded by the HRA	2,416		1,198	
Employer's contribution payable to the Pension Fund	115		99	
		2,808		1,599
Net Additional Amount Required by statute to be debited / (credited) to the HRA balance for the year		(16,554)		(7,787)

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)**1. REVISED HRA ACCOUNTING FRAMEWORK**

The Housing Revenue Account(HRA) reflects the statutory obligation to maintain a revenue account for the local authority housing provision, in the form defined in particular in accordance with Part 6 of the Local Government and Housing Act 1989. The Act specifies the debit and credit items to be taken into account in calculating the surplus and deficit on the HRA for the year. The amounts included in the HRA differs from the amounts in respect of HRA services included in the income and expenditure account for the authority as a whole.

The HRA account is compiled in accordance with statute and non statutory proper practices and is in two parts.

An HRA Income and Expenditure account - which shows in more detail the income and expenditure on HRA services included in the authority income and expenditure account.

Statement of Movement on the HRA balance - which shows how the HRA income and expenditure account surplus or deficit for the year reconciles to the movement on the HRA balance for the year.

2. SURPLUS

The deficit on the HRA for the year is £52,000. This is improvement on the original budgeted deficit of £703,000 and the revised budget of £1,405,000 . The main variation is that the contribution from revenue to capital expenditure is less than planned due to delays and reprofiling of capital budgets.

During the year a contribution from revenue of £2,416,000 (£1,198,000 in 2007/08) was used to finance capital expenditure on council housing as part of the council's commitment to improve its housing stock. A further £1,186,000 has been set aside from the surplus for that purpose.

The HRA surplus is stated after the inclusion of a surplus of £554,000 (£182,000 in 2007/08) from the activities of the council's Building Maintenance Service. This is the amount attributable to work carried out on HRA property. In line with accounting practice, the council has repatriated this amount to the HRA by netting it off against expenditure on repairs & maintenance.

3. HOUSING SUBSIDY

	2008/09 £'000	2007/08 £'000
Management and Maintenance Allowance	7,260	6,593
Charges for capital	1,002	1,026
Other items of reckonable expenditure	827	473
Interest on receipts	(1)	(2)
Notional Income from rents	(10,836)	(10,156)
Adjustments for previous years	0	0
Housing subsidy payable to National Assembly for the year	(1,748)	(2,066)

4. HOUSING STOCK

At 1 April 2008 the HRA had 3,935 dwellings. "Right to buy" disposals of 7 dwellings (24 in 07/08), plus the acquisition of 65 units (34 in 2007/08) of private sector leased accommodation, and the transfer in of four properties from within the Council increased the total to 3,997 at 31 March 2009.

The remaining dwellings are made up as follows:

	31 March	
	2009	2008
Council Owned Stock		
Houses	2,044	2,040
Bungalows	1,044	1,044
Flats	723	730
Bedsits	7	7
Total Council Owned -	3,818	3,821
Leased Stock		
Licensed Accommodation	179	114
TOTAL TIED STOCK	3,997	3,935

5. **RENT ARREARS AND PROVISION FOR BAD AND DOUBTFUL DEBTS**

Rent arrears at 31 March 2009 stood at £645,000 (£571,000 as at 31 March 2008). This excludes prepayments of £83,000 at 31 March 2009 (£80,000 as at 31 March 2008).

Provision has been made in the balance sheet for bad and doubtful debts. These stood at £493,000 against rents and £615,000 in total against rent payers (£422,000 and £550,000 in 2007/08).

6. **CAPITAL EXPENDITURE AND FINANCING**

During 2008/09 £6.5m (£5.3m in 2007/08) was spent on Council Housing. This was financed as follows:

	2008/09 £'000	2007/08 £'000
Borrowing	1,000	1,000
Grants - Major Repairs Allowance	2,600	2,600
- Other	95	128
Capital Receipts	225	405
Revenue and Balances	2,568	1,159
	6,488	5,292

The Major Repairs Allowance of £2.6 million was used in full during the year.

Capital receipts were as follows:

	2008/09		2007/08	
	No.	Proceeds £'000	No.	Proceeds £'000
Council Houses	7	311	24	1,487
Land	0	0	2	32
Mortgage Repayments	-	2	-	32

7. **DEPRECIATION**

Depreciation is charged on a straight-line basis on all tangible fixed assets with a finite useful life, excluding non-depreciable land. Council dwellings are depreciated over 30 years.

8. **LEASED PROPERTIES**

During 2008/09 the Authority leased 179 properties (114 in 2007/08) from private landlords. Each lease is for a maximum period of 12 months. The total cost to the Authority in 2008/09 was £830,000 (£473,000 in 2007/08).

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority’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 authority, that officer is the Corporate Director (Finance).
- * manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * approve the statement of accounts.

Following approval, the Statement of Accounts shall be signed and dated by the person presiding at the committee or meeting at which that approval was given.

Signed: **Date:** 29 SEPTEMBER 2009
CLLR. R.LL.JONES
CHAIRMAN OF THE AUDIT COMMITTEE

The Corporate Director (Finance) responsibilities

The Corporate Director (Finance) is responsible for the preparation of the authority’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 of Practice”) .

In preparing this statement of accounts, the Corporate Director (Finance) has:

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

The Corporate Director (Finance) has also:

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

Certificate

I certify that this Statement of Accounts presents fairly 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 2009.

Signed:

DAVID ELIS-WILLIAMS
CORPORATE DIRECTOR (FINANCE)

29 SEPTEMBER 2009

STATEMENT ON INTERNAL CONTROL FOR THE YEAR ENDING 31 MARCH 2009**1. SCOPE OF RESPONSIBILITY**

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. Isle of Anglesey County Council also has a duty under the Local Government Act 1999 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, Isle of Anglesey County Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore 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 Isle of Anglesey County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This statement covers the internal control environment as at 31 March 2009, describing the main elements in place or in development during 2008/09. Any significant changes or development after 31st March 2009 and up to the date of approval of the annual report and accounts are also covered in this statement.

3. THE INTERNAL CONTROL ENVIRONMENT**Establishment, monitoring and achievement of Objectives**

The authority produces an Annual Improvement Plan which sets out its vision, strategies, aspirations, targets and objectives as well as details of performance against national and local indicators. Quarterly performance monitoring meetings were held in 2008/09 to review the achievement of performance against plans.

Facilitation of policy and decision making

There is an Executive which is responsible for most day to day decisions. The Executive has to make decisions which are in line with the Council's overall policies and budget. The Council has a Principal Scrutiny Committee which is able to scrutinise or call-in Executive decisions and two Policy Overview Committees. An Audit Committee is responsible for governance. Services are delivered by trained and experienced people.

Compliance with established policies, procedures, laws and regulations

The authority has adopted a detailed constitution, which sets rules and procedures for council business and is supported by procedure rules and codes of conduct for officers and members. There is a Standards Committee established.

Risk Management

The authority's Improvement Plan reflects the Council's own assessment of risks to improvement, and the advice of its regulators. Action taken on high risk services is detailed in the Improvement Plan and is taken into account in the prioritisation of resources.

The authority has a small central budget which is used to support operational risk management initiatives and training.

Monitoring Responsibilities

The authority has designated the Director of Legal Services as Monitoring Officer, to ensure compliance with established policies, procedures, laws and regulations, and providing advice and support on the maintenance of ethical standards.

The authority has designated the Corporate Director of Finance as the officer responsible for the financial administration of the Council (the Chief Finance Officer).

The Monitoring Officer, Chief Finance Officer and other officers as appropriate are consulted on major decisions and have rights of access to key decision-making bodies within the Council.

The authority has established an internal audit service which has adopted the CIPFA Code of Practice on Internal Audit in Local Government.

Financial Management and reporting

The system of internal financial control is based on a framework of regular management information, financial procedures (including segregation of duties), management supervision, and a system of delegation and accountability. The Executive receives quarterly budget monitoring reports on revenue and capital spending.

4. REVIEW OF EFFECTIVENESS

Isle of Anglesey County Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other regulators. The drawing up of an annual Performance Plan includes a review of performance against targets and the adjustment of targets and priorities in reflection of the effectiveness of performance.

The Constitution is reviewed and amended for changes in responsibilities and organisational framework, and the scheme of delegation is formally renewed each year.

The Overview and Scrutiny Committees review the effectiveness of the Executive function by holding the Executive to account.

The internal audit service provide a continuous audit and summarises its opinion on internal financial control in its annual report. The average grade of individual audit reports was adequate and there were no outcomes that adversely affect the opinion on the internal control framework.

The authority's external auditors and regulators conduct regular audits or inspections of the Council's activities in accordance with their respective responsibilities and plans. The Relationship Manager's Annual Letter summarises this work. In the 2008 letter, the appointed auditor did not identify any material weaknesses in internal control.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The Improvement Plan for 2008-09 identified the following cross-cutting high risks which, in whole or in part, stem from internal control issues:-

RISK	INTERNAL CONTROL ISSUES
Information and Communication Technology	The growth in usage and reliance of ICT has not been matched by resources and there is a risk that insufficient attention has been paid to the vulnerability of services to failure in such systems.
Project Management	A lack of capacity to deal with major projects in the work programme resulting in the risk of slippage or non-achievement of objectives.
People Management Issues, including Salary and Grading Review	People management was labelled high risk because of doubts about whether the authority's arrangements supported overall improvement. The staff appraisal system is not yet fully in place. The Salary and Grading Review begun some years ago has dragged, owing to a failure to realise its complexity and provide adequate resources. The outcome of the process itself remains uncertain and involves a considerable financial risk to the authority as new pay and grading structures are required and issues of protection and retrospection will need to be considered.
Performance Management	The approach to performance management is patchy, and the authority may have difficulty monitoring overall performance. Service plans are of variable standard. During the year, new arrangements for co-ordination of procurement were introduced.
Loss of Resources	Caused externally, but the internal control challenge is to require arrangements for living within lower levels of resource.
Reputation Management	Tensions and conflict affecting the Council's public reputation take the focus away from members' and officers' ability to address the Council's main objectives and wishes.

In addition, the Relationship Manager's Annual Letter for 2007-08, published in January 2009, concluded that the Council does not appear to have unified political and managerial leadership, and that further information is needed on the corporate governance of the Council. As a result, the Auditor General for Wales is carrying out an inspection of corporate governance at the Council whose results will be published during 2009.

The authority has no systematic and comprehensive approach to the assessment and management of risk by management, nor for systematic and comprehensive assurance on internal control matters other than by internal audit. As a relatively small local authority, the systematic approach is not always appropriate when much can be delivered by the knowledge and experience of key employees. It will strive to identify its highest priorities for formalising its approach to the identification of risk and assurance of internal control.

Signed

RICHARD PARRY JONES
ACTING MANAGING DIRECTOR

Signed:

CLLR CLIVE MCGREGOR
LEADER OF THE COUNCIL

JUNE 2009

Independent auditor's report to the Members of the Isle of Anglesey County Council

We have audited the financial statements of Isle of Anglesey County Council for the year ended 31 March 2009 under the Public Audit (Wales) Act 2004. The financial statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance and related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report, including the opinion, is prepared for and only for Isle of Anglesey County Council's members as a body in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 46 of the Statement of the responsibilities of the auditors appointed by the Auditor General for Wales and his inspectors, and of the bodies that they audit and inspect (2008) prepared by the Auditor General for Wales. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Isle of Anglesey County Council and its income and expenditure and cashflows for the year ended 31 March 2009.

We review whether the Statement on Internal Control reflects compliance with 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published by CIPFA in April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and related notes.

Opinion

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of Isle of Anglesey County Council as at 31 March 2009 and its income and expenditure and cashflows for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Our conclusion on the Isle of Anglesey County Council arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Relationship Manager's Annual Letter.

Certificate of completion

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice issued by the Auditor General for Wales.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

One Kingsway
Cardiff
CF10 3PW

Date: 30 September 2009