EXPLANATORY FOREWORD

Introduction

The format and content of these accounts are dictated by the 2010 Code of Practice (the Code). The purpose of the Code is to give a reporting framework so that information will appear in the same format to assist users compare between different local authorities. It will explain the financial facts rather than comment on the policies of the Authority.

This **Statement of Accounts** comprises various sections:

- **Explanatory Foreword -** provides information on the format of this statement of accounts together with a review of the financial out turn. The foreword will set out:

    - The financial out turn both for revenue and capital.
    - Change in accounting policies.
    - Matters of significance.
    - Trust fund accounts.
    - Future developments including the 11/12 budget.

- **The Statement of Responsibilities** – this sets out the responsibilities of the Authority and the Chief Finance Officer concerning the Authority's financial affairs.

- **The Audit Opinion and Certificate** – as provided by and reflecting the view of the appointed auditor following the audit of these statement of accounts.

- **The Core Financial Statements** – the format and contents of these are prescribed in detail by the Code with little or no allowance for Authorities to steer away from the presentation requirements. The statements required are:

    The Movement in Reserves Statement – This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the council fund balance and the housing revenue account for council tax setting and dwellings rent setting purposes. The net increase /decrease before the transfers to earmarked reserves line shows the statutory council fund balance and housing revenue account balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

    Comprehensive Income and Expenditure Statement –This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement.

    The Balance Sheet – shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement – The cash flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

- The Notes to the Core Financial Statements – these provide further and supporting information to the other Core Financial Statements.

- The Pension Fund Accounts – the financial data has been extracted from the 2010/11 Powys County Council Pension Fund annual report and included in these statements for information. They are independent of the statements above. Powys County Council is the administering Authority of the pension fund. The fund has to be completely separate from Powys County Council's own finances.

- The Annual Governance Statement– the authority is required to carry out an annual review of the effectiveness of corporate governance and internal control. This statement sets out the arrangements in place, the details of the annual review and recommended improvements.

The Housing Revenue Account (HRA) The HRA shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the movement on the hra statement.

A glossary of terms is included to aid the user as this is primarily a technical document though effort is made to use plain english. Should you have any queries or comments on these accounts please contact the Accountancy Manager, Powys County Council, County Hall, Llandrindod Wells, LD1 5LG.

Revenue Expenditure 2010/11

A revenue budget is prepared before the start of each financial year which sets out the proposed annual cost of service provision. The table below represents the management information presented as part of the monthly budgetary control reports. Variances between actual and budgeted expenditure are explained in the table on page 4.

Summary	**Budget £`000**	**Actual Outturn £`000**	**Budget (Under)/ Overspends £`000**
Care and wellbeing			
Adult and commissioning	43,936	41,652	-2,284
Children services	15,737	15,270	-467
Housing and regulatory services	4,408	3,089	-1,319
Finance and infrastructure			
Finance and corporate performance	5,012	4,742	-270
Local environmental services	29,884	25,358	-4,526
Business performance unit	9,021	7,962	-1,059
Law and governance			
Legal, scrutiny and democratic	3,333	3,163	-170
Information and customer services	4,716	4,270	-446
Human resources	2,912	2,863	-49
Skills and learning			
School and inclusion, schools delegated	97,239	97,915	676
Leisure and recreation	13,675	13,773	98
Regeneration and development	4,128	3,737	-391
Performance partnerships and modernisation	2,281	2,278	-3
Service area totals	236,282	226,072	-10,210
Central activities	-944	-1,409	-465
Levies and precepts	19,732	19,728	-4
Interest payments	7,226	7,144	-82
Interest receipts	-392	-988	-596
Minimum revenue provision	6,702	6,458	-244
Total expenditure reported	268,606	257,005	-11,601
Council tax	-64,227	-65,062	-835
Revenue support grant	-143,529	-143,679	-150
Non Domestic Rates	-37,625	-37,625	0
NET SPEND	23,225	10,639	-12,586

The above results are reconciled to the comprehensive income and expenditure account in note 26.

Summary	Budget (Under)/ Over spends £`000	
Care and wellbeing		
Adult and commissioning	-2,284	There was an overall underspend within the older people service budgets of just over £403k, as the final home care and equipment deficits were offset by slippage in other areas. The outturn includes a provision for bad debts of just under £281k. Within the older people services underspend there is a home care deficit of £713k. This figure is net of the cumulative employee underspend of approximately £225k and reflects an overall reduction in the in-house provision up to the end of March. The outturn includes underspends of £304k and £144k on reablement and older fieldwork. Budgets within learning disabilities were underspent by year end by £1.67m. The largest variance was attributable to transitions slippage within Independent residential care which came in £1.03m under budget. Day and employment base budgets were underspent by £344k with employee slippage and associated transport savings of £298k. The supported people grant of £406k was unused as at the year end and this is carried forward in a ring fenced reserve. The outturn deficit on support & other services of £236k is mainly attributable to the cost of consultants employed by the Service to undertake projects and cover key posts, together with a shortfall in the joint working budget.
Childrens services	-467	The Service contracts with action for children were £166k under budget due to service demand being less than anticipated and only reported by the provider in March. There is a Looked After Children (LAC) overspend of £396k particularly as the number of LAC in the Authority has increased by 22 during the year. However, this additional cost has been met from savings elsewhere. Additional revenue grant from WAG for £150k was unexpectedly received at the end of March to be used to help with children in need and vulnerable children. Budgets for Other Services have a net deficit of £287k at year end largely due to an overspend of £376k in legal. This has been off set by reduced expenditure on the Service Contracts budget and a grant from WAG to support the implementation of the CYP Act 2008. The Fieldwork service area has an under spend of £381k at year end which reflects a significant number of vacant posts within the service.
Housing and regulatory services	-1,319	The underspend in this area was almost entirely in relation to the Housing Revenue Account, which was under spent by

		£1,447k The HRA central budget was £405k under spent due to slippage on staffing and employment costs of £80k, an under spend on rent loss on voids of £166k, and various other under spends. The HRA policy & management service was under spent by £293k mainly due to an under spend on premises costs of £265k for void properties. The HRA Repairs & Maintenance service was £722k under spent due to the Repairs & Admin Service contributing £1,106 to reserves due to an under spend on Programmed Building Maintenance, which was off set by an over spend of £384k due the Systems thinking pilot scheme running over the original timeframe of 3 months and expanding into Brecon.
Finance and infrastructure		
Finance and corporate performance	-270	There was an under spend on Management of £84k due to the vacant Head of Finance post being vacant for most of the year. Similarly there is an under spend of £108k in revenues and benefits mainly due to a vacancy in the revenues & benefits manager post.
Local environmental services	-4,526	The property and design service has realised a surplus of £472k. The majority of this relates to the release of budget set aside for statutory testing, which was subsequently funded from corporate reserves rather than from the service. Within On street services, which includes highways, grounds, street lighting, street cleaning, toilet cleaning and fleet management an underspend of £1.9m is reported. Significant grant funding from WAG of £1.7m was received late in the year, of which £1.2m was revenue funding, which was used in the place of service area budget. Within waste services there are underspends totalling £1.4m. Landfill tax was forecast to cost £2.2m based on 47,200 tonnes landfilled, when actual costs amounted to £1.7m, resulting in an underspend of £500k and reflects a better than expected reduction in the amount of waste to landfill. Also there was an additional £228k from the sale of recyclates. There were savings of £183k against the cost of consultants and the setting up of pilot schemes as these were funded from grant. Within highways and transportation, which includes public transport, highways design and car parking, the service showed an underspend of £718k. Public transport generated a surplus of £275k although the Car Parking budget realised a deficit of £219k at the year end. The service lost significant car parking spaces at the Tesco and livestock market sites in Welshpool. These deficits have been offset to some extent by increases in income against budget totalling some £117k

		(development control) and highways design showed a final surplus totalling £347k (highways design). There were also savings on staffing and consultants in this area.
Business performance unit	-1,059	The BPU set aside savings found through a restructure exercise at the beginning of the year and through other savings found during a recent budgetary exercise. These savings predominantly relate to savings in staff costs throughout the year.
Law and governance		
Legal, Scrutiny and Democratic Services	-170	The main reason for the variance is an under spend on legal services due to vacant positions during the first six months of the year and over achieved income on legal fees especially in respect of the probationary service.
Information and customer services	-446	ICT were under spent by £425k, wholly due to an under spend against the ICT Strategy money that was allocated. The under spend was due to slippage in appointments to posts and a number of posts being held vacant to achieve savings and also in a number of uncompleted projects
Human resources	-49	The budget is underspent mainly due to staff vacancy savings.
Skills and learning		
School and inclusion and schools delegated	676	The majority of the overspend is due to an overspend of £758k against budget for school modernisation. Severance pay costs exceeded the available budget by £246k. Home to School transport expenditure was over budget by £401k, it was projected that the budget available would not be sufficient due to the 3.1% inflationary increase and other changes to contracted routes. The complementary education budget was overspent by £176k in the summer term. Restructuring of this service took place in September 2010 to mitigate the overspend.
Leisure and recreation	98	There were a range of minor underspends in this service, however the cleaning service incurred an overspend of £204k. This was due to reduced income levels from loss of external contracts and the inability to increase SLA charges to internal customers as they have not received any inflationary increase in their budgets.
Regeneration and development	-391	Regeneration is showing a collective underspend of £146k, due to staff vacancies and maternity leave. Economic development £164k over spend was mainly due to underachieved income on the workshops and overspend on premises related costs such as utilities and maintenance and cleaning of the workshops. Tourism and marketing £173k underspent mainly due to staff vacancies and other minor variances. An underspend of £152k was achieved on development control mainly due to planning fee income exceeding the

		income budgets.
Performance, partnerships and modernisation	-3	The were a number of minor over and underspends in the year.
Service area totals	-10,210	
Central activities	-465	Miscellaneous finance benefited at year end from a one-off VAT rebate of over £400k in respect of leisure centre income. However, the improvement grant funding was reduced by 25% in the year which amounted to some £354k. There is an overspend on civil contingencies due to the Llanbister pollution incident. The budget for growth and savings that was allocated to service areas was not required during the financial year. Affordable Housing did not require their growth of £200K this year and the expected shortfall on planning fees did not materialise. The growth for adult social care had previously been transferred into the adult care budget.
Levies and precepts	-4	
Interest payments	-82	Rates paid were more favourable than budgeted
Interest receipts	-596	Rates received were more favourable than budgeted
Minimum revenue provision	-244	
Total expenditure reported	-11,601	
Council tax	835	See below
Revenue support grant	150	Additional money from the Welsh Assembly
Non domestic rates	0	
NET SPEND	-12,586	

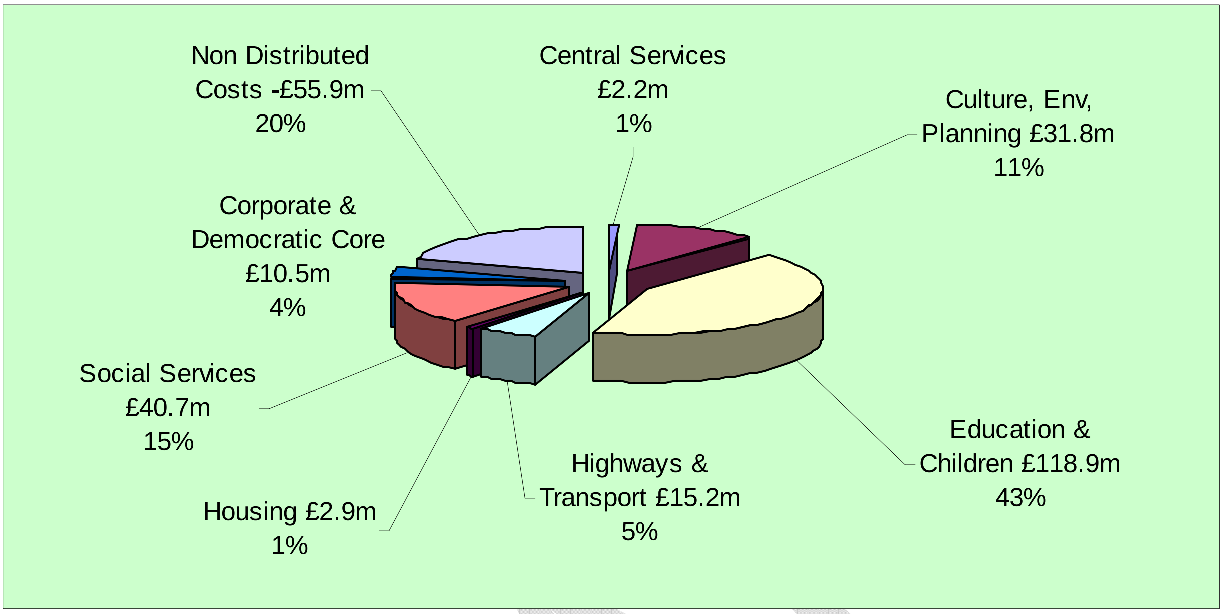
Council Tax - £835 surplus

The council tax surplus for the year is £835k as more council tax bills were raised than budgeted for due to an increase in properties. Revenue expenditure, including precepts, is financed through local taxation and by government grants. The proportions are:

	2009/10 %	**2010/11 %**
Central government (revenue support grant and non domestic rates)	74	74
Council tax	26	26

2010/11 Net Expenditure:

This graph details the net expenditure using the Best Value Accounting Code of Practice (BVACOP) accounting structure. This is the required method for producing the comprehensive income and expenditure account which is shown on page 19.



The negative £55.9m in non distributed costs is attributable to a change in past service pension costs as a result of the change of using the consumer price index to inflate future pension costs instead of the retails price index . More details are in note 43.

Revenue Reserves

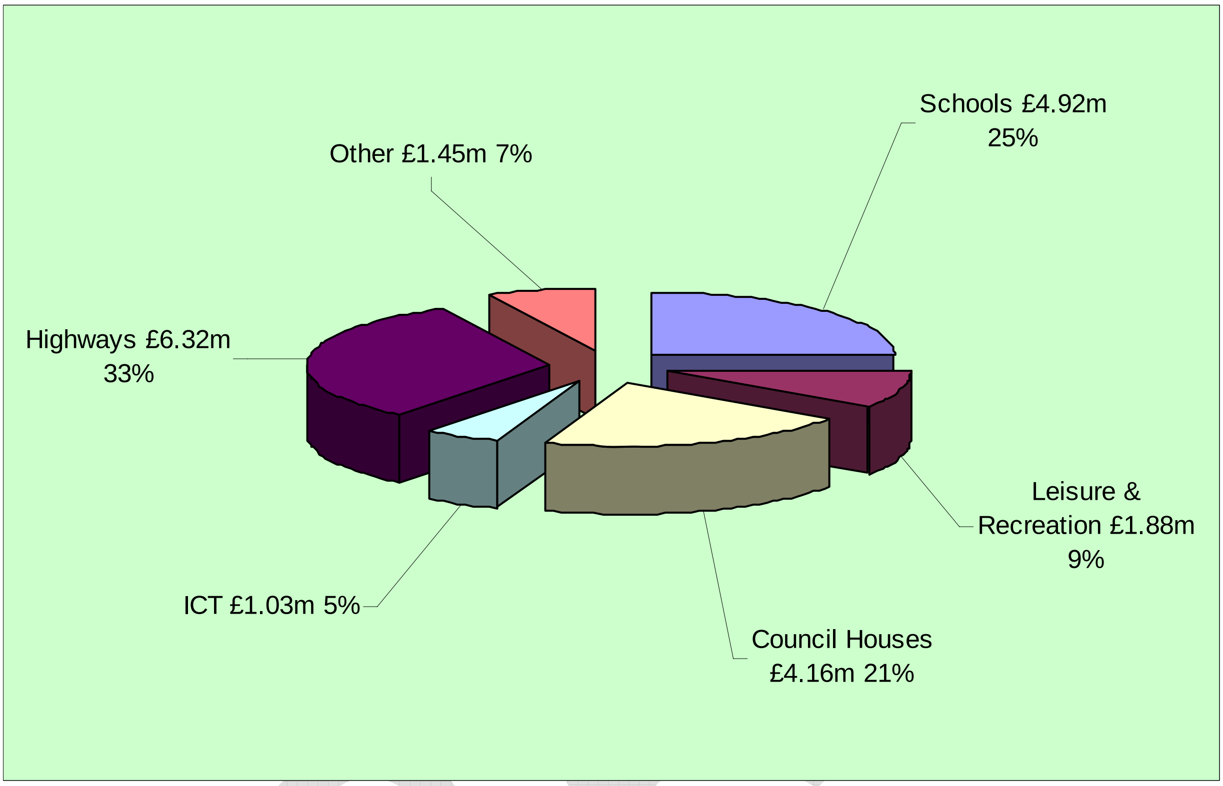
Revenue reserves represent an accumulation of revenue over and under-spends and sums set aside specifically to meet future expenditure e.g. to replace vehicles, maintain roads in adverse weather conditions. The ring-fenced reserves must be used for the purpose intended. The HRA and school reserves are ring-fenced by statute.

Revenue reserves	**31.03.10 £`000**	**31.03.11 £`000**
Ring fenced or restricted use reserves		
Schools reserves	2,514	2,470
Other specific reserves	10,888	7,875
Committee specific reserves		
Other specific reserves	17,174	24,444
TOTAL EARMARKED RESERVES (note 8)	30,576	34,789
Central or general reserves		
Council fund	7,045	8,343
Housing revenue account	2,128	3,575
	39,749	46,707

£2,690k of the committee specific reserves has been committed to finance expenditure in 2010/11. A reserve balance, (excluding capital, insurance and other restricted reserves) of 7% of the net budget is considered a prudent level in order to fund future unexpected expenditure and losses to minimise the effect on services and FUTURE COUNCIL TAX bills. The actual % of reserves against expenditure held is 9.9% (2009/10 8.75%).

Capital Expenditure 2010/11

Capital expenditure is the money spent on major assets needed to provide services. It is in addition to the day-to-day revenue spending. The following graph shows how the 2010/11 capital expenditure of £19,762k was spent:



Sales of council houses raised £452k and other disposals raised a total of £2,322k in the year.

Capital Reserves

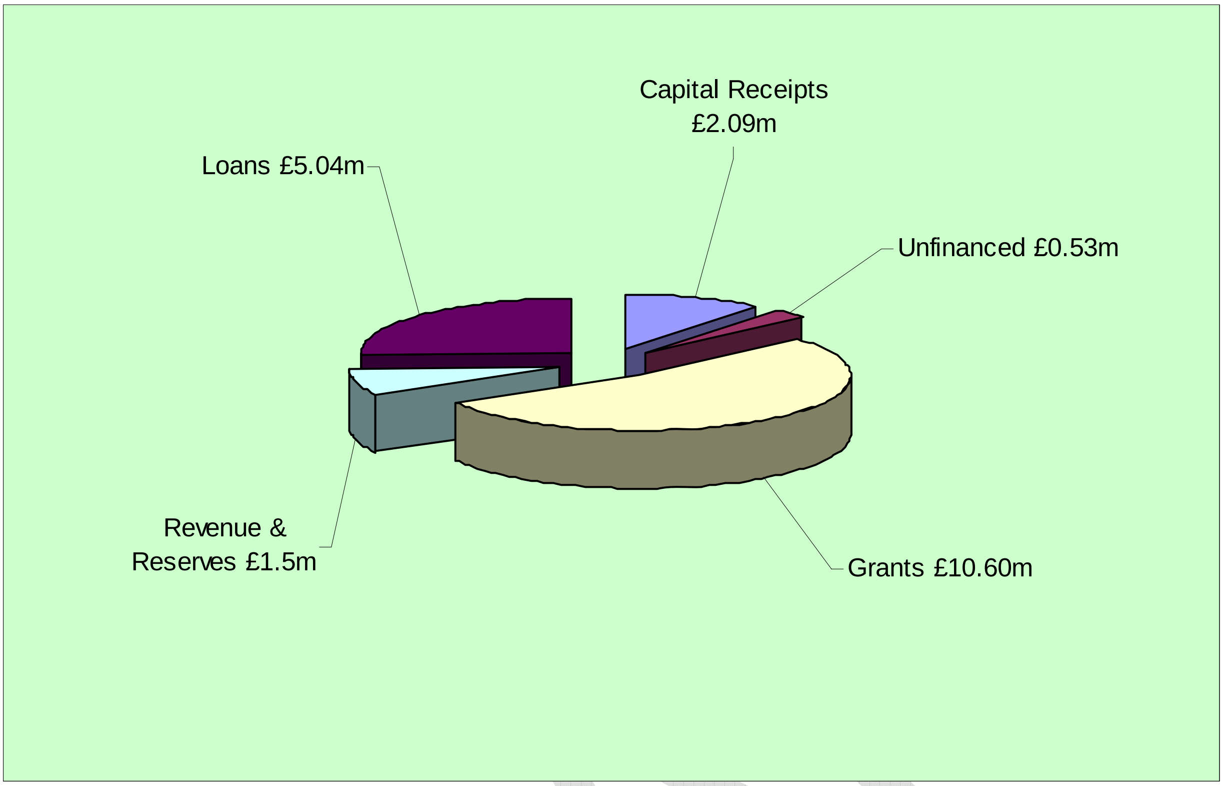
At 31st March 2011 the Authority had useable capital reserves of:

	£'000
Capital grants unapplied	1,689
Capital receipts	15,102
	16,791

The reserves are available to fund future capital spend.

Capital Financing 2010/11

The following graph details how the 2010/11 capital programme was financed.



Unfinanced expenditure represents capital spend that will be financed through capital receipts or grants to be received in 2011/12. These grants are accounted for as a debtor.

Borrowing Arrangements

Borrowing is the main source of finance for the authority's capital spends. The overall borrowing at 31 March 2011 totalled:

	£`000
Short term borrowing	1,551
Long term borrowing	146,121
Total borrowing	**147,672**

Other Significant Matters

International Financial Reporting Standards

2010/11 is the first year that local authorities are required to prepare their accounts under IFRS. These IFRS's have been incorporated into CIPFA's Code of Practice, the Code replaces CIPFA's Statement of Recommended Practice (SORP) which was based on U.K. GAAP (Generally Accepted Accounting Practice). Adoption of the code has resulted in a new format for the statement of accounts. The purpose of each accounting statement is set out on pages 1 and 2, it has also resulted in the restatement of some amounts previously reported. Note 50 reconciles the changes made and provides information on the revised accounting policies and treatments.

Icelandic Banks

In common with many other authorities Powys County Council continues to have money deposited in Iceland as follows:

Institution	Amount Invested £'000	Fair Value Per Accounts £'000
Glitnir Bank HF	2,000	2,007
Landsbanki Islands	2,000	1,551

Powys County Council and its auditors have been advised by the appointed administrators of the Icelandic banks as to the suggested level of monies that we can expect back. These amounts are quoted above. Further details are available in note 49. Accounting rules require that Interest is still debited against these deposits although it is instantly impaired as a bad debt. Total impairments on the deposits representing the loss in fair value of the assets and lost notional interest totals £805k and has been charged against the Council's reserves. However, this is offset by the £363k notional interest credited to reserves.

Pension Fund Liability/Deficit

Note 43 details the pension liability of the Authority, the note shows the extent that pension fund actuaries estimate the future liabilities that are unfunded, as calculated under the requirements of IAS 19. Benefits payable from the pension fund are in no way affected by this liability. The Authority is committed to the long term goal of eliminating the pension fund deficit through contributions rather than accepting risky alternative investment strategies.

Powys County Council is responsible for producing the accounts for the Powys County Council Pension Fund. The pension accounts detailing the financial information are reproduced in pages 97 to 121.The pension fund is valued by its actuaries every three years. This valuation determines the contributions that must be paid by the employing members of the fund. The most recent valuation was calculated as at 31 March 2010. It concluded that the funding level has fallen from 73% to 71%. The next valuation will be calculated as of 31st March 2013.

The Actuaries have allowed for the impact of the change to CPI indexation of pension increases as a benefit change and therefore recognised this as a (negative) past service cost reflecting the reduction in the constructive obligation. The past service cost appears in the charges to surplus or deficit on the provision of services. Our Actuaries valued the change at the date of the government's announcement on 22 June 2010 and measured the (negative) past service cost using the assumptions applicable at the previous accounting date.

This has the effect of reducing the authority's liabilities in the Powys Pension Fund by £56,890k and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the council fund or housing revenue account.

Group Accounts

The need for group accounts is not required as the Authority has no such relationship with any external organisation.

Format of Accounts

The comprehensive Income and expenditure account produced is fully compliant with the Best Value Accounting Code of Practice, which is a standard way of showing financial information across local authorities and does not necessarily reflect Powys County Council's own internal management arrangements which are shown on page 3.

Trust Fund Accounts

The Authority remains sole trustee for the Welsh Church Acts Fund and Rhayader Leisure Centre. Their accounts are summarised below and do not form part of the Authority's accounts.

Welsh Church Acts Fund

The Welsh Church Acts Fund was established under the Welsh Church Act of 1914 and is administered by the County Council. Grants are made from the fund to individuals and organisations with charitable status. The accounts of the Welsh Church Acts Fund are set out below. These accounts do not form part of the council's consolidated accounts.

REVENUE ACCOUNT	**2009/10 £`000**	**2010/11 £`000**
Investment income	-43	-52
Rents	-3	-4
Unrealised (profit) on investments	-347	-76
Increase in value of land	-213	-15
TOTAL INCOME	-606	-147
Grants	70	27
Administration	29	36
TOTAL EXPENDITURE	99	63
Surplus (-) for the year	-507	-84
Fund balance brought forward	-1,501	-2,008
FUND BALANCE CARRIED FORWARD	-2,008	-2,092

BALANCE SHEET	**2009/10 £`000**	**2010/11 £`000**
Land and buildings	263	278
Investments	1,737	1,814
TOTAL FIXED ASSETS	2,000	2,092
Debtors	29	22
Creditors	-32	-4
Bank	11	-18
NET ASSETS	2,008	2,092
FUND SURPLUS	2,008	2,092

Rhayader Leisure Centre Trust Fund

Rhayader Leisure and Community Centre was established as a charitable trust on 01 March, 1994. The full annual report and accounts are published separately and copies are available from the Accountancy Manager. These draft accounts do not form part of the Authority's consolidated accounts.

	2009/10 £`000	2010/11 £`000
Income	-233	-271
Expenditure	226	275
(Surplus)/deficit for the year	-7	4
Fund brought forward	16	9
Fund carried forward	9	13

The Charities Act 1993 requires there is an independent examination of the statement of accounts of the above two trust funds. The audit certificate at the rear of this statement of accounts does not represent a report under the provisions of the Charities Act 1993.

Future Developments

2011/12 Revenue Budget

The budgeted revenue spend for 2011/12 has been set at £237,060k. The approved use of the budget is as follows:

Summary	**2011/12 Base Budget £`000**	**%**
Care and well being		
Adult services and commissioning	44,227	19
Children's services	16,526	7
Housing and public protection	4,113	2
Communities, skills, learning		
Schools and inclusion	99,551	42
Leisure and recreation	13,357	6
Regeneration and development	4,290	2
Finance and infrastructure		
Business performance unit	-337	0
Finance	180	0
Local and environmental Service	30,079	13
Corporate activities	20,106	8
Law and governance		
Legal, scrutiny and democratic	3,206	1
Information and customer Service	223	0
Human resources	396	0
Performance, partnership, communication	1,143	0
TOTAL NET EXPENDITURE	237,060	100

The table above is based on the service directorates detailed in the Authority's budget book rather than the BVACOP classification on page 19.

Copies of the detailed budget book are available from our website at www.powys.gov.uk or can be requested from: Accountancy Manager, Powys County Council, Llandrindod Wells, Powys, LD1 5LG

Below is the medium term financial plan as approved by Board. It details the planned investments and savings in the Authority's base budget.

	2011/12	2012/03	2013/04	2014/05
	£'000	£'000	£'000	£'000
Net budget for preceding year	232,945	233,085	234,708	239,119
Impact of repricing	1,723	3,159	4,068	4,226
	234,668	236,243	238,776	243,345
Transfers from grants into the settlement	543			
Investment				
Landfill tax	20	21	255	247
Waste	500	0	0	0
Affordable housing	0	125	0	0
Loss of HRA interest	0	0	76	42
Carbon reduction commitment	0	260	0	0
ICT strategy	284	0	0	0
Childrens services LAC	367	0	0	0
Adult social care	0	0	0	0
- first steps improvement	523	0	0	0
- service modernisation	485	485	0	0
- demographic change	0	1,135	1,198	1,264
Statutory testing	559	0	0	0
Members' allowances	0	306	0	0
Revenue funding for prudential borrowing	500	105	369	175
School modernisation	0	105	369	175
Savings				
Falling school roll	-400	-689	-259	-397
Headcount/LEI	-1,100	-600	0	0
2010/11 pay freeze	-1,111	0	0	0
Top 50 suppliers	-707	-707	0	0
Voluntary redundancy scheme	-250	-250	0	0
Head of service savings	-1,382	-1,360	-712	-58
Lease car scheme changes	-150	-150	-150	0
Paperless Powys	-68	-8	-39	-71
Fire levy	-121	0	0	0
School modernisation	0	-210	-738	-350
Miscellaneous	-76	-103	-25	-30
TOTAL BUDGETED EXPENDITURE	233,085	234,708	239,119	244,340
Funding from WAG	179,438	179,742	181,527	184,595
Council tax	53,623	55,226	57,430	59,721
	233,060	234,968	238,957	244,316
SURPLUS/(DEFICIT)	(24)	260	(162)	(24)

Inflation

Limited provision has been made for inflationary pressures. An assumption has been made that the Government's pay freeze for public sector workers will prevail through 2011/12. Provision has been made for the National Insurance increase in April. A central provision has been made to cover certain elements of inflation which are currently very high, notably energy, fuel and food. This provision will only be distributed to services where need is demonstrated. The general assumption is that services will apply downward pressure on suppliers, given the funding reduction facing the Council. It should be noted that discretionary income has been re-priced at 3.1%, less than the current rate of inflation.

Medium Term Financial Plan

In total the budget for 2011/12 has increased by just £115k to meet inflation, unavoidable demand, cost pressures and service developments but this is also net of significant efficiencies and savings. Government continues to impose new legislative and policy pressures, backed by tougher regulatory and inspection regimes. These do not always accord with local priorities and pressures. Demographic changes interact with these priorities to create increased demands on resources well in excess of funding available. The Council takes a longer term view to balance the budget over a 4 year period. Investment over this period has been aligned with the Corporate Improvement Plan and known cost pressures.

The approved funding for 2011/12 includes the following:
- £20k Landfill tax
- £500k Waste modernisation
- £284k ICT strategy
- £367k Children's services - looked after children
- £523k Adult social care - first steps improvement
- £485k Adult social care - service modernisation
- £559k Statutory testing
- £500k Revenue funding for prudential borrowing

Within the settlement announcement, WAG indicated that it expects Councils to protect funding for schools and social services at 1% above the level of the settlement that it received from London. In 2011/12, this protection is equivalent to minus 0.3%. This protection, albeit a cut, is based on cash and so represents a bigger real term cut. This protection has been applied within the detail of the re-pricing. It must be emphasised that these services will not receive any additional inflationary funding in excess of this provision. So, for instance, schools will need to budget for the residual element of the teachers' pay award and the national insurance increase within the overall minus 0.3% protection and adjusted for any change in pupil numbers.

Efficiencies and Savings

The overall funding from WAG and council tax is not sufficient to deliver the level of additional funding as set out above. Efficiencies and savings of £5,365k have been identified.

The efficiencies identified are as follows:
- £400k falling school roll
- £1,100k headcount/local environment initiative
- £1,111k 2010/11 pay freeze
- £707k top 50 suppliers
- £250k voluntary redundancy scheme
- £1,382k head of service savings

• £150k lease car scheme changes
• £68k paperless powys
• £121k fire levy
• £76k miscellaneous

The Finance Business Plan has placed strong emphasis on ensuring these efficiencies and savings are delivered, and ongoing performance will be measured throughout the year.

Budget Summary
The table below summarises the Council's base budget for 2011/12.

	£'000
Base Budget b/f	232,945
Inflation and repricing	1,700
Grant transfers into budget	542
Investments / growth	3,238
Efficiencies and savings	-5,365
Total 2011/12 base budget	233,060
Funded by	
Aggregate external funding	179,437
Council tax	53,623
	233,060

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities
The Authority 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 Strategic Director of Finance and Infrastructure.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

These accounts were approved by the Audit Committee on the

Signature:

Cllr Sandra Davies
Audit Committee Chairman

Strategic Director of Finance and Infrastructure Responsibilities
The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts and Pension Fund 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 Director of Finance and Infrastructure has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and consistent.
- Complied with the Code of Practice.

The Strategic Director of Finance and Infrastructure has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Strategic Director of Finance and Infrastructure on the Accounts of Powys County Council and Powys County Council Pension Fund for 2010/11.
I certify that the accounts set out on pages 1 to 121 present a true and fair view of the financial position of Powys County Council as at 31st March 2011 and its income and expenditure for the year then ended.

Signature: Date: 27th June 2011

G Petty
Strategic Director – Finance and Infrastructure

MOVEMENT IN RESERVES STATEMENT

	Council Fund	Earmarked Reserves (Note 8)	HRA	Capital Receipts	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves (Note 25)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2009	**7,193**	**21,083**	**1,631**	**5,565**	**1,305**	**36,777**	**156,325**	**193,102**
						0		0
Movement in Reserves During 2009/10						0		0
Surplus or (deficit) on provision of services	2,011					2,011		2,011
Other comprehensive expenditure and income						0	-42,904	-42,904
Total comprehensive expenditure and income	2,011	0	0	0	0	2,011	-42,904	-40,893
Adjustments between accounting basis and funding basis under regulations (Note 7)	7,661			9,954	-13	17,602	-17,602	0
Net increase/decrease before transfers to earmarked reserves	9,672	0	0	9,954	-13	19,613	-60,506	-40,893
Transfers to/from earmarked reserves	-9,820	9,493	497	-170		0		0
Increase/Decrease (movement) in Year	-148	9,493	497	9,784	-13	19,613	-60,506	-40,893
Balance at 31 March 2010 Carried Forward	**7,045**	**30,576**	**2,128**	**15,349**	**1,292**	**56,390**	**95,819**	**152,209**
Movement in reserves during 2010/11								
Surplus or (deficit) on provision of services	57,909					57,909		57,909
Other comprehensive expenditure and income	2					2	-5,561	-5,559
Total comprehensive expenditure and income	57,911	0	0	0	0	57,911	-5,561	52,350
Adjustments between accounting basis and funding basis under regulations (Note 7)	-51,862		85	578	397	-50,802	50,802	0
Net increase/decrease before transfers to earmarked reserves	6,049	0	85	578	397	7,109	45,241	52,350
Transfers to/from earmarked reserves	-4,751	4,213	1362	-824		0	0	0
Increase/Decrease (movement) in Year	1,298	4,213	1,447	-246	397	7,109	45,241	52,350
Balance at 31 March 2011 Carried Forward	**8,343**	**34,789**	**3,575**	**15,103**	**1,689**	**63,499**	**141,061**	**204,560**

COMPHRENSIVE INCOME AND EXPENDITURE STATEMENT 2010/11

2009/10				2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£`000	£`000	£`000		£`000	£`000	£`000
11,012	-9,028	1,984	Central services to the public	11,741	-9,528	2,213
52,153	-20,040	32,113	Cultural, environmental and planning	56,319	-24,464	31,855
154,324	-34,179	120,145	Education and children’s services	154,847	-35,957	118,890
41,724	-24,650	17,074	Highways roads and transport	42,371	-27,117	15,254
			Housing services:			
28,917	-27,401	1,516	- General	32,582	-29,989	2,593
19,207	-18,402	805	- Housing revenue account	18,941	-18,674	267
63,633	-26,449	37,184	Adult social services	67,623	-26,916	40,707
13,231	-7,610	5,621	Corporate and democratic core	18,833	-8,306	10,527
1,699	798	2,497	Non distributed costs	-54,754	-1,131	-55,885
385,900	-166,961	218,939	**COST OF SERVICES**	348,503	-182,082	166,421
		12,243	Other operating expenditure (note 9)			18,190
		16,697	Financing and investment income and expenditure (note 10)			14,567
		-249,890	Taxation and non specific grant income Operations Not Included in Net Cost of Services (note 11)			-257,087
		-2,011	**SURPLUS/DEFICIT ON PROVISION OF SERVICES**			-57,909
		-42,294	Surplus or deficit on revaluation of property, plant and equipment assets (note 25)			4,679
		-202	Surplus or deficit on revaluation of available for sale financial assets			102
		85,400	Actuarial gains/losses on pension assets/liabilities (note 25)			780
		42,904	**OTHER COMPREHENSIVE INCOME AND EXPENDITURE**			5,561
		40,893	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			-52,348

BALANCE SHEET

	Note	1 April 2009 £`000	31 March 2010 £`000	31 March 2011 £`000
Property, plant and equipment	12	488,458	519,550	512,580
Investment property	13	517	532	477
Intangible assets	14	1,531	1,541	2,238
Long term investments	17	13,210	11,622	5,104
Long term debtors	17	3,396	202	482
LONG TERM ASSETS		507,112	533,447	520,881
Short term investments	17	12,417	30,762	26,125
Assets held for sale	21	1,425	718	495
Inventories	18	832	586	1,732
Short term debtors	19	20,063	20,879	21,629
Cash and cash equivalents	20	5,206	6,521	10,709
CURRENT ASSETS		39,943	59,466	60,690
Bank Overdraft	20	-3,997	-8,224	-5,738
Short Term Borrowing	17	-5,189	-15,690	-1,551
Short Term Creditors	22	-29,723	-31,219	-29,315
CURRENT LIABILITIES		-38,909	-55,133	-36,604
Long-term liabilities				
Long term creditors	17	-84	-433	-454
Provisions	23	-4,431	-4,835	-11,422
Long term borrowing	17	-166,846	-146,159	-146,121
Liability related to defined benefit pension	43	-142,840	-232,850	-181,360
Capital grants receipts in advance	37	-843	-1,294	-1,050
LONG TERM LIABILITIES		-315,044	-385,571	-340,407
NET ASSETS		193,102	152,209	204,560
Useable reserves		36,777	56,390	63,499
Unusable reserves	25	156,325	95,819	141,061
TOTAL RESERVES		193,102	152,209	204,560

CASH FLOW STATEMENT

	Note	2009/10 £`000	2010/11 £`000
OPERATING ACTIVITIES			
Cash Outflows			
Cash paid to and on behalf of employees		170,174	167,581
Other operating cash payments		111,927	135,675
Housing benefit paid out		13,643	14,980
Precepts and levies paid		19,020	19,754
Interest paid		7,352	7,053
Premiums paid on rescheduled debt		-10	0
		322,106	345,043
Cash Inflows			
Rents (after rebates)		-8,114	-8,275
Council tax income		-55,028	-57,741
National non-domestic rate receipts from pool		-35,934	-37,625
Revenue support grant		-142,010	-143,529
DWP grants for benefits		-21,069	-24,708
Other government grants	29	-53,512	-58,033
Cash received for goods and services		-25,936	-38,166
Interest received		-1,400	-558
		-343,003	-368,635
NET CASH (INFLOW) FROM OPERATING ACTIVITIES		-20,897	-23,592
Net change in other liquid resources		3,921	2,876
INVESTING ACTIVITIES	27	20,356	10,563
FINANCING ACTIVITIES	28	-468	3,479
INCREASE/(DECREASE) IN CASH		-2,912	6,674
Cash at 01 April		1,209	-1,703
Cash balance at 31 March	20	-1,703	4,971

1. ACCOUNTING POLICIES

i. General principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the *Best Value Accounting Code of Practice*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments,

ii. Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.

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

- Where revenue and expenditure have been recognised but cash had not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

iii. Acquisitions and discontinued operations

No such transactions took place.

iv. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

v. Exceptional items
When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the comprehensive income and expenditure statement or in the notes to the accounts, depending on how significant the items are to an understanding of the authority's financial performance.

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

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

vii. Charges to revenue for Non-Current Assets
Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by contribution in the council fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

viii. Employee benefits

Benefits payable during employment
Short – term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of the holiday entitlements (or any form of leave, e.g. time off in

lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officers employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the non distributed costs line in the comprehensive income and expenditure statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the council fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Actuarial gains and losses
Actuarial gains and losses arising from the Authority's pension fund obligations are recognised in the comprehensive income and expenditure account in the year in which they arise.

ix. Events after the balance sheet date
Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

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

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

xi. Foreign currency translation
Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the authority can be determined by reference to an active market. in practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the comprehensive income and expenditure statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the comprehensive income and expenditure statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the comprehensive income and expenditure statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the council fund balance. The gains and losses are therefore reversed out of the council fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

xiv. Interests in companies and other entities
The Authority has no material interests in companies and no other entities that have the nature of subsidiaries, associates and jointly controlled entities.

xv. Inventories and long term contracts
Inventories are included in the balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First in First Out costing formula.

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the financial year.

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the council fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the council fund balance. The gains and losses are therefore reversed out of the council fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000 the capital receipts reserve.

xvii. Jointly controlled operations and jointly controlled assets
Jointly controlled operations are activities undertaken by the authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The authority recognises on its balance sheet the assets that it controls and the liabilities that it incurs and debits and credits the comprehensive income and expenditure statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

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

xviii. Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The authority as lessee

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter that the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the council fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

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

The authority as lessor

Finance leases
Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

The gain credited to the comprehensive income and expenditure statement on disposal is not permitted by statute to increase the council fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out to the council fund balance to the capital receipts reserve in the movement in reserves statement. Where the amount is due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the council fund balance to the deferred capital receipts reserve in the movement in reserves statement. (When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve).

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the council fund balance in the movement in reserves statement.

Operating leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the comprehensive income and expenditure statement. credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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

Capitalisation
All assets falling into the following categories are capitalised:

<u>Intangible assets</u> which can be valued, are capable of being used in the Council's activities for more than one year and have a cost equal to or greater than £10,000;

Intangible non-current asset held for operational use are valued at historical cost and are amortised over the estimated life of the asset on a straight line basis. The carrying value of the intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer licences are capitalised as intangible non-current assets where expenditure of at least £10,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic life.

<u>Tangible assets</u> which are capable of being used for a period which exceeds one year and which:

- Individually have a cost equal or greater than £10,000
- Collectively have a cost equal or greater than £10,000 and individually have a cost more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates and are anticipated to have simultaneous disposal dates; and are under single managerial control; or
- Form part of the initial equipping and setting up cost for a new building irrespective of their individual or collective cost; or
- Form part of an IT network which collectively has a cost of more than £10,000 and individually have a cost of more than £250.

Valuation
Intangible non-current assets held for operational use are valued at historical cost. Infrastructure, community assets and assets under construction are measured at historic costs. Assets under construction include any existing land and buildings under the control of a contractor. All other tangible non current assets are measured at fair value. If there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, the depreciated replacement cost approach is used to estimate the fair value.

Componentisation
Land and building are separate assets and will always be accounted for separately, even when they are acquired together. Three factors will be taken into account to determine whether a separate valuation of components is to be recognised in the accounts.

1. Materiality with regards to the Council's financial statements.
   Componentisation will only be considered for individual non land assets that represent more than 1% of the opening gross book value of total fixed assets.
2. Significance of component.
   For individual assets meeting the above threshold, where services within a building (boilers / heating / lighting / ventilation etc..) or items of fixed equipment (kitchens / cupboards) is a material component of the cost of that asset (> 50%) then those services / equipment will be valued separately on a component basis.
3. Difference in rate or method of depreciation compared to the overall asset.
   Only those elements that normally depreciate at a significantly different rate from the non land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Assets that fall below the de-minimis levels and tests above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material mis-statement in the accounts.

Where assets are material and to be reviewed for significant components, it is recommended that the minimum level of apportionment for the non-land element of assets (that are not classified as social housing) is:

- Plant and equipment and engineering services.
- Structure.

Professional judgement will be used in establishing materiality levels; the significance of components, useful lives, depreciation methods and apportioning asset values over recognised components.

Revaluations of the Council's property assets will continue to be undertaken on a 5 yearly rolling programme basis, at which point the revaluation takes into account the value and condition of the assets, relevant components and also derecognition where relevant. Where there is a major refurbishment of an asset, a new valuation will be sought in the year of completion and a revision to the useful life. Where it is not current practice, individual buildings and material facilities on a site will be valued separately and depreciated based on their advised useful average life, rather than aggregating values for properties on a single site. Such a useful life will need to take into account the estimated life and condition of major components based on professional judgement. These actions will assist in providing an accurate depreciation charge.

xx. Private finance initiative (pfi) and similar contacts
The Authority has no such arrangements.

xxi. Provisions, contingent liabilities and contingent assets provisions
Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the comprehensive income and expenditure statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Provision for back pay arising from unequal pay claims
The authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the authority implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the council fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an equal pay back pay account created from amounts credited to the general fund balance in the year the provision was made or modified. The balance on the equal pay back pay account will be debited back to the council fund balance in the movement in reserves statement in future financial years as payments are made.

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

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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

xxiii. Overhead and support services
The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007. The total absorption costing principle is used and the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core – costs relating to the council's status as a multi functional democratic organisation.

- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two categories are defined in BVACOP and accounted for as separate headings in the comprehensive income and expenditure account as part of net cost of services.

xxiv. Reserves
Amounts set aside for purposes falling outside the definition of provisions are considered reserves. Expenditure is not charged directly to a reserve but is first recognised in either the revenue account or capital accounts.

Capital reserves are not available for revenue purposes. Certain capital reserves can be used only for statutory purposes, these include:

- Revaluation reserve
- Useable capital receipts
- Capital adjustment account

Revenue reserves arise from events which have allowed for monies to be set aside, surpluses or decisions causing anticipated expenditure to be delayed.

xxv. 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 comprehensive 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 most of the loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest

credited to the comprehensive income and expenditure account is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss 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 from the voluntary organisations, 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 included in the interest receivable for the financial year – the reconciliation of amounts debited and credited to the comprehensive 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 in the statement of movement on the council fund balance.

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 comprehensive income and expenditure account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the comprehensive income and expenditure statement.

Available-for-sale assets

These are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the comprehensive 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 comprehensive income and expenditure account when it becomes receivable by the Authority.

Assets would be 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 would be balanced by an entry in the available-for-sale reserve and the gain/loss is recognised in the comprehensive income and expenditure statement. the exception is where impairment losses have been incurred – these would be debited to the comprehensive income and expenditure statement 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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the comprehensive income and expenditure account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the surplus or deficit on the provision of services 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).

xxvi. Provision for repayment of external loans
The Council is not required to raise council tax or housing rents to cover depreciation, impairment losses or amortisations but it is required to make provision from revenue for the repayment of debt as measured by the capital financing requirement. The only requirement of the regulations is that the provision is prudent. There is a required minimum of 2% of outstanding debt in respect of council housing and 4% in respect of other debt (the minimum revenue provision). The Authority met this requirement.

xxvii. Financial liabilities
Examples of Liabilities are creditors and borrowings from third parties

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the comprehensive 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 most of the borrowings that the Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the comprehensive income and expenditure account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchases or early settlement of borrowing are credited and debited to comprehensive 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 comprehensive income and expenditure account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premia and discounts have been charged to the comprehensive income and expenditure account, regulations allow the impact on the council fund balance to be spread over future years. The following rules that apply in respect of this:-

- Premia is spread over the longer of the outstanding term of the replaced loan or the term of the replacement loan although authorities are able to choose a shorter period

- Discounts are spread over a minimum period equal to the outstanding term on the replaced loan or 10 years if shorter.

The reconciliation of amounts charged to the comprehensive 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.

The Authority does not give financial guarantees to make specified payments to reimburse the holder of debt.

xxviii. Calculating fair value for financial instruments
The fair value of an instrument is determined by calculating the net present value of future cash flows which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, the prevailing rate of a similar instrument with a published market rate would be used as the discount factor.

<u>Complexities of the NPV calculation</u>

It is unlikely that the future cash instalments of an instrument will fall in equal time periods from the date of valuation, and there is likely to be a "broken" period from the valuation date to the next installment. This means that an adjustment needs to be made to each discount factor in order to take account of the timing inequality.

<u>Evaluation of PWLB debt</u>
We have used the new borrowing rate, as opposed to the premature repayment rate, as the discount factor for all PWLB borrowing. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored. LAAP 73 states that PWLB will be using the premature repayment rate in their calculations. It is at the Authority's own discretion which set of values it chooses to disclose.

<u>Inclusion of accrued interest</u>
The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the balance sheet. Since this will include accrued interest as at the balance sheet date, we have also included accrued interest in the fair value calculation. This figure will be calculated up to and including the valuation date.

<u>Discount rates used in NPV calculation</u>
The rates used were obtained by our advisors from the market on 31st March using bid prices where applicable.

<u>Assumptions</u>
The following assumptions are made but do not have a material effect on the fair value of the instrument:

- Interest is calculated using the most common market convention, ACT/365

- For fixed term deposits it is assumed that interest is received annually or on maturity if duration is less than one year.

xxix. Cash balances
The cash balance/overdraft shown on the balance sheet and analysed in the cash flow statement only includes:

- Cash physically held by the Authority on the 01 April and the 31 March.

- Readily available cash deposited with our bankers. The balance at the bank is adjusted for items not yet processed by the bank.

No cash equivalents, loans, long term deposits or investments have been included in the opening or closing cash balances. These are separately disclosed.

xxx. Debtors and creditors
The revenue accounts are prepared on the basis of income due and converted payments. The only exceptions are periodic payments in respect of fuel which will not necessarily correspond exactly with the year of account. Capital accounts are prepared on the basis of receipts and payments during the year, with accruals for significant outstanding items and provision for certain grant receivable at year end.

xxxi. Revenue expenditure funded from capital under statute
Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the capital adjustment account then reverses out the amounts charged so there is no impact on the level of council tax.

xxxii. Grants, contributions and donated assets
Under the code, grants and contributions are recognised as income when they become receivable. Unspent grants and contributions are transferred to useable reserves when there are no conditions attached. Grants and contributions unspent that have conditions attached that will require repayment are treated as a liability. The treatment of grants this year represents a change in accounting policy, the impact of which is disclosed in note 50.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2010/11 the only accounting policy change that needs to be reported relates to FRS 30 Heritage Assets. Heritage assets are to be recognised as a separate class of assets in the 2011/12 accounts for the first time, in accordance with FRS 30.

Heritage assets are defined as being 'assets preserved in trust for future generations because of their cultural, environmental or historical associations; have historical, artistic, scientific, geophysical or environmental qualities and are assets held by the authority principally for the contribution of knowledge and culture'.

The gross cost of the assets expected to be reclassified as heritage assets is £304,000 in the 2010/11 accounts they are classified as community assets. A large number of these assets are valued at nil in the accounts in 2010/11 but will be re-valued upon reclassification leading to a revaluation gain of £1,217,000. However this figure is based on valuations done in April, 2008 and will be subject to change when the assets are re-valued. Heritage assets with indefinite lives will not be subject to depreciation/amortisation which will mean a reduction in charge in 2011/12 of £43,000.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

- The Authority has £4m deposited with Icelandic banks which are in administration. A decision by the Icelandic courts stated the Authority will have the status of a preferred creditor. Following this decision the Authority has treated the deposits as preferred creditor and therefore entitled to the repayment of the deposits placed. Further details can be found in note 49.

- The IAS19 pension cost calculations in note 43 involve placing present values on future benefit payments to individuals many years into the future. These benefits will be linked to pay increases whilst individuals are active members of the Fund and will be linked to statutory pension increase orders (inflation) in deferment and in retirement. Assumptions are made for the rates at which the benefits will increase in the future (inflation and salary increases) and the rate at which these future cashflows will be discounted to a present value at the accounting date to arrive at the present value of the defined benefit obligation. The resulting position will therefore be sensitive to the assumptions used. The present value of defined benefit obligations is linked to yields of high quality corporate bonds whereas, for the LGPS funded arrangements, the majority of the assets of the fund are usually invested in equities or other real assets. Fluctuations in investment markets in conjunction with discount rate volatility will lead to volatility in the funded status of the fund and thus to volatility in the net pension asset on the balance sheet and in other comprehensive income and expenditure. To a lesser extent this will also lead to volatility in the pension expense in the surplus or deficit on the provision of services.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Authority's balance sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if assumptions differ from actual
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £x for every year that useful lives had to be reduced.
Provisions	The Authority has made a provision of for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of in either the total number of claims or the estimated average settlement would each have the effect of adding to the provision needed.
Pension liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £39.79m. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had increased by £5.7m as a result of estimates being corrected as a result of experience and increased by £110k attributable to updating of the assumptions.
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors invoiced of £4,260k. A review of significant balances suggested that an impairment of doubtful debts of £1.852k was appropriate. Council tax arrears stand at £3,508k. A review of significant balances suggested that an impairment of doubtful debts of £728k was appropriate based on stage the arrears are within the recovery process. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £2,570k to set aside as an allowance. However, very little debt is historically written off as disclosed in note 47.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

£1,510k was paid in redundancy costs with an additional £483k paid to the pension fund to cover the cost of early retirement.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Draft Statement of Accounts was authorised for issue by the Director of Finance on 27 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. However, no such events existed at the balance sheet date.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11 Transactions	Usable reserves				
	General fund balance	**Housing revenue account**	**Capital receipts reserve**	**Capital grants unapplied**	**Unusable reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the capital adjustment account:					
Charges for depreciation	-13,016				13,016
Impairment	-6,963				6,963
Revaluation losses on property, plant and equipment					
Movements in the market value of investment properties					
Amortisation of intangible assets					
Capital grants and contributions applied	10,324				-10,324
Revenue expenditure funded from capital under statute	-1,399				1,399
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	-1,872				1,872
Insertion of items not debited or credited to the comprehensive income and expenditure statement:					
Statutory provision for the financing of capital investment	6,655				-6,655
Capital expenditure charged against the council fund and HRA balances	1,815				-1,815
Adjustments primarily involving the capital grants unapplied account:					
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	397			-397	
Adjustments primarily involving the capital receipts reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	3,051		-3,051		
Use of the capital receipts reserve to finance new capital expenditure			2,090		-2,090
Contribution from the capital receipts reserve towards administrative costs of noncurrent asset disposals		-85	84		
Transfer from deferred capital receipts reserve upon receipt of cash			329		-329

2010/11 Transactions	Usable reserves				
	General fund balance	**Housing revenue account**	**Capital receipts reserve**	**Capital grants unapplied**	**Unusable reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the capital receipts reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	384		-30		-354
Adjustment primarily involving the financial instruments adjustment account:					
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	-479				479
Funding Iceland impairment	805				-805
Adjustments primarily involving the pensions reserve:					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 43)	35,940				-35,940
Employer's pensions contributions and direct payments to pensioners payable in the year	16,330				-16,330
Adjustment primarily involving the accumulated absences account:					
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-110				110
Total adjustments	51,862	-85	-578	-397	-50,802

2009/10 Comparatives	Usable reserves				
	General fund balance	**Housing revenue account**	**Capital receipts reserve**	**Capital grants unapplied**	**Unusable reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the capital adjustment account:					
Charges for depreciation	-13,070				13,070
Impairment	-12,841				12,841
Revaluation losses on property, plant and equipment					
Movements in the market value of investment properties	15				-15
Amortisation of intangible assets					
Capital grants and contributions applied	10,055				-10,055
Revenue expenditure funded from capital under statute	-1,660				1,660
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	-4,275				4,275
Insertion of items not debited or credited to the comprehensive income and expenditure statement:					
Statutory provision for the financing of capital investment	6,609				-6,609
Capital expenditure charged against the council fund and HRA balances	716				-716
Adjustments primarily involving the capital grants unapplied account:					
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	26			-26	
Application of grants to capital financing transferred to the capital adjustment account				39	-39
Adjustments primarily involving the capital receipts reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	11,715		-11,715		
Use of the capital receipts reserve to finance new capital expenditure			1,396		-1,396
Contribution from the capital receipts reserve towards administrative costs of noncurrent asset disposals			-33		33
Transfer from deferred capital receipts reserve upon receipt of cash			398		-398

2009/10 Transactions	Usable reserves				
	General fund balance	Housing revenue account	Capital receipts reserve	Capital grants unapplied	Unusable reserves
	£'000	£'000	£'000	£'000	£'000
Adjustment primarily involving the financial instruments adjustment account:					
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	-389				389
Adjustments primarily involving the pensions reserve:					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see Note 43)	-4,610				4,610
Employer's pensions contributions and direct payments to pensioners payable in the year					
Adjustment primarily involving the accumulated absences account:					
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	48				-48
Total adjustments	-7,661	0	-9,954	13	17,602

8. TRANSFERS TO/FROM EARMARKED RESERVES

Reserve Name	At 01.04.09	Transfers Between Reserves	Transfer to/ (from) Reserves	At 31.03.10	Transfers Between Reserves	Transfer to/ (from) Reserves	At 31.03.11
Restricted use and non transferable							
Schools reserve	2,081	0	433	2,514	0	-44	2,470
Insurance reserve	2,196	0	90	2,285	0	137	2,423
Corporate initiative reserve	5,883	12	2,707	8,603	-78	-3,072	5,452
Fire authority	663	0	-663	0	0	0	0
	10,823	**12**	**2,567**	**13,402**	**-78**	**-2,979**	**10,345**
Committee specific reserves							
Carried forward reserves	1,892	1,475	4,830	8,199	-1,038	7,484	14,646
Repairs and renewals revenues	518	-212	-16	290	384	-35	639
Revenue grants unapplied	431	0	471	902	0	-233	669
Transport reserve	4,053	36	1,872	5,962	0	-152	5,809
Economic development fund	270	-15	-298	-43	23	198	178
Invest to save	536	205	13	754	151	218	1,122
Highways reserve	450	-450	0	0	0	0	0
Winter maintenance	225	-225	0	0	0	0	0
Other reserves	1,330	-242	-155	932	-151	-4	777
Salt barn reserve	470	-350	-120	0	0	0	0
Business rates revaluation	85	0	95	180	0	425	605
	10,260	**223**	**6,692**	**17,174**	**-631**	**7,901**	**24,444**
	21,083	**234**	**9,259**	**30,576**	**-709**	**4,922**	**34,789**

A brief description of the purpose of each Specific Reserve is as follows:

Insurance Reserve
To mitigate the effect of large claims against the Authority.

Corporate Initiative Reserve
Balance of unspent money for specific initiatives and one off authority wide projects and costs.

Capital Projects Reserves
Set aside to specifically fund capital in nature expenditure.

Invest To Save
Funds can be borrowed by departments to fund money saving schemes.

Carried Forward Reserves
Accumulated balances that are Committee specific and not available for general purposes. These reserves finance variances in annual spending patterns from the Councils target. Conversely any over spends are carried forward for recoupment in future years.

Repairs and Renewals
Reserves set up by Directorates to fund future repairs expenditure.

Transport Reserve
Specifically to fund vehicle replacement.

9. OTHER OPERATING EXPENDITURE

	2009/10 £`000	2010/11 £`000
Precepts		
Community council precepts	1,775	1,873
Mid and West Wales Fire Authority	7,161	6,628
Dyfed Powys Police precept	10,063	10,568
Brecon Beacons National Park	652	647
Levies		
Powysland Internal Drainage Board	32	38
Gains/losses on the disposal of non-current assets	-7,440	-1,180
Transfer to deferred credits - landlord loans	0	-384
	12,243	18,190

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2009/10 £`000	2010/11 £`000
Interest payable and similar charges	7,500	7,068
Pensions interest cost and expected return on pensions assets	12,260	8,550
Interest receivable and similar income	-894	-684
Impairment of financial instruments	199	111
Income and expenditure in relation to investment properties and changes in their fair value	-15	2
Surplus or deficit on trading accounts (note 30)	-2,353	-480
	16,697	14,567

11. TAXATION AND NON SPECIFIC GRANT INCOMES

	2009/10 £`000	2010/11 £`000
Council tax income	61,865	65,062
Non domestic rates	35,934	37,625
Non-ringfenced government grants	142,010	143,679
Capital grants and contributions	10,081	10,721
	249,890	257,087

12. PROPERTY, PLANT AND EQUIPMENT

Movement In 2010/11	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equip	Infrastructure	Community, Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 01 April 2010	**152,173**	**301,195**	**55,645**	**87,541**	**1,735**	**2,582**	**3,620**	**604,491**
additions	4,163	4,466	2,572	3,704	25	0	3,695	18,625
donations								0
Revaluation increases recognised in the revaluation reserve		6,144			104			6,248
Revaluation decreases recognised in the revaluation reserve		-8,429						-8,429
Revaluation decreases recognised in the surplus/deficit on the provision of services		-5,553			-54			-5,607
Derecognition - disposals	-226	-967	-385		-1	-31		-1,610
Derecognition - other								0
Reclassification (to)/from held for sale		-41				-37		-78
Other movements		188	9	2,131	-289		-2,030	9
At 31 March 2011	**156,110**	**297,003**	**57,841**	**93,376**	**1,520**	**2,514**	**5,285**	**613,649**

Accumulated Depreciation								
At 01 April 2010	**-4,558**	**-12,008**	**-43,846**	**-10,165**	**-141**	**-60**	**-1**	**-70,779**
Depreciation charge	-2,296	-5,513	-3,109	-1,742	-43	-27	0	-12,730
Depreciation written through revaluation reserve		2,584						2,584
Depreciation written through deficit on the Provision of Services		126						126
Derecognition – disposals depreciation	8	60	367			1		436
Derecognition – other depreciation								0
Reclassified (to)/from held for sale		1						1
Other movements								0
At 31 March 2011	**-6,846**	**-14,750**	**-46,588**	**-11,907**	**-184**	**-86**	**-1**	**-80,362**

Accumulated Impairment								
At 01 April 2010	**-8,358**	**-5,771**	**-3**	**-29**	**0**	**0**	**0**	**-14,161**
Impairment charge(revaluation) recognised in the revaluation reserve	-3,787							-3,787
Impairment charge(revaluation) recognised in the surplus/deficit on the provision of services	-376	-7812	-11		-54			-8,253
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services		5,434			54			5,488
Derecognition – disposals Impairment	6	0						6
At 31 March 2011	**-12,515**	**-8,149**	**-14**	**-29**	**0**	**0**	**0**	**-20,707**
Net book value								
At 31 March 2011	**136,749**	**274,104**	**11,239**	**81,440**	**1,336**	**2,428**	**5,284**	**512,580**
At 31 March 2010	**139,257**	**283,416**	**11,796**	**77,347**	**1,594**	**2,522**	**3,619**	**519,550**

Comparative Movements in 2009/10:

	Council Dwellings	**Other Land and Buildings**	**Vehicles Plant and Equip**	**Infrastructure**	**Community, Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation								
At 01 April 2009	**148,029**	**273,467**	**54,569**	**86,073**	**1,680**	**1,931**	**1,111**	**566,860**
Additions	4,146	5,546	2,016	2,060	59	37	3,448	17,312
Donations								0
Revaluation increases recognised in the revaluation reserve	509	37,847		5	646	429	24	39,460
Revaluation decreases recognised in the revaluation reserve	-113	-1,465						-1,578
Revaluation decreases recognised in the surplus/deficit on the provision of services		-13,412		-7		-47		-13,466
Derecognition - disposals	-398	-984	-940			-285	1	-2,606
Derecognition - other	0	-1,491	0					-1,491
Declassification (to)/from held for sale		1,687		-590	-650	517	-964	0
At 31 March 2010	**152,173**	**301,195**	**55,645**	**87,541**	**1,735**	**2,582**	**3,620**	**604,491**

Accumulated depreciation								
At 01 April 2009	-2,354	-14,711	-41,461	-8,479	-98	-40	-15	-67,158
Depreciation charge	-2,265	-5,501	-3,253	-1,687	-43	-36	0	-12,785
Depreciation written through revaluation reserve	45	6,382					3	6,430
Depreciation written through deficit on the provision of services	7	1,782				33		1,822
Derecognition – disposals depreciation	9	4	869			10		892
Reclassified (to)/from held for sale		22						22
Other movements	0	14	-1	1	0	-27	11	-2
At 31 March 2010	**-4,558**	**-12,008**	**-43,846**	**-10,165**	**-141**	**-60**	**-1**	**-70,779**

Accumulated impairment								
At 01 April 2009	**-4,320**	**-6,646**	**-32**	**-26**	**0**	**0**	**-220**	**-11,244**
Economic impairment	-4,092	-1,710	0	-3				-5,806
Impairment charge(revaluation) recognised in the revaluation reserve	-12	-15	29					2
Impairment charge(revaluation) recognised in the surplus/deficit on the provision of services	-61	-11,356		-7		-15	1	-11,438
Impairment losses/(reversals) recognised in the revaluation reserve	61	2,533						2,594
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	61	11,629		7		15		11,712
Derecognition – disposals impairment	4	0	0	0	0	0	0	4
Other movements	0	-206	0	0	0		220	14
At 31 March 2010	**-8,359**	**-5,771**	**-3**	**-29**	**0**	**0**	**1**	**-14,161**
Net book value								
At 31 March 2010	**139,256**	**283,416**	**11,796**	**77,347**	**1,594**	**2,521**	**3,620**	**519,550**
At 31 March 2009	**141,355**	**252,110**	**13,076**	**77,568**	**1,583**	**1,891**	**877**	**488,458**

The non-current assets above do not include the 20 controlled faith schools or the 10 aided faith schools.

Depreciation
The following useful lives and depreciation rates have been used in the calculation of depreciation:

- council dwellings – 60 years
- other land and buildings – 50 years
- vehicles, plant, furniture & equipment – 10% to 35% of carrying amount
- infrastructure – 50 years

Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2011/12 and future years budgeted to cost £2,625k. Similar commitments at 31 March 2010 were £6,423. The major commitments are:

	£`000s
Newtown HS phase 2 changing rooms	221
Trefonnen School	541
Llandrindod Wells new youth centre & enabling work	91
Withybeds	77
Theatre Hafren - specialist works	203
Phase 3 Maesydderwen High School	503
Golwy y Bannau and Camlas - extensions	178
Theatre Hafren - fly tower extension	472
Vehicle purchases	339
	2,625

In addition, there was an outstanding commitment of £615k in respect of private sector housing at 31st March 2011.

Revaluations

The Authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is re-valued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure	Community	Surplus Assets	Assets Under Construc-tion	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historical cost			57,818	93,347	1,520			152,685
Valued at fair value:								0
31-Mar-11	0	34,208	0	0	0		3,778	37,986
31-Mar-10	834	123,536	0	0	0	839	1,205	126,414
31-Mar-09	142,761	53,303	0	0	0	1,025		197,089
31-Mar-08	0	59,250	0	0	0	49		59,299
31-Mar-07	0	18,856	0	0	0	599		19,455
	143,595	289,153	57,818	93,347	1,520	2,513	4,982	592,928

13. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the finance and investment income and expenditure line in the comprehensive income and expenditure statement.

	2009/10	2010/11
	£'000	**£'000**
Rental income	-23	-5
Direct operating expense	1	7
	-22	2

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligation to purchase, construct or develop investment property, repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2009/10	2010/11
	£'000	**£'000**
Balance at start of year	517	532
Disposals	0	-55
Changes in fair value	15	0
Balance at end of year	532	477

14. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. All software is given a finite useful life of 7 years, based on assessments of the period that the software is expected to be of use to the Authority.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £295k charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the net expenditure of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on intangible assets is as follows:

			2009/10			2010/11
	Internally Generated	**Other**	**Total**	**Internally Generated**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost at 1st April		2,366	2,366		2,690	2,690
Accumulated amortisation 1st April		-832	-832		-1,127	-1,149
Accumulated impairment 1st April		-3	-3		-22	
Net carrying amount at 1st April		1,531	1,531		1,541	1,541
Additions:						
- internally developed						
- purchase		324	324		992	992
Other disposals						
Impairment losses recognised in the surplus/deficit on the provision of services		-19	-19			
Amortisation for the period		-295	-295		-295	-295
Other changes						
Net carrying amount at 31st March		1,541	1,541		2,238	2,238
Comprising						
Cost at 31st March		2,690	2,690		3,682	3,682
Accumulated amortisation 31st March		-1,127	-1,127		-1,423	-1,423
Accumulated impairment 31st March		-22	-22		-22	-22

15. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2009/10 £`000	2010/11 £`000
Opening capital financing requirement	189,205	190,387
Capital investment		
Property, plant and equipment	17,912	18,252
Investment properties		
Intangible assets		992
Revenue expenditure funded from capital under statute	1,660	8,741
Less sources of finance:		
Capital receipts	1,440	2,914
Government grants and other contributions	9,088	16,759
Sums set aside from revenue:		
Direct revenue contributions	972	1,878
Capital receipts set aside	330	287
Minimum Revenue Provision (MRP)	6,560	6,459
Closing capital financing requirement	190,387	190,075
Explanation of movement in year		
Increase in underlying need to borrowing (supported by government financial assistance)	8,072	6,434
Increase in underlying need to borrowing (unsupported by government financial assistance)	0	0
Assets acquired under finance leases	26	57
Increase/(decrease) in capital financing requirement	1,182	-311

16. IMPAIRMENT LOSSES

During 2010/11 the Authority has recognised an impairment loss of £6.5m in relation to Capital expenditure spent on council dwellings and other land and buildings, which does not change the value of the asset as it is considered non-enhancing. This compares with an impairment loss of £6.0m which was recognised in 2009/10.

17. FINANCIAL INSTRUMENTS

The Authority had the following categories of financial instruments in the balance sheet:

	Long Term		Current	
	31st March 2010	31st March 2011	31st March 2010	31st March 2011
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	8,423	2,007	30,762	26,125
Available for sale financial assets	3,199	3,097	0	0
Total investments	11,622	5,104	30,762	26,125
Debtors				
Loans and receivables	202	482	0	0
Financial assets carried at contract amount	0	0	20,879	21,629
Total debtors	202	482	20,879	21,629
Borrowings				
Financial liabilities at amortised cost				
Finance leases	146,111	146,098	15,512	1,489
Financial liabilities at fair value through profit and loss	48	23	178	62
Total borrowings	146,159	146,121	15,690	1,551
Creditors				
Financial liabilities at amortised cost	433	969	0	0
Financial liabilities carried at contract amount	4,835	10,907	31,219	29,315
Total Creditors	5,268	11,876	31,219	29,315

	2010	2010	2010	2010	2011	2011	2011	2011
	Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivable	Financial Assets: Available for Sale Assets	**Total**	Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivable	Financial Assets: Available for Sale Assets	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	7,500			7,500	7,068			7,068
Reductions in fair values								
Impairment losses		199		199		111		111
Fee expense								
Total expense in deficit on the provision of services	7,500	199	0	7,699	7,068	111	0	7,179
Interest income		-879		-879		-433		-433
Gains on derecognition								
Fee income								
Interest income accrued on impaired financial assets		-15		-15		-251		-251
Total income in deficit on the provision of services	0	-894	0	-894	0	-684	0	-684
Gains on revaluation			-202	-202			-102	-102
Surplus/deficit arising on revaluation of financial assets in other comprehensive income and expenditure			-202	-202			-102	-102
Net (gain)/loss for the year	7,500	-695	-202	6,603	7,068	-573	-102	6,393

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2011 of 2.01% to 5.31% for loans from the PWLB and 3.61% to 4.01% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.
- accrued interest has been included in the fair value calculation since it is included in the carrying value of loans in the balance sheet.

The fair values calculated are as follows:

	31 March 2010		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial liabilities	161,849	167,694	147,672	143,848
Long-term creditors	5,268	5,268	11,876	11,876

The fair value of the liabilities is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	31 March 2010		31 March 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables	42,885	39,366	24,574	24,552
Long-term debtors	202	202	482	482

Note: A fair value is unavailable for the Icelandic investments so have been excluded.
The fair value of the assets is lower than the carrying amount because the Authority's portfolio of investments includes a number where the interest rate receivable is lower than the rates available for similar investments at the Balance Sheet date.

Low Cost Housing (available for sale assets)
Under this scheme the Council bought properties and sold them at a discount to eligible purchasers. The debtor sums reflect the amounts repayable to the Council when those properties are sold and are measured at market value.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

18. INVENTORIES

Inventories are stated at the lowest of cost and net realisable value. The balances are those held as at 31st March.

	2010 £`000	2011 £`000
Building materials, vehicle parts etc	392	531
Road salt	125	1,150
Other	69	51
	586	1,732

19. SHORT TERM DEBTORS

Short term debtors are amounts owed to the Authority that are due for collection within one year from 31st March.

	2010 £`000	2011 £`000
Central government		
Welsh Assembly Government	4,297	5,373
European Community	1,411	2,491
VAT – HMRC	2,228	2,164
Countryside Commission for Wales	70	3
Home Office		4
National Education Council		128
Sports Council		12
Other local authorities		
Ceredigion Council	2	49
Other education authorities	755	622
Shropshire County Council	0	257
NHS bodies		
Powys Teaching Health Board	573	563
Debts other than government		
Council tax	3,656	3,508
Housing tenants	806	849
Employees	352	204
Other short term debtors	7,765	6,497
Payments in advance	2,187	2,124
	24,102	24,848
Provision for bad debts	-3,223	-3,219
	20,879	21,629

20. CASH AND CASH EQUIVALENTS

Cash was held in the following categories as at 31 March

	2010 £`000	2011 £`000
Cash held by the authority	6,521	10,709
Bank current accounts	-8,224	-5,738
	-1,703	4,971

21. ASSETS HELD FOR SALE

	Current	
	2009/10	2010/11
	£'000	£'000
Balance at start of year	1,424	717
Assets newly classified as held for sale:		
- Property, plant and equipment	1,497	77
Assets sold	-2,203	-299
Balance at end of year	718	495

22. SHORT TERM CREDITORS

Short term creditors are amounts owed by the Authority that are due for payments within one year from 31st March.

	2010 £`000	2011 £`000
Central Government Bodies		
Welsh Assembly Government	2,301	10
HM Revenues and Customs	3,113	3,045
Non Government Creditors		
Sundry creditors	14,290	14,905
Wages and salaries	2,152	2,417
Payments received in advance	2,409	1,701
Deposits – section 40 advance	436	991
Deposits – section 106 deposit	797	505
Commuted sums – land drainage	339	364
Council tax credits	1,605	1,490
Provision for accumulated balances	3,777	3,887
	31,219	29,315

23. PROVISIONS

	At 01.04.10 £`000	Payments Paid in year	Additional Provision made in Year	At 31.03.11 £`000
Frozen holiday pay	2	0	0	2
Insurance provision (see below)	1,356	-1356	1,397	1,397
Other Provisions	3,477	0	6,546	10,023
	4,835	-1,356	7,943	11,422

The insurance provision consists of:

	2010 £`000	2011 £`000
Employers liability	418	391
Public liability	916	982
General fleet vehicles	12	6
Leased fleet vehicles	10	0
Property	0	18
	1,356	1,397

The above costs represent the amount the Authority is potentially liable for in each class of insurance. There are no material unfunded risks.

24. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the movement in reserves statement.

25. UNUSABLE RESERVES

	31 March 2010	31 March 2011
	£'000	£'000
Revaluation reserve	130,587	122,948
Available for sale financial instruments	1,881	1,779
Capital adjustment account	198,182	199,123
Financial instruments adjustment account	1,639	1,965
Pensions reserve	-232,850	-181,360
Deferred capital receipts	157	493
Accumulating balances adjustment account	-3,777	-3,887
	95,819	141,061

Revaluation Reserve

The revaluation reserve contains the gains made by the Authority arising from increases in the value of its property, plant and equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

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

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

	2009/10 £`000	2009/10 £`000	2010/11 £`000	2010/11 £`000
Balance as at 01 April		92,674		130,587
Upward revaluation of assets	45,990		8,582	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	-3,696		-13,261	
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		42,294		-4,679
Difference between fair value depreciation and historical cost deprecation	-2,492		-2,353	
Accumulated gains on assets sold or scrapped	-1,889		-607	
Amount written off to the CAA		-4,381		-2,960
Balance at 31 March		130,587		122,948

Available for Sale Financial Instruments Reserve

The available for sale financial instruments reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

	2009/10	2010/11
	£'000	£'000
Balance at 1 April	1,859	1,881
Upward revaluation of investments	224	0
Downward revaluation of investments not charged to the surplus/deficit on the provision of services	-202	-102
Balance at 31 March	1,881	1,779

Capital Adjustment Account

The Capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis).

The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Authority. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the revaluation reserve.

	2009/10	2009/10	2010/11	2010/11
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April		206,431		198,182
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement:				
Charges for depreciation of non current assets	-13,070		-13,016	
Amortisation of intangible assets				
Revaluation losses on property plant and equipment	-11,514		-5,488	
Impairment due to economic consumption	-1,327		-1,475	
Revenue expenditure funded from capital under statute	-1,660		-1,398	
Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the comprehensive income and expenditure statement	-2,386	-29,957	-1,265	-22,642
Depreciation transfer to revaluation reserve		2,492		2,353
Net written out of the cost of non current assets consumed in the year		-27,465		-20,289
Capital financing applied in the year				
Use of the capital receipts reserve to finance new capital expenditure	1,396		2,090	
Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	9,802		9,634	
Application of grants to capital financing from the capital grants unapplied account	253		689	
capital expenditure charged against the council fund and HRA balances	716		1,815	
Statutory provision for the financing of capital investment charged against the council fund and HRA balances	6,609	18,776	6,655	20,882
Movement in the market value of Investment Properties debited or credited to the comprehensive income and expenditure statement		15		
Deferred credits transfer		21		18
Reserved capital receipts		404		329
Balance at 31 March		198,182		199,123

Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the comprehensive income and expenditure statement when they are incurred, but reversed out of the council fund balance to the account in the movement in reserves statement. Over time, the expense is posted back to the council fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2011 will be charged to the council fund over the remaining life of repaid loans.

	2009/10	2010/11
	£'000	**£'000**
Balance at 1 April	2,028	1,639
Discounts paid from rescheduling of debt	-10	
Soft loans adjustment		-59
Proportion of premiums incurred in previous financial years to be charged against the council fund balance in accordance with statutory requirements	-272	-288
Invest to save loans	92	-21
Icelandic impairments transferred to council fund		805
Impairment of Icelandic debt	-199	-111
Balance at 31 March	1,639	1,965

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2009/10	2010/11
	£'000	**£'000**
As at 1 April	**-142,840**	**-232,850**
Actuarial gains or losses on pensions assets and liabilities	-85,400	-780
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement	-21,330	35,940
Employer's pensions contributions	16,720	16,330
As at 31 March	-232,850	-181,360

Deferred Capital Receipts Reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

	2009/10	2010/11
	£'000	**£'000**
Balance at 1 April	84	158
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	94	18
Landlord Loans		347
Transfer to the Capital Receipts Reserve upon receipt of cash	-21	-30
Balance at 31 March	157	493

Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise on the council fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the council fund balance is neutralised by transfers to or from the account.

	2009/10	2010/11
	£'000	£'000
Balance at 1 April	-3,826	-3,777
Settlement or cancellation of accrual made at the end of the preceding year	3,826	3,777
Amounts accrued at the end of the current year	-3,777	-3887
Balance at 31 March	-3,777	-3,887

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Board on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (where as depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the comprehensive income and expenditure statement).
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

2010/11 net expenditure by directorate	**Total**
	£'000
Care and wellbeing	
Adult and commissioning	41,652
Childrens services	15,270
Housing and regulatory services	3,089
Finance and infrastructure	
Finance and corporate performance	4,742
Local environmental services	25,358
Business Performance Unit	7,962
Law and governance	
Legal, scrutiny and democratic	3,163
Information and customer services	4,270
Human resources	2,863
Skills and learning	
School and Inclusion	97,915
Leisure and recreation	13,773
Regeneration and development	3,737

Performance partnerships and modernisation	2,278
Service area totals	226,072
Central activities	30,933
Total	257,005
Council tax	-65,062
Revenue support grant	-143,679
Non domestic rates	-37,625
Net expenditure in the directorate analysis	10,639
Adjustment for reserves and recharges included in spend	-34,873
Actual spend	-24,234
Net expenditure not included in the analysis	2,687
amounts in the comprehensive income and expenditure statement not reported to management in the analysis	-36,362
Cost of services in comprehensive income and expenditure statement	-57,909

2009/10 Net Expenditure by Directorate	**Total**
	£'000
Schools and inclusion	96,105
Leisure and recreation	13,955
Adult and commissioning	38,452
Children services	15,567
Performance, partnership, communication	1,250
Business and performance	102
Planning services	4,882
Housing and regulatory services	6,296
Legal, scrutiny and democratic	3,208
Finance and corporate performance	191
Information and customer services	-218
Human resources	-2,823
Local and environmental services	28,204
Central costs	17,146
Total	222,317
Council tax	-51,587
Revenue support grant	-142,010
Non domestic rates	-35,934
Net expenditure in the directorate analysis	-7,214
Net expenditure not included in the Analysis	20,028
Amounts in the comprehensive income and expenditure statement not reported to management in the analysis	-14,825
Cost of services in comprehensive income and expenditure statement	-2,011

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of directorate net expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the comprehensive income and expenditure statement.

2010/11	Per Directorates analysis	Amounts not reported to management for decision making	Amounts not included in income and expenditure	Per the deficit from the provision of services
	£'000	£'000	£'000	£'000
Grants	-102,036	0	-692	-102,728
Generated income	-93,189	0	19	-93,170
Council tax	-9,757	0	-316	-56,591
Internal charges	-65,062	-46,518	0	-65,062
Non domestic rates	-37,625	0	-1	-37,626
Revenue support grant	-143,679	0	0	-143,679
Total Income	-451,348			-498,856
Employee costs	171,782	0	-3,595	168,187
Premises costs	26,751	0	134	26,885
Transport costs	25,105	0	0	25,105
Supplies and services	38,771	0	83	38,854
Depreciation and impairment		20,034	0	20,034
Reffcus		2,233	0	2,233
Agency fees	104,964		1	104,965
Precepts and levies	20		0	20
Transfer payments	41,095		-1	41,094
Central recharges	2,582	46,943	5,897	55,422
Interest and similar charges	16,044	-20,820	10,449	5,673
Pension interest costs			8,550	8,550
IAS19 past service costs			-56,890	-56,890
Insurance		2,080	0	2,080
Loss on disposal of assets		-1265		-1,265
Total expenditure	427,114			440,947
Net expenditure	-24,234	2,687	-36,362	-57,909

2009/10	Per Directorates analysis	Amounts not reported to management for decision making	Amounts not included in income and expenditure	Per the deficit from the provision of services
	£'000	£'000	£'000	£'000
Grants	-89,407	0	-11,078	-100,485
Generated income	-91,102	0	832	-90,270
Council tax	-51,587	0	-10,278	-61,865
Internal charges	-48,934	0	0	-48,934
Non domestic rates	-35,934	0	0	-35,934
Revenue support grant	-142,010	0	0	-142,010
Total income	-458,974			-479,498
Employee costs	171,331	0	-7,698	163,633
Premises costs	26,635	0	0	26,635
Transport costs	23,014	0	0	23,014
Supplies and services	38,126	256	-220	38,162
Depreciation and impairment		25,761	0	25,761
Reffcus		1,614	0	1,614
Agency fees	77,429	0	0	77,429
Precepts and levies	9,620	0	10,063	19,683
Transfer payments	38,676	0	0	38,676
Central recharges	48,702	0	0	48,702
Interest and similar charges	16,115	-7,603	-877	7,635
Financial instruments adjustment		0	-389	-389
Pension interest costs		0	12,260	12,260
Insurance	2,112	0	0	2,112
Loss on disposal of assets		0	-7,440	-7,440
Total expenditure	451,760			477,487
Net expenditure	-7,214	20,028	-14,825	-2,011

27. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	2009/10 £`000	2010/11 £`000
Purchase of property, plant and equipment, investment property and intangible assets	17,388	18,846
Purchase of short and long term investments	309,025	298,290
Other payments for investing activities		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-11,537	-2,638
Proceeds from the sale of short and long term investments	-294,520	-303,935
Other payments for investing activities		
Other receipts from investing activities		
Net cash flows from investing activities	20,356	10,563

28. CASHFLOW STATEMENT – FINANCING ACTIVITIES

	2009/10 £`000	2010/11 £`000
Cash receipts of short and long term borrowing	-2,000	
Other receipts from financing activities	-10,478	-10,532
Cash payments relating to the reduction of the outstanding liabilities on finance leases		
Repayments of short and long term borrowing	12,010	14,011
Other payments for financing activities		
Net cash flows from financing activities	-468	3,479

29. Analysis of Government Grants

	2009/10 £`000	2010/11 £`000
Housing grants	9,792	11,237
Other housing	0	30
Other social services (primarily mental handicap strategy)	4,599	6,968
Supporting people	4,573	4,645
Other transport grants (including concessionary travel)	3,072	3,851
Waste disposal and recycling grants	3,439	4,307
Planning	0	0
Education grants	18,168	16,449
Welsh language grant	35	96
PIG policy agreements	1,433	1,063
Rural development grant	0	258
Invest to save	375	0
Deprivation grant	48	0
Economic and community regeneration	927	560
Miscellaneous	1,487	1,606
Safer communities fund	0	277
Housing benefit local housing allowance rollout	46	55
Communities first	499	492
Work based learning	1,889	1,749
Reffcus	1,500	2,918
Community regeneration	0	64
Public protection	266	210
Business performance grants	0	0
Sports Council	507	284
Animal Welfare	0	61
Leisure & recreation	421	406
Welsh Arts Council	313	323
Nutrition in schools/appetite for life	123	124
	53,512	58,033

30. TRADING OPERATIONS

The BVACOP defines trading operations as services provided for users on a basis other than a straight forward recharge of cost. Services can be provided for external and internal users, but the vast majority of activity is internal. Significant areas of trading activities during 2010/11 were:

	2009/10 (Surplus)/Deficit £`000	2010/11 Expenditure £`000	2010/11 Income £`000	2010/11 (Surplus)/Deficit £`000
Building cleaning	106	3,589	-3,182	407
Building maintenance	50	1,788	-1,761	28
Catering	5	5,151	-5,032	119
Central administration	417	16,926	-16,834	93
Engineering and building design	-204	12,903	-13,373	-470
Highways maintenance	107	4,357	-4,056	301
Information technology dept	-629	3,396	-3,461	-64
Internal insurance	-130	2,005	-2,173	-169
Refuse collection	-84	1,667	-1,725	-58
Vehicle maintenance and transport	-166	4,002	-4,094	-92
Pension deficit funding on trading accounts	-1,825	-807	0	-807
Performance and communications	0	606	-373	232
	-2,353	55,583	-56,064	-480

All internal trading activities of the Council are being reviewed to establish if an internal market is still an appropriate method of accounting for costs.

31. AGENCY SERVICES

The Council carries out work on an agency basis for other organisations for which it is fully reimbursed. These amounts are excluded from Authority's results. The significant agency services provided were:

Agency	Description	2009/10 £`000	2010/11 £`000
Welsh Assembly Government	Trunk roads maintenance and improvement	14,881	18,455

32. POOLED BUDGETS AND JOINT ARRANGEMENTS

(Section 31 Health Act 1999)

Powys Teaching Health Board (PTHB) and Powys County Council have entered into a partnership agreement in accordance with Section 31 of the Health Act 1999.

The health related function which is subject to these arrangements is the provision of care by a registered nurse in care homes, which is a service provided by the NHS Body under Section 2 of the National Health Service Act 1977.

In accordance with the Social Care Act 2001 Section 49 care from a registered nurse is funded by the NHS regardless of the setting in which it is delivered. (Circular 12/2003). The agreement will not affect the liability of the parties for the exercise of their respective statutory functions and obligations. The partnership agreement operates in accordance with the Welsh Assembly Government Guidance NHS Funded Nursing Care 2004. The allocation received for 2010/11 for free nursing care was £1,942k, which is now within the PTHB base allocation from WAG. (2009/10: £1,942k)

Powys County Council paid to Care Homes:

	2009/10 £'000	2010/11 £'000	2010/11 £'000	2010/11 £'000
Gross Funding	**Total**	**Staff**	**Other**	**Total**
Powys County Council	1,064	0	1,064	1,064
Powys Teaching Health Board	878	0	878	878
Total Funding	1,942		1,942	1,942
Expenditure				
Monies spent in accordance with pooled budget arrangement	1,890		1,880	1,880
Total Expenditure	1,890		1,880	1,880
Net Under Spend	52		62	62

Net under spend - held	**£'000**	**£'000**
Powys County Council	0	0
Powys Teaching Health Board	52	62
	52	62

The above memorandum account has yet to be audited.

Pooled Equipment Budget

An agreement has been entered into between Powys County Council and Powys Teaching Health Board for the delivery of an integrated equipment service under Section 75 of the National Health Service Act 2006.

		2009/10 £'000	2010/11 £'000
Gross Funding			
Powys County Council		384	384
Powys Teaching Health Board		400	341
Other		80	95
Total Funding		864	820
Expenditure			
Management Costs		32	30
Equipment Purchase		590	456
Maintenance and Inspection		123	179
Delivery, Cleaning and Collection Charges		299	339
VAT Adjustment		102	0
Total Expenditure		1,146	1,004
Net (Over) Spend		-282	-184

Net Over Spend – held	£'000
Powys County Council	-97
Powys Teaching Health Board	-87
	-184

The above table has not been audited.

33. ACCOUNTING FOR JOINT ARRANGEMENTS WHICH ARE NOT ENTITIES (JANE'S)

The Council works in partnership with many other Local Authorities in the joint provision of services. Traditionally one Authority acts as lead in these arrangements and will incur all expenditure for the service with the other authorities making a contribution for a calculated or negotiated share of the costs. Where contributions in cash during the year are less than or exceed the final amount due a debtor/creditor is kept in the lead authority's books to add/deduct from the next years contribution.

Within the 2010 SORP there is a requirement that for these joint arrangements:-

1) Lead Authorities no longer record such over/underpayments as debtors and creditors but rather transfer any balances to an earmarked reserve (the joint arrangement reserve)
2) The Lead Authority would then have to recognise only its part of the over/under spend in the reserve with entries through the revenue account being required to create debtors/creditors in respect of participating authority's share of the reserves.
3) All these entries would effectively be reversed on 1st April of the following year.

In respect of this Authority we have identified the following JANE's to which these accounting entries could be applied:- South and Mid Wales Consortium (SWAMWAC) – Education support

Since the amounts would be reversed on 1st April and are not significant no actual entries have been made for these arrangements other than the direct expenditure and income applicable to each scheme. The following reflects the potential entries that could be made (none of which impact on the general reserves position of the Council):-

Income and Expenditure Account	**Expenditure £'000**	**Income £'000**
Net cost of Services – Education		53
Net transfer to joint arrangement reserve	53	
	53	53
Balance Sheet	**Assets £'000**	**Reserve £'000**
Debtors	53	
Earmarked reserves		53
	53	53

34. MEMBERS ALLOWANCES

A total of £1,088k was paid to Councillors in basic and special responsibility allowances (£1,092k in 2009/10). Councillors are also reimbursed travel and subsistence expenses in accordance with regulations.

35. SENIOR OFFICERS EMOLUMENTS

Senior officer posts that attracted remuneration of at least £60k were:

2010/11	Note	Salary (inc fees & allowances)	Benefits in kind	Compensation for loss of office	Total Remuneration Excluding Pension Cont	Pension Cont.	Total Remuneration including Pension Cont.
Post Title		**£'000**	**£'000**	**£'000**		**£'000**	**£'000**
Chief Executive		127			127	30	157
Strategic Director - Finance & Infrastructure		98			98	23	121
Strategic Director - Law & Governance		98			98	23	121
Strategic Director - Communities, Skills & Learning		91	2		93	21	114
Director - Performance, Partnerships & Communications		81	2		83	19	102
Head of Adult Services & Commissioning		79			79	18	97
Head of Housing and Public Protection		78	1		79	18	96
Head of ICT & Customer Services		78			78	18	96
Head of Schools Service	1	78			78	18	96
Head of Local & Environmental Services		78			78	18	96
Head of Children's Services		76			76	18	94
Head of Regeneration & Development		76			76	18	94
Head of Business & Performance Unit	2	73	2		75	17	92
Interim Head of Human Resources		73	2		75	17	92
Head of Leisure & Recreation		64	3		67	15	82
Interim Head of Legal & Democratic Services		65			65	15	80
Interim Strategic Director - Care & Well-Being	3& 4	42		23	65	9	74
Acting Head of Adult Services & Commissioning	5	16			16	4	20
Head of Finance	6	3			3	0	3

Note 1 - The Head of Schools Services commencement date was 01/09/2010. Their previous position was Head of Schools and Inclusion which carried the same salary.

Note 2 - The Head of Business & Performance Unit commencement date was 01/02/2011. Their previous position was Interim Head of Business & Performance Unit which carried the same salary.

Note 3 - The Interim Strategic Director - Care & Well-Being left position on 31/08/2010. The annualised salary was £91,761.

Note 4 - A consultant filled the role of Interim Strategic Director - Care & Well Being and Interim Head of Adult Social Services. The cost to the authority for 2010/11 was £102K

Note 5 - The Acting Head of Adult Services & Commissioning was appointed on 10/01/2011. The annualised salary is £71,390

Note 6 - The Head of Finance was appointed on 14/03/2011. The annualised salary is £65,092.

2009/10	Note	Salary (inc fees & allowances)	Benefits in kind	Compensation for loss of office	Pension Cont.	Total Remuneration including Pension Cont.
Post Title		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive		124	0	124	29	153
Strategic Director - Finance & Infrastructure		98	0	98	23	121
Strategic Director - Law & Governance		92	0	92	21	113
Head of Schools and Inclusion		78	2	80	18	98
Head of Local & Environmental Services		78	0	78	18	96
Head of Housing and Public Protection		78	0	78	18	96
Interim Strategic Director - Care & Well-Being		76	2	78	18	96
Strategic Director - Communities, Skills & Learning		76	2	78	18	96
Interim Head of Information & Customer Services		77	0	77	18	95
Head of Children's Services		77	0	77	18	95
Head of Regeneration & Development		74	0	74	17	91
Director - Performance, Partnerships & Communications		73	1	74	17	91
Head of Adult Services & Commissioning		72	0	72	17	90
Interim Head of Human Resources	1	20	1	21	5	26
Interim Head of Legal & Democratic Services	2	15	0	15	3	18
Interim Head of Business & Performance Unit	3	12	0	12	3	15
Head of Leisure & Recreation	4	9	0	9	2	11

Note 1 - The Interim Head of Human Resources was appointed on 21/12/2009. The annualised salary was £63,976

Note 2 - The Interim Head of Business & Performance Unit was appointed on 01/02/2010. The annualised salary was £59,755

Note 3 - The Interim Head of Legal & Democratic Services was appointed on 08/01/2010. The annualised salary was £58,784.86

Note 4 - The Head of Leisure & Recreation was appointed on 08/02/2010. The annualised salary was £54,150

The following number of higher paid officers, excluding senior officers, of the County Council received emoluments in excess of £60,000 in the year. Remuneration bands exclude employer's pension contributions.

Remuneration Band	2009/10 No	2010/11 No
£60,000 - £64,999	7	15
£65,000 - £69,999	5	7
£70,000 - £74,999	4	5
£75,000 - £79,999	3	2
£80,000 - £84,999	1	1
£85,000 - £89,999		1

36. AUDIT COSTS

During the year the Auditor General for Wales was paid for the following work performed:

	2009/10 £`000	2010/11 £`000
Accounts	164	227
Performance audit	86	75
Grant claims	129	97
Other	0	4
	379	403

37. GRANT INCOME

The Authority credited the following grants, contributions and donations to the comprehensive income and expenditure statement in 2010/11:

Credited to taxation and non specific grant income		2009/10 £`000	2010/11 £`000
Council tax		-61,865	-65,062
Revenue support grant		-142,010	-143,529
Non domestic rates redistribution		-35,934	-37,625
Other non specific grants			-150
		-239,809	-246,366

NNDR is organised on a national basis. The Welsh Assembly Government (WAG) specifies an amount for the rate (40.9p in 2010/11 and 48.9p in 2009/10) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by this amount. The Council pays the rates it collects to a pool administered by WAG. WAG redistributes the sums payable back to Local Authorities on the basis of a fixed amount per head of population.

The Authority also receives specific grants to be credited directly to services, these include:

Grants	**2009/10 £'000**	**2010/11 £'000**
Benefit admin grant	943	892
Council tax benefit take up	46	38
Central government other	276	260
Contribution from TEC	1,890	1,679
Council tax benefit grant	7,080	7,586
EAFRD grants	1,610	2,034
Education support grants	33	44
HRA subsidy	9,833	10,564
Lottery grant	180	143
Mental handicap strategy	2,357	2,378
NNDR collection grant	304	319
Other grants	3,110	3,217
PIG policy agreements	1,459	1,315
Powys renewal - reffcus	1,500	2,080
Primary schools - unallocable	2,607	2,276
Recycling-welsh assembly directive	3,769	4,280
Rent allowance grant	13,525	14,577
Secondary schools unallocable	8,169	7,856
Social services training supplement	345	349
Sports Council	558	529
Supporting people	4,511	4,876
Trunk road Improvements	1,280	1,565
Trunk road maintenance	803	827
WDA grants	680	654
Welsh Assembly other	14,059	12,974
	80,929	83,314

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Capital grants received in advance	**2009/10 £`000**	**2010/11 £'000**
Balance at 01 April	469	1,296
Grants received	922	124
Grants not received at 31 March	187	342
Capital	-284	-674
Reffcus		-39
	1,294	1,050

38. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties which have been classified into ten valuation bands based on the draft valuation list prepared by the Valuation Office that came into effect 01 April 2006. Charges are calculated by taking the amount of Council Tax income required by the County Council, Dyfed Powys Police and Community Councils for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The tax base used for the calculation of Council Tax in 2010/11 was 58,246 (57,936 in 2009/10).

The basic charge of £889.17 (£852.92 in 2009/10), for a band D property in 2010/11 for County Council purposes is multiplied by the proportion specified for the particular band to give the amount due for each individual property. A similar exercise is done for Dyfed Powys Police Authority and Community Council purposes to arrive at the total Council Tax charge per property.

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

Band	**A***	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Number of properties in band	9	2,902	5,763	9,447	8,421	12,564	11,557	6,093	1,102	389

	2009/10 £`000	**2010/11 £`000**
Council tax income	62,188	65,068
Miscellaneous write offs	-323	-6
Net proceeds from council tax	61,865	65,062

39. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 25 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 37. Revenue grants outstanding are within the short term creditors note balances, note 22.

Members
As required by law the Authority holds a Register of Members` Interests which Members are required to maintain. In addition Members declare interests where they are involved in Authority decisions affecting that interest. Note 34 shows the allowances paid to members. The only significant transactions with companies in which members had an interest were:

		£,000
School Transport	Cllr G.P. Vaughan	27
Banwy Fuels	Cllr W.B Thomas	54

Some members of Powys County Council are also associated members of: Dyfed Powys Police Authority, Mid and West Wales Fire Authority and Brecon Beacons National Park.

Chief and Senior Officers and their Close Families
Senior Officers of the Council maintain a register of gifts received and are asked annually to declare any relevant interests. No material transactions took place in 2010/11.

Other Public Bodies [subject to common control by central government
The Authority two pooled budget arrangements with Powys THB for the provision of health services. Transactions and balances outstanding are detailed in note 32.

The following senior officers held shared positions with Powys THB:

Position	Purpose	Billed to PTHB	Unpaid at 31 March 2011
		£'000	£'000
Head of Adult Services and Commissioning	Social Care Management	No Charge Due	0
Head of ICT	I.T Management	4	4

The Powys THB Chief Executive also carried out a dual role with Powys CC for a short time prior to the decision that a full merger would not go ahead, no fee was due.

TRACC
Established in 2003, Trafnidiaeth Canolbarth Cymru (TraCC) is the transport Consortium for the Mid Wales Region and is a partnership between Powys and Ceredigion County Councils and Gwynedd Council. The purpose of TraCC is to bring together the highways and public transport functions of the three Mid Wales local Authorities to identify and deliver integrated and environmentally sustainable transport solutions for the Mid Wales region. Transactions with TraCC and included within the accounts are as follows:

		2009/10 Income	**2009/10 Expenditure**	**2010/11 Income**	**2010/11 Expenditure**
		£'000	£'000	£'000	£'000
Revenue		405	405	161	161
Capital		0	0	225	225

The Powys Pension Fund
As well as making employer contributions to the fund the County Council also provides administrative services for the fund. In 2010/11 the Council was paid £661k for these services (£554k for 2009/2010). Any amounts outstanding to or from related parties are disclosed in notes 18 and 22.

40. LEASES

Authority as Lessee

Operating Leases

Various services use assets financed by operating lease. The lease costs form part of each service's revenue expenditure. Total operating lease rentals paid in the year were £156k (£1,420k in 2009/10) and the total outstanding commitment on operating leases at the 31st March 2011 was £1,661k (£1,899k at 31st March 2010).

	£'000
Lease expiring in 2010/11	248
Lease expiring between 2011/12 and 2015/16	1,413
	1,661

Finance Leases

The Council has acquired some equipment under finance leases. The assets acquired under these leases are carried as property, plant and equipment in the balance sheet at the following net amounts:

		2009/10 £`000	2010/11 £`000
Property, plant and equipment		200	84

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

		2009/10 £`000	2010/11 £`000
Finance lease liabilities			
- current		193	67
- non current		46	42
Finance costs payable in future years		-13	-22
Minimum lease payments		226	87

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010	31 March 2011	31 March 2010	31 March 2011
	£'000	£'000	£'000	£'000
Not later than one year	178	63	193	67
Later than one year and not later than five years	48	24	46	42
Later than five years	0	0	0	0
	225	87	239	109

There were no sub-leases relating to the above assets.

Authority as Lessor

Operating Leases
The Authority leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The future minimum lease payments receivable under non-cancellable leases in future years are:

Minimum Lease Payments		
	31 March 2010	**31 March 2011**
	£'000	**£'000**
Not later than one year	181	179
Later than one year and not later than five years	357	356
Later than five years	437	437
	975	972

41. OBLIGATIONS UNDER LONG TERM CONTRACTS

Obligations under a contract with BUPA to purchase a minimum number of beds amounts to £10.5m over the next 3 years, options are in place to extend this period. In addition, Powys County Council has a contract with Viola Transport for the provision of a bus service until 31st March 2012. The outstanding commitment as at 31st March 2011 is £3.5m (31st March 2010 £7m).There are no other significant undischarged long term obligations.

42. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £1,533k (£1,017k in 2009/10). Of this total, £23k is payable to the former head of the business performance unit, in the form of compensation for loss of office as disclosed in note 35. The remaining £1,510k is payable to officers from across the Authority who were made redundant as part of the Authority's rationalisation.

43. DEFINED BENEFIT PENSION SCHEMES

The Powys County Council Pension Fund is a final salary defined benefit Local Government Pension Scheme administered by Powys County Council. As part of the terms and conditions of employment of its employee, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has the commitment to make the payments it needs to be disclosed at the time that employees earn their future entitlement. In accordance with IAS 19 the Council is required to disclose the following information. The information in the following notes only relates to Powys County Councils share of the fund. Further information relating to the benefit plans and changes to those plans can be found within the pension fund accounts on pages 97 to 121.

Disclosures under IAS 19 (LGPS Funded Benefits) Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits 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 we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the statement of movement in the council fund balance during the year:

Comprehensive income and expenditure statement	**2009/10 Unfunded**	**2009/10 Funded**	**2009/10 Total**	**2010/11 Unfunded**	**2010/11 Funded**	**2010/11 Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Cost of services						
Current service cost		-8.28	-8.28		-12.40	-12.40
Past service costs		-0.79	-0.79	1.31	55.58	56.89
Financing and investment income and expenditure						
Interest cost	-0.88	-24.26	-25.14	-0.76	-25.64	-26.40
Expected return on assets in the scheme		12.88	12.88		17.85	17.85
Total post employment benefit charged to the surplus or deficit on the provision of services	-0.88	-20.45	-21.33	0.55	35.39	35.94
Other post employment benefit charged to the comprehensive income and expenditure statement						
Actuarial gains and losses	-1.61	-83.79	-85.4	1.73	-2.51	-0.78
Total post employment benefit charged to the comprehensive income and expenditure statement	-2.49	-104.24	-106.73	2.28	32.88	35.16
Movement in reserves statement						
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	0.88	20.45	21.33	-0.55	-35.39	-35.94
Actual amount charged against the council fund balance during the year:						
- employers contributions payable to scheme	0.00	15.91	15.91	0.00	15.51	15.51

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31 March 2011 is a gain of £780k including a loss from conversion of commuted sums of £110k.

Asset and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable at 31 March are as follows:

	2007	2008	2009	2010	2011
	£m	£m	£m	£m	£m
Funded					
Present value of liabilities	-374.81	-344.33	-363.53	-508.61	-497.04
Notional value of the assets	254.84	264.31	234.26	291.01	316.77
NET Liability	-119.97	-80.02	-129.27	-217.60	-180.27
Unfunded					
Present value of liabilities	-14.63	-13.21	-13.57	-15.25	-1.09
Notional value of the assets					
NET Liability	-14.63	-13.21	-13.57	-15.25	-1.09
Total					
Present value of liabilities	-389.44	-357.54	-377.10	-523.86	-498.13
Notional value of the assets	254.84	264.31	234.26	291.01	316.77
NET Liability	-134.60	-93.23	-142.84	-232.85	-181.36

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £232m has a substantial impact upon the net worth of the Authority as recorded in the balance sheet, resulting in an overall balance of £107m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

In accordance with guideance the assets for the current period and previous three periods are measured at current bid price. Assets previously measured at mid-market value for the periods ending 2008 have been re-measured for this purpose. A Reconciliation of the present value of the scheme liabilities is as follows:

Pension Scheme Liabilities	**2009 Unfunded**	**2009 Funded**	**2010 Unfunded**	**2010 Funded**	**2011 Unfunded**	**2011 Funded**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Brought forward 01 April	13.21	344.33	13.57	363.53	15.25	508.61
Current service cost	0.00	8.46	0.00	8.28	0.00	12.40
Interest cost	0.87	23.42	0.88	24.26	0.76	25.64
Contributions by participants		4.36		4.44		4.42
Actuarial (gains)/losses	0.28	-4.34	1.61	123.70	-1.73	6.61
Net benefits paid out	-0.79	-13.52	-0.81	-16.39	-0.82	-16.23
Past service cost		0.82		0.79	-1.31	-55.58
Business combinations					-11.06	11.17
Carried forward 31 March	13.57	363.53	15.25	508.61	1.09	497.04

As at 31 March 2011 the employer agreed to convert the majority of its unfunded pensions into pensions paid from the Pension Fund. The other unfunded pensions continue to be paid as they have been previously. There has therefore been a significant reduction in the unfunded liability from the previous year's figures, and a corresponding increase in funded liability. In the disclosure notes we have allowed for these changes in liability as 'business combinations', meaning that they do not impact on the surplus or deficit on the provision of services.

An analysis of the changes to the fair value of assets for the year can be shown as:

Pension Scheme Assets	**2008/09 £m**	**2009/10 £m**	**2010/11 £m**
Brought Forward 01 April	264.31	234.26	291.01
Expected return on assets	16.56	12.88	17.85
Actuarial gains	-53.82	39.91	4.21
Contributions by the employer	16.37	15.91	15.51
Contributions by participants	4.36	4.44	4.42
Net benefits paid out	-13.52	-16.39	-16.23
Carried Forward 31 March	234.26	291.01	316.77

Actual Return on Assets	**2008/09 £m**	**2009/10 £m**	**2010/11 £m**
Expected return on assets	16.56	12.88	17.85
Actuarial loss / (gain) on assets	-53.82	39.91	4.21
Actual Return on Assets	-37.26	52.79	22.06

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Basis for Estimating Assets and Liabilities

Liabilities are valued 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 valuations have been carried out as of 31st March 2010 and updated for following years by Hewitt's Associates the independent actuaries to the fund. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement (for schemes where the age profile of the active membership is significantly rising).

The following are the main assumptions used by the actuaries in their calculations to 31st March:

	2009 %	**2010 %**	**2011 %**
Inflation - RPI	3.4	3.9	3.7
Inflation - CPI	n/a	n/a	2.8
Rate of general increase in salaries	4.9	5.4	5.2
Rate of increase to pensions in payment	3.4	3.9	2.8
Rate of increase to deferred pensions	3.4	3.9	2.8
Discount rate	6.7	5.5	5.4

The Principal Demographic Assumptions are:

Post Retirement Mortality	**31.03.09**	**31.03.10**	**31.03.11**
Males			
Base Table (in 2007)	PNMA00 with allowance for MC improvement factors to 2007	PNMA00 with allowance for MC improvement factors to 2007	Standard SAPS Normal Health All Amounts
Scaling to above base table rates	130%	130%	110%
Cohort improvement factors (from 2007)	80% of LC	80% of LC	CMI_2009
Minimum underpin to improvement factors	1.25%	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	20.8	20.9	21.5
Future lifetime from age 65 (currently aged 45)	23.0	23.1	23.3
Females			
Base Table (in 2007)	PNMA00 with allowance for MC improvement factors to 2007	PNMA00 with allowance for MC improvement factors to 2007	Standard SAPS Normal Health All Amounts
Scaling to above base table rates	130%	130%	110%
Cohort improvement factors (from 2007)	60% of LC	60% of LC	CMI_2009
Minimum underpin to improvement factors	1.25%	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	22.8	22.9	23.7
Future lifetime from age 65 (currently aged 45)	25.0	25.1	25.6

	31 March 2010	31 March 2011
Commutation	Each member assumed to exchange 35% of the maximum amount permitted of their past service pension rights on retirement, for additional lump sum. Each member assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement, for additional lump sum.	Each member assumed to exchange 35% of the maximum amount permitted of their past service pension rights on retirement, for additional lump sum. Each member assumed to exchange 70% of the maximum amount permitted of their future service pension rights on retirement, for additional lump sum.

Assets in the Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories by proportion of total assets held by the fund:

	2009 Long Term return %	**% 0f Assets 31.03.09**	**2010 Long Term return %**	**% 0f Assets 31.03.10**	**2011 Long Term return %**	**% 0f Assets 31.03.11**
Equity investments	7.0	37.4	8.0	48.4	8.4	53.7
Property	6.0	8.2	8.5	6.8	7.9	6.5
Government bonds	4.0	27.9	4.5	21.2	4.4	19.5
Corporate bonds	5.8	23.2	5.5	14.4	5.1	10.6
Cash	1.6	2.7	0.7	9.2	1.5	2.6
Other	1.6	0.6	0	8.0	8,4	7.1
	5.6	100.0	6.3	100.0	7.1	100

Powys County Council employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31st March 2011. Other holdings include hedge funds, currency holdings, asset allocation futures and other. The actuary assumed these will get a return in line with equities.

The Actuaries have allowed for the impact of the change to CPI indexation of pension increases as a benefit change and therefore recognised this as a (negative) past service cost reflecting the reduction in the constructive obligation. The past service cost appears in the charges to surplus or deficit on the provision of services. Our actuaries valued the change at the date of the government's announcement on 22 June 2010 and measured the (negative) past service cost using the assumptions applicable at the previous accounting date.

This has the effect of reducing the authority's liabilities in the Powys Pension Fund by £56,890k and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the council fund or housing revenue account.

History of Experience Gains and Losses

	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Funded					
Experience gains / (losses) on liabilities		-1.96	-1.53	4.31	-5.70
Experience gains / (losses) on assets		-16.05	-53.82	39.91	4.21
		-18.01	-55.35	44.22	-1.49
Unfunded					
Experience gains / (losses) on liabilities		-0.10	-0.17	0.45	1.76
		-0.10	-0.17	0.45	1.76
Total					
Experience gains / (losses) on liabilities		-2.06	-1.70	4.76	-3.94
Experience gains / (losses) on assets		-16.05	-53.82	39.91	4.21
		-18.11	-55.52	44.67	0.27
As a percentage of liabilities / assets					
Experience gains / (losses) on liabilities - funded				0.8%	-1.1%
Experience gains / (losses) on assets - funded				13.7%	1.3%
Experience gains / (losses) on liabilities – unfunded				3%	161.5%

Unfunded liabilities are disclosed separately for periods beginning on or after 6th April 2007. The history of experience gains / (losses) on liabilities shown has not been restated for period ending 2007 and includes the experience relating to unfunded liabilities.

As at 31 March 2011 the Employer agreed to converted the majority of its unfunded pensions into pensions paid from the Pension Fund. The other unfunded pensions continue to be paid as they have been previously. There has therefore been a significant reduction in the unfunded liability from the previous year's figures, and a corresponding increase in funded liability. In the disclosure notes we have allowed for these changes in liability as 'business combinations', meaning that they do not impact on the Surplus or Deficit on the Provision of Services.

Volatility of results
The IAS19 Pension cost calculations involve placing present values on future benefit payments to individuals many years into the future. These benefits will be linked to pay increases whilst individuals are active members of the Fund and will be linked to statutory pension increase orders (inflation) in deferment and in retirement. Assumptions are made for the rates at which the benefits will increase in the future (inflation and salary increases) and the rate at which these future cashflows will be discounted to a present value at the accounting date to arrive at the present value of the defined benefit obligation. The resulting position will therefore be sensitive to the assumptions used. The present value of defined benefit obligations is linked to yields of high quality corporate bonds whereas, for the LGPS funded arrangements, the majority of the assets of the Fund are usually invested in equities or other real assets. Fluctuations in investment markets in conjunction with discount rate volatility will lead to volatility in the funded status of the Fund and thus to volatility in the net pension asset on the balance sheet and in other comprehensive income and expenditure. To a lesser extent this will also lead to volatility in the pension expense in the surplus or deficit on the provision of services.

44. TEACHER PENSION COSTS

In 2009/10 the County Council paid £6.4m to the Department for Education and Skills in respect of teacher’s pension costs which represents 14.1% of teacher’s pensionable pay, (£6.4m, 14.1% in 2009/10). These contributions are set in relation to the current period only. In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with an actuarially calculated percentage of any early retirements awarded after 1st September, 1998. It is also responsible for any related increases on these awards. In 2010/11 payments made in relation to added years amounted to £1.1m, representing 2.39% of pensionable pay, (£1.2m, 2.55% in 2009/10).

45. CONTINGENT LIABILITIES

Under the Equal Pay Act (Amendment) Regulations 2003 the Council must complete and implement a local pay review. As a result there is a possibility that compensation claims could be raised in relation to equal pay for work of equal value. Any settlement is uncertain at this stage.

46. CONTINGENT ASSETS

No such assets were known to exist at 31 March 2011

47. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority'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 Authority.

- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a treasury team under policies approved by the Board in the annual Treasury Management Strategy Statement and Annual Investment Strategy. The Policy provides written principles for areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The Authority has an investment list of banks and other financial institutions which is based on current credit ratings, credit default swap data and other relevant financial information. The ratings determine the maximum amount that can be invested with a particular institution and the length of time for which it may be invested. The Authority has a policy of not lending more than £15m of its surplus balances to one institution at any one time.

Customers are not currently assessed for their creditworthiness or individual credit limits set. No financial assets have had their terms renegotiated that would otherwise have been past due or impaired.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and collectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2011 £000's	**Actual Provision for bad debts made £000's**	**Bad Debt Written Off In Year £000's**	**Other Impairments In Year £000's**
Deposits with banks and financial institutions	26,125	0	0	111
Customers				
Council tax	3,508	-728	-6	0
Housing rents	849	-624	-3	0
Sundry debtors	17,272	-2,203	-33	0
	21,629	-3,555	-42	0

No collateral is held as security on financial assets .The Authority does not generally allow credit for customers. The past due date can be analysed by age as follows:

	3 to 6 Months £000's	6 to 9 Months £000's	Over 9 Months £000's	Total £000's
Debtors ledger control	301	358	1,071	1,730

	1 –2 Years £'000	2- 5 Years £'000	Over 5 Years £'000	Total £'000
Council tax	1,611	1,120	121	2,852

The carrying Value of deposits and loans in default is

		2010	2011
		£'000	£'000
Glitnir Bank HF		1,945	2,007
Landsbanki Islands		1,473	1,551

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available if needed. As the Authority has ready access to borrowings from the Public Works Loans Board there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities in cash terms is as follows.

	£'000
Within a year	12
Between 1-2 years	12
Between 2-5 years	45
Between 5-10 years	7,106
Over 10 years	138,667
Total	145,842

Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures mentioned above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.The following approved treasury indicators are the key parameters used to address this risk.

- The upper and lower limits for the maturity structure of borrowings are:

	Upper Limit	Lower Limit
Under 12 months	40%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	40%

- The maximum principal sum invested for periods longer than 364 days is £10M.

Market Risk

Interest Rate Risk

The Authority is exposed to significant risk in terms of exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure account will rise

- Borrowings at fixed rates – the fair value of the liabilities will fall

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the council fund balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the other comprehensive income and expenditure. The Authority has a number of strategies for managing interest rate risk. As stated in the prudential indicators report, it is policy to aim to keep a maximum of 60% of net outstanding principals in variable rate exposures. During periods of falling interest rates and where economic circumstances make it favorable, fixed rate loans will be repaid early to limit exposure to losses.

The Treasury Management Team actively assesses interest rate exposure and feeds the projected figures for interest payable and receivable into the annual and quarterly budgets. This allows variances to be accommodated. The team also advises whether new borrowing is taken out and whether it should be fixed or variable.

To highlight the sensitivity of rises, if interest rates had been 1% higher during 2009/10 with all other variables constant, the financial effect would be:

	£000's
Increase in interest payable on variable rate borrowings	300
Increase in interest receivable on variable rate investments	-699
Reduction in surplus of income and expenditure account	-399
Share of overall impact debited to the HRA	3

The impact of a 1% fall in interest rates would be as above but with the movements reversed.

Price Risk

The Authority only holds equity instruments in respect of the pension fund. It is therefore exposed to an element of risk in relation to movements in the price of equities. This is mitigated by investing in a diverse portfolio.

Foreign Exchange Risk

The Authority only holds financial assets or liabilities denominated in foreign currencies in respect of the pension fund. It is therefore exposed to an element of risk on relation to currency fluctuation. This risk is mitigated by holding investments in a range of foreign currencies.

48. ANALYSIS OF THE NET ASSETS EMPLOYED

	2010 £`000	2011 £`000
Council Fund	31,944	85,316
Housing Revenue Account	120,265	119,244
	152,209	204,560

The total FRS17 pension liability of £181m has a substantial impact upon the net worth of the Authority as recorded in the Balance Sheet.

49. ICELANDIC BANKS

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £4m deposited across 2 of these institutions, with varying maturity dates and interest rates as follows

Institution	Amount Invested £'000	Type	Rate
Landsbanki Islands	1,000	Fixed 05/03/09	6.01
Landsbanki Islands	1,000	Fixed 25/06/09	6.41
Glitnir Bank HF	2,000	Fixed 25/06/09	6.36

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers. The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of future payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Exchange risks would normally be taken into account when estimating future cashflows. However, currency restrictions mean there is no futures market for the Icelandic Krona, it is therefore impossible to price the exchange risk.

Landsbanki

Landsbanki Islands HF is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee.

The current position on estimated future payouts is as show in the table below and this Authority has used these estimates to calculate the impairment based on recovering 94.85p in the £.

Date	Repayment	Date	Repayment
December 2011	22.17%	December 2015	8.87%
December 2012	8.87%	December 2016	8.87%
December 2013	8.87%	December 2017	8.87%
December 2014	8.87%	December 2018	19.46%

Recovery is subject to the following risks and uncertainties:

- Whilst the Icelandic courts have initially confirmed that deposits enjoy preferential creditor status, this is currently subject to appeal.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a "bond" which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.

Failure to secure preferential creditor status would have a significant impact on the amount of deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities assuming that the Bond remains at its current value. Based on initial estimates, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

Glitnir Bank HF

Glitnir Bank HF is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law. This indicates that full recovery of the principal and interest to 22nd April 2009 is likely to be achieved.

Recovery is subject to the following risks and uncertainties:

- Whilst the Icelandic courts have initially confirmed that deposits enjoy preferential creditor status, this is currently subject to appeal.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a "bond" which will allow creditors of Old Glitnir to enjoy rights in New Glitnir.

The Authority has therefore decided to recognise an impairment based on its recovering the full amount of principal and interest up to 22nd April 2009 in the future. The impairment therefore reflects the loss of interest to the authority until the funds are repaid.

Failure to secure preferential creditor status would have a significant impact on the amount of deposit that is recoverable. The total assets of the bank only equate to 40% of its liabilities assuming that the Bond remains at its current estimated value. Based on initial estimates, if preferential creditor status is not achieved the recoverable amount may only be 40p in the £. No information has been received from the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the authority has followed the CIPFA Guidance that the repayment of priority deposits will be made by December 2011.

Accounting for Impairment

The total impairment (principal plus interest not received) recognised in the Income and Expenditure Account in 2010/11 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

The current balance of Impairments charged to the General Fund stands at £805k.

50. TRANSITION TO IFRS

	Useable Reserves	Revaluation Reserve	Available for Sale Financial Instruments	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Accumulating Balances Adjustment Account
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2009 under UK GAAP	**35,041**	**100,142**	**1,859**	**-142,840**	**163,660**	**0**	**2,028**	**0**
Non current assets held For Sale (IFRS 5)	0	-7,468	0	0	-63	0	0	0
Property, plant and equipment (IFRS 6)	0	0	0	0	0	0	0	0
Leases (IFRS 17)	0	0	0	0	-31	0	0	0
Holiday and flexi accrual (IFRS 19)	0	0	0	0	0	0	0	-3,827
Accounting for government grants (IFRS 20)	1,736	0	0	0	43,030	0	0	0
Investment property (IFRS 40)					-165	0	0	0
Balance at 1 April 2009 under IFRS	**36,777**	**92,674**	**1,859**	**-142,840**	**206,431**	**0**	**2,028**	**-3,827**
Balance at 31 March 2010 under UK GAAP	**54,196**	**134,529**	**1,881**	**-232,850**	**147,740**	**158**	**1,547**	**0**
Non current assets held for sale (IFRS 5)	0	-234	0	0	-54	0	0	0
Property, plant and equipment (IFRS 6)	0	-3,710	0	0	3,955	0	0	0
Leases (IFRS 17)	0	0	0	0	156	0	0	0
Holiday and flexi accrual (IFRS 19)	0	0	0	0	0	0	0	-3,777
Financial Instruments - Loans	0	0	0	0	0	0	92	0
Accounting for government grants (IFRS 20)	2,194	0	0	0	46,550	0	0	0
Investment property (IFRS 40)	0	0	0	0	-165	0	0	0
Balance at 31 March 2010 under IFRS	**56,390**	**130,585**	**1,881**	**-232,850**	**198,182**	**158**	**1,639**	**-3,777**

	£'000
Net operating cost for 2009/10 under UK GAAP	14,467
Non current assets held for sale (IFRS 5)	-7,225
Property, plant and equipment (IFRS 6)	-4,843
Leases (IFRS 17)	-187
Holiday and flexi accrual (IFRS 19)	-48
Accounting for government grants (IFRS 20)	-4,083
Financial instruments - loans	-92
Net operating cost for 2009/10 under IFRS	**-2,011**

The Statement of Accounts 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. The tables above and on the previous page explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

<u>Short term accumulating compensated balances</u>
Short term accumulating compensated balances refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefits covered by this heading are holiday pay and flexi time.

Employees build up entitlement to paid holidays and flexi time as they work. Under the code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave and flexi leave earned but not taken at 31 March each year, under the previous accounting arrangements no such accrual was required.

The government issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

<u>Leases</u>
Under the code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or building elements of the lease being accounted for as an operating lease where it was previously treated as a finance lease, or as a finance lease where it was previously treated as an operated lease. It has been determined that all property leases are operating leases and as such no adjustment was necessary.

However, some plant and equipment leases that were previously treated as operating leases were deemed to be finance leases under the code. This resulted in the follow amendments:

- The council has recognised an asset (the plant and equipment) and a finance lease liability.
- Operating lease charges within the comprehensive income and expenditure statement by the lease payments made.
- Depreciation on the new assets has been charged to the Comprehensive Income and Expenditure Statement.
- The depreciation charge has been transferred from the council fund to the capital adjustment account and the council fund has been charged with the minimum revenue provision (with the credit being made to the capital adjustment account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010 and the adjustments that relate to 2009/10 are reported in the movement in reserves statement for the year.
- The interest element of the lease payment in respect of the plant and equipment is charged to the finance and investment income and expenditure line in the surplus or deficit on the provision of services.

Government Grants
Under the code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the code, the financial statements have been amended as follows:

- The balance on the government grants deferred account at 31 march 2009 has been transferred to the capital adjustment account in the opening 1 april 2009 balance sheet.
- Portions of government grants were previously recognised as income in 2009/10; these have been removed from the comprehensive income and expenditure statement in the comparative figures.
- Grants were received in 2009/10 but not used. Previously, no income was recognised in respect of such grants, which were shown in the grants unapplied account within the liabilities section of the balance sheet. Following the change in accounting policy, unused grants have been recognised in full and transferred to the capital grants unapplied account within the reserves section of the balance sheet.

Investment Properties
Under the code property held sole for capital appreciation or rental stream must be classed as investment property. This has required property to be transferred from property, plant and equipment to its own category within non current assets.

Assets Held For Sale
Non current assets of which there is reasonable certainty will be disposed of within 12 months of the balance sheet date must be moved from property, plant and equipment under non current assets and disclosed as assets held for sales within current assets. Powys had a number of such assets actively marketed and requiring reclassification. This reclassification also required revaluation of the assets. The depreciation previously charged on these assets was also removed from the surplus or deficit on the provision of services as depreciation is not applied to this class of assets.

HOUSING REVENUE ACCOUNT

Income and Expenditure Account

	Note	2009/10 £`000	2010/11 £`000
Expenditure			
Management and maintenance		10,284	10,188
Subsidy payable		5,687	5,647
Rent and rates		123	24
Movement in allowance for bad and doubtful debts		122	76
Voids		271	155
Depreciation and impairment of fixed assets		2,666	2,797
Debt Management Expenses		54	54
TOTAL SERVICE EXPENDITURE		19,207	18,941
Income			
Dwelling rents		-17,523	-17,865
Non dwelling rents		-467	-523
Other charges for services and facilities		-253	-273
Contributions towards expenditure		-108	-13
Housing grant		-51	0
TOTAL SERVICE INCOME		-18,402	-18,674
Net cost of services per Authority income and expenditure account		805	267
HRA services share of corporate and democratic core		109	-859
Net cost of HRA services		914	-592
HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement			
(Gain) on sale of HRA non current assets		-188	-272
Interest payable and similar charges		833	756
Amortisation of premiums and discounts		110	142
Pensions interest cost and expected return on assets		104	145
HRA investment income		-88	-100
DEFICIT FOR THE YEAR ON HRA SERVICES		1,685	79

MOVEMENT ON THE HRA STATEMENT	Note	2009/10 £`000	2010/11 £`000
Balance at 01 April		-1,631	-2,128
Deficit for the year on the HRA		1,685	79
Adjustments between accounting basis and funding basis under statute	5	-2,182	-1,526
(Increase)in the HRA Balance before transfers to or from reserves		-497	-1,447
Transfer to reserves		0	0
(Increase)in the HRA balance		-497	-1,447
Balance at 31 March 11		-2,128	-3,575

NOTES TO THE HOUSING REVENUE ACCOUNTS

1. Housing Stock

	Number Of Bedrooms							
	2009/10 Total	1	2	3	4	5	6	2010/11 Total
Detached house/bungalow	50	4	33	10	3	0	0	50
Semi detached house/ bungalow	2,166	271	811	1,037	39	3	0	2,161
Terraced house	2,147	208	720	1,141	67	5	1	2,142
Flats	1,062	323	689	49	0	0	0	1,061
Bedsits	21	21	0	0	0	0	0	21
	5,446	827	2,253	2,237	109	8	1	5,435

2. Arrears and Provision for Housing Bad Debts at 31 March

	2010 £`000	2011 £`000
Current tenant arrears	338	330
Former tenant arrears	468	519
Total arrears	806	849
Bad debts	152	76
Provision for bad debt	580	625

3. Housing Revenue Account Capital Expenditure

During the year the Authority incurred the following expenditure on Housing Revenue Assets:

Capital Expenditure	Total £`000	Dwellings £`000	Other Land and Buildings £`000	Equipment £`000	Non Operational £`000
Enhancing costs	4,163	4,163	0	0	0
Total expenditure	4,163	4,163	0	0	0
Impairment	4,163	4,163	0	0	0
Depreciation					

The impairment charge of £4,163k relates to non-enhancing capital works on council dwellings that cannot be carried forward in the balance sheet as a fixed asset. The capital expenditure was financed as follows:

	£`000
Major repairs allowance	3,700
Useable capital receipts	421
Reserves (insurance fund)	30
Carried forward unfinanced	12
	4,163

4. Housing Revenue Account Capital Receipts

The following amounts were received during 2010/11:

	£`000
Disposal of land	25
Housing	452
Other property	24
	502

5. Adjustments between Accounting Basis and Funding Basis Under Statute

	2009/10 £`000	20010/11 £`000
Items included in the HRA Income and Expenditure Account but excluded from the HRA Balance for the year		
Difference between interest payable and similar charges including amortisation of premiums and discounts in accordance with statute	-110	-142
Net charges made for retirement benefits in accordance with IAS19	67	902
(Gain) on sale of HRA non current assets	188	272
Transfer to reserves		
Transfers to or from the capital adjustment account		
Depreciation and impairment	-2,666	-2,769
HRA minimum revenue provision	322	309
Transfers from the capital receipts reserve		
Admin costs on council house sales	0	-87
Transfer to accumulated balances account		
Holiday accrual	-1	-11
(From)/ to other committees	18	0
Net additional amount required by statute to be (credited) to the HRA Balance for the year	-2,182	-1,526

6. Housing Revenue Account Contributions to the Pension Reserves

The net contribution to the Pension Reserve relating to the Housing Revenue Account was:

	2009/10 £`000	2010/11 £`000
Employer contributions actually paid	293	291
Current cost of employees	-122	-211
Expected return and interest	-104	-145
Contribution to/(from) reserve	67	-65

7. IFRS Transition Note

As a result of the change from using UK GAAP under the CIPFA's SORP to using IFRS's under CIPFA's new Code of practice, 2009/10 accounts were required to be restated to account for the changes in accounting policies. The changes are summarised as follows:

	2009/10 £`000
Original deficit on HRA services	1,821
IAS 19 holiday accrual	1
IAS 20 deferred government grants	3700
IAS 16 impairments	-3837
Revised deficit on HRA services	1,685
Original adjustments between accounting basis and funding basis under statute	-2,318
IAS 19 holiday accrual	-1
IAS 20 deferred government grants	-3700
IAS 16 impairments	3837
Revised adjustments between accounting basis and funding basis under statute	-2,182
Original movement on HRA	-497
Revised movement on HRA	-497

Further details about the reason to change can be found in note 50 to the main Accounts.

PENSION FUND ACCOUNT

Index

CHAIRMANS STATEMENT

The Pension Fund aims to deliver pensions effectively and efficiently at the lowest cost to the contributing employers. This requires a balance be struck between the risk and return of the investments held and to consider the future liabilities of the fund. We are committed to a long-term goal of stabilising the future pension costs to employers.

The cost to employers is based on the triennial actuarial valuation of the fund, the most recent one being completed as at 31 March 2010. That valuation highlighted a fall in the funding level of the fund from 73% to 71%. The aim is to achieve 100% funding. The next valuation is due to be calculated as at 31 March 2013. The purpose of the Valuation is to establish the contribution rates that employers should pay into the fund in order to finance member future benefits. Employee rates are set in statute and are not affected by the valuation report.

2010-11 has seen the fund alter its asset allocation to add further diversification. The fund has this year invested in two active currency and two Hedge Fund of Funds managers. Three active global equity fund managers also began their mandates this year. Overall the Fund returned 6.9% for the year ended 31st March 2011.

The provision of Public Service pensions has come under great scrutiny this year as the coalition government looks at the long term affordability of the schemes. The Hutton Report published on March 10 set out recommendations for structural reform which will impact on all public service schemes. The consultation period will be viewed with interest. The Government announced in the emergency budget on 22nd June that Public Sector pensions were to rise in line with the Consumer Price Index (CPI) in place of the Retail Price Index (RPI) with effect from 1 April 2011. The Actuaries have allowed for the impact of the change to CPI indexation of pension increases as a benefit change and therefore recognised this as a (negative) past service cost reflecting the reduction in the constructive obligation. This has the effect of reducing the authority’s liabilities in the Powys Pension Fund by £56,890k and has been recognised as a past service gain.

It is worth noting that regardless of how the investments of the fund perform the pensions of existing pensioners and the future pensions of employees are guaranteed. The Fund cannot be “wound up” like private sector schemes.

I trust that you find this years report interesting and informative. Should you have any comments on this report or any aspect regarding the administration of the scheme, see page 119 for details of how to contact us. As a reminder, the Members of Powys County Council are the Trustees of the fund and as such are responsible for the administration.

Cllr Gwilym Vaughan
Chair of the Pensions and Investment Committee

FUND ADMINISTRATION

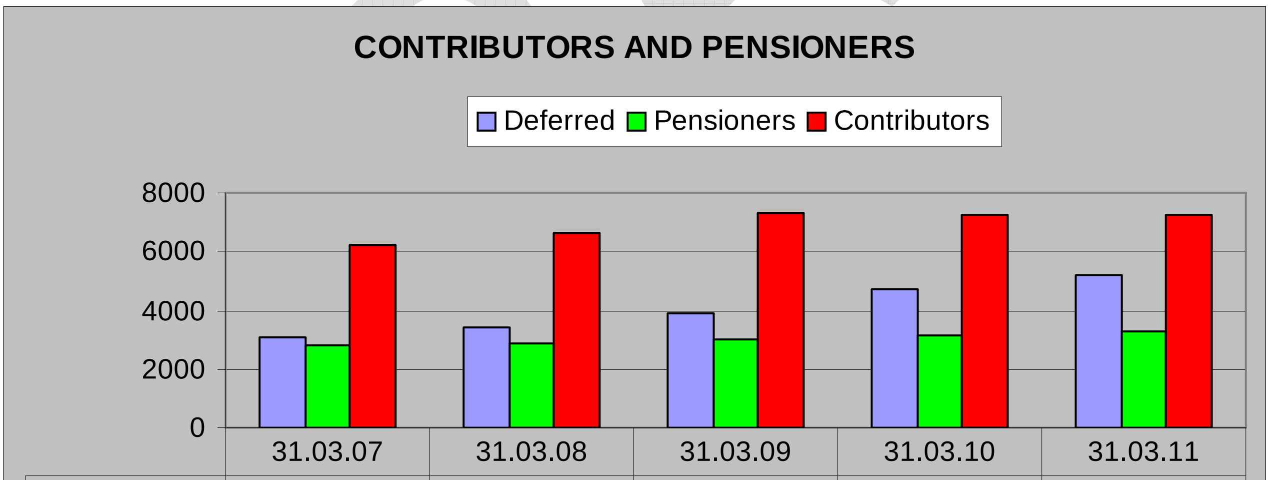
Scheme Details

Powys County Council is the administering Authority for the Powys Pension Fund. The Pension Fund provides future pension entitlement to all eligible employees of Powys County Council and the other participating bodies (appendix one). Membership of the scheme is not mandatory. It is a defined benefit pension scheme based on final salary. The contributions payable by employees and the benefits due to them are prescribed by the Local Government Pension Scheme Regulations. With effect from 01 April 2010 all members have been allocated a contribution rate based on the following:

Band	Range	Contribution Rate
1	£0 -£12,600	5.5%
2	>£12,600 - £14,700	5.8%
3	>£14,700 - £18,900	5.9%
4	>£18,900 - £31,500	6.5%
5	>£31,500 - £42,000	6.8%
6	>£42,000 - £78,700	7.2%
7	>£78,700	7.5%

The fund excludes membership for teachers, police officers and fire fighters, for whom separate schemes exist.

The following graph below shows the membership of the fund. Deferred members are former employees of the contributing authorities who have yet to draw their pensions.



	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11
Deferred	3060	3385	3874	4750	5199
Pensioners	2775	2885	3005	3169	3310
Contributors	6243	6656	7317	7275	7236

Pension Increases

Pensions paid to retired members are subject to annual mandatory increases linked from April 2011 to CPI. Increases take effect in the first full week of each financial year. The table below shows the pension increases of the last 5 years:

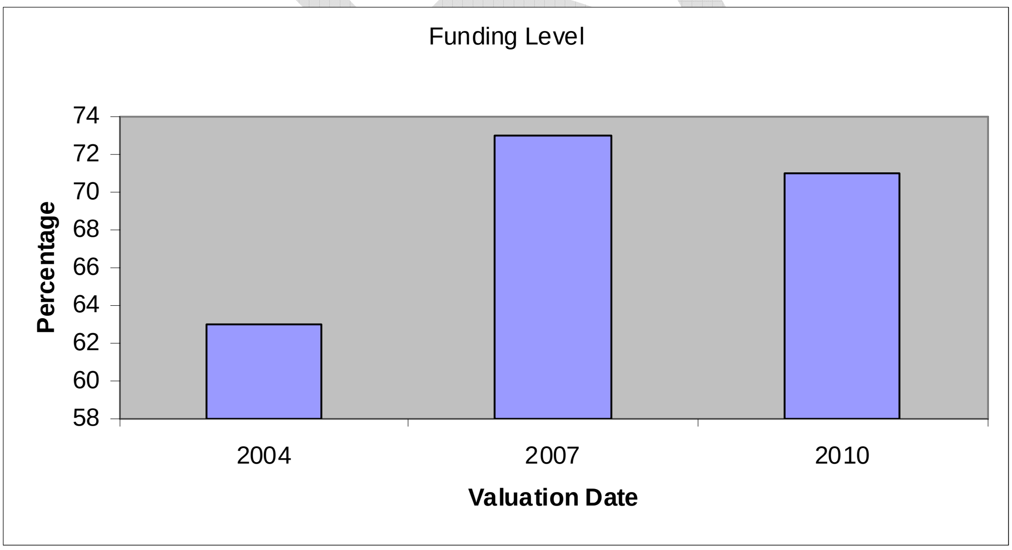
Effective Date	Increase %
9th April 2007	3.6
7th April 2008	3.9
6th April 2009	5.0
12th April 2010	0.0
11th April 2011	3.1

Management of the Fund

The County Council is the designated statutory body responsible for administering the Powys Pension Fund of its constituent scheduled and admitted bodies. The County Council has delegated the decision-making responsibilities to the Pensions and Investment Committee, which meets at least quarterly. The Committee has co-opted two non-voting members, one staff representative nominated by the Trade Unions and one representative nominated by the Outside Bodies Employers. The Committee will review market conditions and economic trends with the aim of forming a view on the prospects for each of the world markets over the short, medium and long term. The Pensions and Investment Committee, alongside the Chief Financial Officer and the external experts it employs, provided the general direction and advice by which the Fund was managed. It also monitored the performance of the Fund and the investments for which the administering authority is responsible.

Day to day administration of the scheme is provided by the Pensions Section of Powys County Council. A list of the bodies that have been admitted to the scheme can be found in Appendix one (page 119).

Funding and Valuation



The aim of the funding is to accumulate current contributions at a level sufficient to provide known benefits at some time in the future. In short therefore, the scheme benefits are financed by contributions from employees and employers together with income from investments. Both the employees' contributions and the benefits to be provided by the scheme are fixed by the Government as set out in the Local Government Pension Scheme Regulations, leaving the employers' rate of contribution as the only element which can be deliberately adjusted. The performance of investments depends upon market circumstances.

The employers' rate of contribution is assessed by the Actuary to the Fund who reviews the future income and liabilities of the Fund. These reviews, or actuarial valuations, are required by law with a major review being undertaken every third year. The next valuation of the Fund will be completed in Autumn 2013.

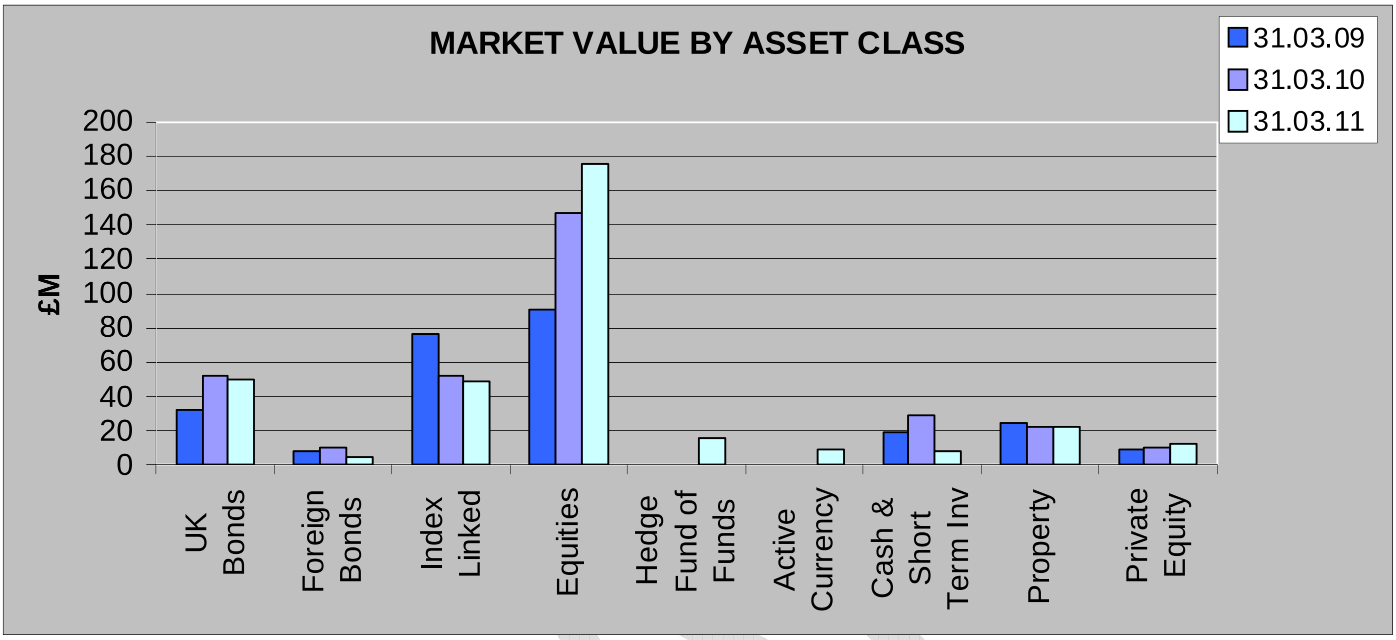
The actuarial valuation as at 31 March 2010 showed the assets held at the valuation date were sufficient to cover only 71% of the accrued liabilities assessed on an ongoing basis. Efforts continue to be made to address this deficit. It is the long-term goal to achieve 100% funding. The level of funding has no impact on members' benefits which are guaranteed by law.

Additional Voluntary Contribution (AVC) Scheme

Since 06 April 1988, it has been a legal requirement for all Pension Schemes to provide members with access to an in-house AVC Scheme. The Authority's appointed providers are the Equitable Life Assurance Society and the Standard Life Assurance Company. Members are able to pay contributions into a variety of AVC arrangements offered by the providers, in order to secure additional pension benefits. The AVC investments are excluded from the Pension Fund Accounts.

INVESTMENT REPORT

The prime requirement in managing the Fund is to ensure adequate diversification of its assets over different asset classes and different geographical areas. The right balance must be struck between the desire for enhanced returns and potential ‘risk’ of volatility in those returns i.e. the investment policy of the Fund is aimed at maximising returns within the acceptable limits of risk. There is no ideal split for any fund, so the portfolio balance needs to be regularly monitored and adjusted in line with the economic, financial and market indicators.



The investment style of the Fund is to appoint external expert fund managers with clear performance benchmarks and place accountability for performance against those benchmarks on the fund managers. The Chief Financial Officer must ensure that the management of the Fund falls within the requirements of the Local Government Pension Scheme Regulations.

Performance Review

	1 Year %	**3 Years %**	**5 Years %**
Powys Overall Return Annualised Rolling Return pa	6.9	4.3	2.9
Inflation CPI	4.1	3.6	3.4
Average Earnings Index	1.7	1.8	3.5

Given the long-term nature of the Fund, perhaps the most significant column above is that detailing the comparisons over five years. Inflation and average earning percentages have been provided by Watson Wyatt.

The performance of each of the current Fund Managers for 2010/11 is shown in the table on the next page. The Fund Managers have been given a rolling 3-year specific performance target measured against the benchmark return in the relevant asset class. The targets include a minimum acceptable performance level.

Mandate	Fund Performance (%)	Performance Benchmark (%)

BlackRock Global Investors (Balanced)	6.9	6.4
BlackRock Global Investors (Index-Linked Funds)	6.6	6.7
BlackRock Global Investors (Bonds)	0.4	0.8
BlackRock Global Investors (Cash)	0.6	0.5
Western Assets	6.0	5.3
Aberdeen Asset Management (Global Equity) (1)	17.8	20.0
MFS (Global Equity) (1)	22.8	23.6
Schroder Investment Manager (Global Equity) (1)	20.7	23.6
Aviva Investors (UK Property)	8.0	9.0
Fauchier Partners (Hedge Fund of Funds) (1)	3.0	0.4
GAM (Hedge Fund of Funds) (1)	1.2	0.4
Investec (Active Currency) (1)	-1.0	0.4
Goldman Sachs (Active Currency) (1)	-3.4	0.3
CBRE Investors (European Property)	-1.7	5.3
Standard Life Investments (Private Equity)	23.9	8.7
HarbourVest Partners VII (Private Equity)	9.3	8.7
HarbourVest Partners VIIIa - Buyout (Private Equity)	1.2	8.7
HarbourVest Partners VIIIb -Venture (Private Equity)	10.2	8.7
Overall Fund	6.9	9.4

(1) The Fund has not been invested in these funds for the whole twelve months, and these performance figures are since inception. The fund has been invested in the three global equity managers since July 2010. In August 2010 the fund invested £4.5M in Goldman Sachs and £5M in Investec. £7.5m was invested in the GAM Trading II Fund at the end of September and £7.5m in the Jubilee Absolute Return Fund (Fauchier Partners) in October.

The funding for the seven new fund managers came from the disinvestment from the previous two active equity managers and a Global Tactical Asset Allocation manager along with a reduction in the bond portfolio.

Significant Shareholdings at 31 March 2011 were:

UK Equities	**Sector**	**(£000s)**	**% of Fund**
Vodafone Group Plc	Telecommunications	1,422.67	0.41
Standard Chartered	Financials	1,146.55	0.33
British American Tobacco	Consumer Staples	997.77	0.29
Royal Dutch Shell	Energy	795.65	0.23
Rio Tinto	Materials	744.05	0.21
Overseas	**Country**	**(£000s)**	**% of Fund**
Nestle	Switzerland	2,147.69	0.62
Exxon Mobil Corp	North America	1,767.92	0.51
Johnson & Johnson	North America	1,576.75	0.45
Oracle Corp	North America	1,412.25	0.41
Roche Holdings	Switzerland	1,368.60	0.39

The totals do not include the equities held in Schroders unit trust. They will not permit access to details of their holdings to be passed on to third parties.

Investment Manager Structure

Asset Class	BGI	Aberdeen Schroders MFS	Western Asset	Manager Fauchier GAM	Goldman Sachs Investec	Aviva CBRE	Std Life Harbourvest	Total
	Passive %	Active %	Active %	Active %	Active %	Active %	Active %	%
Equities	30.5	20.2						50.7
UK Fixed Interest Gilts	1.7		2.5					4.2
Sterling Non Gilts	1		9.1					10.1
Index Linked Gilts	14		0.1					14.1
Overseas Bonds	1.3		0.1					1.4
Property						6.5		6.5
Private Equity							3.7	3.7
Currency					2.7			2.7
Hedge Fund of Funds				4.4				4.4
Cash	1.6		0.6					2.2
TOTAL	50.1	20.2	12.4	4.4	2.7	6.5	3.7	100

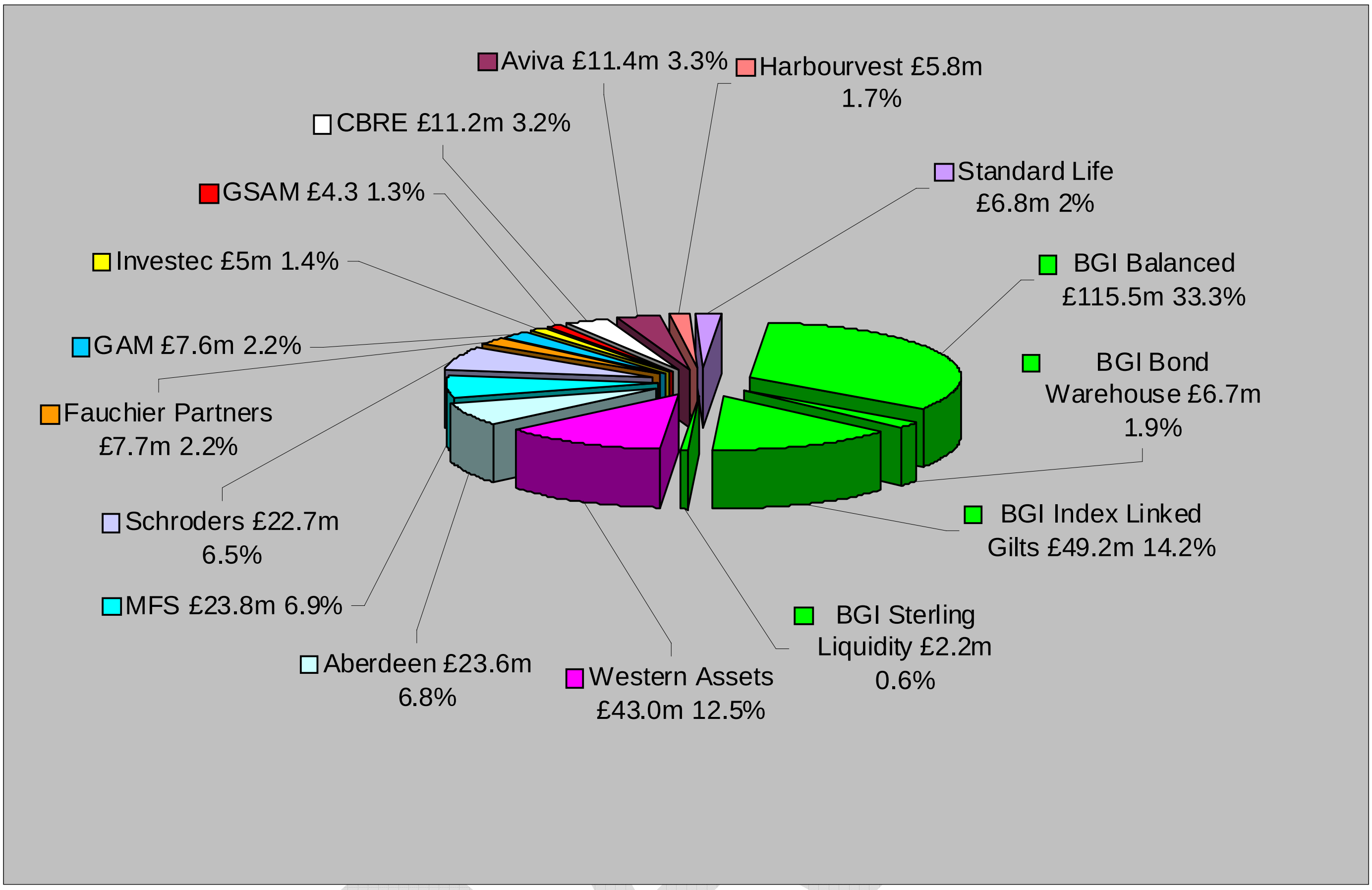
The strategic asset allocation is as follows:

	2009/10	2010/11
Equities	50%	47%
Fixed Interest and Index Linked Securities	35%	30%
Property	10%	10%
Private Equity	5%	5%
Currency		3%
Hedge Fund of Funds		5%

The strategic asset allocation is the ideal target and cannot be achieved until the scheme is fully funded in all areas, e.g. private equity. It does not reflect the actual investments held at the year-end. The current structure aims to have a 70:30 split between return seeking and liability matching assets. The rationale for the change in allocation was the diversification that active currency and hedge fund of funds portfolios would give the fund. Active Currency has a very low correlation with equities and bonds. While both currency and hedge funds are return seeking assets, hedge funds in particular have some shared characteristics as bonds, most notably the lower expected volatility compared to equities.

AON Hewitt Limited currently operates a Medium Term Asset Allocation (MTAA) project for the Fund. It utilises all of the Fund’s assets excluding Private Equity. The MTAA service has the target of increasing the return achieved by these assets by 0.5% per annum by deliberately allocating assets away from the strategic allocation to take advantage of market over/under valuations during the medium term. The service will run until early 2014. The MTAA service has an artificial benchmark of 52% equity/ 33% bond/ 15% alternatives

The market value of assets spread between the fund managers as at 31 March 2011 is shown below:



Statement of Investment Principles

As required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No.3093) the Pensions and Investment Committee have produced a Statement of Investment Principles which complies with the six investment principles set out by the Chartered Institute of Public Finance Accountants (CIPFA) Pensions Panel. A copy is available on request from the Pension Accountant, see appendix 1 for contact details.

NET ASSETS STATEMENT

As at 31 March

	Note	2010 £`000	2011 £`000
Investments	10	322,807	346,746
Current Assets and Liabilities	13	971	1,094
NET ASSETS AS AT 31 MARCH		323,778	347,840

The accounts show cash held with the Investment Managers as investments as recommended in the Statement of Recommended Practice Financial Reports for Pension Schemes.

PENSION FUND ACCOUNT

	Note	2009/10 £`000	2010/11 £`000
Contributions and Benefits			
Contributions Receivable	3	23,254	22,793
Transfers In	4	2,263	1,074
Other Income	5	64	75
TOTAL INCOME		25,581	23,942
Benefits Payable	6	18,273	18,968
Payments on Account of Leavers	7	2,300	588
Administrative Expenses	8	613	809
TOTAL EXPENDITURE		21,186	20,365
NET ADDITIONS FROM DEALING WITH MEMBERS		4,395	3,577
Returns on Investments			
Investment Income	9	3,851	3,635
Change in Market Value of Investments		57,464	18,279
Investment Management Expenses	12	-877	-1,429
NET (LOSS)/PROFIT ON INVESTMENTS		60,438	20,485
NET INCREASE IN THE FUND		64,833	24,062
OPENING NET ASSETS		258,945	323,778
CLOSING NET ASSETS		323,778	347,840

NOTES TO THE PENSION ACCOUNTS

1. Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2009; A Statement of Recommended Practice (SORP), developed by CIPFA/LASAAC.

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

2. Accounting Policies

- <u>Contributions and Benefits</u>
  Contributions are accounted for on an accruals basis. Benefits payable represents the benefits entitlement up to the end of the reporting period.

- <u>Transfers to other Schemes</u>
  Transfer payments made to other schemes are as a result of early leavers and are accounted for when paid.

- <u>Transfers from other Schemes</u>
  Transfers received from other schemes are for new members and are accounted for when received. No liability to the scheme accrues until all monies have been received from the transferor's scheme.

- <u>Refunds to Leavers</u>
  These are accounted for when due.

- <u>Investment Management Expenses</u>
  Each fund manager receives a fee for their services based on the market value of the assets they manage.

- <u>Investment Income</u>
  Interest earned and other investment income is accounted for on an accruals basis.

- <u>Foreign Currency Transactions</u>
  Assets and liabilities held in a foreign currency are translated at the rate of sterling quoted at year-end. Income and expenditure arising during the year is translated into sterling at the rate quoted on the date of receipt or payment. Resulting exchange gains or losses are recognised through the revenue account.
- <u>Valuation of Assets</u>
  No property is directly held by the fund. The market value used for quoted investments is that quoted by the stock exchange on 31 March 11. Fund Managers value unquoted securities at the year-end in line with generally accepted guidelines to ascertain the fair value of the investment.

3. Contributions Receivable

	2009/10 £`000	2010/11 £`000
Employers		
Normal	17,544	17,377
Special	0	0
Additional	797	531
Members		
Normal	4,913	4,885
	23,254	22,793

Contributions were made as follows:	2009/10 £`000	2010/11 £`000
Powys County Council (Administering Authority)	21,318	20,925
Scheduled Bodies (Appendix 2)	1,197	1,189
Admitted Bodies (Appendix 2)	739	679
	23,254	22,793

4. Transfers In

	2009/10 £`000	2010/11 £`000
Individual Transfers From Other Schemes	2,263	1,074

5. Other Income

	2009/10 £`000	2010/11 £`000
Administrative Fees Received	6	8
Additional Allowances Recovered	58	67
	64	75

6. Benefit Payable

	2009/10 £`000	2010/11 £`000
Pensions	14,773	15,260
Commutations and Lump Sum Retirement Benefits	3,221	3,310
Lump Sum Death Benefits	279	398
	18,273	18,968

Benefits Can Be Further Analysed:	2009/10 £`000	2010/11 £`000
Powys County Council (Administering Authority)	9,381	10,014
Scheduled Bodies	8,167	8,133
Admitted Bodies	725	821
	18,273	18,968

7. Payments to and on Account of Leavers

	2009/10 £`000	2010/11 £`000
Refunds to Members Leaving Service	2	3
Payments to Members Joining State Scheme	0	1
Individual Transfers to Other Schemes	2,298	584
	2,300	588

8. Pensions Administration

	2009/10 £`000	2010/11 £`000
Powys CC Fees	554	661
Direct Administration Fees	29	94
Audit Fees	30	30
Actuarial Fees	0	24
	613	809

9. Investment Income

	2009/10 £`000	2010/11 £`000
Income From Fixed Interest	2,283	745
Income From Indexed Securities	845	2440
Dividends From Equities	647	377
Interest on Cash Deposits	76	73
	3,851	3,635

10. Investments

	Value at 01.04.10 £`000	Purchases at Cost £`000	Sales Proceeds £`000	Change in Market Value £`000	Value at 31.03.11 £`000
Fixed interest	62,650	26,612	-35,204	161	54,219
Equities	146,338	118,767	-102,031	12,857	175,931
Index linked	52,112	7,509	-13,217	2,648	49,052
Property	21,964	0	0	622	22,586
Private Equity	10,425	1,604	-449	1,104	12,684
Hedge Fund of Funds		15,011		311	15,322
Active Currency		9,500		-202	9,298
Short Term Investments	29,318	6,937	-29,377	776	7,654
	322,807	185,940	-180,278	18,277	346,746

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at anytime during the year, including profits and losses realised on sales of investments during the year. Some transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamps duty and other fees.

These transaction costs incurred in the year are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme. All equities held by the fund are now in unit trusts, the purchases and sales in equities shown in the note reflect only the transactions by AXA Rosenberg and BlackRock Global Investors.

Note 11 shows all the equities held at the end of the year under the heading of Pooled Vehicles - equities. The Equities UK Quoted and Overseas Quoted at 31/03/2010, were managed by AXA Rosenberg who were replaced in July 2010 by the new Global Equity managers.

11. Breakdown of Investments

	2010 £`000	2011 £`000
Fixed Interest Securities		
UK Public Sector Quoted	6,257	14,650
UK Quoted	45,934	35,178
Overseas Public Sector	9,945	4,391
Overseas Quoted	514	0
	62,650	54,219
Equities		
UK Quoted	2,654	0
Overseas Quoted	26,887	0
	29,541	0
Index Linked Securities		
UK Quoted	52,112	49,052
Overseas Quoted		
	52,112	49,052
Pooled Vehicles – Equities	116,797	175,931
Hedge Fund of Funds	0	15,322
Active Currency	0	9,298
Private Equity	10,425	12,684
Property	21,964	22,586
Cash	29,466	7,684
Derivatives (see below)		
Futures Options	0	0
Forward Foreign Exchange Contracts	-148	-30
	322,807	346,746

The objective of a derivative is to decrease risk in a portfolio by entering into future positions to match assets that are already held in the portfolio without disturbing the underlying asset. The foreign exchange contracts above are further analysed on the next page.

Forward Foreign Exchange Contracts	**Expiration**	**Market Value £'000**
Sterling	Less than 1 year	183
Hedged against:		
Euro	Less than 1 year	-473
Japan	Less than 1 year	0
Norway	Less than 1 year	0
Poland	Less than 1 year	0
Sweden	Less than 1 year	0
US	Less than 1 year	260
		-30

12. Investment Management Expenses

	2009/10 £`000	2010/11 £`000
Administrative Management and Custody	861	1,410
Performance Measurement Charges	16	19
	877	1,429

13. Current Assets and Liabilities

	2010 £`000	2011 £`000
Contributions Due From Employers In Respect Of:		
Employers and Members	149	355
Cash Balances	1,099	1,195
Accrued Expenses	-277	-456
	971	1,094

Amounts unpaid at the year end are subsequently paid within a reasonable time frame, i.e. the majority of the balances are paid within a 3 month period.

14. Related Party Transactions

Details of Members and officers of the Council represented on the Pensions and Investment Committee are shown on page 20. Their combined contributions into the scheme were £26k in 2010/11.

15. Additional Voluntary Contributions (AVC)

Although not part of these accounts the Authority has two AVC providers – Standard Life and Equitable Life. The amounts below represent monthly contributions from employees and do not include any transfers from private pension schemes. The employing Authorities make no contribution.

	2010 £`000	2011 £`000
Powys County Council	93	85
Other Bodies	0	0
	93	85

16. Contingent Liabilities

No contingent liabilities were known to exist at the balance sheet date.

17. Post Balance Sheet Events

No such events are known to exist at the balance sheet date.

18. Capital Commitments

Private Equity and Property Mandate	2010 £’000	2011 £’000
Standard Life (Private Equity)	3,239	1,744
Harbourvest (Private Equity)	3,514	2,247
CBRE (Property)	750	750
	7,503	4,741

19. Nature and Extent of Risks Arising From Financial instruments

The Pension Fund’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 Pension Fund

- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.

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

The Pension Funds overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The Funding Strategy Statement produced by the administering Authority in conjunction with the Fund’s actuaries, states how solvency and risk will be managed in relation to liabilities.

The Authority has produced this Funding Strategy Statement having taken an overall view of the level of risk inherent in the investment policy set out in the Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Investment Regulations) and the funding policy set out in this Statement. The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate including, where appropriate, asset liability modelling or other analysis techniques.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Pension Funds members and employers.

Employers in the fund are not currently assessed for their creditworthiness or individual credit limits set. No financial assets have had their terms renegotiated that would otherwise have been past due or impaired. There is risk of being unable to collect contributions from employers with no contributing members (e.g.risk associated with employers with a small number of declining contributing members) so the Administering Authority monitors membership movements on an annual basis .

New employers to the fund will have to agree to the provision of a bond to save the risk of future financial loss to the fund in the event of not being able to meet its pension liability on cessation. The administering Authority currently guarantees to meet any future liabilities falling on the fund as a result of cessation. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

This risk has increased by a recent legal judgement which potentially indicates that employers with no contributing members cannot be charged contributions under the LGPS Administration Regulations. This ruling, however, does not affect the ability to collect contributions following a cessation valuation under Regulation 38(2). The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 38 of the LGPS (Administration) Regulations 2008 between triennial valuations.

No collateral is held as security on financial assets .The Authority does not generally allow credit for customers.

The concentration of the funds held with investment managers is as follows.

Investment Manager	Percentage of Portfolio
BlackRock Global Investors	50.1
Western Assets	12.4
MFS	6.9
Aberdeen Asset Management	6.8
Schroders Investment Management	6.5
Aviva	3.3
CBRE	3.2
Fauchier Partners	2.2
GAM	2.2
Standard Life	2.0
HarbourVest	1.7
Investec	1.4
Goldman Sachs	1.3

All investments held by investment managers are held in the name of Pension Fund so if the investment manager fails the Funds investments are not classed amongst their assets. All Investment managers are required to meet certain rating criteria set by the Funds advisors.

Liquidity Risk

The administering authority has a comprehensive cash flow management system that seeks to ensure that cash is available if needed. Also, at present contributions received from contributing employers and members far exceed the benefits being paid. Surplus cash is invested and cannot be paid back to employers. The Funds actuaries establish what contributions should be paid in order that all future liabilities can be met.

All trade and other payables are due to be paid within one year.

The Pension Fund bank account can hold a balance of up to £2m. The amounts held in this account should meet the normal liquidity needs of the fund.

The investments of the fund are mainly of a liquid nature. Although any forced liquidation of the investments may be subject to a financial loss. Private equity although it can be sold on a secondary market but would need a willing buyer, would be classed illiquid. The long term nature of private equity investments would suggest that the likelihood of a quick sale would produce an unfavorable return. The private equity element of the fund is only 5% of the total fund assets.

Market Risk

<u>Interest Rate Risk</u>

Despite no borrowings, the Pension Fund is exposed to significant risk in terms of exposure to interest rate movements on its investments. Movements in interest rates have a complex impact. For instance, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

- Investments at fixed rates – the fair value of the assets will fall

The Actuaries as part of their triennial valuation and dictated by the Funding Strategy Statement will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers. The Administering Authority will request quarterly funding updates between the completion of the valuation report and the date of the next valuation to monitor the position.

<u>Discount Rate</u>

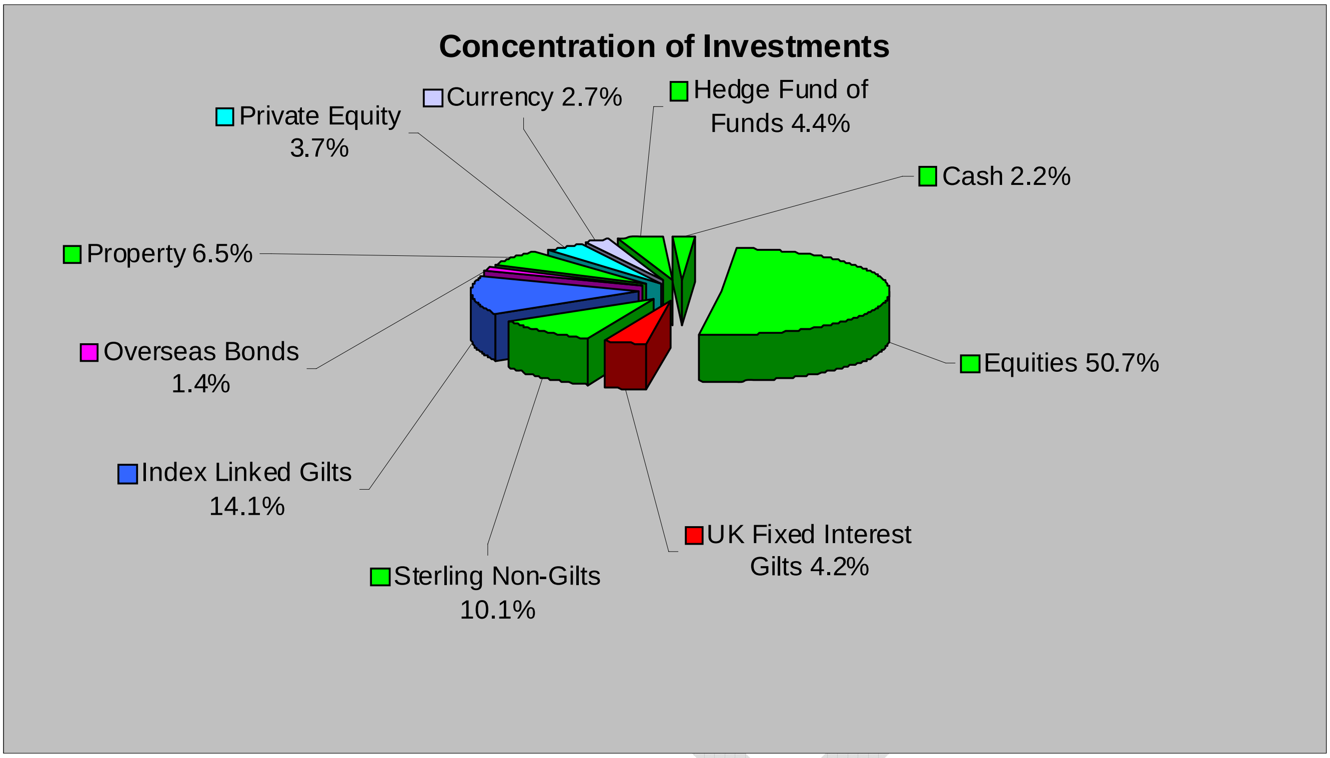
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £39.79M. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had increased by £5.7M as a result of estimates being corrected as a result of experience and increased by £1.11M attributable to updating of the assumptions.

Price Risk

The Authority only holds equity instruments in respect of the pension fund. It is therefore exposed to an element of risk in relation to movements in the price of its investments. The price of investments may go up or down and investors may not get back the amount invested.

This is mitigated by investing in a diverse portfolio in terms of managers and investments and again by the actuary only anticipating a long-term return on a relatively prudent basis to reduce risk of under-performing. The funds largest class of investments is in equities. All equities are in pooled vehicles, within the three Global Equity Managers portfolios appointed this year no more than 4% of the individual managers investment was held with one institution.



Foreign Exchange Risk

The Pension Fund holds financial assets or liabilities denominated in foreign currencies in respect of the pension fund. It is therefore exposed to an element of risk in relation to currency fluctuation. This risk is mitigated by holding investments in a range of foreign currencies.

The Fund has appointed two active currency fund managers to manage £9.5m of assets.

The managers mitigate their risks by using a range of instruments including the buying and selling of currencies through the use of forwards, options, futures, interest rate and currency swaps and hedging transactions. They may also use bank deposits, government securities and other fixed income money market instruments. They each impose maximum exposure levels to any single institution and counterparties must be above a determined credit rating.

The fund has made commitments to private equity in foreign currency, Harbourvest ($13.6m) and Standard Life (€11m). This will be drawn down on request from the investment manager. The current commitments still outstanding are shown in note 18. The risk is that the pound is weak relative to the dollar and euro at the time of the drawdown and then strengthens when the fund is fully funded. The fund has been funding the commitments since 2005 so the liability is balanced out over a long period.

20. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted.

There are no accounting standards that have been issued but have yet to be adopted.

Powys County Council

Statement of the Actuary for the year ended 31 March 2011

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Powys County Council Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2010 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. Rates of contributions paid by the participating Employers during 2010/11 were based on the actuarial valuation carried out as at 31 March 2007.

2. The valuation as at 31 March 2010 showed that the funding ratio of the Fund had decreased since the previous valuation with the market value of the Fund's assets at that date (of £323.8M) covering 71% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.

3. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2011 was as set out below:

- 14.8% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

Plus

- Additional contributions expressed as a mixture of percentage of salary and monetary amounts to be paid as set out in the valuation report to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 25 years from 1 April 2011. The estimated monetary amounts to be paid as set out in the valuation report are £6.6M in 2011/12, £6.9M in 2012/13 and £7.1M in 2013/14, increasing broadly by 5.3% p.a. thereafter.

4. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

5. The rates of contributions payable by each participating Employer over the period 1 April 2011 to 31 March 2014 are set out in a certificate dated 30 March 2011 which is appended to our report of the same date on the actuarial valuation.

6. The contribution rates were calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.

7. The main actuarial assumptions were as follows:

Discount rate	6.5% a year
Rate of general pay increases	5.3% a year
Rate of increases to pensions in payment (in excess of GMP)	3.3% a year
Valuation of assets	market value

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report. Contribution rates for all employers will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013.

8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of Powys County Council. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2010. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, Powys County Council, in respect of this statement.

Aon Hewitt Limited

7 June 2011

PENSIONS AND INVESTMENT COMMITTEE

The Pensions and Investment Committee meet on a quarterly basis. During 2010/11 it consisted of the following:-

County Councillors:

Mr G.Vaughan (Chairman)
Mr S. Baynes (Vice Chair)
Ms M. Davies
Mr A. Jones
Mr A. Thomas

Members Representative:

Mr G. Jones

Outside Bodies Employers Representative

Mr E. Morgan

County Council Officers In Attendance:

Mr G. Petty (Strategic Director – Finance & Infrastructure)
Mr S. Cameron (Accountancy Manager)
Mr C. Leah (Principal Accountant)
Mr J. Rollin (Pensions Manager)
Mr D.Paley (Senior Accountancy Assistant)

Fund Managers:

Blackrock Global Investors (BGI)	Aberdeen Asset Management
Western Asset Management	MFS
CBRE	Schroders Investment Management
Aviva Investors	Fauchier Partners
HarbourVest Partners LLC	GAM
Standard Life Investments	Goldman Sachs
Investec	

Global Custodian	J.P. Morgan
Independent Advisor to the Fund	Mr S. Mayne (Aon Hewitt Limited)
Actuary	Aon Hewitt Limited

The Global Custodians hold the investments in the name of the Pension Fund.

APPENDIX 1

Other Bodies

Powys County Council administers the scheme for employees and ex employees of the following bodies:

Scheduled Bodies

Powys County Council
Welshpool Town Council
Llanidloes Burial Joint Committee
Coleg Powys
Newtown and Llanllwchaiarn Town Council
Brecon Beacons National Park
Ystradgynlais Town Council
Knighton Town Council
Brecon Town Council
Ystradfellte Community Council
Llandrindod Wells Town Council

Admitted Bodies

Powys Association of Voluntary Organisations
Careers Wales Powys
Presteigne Shire Hall Museum Trust
Theatr Brycheiniog
Carefirst Partnership (BUPA)
MENCAP
Menter Maldwyn
Development Board for Rural Wales
Powys Valuation Panel
Wales European Centre

Community Councils and various other statutory bodies have the right to be included in the fund. Other bodies can be admitted at the discretion of the administering Authority.

Contact List and Communications

A copy of this report is sent automatically to all participating bodies. A copy is available to anyone else on demand, subject to a small administration charge. In addition a short report is sent annually to all current contributors and pensioners. Should you have any comments on the financial statement, short report or any other pension matter please contact the appropriate officer in the following list:

Pensions Administration			
Pensions Manager:		Joe Rollin	08708 510264
Joiners, Refunds, AVC, Maternity Absences:			
Surnames	A-D	Nathan Goode	08708 510432
Surnames	E-Jn (not including I)	Nicole Johnstone	08708 510544
Surnames	Jo-L	Pauline Cooper	08705 510505
Surnames	M-R (not including O)	Kim Jones	01597 826343
Surnames	I and O, S-Z	Graham Jerman	01597 826162
Retirements, Deaths, Transfers:			
Surnames	A-J	Chris Hurst	08708 510267
Surnames	K-Z	Pauline Cooper	08705 510505
Accounts and Investments			
Strategic Director – Finance & Infrastructure		Geoff Petty	01597 826363
Pensions Accountant		Dan Paley	01597 826490

APPENDIX 2 Analysis of Contributions by Scheduled and Admitted Bodies

2010/11	No of Contributors	Employers Normal £	Additional £	Members Normal £	Total £
Scheduled Bodies					
Brecon Beacons National Park	109	467,673	15,861	174,517	658,051
Brecon Town Council	5	11,126	-	3,073	14,199
Coleg Powys	145	346,781	-	120,082	466,863
Llandrindod Wells Town Council	1	4,585	-	1,590	6,175
Llanidloes Burial Joint Committee	1	2,902	-	670	3,572
Newtown Town Council	3	11,192	-	3,327	14,519
Welshpool Town Council	2	8,466	-	1,422	9,888
Ystradfellte Community Council	1	437	-	110	547
Ystradgynlais Town Council	3	11,929	-	3,542	15,471
	270	865,091	15,861	308,333	1,189,285
Admitted Bodies					
BUPA	74	262,005	-	58,108	320,113
Mencap	1	1,174	-	285	1,459
Menter Maldwyn	3	7,422	-	3,097	10,519
P.A.V.O (Former P.R.C)	10	29,056	-	10,223	39,279
P.C.G.S Ltd	50	202,792	-	69,659	272,451
Presteigne Shirehall	1	2,941	-	732	3,673
Theatr Brycheiniog	6	21,695	-	9,465	31,160
	145	527,085	-	151,569	678,654
2009/10					
Scheduled Bodies					
Brecon Beacons National Park	126	478,114	-	180,307	658,421
Brecon Town Council	6	12,065	-	3,132	15,197
Coleg Powys	148	343,395	-	118,493	461,888
Llandrindod Wells Town Council	1	4,416	-	1,436	5,852
Llanidloes Burial Joint Committee	1	2,825	-	756	3,581
Newtown Town Council	3	12,135	-	3,842	15,977
Welshpool Town Council	3	17,852	-	3,077	20,929
Ystradfellte Community Council	1	427	-	142	569
Ystradgynlais Town Council	3	11,186	-	3,466	14,652
	292	882,415	-	314,651	1,197,066
Admitted Bodies					
BUPA	84	299,138	-	58,294	357,432
Mencap	1	1,671	-	406	2,077
Menter Maldwyn	3	8,864	-	3,638	12,502
P.A.V.O (Former P.R.C)	10	33,536	-	11,770	45,306
P.C.G.S Ltd	50	216,254	-	73,037	289,291
Presteigne Shirehall	1	2,949	-	734	3,683
Theatr Brycheiniog	6	19,600	-	8,724	28,324
	155	582,012	-	156,603	738,615

APPENDIX 3 Analysis of Benefits Paid to Scheduled and Admitted Bodies

2010/11	Retirement Pensions £	Commutations & Lump Sums £	Death Benefits £	Total £
Scheduled Bodies				
Brecknock B.C.	730,657	53,422	-	784,079
Brecon Beacons National Park	227,332	111,580	-	338,912
Coleg Powys	114,174	1,599	-	115,773
Knighton Town Council	6,976	-	-	6,976
Llandrindod Wells Town Council	1,669	-	-	1,669
Llanidloes Burial Committee	493	-	-	493
Magistrates Courts Committee	2,041	-	-	2,041
Montgomeryshire D.C.	962,700	-	-	962,700
Newtown Town Council	6,643	-	-	6,643
Powys CC (pre 1/4/96)	5,079,350	157,498	465	5,237,313
Probation Committee	60,514	-	-	60,514
Radnorshire D.C.	483,935	38,396	-	522,331
Welshpool Town Council	31,300	59,792	-	91,092
Ystradgynlais Town Council	36	-	-	36
	7,707,820	422,287	465	8,130,572
Admitted Bodies				
BUPA	224,234	117,305	-	341,539
D.B.R.W.	221,398	60,304	-	281,702
P.A.V.O.	37,345	10,125	-	47,470
P.C.G.S Ltd.	84,183	12,164	-	96,347
Powys Valuation Panel	20,785	-	-	20,785
Theatr Brycheiniog	77	-	-	77
Wales European Centre	967	-	-	967
	588,989	199,898	-	788,887
2009/10				
Scheduled Bodies				
Brecknock B.C.	763,932	965	-	764,897
Brecon Beacons National Park	202,998	28,587	-	231,585
Coleg Powys	111,751	99,196	-	210,947
Knighton Town Council	6,971	-	-	6,971
Llandrindod Wells Town Council	1,668	-	-	1,668
Llanidloes Burial Committee	493	-	-	493
Magistrates Courts Committee	2,040	-	-	2,040
Montgomeryshire D.C.	979,266	36,362	-	1,015,628
Newtown Town Council	4,205	27,869	-	32,074
Powys CC (pre 1/4/96)	5,235,696	91,442	1,350	5,328,488
Probation Committee	60,992	-	-	60,992
Radnorshire D.C.	484,208	2,846	-	487,054
Welshpool Town Council	24,367	-	-	24,367
Ystradgynlais Town Council	72	-	-	72
	7,878,659	287,267	1,350	8,167,276
Admitted Bodies				
BUPA	196,762	142,147	3,030	341,939
D.B.R.W.	219,565	1,514	-	221,079
P.A.V.O.	35,017	12,099	-	47,116
P.C.G.S Ltd.	83,074	10,139	-	93,213
Powys Valuation Panel	20,425	-	-	20,425
Theatr Brycheiniog	54	-	-	54
Wales European Centre	884	-	-	884
	555,781	165,899	3,030	724,710

POWYS COUNTY COUNCIL

ANNUAL GOVERNANCE STATEMENT 2010/11

1. Scope of Responsibility

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

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

1.3 Powys County Council adopted a system of corporate governance in June 2008, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement will explain how Powys County Council has complied with the code.

2. The Purpose of the Governance Framework

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

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can 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 Powys 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.

2.3 Powys County Council has been working to its system of Corporate Governance for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Statement of Accounts.

3. The Governance Framework

3.1 The Nolan Committee Report published in May 1995 set out seven principles of conduct which should underpin public life: selflessness; integrity; objectivity; accountability; openness; honesty; and leadership. Good corporate governance incorporates these principles and requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.

3.2 Corporate governance is the system by which Powys County Council directs and controls its services and relates to the community. Good corporate governance is essential to making sure there is credibility and confidence in the public services provided.

3.3 Six core principles of good governance have been identified which form the key elements of Powys County Council's Code of Corporate Governance as follows:

Principle 1 Focus on the Council's purpose and community needs, including making the best use of resources;

Principle 2 Members and Officers working together to achieve common purpose with clearly defined functions and roles;

Principle 3 Promoting Values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

Principle 4 Informed, transparent decision making which is subject to effective scrutiny and risk management;

Principle 5 Development of the capacity and capability of members and officers to be effective; and

Principle 6 Engagement with local people and other stakeholders to ensure robust public accountability.

3.4 The Council's governance arrangements have been reviewed against each of these principles in a self assessment. The commentary against each principle is set out on **Appendix A**.

4. Review of the Effectiveness of the Governance Framework

4.1 Powys County Council has a responsibility for conducting at least annually a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Managers annual report and also by comments made by the external auditor and other review agencies and inspectorates.

4.2 The Council has appointed 3 committees with various responsibilities for overseeing and scrutinising its governance and internal control arrangements.

4.3 Audit Committee

4.3.1 This Committee has responsibility for:

- approving the Council's accounts:
- receiving the external auditors SAS610 report on the accounts
- receiving the annual report of the Internal Audit Manager
- obtaining assurance on the Council's corporate governance and risk management arrangements, the control environment and associated anti fraud and corruption arrangements;
- reviewing and approving (but not directing) the terms of reference for Internal Audit and it strategy.
- reviewing and approving (but not directing) the internal audit programme;
- engaging with the external inspection agencies to ensure effective relationships between internal and external audit;
- making recommendations to the Chief Finance Officer and Monitoring Officer in respect of the Council's Constitution including financial regulations.

4.4 Modernisation and Improvement Scrutiny Committee

4.4.1 This Committee meets to hold decision makers to account and develop policy within its area of concern. This area includes the Powys Change Programme strategic overview, Local Service Board and Partnerships, Finance, Property and Corporate Services, Workforce planning and Legal, ICT and customers services.

4.4.2 Standard items on the agenda considered each month are:

- Performance indicators;
- Financial overview and forecast;
- Chairs and Vice Chairs of Scrutiny, Audit and Standards Committee;
- Workforce planning
- Regulation of Investigatory Powers Act

4.4.3 Specific attention in the year was given to Contract Management, the Corporate Asset Policy and server difficulties within the Information Technology department.

4.5 **Standards Committee**

4.5.1 This Committee has responsibility for the Council's ethical framework, in particular ensuring the good conduct of officers and members and reviewing relevant codes and protocols.

4.6 **Officer Responsibilities**

4.6.1 Officer responsibility for governance lies with the Chief Executive and the Management Team. The responsibility for evaluating the effectiveness and fitness for purpose of the Council's corporate governance arrangements and to lead the development and implementation of changes necessary to bring about improvement has been led by the Management Team.

4.7 **Sources of Assurance**

4.7.1 In the preparation of the Annual Governance Statement assurance has been drawn from the following sources across the Council:

- Internal Audit Annual Report to Audit Committee in June 2011;
- The External Audit "Annual Audit Letter" – November 2010;
- The External Audit "Annual Improvement Report" –January 2011;
- The External Audits " General Corporate Assessment - June 2010;
- Self assessment against the Governance Code;
- Heads of Service Self Assessment against key criteria;

4.8 **Audit and Inspection Opinions**

External Audit and Inspection Work

4.9 On the 27th September 2010 external auditors produced an unqualified audit opinion on the Statement of Accounts, confirming that they present a true and fair view of the Council's and the Pension Fund's financial transactions.

4.10 The main conclusions of the external auditors Corporate Assessment which was issued to the Council in June 2010 are set out below:

- The Council's commitment to move from traditional departmental delivery, which has struggled to deliver its priorities, to a more ambitious, cross cutting and consensual approach has potential to deliver improvement provided effective supporting arrangements are developed promptly.

<u>How the Council has approached improvement over time</u>

- The Council has a recent history of change and has not consistently delivered its established priorities in some areas but its developing Strategic Change Model has the potential to support improvement, if it is promptly developed and carefully managed.
- The Council has not consistently delivered its long-standing priorities in some key service areas and its progress in other areas has been slow.
- The Council has a new management team and political administration which is committed to improving services and making best use of available resources.
- Achieving the Council's ambitious objectives will be difficult without simple and effective supporting arrangements delivered quickly by the new leadership.

<u>Analysis of the Council's arrangements to help it improve</u>

- New leadership and management arrangements are communicating the Council's vision and strategy and helping increase engagement but progress may be slowed by weaknesses in arrangements to support delivery of the strategic change agenda.
- The new management team is providing clear corporate leadership and supporting positive partnership working but is only beginning to develop the detail of its strategic change programme and business planning arrangements.
- The Council has a sound track record of budgetary control but service and financial planning arrangements are not well integrated and longer term financial planning is not yet adequate to support its strategic change agenda.
- People management is still underdeveloped and not helping the Council deliver improvement.
- Performance management arrangements are not adequate to support delivery of the cross cutting change programme.

4.11 The external Auditors produced their Annual Improvement Report in January 2011. This report sets out what the Council is trying to achieve, how it is going about it and what it needs to do to improve its approach to improving services. The main conclusions from this report were:

- The Council did a good job of sharing its plans with local people
- The Service Improvement Plans clearly demonstrate that services have linked their own improvement objectives to the Council's overall improvement priorities. However, it is less clear that the choices made by the services can deliver the transformational change in service processes and outcomes intended by the Council.
- The Council has also not yet developed comprehensive financial plans to deliver its improvement objectives, and has yet to align its Medium Term Financial Plan to its improvement priorities.
- The audit found that the Council has put in place adequate systems to produce the majority of the 2009-10 national performance indicators used to measure performance. The detailed findings have been reported to the Council. However, the Council cannot yet demonstrate that it has an appropriate set of measures to assess its success in delivering its new improvement objectives.

4.12 Directors of Social Services are required to produce an annual self-assessment report on how well services are being delivered. The Care and Social Services Inspectorate in Wales (CSSiW) will then undertake a review and analysis of evidence underpinning the report, including evidence from other regulators and inspectors. This analysis will result in an individual inspection and review plan for each council. The CSSiWs analysis, and the inspection and review plan, will be set out annually in a published letter.

Internal Audit Work

4.13 Internal audit complies with the Auditing Practices Board guideline "Guidance for Internal Auditors" as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government 2006..

4.14 Audit planning is risk based and the focus is on areas with higher identified risk. The reviews to Audit Committee focus on those service areas that are failing to implement the audit findings. Heads of Service have significantly improved their compliance since the introduction of the requirement to attend the committee along with the relevant portfolio holder to justify why non-compliance has occurred.

4.15 The audit manager also provides an annual independent opinion on the adequacy and effectiveness of the systems of internal control. The 2010/11 report is presented to Audit Committee in June 2011. It states that internal audit had completed 111 pieces of audit work in the year, of these 12 had a high risk, 33 a medium risk and 66 had a low risk. Within each audit a number of recommendations are made based on the audit findings. In the year there were 684 specific areas of weakness and non-conformances identified. Of these 105 were fundamental, 415 Significant and 165 Merit Attention.

4.16 Based on the Internal Audit work undertaken in the year and the positive findings of the fundamental systems reviews, it is the opinion of the Internal Audit Manager that Powys County Council has demonstrated for the financial year 2010-2011 Satisfactory Levels of Internal Control. This means a sound control environment exists with no fundamental breakdowns in control resulting in material discrepancy

4.17 Management Review

In addition to the assurance provided by Internal audit, all heads of service have been required to complete a self assessment on the adequacy of the arrangements in place within their service area for the following areas:

- Constitution
- Project Management
- Training
- Business Planning
- Information Management
- Business Continuity
- Risk Management
- Health & Safety
- Internal Audit
- Financial Management
- Human Resources
- Anti-Fraud & Whistleblowing
- Performance Management

The results of these reviews are incorporated within the Principles of the Annual Governance Statement.

Partnership Arrangements

4.18 The Council continues to deliver both its strategic objectives and service through partnerships. Under the direction of the Powys Local Service Board (LSB), the four statutory plans for Community Strategy; Community Safety; Health Social Care and Well Being, and Children and Young People, have been integrated into the One Powys Plan 2011-14. Through a multi agency joint needs assessment 10 outcomes have been identified and agreed, with a suite of actions and measures currently being developed.

4.19 The Powys LSB partners have also acknowledged that the governance arrangements within partnerships needs to be reviewed, and a scoping document considering what this will encompass will be considered by the LSB in July 2011. It is also recognised that further work regarding the partnership structures is required in order for the effective delivery of actions identified under the One Powys Plan outcomes.

4.20 The work of other non statutory partnerships that the Council is involved (as listed in the Council's Partnership Register) is monitored to ensure that their work is aligned and adds value to the strategic objectives of the Council's Change Plan and the One Powys Plan.

5. Programme for Improvement of Significant Issues

5.1 The Council is committed to the continuous improvement of our styles of management and leadership and the systems and processes within which staff operate. This will have a real impact on the culture of the organisation and our ability to achieve the desired outcomes.

5.2 The review of governance arrangements and the self assessment returns has identified areas where further improvements need to be made and where the Council needs to focus effort during 2011/12.

Recommendations for Improvements

The following initial recommendations are suggested for Audit Committee to consider. Depending on those considerations the ownership and action plan for each recommendation would need to be determined.

5.3 The main conclusions from the external auditors 'Annual Improvement Report' should be monitored by Audit Committee. The report specifically highlighted the need for the Council to develop its comprehensive financial plans by aligning its Medium Term Financial Plan to its improvement priorities.

5.4 It was also highlighted that the Council cannot yet demonstrate that it has an appropriate set of performance measures to assess its success in delivering its new improvement objectives. Audit Committee should monitor the development of these.

5.5 The Powys Local Service Board partners have acknowledged that the governance arrangements within partnerships needs to be reviewed. Audit Committee should ensure it receives positive assurance from the LSB that comprehensive governance arrangements will be established.

5.6 The Council should consider producing an Annual Report to bring together information about the priorities of the Council, its partners, its resources and achievements. It would primarily comprise of a summary of the authority's accounts and a review of performance against established indicators.

Signed

Leader of the Council

Signed

Chief Executive

CORPORATE GOVERNANCE CORE PRINCIPLES 2010/11

PRINCIPLE 1

Focus on the Council's purpose and community needs, including making the best use of resources.

1.1 Powys County Council is committed to working with the community and delivering high quaility services. In doing this it will make soundly based decisions, manage the risks that it faces and demand high standards of conduct from its Councillors and officers. The Council will work in partnership with the local community. When appropriate it will take the lead in promoting the well being of residents and at all times it will listen and respond to local demands.

We will do this by:

- Engaging with the community to ensure that we understand its expectations and in turn demonstrate how we are trying to meet them.
- Ensuring that we communicate with all sections of the community and encourage active participation in the activities of the Council.
- Undertake an 'ambassadorial' role to promote the well-being of the County.

1.2 The Council has a clear ambition. We want to deliver services which are efficient but not necessarily low in cost. More of our money must be spent on the service than overheads. This means processes need to focus on the customer not the organisation. Efficiency can also improve with joint service delivery with partners.

1.3 To achieve the vision of "Efficient Services for the Green Heart of Wales" the Council has evolved from the original four Improvement priorities and six efficiency priorities. The Powys Change Programme is now made up of 5 priority programmes supported by 14 sub-programmes which together will help us make the required savings and transform the council.

1.4 The Powys Change Programme, which forms the core of the Powys Change Plan (the Council's statutory improvement plan) structure is as follows:

Powys Change Programme 2011/12

Priority Programme	Supporting Sub-Programme
Care & Well- Being	Adult Services Transformation
	Reconfigure Care Provider Services
	Joint Working – PtHB
	Early Intervention & Prevention (LAC)
	Housing Transformation
	Central Wales Social Services
Learning & Community	Schools Modernisation
	Community Services Transformation
Regeneration	Regeneration
Climate Change	Waste Management
	Mitigation & Adaptation
Council	Support Services Transformation
	Workforce Transformation
	Commissioning & Procurement Transformation

1.5 The Local Government (Wales) Measure 2009 states the lead responsibility that Local Authorities have in producing a community strategy for their area. While this process is being led by the County Council, all the public agencies are involved, and the strategy is considering all aspects of life in the county. In developing the 2011-14 strategy, an integrated 'One Powys' approach has been undertaking drawing together the four statutory plans/strategies for Community Planning; Community Safety; Children and Young People; and Health Social Care and Well Being.

1.6 The aim of the One Powys Plan is to make sure that local people can make their voices heard, whilst also ensuring that local services, whoever they are provided by, are better co-ordinated. The process is one that seeks to empower the community and to allow it to influence the long-term vision for Powys, and the way that public resources are allocated to communities over the next 10 to 15 years as reflected in the Council's Change Plan. A practitioners network of consultation and engagement officers from across the organisations and partnerships have also been tasked with consolidating and building upon the range of existing channels and mechanisms used across Powys to improve engagement in the One Powys approach on an ongoing basis.

1.7 Powys County Council's Citizen's Panel is an approximately 1,000 strong group of people who live in the county who are happy to be regularly consulted on the Council's work.

1.8 Being a member of the panel means individuals could get asked for their views on a variety of subjects. Recent topics have included communications, race equality as well as the Council's Corporate Improvement Plan. Forthcoming consultations include what arts provision is needed as well as street cleaning. Typically, the Council would hope to involve individuals in four consultation projects per year, and most of these would involve completing a questionnaire either sent to them by e-mail or through the post.

1.9 Those who serve on the panel do so voluntarily although they are paid expenses whenever they travel to a focus group or other meeting. The Panel seeks to be as representative as possible of the population of Powys. However at the moment we still need more people under 30 and we also need more Welsh speakers.

1.10 The Powys Change Programme is a co-ordinated, Council-wide programme that will provide focus for our work. In particular it will concentrate our effort and resources on priority areas where we have to meet extensive new challenges and need to perform better as a Council. The key factors that have influenced our priority setting include our corporate risk assessment and results from our Residents Survey 2009/10.

1.11 In identifying our priorities we have also looked at how our work can support the aims of other key plans, in particular the One Powys plan, which is the integrated plan for the whole County bringing together the work of many public service providers.

1.12 Communities have been directly consulted on budget setting and the schools modernisation programme. All Powys residents are sent a survey on an annual basis, the results of which are published online.

1.13 As well as meeting our local priorities, the Council is also working with the Welsh Government (WG) to help deliver national priorities. This is being done by means of an ‘Outcome Agreement’ and the Welsh Government is developing an agreement with each council in Wales.

1.14 As part of the agreement, Powys County Council selected 10 broad outcomes across ten Strategic Themes (one outcome per theme) and agreed key areas for improvement over the 3 year period 2011/14. The ten ‘Outcomes’ selected reflect the priorities identified in the Powys Change Plan.

PRINCIPLE 2

Members and Officers working together to achieve common purpose with clearly defined functions and roles.

2.1 The Council has clearly outlined who is responsible for the discharge of responsibilities within the constitution and has:

- appointed a Chair of the Council;
- elected a Leader who has appointed a Cabinet of 9 members to serve with him on the Cabinet and allocated portfolio responsibilities to each;
- Most decisions are the responsibility of the Cabinet. Meetings of the Cabinet are open to the public except where personal or confidential matters are being discussed and the item is determined not to be in the public interest for disclosure;
- statutory officers in place with the skills and resources to fulfil those roles. Within the constitution it is set out what decisions are delegated to officers. The Section 151 officer has overall responsibility for the financial administration of the Council. Service departments are supported by central finance staff and budget monitoring and forecasts are reported to Cabinet 5 times per annum. The Monitoring officer has overall responsibility for legal issues. Legal staff work closely with service departments to provide advice and support. All reports to Cabinet require the views of the S151 officer and the monitoring officer;
- appointed committees to discharge the Council's regulatory responsibilities in respect of licensing, planning, rights of way, employment, and pensions and investments. Within the constitution it is set out what decisions are delegated to officers;
- appointed four scrutiny committees to carry out examination functions, with the authority to "call-in" decisions made by Cabinet, in particular where they are not in accordance with the policy framework or budget;
- an audit committee that monitors the work of both internal and external auditors and inspectors, ensuring service departments respond and implement their recommendations. This includes quarterly monitoring of the audit plan and tracker and approval of the statement of accounts;
- a published constitution which contains all the rules and protocols which governs the operation of members and Officers, so there is clarity of roles and responsibilities at all levels.
- the Council has approved the Powys Change Plan setting out the Council's key priorities for 2011/14.

2.3 In order to further develop leadership capacity and improve engagement at all levels the Council has:

- A Heads of Service Group consisting of MT members and Business Heads which now meets monthly to develop leadership capacity, strengthen business planning, communication and involvement at senior levels.
- leadership conferences at least annually.

- Roadshow days where senior staff can share key messages and hear from them how they are delivering services
- monthly Staff newsletters.

2.4 To strengthen governance arrangements and to support members and officers in their roles, work has been undertaken to promote the awareness and understanding of particular aspects of the constitution:

- a member development and strategy programme is in force;
- specific training is given to members of the regulatory committees;
- financial management training, including treasury, to both members and officers:
- a range of mandatory courses for officers including employee management and development issues and political awareness.

PRINCIPLE 3

Promoting Values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Members Conduct

3.1 The constitution contains the Code of Conduct for Members. The Code sets out the standards of conduct expected of members including standards of individual behaviour; registration of financial and other interests; and the rules governing disclosure of interests and participation in the decision making process where a member has a personal or prejudicial interest. The Standards Committee's annual report to Full Council details the work of the Committee over the past year.

3.2 Under the Code there is a register of members' Interests, which is the declaration Members have to make on a four yearly basis. This must be updated as and when there are changes together with copies of individual declarations Members make at meetings. All this information is published online on the Council's website.

3.3 The Standards Committee is in place in accordance with the requirements of the Local Government Act 2000. It is responsible for promoting and maintaining high standards of conduct by members of the Council.

3.4 The Standards Committee deals with matters referred to it by the Public Services Ombudsman for Wales, who undertakes the initial assessment and decides if the matter is worth investigating and whether there is a case to answer by the member. The Standards Committee also monitor the whistle blowing policy.

3.5 The Standards Committee has 1 Sub-Committee, the Standards Community Sub-Committee, which deals with matters relating to Town and Community Councils. The Sub-Committee comprises 5 Independent members, 3 Town and Community Council representatives and 1 County Councillor

3.6 In 2010/11 no members were found to have breached the Code of Conduct for members. In the same period there have been no referrals to the Standards Committee for local determination.

Officer Conduct

3.7 Powys has a Code of Conduct for all employees. All employees are expected to give the highest possible standard of service to the public, and where it is part of their duties, to provide appropriate advice to councillors and fellow employees with impartiality. Employees will be expected, through agreed procedures and without fear of recrimination, to bring to the attention of their Chief Officer or the Chief Executive or Union Representative, any deficiency in the provision of service. Employees must report to their Chief Officer or the Chief Executive any impropriety or breach of procedure.

APPENDIX A-4

PRINCIPLE 4

Informed, transparent decision making which is subject to effective scrutiny and risk management.

4.1 While some reports and background papers are confidential, Powys seeks to ensure that all the decisions of Council and Cabinet are made public. All agendas, reports and minutes, with the exception of confidential reports, are available through the Council's website.

4.2 The established Scrutiny Committees review areas of work undertaken by the Council where there are perceived to be issues or areas of concern. Scrutiny Committees also receive regular reports on financial and performance information and hold portfolio holders and officers to account.

4.3 The Audit Committee receive reports from Internal Audit and the Welsh Audit Office and hold portfolio holders and officers to account for delivering improvements.

4.4 Rules and procedures which govern how decisions are made, such as the constitution are publicly available.

4.5 The Council take customer complaints and comments seriously so that it can learn from mistakes. A three stage process has been established that clearly sets out what the public can expect in terms of action and feedback. If customers are still not satisfied details of the Local Government Ombudsman are provided and these are also available on the Powys website.

4.6 Further methods that the Council can be held to account are through the use of Freedom of Information requests and the Annual Inspection of Accounts opportunity which is advertised each year in the local press, online and on Town and Community Council Notice Boards.

4.7 The Corporate Risk Management Strategy, which is regularly reviewed, outlines the rationale for managing risk, the risk management process and responsibilities. The risk register is the designated portal for co-ordinating recognised risks. Risk reviews by Heads of Service have served to review existing risks as well as scanning for those which may emerge in the future. Key risks are recorded on the risk register together with agreed control measures to reduce the risk impact and probability, where appropriate. These control measures are then reflected in Service Strategies and Business Plans in order to achieve objectives.

4.8 Members are engaged in risk management through the Audit Committee and risk in relation to strategic decision making is addressed through the inclusion of a risk management commentary in Cabinet reports.

4.9 Work continues to embed risk management in all activities of the Council.

4.10 A Business Continuity Plan is in place that uses a risk based approach to identify the impacts of a disruption to critical services, together with responsibilities and actions required in the event of an emergency. Quality assurance of these arrangements is provided by the Insurance and Risk management team. The plan has been proven, to an extent, by the absence of any significant disruption to services during the adverse weather conditions in 2010.

4.11 In relation to equal pay claims the Council continues to manage this risk by aiming to complete the Job evaluation exercise by 2012 and pursuing a strategy to deal with the live claims.

PRINCIPLE 5

Development of the capacity and capability of members and officers to be effective.

5.1 Powys County Council's five year people strategy was adopted in 2006. It was written after consultation with staff, trade unions and members.

5.2 Staff can view and book on to courses through the online Trent personnel system. Further development is by the corporate appraisal process, which requires management to review their development needs against an agreed set of manager expectations.

5.3 The revised Powys Change Programme has been designed to bring about changes in response to the pressures on resources facing all local authorities. The programme has established 5 priority programmes supported by 14 sub-programmes. One of the sub-programmes under the Council programme is workforce transformation which sets out the implementation of the Council's recently adopted workforce strategy.

5.4 The Powys Change Programme has established some clear expectations around how the Workforce will be organised in future. There is an expectation that greater collaboration takes place in the delivery of services, either with the Teaching Health Board or other partners. There is an expectation that employees will be empowered to make decisions around service delivery at lower levels within the organisation resulting in a more responsive public service as well as flatter management structures, less duplication and improved communication. There is also an expectation that employees will become more flexible in respect of the roles that they carry out and that multifunctional and multi-skilled roles are developed where possible.

5.5 Staff have already been shared between Powys County Council Social Service Departments and the Powys Teaching Health Board, but opportunities are also being developed with Ceredigion County Council for shared services. On the 1st April, 2011 an agreement was signed to share the Strategic Director of Social Care Services post with Ceredigion Council. Both Councils have agreed to undertake a feasibility study into a regional collaboration of Central Wales Social Services.

5.6 The Council's Local Environment project aims to unlock the potential of frontline staff, free them to make work based decisions and remove bureaucracy without extended lines of supervision or management.

5.7 The Council has well developed intranet which is always under review for ease of use. Information is also disseminated through the staff magazine, email, team briefings, staff roadshows.

5.8 The member development programme has been established to ensure members have the necessary skills to perform their tasks. The Council has established a Member Development Working Group which has been working to provide the background documentation, policies, and protocols so that the Council will be seeking to be awarded the WLGA Wales Charter for Member Support and Development.

5.9 In addition to providing monthly member development sessions based on a programme, other briefing sessions are held for members on a variety of subjects. The member Development Working Group has been responsible for the Council establishing a member Development Strategy, Member Role Descriptions and Person Specifications and a Competency framework for members undertaking a variety of roles which are included in the Council's Constitution. It has also developed a Member Mentoring Scheme, and is working on a Member Personal Review and Development Scheme, and other guidance in respect of Membership of outside bodies and use of social networking by Members.

5.10 The member Development programme is being reviewed to identify those development sessions which are mandatory e.g. Code of Conduct and those required for members of regulatory and other committees, and those development sessions which would be discretionary.

APPENDIX A-6

PRINCIPLE 6

Engagement with local people and other stakeholders to ensure robust public accountability.

6.1 The Council has a long history of community engagement and recognises it as being central to the Community Strategy. This is because community engagement is about ensuring that residents can participate in a range of different ways to drive improvements to local services.

6.2 There are currently many different types of community engagement processes and structures in the Council enabling residents and resident groups to put across their views in a ways which can involve themselves in shaping services, these include:

- the Council's annual budget;
- specific consultations such as on school improvements;
- surveys such as the annual residents survey;
- the opportunity to talk direct to their own Councillor;
- the citizen's panel.

6.3 As well as the public Internet site, a tenants letter is produced each year which is sent to all Powys households. Each council tax bill will also have a leaflet explaining how Powys Council raise council tax together with details of its spending plans and other useful information.

6.4 A communications officer and strategy have been in place several years but the establishment of the Performance, Partnerships and Communications directorate will ensure a coordinated approach between all strategies and quality improvements and effectiveness of all internal and external communications.

GLOSSARY OF TERMS

Accruals
Income or expenditure which is due but will not be received or paid until after the end of the financial year.

Actuary
An independent consultant who advises the fund and every three years produces a report on the funds financial position.

Additional Voluntary Contribution (A.V.C.)
An option available to individuals to secure additional pension benefits by making additional payments to an A.V.C. provider.

Admitted Bodies
Bodies whose staff can become members of the pension fund by virtue of an admission agreement made between the fund and relevant body.

Deferred Pension Benefit
A pension benefit which a member has accrued but is not yet entitled to receive payment of.

Equities
Shares in companies traded on a stock exchange. Shareholders have voting rights and have an interest in the profits of the company.

Fixed Interest
Corporate Bond – A certificate of debt issued by companies which guarantee a fixed rate of interest, with a promise to repay the original sum on a fixed date. These can be traded on a stock exchange.

Global Tactical Asset Allocation (G.T.A.A.)
A type of investment that deals in derivatives of other types of investments. With the intention of moving in and out of markets more quickly as opportunities arise.

Index Linked
Stocks that have their value related directly to an index, usually the Retail Price Index and are therefore protected against inflation.

Scheduled Bodies
Local Authorities and other similar bodies whose staff automatically qualify to become members of the pension fund.

Transfer Values
These can be paid or received. They represent the capital value of pension rights, which a member may transfer on changing pension schemes.

GLOSSARY OF TERMS

Accrual
An accrual is a sum (provision) shown in the accounts to cover income or expenditure for the accounting period but which was not actually paid or received as at the date of the balance sheet.

Actuary

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

Actuarial Valuation

This is when an actuary checks what the pension scheme assets are worth and compares them with the scheme's liabilities. They then work out how much the contributions from employers and members must be so that there will be enough money in the scheme when people receive their pensions.

Additional Voluntary Contributions

An option to secure additional pension benefits by making regular payments in addition to the 6% of basic earnings payable.

Admitted Bodies

Voluntary and Charitable bodies that fulfil certain conditions can apply to allow their employees to become members of the Local Government Pension Scheme.

Agency Services
Agency services are services provided by an outside organisation.

Amortised Cost
Amortised costs are used to spread the financial impact of depreciation or using an equivalent interest rate or the effect of a premium or discount over a number of years on the income and expenditure account.

Asset under Construction (AUC)
An Asset under Construction is another term for Work in Progress.

Audit
An audit is an independent examination of the Council's activities.

Balance Sheet
This is a statement of our assets, liabilities and other balances at the date of the balance sheet.

Best Value
This was introduced as part of the Local Government Act 1999 to improve the services provided by local authorities.

Budget
A budget is a spending plan set by the Council against which the actual spend is monitored.

Capital Adjustment Account
This account represents timing differences between the amount of the historical cost of fixed assets that has been consumed by depreciation, impairment and disposals, and the amount that has been set aside to finance capital expenditure.

Capital Expenditure
Capital expenditure is spending on fixed assets. These are assets that we will use for several years to provide services. Such items include buildings, equipment and vehicles.

Capital Receipts
Capital receipts are sums of money received from the sale of capital assets.

Cash flow statement
A statement that summarises the movement of cash in the year.

Contingent Liabilities
Contingent liabilities exist where it is probable that a future event will result in a material cost to the Council and can be estimated with reasonable accuracy.

GLOSSARY OF TERMS

Consolidated Balance Sheet

This balance sheet combines the assets, liabilities and other balances of all our departments, at year end.

Corporate Governance

This is the system by which organisations are run, and the means by which they are responsible to their taxpayers, employees and society.

Corporate Management
A service within the Authority that provides services on behalf of all departments to the Council. It includes treasury management, the maintenance of registers, and the completion of statutory returns.

Creditor

A Creditor is someone we owed money to at the date of the balance sheet for work done, goods received or services rendered.

Current Asset
These are short-term assets that are available for use in the following accounting year.

Current Liabilities
These are short-term liabilities that are due for payment by the Council in the following accounting year.

Current Service Costs (Pension)
The increase in the liability of a defined benefit pensions scheme as a result of employee's service in the current period

Debtor
A debtor is an organisation/individual that owes the Council money at the balance sheet date.

Defined Benefit

A defined benefit pension scheme pays pensions based on the final Salary levels.

Depreciation
Depreciation represents the loss in value of an asset caused by the use of that asset.

Direct Labour Organisation or Direct Service Organisation
This is our own organisation. It consists of workers we directly employ (including supervisory staff), accommodation, equipment, etc, used to carry out specified tasks for us.

Earmarked Reserves
Reserves set aside for specified Purposes.

External Interest
Interest paid to an external organisation.

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

Finance Leases
Finance leases are used to finance purchases where the Council takes on most of the risks associated with owning the asset.

GLOSSARY OF TERMS

Financial Reporting Standards (FRS`s)
Financial regulations to be followed as set by the Accounting Standards Board.

Financial Year
This is the accounting period. For local authorities it starts on 01 April and ends on the 31 March in the following year.

Fixed Asset
These are long –term assets used in the provision of services, they include buildings, vehicles etc. that have a life expectancy of more than one year.

Fixed Asset Restatement Account
This represents the non-distributable increase/decrease in the valuation of fixed assets.

Gilt Edged Stocks
These are investments in government or local authority stocks. They are regarded as risk-free.

Housing Revenue Account (HRA)
This account contains all the councils income and spending on its own houses.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Joint Venture

A joint venture is an entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement.

Leasing
This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

Liability
A liability is an amount payable at some time in the future.

Liquidity Risk
The risk of investments cannot be readily turned into cash or realised because there is no ready market for the instrument or there are restrictive clauses in the agreement.

Minimum Revenue Provision (MRP)
This is the amount that has been set aside to repay loans.

National Non-Domestic Rates (NNDR)
The NNDR, or Business Rate, is the charge occupiers of business premises pay to finance part of local Authority spending. NNDR is set by central government and is a percentage of the rateable values. The percentage is the same throughout Wales. The total collected is split between individual authorities in proportion to their adult populations.

Net Realisable Value
The selling price of an asset, reduced by the relevant cost of selling it.

Non Distributable Costs
Costs that relate to past activity costs, such as cost of redundant assets or information technology, or past service pension that cannot be allocated to services.

Open Market Value in Existing Use
Is a basis of valuation of a fixed asset.

Operating Assets
These are assets used in the provision of our services.

Operating Leases
These are leases where risks of ownership of the asset remain with the owner.

GLOSSARY OF TERMS

Past Service Costs (Pension)
For a defined benefit pension scheme, this is the extra cost resulting from changes or improvements to the proportion of retirement benefit that relates to an employees past service.

Post Balance Sheet Events
Post balance sheet events are items that have arisen after the balance sheet date. The items did not occur at the time the balance sheet was prepared but have subsequently been discovered. To give a fair representation they may need to be disclosed.

Precepts
An amount paid to a body such as a community council based on a specific council tax rate for some or all of the County Councils areas.

Provision for Credit Liability
Money set-aside to repay debt, forming part of the capital financing reserve.

Public Works Loan Board (PWLB)
A government body providing long-term finance to local authorities. Its interest rates are only slightly higher than those at which the Government its self can borrow

Recharge
An internal charge for services rendered by one Council service area or section to another.

Reffcus
Revenue expenditure finance from capital under statute relates to spend of a revenue nature that was financed by the capital programme.

Related Party Transactions
These are the transfer of assets or liabilities or the performance of services by, to, or for a related party no matter whether a charge is made

Reserves

Sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure.

Revaluation Reserve

This reserve represents the difference between the revalued amount of fixed assets in the Balance Sheet and their depreciated historical cost.

Revenue Account
This is an account which records our day-to-day spending and income on items such as sundries and wages, running costs of services and the financing of capital expenditure.

Scheduled Organisation
An Organisation whose employees have an automatic right to be members of a pension fund.

Securities
These are investments such as stocks, share and bonds.

Stocks
Raw materials purchased for day to day use in the provision of services. The value of unused stocks forms part of the balance sheet being shown as current assets.

Subsidiary
An entity is a subsidiary if the reporting authority if:

- The authority is able to exercise control over the operating and financial policies of the entity, and
- The authority is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.