Statement of Accounts 2012/13

CYNGOR SIR POWYS
POWYS COUNTY COUNCIL
County Hall
Llandrindod Wells
Powys
LD1 5LG

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Powys

EXPLANATORY FOREWORD

Introduction

The format and content of these accounts are dictated by the 2012 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. The objective of the accounts is to provide information about the financial position, performance and cash flows in a way that meets the 'common needs of most users'. It will explain the financial facts rather than comment on the policies of the Authority and also has the aim of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them.

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 13/14 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 - This 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 is 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 2012/13 Powys County Council Pension Fund annual report and included in these statements. 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, Finance Section, Powys County Council, County Hall, Llandrindod Wells, LD1 5LG.

Revenue Expenditure 2012/13

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 shown in the table below:

Summary	**Revised Budget £`000**	**Actual Outturn £`000**	**Budget (Under)/ Overspends £`000**
Care And Wellbeing			
Adult and Commissioning	46,828	49,634	2,806
Children's Services	16,869	15,960	(909)
Housing and Regulatory Services	982	920	(62)
Finance and Infrastructure			
Finance and Corporate Performance	59	(100)	(159)
Local Environmental Services	32,913	33,486	573
Business Performance Unit	20	(89)	(110)
Law And Governance			
Legal, Scrutiny and Democratic	3,555	3,509	(46)
Information and Customer Services	538	231	(308)
Human Resources	2,106	1,972	(134)
Skills and Learning			
Schools (Non Delegated)	32,574	33,481	908
Schools Delegated	65,115	64,369	(746)
Leisure and Recreation	13,913	13,789	(124)
Regeneration and Development	4,572	5,025	453
Service Area Totals			
Central Activities	10,477	5,483	(4,994)
Total Expenditure Reported	**230,523**	**227,669**	**(2,853)**
Housing Revenue Account (HRA)	0	(3,681)	(3,681)
Total Expenditure Including HRA	**230,523**	**223,989**	**(6,534)**
Budgeted Transfer from Reserve	3,319		
Total	**233,841**	**223,989**	

The Budget in the table above includes the base (original) budget adjusted for virements made during the year. It is funded by Council Tax, NNDR and RSG, and also includes other funding such as grants, external income and planned transfers to and from the service area reserves as needed. The (under)/overspends are reported after the planned use of reserves, the figures therefore reconcile to the Comprehensive Income and Expenditure Account in note 27 after considering the £3,319k budgeted movement from reserves.

Summary	Budget (Under)/ Over spends £`000	
Care And Wellbeing		
Adult and Commissioning	2,806	The continuing budget pressure within Older & Physically Disabled (PD), due to increased demand and more complex cases, accounts for the majority of the overspend at £1.764m. Within this Independent Residential Care is £451k over, Home Care Older Independent Sector is £1.281k over, Home Care in House is £91k over, Reablement is £110k and there are various other small under and over spends totalling a 169K to offset against this. The Learning Difficulties (LD) Service has a £607k overspend mainly due to a £408k overspend in Independent Residential Care (IRC) LD, a further £221k overspend in Home Care relating to Direct Payments and 3rd Sector providers, and a £245k overspend in Resettlement Houses which has arisen following a reduction in Section 28A funding from Powys Teaching Health Board. Underspends in Supported Tenancies, Social Work and Other Services of £221k has offset some of these costs. The Mental Health Service has a £309k overspend mainly due to increased demand in Independent Residential Care. Support Services has a £10k overspend, however the cost of employing consultancy workers to cover permanent posts and carry out specific projects is offset by an underspend of £180k due to the Single Point of Access project and Workforce Development (Strategy) not being committed in the year. The Supporting People Service overspent by £140k to maintain work streams and projects from last year as the Welsh Government grant had been reduced by 4%. This funding was met from a specific reserve.
Children's Services	(909)	A delay in the Adoption Service purchasing of Adoption placements now deferred to 2013/14, together with an over achievement of income for the Sale of Placements accounted for £122k. Family placement costs were less than forecast by £91k. Legal costs were £106k less as external support was not required, and a reimbursement of internal legal charges was given to reflect underspends due to staff being on maternity leave. £127k related to further underspending on staffing budgets due to the length of the appointment process and further vacancies. The Childrens and Young Peoples partnership outturn was £259k less than forecast.

Housing and Regulatory Services – General Fund	(62)	The Housing General fund has reduced its transfer from reserve by £62k as the overspend was reduced to £6k; unachieved efficiency targets within the Private Sector Housing service and Homelessness service budgets are currently being offset by underspends in other areas.
Housing and Regulatory Services – Housing Revenue Account	(3,681)	The Housing Revenue Account (HRA) underspend is due to Rents being increased since 2010/11 in accordance with the Welsh Government guideline to raise sufficient funds to implement the investment programme and ensure the Council meets the Welsh Housing Quality Standard (WHQS) by March 2018. The surplus will be transferred to a specific reserve. New framework agreements for contracting the work have been awarded and the work is now underway.
Finance and Infrastructure		
Finance and Corporate Performance	(159)	The under spend is due to vacancies across the service including the Head of Finance post from January. The localisation of Council Tax and Welfare Reform will be implemented from April, in order to prepare the Authority for this additional costs are being incurred including the employment of agency staff, however the Welsh Government have recently provided a grant of £104k to support these costs.
Local Environmental Services (LES)	573	The outturn is reported after a budgeted £1.2m contribution from reserves. Within the LES Operations which includes Highways, Grounds, Street Lighting, Street Cleaning, Toilet Cleaning and Refuse/Recycling (collection) a total overspend of £1.6m is reported. Significant movements are outlined below along with previously reported overspends. The Street Cleaning and Toilet Cleaning overspend £177k. Changes to the working week will address overspends in employee costs. The Structural and Routine Maintenance budget is significantly overspent by some £530k. Despite earlier assurances that there would be no further spend against this budget and it would end the year on budget this overspend is primarily due to additional spending on private contractors continuing right through to the year end. The Winter Maintenance budget was overspent by some £644k. Recent changes to the apportionment of fixed costs imposed by the new NMWTRA resulted in £127k that can no longer be recharged for. In addition the extreme weather conditions towards the end of the year resulted in further significant overspends. Part of this overspend will be paid from the winter maintenance reserve. However, the reserve is now completely depleted. A further reduction in the recharge to NMWTRA of £95k was imposed in respect of cyclical works. Costs of £372k were incurred due to the landslip at Ynyswen and significant flooding in the south east of the

county.

The Fleet Management Service realised an underspend of £311k. Some £270k relates to variances in depreciation charges and disposals of vehicles. This surplus along with a further £1.6m depreciation will be transferred to the Transport Fund.

The Service is currently being reviewed by Northgate who are charged with reducing the Authority's costs on Fleet over the next three years.

Within Highways and Transportation, which includes Public Transport, Highways Design, Waste and Car Parking, the service is showing a total overspend of £191k. This is reported after some £814k budget contribution from reserves. The Parking Service budget shows a £178k overspend in addition to the £323k contribution from reserves, as income levels continue to be significantly lower than the budget. This shortfall has been realigned as part of the Medium Term Financial Plan.

The Highways Design group has realised a surplus of £174k. The Service benefitted this year from monies owed to the group by the MWTRA from 2011/12 which have now been received. The recent transfer of the TRA to Gwynedd has resulted in changes to the charging policy and this area requires close monitoring as we proceed through the new year to ensure that the new rates are sufficient to recover all costs.

The Waste Service shows a total overspend of £979k. The roll out of the new Waste Service Strategy continues and during this transition phase the Service is funding the new costs without being able to totally avoid the costs associated with the previous way of working. This has had an adverse impact on the budget in respect of operatives and vehicles. In addition, there was a greater than expected cost associated with the delivery of bins and containers, trade waste income fell by some £276k against budget and the budget levels of recyclate income have not materialised.

The Public Transport budget realised a surplus of £128k. Additional grant funding has been received which was not included in the budget and explains the better than expected outturn. The Service was supported by a contribution from reserves totalling £461k. This surplus has resulted in a reduced call on reserves. Work is continuing to devise a strategy that will enable a balanced budget to be set for 2013/14.

Public Protection including Environmental Health, Trading Standards and Community Safety realised an underspend of £89k. The underspend relates to reductions in car leasing and staffing costs but a reduction in pest control income is also being covered by these savings.

The Property and Design service has realised a total underspend of £599k, this is due in the main to an underspend on Statutory Testing of £316k. The County Farms budget also reported a £70k underspend due to

		increased income and reduced costs.
Business Performance Unit	(110)	The underspend position is due to a number of staff vacancies remaining unfilled plus virements being implemented for the e-bulk system.
Law and governance		
Legal, Scrutiny and Democratic Services	(46)	The underspend has arisen due to staff vacancies
Information and Customer Services	(308)	ICT underspent by £236k, and the Programme office realised an underspend of £61k due to staff vacancies. Reserves were utilised to fund some specific projects, however due to the underspend the service have transferred £151k into reserve.
Human Resources	(134)	Underspends in this service are mainly due to vacant posts together with the delay in the commencement of the capacity and capability project. Staffing to support the Job Evaluation Project are funded from the specific reserve.
Skills and Learning		
Schools Service	908	The overspends in both the Home to School & College Transport and Severance Pay budgets were realised at £665k and £322k, the centrally held structural repairs and maintenance budget is also reporting an overspend of £487k. Pupil Inclusion budgets had an outturn underspend overall of £512k. There was a combined underspend of £360k on Out of County placements and Recoupment. Pupil Referral Units (PRUs) were underspent by £203k with £54k contributed by schools for excluded pupils, approximately £70k attributable to staffing and £80k to supplies and services. Included within the service area there were costs for two Looked After Children of approximately £164k; who are both now Post 16 and no longer attending school. Clarification is required about their future funding, which at present excludes DfES, and is shared 50/50 with Children's Services. School Improvement budgets reported an underspend of £338k. This has offset the £195k efficiency required by the service.
Schools Delegated	(746)	Schools Delegated budgets originally projected a collective transfer from reserve of £697k to balance their budgets. Budget plans were reviewed and revised during the year and the budgeted movement from reserves was reduced to £437k, although in January an underspend of £254k was reported against these plans. The final position saw schools collectively transferring £317k into reserves this represented an underspend of £754k against their revised budgets. Of the 13 schools who originally had unlicensed deficit budgets, 10 schools realised surplus in year balances, this has reduced their deficits by £351k. Caersws C.P., Llanidloes C.P. & Leighton C.P., continued to overspend in year by £3k, £11k and £13k respectively.

		The balances held for closed schools as at the 31st March 2013 was £517k, this has been written off from the overall schools delegated budget.
Leisure and Recreation	(124)	The outturn for Sports and Leisure centres was an overspend of £173k, with repair and maintenance and utilities costs both exceeding the budget. Generated Income levels were also underachieved and although Free Swim and Cardiac grant funding limited the shortfall, a £50k transfer from a corporate reserve previously agreed was made at year end. Catering and Cleaning services were previously projected to have small overspends but due to the reimbursement of redundancy costs under school modernisation both realised surpluses of £30k and £52k. The Library and Archive Services reported an overspend of £43k with premises costs being the main driver for the overspend. These overspends were offset by underspending in other areas of the service totalling £340k , £110k of this relates to grant income which will need to be utilised in 2013/14 and has therefore been transferred into specific reserves for this purpose.
Regeneration and Development	453	Underachieved planning and building regulation fee income on Building Control and Development Management continues to be an issue for the service with the shortfall of £434k reported this year. Economic Development realised a deficit of £121k with regard to underachieved workshop income as previously reported. These overspends were funded in part by underspends on the Head of Service budget and on the Regeneration Powys Change Projects, however this funding needs to be ring-fenced and drawn down, to complete works in the new financial year.
Service Area Totals	**2,141**	
Central Activities	(4,994)	Of the total underspend £3.3m relates to unallocated budget held for growth and cost pressures which is not required this financial year. £150k relates to the Fire Service precept, £1.5m on real capital charges (interest payments on borrowing and the statutory amount set aside to repay debt), A provision has been included in the accounts against insurance with regard to the potential liability for Municipal Mutual Insurance.
Total Expenditure Reported	(6,534)	
Council Tax	(855)	See below
Revenue Support Grant	0	
Non Domestic Rates	0	
NET SPEND	(7,389)	

Council Tax - £855k surplus

The Council Tax surplus is the result of in-year collection and also arrears collected from previous financial years. The number of properties that were contained within the Council Tax Valuation List during 2012-13 also grew from 63,059 to 63,407, accounting for £208k.

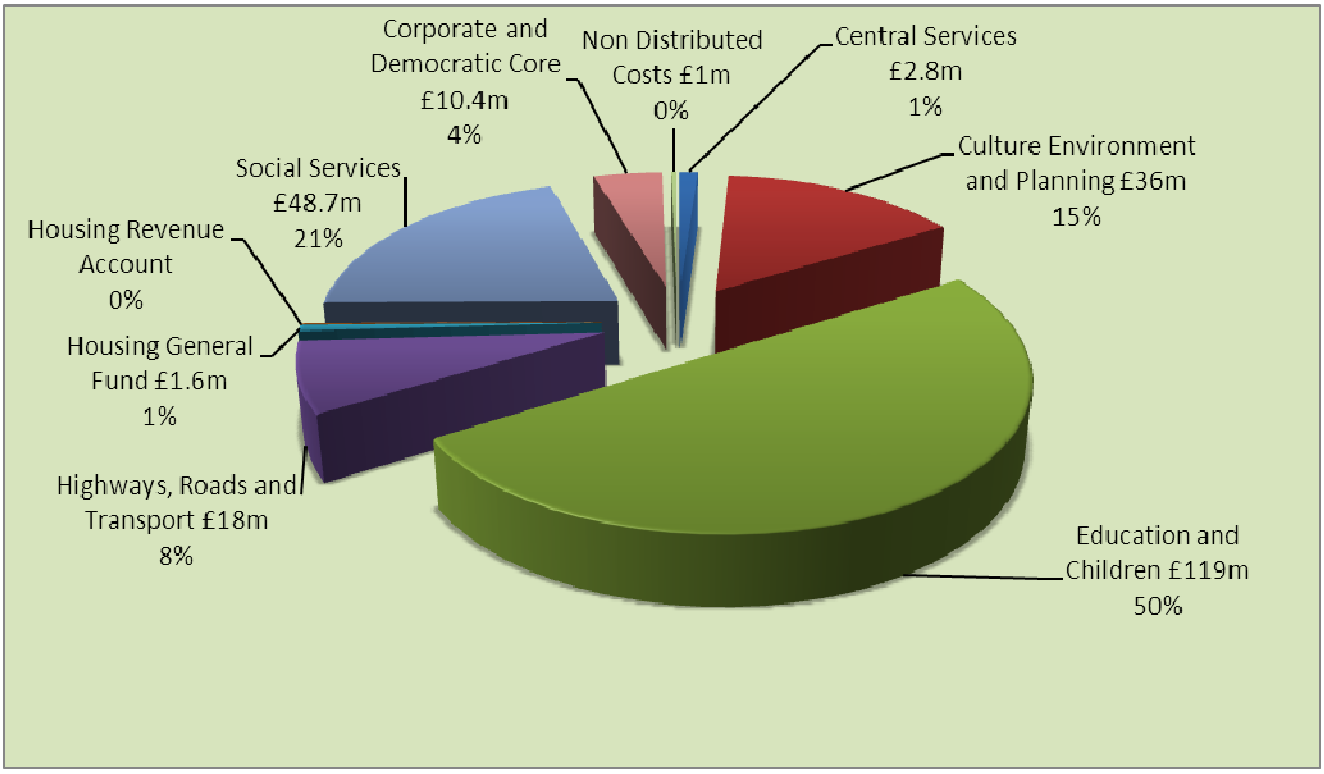
Powys achieved the highest collection rate in Wales for Business Rates at 98.5% and was 5th highest in Wales for the collection of Council Tax at 97.44%, just 0.66% off the highest rate. For both income sources the Council achieved a significantly higher collection rate than the Welsh average during a very challenging year for the collection of monies.

Revenue expenditure, including precepts, is financed through local taxation and by government grants, the proportions are:

	2011/12 %	2012/13 %
Central Government (revenue support grant and non domestic rates)	74	76
Council Tax	26	24

2012/13 Net Expenditure:

This graph details the Net Expenditure using the Service Reporting Code of Practice (SeRCOP) accounting structure. This is the required method for producing the Comprehensive Income and Expenditure Account which is shown on page 24.



Revenue Reserves

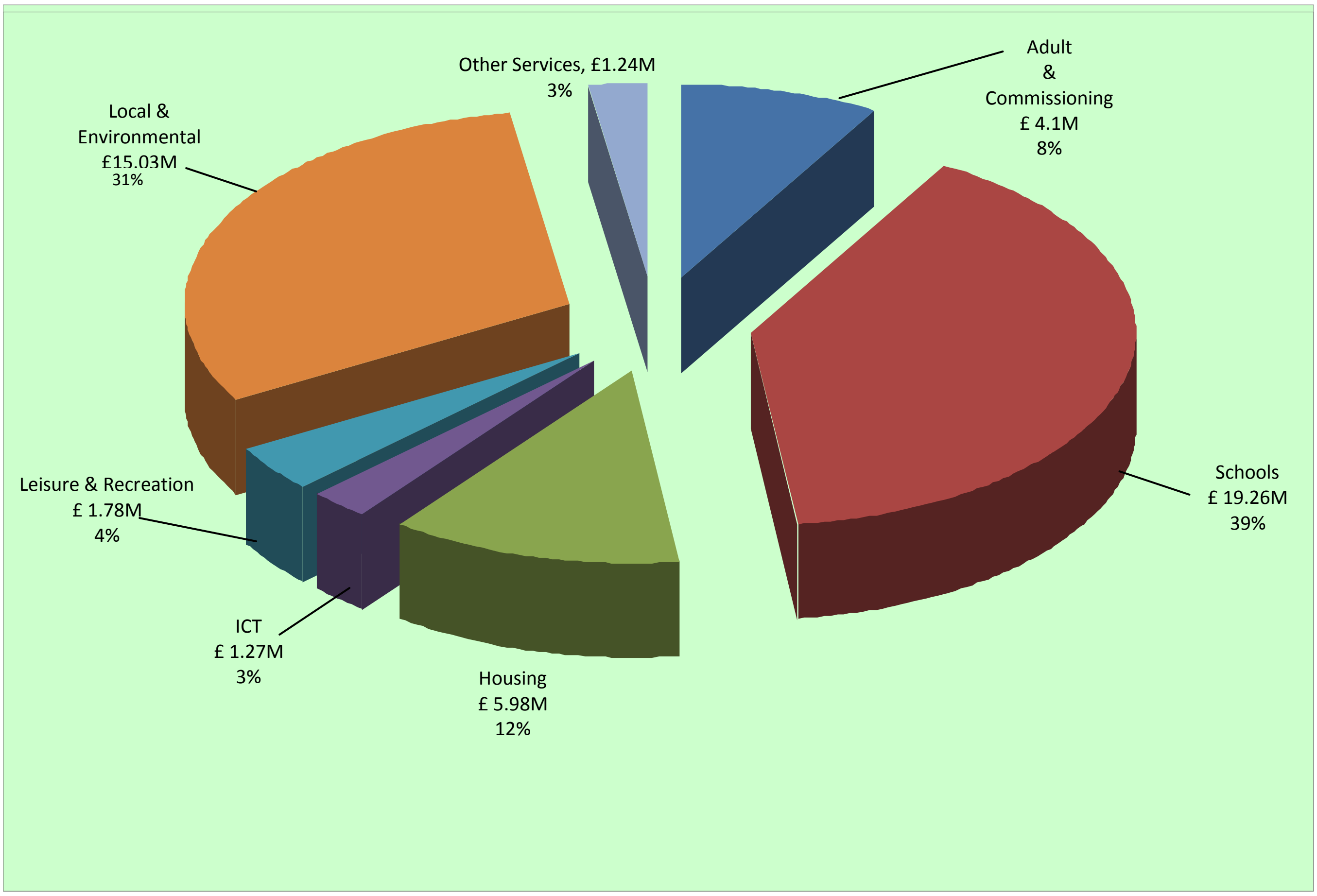
Revenue Reserves represent an accumulation of revenue over and under-spends and sums set aside specifically to meet future expenditure e.g. to replace vehicles, maintain roads in adverse weather conditions. The ring-fenced reserves must be used for the purpose intended. The HRA and school reserves are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

Revenue reserves	31.03.12 £`000	31.03.13 £`000
Ring Fenced Or Restricted Use Reserves		
Schools Reserves	1,768	2,601
Other Specific Reserves	10,656	4,979
Committee Specific Reserves		
Other Specific Reserves	24,405	16,791
TOTAL EARMARKED RESERVES (Note 8)	36,829	24,371
Central Or General Reserves		
Council Fund	7,909	13,145
Housing Revenue Account	4,423	8,023
	49,161	45,539

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 percentage of reserves against expenditure held is 7.72% (2011/12 was 9.01%).

Capital Expenditure 2012/13

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 2012/13 Capital expenditure of £48.66m was spent:



Capital Reserves

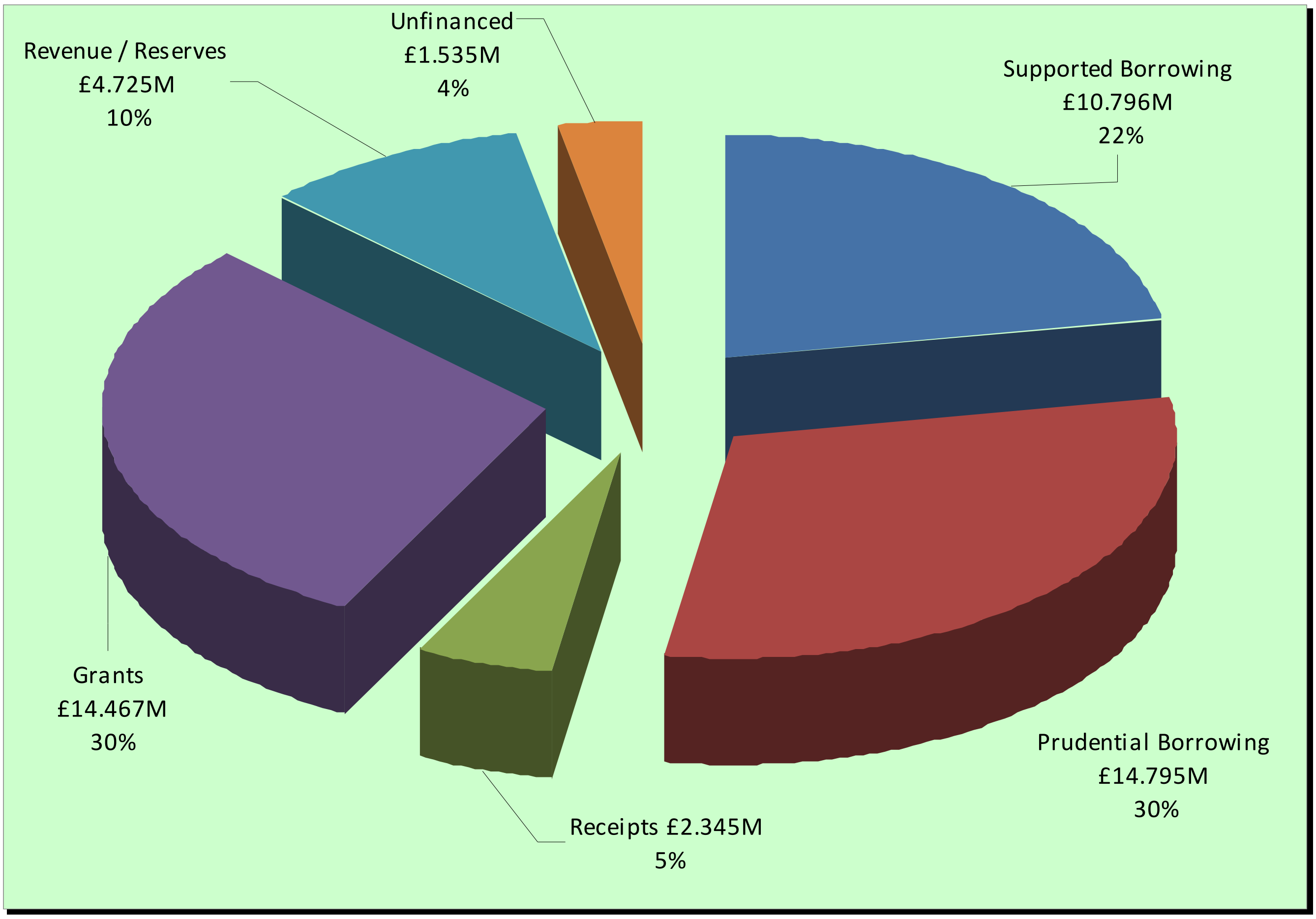
At 31st March 2013 the Authority had Usable Capital Reserves of:

	£'000
Capital Grants Unapplied	1,754
Capital Receipts	11,432
	13,188

The reserves are available to fund future Capital spend. Sales of Council houses during the year raised £530k and other disposals raised a total of £958k.

Capital Financing 2012/13

The following graph details how the 2012/13 Capital programme was financed:



Unfinanced expenditure represents Capital spend that will be financed through capital grants to be received in 2013/14. These grants are accounted for as a debtor.

Borrowing Arrangements

Borrowing is the main source of finance for the Authority's Capital spend. The overall borrowing at 31 March 2013 totalled:

	£`000
Short Term Borrowing	4,222
Long Term Borrowing	146,189
Total Borrowing	**150,411**

Since 2004/05 the Authority has implemented the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code which allows greater freedom for borrowing decisions. The amount of borrowing will not be restricted as long as it can be demonstrated that it is prudent and affordable.

The prudential framework for Local Authority capital investment was introduced through the Local Government Act 2003. This Prudential Code is designed to ensure that the capital investment plans of Local Authorities are affordable, prudent and sustainable. It ensures treasury management decisions are taken in accordance with good professional practice.
All strategic and asset management planning require proper option appraisal and this allows greater alignment with corporate objectives. It allows a greater freedom for decision making on a local level, structured within a professional code, that the Authority believes will benefit future budget decisions by allowing it greater co-ordination between the Revenue and Capital Budget setting processes.
The Authority can spend what is affordable in the current and future years. Each year the Authority is required to produce a set of prudential indicators showing the impact on future years of decisions taken in the current year. One such indicator is the forward projections of the incremental impact of new capital decisions on Council Tax and Housing Rents. Such indicators are designed to support and record all the decisions taken by the Authority.

Other Significant Matters

Icelandic Banks

In common with many other Authorities, Powys County Council continues to have some money deposited in Iceland in respect of the original investments as follows:

Institution	Original Principal Amount Invested £'000	Payments Received to 31 March 2013 (including interest) £'000
Glitnir Bank HF	2,000	1,656
Landsbanki Islands	2,000	983

Glitnir's Winding-up Board made a 100% distribution in March 2012 in a basket of currencies. The GBP equivalent of this is shown above. A further element of the distribution was made in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest. This element has been retained in Iceland due to currency controls currently operating in Iceland.
Landsbanki's Winding-up Board has made three distributions up to 31st March 2013 in different currencies. The GBP equivalent of this is shown above. A further element of the one distribution was made in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest. This element has been retained in Iceland due to currency controls currently operating in Iceland.

Further details regarding Iceland are available in note 50.

Pension Fund Liability/Deficit

Note 44 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 99 to 143.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.

Impact of the Current Economic Climate

The economic climate has had a significant impact on all aspects of the national and local economy.

Inflationary pressures, interest rates, reductions in funding and demographic changes all influence the costs incurred and income raised by the Council, these together with new legislative and policy pressures, and tougher regulatory and inspection regimes imposed by the Government have to be considered alongside the Councils own local priorities.

These factors will continue to impose significant budgetary pressure on the Council. The development of Powys' financial strategy will identify further service efficiencies, some of which are transformational, however it will become increasingly difficult to avoid some impact on front line service delivery as the Council prepares for further testing challenges ahead.

The Commentaries on our Revenue and Capital Budgets within this Foreword provides more detailed information on our spending and funding plans.

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 Service Reporting Code of Practice (SeRCOP), 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 4.

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 unaudited accounts of the Welsh Church Acts Fund are set out below. These accounts do not form part of the Authority's consolidated accounts.

REVENUE ACCOUNT	2011/12 £`000	2012/13 £`000
Income from Sale of Land	0	-80
Investment Income	-54	-75
Rents	-4	-4
Unrealised Profit (-) / Loss (+) on Investments	13	-172
Increase (-) / Decrease (+) in Value Of Land	-110	64
TOTAL INCOME	-155	-267
Grants	3	0
Administration	39	26
TOTAL EXPENDITURE	42	26
Surplus (-) / Deficit (+) for the Year	-113	-241
Fund Balance Brought Forward	-2,092	-2,205
FUND BALANCE CARRIED FORWARD	-2,205	-2,446

BALANCE SHEET	2011/12 £`000	2012/13 £`000
Land and Buildings	388	324
Investments	1,800	1,971
TOTAL FIXED ASSETS	2,188	2,295
Debtors	23	25
Creditors	-4	-2
Bank	-2	128
NET ASSETS	2,205	2,446
FUND SURPLUS	2,205	2,446

Rhayader Leisure Centre Trust Fund

Rhayader Leisure and Community Centre was established as a charitable trust on 1st 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.

	Original 2011/12 £`000	Revised 2011/12 £`000	2012/13 £`000
Income	-414	-410	-402
Expenditure	406	406	416
(Surplus)/Deficit For The Year	-8	-4	14
Fund Brought Forward	-24	-24	-28
Fund Carried Forward	-32	-28	-14

The 2011/12 comparatives have been restated to those appearing in the Trust Funds audited accounts to aid comparison. The 12/13 results had not been audited at the time of this report.

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

Future Developments

2013/14 Revenue Budget

The budgeted revenue spend for 2013/14 has been set at £248,238k. The approved use of the budget is as follows:

Summary	2013/14 Base Budget £`000	%
Care And Well Being		
Adult Services And Commissioning	52,630	21.2%
Children's Services	16,754	6.7%
Housing And Public Protection	931	0.4%
Communities, Skills, Learning		
Schools And Inclusion	99,091	39.9%
Leisure And Recreation	12,951	5.2%
Regeneration And Development	4,257	1.7%
Finance And Infrastructure		
Business Performance Unit	(4)	0.0%
Finance	475	0.2%
Local And Environmental Service	30,553	12.3%
Corporate Activities	25,488	10.3%
Law And Governance		
Legal, Scrutiny And Democratic	3,498	1.4%
Information And Customer Service	685	0.3%
Human Resources	929	0.4%
TOTAL NET EXPENDITURE	248,238	100%

The table above is based on the Service Directorates detailed in the Authority's budget book rather than the SeRCOP classification on page 24.

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

Medium Term Financial Plan

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

		2013/14	2014/15	2015/16
		£'000	**£'000**	**£'000**
Net Budget		233,975	247,494	246,151
Grants Transferred				
LD Resettlement		2,073		
Post 16 SEN		132		
Post 16 Special Schools & SEN Out of County		1,154		
Appetite for Life		103		
Blue Badge Scheme		17		
School Counselling		191		
School Breakfasts		634		
Local Govt Borrowing Initiative		641		
Reserve Replenishment		500		
New Responsibility		8,076	1,043	1,486
Reserves				560
Protection		2,708	842	
Inflation		1,237	1154	1,946
Budget Pressures				
Adult Social Care		9,319		
Reduction in Grants		1,054		
Demographics			2,724	3,175
Supporting People			302	
Affordable Housing		63		
Discretionary Housing Payments - 50%		50		
Homelessness		27		
Members Allowances		15		
Home to school Transport		600		
School Savings not achieved		195		
School Energy Savings		52	52	
Borrowing		326	72	96
School Modernisation		326	72	96
Increase in School Roll			264	140
Leisure Maintenance & Repair		967	189	
Leisure Alternative Model		140	30	273
Other Leisure costs		151	50	
Regeneration				10
Income Shortfall - Planning and Building Regs		433		
Income Shortfall - Workshops		100		
Public Transport		700		
Waste Management		1,575		
Land Fill Tax		171	158	
Income Shortfall - Car parks		500		
Traffic Regulations Orders		40		
Realignment of Recharges		118		
Wind Farms		1,400		
Reserves for Wind Farms		-1,400		
Auto Enrolment Pension Scheme		1,118		

		2013/14	2014/15	2015/16
		£'000	**£'000**	**£'000**
Savings				
Reduction in School Roll		-704	-736	-717
Property Restructure		-25		
Reduce CO2		-105	-105	
Technical Surveys		-100		
Statutory Testing		-100		
Central Wales Infrastructure Collaboration		-76		
Staff Structure Public Protection		-30		
Cleaning Service Manager		-10		
Alternative Models		-7		
Asset Transfer		-24	-17	-18
CYPP		-16		
Review of Complimentary Education		-90		
Housing Services		-13		
Paperless Powys		-145	-86	
Lease Care Scheme		-150		
Insurance		-99		
School Modernisation		-651	-144	-192
Fleet		-200		
School Redundancy Costs		-100		
Wind Farms			700	
Reserves for Wind Farms			-700	
Dyslexia Support			-35	
Waste Management			-750	-300
Regeneration			-100	
Leisure Maintenance & Repair			-245	
Headcount Efficiencies		-3,836	-1,195	
Management Restructures		-550		
Shared Use of Facilities		-15		
Property Related		-56		
Community Ownership of Facilities		-246		
Income Raising		-453		
Transport and Travel		-1,105		
Service Specific Reductions				
Adults and Commissioning		-7,246	-1,157	
Housing		-36	-160	-23
Legal		-10	-58	-291
Members		-15		
Human Resources			-93	-486
Customer services & ICT		-235	-412	-57
Schools Service		-635	-1,435	-1,126
Leisure & Recreation		-1,384	-344	-720
Regeneration		-251	50	
Finance			-218	-218
BPU			-655	-655
Local Environmental Services		-2,150	-400	-650
Auto Enrolment - Defer Implementation		-1,118		
Total Budget		**247,494**	**246,151**	**248,480**
Funded by:				
Welsh Government		**191,390**	**190,666**	**184,374**
Council Tax		**56,848**	**58,269**	**59,726**
Total Funding		**248,238**	**248,935**	**244,100**
Surplus/(Deficit)		**744**	**2,784**	**-4,380**

Inflation

Inflation has been provided to fund an expected 1% pay award with further provision for inflationary pressures such as utilities, fuel, rates, transport and catering provisions. Schools and Social Care budgets have not been included in this provision as it is assumed these services will meet these costs from the protection provided.

Medium Term Financial Plan

The budget for 2013/14 has increased by £ 14.263m, funding provided to meet areas of new responsibility, improve and modernise services, and to fund cost pressures across some services totals £35.505m, this is a significant level of funding and in order to produce a balanced budget, efficiencies and savings of £21.985m have been identified.

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 investment priorities for 2013/14 include the following:

- £8.031m New Responsibilities – Council Tax Support which replaces DWP funded Council Tax Benefit Scheme
- £10.35m Adult Social Care
- £326k Reinvestment of Modernisation Savings in Schools
- £326k Borrowing for Capital Investment in Schools
- £139k Housing Service
- £295k Schools Service
- £533k Regeneration and Development
- £200k Transport
- £1.346m Waste Management
- £500k Car Park Income Shortfall
- £225k Other investment <£125k each

Within the settlement announcement, the Welsh Government (WG) indicated that it expects Councils to protect funding for Schools and Social Services at 2.08% above the level of the settlement that it received from London. In 2013/14, this protection is equivalent to £1.365m for Schools and £1.343m for Social Services.

Efficiencies and Savings

The overall funding from WG and Council Tax and one off use of reserves is not sufficient to deliver the level of additional funding as set out above.

Efficiencies and Savings of £21.985k have been identified as follows:

- £7.246m Adult & Commissioning
- £4.386m Head Count Efficiencies
- £704k Falling School Roll
- £651k School Modernisation
- £300k Fleet Services
- £453k Income Generation
- £246k Community Ownership of Facilities
- £3.858m Head of Service Savings
- £150k Lease Car Scheme Changes
- £200k Statutory Testing
- £3.791m Cost Mitigation

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

Budget Summary
The table below summarises the Council's base budget for 2013/14.

	£'000
Base Budget B/F	233,975
Inflation And Repricing	1,237
Protection of School budgets	1,365
Protection of Adult Services budgets	1,343
Grant Transfers Into Budget	4,944
Investments / Growth	18,539
Efficiencies And Savings	-21,985
Reserves	744
Total Base Budget	248,238
Funded By	
Aggregate External Funding	190,666
Council Tax	56,848
Special Grant	724
	248,238

Capital Budget Overview 2013/14

The Council has sought to protect the level of capital investment in the County. It is important that the Council continues to renew its core infrastructure, such as schools and housing, in spite of large cuts by Central Government. The Council is also aware that much of its capital investment is spent with businesses within Powys or its near neighbours. Maintaining the capital programme has a significant regeneration impact on the economy of Powys alongside the direct effect of better infrastructure to deliver services from.

The Council receives a core capital allocation from Welsh Government. This allocation has fallen to £7.594m in 2013/14, a reduction of £1.67m from 2012/13.

The capital programme for 2013/14 shows a budget of £51.9m. This includes the continuing investment in our schools with projects in the Gwernyfed Catchment and the Severn Valley Welsh Medium School. It also includes a £14m investment in our own housing stock as part of the business plan to meet the Welsh Housing Quality Standard. The impact of this programme, both on the infrastructure of the County and its economy cannot be under-estimated.

Overall Funding

For 2013/14 the capital programme will be funded by using £8.7m supported borrowing, £10.8m unsupported borrowing, £9.9m Grants, £2m Capital receipts and £20.5m from capital reserves and revenue.

The main items in the capital programme over the three year period are as follows:

- £44.8m Schools Modernisation
- £43.8m Housing Revenue Account to enable the housing stock to reach the Welsh Housing Quality Standard.
- £9.1m Private Sector Housing, including Disabled Facilities Grants, CO_2 Home Energy Efficiency and Landlord Grants/Loans, and Brecon Gypsy & Traveller Site
- £20.6m Local Environmental Services
- £12.2m To renew vehicles
- £1.7m ICT modernisation in line with the Council's ICT Strategy
- £1.4m Sports and Leisure Services
- £4.5m Regeneration and Development
- £1.6m Other Service Areas
- £1.5m To be allocated for Local Capital Schemes

Prioritising Investment

A Corporate approach has been taken to capital investment decisions, with the allocation of resources and prioritisation of projects being fully justifiable in terms of policy priorities and a clear treatment of the relationship between the use of capital and revenue.

The Asset Management Plan details the number and condition of all the buildings the Council maintains. Stock condition surveys are evaluated against the long-term plans for various buildings and resources are allocated accordingly.

Prioritisation will also take account of legislative requirements, for example Disability Discrimination Act and service delivery provision.

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 ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Strategic Director - 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 Audit Committee on the.

Signature:

Audit Committee Chairman

Strategic Director of Resources Responsibilities

The Strategic Director - Resources 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"). These accounts are required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year.

In preparing this Statement of Accounts, the Strategic Director - Resources 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 - Resources 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 - Resources on the Accounts of Powys County Council and Powys County Council Pension Fund for 2012/13.

I certify that the accounts set out on pages 1 to 145 present a true and fair view of the financial position of Powys County Council and the Powys County Council Pension Fund as at 31st March 2013 and its income and expenditure for the year then ended.

Signature: G Petty   Date: 28th June 2013

G Petty Strategic Director – Resources

MOVEMENT IN RESERVES STATEMENT

	Council Fund	Earmarked Reserves (Note 8)	HRA	Capital Receipts	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 26)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2011	**8,388**	**34,681**	**3,575**	**14,753**	**1,689**	**63,086**	**142,269**	**205,355**
Movement In Reserves During 2011/12								
Surplus Or (Deficit) On Provision Of Services	20,270					20,270		20,270
Other Comprehensive Expenditure And Income						0	-44,295	-44,295
Total Comprehensive Expenditure And Income	20,270	0	0	0	0	20,270	-44,295	-24,025
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	-16,510	0	-1,537	-1,288	4,926	-14,409	14,409	0
Net Increase/Decrease Before Transfers To Earmarked Reserves	3,760	0	-1,537	-1,288	4,926	5,861	-29,886	-24,025
Transfers To/From Earmarked Reserves	-3,805	2,148	2,385	-728	0	0	0	0
Increase/Decrease (Movement) In Year	-45	2,148	848	-2,016	4,926	5,861	-29,886	-24,025
Balance At 31 March 2012 Carried Forward	**8,343**	**36,829**	**4,423**	**12,737**	**6,615**	**68,947**	**112,383**	**181,330**
Movement In Reserves During 2012/13								
Surplus Or (Deficit) On Provision Of Services	-9,889					-9,889		-9,889
Other Comprehensive Expenditure And Income						0	-1,349	-1,349
Total Comprehensive Expenditure And Income	-9,889	0	0	0	0	-9,889	-1,349	-11,238
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	5,522	0	313	-1,286	-4,862	-313	313	0
Net Increase/Decrease Before Transfers To Earmarked Reserves	-4,367	0	313	-1,286	-4,862	-10,202	-1,036	-11,238
Transfers To/From Earmarked Reserves	9,168	-12,458	3,287	0	3	0	0	0
Increase/Decrease (Movement) In Year	4,801	-12,458	3,600	-1,286	-4,859	-10,202	-1,036	-11,238
Balance At 31 March 2013 Carried Forward	**13,144**	**24,371**	**8,023**	**11,451**	**1,756**	**58,745**	**111,345**	**170,090**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2012/13

2011/12				2012/13		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£`000	£`000	£`000		£`000	£`000	£`000
11,968	-9,779	2,189	Central Services To The Public	12,720	-9,940	2,780
52,057	-20,885	31,172	Cultural, Environmental And Planning	67,370	-31,292	36,078
156,636	-36,454	120,182	Education And Children's Services	156,373	-37,220	119,153
39,221	-22,371	16,850	Highways Roads And Transport	42,212	-23,753	18,459
			Housing Services:			
33,145	-31,406	1,739	- General	32,887	-31,213	1,674
20,051	-19,698	353	- Housing Revenue Account	20,398	-20,597	-199
66,865	-22,767	44,098	Adult Social Services	74,886	-26,151	48,735
13,948	-8,584	5,363	Corporate And Democratic Core	15,425	-5,014	10,411
3,173	-2,238	935	Non Distributed Costs	2,859	-2,043	816
397,064	-174,182	222,881	**Cost Of Services**	425,130	187,223	237,907
		19,060	Other Operating Expenditure (Note 9)			18,573
		10,425	Financing and Investment Income and Expenditure (Note 10)			11,045
		-272,636	Taxation and Non Specific Grant Income Operations Not Included in Net Cost Of Services (Note 11)			-257,636
		-20,270	**(Surplus)On Provision Of Services**			9,889
		579	Deficit on Revaluation of Property, Plant And Equipment Assets (Note 26)			-10,709
		6	Deficit on Revaluation of Available For Sale Financial Assets			-131
		43,710	Actuarial Losses on Pension Assets/Liabilities (Note 26)			12,190
		44,295	**Other Comprehensive Income And Expenditure**			1,350
		24,025	**Total Comprehensive Income And Expenditure**			11,239

BALANCE SHEET

	Note	31 March 2012 £`000	31 March 2013 £`000
Property, Plant And Equipment	12	530,950	564,021
Heritage Assets	13	1,340	1,350
Investment Property	14	376	385
Intangible Assets	15	2,431	2,703
Long Term Investments	18	3,865	4,800
Long Term Debtors	18	684	1,931
LONG TERM ASSETS		539,646	575,190
Short Term Investments	18	29,956	5,685
Assets Held For Sale	22	48	98
Inventories	19	1,307	988
Short Term Debtors	20	28,006	33,170
Cash And Cash Equivalents	21	13,826	5,096
CURRENT ASSETS		73,143	45,037
Bank Overdraft	21	-8,798	-4,944
Short Term Borrowing	18	-1,694	-4,222
Short Term Creditors	23	-34,444	-43,117
Capital Grant Receipts In Advance	38	-3,583	-2,253
CURRENT LIABILITIES		-48,519	-54,536
Provisions	24	-10,464	-8,462
Long Term Borrowing	18	-146,396	-146,189
Liability Related To Defined Benefit Pension	44	-226,080	-240,950
LONG TERM LIABILITIES		-382,940	-395,601
NET ASSETS		181,330	170,090
Usable Reserves	25	68,947	58,745
Unusable Reserves	26	112,883	111,345
TOTAL RESERVES		181,330	170,090

CASH FLOW STATEMENT

	Note	2011/12 £`000	2012/13 £`000
OPERATING ACTIVITIES			
Cash Outflows			
Cash Paid To And On Behalf Of Employees		166,210	181,284
Other Operating Cash Payments		111,037	122,504
Housing Benefit Paid Out		15,405	16,405
Precepts And Levies Paid		20,167	20,740
Interest Paid		6,874	6,850
		319,693	347,783
Cash Inflows			
Rents (After Rebates)		-8,507	-8,832
Council Tax Income		-59,478	-61,773
National Non-Domestic Rate Receipts From Pool		-31,412	-36,210
Revenue Support Grant		-148,025	-141,772
DWP Grants For Benefits		-24,093	-26,519
Other Government Grants	30	-48,807	-52,988
Cash Received For Goods And Services		-21,052	-20,912
Interest Received		-554	-501
		-341,928	-349,507
NET CASH (INFLOW) FROM OPERATING ACTIVITIES		-22,235	-1,724
INVESTING ACTIVITIES	28	43,969	15,021
FINANCING ACTIVITIES	29	-21,946	-8,421
(DECREASE)/INCREASE IN CASH		212	-4,876
Cash at 01 April		4,815	5,028
Cash Balance at 31 March	21	5,028	152

1. ACCOUNTING POLICIES

i. General principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013 on a going concern basis. 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 2012/13 and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS).

The objective of the accounts is to provide information about the financial position, performance and cash flows in a way that meets the 'common needs of most users'. It will explain the financial facts rather than comment on the policies of the Authority and also has the aim of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them.

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 has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance 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. No loans, long term deposits or investments have been included in the opening or closing cash balances. These are separately disclosed.

Powys, under its Treasury Management Strategy, can hold fairly substantial amounts in call accounts and Money Market Funds at any one time but not all of this would be to meet short term cash flow requirements. As such, an appropriate split the total between cash/cash equivalents and investments is made based on short term needs.

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 officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to 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.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes, The Local Government Pensions Scheme and the Teachers Pension Scheme. The accounting policies for these are provided in Notes 44 & 45.

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 is not adjusted to reflect such events but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

x. 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.

xi. 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.

xii. 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.

xiii. 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.

xiv. 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. Properties under operating lease will not be held for investment.

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 the capital receipts reserve for any sale proceeds greater than £10,000.

xv. Jointly controlled operations and jointly controlled assets
Jointly controlled operations are activities undertaken by the authority in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs. It also debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other ventures, with the assets being used to obtain benefits for the ventures. 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.

xvi. 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 than 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 leased 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.

xvii. 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:

Intangible assets 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 assets 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.

Tangible assets 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.

Depreciation & Amortisation
All tangible fixed assets other than land have been depreciated on a straight line basis using the following methods:

	Years
Operational Buildings	50
Garages	40
Mobile Offices/Portacabins	20
Council Dwellings	50
Vehicles, plant, equipment and fittings	5,7,10
Infrastructure	50
Surplus	50
Intangible	7

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

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 cost. 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.

Impairment
The value of each category of fixed assets is reviewed at the year end to establish if there has been a material change in value during the period. If an impairment loss on a fixed asset occurs it will be recognised and treated in accordance to the treatment prescribed by the Code of Practice. This treatment is:

(i) Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset, the impairment loss is charged against that balance until it is used up.

The loss debited to the Revaluation Reserve is recognised in Other Comprehensive Income and Expenditure as a reduction in the net worth of the Authority, and is presented in the Comprehensive Income and Expenditure Statement.

(ii) Thereafter, or if there is no balance of revaluation gain (ie the asset is being carried at depreciated historical cost), the impairment loss is charged against the relevant service line(s) in the Surplus or Deficit on the provision of Services in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Heritage Assets

The code of practice has required that all heritage assets are valued and recognised in the statement of accounts under non current assets as far as it is practicable to establish a valuation for the asset. A key feature of Heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important. Heritage assets are maintained principally for their contribution to knowledge; it is this that distinguishes them from other assets.

The significant items held in the museums are recorded in the Authority's Asset Register. The values are based on a valuation undertaken in 2008/09. A number of Memorials are also recorded in the Asset Register and are valued on a 5 year rolling cycle.

Heritage Assets are not depreciated because the assets do not wear out over time. The assets will be considered for any economic impairment from deterioration as part of the impairment review.

Some assets have not been included in the Statement of Accounts. These include:

Ancient Monuments	7
War Memorials	11
Clock Towers	3

The ownership of these assets is uncertain. However, they are on the Authority's land and therefore should be disclosed.

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 de-recognition 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.

xviii. Private finance initiative (PFI) and similar contacts
The Authority has no such arrangements.

xix. 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.

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.

xx. 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.

xxi. 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 Service Reporting Code of Practice. 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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Account as part of the Net Cost of Services.

xxii. 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
- Usable 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.

xxiii. 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, 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 de-recognition 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 de-recognition 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).

xxiv. 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.

xxv. 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 the Comprehensive 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 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 Movement In Reserves Statement.

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

xxvi. Calculating fair value for financial instruments
The fair value of an instrument is determined by calculating the net present value (NPV) 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.

Complexities of the NPV calculation

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 instalment. This means that an adjustment needs to be made to each discount factor in order to take account of the timing inequality.

Evaluation of PWLB debt

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.

Inclusion of accrued interest

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.

Discount rates used in NPV calculation

The rates used were obtained by our advisors from the market on 31st March using bid prices where applicable.

Assumptions

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.

xxvii. 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 grants receivable at year end.

xxviii. 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.

xxix. 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 usable reserves when there are no conditions attached. Grants and contributions unspent that have conditions attached that will require repayment are treated as a liability.

xxx. Non Current assets held for sale

If an asset is actively marketed for disposal, is available for immediate disposal and there is a high probability that it will be disposed then a non current asset will be transferred from its current classification to assets held for sale. If it is highly probable that the capital receipt will be received within one year, then the asset will be classified under current assets. The value transferred will be the lower of the carrying amount and fair value less the costs to sell. Depreciation is not charged.

xxxi. Landfill Allowances

Landfill allowances, whether allocated or purchased, are recognised as current assets and valued at fair value. Allowances allocated by Government are accounted for as a Government Grant. After initial recognition, allowances are measured at the lower of cost and net realisable value.

As allowance is used, a liability and expense is recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty (or by a combination of both). The liability is discharged at the best estimate of the expenditure required to meet the obligation; normally the market price of the number of allowances required to meet the liability at the reporting date. Any penalty will be measured at the cost of the penalty.

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

The Code has introduced several changes in accounting policies which will be required from 1 April 2013.

A revised IAS 19 will come into force for accounting periods beginning on or after 1 January 2013. If this revised IAS19 were adopted for the accounting period ending 31 March 2013 then this will increase the expenses recognised for funded benefits from £18.89m to £24.96m. There is no effect on the balance sheet.

IAS 1 - Presentation of Financial Statements - This standard was amended in 2011 and the changes which relate to the presentation of gains and losses on revaluations currently shown within Other Comprehensive Income and Expenditure. As these changes are presentational there is no impact on the reported amounts.

Changes to other standards including IFRS 7 - Financial Instruments and IAS12 - Income Taxes are unlikely to have any material impact on the accounts.

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 IAS19 pension cost calculations in note 44 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.

- Provisions are made when clear and accurate information is available to do so. In the absence of this, creating a provision may be misleading and could have significant financial implications. This is particularly the case in respect of the Councils future obligations in respect of landfill sites. In this case there is uncertainty regarding a professional assessment in relation to the quantum of such costs and their timing, as well as the implications of accounting approach and their related financial impact. Further information is contained in the relevant section of the accounts, with the Council working to develop the requirements and implications during 2013/14.

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 2013 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 within Land and Buildings would increase by £155k for every year that useful lives had to be reduced.
Provisions	The Authority has made a provision 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, 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 pension's 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 £53.81m. However, the assumptions interact in complex ways. During 2012/13, the Authority's Actuaries advised that the net pension's liability had decreased by £0.75m as a result of estimates being corrected as a result of experience and increased by £39.2m attributable to updating of the assumptions.

Item	Uncertainty	Effect if assumptions differ from actual
Arrears	At 31 March 2013, the Authority had a balance of sundry debtors invoiced of £8.3m A review of significant balances suggested that an impairment of doubtful debts of £1.6m was appropriate. Council Tax arrears stand at £3.3m. A review of significant balances suggested that an impairment of doubtful debts of £0.7m was appropriate based on the 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 £2.3m to be set aside as an allowance. However, very little debt is historically written off as disclosed in note 48.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

£752k (2011/12 £2,448k) was paid in redundancy costs with an additional £265k (2011/12 £480k) 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 Strategic Director - Resources on 28th June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. 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.

2012/13 Transactions	**Usable Reserves**				
	Council 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	-10,830	-2,273			13,103
Amortisation of Intangible Assets	-500				500
Impairment	-1,291	-2,188			3,479
Capital grants and contributions applied	8,879	3,700			-12,579
Revenue expenditure funded from capital under statute	-5,463				5,463
Revaluation losses on Property Plant and Equipment	-6,452	-14			6,466
Revaluation Loss on Assets Held for Sale	-179				179
Change in Market Value Investment Property	9				-9
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	-639	-168			807
Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:					
Statutory provision for the financing of capital investment	5,787	287			-6,074
Capital expenditure charged against the Council Fund and HRA balances	4,682	69			-4,751
Adjustments primarily involving the capital grants unapplied account:					0
Capital grants and contributions unapplied credited to the Comprehensive Income And Expenditure Statement					0
Transferred from Capital Grants in advance	316			-316	0
Grants Applied	63			5,178	-5,241
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	958	531	-1,171		-318
Use of the capital receipts reserve to finance new capital expenditure			2,724		-2,724

2012/13 Transactions	Usable Reserves				
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Contribution from the capital receipts reserve towards administrative costs of non current asset disposals		-53	53		
Deferred Capital Receipts upon receipt of cash			-320		320
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	1,483				-1,483
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	-214	-135			349
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)	-18,447	-443			18,890
Employer's pensions contributions and direct payments to pensioners payable in the year	15,834	376			-16,210
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	482	-2			-480
Total Adjustments	**-5,522**	**-313**	**1,286**	**4,862**	**-313**

2011/12 Transactions	**Usable Reserves**				
	Council 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	-10,279	-2,279			12,558
Amortisation of Intangible Assets	-442				442
Impairment	-1,386	-1,319			2,705
Capital grants and contributions applied	16,414	3,713			-20,127
Revenue expenditure funded from capital under statute	-2,178				2,178
Revaluation losses on Property Plant and Equipment	-2,812				2,812
Change in Market Value Investment Property	-101				101
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	-1,978	-123			2,101
Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:					
Statutory provision for the financing of capital investment	6,315	295			-6,610
Capital expenditure charged against the Council Fund and HRA balances	5,901	1,337			-7,238
Adjustments primarily involving the capital grants unapplied account:					
Capital grants and contributions unapplied credited to the Comprehensive Income And Expenditure Statement	5,133			-5,133	0
Transferred from Capital Grants in advance	802			-802	
Grants Applied				1,009	-1,009
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	2,731	212	-2,813		-130
Use of the capital receipts reserve to finance new capital expenditure			4,126		-4,126
Contribution from the capital receipts reserve towards administrative costs of non current asset disposals		-50	50		0

2011/12 Transactions	Usable Reserves				
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Deferred Capital Receipts upon receipt of cash			-75		75
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	322				-322
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	-48	-239			287
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)	-16,989	-342			17,331
Employer's pensions contributions and direct payments to pensioners payable in the year	16,005	335			-16,340
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	-466	-3			469
Total Adjustments	16,944	1,537	1,288	-4,926	-14,843

8. TRANSFERS TO/FROM EARMARKED RESERVES

Reserve Name	At 01.04.11	Transfers Between Reserves	Transfer to/ (from) Reserves	At 31.03.12	Transfers Between Reserves	Transfer to/ (from) Reserves	At 31.03.13
	£`000	£`000	£`000	£`000	£`000	£`000	£`000
Restricted Use And Non Transferable							
Schools Reserve	1,768	0	-545	1,768	-3	836	2,601
Insurance Reserve	2,944	0	521	2,944	-204	-212	2,528
Corporate Initiative Reserve	7,712	0	2,260	7,712	-3	-5,258	2,451
	12,424	**0**	**2,236**	**12,424**	**-210**	**-4,634**	**7,580**
Committee Specific Reserves							
Carried Forward Reserves	10,792	-1,731	-2,171	10,792	-1,156	-6,398	3,238
Repairs And Renewals Revenues	18	-451	-170	18	0	-9	9
Revenue Grants Unapplied	881	0	212	881	0	-244	637
21st Century Schools	7,091	7,091	0	7,091	0	-1	7,090
Transport Reserve	3,602	0	-2,207	3,602	0	79	3,681
Economic Development Fund	169	-38	29	169	40	-97	112
Invest To Save	400	-349	-373	400	409	-198	611
Other Reserves	688	0	-89	688	0	-39	649
Business Rates Revaluation	764	0	159	764	0	0	764
	24,405	**4,522**	**-4,610**	**24,405**	**-707**	**-6,907**	**16,791**
	36,829	**4,522**	**-2,374**	**36,829**	**-917**	**-11,541**	**24,371**

Business Rates Revaluation Reserve
Monies built up from appeals made and then refunded against rates paid on our corporate buildings.
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. Each reserve must have a business case with a timetable of planned use that justifies its inclusion as a carry forward.
Corporate Initiative Reserve
Balance of unspent money for specific initiatives and one off Authority wide projects and costs. Currently, this mainly comprises money set aside to fund the Authorities Job Evaluation exercise which is being implemented from the 1st April 2013.
Economic Development Fund
Specifically to fund economic development within Powys.
Insurance Reserve
To mitigate the effect of large claims against the Authority
Invest To Save
Funds can be borrowed by departments to fund money saving schemes.
Other Reserves
A total of accumulated balance made up from smaller reserves.
Repairs and Renewals
Reserves set up by Directorates to fund future repairs expenditure.
Revenue Grants Unapplied
Grants received but that have not been utilised that do not have to be repaid to the Grantor.
School Reserves
Total representing the funds available and ringfenced to specific schools.
21st Century Schools
Specifically to help finance the Schools Modernisation Programme.
Transport Reserve
Specifically to fund vehicle replacement.

9. OTHER OPERATING EXPENDITURE

	2011/12 £`000	2012/13 £`000
Precepts		
Community Council Precepts	1,918	1,971
Dyfed Powys Police Precept	11,073	11,726
Levies		
Mid And West Wales Fire Authority	6,507	6,336
Brecon Beacons National Park	630	666
Powysland Internal Drainage Board	39	39
Gains On The Disposal Of Non-Current Assets	-785	-682
Transfer To Deferred Credits - Landlord Loans	-322	-1,483
	19,060	18,573

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2011/12 £`000	2012/13 £`000
Interest Payable And Similar Charges	6,905	6,543
Pensions Interest Cost And Expected Return On Pensions Assets	4,910	4,990
Interest Receivable And Similar Income	-852	-639
Impairment Of Financial Instruments	0	23
Income And Expenditure In Relation To Investment Properties And Changes In Their Fair Value (Note 14)	28	-14
Surplus Or Deficit On Trading Accounts (Note 31)	-566	142
	10,425	11,045

11. TAXATION AND NON SPECIFIC GRANT INCOMES

	2011/12 £`000	2012/13 £`000
Council Tax Income	67,625	69,856
Non Domestic Rates	31,412	36,210
Non-Ringfenced Government Grants	148,025	141,772
Capital Grants And Contributions	25,574	9,798
	272,636	257,636

12. PROPERTY, PLANT AND EQUIPMENT

Movement In 2012/13	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 01 April 2012	**162,449**	**299,167**	**62,303**	**98,623**	**1,226**	**4,362**	**19,305**	**647,435**
Additions	5,607	20,218	4,710	8,445	117	0	7,350	46,447
Donations	0	0	0	0	0	0	0	0
Accumulated Dep'n & Impairments Written Off to GCA	0	-10,452	0	0	0	-6	0	-10,458
Revaluation increases recognised in the revaluation reserve	0	19,743	0	0	10	0	0	19,753
Revaluation decreases recognised in the revaluation reserve	0	-4,096	0	0	-1	-42	0	-4,139
Revaluation increases recognised in the surplus on the provision of services	0	31	0	0	0	0	0	31
Revaluation decreases recognised in the surplus on the provision of services	0	-6,463	0	0	-5	-30	0	-6,498
Derecognition - disposals	-198	-464	-2,397	0	0	-55	0	-3,114
Derecognition - other	0	0	0	0	0	0	0	0
Reclassification (to)/from held for sale	0	0	0	0	0	-279	0	-279
Other movements	0	16,401	0	-367	0	1,091	-17,125	**0**
At 31 March 2013	**167,858**	**334,085**	**64,616**	**106,701**	**1,347**	**5,041**	**9,530**	**689,178**

Accumulated Depreciation								
At 01 April 2012	**-9,142**	**-18,219**	**-47,422**	**-13,774**	**0**	**-136**	**0**	**-88,693**
Depreciation charge	-2,263	-5,516	-3,329	-1,921	0	-75	0	-13,104
Depreciation written through revaluation reserve	0	5,189	0	0	0	6	0	5,195
Depreciation written through deficit on the Provision of Services	0	1,615	0	0	0	0	0	1,615
Derecognition – disposals depreciation	13	56	2,251	0	0	0	0	2,320
Derecognition – other depreciation	0	0	0	0	0	0	0	0
Reclassified (to)/from held for sale	0	0	0	0	0	0	0	0
Other movements	0	18	0	2	0	-3	-17	0
At 31 March 2013	**-11,392**	**-16,857**	**-48,500**	**-15,693**	**0**	**-208**	**-17**	**-92,667**

Movement In 2012/13	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Impairment								
At 01 April 2012	**-18,934**	**-8,810**	**-14**	**-29**	**0**	**2**	**0**	**-27,785**
Impairment charge (revaluation) recognised in the revaluation reserve	0	2,823	0	0	0	0	0	2,823
Impairment charge(revaluation) recognised in the surplus/deficit on the provision of services	0	825	0	0	0	0	0	825
Impairment losses/(reversals) recognised in the Revaluation Reserve	-3,326	-1,582	0	0	0	0	0	-4,908
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	-2,189	-1,291	0	0	0	0	0	-3,480
Derecognition – disposals Impairment	16	19	0	0	0	0	0	35
Other movements	0	140	0	0	0	0	-140	0
At 31 March 2013	**-24,433**	**-7,876**	**-14**	**-29**	**0**	**2**	**-140**	**-32,490**
Net Book Value								
At 31 March 2013	**132,033**	**309,352**	**16,102**	**90,979**	**1,347**	**4,835**	**9,373**	**564,021**
At 31 March 2012	**134,373**	**272,138**	**14,867**	**84,820**	**1,226**	**4,228**	**19,305**	**530,957**

Comparative Movements in 2011/12:

Movement In 2011/12	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 01 April 2011	**156,124**	**296,650**	**58,055**	**93,828**	**1,507**	**2,606**	**4,661**	**613,431**
Additions	6,450	4,861	6,541	4,394	38		16,528	38,812
Donations								
Accumulated Dep'n & Impairments Written Off to GCA		-3,034			-1	-50		-3,085
Revaluation increases recognised in the revaluation reserve		5,051		1	1,068	325		6,445
Revaluation decreases recognised in the revaluation reserve		-151			-35	-44		-230
Revaluation increases		231			13	55		299

Movement In 2011/12	**Council Dwellings**	**Other Land and Buildings**	**Vehicles Plant and Equipment**	**Infrastructure**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
recognised in the surplus on the provision of services								
Revaluation decreases recognised in the surplus/deficit on the provision of services		-2,949		-9	-8	-145		-3,111
Derecognition - disposals	-125	-1,047	-2,293			-323		-3,788
Derecognition - other								0
Reclassification (to)/from held for sale						10		10
Other movements		-445	-1	408	-1,356	1,927	-1,884	**-1,351**
At 31 March 2012	**162,449**	**299,167**	**62,302**	**98,622**	**1,226**	**4,361**	**19,305**	**647,432**
Accumulated Depreciation								
At 01 April 2011	**-6,868**	**-14,820**	**-46,704**	**-11,930**	**-154**	**-87**	**0**	**-80,563**
Depreciation charge	-2,278	-5,664	-2,708	-1,845		-63		-12,558
Depreciation written through revaluation reserve		1,702				42		1,744
Depreciation written through deficit on the Provision of Services		427				7		434
Derecognition – disposals depreciation	4	84	1,990			17		2,095
Derecognition – other depreciation								
Reclassified (to)/from held for sale								
Other movements		52		1	154	-52		155
At 31 March 2012	**-9,142**	**-18,219**	**-47,422**	**-13,774**	**0**	**-136**	**0**	**-88,693**
Accumulated Impairment								
At 01 April 2011	**-12,498**	**-6,607**	**-14**	**-29**	**0**	**-2**	**0**	**-19,150**
Impairment reversals recognised in the revaluation reserve		733			1	1		735
Impairment reversals (revaluation) recognised in the surplus on the provision of services		172						172
Impairment losses recognised in the Revaluation Reserve	-5,132	-1,768						-6,900
Impairment losses recognised in the surplus on the provision of services	-1,318	-1,386						-2,704
Derecognition – disposals Impairment	14	44						58

Movement In 2011/12	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other movements		1			-1			
At 31 March 2012	-18,934	-8,811	-14	-29	0	-1	0	-27,789
Net Book Value								
At 31 March 2012	134,373	272,137	14,866	84,819	1,226	4,224	19,305	530,950
At 31 March 2011	136,758	275,223	11,337	81,869	1,353	2,517	4,661	513,718

The non-current assets above do not include the 18 controlled faith schools or the 8 aided faith schools. £906k of assets transferred to surplus in 2012 were declared surplus in the previous year.

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 31st March 2013, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2013/14 and future years budgeted to cost £497k. Similar commitments at 31st March 2012 were £21,414k. The major commitments are:

	£`000s
Vehicle Purchase (Housing & MCE)	497

In addition, there was an outstanding commitment of £501k in respect of private sector housing at 31st March 2013.

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 fair values of Property, Plant and Equipment:

	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		23,549	64,591	106,701	1,347	19	9,530	205,737
Valued at fair value:								
31-Mar-13	5,607	74,501				793		80,901
31-Mar-12	6,450	29,050				1,677		37,178
31-Mar-11		52,173				434		52,608
31-Mar-10		104,746				663		105,409
31-Mar-09	155,801	50,065				1,454		207,320
	167,858	334,085	64,591	106,701	1,347	5,041	9,530	689,153

13. HERITAGE ASSETS - Tangible

	Art Collection	Statues	Museum Artefacts	Civic Regalia	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 01 Apr 2012	558	47	795	93	1,493
Additions		10			10
Revaluations – Revaluation Reserve					0
Reclassified					0
At 31 March 2013	558	57	795	93	1,503
Impairments					
At 01 Apr 2012	-73	0	-80		-153
Reclassified					0
At 31 March 2013	-73	0	-80	0	-153
Net Book Value					
At 31 March 2013	**485**	**57**	**715**	**93**	**1,350**
At 31 March 2012	**485**	**47**	**715**	**93**	**1,340**

All the heritage assets have been valued in the Balance Sheet at Insurance Valuation which is based on market value. The significant items held in the museums are recorded in the Authority's Asset Register. The values are based on a 2008/09 valuation by Jeremy Rye and Co., Fine Art Agents and Valuers. Limits on the usefulness of any valuations include:

- they are held for perpetuity to further knowledge;
- the most recent valuation was for insurance purposes though is based on market value;
- there may not be a market for many of the assets held.

A number of Memorials are also recorded in the Asset Register and are valued on a 5 year rolling cycle. Heritage Assets are not depreciated because the assets do not wear out over time. The assets will be considered for any economic impairment from deterioration as part of the impairment review.

There has been no spend for the previous 4 years.
There are a number of assets which have not been included in the Statement of Accounts as the ownership is uncertain, however they are on the Authority's land and should be disclosed. These include:

Ancient Monuments	7
War Memorials	11
Clock Towers	3

14. 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:

	2011/12	2012/13
	£'000	£'000
Rental Income	-9	-5
Direct Operating Expense	37	0
	28	-5

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:

	2011/12	2012/13
	£'000	£'000
Balance At Start Of Year	477	376
Disposals		
Changes In Fair Value	-101	9
Balance At End Of Year	376	385

15. 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 £500k charged to revenue in 2012/13 was mostly 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. There are no Contractual commitments.

The movement on intangible assets is as follows:

			2011/12			2012/13
	Internally Generated	Other	Total	Internally Generated	Other	Total

	£'000	£'000	£'000	£'000	£'000	£'000
Cost At 1st April		3,487	3,487		4,368	4,368
Accumulated Amortisation 1st April		-1,474	-1,474		-1,915	-1,915
Accumulated Impairment 1st April		-22	-22		-22	-22
Net Carrying Amount At 1st April		1,991	1,991		2,431	2,431
Additions:						
- Internally Developed						
- Purchase		881	881		772	772
Other Disposals						
Impairment Losses Recognised In The Surplus/Deficit On The Provision Of Services						
Amortisation For The Period		-442	-442		-500	-500
Other Changes		1	1			
Net Carrying Amount At 31st March		2,431	2,431		2,703	2,703
Comprising						
Cost At 31st March		4,368	4,368		5,140	5,140
Accumulated Amortisation 31st March		-1,915	-1,915		-2,416	-2,416
Accumulated Impairment 31st March		-22	-22		-22	-22

16. 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), 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.

	2011/12 £`000	2012/13 £`000
Opening Capital Financing Requirement	193,310	195,490
Capital Investment:		
Property, Plant And Equipment	37,804	46,344
Assets Held for Sale	0	0
Investment Properties	0	0
Heritage Assets	40	10
Intangible Assets	881	772
Revenue Expenditure Funded From Capital Under Statute	7,407	5,477
Less Sources Of Finance:		
Capital Receipts	4,822	2,724
Government Grants And Other Contributions	24,967	18,390
Sums Set Aside From Revenue:		
Direct Revenue Contributions	7,411	4,727
Capital Receipts Set Aside	142	325
Minimum Revenue Provision (MRP)	6,610	6,034

	2011/12 £`000	2012/13 £`000
Closing Capital Financing Requirement	195,490	215,893
Explanation Of Movement In Year		
Increase In Underlying Need To Borrow (Supported By Government Financial Assistance)	945	5,565
Increase In Underlying Need To Borrow (Unsupported By Government Financial Assistance)	1,235	14,838
Assets Acquired Under Finance Leases	0	0
Increase/(Decrease) In Capital Financing Requirement	2,180	20,403

17. IMPAIRMENT LOSSES

During 2012/13 the Authority has recognised an impairment loss of £8.385m (£9.6m 2011/12) 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.

18. FINANCIAL INSTRUMENTS

The Authority had the following categories of financial instruments in the Balance Sheet:

Long-term	**2012**	**2013**
	£'000	**£'000**
Investments		
Loans And Receivables	791	1,739
Available For Sale Financial Assets	3,074	3,061
Total Investments	3,865	4,800
Debtors		
Loans And Receivables	684	1,931
Financial Assets Carried At Contract Amount	0	0
Total Debtors	684	1,931
Borrowings		
Financial Liabilities At Amortised Cost	146,395	146,189
Finance Leases	1	0
Total Borrowings	146,396	146,189
Creditors		
Financial Liabilities At Amortised Cost	0	0
Financial Liabilities Carried At Contract Amount	10,464	8,462
Total Creditors	10,464	8,462

Current	**2012**	**2013**
	£'000	**£'000**
Investments		
Loans And Receivables	29,956	5,685
Available For Sale Financial Assets	0	0
Total Investments	29,956	5,685
Debtors		
Loans And Receivables	0	0
Financial Assets Carried At Contract Amount	28,006	33,170
Total Debtors	28,006	33,170
Borrowings		
Financial Liabilities At Amortised Cost	1,673	4,221
Finance Leases	21	1
Total Borrowings	1,694	4,222
Creditors		
Financial Liabilities At Amortised Cost	0	0
Financial Liabilities Carried At Contract Amount	34,444	43,117
Total Creditors	34,444	43,117

	2012	2012	2012	2012	2013	2013	2013	2013
	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	6,905			6,905	6,543			6,543
Reductions In Fair Values								
Impairment Loss						23		23
Fee Expense								
Total Expense In Deficit On The Provision Of Services	**6,905**		**0**	**6,905**	**6,543**	**23**	**0**	**6,566**
Interest Income		-602		-602		-579		-579
Gains On Derecognition								
Fee Income								
Interest Income Accrued On Impaired Financial Assets		-280		-280		-60		-60
Total Income In Deficit On The Provision Of Services		**-882**		**-882**		**-639**		**-639**
Gains On Revaluation			-6	-6			-131	-131
Surplus/Deficit Arising On Revaluation Of Financial Assets In Other Comprehensive Income And Expenditure			**-6**	**-6**			**-131**	**-131**
Net (Gain)/Loss For The Year	**6,905**	**-882**	**-6**	**6,017**	**6,543**	**-616**	**-131**	**5,796**

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 2013 of 0.93% to 4.05% for loans from the PWLB and 4.15% to 4.59% 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 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 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	149,090	155,043	148,092	165,524
Long-Term Creditors	10,464	10,464	8,462	8,462

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 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans And Receivables	29,956	29,972	5,685	5,709
Long-Term Debtors	684	684	1,931	1,931

Note: A fair value for the remaining Icelandic investments is unavailable so has been excluded. Further information on the Icelandic Debt can be found in Note 50. The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number where the interest rate receivable is higher than the rates estimated to be 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.

19. INVENTORIES

Inventories are stated at the lowest of cost and net realisable value. All inventories from the previous year are expended through the accounts. The balances are those held as at 31st March.

	2012 £`000	2013 £`000
Building Materials, Vehicle Parts Etc	655	620
Road Salt	577	307
Other	75	61
	1,307	988

20. SHORT TERM DEBTORS

Short term debtors are amounts owed to the Authority that are due for collection within one year from 31st March and shown net of provisions for bad debts.

	2012 £`000	2013 £`000
Central government		
Welsh Government	8,891	8,048
European Community	1,403	1,367
VAT – HMRC	5,177	1,608
Countryside Commission for Wales	50	82
Department for Works and Pensions	1,921	0
CADW	0	12
NWTRA	0	5,919
Other local authorities		
Shropshire County Council	9	Inc below
Other local and education authorities	656	226
NHS bodies		
Powys Teaching Health Board	713	1,807
Welsh Ambulance Service	0	9
Debts other than government		
Council Tax	2,734	2,695
Housing tenants	235	255
Employees	108	79
Other short term debtors	4,610	9,512
Payments in advance	1,499	1,551
	28,006	33,170

21. CASH AND BANK ACCOUNTS

Cash was held in the following categories as at 31 March:

	2012 £`000	2013 £`000
Cash Held By The Authority	13,826	5,096
Bank Current Accounts	-8,798	-4,944
	5,028	152

22. ASSETS HELD FOR SALE

	Current	
	2012	2013
	£'000	£'000
Balance At Start Of Year	509	48
Revaluation Loss	-2	-179
Assets Newly Classified As Held For Sale:		
- Property, Plant And Equipment	-10	279
Assets Sold	-449	-50
Balance At End Of Year	48	98

23. SHORT TERM CREDITORS

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

	2012 £`000	2013 £`000
Central Government Bodies		
Welsh Government	1,822	1,187
HM Revenues And Customs	2,940	3,651
Local Authorities		
Ceredigion C.C	1,489	503
NHS Bodies		
Powys Teaching Health Board	183	214
Non Government Creditors		
Sundry Creditors	16,278	23,135
Wages And Salaries	2,188	2,085
Payments Received In Advance	609	1,342
Deposits – Section 40 Advance	545	513
Deposits – Section 106 Deposit	1,349	3,880
Commuted Sums – Land Drainage	438	453
Council Tax Credits	975	837
Insurance Provisions	1,273	1,442
Provision For Holiday Accrual	4,355	3,876
	34,444	43,117

24. PROVISIONS

	At 01.04.12 £`000	Payments Paid in year £`000	Change During Year £`000	At 31.03.13 £`000
Other Provisions	10,464	0	-2,002	8,462
	10,464	0	-2,002	8,462

Other Provisions includes amounts set aside for equal pay. There are no material unfunded risks. The £2,002k change in the year includes £4,243k reclassified as a short-term creditor.

During the year a discussion document was issued by Wales Audit Office in relation to accounting for future expenditure obligations for current and former landfill sites. Powys County Council owned landfill sites were all closed before 1994, the date financial provision was introduced as a requirement by the Environmental Protection Act 1990. Due to the time elapsed since closure there is some uncertainty in relation to the extent of Council obligations and also relevant sites and accounting treatment, the Council has not made provision for this during 2012/13 as without this Council deems that it cannot meet all the three tests required by International Accounting Standard 37 for the creation of a provision.

25. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the movement in reserves statement, including the Council Fund and HRA.

26. UNUSABLE RESERVES

	31 March 2012	31 March 2013
	£'000	£'000
Revaluation Reserve	119,951	128,148
Available For Sale Financial Instruments	1,766	1,822
Capital Adjustment Account	218,694	222,844
Financial Instruments Adjustment Account	1,678	1,328
Pensions Reserve	-226,080	-240,950
Deferred Capital Receipts	729	2,029
Accumulating Balances Adjustment Account	-4,355	-3,876
	112,383	111,345

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.

	2011/12 £`000	2011/12 £`000	2012/13 £`000	2012/13 £`000
Balance as at 01 April		123,408		119,951
Upward revaluation of assets	6,563		19,754	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit On The Provision of Services	-7,142		-9,045	
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		-579		10,709
Difference between fair value depreciation and historical cost deprecation	-2,403		-2,377	
Accumulated gains on assets sold or scrapped	-475		-135	
Amount written off to the Capital Adjustment Account		-2,878		-2,512
Balance at 31 March		119,951		128,148

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.

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	1,779	1,766
Downward revaluation of investments	-7	178
Downward revaluation of investments not charged to the Surplus/Deficit On The Provision Of Services	-6	-122
Balance at 31 March	1,766	1,822

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.

	2011/12	2011/12	2012/13	2012/13
	£'000	£'000	£'000	£'000
Balance at 1 April		199,890		218,694
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income And Expenditure Statement:				
Charges for depreciation of non current assets	-12,558		-13,103	
Amortisation of Intangible Assets	-442		-500	
Revaluation losses on Property, Plant And Equipment	-2,812		-6,466	
Impairment due to economic consumption	-2,705		-3,479	
Revenue expenditure funded from capital under statute	-2,178		-5,463	
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	-1,619	-22,314	-673	-29,684
Depreciation transfer to Revaluation Reserve		2,403		2,378
Net written out of the cost of non current assets consumed in the year		-19,911		-27,306

	2011/12	2011/12	2012/13	2012/13
	£'000	£'000	£'000	£'000
Capital financing applied in the year				
Use of the Capital Receipts Reserve to finance new capital expenditure	4,126		2,724	
Capital grants and contributions credited to the Comprehensive Income And Expenditure Statement that have been applied to capital financing	20,127		12,579	
Application of grants to capital financing from the Capital Grants Unapplied Account	575		5,241	
Capital expenditure charged against the Council Fund and HRA balances	7,237		4,752	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	6,610	39,109	6,074	31,370
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income And Expenditure Statement		-101		9
Movement in the market value of Assets Held for Sale debited or credited to the Comprehensive Income And Expenditure Statement				-179
Deferred credits transfer		11		-69
Reserved capital receipts		130		325
Balance at 31 March		218,694		222,844

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 2013 will be charged to the Council Fund over the remaining life of repaid loans.

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	1,965	1,678
Discounts paid from rescheduling of debt	0	-291
Soft loans adjustment	32	-38
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	-289	2
Invest to save loans	-30	-23
Balance at 31 March	1,678	1,328

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 pay any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the 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.

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	-181,380	-226,080
Actuarial gains or losses on pensions assets and liabilities	-43,710	-12,190
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	-17,330	-18,890
Employer's pensions contributions	16,340	16,210
Balance at 31 March	-226,080	-240,950

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.

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	493	729
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-11	-7
Landlord Loans	322	1,483
Transfer to the Capital Receipts Reserve upon receipt of cash	-75	-176
Balance at 31 March	729	2,029

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.

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	-3,886	-4,355
Settlement or cancellation of accrual made at the end of the preceding year	3,886	4,355
Amounts accrued at the end of the current year	-4,355	-3,876
Balance at 31 March	-4,355	-3,876

27. 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 *Services Reporting 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:

2012/13 Net expenditure by directorate	**Total £'000**
Care And Wellbeing:	
Adult And Commissioning	49,634
Children's Services	15,960
Housing And Regulatory Services	920
Housing Revenue Account	-3,681
Finance And Infrastructure:	
Finance And Corporate Performance	-100
Local Environmental Services	33,486
Business Performance Unit	-89
Law And Governance:	
Legal, Scrutiny And Democratic	3,509
Information And Customer Services	231
Human Resources	1,972
Skills And Learning:	
School And Inclusion	97,850
Leisure And Recreation	13,789
Regeneration And Development	5,025
SERVICE AREA TOTALS	**218,506**
Corporate Activities	5,483
Total	223,989
Council Tax	-56,159
Revenue Support Grant	-141,772
Non Domestic Rates	-36,210
Net Expenditure In The Directorate Analysis	-10,152
Net expenditure not included in the analysis	1,895
Amounts in the Comprehensive Income And Expenditure Statement not reported to management in the analysis	18,146
Surplus on Services In Comprehensive Income And Expenditure Statement	9,889

2011/12 Net expenditure by directorate	**Total £'000**
Care And Wellbeing:	
Adult And Commissioning	45,006
Children's Services	16,817

2011/12 Net expenditure by directorate	**Total £'000**
Housing And Regulatory Services	2,132
Finance And Infrastructure:	
Finance And Corporate Performance	38
Local Environmental Services	26,848
Business Performance Unit	-468
Law And Governance:	
Legal, Scrutiny And Democratic	3,175
Information And Customer Services	274
Human Resources	400
Skills And Learning:	
School And Inclusion	97,183
Leisure And Recreation	13,926
Regeneration And Development	4,429
SERVICE AREA TOTALS	**209,760**
Corporate Activities	28,764
Total	238,524
Council Tax	-67,625
Revenue Support Grant	-148,025
Non Domestic Rates	-31,412
Net Expenditure In The Directorate Analysis	-8,538
Net expenditure not included in the analysis	8,918
Amounts in the Comprehensive Income And Expenditure Statement not reported to management in the analysis	-20,650
Surplus on Services In Comprehensive Income And Expenditure Statement	-20,270

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.

2012/13	**Per Directorates analysis**	**Amounts not reported to management for decision making**	**Amounts not included in income and expenditure**	**Per the surplus from the provision of services**
	£'000	**£'000**	**£'000**	**£'000**
Grants	-112,631	-3,544	-4,391	-120,566
Generated Income	-89,853	-23	-2,915	-92,791
Internal Recharges	-67,065		264	-66,801
Profit on Disposal of Assets	0			0
Council Tax	-56,159			-56,159
Non Domestic Rates	-36,210			-36,210
Revenue Support Grant	-141,772			-141,772
Total Income	-503,690	-3,567	-7,042	-514,299
Employee Costs	169,861		-3,059	166,802
Premises Costs	26,117			26,117

2012/13	**Per Directorates analysis**	**Amounts not reported to management for decision making**	**Amounts not included in income and expenditure**	**Per the surplus from the provision of services**
	£'000	**£'000**	**£'000**	**£'000**
Transport Costs	29,933		-24	29,909
Supplies And Services	36,005		5,574	41,579
Depreciation And Impairment	0		10,115	10,115
Reffcus	0	5,463		5,463
Agency Fees	108,172			108,172
Precepts And Levies	7,042			7,042
Transfer Payments	44,730			44,730
Central Recharges	55,764		-655	55,109
Interest And Similar Charges	13,893		7,572	21,465
Pension Interest Costs	0		4,990	4,990
IAS19 Past Service Costs	0		270	270
Insurance	2,019		406	2,425
Total Expenditure	493,536	5,463	25,189	524,188
Net Expenditure	-10,154	1,896	18,147	9,889

2011/12	**Per Directorates analysis**	**Amounts not reported to management for decision making**	**Amounts not included in income and expenditure**	**Per the surplus from the provision of services**
	£'000	**£'000**	**£'000**	**£'000**
Grants	-90,295	-4,454	-24,344	-119,094
Generated Income	-89,310	0	762	-88,548
Internal Recharges	-50,050	-12,380	0	-62,430
Profit on Disposal of Assets	0	0	-785	-785
Council Tax	-67,625	0	0	-67,625
Non Domestic Rates	-31,412	0	0	-31,412
Revenue Support Grant	-148,025	0	0	-148,025
Total Income	-476,717	-16,834	-24,367	-517,920
Employee Costs	171,289	0	-3,636	167,653
Premises Costs	26,806	0	-159	26,647
Transport Costs	25,595	0	-71	25,524
Supplies And Services	33,409	0	-449	32,960
Depreciation And Impairment	0	0	19,252	19,252
Refcus	0	7,329	0	7,329
Agency Fees	86,811	0	1	86,812
Precepts And Levies	20,167	0	0	20,167
Transfer Payments	43,565	0	0	43,565
Central Recharges	38,917	16,137	-2,913	52,141
Interest And Similar Charges	21,620	0	-13,688	7,932

Pension Interest Costs	0	0	4,910	4,910
IAS19 Past Service Costs	0	0	470	470
Insurance	0	2,287	0	2,287
Total Expenditure	468,179	25,753	3,718	497,649
Net Expenditure	-8,538	8,919	-20,650	-20,270

28. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	2011/12 £`000	2012/13 £`000
Purchase of property, plant and equipment, investment property and intangible assets	39,646	47,996
Purchase of short and long term investments	357,340	294,620
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-2,912	-1,365
Proceeds from the sale of short and long term investments	-350,105	-326,230
Net Cash Flows From Investing Activities	43,969	15,021

29. CASHFLOW STATEMENT – FINANCING ACTIVITIES

	2011/12 £`000	2012/13 £`000
Cash receipts of short and long term borrowing	0	-2,500
Other receipts from investing activities	-25,270	-9,372
Cash payments relating to the reduction of the outstanding liabilities on finance leases	72	24
Repayments of short and long term borrowing	12	12
Other payments for financing activities	3,240	3,415
Net Cash Flows From Financing Activities	-21,946	-8,421

30. ANALYSIS OF GOVERNMENT GRANTS

	2011/12 £`000	2012/13 £`000
Housing Grants	10,523	12,059
Other Housing	0	28
Other Social Services (Primarily Mental Handicap Strategy)	4,785	4,518
Supporting People	4,583	5,654
Other Transport Grants	2,338	2,410
Waste Disposal And Recycling Grants	3,174	4,094
Education Grants	15,292	16,115
Welsh Language Grant	0	28
PIG Policy Agreements	1,426	1,413
Concessionary Travel	0	1,345
Regeneration and Development	392	498
Built Heritage ReFCUS	100	251
CESF Grant	230	200
Miscellaneous	376	779
Safer Communities Fund	205	10
Housing Benefit Local Housing Allowance Rollout	46	0
Communities First	471	264
Work Based Learning	799	6
ReFCUS	2,619	2,235
Public Protection	43	25
Sports Council	667	538

	2011/12 £`000	2012/13 £`000
Animal Welfare	165	170
Leisure & Recreation	313	119
Welsh Arts Council	137	168
Nutrition In Schools/Appetite For Life	123	61
	48,807	52,988

31. TRADING OPERATIONS

The SeRCOP 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 2012/13 were:

	2011/12 (Surplus)/Deficit £`000	2012/13 Expenditure £`000	2012/13 Income £`000	2012/13 (Surplus)/Deficit £`000
Building Cleaning	67	3,075	-3,123	-48
Building Maintenance	-114	-1	0	-1
Catering	76	5,094	-5,036	58
Central Administration	747	23,129	-21,620	1,509
Engineering And Building Design	-548	12,386	-13,118	-732
Highways Maintenance	175	895	-812	82
Information Technology Dept	-359	3,708	-3,907	-199
Internal Insurance	4	2,299	-2,297	2
Vehicle Maintenance And Transport	126	10,904	-11,038	-134
Pension Deficit Funding On Trading Accounts	-913	0	-678	-678
Performance And Communications	172	551	-269	283
	-566	62,040	-61,898	142

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

32. 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 the Authority's results. The significant agency services provided were:

Agency	Description	2011/12 £`000	2012/13 £`000
Welsh Government	Trunk roads maintenance and improvement	16,762	0

The above arrangement ceased on the 31st March 2012. Welsh Government reviewed the number of agencies delivering Trunk Road Maintenance and Improvement and the Mid Wales Agency was amalgamated with the North Wales Agency for which Gwynedd Council is now the Lead Authority.

33. 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 2012/13 for free nursing care was £2,034k (2011/12 £1,942k), which is now within the PTHB base allocation from WG.

Powys County Council paid to Care Homes:

	2011/12 £'000	2012/13 £'000	2012/13 £'000	2012/13 £'000
Gross Funding	**Total**	**Staff**	**Other**	**Total**
Powys County Council	1,064	0	1,065	1,065
Powys Teaching Health Board	878	0	969	969
Total Funding	1,942	0	2,034	2,034
Expenditure				
Monies spent in accordance with pooled budget arrangement	1,933	244	1,863	2,108
Total Expenditure	1,933	244	1,863	2,108
Net (Over)/ Under spend	9	-244	171	-74

	2011/12 £'000	2012/13 £'000
Net underspend – held	**Total**	**Total**
Powys County Council	0	0
Powys Teaching Health Board	9	-74
	9	-74

The above memorandum account is subject to the audit of Powys County Council.

Pooled Budgets

Powys County Council and Powys Teaching Health Board have entered into a partnership agreement in accordance with Section 33 of the Health Act 1999. The agreement will not affect the liability of the parties from the exercise of their respective statutory functions and obligations.

The gross funding agreed by both parties is as follows:-

Joint Equipment Store:

		2011/12 £'000	2012/13 £'000
Gross Funding			
Powys County Council		384	384
Powys Teaching Health Board		334	333
Other		95	95
Total Funding		813	812
Expenditure			
Management costs		33	27
Equipment purchase		393	510
Maintenance and Inspection		182	210
Delivery, Cleaning and Collection Charges		371	398
Total Expenditure		979	1,145
Net (Over)/ Under spend		-166	-333

ICT Service:

		2011/12 £'000	2012/13 £'000
Gross Funding			
Powys County Council		0	838
Powys Teaching Health Board		0	372
Other Funding		0	34
Other Income		0	197
Total Funding		0	1,441
Expenditure			
Management costs		0	117
Staffing costs		0	843
Other expenditure		0	463
Total Expenditure		0	1,423
Net (Over)/ Under spend		0	18

The above memorandum account is subject to the audit of Powys County Council.

34. 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 2011 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		17
Net transfer To Joint Arrangement Reserve	17	
	17	17
Balance Sheet	**Assets £'000**	**Reserve £'000**
Debtors	30	
Earmarked reserves		30
	30	30

35. MEMBERS ALLOWANCES

A total of £1,143k was paid to Councillors in basic and special responsibility allowances (£1,087k in 2011/12). Councillors are also reimbursed travel and subsistence expenses in accordance with regulations.

36. SENIOR OFFICERS EMOLUMENTS

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

2012/13	**Note**	**Salary (inc fees & allowances)**	**Benefits in kind**	**Compensation for loss of office**	**Total Remuneration Excluding Pension Contribution**	**Pension Contribution**	**Total Remuneration including Pension Contribution**
Post Title		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive		133			133	31	164
Strategic Director - Finance and Infrastructure		103			103	24	127
Strategic Director - Law and Governance		103			103	24	127
Strategic Director - Communities, Skills and Learning		96	1		97	22	119
Head of Adult Services and Commissioning	1	13			13	3	16
Interim Head of Housing and Public Protection		67	2		69	16	85
Head of ICT and Customer Services		81	1		82	19	101
Head of Schools Service		82			82	28	110

Head of Local and Environmental Services		78			78	18	96
Head of Children's Services		78			78	18	96
Head of Regeneration and Development	2	58			58	14	72
Head of Business and Performance Unit		78	3		81	18	97
Head of Human Resources		78	1		79	18	97
Head of Leisure and Recreation		69			69	16	85
Head of Legal and Democratic Services		69			69	16	85
Head of Finance	3	53			53	12	65

Note 1 – The role of Head of Adult Services & Commissioning became vacant in May 2012. The Interim Head of of Adult Services & Commissioning costs are charged to consultancy.

Note 2 – The role of Head of Regeneration & Development became vacant in December 2012. As at 31st March 2013, the position was still vacant.

Note 3 – The role of Head of Finance became vacant in January 2013. As at 31st March 2013, the position was still vacant.

2011/12	**Note**	**Salary (inc fees & allowances)**	**Benefits in kind**	**Compensation for loss of office**	**Total Remuneration Excluding Pension Contribution**	**Pension Contribution**	**Total Remuneration including Pension Contribution**
Post Title		**£'000**	**£'000**	**£'000**		**£'000**	**£'000**
Chief Executive		130			130	30	160
Strategic Director - Finance and Infrastructure		101			101	23	124
Strategic Director - Law and Governance		101			101	23	124
Strategic Director - Communities, Skills and Learning		94	1		95	22	117
Director - Performance, Partnerships and Communications	1	21	2		23	5	28
Head of Adult Services and Commissioning		78			78	18	96
Head of Housing and Public Protection		78	1		79	18	97
Head of ICT and Customer Services		81			81	19	100
Head of Schools Service		78	6		84	18	102
Head of Local and Environmental Services		78			78	18	96
Head of Children's Services		78			78	18	96
Head of Regeneration and Development		77			77	18	95
Head of Business and Performance Unit		76	3		79	18	97

Head of Human Resources		76	1		77	18	95
Head of Leisure and Recreation		67	2		69	16	85
Head of Legal and Democratic Services		67			67	16	83
Head of Finance		66			66	15	81

Note 1 - The role of Director - Performance, Partnerships and Communications ceased in June 2011 as a result of changes to the Corporate Strategy following the Wales Audit Office Corporate Assessment.

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	**2011/12 No**	**2012/13 No**
£60,000 - £64,999	12	19
£65,000 - £69,999	6	6
£70,000 - £74,999	4	2
£75,000 - £79,999	1	0
£80,000 - £84,999	2	1
£85,000 - £89,999	1	2

Note 43 details termination benefits

37. AUDIT COSTS

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

	2011/12 £`000	**2012/13 £`000**
Accounts	183	231
Performance audit	158	87
Grant claims	109	102
Other	1	32
	451	452

38. TAXATION AND NON SPECIFIC GRANT INCOME

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

Credited to Taxation and Non Specific Grant Income	**2011/12 £`000**	**2012/13 £`000**
Council Tax	67,625	69,856
Revenue Support Grant	148,025	141,772
Non Domestic Rates Redistribution	31,412	36,210
Other Non Specific Grants	0	0
	247,062	247,838

NNDR is organised on a national basis. The Welsh Government (WG) specifies an amount for the rate 45.2p in 2012/13 and 42.8p in 2011/12) 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 WG. WG 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:

Grants	2011/12 £'000	2012/13 £'000
Benefit Administration Grant	867	819
Council Tax Benefit Take Up	20	25
Central Government Other	139	175
Contribution From TEC	1,634	1,286
Council Tax Benefit Grant	7,931	8,196
European Agricultural Fund for Rural Development	1,106	1,129
Education Support Grants	953	696
Flying Start	992	1,009
Grants for Education Support and Training	1,051	2,083
Concessionary Travel	0	1,035
HRA Subsidy	10,862	11,201
Lottery Grant	77	74
Mental Handicap Strategy	2,400	2,421
NNDR Collection Grant	319	322
Other Grants	2,071	1,396
PIG Policy Agreements	1,423	1,398
Primary Schools – Unallocable	3,610	3,812
Recycling-Welsh Assembly Directive	4,232	4,048
Rent Allowance Grant	16,163	15,917
Secondary Schools Unallocable	7,277	7,362
Social Services Training Supplement	348	349
Sports Council	556	572
Supporting People	4,583	5,654
Trunk Road Improvements	727	4,771
Trunk Road Maintenance	973	71
Welsh Development Agency Grants	664	500
Welsh Government Other	11,792	10,339
	82,770	86,660

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	2011/12 £`000	2012/13 £'000
Balance at 01 April	1,032	3,583
Grants Receivable	174	211
Grants not received at 31st March	3,215	-1,227
Transfer to Capital Grants Unapplied	-838	-316
To Income & Expenditure Account		2
	3,583	2,253

39. 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 1st 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 2012/13 was 59,062. (58,556 in 2011/12).

The basic charge of £936.36 (£915.76 in 2011/12), for a band D property in 2012/13 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	4	2,848	5,800	9,549	8,628	12,783	11,815	6,412	1,101	397

	2011/12 £`000	2012/13 £`000
Council tax income	67,737	69,910
Miscellaneous write offs	-112	-54
Net Proceeds From Council Tax	67,625	69,856

40. RELATED PARTIES

The Authority is required to disclose material transactions with related parties i.e. 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 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 38. Revenue grants outstanding are within the short term creditors note balances, Note 23.

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 35 shows the allowances paid to members. The only significant transactions with companies in which members had an interest were:

		£,000
Mid Wales Manufacturing	Cllr J H Brunt	35
RWAS – Enterprises	Cllr R Harris	9
G & T Evans	Cllr D Jones	3
Wynnstay & Clwyd Farmers	Cllr Mrs E M Jones	4

Impact Schools	Cllr D Mayor	1
Medlicott Solicitors	Cllr G H Medlicott	1
Banwy Fuels	Cllr W.B Thomas	65
School Transport	Cllr G P Vaughan	27

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

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 2012/13.

Other Public Bodies [subject to common control by central government]

The Authority has two pooled budget arrangements with Powys THB for the provision of health services. Transactions and balances outstanding are detailed in note 33.

The following officers are joint working:

Position	Purpose	Authority	Billed to PTHB/Ceredigion	Unpaid at 31 March 2013
			£'000	£'000
Senior Director – Care and Well Being	Joint Post – Social Services	Ceredigion	68	68
Senior Partnership Manager	Joint Working – Health/Social Services	Powys tHB	40	0
Joint Passenger Transport Manager	Bus Transport Management	Ceredigion	23	23
Streetworks Manager	Joint Working – CWIC	Ceredigion	19	19

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 included within the accounts are as follows:

	2011/12 Income	2011/12 Expenditure	2012/13 Income	2012/13 Expenditure
	£'000	£'000	£'000	£'000
Revenue	167	167	101	101
Capital	496	496	748	748
Capital – other	7	0	0	0

The Powys Pension Fund

As well as making employer contributions to the fund the County Council also provides administrative services for the fund. In 2012/13 the Council was paid £662k for these services

(£677k for 2011/2012). Any amounts outstanding to or from related parties are disclosed in notes 20 and 23.

41. 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 £1,506k (£1,618k in 2011/12) and the total outstanding commitment on operating leases at the 31st March 2013 was £2,964k (£2,178k at 31st March 2012).

	£'000
Leases expiring in 2012/13	390
Leases expiring between 2013/14 and 2017/18	2,574

Finance Leases

The Council has acquired some equipment under finance leases. There are no Sub Leases relating to theses assets. The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet at the following net amounts:

	2011/12 £`000	2012/13 £`000
Property, Plant And Equipment	24	3

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:

	2011/12 £`000	2012/13 £`000
Finance lease liabilities		
- current	21	1
- non current	1	0
Finance costs payable in future years	0	0
Minimum lease payments	22	1

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013
	£'000	£'000	£'000	£'000
Not later than one year	21	1	21	1
Later than one year and not later than five years	1	0	1	0
Later than five years	0	0	0	0
	22	1	22	1

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 increase in the minimum lease payments receivable under non-cancellable leases in future years below is because of the inclusion of more arrangements in the calculation, not because new ones have been signed:

Minimum Lease Payments		
	31 March 2012	**31 March 2013**
	£'000	**£'000**
Not later than one year	1,056	815
Later than one year and not later than five years	2,480	2,199
Later than five years	3,444	3,069
	6,980	6,083

42. OBLIGATIONS UNDER LONG TERM CONTRACTS

Obligations under a contract with BUPA to purchase a minimum number of beds amounts to £10.5m. The contract expires in 2014 but options are in place to extend this period.
There were no other significant long term obligations.

43. TERMINATION BENEFITS

The Authority had the following Termination Costs:

Range	**2011/12 £'000**	**2012/13 £`000**
£0 - £20,000	705	547
£20,001 - £40,000	1,149	297
£40,001 - £60,000	571	173
£60,001 - £80,000	195	0
£80,001 - £100,000	0	0
£100,001 - £160,000	308	0
	2,928	1,017

	2011/12 £`000	**2012/13 £`000**
Redundancy	2,378	715
Pension Strain	480	265
Loss of Office	70	37
	2,928	1,017

44. 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 employees, 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 remainder of this note on the following pages only relates to Powys County Council's 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 99 to 143.

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	**2011/12 Funded**	**2011/12 Total**	**2012/13 Funded**	**2012/13 Total**
	£m	**£m**	**£m**	**£m**
Cost of services				
Current service cost	-11.95	-11.95	-13.63	-13.63
Past service costs	-0.47	-0.47	-0.27	-0.27
Financing And Investment Income And Expenditure				
Interest cost	-26.84	-26.84	26.52	26.52
Expected return on assets in the scheme	21.93	21.93	21.53	21.53
Total post employment benefit charged to the surplus or deficit on the provision of services	-17.33	-17.33	-18.89	-18.89
Other post employment benefit charged to the Comprehensive Income And Expenditure Statement				
Actuarial gains and losses	-43.70	-43.70	-12.19	-12.19
Total post employment benefit charged to the Comprehensive Income And Expenditure Statement	-61.03	-61.03	-31.08	-31.08
Movement In Reserves Statement				
Reversal of net charges made to the surplus or	17.33	17.33	18.89	18.89

deficit for the provision of services for post employment benefits in accordance with the Code				
Actual amount charged against the Council Fund balance during the year:				
- employers contributions payable to scheme	16.34	16.34	16.21	16.21

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31st March 2013 is a loss of £12,190k.

Asset and Liabilities in Relation to Retirement Benefits
The underlying assets and liabilities for retirement benefits attributable at 31 March are as follows:

	2009	2010	2011	2012	2013
	£m	**£m**	**£m**	**£m**	**£m**
Funded					
Present value of liabilities	-363.53	-508.61	-498.15	-564.44	-629.11
Notional value of the assets	234.26	291.01	316.77	338.36	388.16
Net Liability	-129.27	-217.60	-181.38	-226.08	-240.95
Unfunded					
Present value of liabilities	-13.57	-15.25	0	0	0
Notional value of the assets	0	0	0	0	0
Net Liability	-13.57	-15.25	0	0	0
Total					
Present value of liabilities	-377.10	-523.86	-498.15	-564.44	-629.11
Notional value of the assets	234.26	291.01	316.77	338.36	388.16
Net Liability	-142.84	-232.85	-181.38	-226.08	-240.95

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £240m has a substantial impact upon the net worth of the Authority as recorded in the Balance Sheet, resulting in an overall balance of £170m. 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 guidance the assets for the current period and previous three periods are measured at current bid price.

Restriction of Asset
IFRIC 14 is an interpretation of paragraph 58 of the IAS 19 accounting standard, published by the IASB, which addresses the recent emergence of diverging treatment by employers with defined benefit pension schemes of:

- The recognition of surplus; and

- Allowance for minimum funding (contribution) requirements.

IFRIC 14 could impact on accounting figures in different ways:

- Employers with an IAS 19 surplus may not be able to recognise that surplus in full, if at all, and / or
- Employers paying deficit contributions may have to recognise an additional liability on the Balance Sheet.

IFRIC 14 is compulsory for accounting periods beginning on or after 1 January 2008. CIPFA has indicated that it does not believe that an asset restriction under paragraph 58 will apply to the bodies that it governs. We agree with this view, providing the Employer is expected to be a long term body within the Fund. Our view is that, unless a significant surplus exists on the balance sheet, these long term employers will be able to obtain economic benefit from a surplus in the form of reduced future service contributions. Under CIPFA guidance the Authority believes it's participation in the Fund is not finite and so the disclosures are compliant with the IAS 19 accounting standard.

A reconciliation of the present value of the scheme liabilities is as follows:

Pension Scheme Liabilities	2011 Unfunded	2011 Funded	2012 Funded	2013 Funded
	£m	£m	£m	£m
Brought forward 01 April	15.25	508.61	498.15	564.44
Current service cost	0	12.4	11.95	13.63
Interest cost	0.76	25.64	26.84	26.52
Contributions by participants		4.42	4.39	4.44
Actuarial (gains)/losses	-2.9	7.8	41.74	38.45
Net benefits paid out	-0.76	-16.29	-19.1	-18.64
Past service cost	-1.29	-55.6	0.47	0.27
Business combinations	-11.06	11.17	0	0
Carried Forward 31 March	0	498.15	564.44	629.11

In 2010/11 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	2010/11	2011/12	2012/13
	£m	£m	£m
Brought forward 01 April	291.01	316.77	338.36
Expected return on assets	17.85	21.93	21.53
Actuarial gains	4.21	-1.97	26.26
Contributions by the employer	15.57	16.34	16.21
Contributions by participants	4.42	4.39	4.44
Net benefits paid out	-16.29	-19.10	-18.64
Carried Forward 31 March	316.77	338.36	388.16

Actual Return on Assets	2010/11 £m	2011/12 £m	2012/13 £m
Expected return on assets	17.85	21.93	21.53
Actuarial loss / (gain) on assets	4.21	-1.97	26.26
Actual Return On Assets	22.06	19.96	47.79

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. Employer Contributions in the region of £16m are expected next year.

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 AON limited 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:

	2011 %	2012 %	2013 %
Inflation – RPI	3.7	3.5	3.6
Rate of general increase in salaries	5.2	5.0	4.6
Rate of increase to pensions in payment	2.8	2.5	2.7
Rate of increase to deferred pensions	2.8	2.5	2.7
Discount rate	5.4	4.7	4.4

The Principal Demographic Assumptions are:

Post Retirement Mortality	31.03.11	31.03.12	31.03.13
Males			
Base table (in 2007)	Standard SAPS Normal Health All Amounts	Standard SAPS Normal Health All Amounts	Standard SAPS Normal Health All Amounts
Scaling to above base table rates	110%	110%	110%
Cohort improvement factors (from 2007)	CMI_2009	CMI_2009	CMI_2009
Minimum underpin to improvement factors	1.25%	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	21.5	21.6	21.7
Future lifetime from age 65 (currently aged 45)	23.3	23.4	23.5
Females			
Base table (in 2007)	Standard SAPS Normal Health All Amounts	Standard SAPS Normal Health All Amounts	Standard SAPS Normal Health All Amounts
Scaling to above base table rates	110%	110%	110%
Cohort improvement factors (from 2007)	CMI_2009	CMI_2009	CMI_2009
Minimum underpin to improvement factors	1.25%	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	23.7	23.8	23.9
Future lifetime from age 65 (currently aged 45)	25.6	25.7	25.8

	31 March 2012	31 March 2013
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 70% 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 pre 1 April 2010 pension entitlements, for additional lump sum. Each member assumed to exchange 70% of the maximum amount permitted of their post 31 March 2010 pension entitlements, 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:

	2011 Long Term return %	**% 0f Assets 31.03.11**	**2012 Long Term return %**	**% 0f Assets 31.03.12**	**2013 Long Term return %**	**% 0f Assets 31.03.13**
Equity Investments	8.4	53.7	8.1	53.0	7.8	56.6
Property	7.9	6.5	7.6	7.2	7.3	6.2
Government Bonds	4.4	19.5	3.1	16.2	2.8	16.2
Corporate Bonds	5.1	10.6	3.7	11.2	3.8	10.5
Cash	1.5	2.6	1.8	4.3	0.9	2.4
Other	8.4	7.1	8.1	8.1	7.8	8.1
	7.1	100	6.5	100	6.4	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 2013. Other holdings include hedge funds, currency holdings, asset allocation futures and other. The actuary assumed these will get a return in line with equities.

History of Experience Gains and Losses

	2009 £m	**2010 £m**	**2011 £m**	**2012 £m**	**2013 £m**
Funded					
Experience gains / (losses) on liabilities	-1.53	4.31	-5.70	-4.04	0.75
Experience gains / (losses) on assets	-53.82	39.91	4.21	-1.97	26.26
	-55.35	44.22	-1.49	-6.01	27.01
Unfunded					
Experience gains / (losses) on liabilities	-0.17	0.45	1.76	0	0
	-0.17	0.45	1.76	0	0
Total					
Experience gains / (losses) on liabilities	-1.70	4.76	-3.94	-4.04	0.75
Experience gains / (losses) on assets	-53.82	39.91	4.21	-1.97	26.26
	-55.52	44.67	0.27	-6.01	27.01

	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m
Funded					
As a Percentage Of Liabilities / Assets					
Experience gains / (losses) on liabilities - funded		0.8%	-1.1%	-0.7%	0.1%
Experience gains / (losses) on assets - funded		13.7%	1.3%	-0.6%	6.8%
Experience gains / (losses) on liabilities – unfunded		3%	161.5%	0	0

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 assets 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.

45. TEACHER PENSION COSTS

In 2012/13 the County Council paid £6.3m 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 2011/12). 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 2012/13 payments made in relation to added years amounted to £1.4m, representing 3.13% of pensionable pay, (£1.3m, 2.95% in 2011/12).

46. 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 so the provision set aside is the best estimate based on the latest negotiations and legal advice.

Municipal Mutual Insurance Company (MMI) was the main local authority insurer for many years up until 1992 when the company failed and went into "run-off". A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion. Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of claimants rather than MMI. This increased the risk that a solvent run-off would not be achieved.

On 13 November 2012 the directors of MMI “triggered” MMI’s Scheme of Arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). The Scheme administrator has advised that a Levy of between 9.5% and 28% is required to achieve a projected solvent “run-off”. The initial Levy rate of 15% (£156k at 31 March 2013) is included in note 24. If the Levy rate was to increase to 28%, the amount liable from the Council would be an additional £135k.

47. CONTINGENT ASSETS

No such assets were known to exist at 31 March 2013.

48. 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.
- Re-financing and maturity risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- 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 procedures focus on the unpredictability of financial markets and are structured 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 Full Council in the Treasury Management Policy Statement, the annual Treasury Management Strategy Statement and Annual Investment Strategy. The Policy and Strategy provide 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 £20m 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 analysis on the next page 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 2013 £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	5,685	0	0	0
Customers				
Council Tax	3,331	-635	-54	0
Housing Rents	947	-692	0	0
Sundry Debtors	21,312	-1,671	-23	0
	25,590	2,998	-77	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	136	112	1,140	1,388

	1 –2 Years £'000	2- 5 Years £'000	Over 5 Years £'000	Total £'000
Council Tax	1,642	981	238	2,861

The carrying value of deposits and loans in default is:

	2012	2013
	£'000	£'000
Glitnir Bank HF	0	0
Landsbanki Islands	1,183	844

There were no defaults during 2012/13 or 2011/12.

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures of the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available if and when needed. The Authority has ready access to borrowings from the money markets to cover any day-to-day cash flow need and from the Public Works Loans Board and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore 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.

	2012	2013
	£'000	£'000
Within a year	12	14
Between 1-2 years	14	15
Between 2-5 years	49	53
Between 5-10 years	11,637	11,648
Over 10 years	134,118	134,088
Total	145,830	145,818

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 2012/13 with all other variables constant, the financial effect would be:

	£000's
Increase In Interest Payable On Variable Rate Borrowings	350
Increase In Interest Receivable On Variable Rate Investments	-781
Increase In Surplus Of Income And Expenditure Account	-431
Share Of Overall Impact Debited To The HRA	0

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's only financial assets or liabilities denominated in foreign currencies are those in relation to the Icelandic deposits (apart from in respect of the Pension Fund):

<u>Foreign Exchange Risk in relation to Icelandic deposits</u>

The Authority has foreign exchange exposure in respect of the foreign currency bank accounts it holds for receipt of Icelandic monies. These accounts are as follows:-

- Euros
- US Dollars
- Canadian Dollars
- Norwegian Krone

Monies received in these accounts are transferred to GBP as soon as is practicable.

The Authority also has foreign exchange exposure resulting from an element of the monies received being in Icelandic Kroner. These monies are currently held in interest bearing escrow accounts in Iceland due to the current imposition of currency controls.

49. ANALYSIS OF THE NET ASSETS EMPLOYED

	2012 £`000	2013 £`000
Council Fund	64,172	54,264
Housing Revenue Account	117,158	115,826
	181,330	170,090

The total IAS19 pension liability of £241m has a substantial impact upon the net worth of the Authority as recorded in the Balance Sheet.

50. 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

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. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board has made three distributions to creditors in a basket of currencies.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk over which the Authority has no control.

The current position on estimated future payouts is as shown in the table below and this Authority has used these estimates to calculate the impairment based on recovering 100p in the £.

Date	Repayment	Date	Repayment
December 2013	7.5%	December 2017	7.5%
December 2014	7.5%	December 2018	7.5%
December 2015	7.5%	December 2019	5.35%
December 2016	7.5%		

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. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012.

An element of the distribution was in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk over which the Authority has no control.

The distribution has been made in full settlement, representing 100% of the claim.

Accounting for Impairment

The total impairment (principal plus interest not received) recognised in the Income and Expenditure Account in 2012/13 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 expiry of the regulations allowing impairments to be charged to the FIAA means future impairments will be charged to the General Fund but will be offset against the notional interest that has been credited to the General Fund.

HOUSING REVENUE ACCOUNT

Income and Expenditure Account

	2011/12 £`000	2012/13 £`000
Expenditure		
Supervision And Management	4,276	3,781
Repair And Maintenance	5,900	5,857
Subsidy Payable	5,756	5,738
Rent And Rates	38	88
Movement In Allowance For Bad And Doubtful Debts	90	62
Voids	339	344
Depreciation And Impairment Of Non Current Assets	3,598	4,475
Debt Management Expenses	54	54
TOTAL SERVICE EXPENDITURE	20,051	20,399
Income		
Dwelling Rents	-18,918	-19,779
Non Dwelling Rents	-473	-507
Other Charges For Services And Facilities	-288	-289
Contributions Towards Expenditure	-19	-22
Housing Grant	0	0
TOTAL SERVICE INCOME	-19,698	-20,597
Net Cost Of Services as Included in the Comprehensive Income and Expenditure Account	353	-198
HRA Services Share Of Corporate And Democratic Core	118	114
Net Cost Of HRA Services	471	-84
HRA Share Of The Operating Income And Expenditure Included In The Comprehensive Income And Expenditure Statement		
Contribution From Other Committee	-37	
(Gain) On Sale Of HRA Non Current Assets	-89	-363
Interest Payable And Similar Charges	659	631
Amortisation Of Premiums And Discounts	239	135
Pensions Interest Cost And Expected Return On Assets	101	116
HRA Investment Income	-16	-22
Taxation And Non Specific Grant Income	-3,713	-3,700
(SURPLUS) FOR THE YEAR ON HRA SERVICES	-2,385	-3,287

HOUSING REVENUE ACCOUNT

Movement in Reserves Statement

	Note	HRA
2011/12		**£`000**
Balance At 01 April		-3,575
(Surplus) For The Year On The HRA		-2,385
Adjustments Between Accounting Basis And Funding Basis Under Statute	5	1,537
(Increase) In The HRA Balance Before Transfers To Or From Reserves		-848
Transfer To Reserves		0
(Increase) In The HRA Balance		-848
Balance At 31 March		-4,423
2012/13		
(Surplus) For The Year On The HRA		-3,287
Adjustments Between Accounting Basis And Funding Basis Under Statute	5	-313
(Increase)In The HRA Balance Before Transfers To Or From Reserves		-3,600
Transfer To Reserves		0
(Increase) In The HRA Balance		-3,600
Balance At 31 March		-8,023

NOTES TO THE HOUSING REVENUE ACCOUNTS

1. Housing Stock

	Number Of Bedrooms 2011/12 Total	1	2	3	4	5	6	2012/13 Total
Detached house/bungalow	50	4	33	10	3	0	0	50
Semi detached house/ bungalow	2,160	271	810	1,035	39	3	0	2,158
Terraced house	2,141	208	717	1,138	67	5	1	2,136
Flats	1,060	323	688	49	0	0	0	1,060
Bedsits	21	21	0	0	0	0	0	21
	5,432	827	2,248	2,232	109	8	1	5,425

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

	2012 £`000	2013 £`000
Current tenant arrears	350	378
Former tenant arrears	503	570
Total arrears	853	948
Bad debts	90	62
Provision for bad debt	618	618

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	5,607	5,607	0	0	0
Total expenditure	5,607	5,607	0	0	0
Impairment	2,202	2,202	0	0	0
Depreciation	2,273	2,273	0	0	0

The impairment charge of £2,202k relates to 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
Usable capital receipts	0
Reserves	69
Prudential Borrowing	1,887
	5,656

4. Housing Revenue Account Capital Receipts

The following amounts were received during 2012/13:

	£`000
Disposal of land	106
Housing	424
Other property	9
	539

5. Adjustments between Accounting Basis and Funding Basis Under Statute

	2011/12 £`000	2012/13 £`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	-239	-135
Net charges made for retirement benefits in accordance with IAS19	-7	-67
(Gain) on sale of HRA non current assets	89	363
Transfer to reserves		
Transfers to or from the Capital Adjustment Account		
Depreciation and impairment	-3,598	-4,475
HRA Minimum Revenue Provision	295	287
Major repairs allowance	3,713	3,700
Direct Revenue Financing	1,337	69
Transfers from the Capital Receipts Reserve		
Admin costs on council house sales	-50	-53
Transfer to Accumulated Balances Account		
Holiday accrual	-3	-2
To other committees/reserves		
Net additional amount required by statute to be debited to the HRA Balance for the year	1,537	-313

6. Housing Revenue Account Contributions to the Pension Reserves

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

	2011/12 £`000	2012/13 £`000
Employer contributions actually paid	335	376
Past Service Costs	-10	-6
Current cost of employees	-231	-321
Expected return and interest	-101	-116
Contribution to/(from) reserve	-7	-67

Pension Fund Accounts 2012/13

CYNGOR SIR POWYS
POWYS COUNTY COUNCIL
County Hall
Llandrindod Wells
Powys
LD1 5LG

Pension Fund Account

Contents

Chairman's 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 members future benefits. Employee rates are set in statute and are not affected by the valuation report.

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.

Following the Local Council Elections in May 2012, there has been a change in the Pensions & Investment Committee personnel. We welcome Councillor Tom Turner's appointment to the Committee & look forward to his contribution to the governance of the Pension Fund.

The trend of falling contributor numbers in recent years has halted, with a slight rise in contributors this year. The number of pensioners claiming benefits however, continues to rise. Cash flow remains positive for now, as income from employers and employees exceeds benefits paid to pensioners, although this will need to be monitored carefully.

As part of the Governments reform of pensions, auto enrolment (AE) begins for Powys County Council on 1st April 2013. Other employers in the fund will be required to introduce AE at future dates, depending on their number of employees.

On the investments front, the fund had a modest return in the nine months to the end of 2012 but significant gains in equities in the first quarter of 2013 contributed to an increase of 14.3% in the funds value in the 12 months to 31st March 2013.

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 Appendix 2 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 Tony Thomas
Chair of the Pensions and Investment Committee

Fund Administration

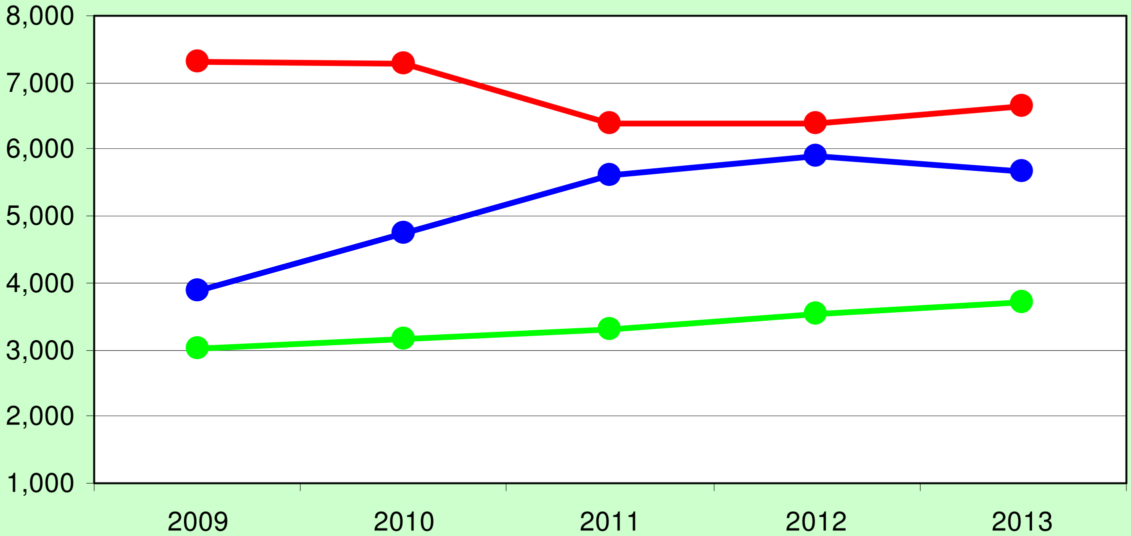
Scheme Details

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 2). 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 2012 all members have been allocated a contribution rate based on the following:

Band	Range	Contribution Rate
1	Up to £13,500	5.5%
2	£13,501 to £15,800	5.8%
3	£15,801 to £20,400	5.9%
4	£20,401 to £34,000	6.5%
5	£34,001 to £45,500	6.8%
6	£45,501 to £85,300	7.2%
7	More than £85,300	7.5%

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

The 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 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013
Deferred	3,874	4,750	5,605	5,891	5655
Pensioner	3,005	3,169	3,310	3,535	3698
Contributors	7,317	7,275	6,391	6,383	6652

Pension Increases

Pensions paid to retired members are increased each year in line with the cost of living, which is measured by the Consumer Price Index (CPI). Increases are payable from the first Monday of each tax year. The table below shows the pension increases of the last 5 years:

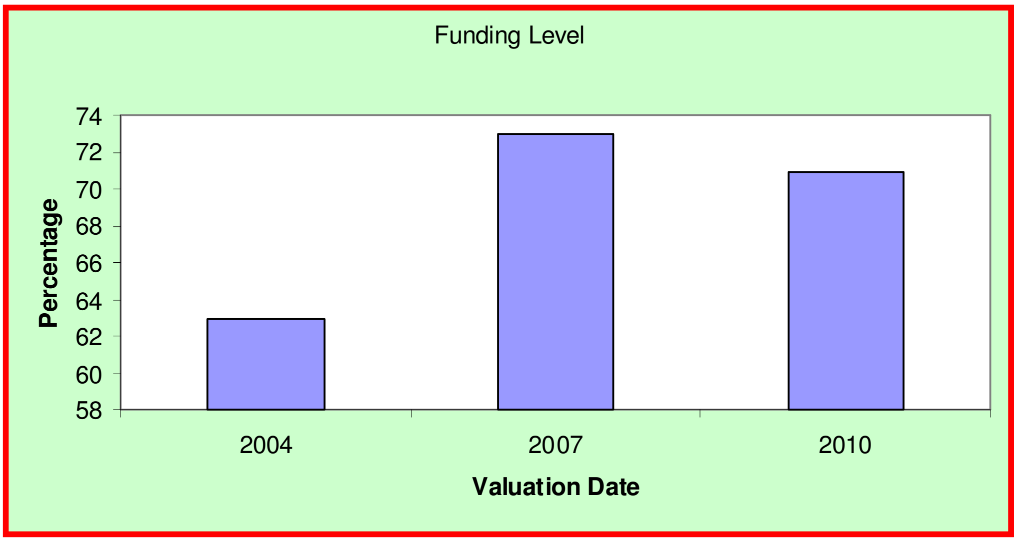
Effective Date	Increase %
6th April 2009	5.0
12th April 2010	0.0
11th April 2011	3.1
9th April 2012	5.2
8th April 2013	2.2

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 2.

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

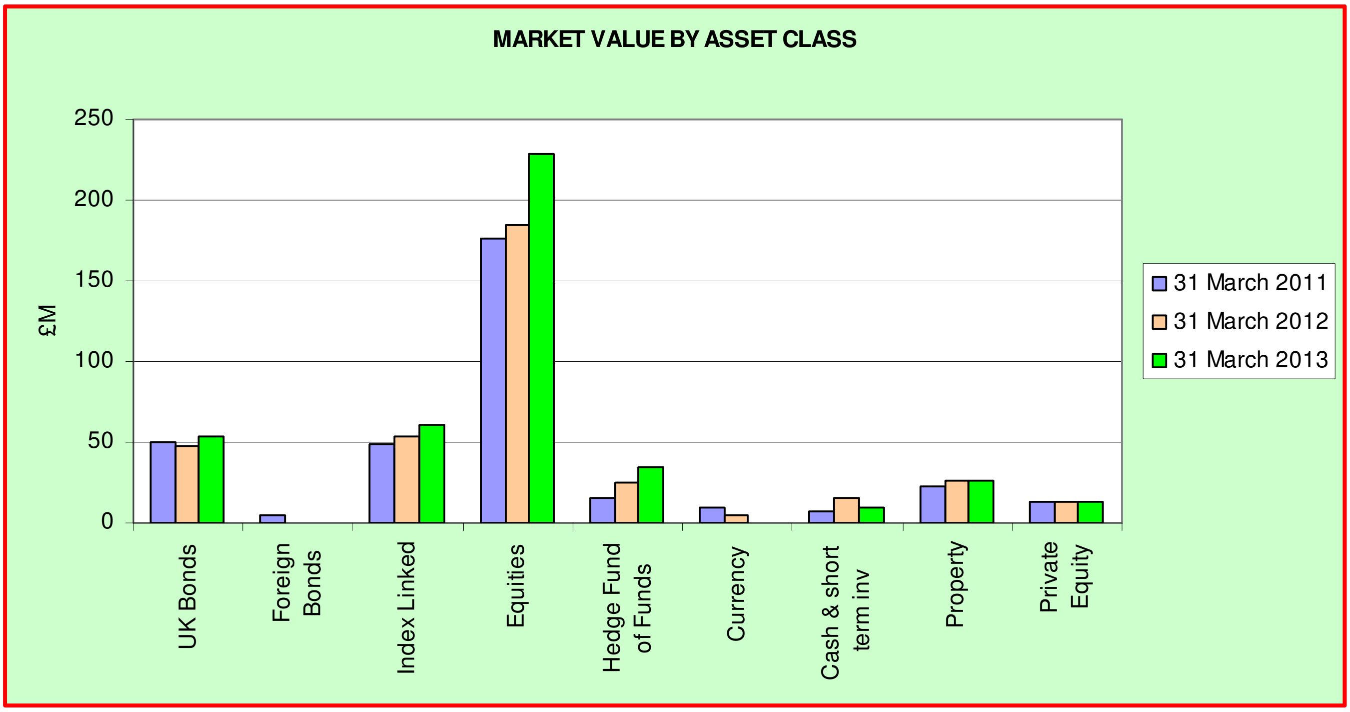
Since 06 April 1988, it has been a legal requirement for all Pension Schemes to provide members with access to an in-house AVC Scheme. The Authority's appointed providers are the Equitable Life Assurance Society, the Standard Life Assurance Company and Prudential plc. Members are able to pay contributions 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.

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 – Appendix 5.

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	14.3	9.1	6.6
Inflation CPI	2.8	3.4	3.3
Average Earnings Index	1.3	1.8	2.1

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 are taken from the Office for National Statistics data.

The performance of each of the current Fund Managers for 2012/13 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)	17.3	18.5
BlackRock Global Investors (Index-Linked Funds)	11.4	11.7
Western Assets	13.4	12.0
Aberdeen Asset Management (Global Equity)	18.7	18.4
MFS (Global Equity)	24.1	17.7
Schroder Investment Manager (Global Equity)	16.8	17.7
Aviva Investors (UK Property)	4.2	1.1
Fauchier Partners (Hedge Fund of Funds)	6.1	0.7
GAM (Hedge Fund of Funds)	2.5	4.0
Goldman Sachs (Hedge Fund of Funds) *	3.3	0.1
CBRE Investors (European Property)	6.6	3.3
Standard Life Investments (Private Equity)	0.2	17.1
HarbourVest Partners VII (Private Equity)	14.3	17.1
HarbourVest Partners VIIIa - Buyout (Private Equity)	6.1	17.1
HarbourVest Partners VIIIb -Venture (Private Equity)	9.9	17.1
Overall Fund	**14.3**	**13.2**

* Goldman Sachs performance figures based on Q1 2013 data.

During 2012/13 the fund invested a further £1m of capital with Aviva and £3m with GAM. Of the £3.253m capital commitment (Note 18) outstanding as at 31 March 2012, £0.566m was drawn down.

Investment manager structure as a percentage of Fund total, as at 31st March 2013

	Manager						
	BGI, Bank of Scotland	Aberdeen, Schroders, MFS	Western Asset	Fauchier, GAM, Goldman Sachs	Aviva, CBRE	Std Life, Harbourvest	
Asset Class	Passive %	Active %	Active %	Active %	Active %	Active %	Total %
Equities	32.4	21.5					53.9
UK Fixed Interest Gilts			2.4				2.4
Sterling Non Gilts	0.9		9.2				10.1
Index Linked Gilts	13.9		0.2				14.1
Overseas Bonds							0.0
Property					6.2		6.2
Private Equity						3.1	3.1
Hedge Fund				8.1			8.1
Cash	1.6		0.5				2.1
TOTAL	**48.8**	**21.5**	**12.3**	**8.1**	**6.2**	**3.1**	**100.0**

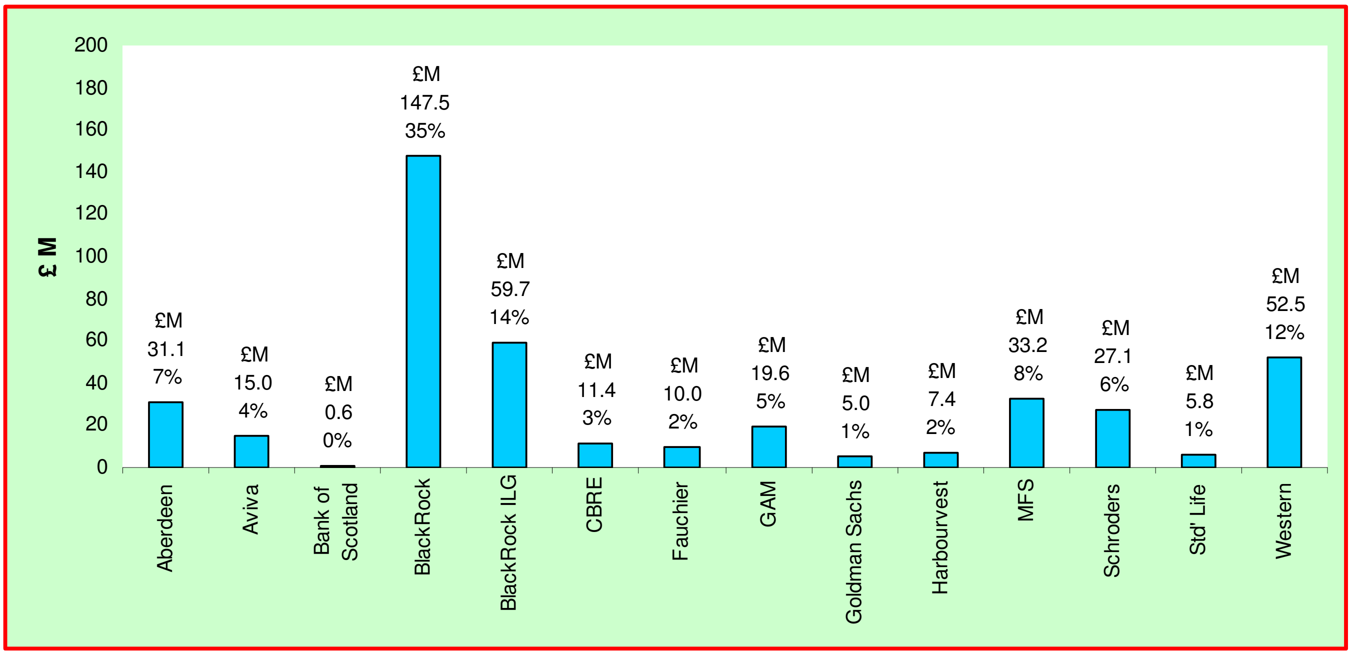
The strategic asset allocation is as follows:

	2011/12	2012/13
Equities	47%	47%
Fixed Interest and Index Linked Securities	30%	30%
Property	10%	10%
Private Equity	5%	5%
Currency	1.5%	0%
Hedge Fund of Funds	6.5%	8%

The current strategic asset allocation is 70% return seeking and 30% risk reducing (matching assets). This strategy was determined with the aid of the funds Investment Advisors.

The strategic asset allocation is the ideal target and cannot be achieved until the scheme is fully funded in all areas. 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. Hedge funds are return seeking assets and 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% bonds, 15% alternatives. The market value of assets spread between the fund managers as at 31 March 2013 is shown below:



Net Assets Statement

As at 31 March

	Note	2012 £`000	2013 £`000
Investments	10	371,705	425,907
Current Assets	13	1,406	3,668
Current Liabilities	13	-823	-4,155
NET ASSETS AS AT 31 MARCH		**372,288**	**425,420**

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	2011/12 £`000	2012/13 £`000
Contributions and Benefits			
Contributions Receivable	3	22,136	21,894
Transfers In	4	727	1,648
Other Income	5	105	60
TOTAL INCOME		22,968	23,602
Benefits Payable	6	20,116	20,576
Payments on Account of Leavers	7	700	812
Administrative Expenses	8	758	724
TOTAL EXPENDITURE		21,574	22,112
NET ADDITIONS FROM DEALING WITH MEMBERS		1,394	1,490
Returns on Investments			
Investment Income	9	3,054	3,798
Change in Market Value of Investments	10	19,734	49,412
Investment Management Expenses	12	-1,536	-1,568
NET PROFIT ON INVESTMENTS		21,252	51,642
NET INCREASE IN THE FUND		22,646	53,132
OPENING NET ASSETS		349,642	372,288
CLOSING NET ASSETS		**372,288**	**425,420**

Notes to the Pension Accounts

1. Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2012/13 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

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

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

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

- Transfers from other Schemes
  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.

- Refunds to Leavers
  These are accounted for when due.

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

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

- Foreign Currency Transactions
  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.

- Valuation of Assets
  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 2013. 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

	2011/12 £`000	2012/13 £`000
Employers		
Normal	16,661	16,615
Special	-	-
Additional	631	419
Members		
Normal	4,844	4,860
	22,136	**21,894**

Contributions were made as follows:	2011/12 £`000	2012/13 £`000
Powys County Council (Administering Authority)	20,167	19,423
Scheduled Bodies (Appendix 3)	1,294	1,178
Admitted Bodies (Appendix 3)	675	1,293
	22,136	**21,894**

4. Transfers In

	2011/12 £`000	2012/13 £`000
Individual Transfers From Other Schemes	727	1,648

5. Other Income

	2011/12 £`000	2012/13 £`000
Administrative Fees Received	19	8
Additional Allowances Recovered	86	52
	105	**60**

6. Benefit Payable

	2011/12 £`000	2012/13 £`000
Pensions	16,165	17,273
Commutations and Lump Sum Retirement Benefits	3,696	3,067
Lump Sum Death Benefits	255	236
	20,116	**20,576**

Benefits Can Be Further Analysed:	2011/12 £`000	2012/13 £`000
Powys County Council (Administering Authority)	11,064	11,455
Scheduled Bodies (Appendix 4)	8,296	8,113
Admitted Bodies (Appendix 4)	756	1,008
	20,116	**20,576**

7. Payments to and on Account of Leavers

	2011/12 £`000	2012/13 £`000
Refunds to Members Leaving Service	2	6
Payments to Members Joining State Scheme	-	-
Individual Transfers to Other Schemes	698	806
	700	**812**

8. Pensions Administration

	2011/12 £`000	2012/13 £`000
Powys CC Fees	677	662
Direct Administration Fees	51	32
Audit Fees	30	30
Actuarial Fees	-	-
	758	**724**

9. Investment Income

	2011/12 £`000	2012/13 £`000
Income From Fixed Interest Securities	2,322	2,409
Income From Indexed Securities	686	806
Dividends From Equities	2	-
Interest on Cash Deposits	44	293
Other Investment Income	-	290
	3,054	**3,798**

10. Investments

	Value at 01.04.12 £`000	Purchases at Cost £`000	Sale Proceeds £`000	Cash Movement £`000	Change in Market Value £`000	Value at 31.03.13 £`000
Fixed Interest Securities	48,255	21,158	14,891	-689	-494	53,339
Index linked Securities	53,643	11,829	11,940	1,203	5,420	60,155
Equities (pooled funds)	184,514	17,004	12,141	-1,876	41,617	229,118
Property (pooled funds)	26,671	1,000	805	241	-641	26,466
Private Equity	13,554	536	2,782	60	1,858	13,226
Hedge Fund of Funds	25,511	7,797	-	-293	1,600	34,615
Currency	4,613	-	4,797	-	184	-
Cash & Short Term Investments	14,944	13,612	19,441	5	-132	8,988
	371,705	**72,936**	**66,797**	**-1,349**	**49,412**	**425,907**

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, stamp 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.

11. Breakdown of Investments

	2011/12 £`000	2012/13 £`000
Fixed Interest Securities		
UK Public Sector Quoted	11,527	10,334
UK Quoted	36,674	42,949
Overseas Public Sector	-	-
Overseas Quoted	54	56
	48,255	53,339
Index Linked Securities		
UK Quoted	53,643	60,155
Overseas Quoted	-	-
	53,643	60,155
Equities – Pooled	184,514	229,118
Hedge Fund of Funds	25,511	34,615
Currency	4,613	-
Private Equity	13,554	13,226
Property	26,671	26,466
Cash	14,868	8,993
Derivatives (see below)		
Futures Options	-	-
Forward Foreign Exchange Contracts	76	-5
	371,705	**425,907**

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 below.

Forward Foreign Exchange Contracts	Expiration	Market Value £'000
Sterling	Less than 1 year	344
Hedged against:		
Euro	Less than 1 year	-59
US	Less than 1 year	-290

12. Investment Management Expenses

	2011/12 £`000	2012/13 £`000
Administrative Management and Custody	1,515	1,546
Performance Measurement Charges	21	22
	1,536	**1,568**

13. Current Assets and Liabilities

	2011/12 £`000	2012/13 £`000
Contributions Due From Employers In Respect Of:		
Employers and Members	1,446	191
Cash Balances	-40	471
Accrued Income	-	3,006
Accrued Expenses	-823	-4,155
	583	-487

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 in Appendix one. Their combined contributions into the scheme were £25k in 2012/13.

The Fund is administered by Powys County Council. Consequently there is a relationship between the Authority and the Fund.
The Authority incurred costs of £0.7 million (2011-2012: £0.7 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.
The Authority is also the single largest employer of members in the Fund and contributed £15.9 million to the Fund in 2012-2013 (2011-2012: £15.9 million).

Governance
There are five councillor members of the Pensions & Investment Committee. In 2012-13 these were Councillor T Thomas, Councillor P Ashton Councillor G Vaughan, Councillor A Jones, & Councillor T Turner.
The Director of Finance and Infrastructure, Mr Geoff Petty, who has the role of Section 151 Officer for the Authority, plays a key role in the financial management of the Fund and is also an active member of the Fund.
Councillors are required to declare their interest at each meeting.
The Committee members and Director of Finance and Infrastructure accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.
The full Governance Policy of the Powys Pension Fund is available on the Powys County Council website.

15. Additional Voluntary Contributions (AVC)

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

	2011/12 £`000	2012/13 £`000
Powys County Council	48	105
Other Bodies	2	2
	50	107

16. Contingent Liabilities

No contingent liabilities were known to exist at the Balance Sheet date.

17. Post Balance Sheet Events

The accounts outlined in these financial statements represent the financial position of the Fund as at 31 March 2013. Since this date, the performance of the global equity markets may have affected the financial value of pension fund investments.

18. Capital Commitments

Private Equity and Property Mandate	2011/12 £`000	2012/13 £`000
Standard Life (Private Equity)	1,163	1,055
Harbourvest (Private Equity)	1,715	1,398
CBRE (Property)	375	375
	3,253	**2,829**

19. Financial Instruments

19a. Fair value of financial instruments & liabilities

The table below summarises the carrying values of the financial assets & liabilities compared with their fair values.

31 March 2012			31 March 2013	
Cost £'000	Fair Value £'000		Cost £'000	Fair Value £'000
		Financial assets		
324,942	371,705	Fair value through profit & loss	333,125	425,907
1,406	1,406	Current assets	3,668	3,668
326,348	**373,111**	**Total financial assets**	**336,793**	**429,575**
		Financial liabilities		
-823	-823	Current liabilities	-4,155	-4,155
-823	**-823**	**Total financial liabilities**	**-4,155**	**-4,155**

19b. Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The private equity values are based on valuations provided by the general partners to the private equity funds in which the Powys Pension Fund has invested.

The hedge fund values are based on the net asset value provided by the fund manager.

The tables below show the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values as at 31 March 2013	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Investments	351,606	26,466	47,835	425,907
Current assets	3,668			3,668
Current liabilities	-4,155			-4,155
Net financial assets	**352,332**	**26,466**	**47,835**	**425,420**

Values as at 31 March 2012	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Investments	305,893	26,671	39,141	371,705
Current assets	1,406			1,406
Current liabilities	-823			-823
Net financial assets	**306,476**	**26,671**	**39,141**	**372,288**

20. Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2013 of the actuarial valuation of promised retirement benefits as set out in IAS26. The actuarial present value should be calculated on an IAS 19 basis. IAS26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the IFRS.

Actuarial present value of the promised retirement benefits as at 31 March 2010 is £568.8M

Actuarial present value of the promised retirement benefits as at 31 March 2007 is £434.0M

21. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members.) Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme. Responsibility for the fund's risk management strategy rests with the Pension Fund Committee.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The fund's investment managers mitigate this price risk through diversification.

Other price risk – sensitivity analysis

The following movements in market price risk are reasonably possible for 2013/14 as determined by WM. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain unchanged.

Asset Type	Potential Market Movement (+ / -)
Overseas Equities	11.9 %
Global Pooled Equities	12.6 %
Total Bonds	5.0 %
Index Linked Gilts	8.3 %
Cash	0.0 %
Property	2.8 %
Alternatives	4.2 %

The table below shows the Fund's value at 31 March 2014 should the investments increase/decrease in line with the above.

Asset Type	Value at 31.03.13	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Fixed Interest Securities	53,339	5.0	56,006	50,672
Index Linked Securities	60,155	8.3	65,148	55,162
Pooled Vehicles – Equities	229,118	12.6	257,987	200,249
Hedge Fund of Funds	34,615	4.2	36,069	33,161
Private Equity	13,226	11.9	14,800	11,652
Property	26,466	2.8	27,207	25,725
Cash	8,993	0.0	8,993	8,993
Derivatives	-5	4.2	-5	-5
Total Assets	**425,907**		**466,205**	**385,609**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate and return are monitored by the council and its investment advisors as part of the monthly and quarterly reporting and assessment of interest rate return against benchmark.

The fund's exposure to interest rate movements as at 31 March 2012 and 31 March 2013 is set out below.

Asset Type	As at 31.03.12 £'000	As at 31.03.13 £'000
Cash	14,868	8,993
Cash Balances	-40	471
Fixed Interest Securities	48,255	53,339
Total	**63,083**	**62,803**

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 0.5% change in interest rates.

Asset Type	Value at 31.03.13	Change to net assets available to pay benefits	
		+0.5%	-0.5%
	£'000	£'000	£'000
Cash	8,993	9,038	8,948
Cash Balances	471	473	469
Fixed Interest Securities	53,339	53,606	53,072
Total Assets	**62,803**	**63,117**	**62,489**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The fund's currency rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management, including monitoring the range of exposure to currency fluctuations.

The fund's currency exposure as at 31 March 2012 and 31 March 2013 is set out below.

Asset Type	As at 31.03.12 £'000	As at 31.03.13 £'000
Private Equity	13,554	13,226
Currency	4,856	360
Derivatives	630	-349
Total	**19,040**	**13,237**

A 9% volatility associated with exchange rates is considered likely, based on the fund advisor's analysis of historical movements in the month end exchange rates over a 3 year period.

A 9% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Value at 31.03.13 £'000	Change to net assets available to pay benefits +9% £'000	-9% £'000
Private Equity	13,226	14,416	12,036
Currency	360	392	328
Derivatives	-348	-380	-318
Total Assets	**13,237**	**14,428**	**12,046**

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities. In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. The council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The table below shows the funds cash holding as at 31 March 2012 and 31 March 2013.

Summary	Rating	As at 31.03.12 £'000	As at 31.03.13 £'000
Bank Current Account			
HSBC	AA-	-40	9
Bank Deposit Account			
HSBC	AA -	0	462

Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for meeting the pensioner payroll costs; and also cash to meet investment commitments.

The Council has immediate access to its pension fund cash holdings.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2013 the value of illiquid assets was £416.9m, which represented 97.9% of the total fund assets - (31 March 2012 - £356.8m, which represented 96% of the total fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

All financial liabilities at 31 March 2013 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

22. 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.

23. Future Liabilities

Coleg Powys will be transferring out of the Fund in 2013-14 as a result of its merger with Neath and Port Talbot College. The transfer amount is estimated to be between £7m and £10m.

Powys County Council Pension Fund
Statement of the Actuary for the year ended 31 March 2013

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. 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.

2. 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.

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 30 March 2011 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.

5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate	6.5% p.a.
Rate of pay increases:	5.3% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.3% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2010. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013, preparation for which is already under way. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 are required by the Regulations to be signed off by 31 March 2014.

8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their 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, the Administering Authority of the Fund, in respect of this statement.

9. The report on the actuarial valuation as at 31 March 2010 is available on request from Powys County Council, the Administering Authority of the Fund.

Aon Hewitt Limited

23 May 2013

APPENDIX 1 – PENSIONS AND INVESTMENT COMMITTEE

The Pensions and Investment Committee meet on a quarterly basis. During 2012/13 it consisted of the following:-

County Councillors:

Mr T. Thomas (Chairman)
Mr P. Ashton (Vice Chair)
Mr A. Jones
Mr G. Vaughan
Mr T Turner

Members Representative:

Mr G. Jones

Outside Bodies Employers Representative:

Mr J. Steadman

County Council Officers In Attendance:

Mr G. Petty (Strategic Director – Finance & Infrastructure)
Mrs J Thomas (Accountancy Manager)
Mr J. Rollin (Pensions Manager)
Mr S Offa (Pensions Accounts)

Fund Managers:

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

Global Custodian	J.P. Morgan
Independent Advisor to the Fund	Mr S. Cole (Aon Hewitt Limited)
Actuary	Aon Hewitt Limited
Performance Measurement	WM Performance Services

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

APPENDIX 2 – OTHER BODIES

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

Scheduled Bodies

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

Admitted Bodies

BUPA Care Homes
Careers Wales Powys
Development Board for Rural Wales
MENCAP
Menter Maldwyn
Mirus Wales
Powys Association of Voluntary Organisations
Powys Valuation Panel
Presteigne Shire Hall Museum Trust
Theatr Brycheiniog
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 County Council.

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. A full copy of the report can be viewed at www.powyspensionfund.org. Should you have any comments on the financial statement or any other pension matter please contact the appropriate officer in the following list:

Pensions Administration		
Pensions Manager:	Joe Rollin	08708 510264
Accounts and Investments		
Accountancy Manager	Jane Thomas	01597 826341
Pensions Accounts	Stephen Offa	01597 826727

APPENDIX 3 – CONTRIBUTIONS BY SCHEDULED AND ADMITTED BODIES

2012/13	No of Contributors	Employers Normal £	Additional £	Members Normal £	Total £
Scheduled Bodies					
Brecon Beacons National Park	122	494,411	-	170,056	664,467
Brecon Town Council	4	12,012	-	3,131	15,143
Coleg Powys	160	332,927	-	118,159	451,086
Llandrindod Wells Town Council	1	4,143	-	1,105	5,648
Llanidloes Burial Joint Committee	1	3,026	-	680	3,706
Newtown Town Council	2	9,267	-	2,482	11,749
Welshpool Town Council	2	7,224	-	1,165	8,389
Ystradfellte Community Council	1	499	-	118	617
Ystradgynlais Town Council	3	12,950	-	3,833	16,783
	296	**876,459**	**-**	**301,129**	**1,177,588**
Admitted Bodies					
BUPA	57	294,449	-	48,263	342,712
Mencap	1	822	-	211	1,033
Menter Maldwyn	3	10,309	-	3,904	14,213
Mirus Wales Ltd	7	2,299	-	757	3,056
P.A.V.O (Former P.R.C)	8	32,334	-	9,549	41,883
Careers Wales Powys	24	663,493	153,809	51,178	868,480
Presteigne Shirehall	1	3,036	-	721	3,757
Theatr Brycheiniog	5	12,596	-	5,408	18,364
	106	**1,019,698**	**153,809**	**119,991**	**1,293,498**
2011/12					
Scheduled Bodies					
Brecon Beacons National Park	116	481,952	121,147	170,243	773,342
Brecon Town Council	4	12,481	-	3,045	15,526
Coleg Powys	149	325,602	13,602	116,301	455,505
Llandrindod Wells Town Council	1	4,054	-	1,372	5,426
Llanidloes Burial Joint Committee	1	3,111	-	670	3,781
Newtown Town Council	3	11,672	-	3,358	15,030
Welshpool Town Council	2	7,065	-	1,140	8,205
Ystradfellte Community Council	1	494	-	121	615
Ystradgynlais Town Council	3	12,478	-	3,655	16,133
	280	**858,909**	**134,749**	**299,905**	**1,293,563**
Admitted Bodies					
BUPA	65	250,974	-	53,681	304,655
Mencap	1	987	-	267	1,254
Menter Maldwyn	3	9,614	-	3,511	13,125
P.A.V.O (Former P.R.C)	8	32,071	15,625	9,805	57,501
Careers Wales Powys	40	209,093	-	63,109	272,202
Presteigne Shirehall	1	2,992	-	705	3,697
Theatr Brycheiniog	6	15,933	-	6,872	22,805
	124	**521,664**	**15,625**	**137,950**	**675,239**

APPENDIX 4 – BENEFITS PAID TO SCHEDULED & ADMITTED BODIES

2012/13	Retirement Pensions £	Commutations & Lump Sums £	Death Benefits £	Total £
Scheduled Bodies				
Brecknock B.C.	730,172	211	-	730,383
Brecon Beacons National Park	284,431	29,360	-	313,791
Brecon Town Council	218	-	-	218
Coleg Powys	136,683	50,554	-	187,237
Knighton Town Council	7,558	-	-	7,558
Llandrindod Wells Town Council	1,808	-	-	1,808
Llanidloes Burial Committee	529	-	-	529
Magistrates Courts Committee	8,819	26,046	-	34,865
Montgomeryshire D.C.	988,276	81,452	-	1,069,728
Newtown Town Council	7,148	-	-	7,148
Powys CC (pre 1/4/96)	5,052,923	87,924	5,849	5,146,696
Probation Committee	69,588	-	-	69,588
Radnorshire D.C.	496,735	11,261	-	507,996
Welshpool Town Council	35,471	-	-	35,471
Ystradgynlais Town Council	41	-	-	41
	7,820,400	**286,808**	**5,849**	**8,113,057**
Admitted Bodies				
BUPA	258,347	53,167	48,745	360,259
D.B.R.W.	240,519	7,276	-	247,795
P.A.V.O.	43,590	-	-	43,590
Careers Wales Powys	115,332	172,862	-	288,194
Powys Valuation Panel	24,225	-	-	24,225
Theatr Brycheiniog	94	-	-	94
Wales European Centre	2,924	40,556	-	43,480
	685,031	**273,861**	**48,745**	**1,007,637**
2011/12				
Scheduled Bodies				
Brecknock B.C.	715,780	19,272	1,438	736,490
Brecon Beacons National Park	270,267	127,124	-	397,391
Brecon Town Council	85	1,451	-	1,536
Coleg Powys	125,268	36,139	-	161,407
Knighton Town Council	7,186	-	-	7,186
Llandrindod Wells Town Council	1,719	-	-	1,719
Llanidloes Burial Committee	508	-	-	508
Magistrates Courts Committee	2,102	-	-	2,102
Montgomeryshire D.C.	961,598	4,529	-	966,127
Newtown Town Council	6,829	-	-	6,829
Powys CC (pre 1/4/96)	5,043,391	117,453	253,868	5,414,712
Probation Committee	66,681	-	-	66,681
Radnorshire D.C.	490,545	7,231	-	497,776
Welshpool Town Council	35,345	189	-	35,534
Ystradgynlais Town Council	38	-	-	38
	7,727,342	**313,388**	**255,306**	**8,296,036**
Admitted Bodies				
BUPA	251,942	77,168	-	329,110
D.B.R.W.	234,881	1,128	-	236,009
P.A.V.O.	41,543	4,477	-	46,020
Careers Wales Powys	88,153	34,006	-	122,159
Powys Valuation Panel	22,151	-	-	22,151
Theatr Brycheiniog	77	-	-	77
Wales European Centre	1,039	-	-	1,039
	639,786	**116,779**	**-**	**756,565**

APPENDIX 5 - STATEMENT OF INVESTMENT PRINCIPLES

1. Introduction

1.1 Local Government Pension Scheme (LGPS) Funds are required to publish a Statement of Investment Principles (SIP)[1] which must include the Fund's policy on the following:

- The types of investment to be held;
- The balance between different types of investment;
- Risk, including the ways in which risks are to be measured and managed;
- The expected return on investments;
- The realisation of investments;
- The extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
- The exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy: and
- Stock lending.

1.3 In response to the Treasury report Updating the Myners Principles: A Response to Consultation (October 2008) , LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These principles have been adopted by CLG (the central government department with responsibility for oversight of the LGPS) and replace the ten Myners principles published in 2001 (see Appendix A).

1.2 The SIP will be regularly reviewed and updated as necessary.

1.3 A copy of the SIP will be made available on request to any interested party.

[1] Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No.3093)

2. Overall Responsibility

2.1 The County Council is the designated statutory body responsible for administering the Powys Pension Fund on behalf of its constituent scheduled and admitted bodies.

2.2 Elected members have a fiduciary duty to the Fund, scheme members and local council taxpayers in relation to the LGPS. Functions may be delegated to Officers but they retain overall responsibility for the management of the fund and it's investment strategy and individual decisions about investments. The County Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out monitoring and reviews of investment and performance. The County Councils Constitution delegates these functions to the Pensions & Investment Committee.

2.3 The Investment Regulations permit the appointment of one or more investment managers to manage the fund on their behalf, provided that the investment managers are suitably qualified by their ability and practical experience of financial matters to make investment decisions for them, and to their compliance with other specific requirements of the regulations.

2.4 Administering Authorities are required to take proper advice to enable them to fulfil their obligations, "Proper advice" is defined in the regulations as "the advice of a person who is reasonably believed to be qualified by his ability and practical experience of financial matters".

2.5 The County Council has delegated the decision-making responsibilities to the Pensions and Investment Committee. The Chief Financial Officer and external fund advisors offer advisory support. 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.

2.6 Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's advisers. Only persons or organisations with the necessary skills, information and resources take decisions affecting the fund. The members of the Pension and Investment Committee will ensure they receive training as and when deemed appropriate, to enable them to evaluate critically any advice they receive.

2.7 The County Council has in place arrangements for the provision of specialist advice relating to actuarial matters (including the triennial valuation) and investment matters (including asset allocation and manager appointment).

2.8 The County Council has appointed independent specialists to provide actuarial and investment advice and is prepared to pay sufficient fees to attract a broad range of both kinds of providers when tendering.

2.9 The County Council will use suitable means to assess the advice received from its advisers in terms of its contribution to the decision making process.

2.10 Investment Committee

2.10.1 Powys County Council delegates responsibility for the Administrating Authority role to the Investment Sub-Committee. This includes investing the Funds assets. The Committee is supported by the Fund Administrator and Investment Advisors.

2.10.2 The Committee is responsible in respect of investment matters:

a. To determine the overall strategy relating to the investment of the Pension Fund's assets and to meeting the Fund's liabilities.
b. To keep under review the performance of the Pension Fund and the Fund's managers.
c. To approve the appointment of advisers and fund managers.
d. To publicise its stewardship role to all Scheduled and Admitted Bodies of the Powys Pension Fund and to all contributors and beneficiaries in accordance with the Fund's Communication Strategy.

2.11 Investment Managers

2.11.1 Each Investment Manager will be responsible for:

a. Discretionary management of their portfolio, in accordance with the terms of their management agreement, having regard to the need for diversification of investments so far as appropriate and the suitability of investments.

b. Providing the Committee with quarterly statements of the assets together with a quarterly report on their actions and future intentions, and any changes to the processes applied to their portfolio.

c. Providing the designated provider with the information necessary to calculate performance statistics.

2.12 Investment Consultant

2.12.1 The Investment Consultant will be responsible for providing prompt, consistent and competent advice and support through one or two named representatives, in respect of investment matters when so requested by the Committee. Advice and support is likely to be sought in regard of:

a. Reviews of the Statement of Investment Principles.
b. Presentation and interpretation of investment performance measurement results.
c. The Potential impact of:
   - any changes in the Investment Managers' organisations that could affect the interests of the Fund
   - any changes in the investment environment that could present either opportunities or problems for the Fund.
d. Investment manager selection, retention and termination;

e. Benchmark adjustments;

f. The appropriate content of Investment Management and other related Agreements;

g. Appropriate investment structures for the Fund in the light of the Fund's liability profile. This will involve working with the Fund's Actuary.

h. Ad-hoc project work as required including research reviews of Investment Managers.

3. Investment Objectives

3.1 The long term investment objectives of the fund are to:

- Maximise investment returns over the long term within an acceptable level of risk.
- Ensure that sufficient assets are readily available to meet liabilities as they fall due.
- Aim for long-term stability in the employers' contribution rates.
- Achieve and maintain funding levels at, or close to, 100% of the Fund's liabilities.

3.2 Risk is mainly concerned with the possibility of a deficiency in the Fund or a substantial increase, or volatility, in future employer contribution rates.

3.3 Whilst stability of the employers' rate has a high priority, absolute cost to the employer is also important. This implies that:

- The cost of administering the Fund will be constrained by the adoption of best management practice
- Employers will adopt appropriate policies in those areas where they have discretion and where costs of their actions fall on the Fund;
- The Fund will, as far as is practicable, and through the Fund's Actuary, avoid cross subsidisation between the Fund's individual employers;
- The Fund's overall investment policy will be aimed at superior investment returns relative to the growth of liabilities. This implies that the Fund will take a controlled active risk relative to its liability profile.

4. The Types of Investment to be held

4.1 The County Council seeks to achieve its investment objectives through investing in a suitable mixture of real and monetary assets. A mixture across the asset classes should provide the level of returns required by the fund to meet its liabilities at an acceptable level of risk and at an acceptable level of cost.

4.2 In making asset allocation decisions the County Council will consider the following asset classes:

- UK Equities
- Overseas Equities
- Private Equity
- Property
- Fixed Interest Securities
- Index Linked Securities
- Cash and Currency
- Other Assets, such as hedge funds.

4.3 In reaching its decisions on asset allocation the County Council will:

- Take proper advice from specialist, independent advisers and give consideration to the desirability of receiving advice based on an asset / liability study
- Consider the extent to which the assets should match the liabilities
- Consider the volatility of returns which it is prepared to accept
- Determine the split between matching and returning seeking assets before it gives consideration to any other asset class.
- Have due regard to the diversification and suitability of investments

5. The Balance Between Different Types of Investments

5.1 The current strategic asset allocation is 70% return seeking and 30% risk reducing (matching assets). This strategy was determined with the aid of our Investment Advisors.

5.2 The current Medium Term Asset Allocation (MTAA) project 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% p.a. by deliberately allocating assets away from the strategic allocation to take advantage of market over/under valuations during the medium term. This service will run from early 2011 to early 2014. The MTAA service has an artificial benchmark of 52% equity / 33% bond / 15% alternatives. It operates within tolerance bands so the difference between the actual allocation and the strategic allocation will not deviate beyond these set limits. For further information on the MTAA project, please see Appendix B.

5.3 The current strategic benchmark is as follows:

Asset Allocation

Asset Class		**%**	**Benchmark Index**
Equities	**47**		
Active		19	Split one third MSCI World and two thirds MSCI World (NDR) due to different manager benchmarks
Passive		28	FTSE Developed World
Bonds	**30**		
Corporate Bonds		12	iBoxx Sterling Non-gilts
Index-Linked Gilts		15	FTSE UK Index-Linked over 5 years
Gilts		3	FTSE UK Gilts All Stock
Property	**10**		IPD Index
Private Equity	**5**		MSCI AC World ex UK
Hedge Fund of Funds	**8**		3 Month LIBOR
Total	**100**		

6. Risk

6.1 The Committee recognises that risk is inherent in any investment activity and it seeks to manage the level of risk that it takes in an appropriate manner.

6.2 The operational risk to the Fund is minimised by:

- The use of a regulated, external, third party, professional custodian for custody of assets.
- Having formal contractual arrangements with investment managers.
- Having access to the internal audit service of Powys County Council.
- The activities of the Fund Managers being governed by detailed Investment Management Agreements. Fund Managers are expected to have regards to these principles and legislative requirements, in particular the LGPS (Management and Investment of Funds) Regulations 2009 (SI 2009 No.3093)
- Having formal agreements in place with admitted bodies.

6.3 The investment risks to the fund are managed by:

- Diversification of types of investment
- Diversification of investment managers
- The setting of a Fund-specific benchmark informed by Asset-Liability modelling of liabilities.
- The appointment of independent professional advisors
- The appointed expert Fund Managers being given clear performance benchmarks and maximum accountability for performance against those benchmarks over appropriate time-scales.
- Fund Managers being required to implement appropriate risk management measures and to operate in such a manner that will ensure the likelihood of not achieving the performance target is kept within defined acceptable limits.

6.4 Fund managers are permitted to use authorised financial instruments in appropriate circumstances following prior discussion and approval. Approval will not be withheld without clear justification.

6.5 Statistics for measuring the performance of the Fund are provided by the WM Company on a quarterly, annual and 3, 5 and 10-year basis to allow regular monitoring against the prescribed benchmarks and against peer groups.

6.6 The Fund Managers are required to produce a quarterly investment report and to attend Pension and Investment Committee meetings as appropriate.

6.7 The independent investment adviser who attends each Pensions and Investment Committee meeting produces a separate report on investment performance quarterly, based on performance calculated by WM Performance Services. WM provide a performance measurement service of the Fund.

6.8 The Pensions and Investment Committee regularly monitors the investment performance of the Fund in both absolute terms and against the specific benchmarks set. A review of overall, or asset class specific benchmarks, will be undertaken if the Pensions and Investment Committee considers it appropriate.

6.9 The County Council requires the investment managers to provide details of the commission payments they receive on asset transactions (including soft commissions if applicable) and how they assess their overall trading efficiency. By discussing these matters with the investment managers, the County Council seeks to gain a full understanding of the transaction-related costs that the Fund incurs, and to understand the options open to the County Council in relation to those costs.

6.10 Appropriate performance data will be included in the annual report and statement of accounts for the Pension Fund and in the annual members' newsletter.

7. The expected return on investments

7.1 The Fund Managers have been given specific performance targets measured against the index return in the relevant asset class. The County Council recognises that these targets will not be met in all periods under consideration, but expects that the Managers will meet them in the vast majority of periods under consideration.

7.2 The performance targets for the Fund managers are shown in the table below:

Investment Manager	Mandate	Benchmark	Objective
Aberdeen	Global Equity	MSCI World	To outperform the benchmark by 3% p.a. (gross of fees) over rolling 3 year periods
MFS	Global Equity	MSCI World (NDR)	To outperform the MSCI World Index over full market cycles while maintaining a consistent style discipline
Schroders	Global Equity	MSCI World (NDR)	To outperform the MSCI World Index by 3-4% p.a. over a market cycle
Barclays Global Investors	Balanced	Composite benchmark	To track the benchmark
Aviva Investors	UK Property	IPD/PPFI All Balanced Funds Medium Index	To outperform the benchmark by 1% p.a. over rolling 3 year periods.
CB Richard Ellis	European Property	UK Retails Price Index (The IPD UK Pooled Property Index will also be used for comparison purposes)	Provide investors with a return of 8-10% p.a., net of fees and expenses.
Western Asset Management	Global Corporate Bonds	Merrill Lynch Sterling Non-Gilts Index.	To outperform the benchmark by 0.75% p.a., net of fees, over the medium term (3-7 years)
Standard Life Investment	Private Equity (European)	MSCI World	To outperform the benchmark by 5% pa over a rolling three year period.

Investment Manager	Mandate	Benchmark	Objective
HarbourVest Partners	Private Equity (US)	MSCI World	No stated objective, just to produce returns which place HarbourVest in the top quartile in the industry
Goldman Sachs	Hedge Fund of Funds	3 month USD LIBOR	To outperform the benchmark by 4 – 9% p.a. net of fees.
Fauchier Partners	Hedge Fund of Funds	3 month GBP LIBOR	To outperform the benchmark by 5% p.a. over a rolling five year period by investing in a diversified portfolio of hedge funds.
GAM	Hedge Fund of Funds	3 month GBP LIBOR	To achieve an absolute return of 8-13% p.a. over the long term.

7.3 The managers' benchmarks are based on market indices. The indices used were considered in consultation with the investment adviser and investment managers and carefully chosen with regard to their strategic suitability. The limits on the levels of divergence from these indices set out in the investment mandates were chosen with regard to the investment managers' overall performance objectives.

8. The realisation of investments

8.1 General investment principles require that issues of liquidity and marketability be considered in making any investment decision. Current employer and employee contributions are expected to broadly match or exceed pension income. Thus it is not expected that there will be any need to realise investments in the near future other than to seek higher returns.

8.2.1 The vast majority of the Pension Fund's assets are readily marketable. However some investments, such as property and private equity, are less easy to realise in a timely manner. This relative illiquidity is not considered to have any significant adverse consequences for the fund.

8.3 The Council would inform the appointed external fund managers of any projected need to withdraw funds in order to enable the fund managers to plan an orderly realisation of assets if this proves necessary.

9. Socially Responsible Investment

9.1 The County Council has delegated responsibility for the selection, retention and realisation of investments to the investment managers.

9.2 The County Council's policy is to invest part of the Fund's assets on a passive basis. The County Council does not consider it appropriate for a passive investment manager to take account of social, environmental or ethical considerations in the selection, retention and realisation of investments.

9.3 The County Council's policy in respect of the actively managed portion of the Fund's assets is that the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the active investment managers. However the County Council expects that the active investment managers in the exercise of their delegated duties will take the extent to which social, environmental or ethical issues may have a financial impact on the portfolio into account.

10. The exercise of the rights attaching to investments

10.1 The County Council supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its Fund Managers who exercise its voting rights. Votes are cast by proxy. Managers provide reports when any voting rights are exercised. Only direct investments in traded equity shares carry such voting rights.

11. Corporate Governance

11.1 The County Council supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its Fund Managers who exercise its voting rights. Votes are cast by proxy. Each Fund Manager is required to report its actions on a quarterly basis.

12. Stock lending

12.1 The Fund, custodian or investment managers do not engage in stock lending on behalf of the Fund.

13. Monitoring and Implementing of Investment Policy

13.1 **Monitoring and Review**

13.1.1 The Committee will meet on a quarterly basis with the Investment Advisors to review and discuss the operation of each Investment Manager's portfolio, including past and future policy decisions. The performance of the Investment Managers will be monitored by the Committee on a quarterly basis at the Investment Committee meetings.

13.1.2 The Committee, in conjunction with the Investment Consultant, will review the allocation of assets between the passive and specialist portfolios, property and other asset classes.

13.1.3 The appointments of the Investment Managers will be subject to review at the meeting held to consider the performance results from the designated provider. The review will be based on the monitoring of the Investment Managers' processes as well as their performance.

13.1.4 The Investment Managers' appointments, whilst subject to annual monitoring, would generally be reviewed over rolling 3 year periods, in line with their performance benchmarks.

13.1.5 If an Investment manager performance prompts concerns then the Committee may ask the manager to come to a meeting for a special review meeting.

Appendix A

Principles for Institutional Investment Decision Making

Compliance with CIPFA Principles for Investment Decision Making in LGPS

Compliance with CIPFA Principles for Investment Decision Making in LGPS

Principle	Compliance
Effective Decision Making	The Fund considers that its practices are compliant with the CIPFA principles
Clear objectives	The Fund considers that its practices are compliant with the CIPFA principles
Risk and Liabilities	The Fund considers that its practices are compliant with the CIPFA principles
Performance Assessment	The Fund considers that its practices are compliant with the CIPFA principles
Responsible Ownership	The Fund considers that its practices are compliant with the CIPFA principles
Transparency and Reporting	The Fund considers that its practices are compliant with the CIPFA principles

Appendix B

Background to Medium Term Asset Allocation

Philosophy

The Committee recognises that it is possible to take advantage of excessive over/under valuations of markets in order to target additional returns. The Committee in conjunction with the Investment Consultants seek to identify opportunities to allocate investments away from the strategic benchmark that are designed to add additional return relative to the benchmark return over the medium term (around 1 to 3 years).

Process

A thorough fundamental analysis of economics and financial markets is carried out to identify and incorporate general investor expectations into views of the different markets. In particular, attention is paid to establishing consensus views and profit is taken from positions which differ from the consensus. A range of appropriate timing indicators are utilised in order to achieve the best entry and exit levels to and from asset classes.

In terms of the practical application, once an opportunity has been identified the Fund's Investment Consultant will notify the Investment Committee. The Investment Committee decides whether to pursue the opportunity and if so will work with the Investment Consultant to complete any necessary asset transitions. The Investment Consultants liaise with the Investment Managers and follow each transaction as it happens to make sure each trade goes through smoothly.

Risk management

Considerable lengths are taken to assess what correlations are likely to be in the future so as to ensure asset allocation views are truly diversified. The style of the MTAA project is to have a limited number of meaningful positions rather than either a small number of large positions or a large number of small positions. The overall objective is to achieve an additional return of 0.5% p.a. of assets involved in the MTAA project. The Investment Consultant will provide regular reporting to the Investment Committee.

APPENDIX 6 - GOVERNANCE STATEMENT

Pension and Investment Committee

1. Composition.

1.1 The Council will appoint 5 Members of the Council to the Pension and Investment Committee to achieve as far as reasonably practicable a political balance on the committee. The Committee will then co-opt two non-voting members, one staff representative nominated by the Trades Unions and one representative nominated by the Outside Bodies Employers.

1.2 The Council shall appoint the Chair of the Committee at the Annual Meeting, and shall fill any vacancy between Annual Meetings at an ordinary meeting. The Chair of the Committee is entitled to a special responsibility allowance.

SECTION 1.

The Governance Policy Statement for the Powys County Council Pension Fund

1. **Overall Constitutional Arrangements.**

1.1 The Powys County Council Pension Fund is a local government pension fund. The prime legislation governing the fund is the Superannuation Act 1972 and regulations made there-under.

1.2 Powys County Council is the administering authority for the Powys County Council Pension Fund. The governance arrangements of the County Council (including the Constitution, Financial Regulations and Contract Standing Orders) apply to the management of the Pension Fund.

2. **Scheme of Delegation.**

2.1 The County Council will appoint the members of the Pension and Investment Committee. The Committee will consist of 7 members.

2.2 The Pension and Investment Committee will meet once every 3 months with special meetings and training workshops as necessary.

2.3 The Pension and Investment Committee will be advised by the Council's Investment Adviser (currently Aon Hewitt Associates Limited) and the Council's Actuary (currently Aon Hewitt Associates Limited).

2.4 Members of the Pension and Investment Committee will be required to undertake at least 10 hours training and demonstrate competency in accordance with Section 4 of this Appendix.

3. **Consultation**

3.1 The Pension and Investment Committee will engage with stakeholders through the following:

- At least annually the committee will invite outside bodies to a meeting.

- A triennial meeting between contributing employers and the actuary to discuss the results of the actuarial valuation.

- Annual benefit statements are sent to all members annually.

4. Review of the Governance Policy Statement

4.1 In line with the Regulations, this Statement will be revised and published by the Administering Authority following any material change in the governance policy.

5. Contacts

5.1 Any questions, queries or observations on this Statement should be addressed to:

Geoff Petty,
Strategic Director – Finance and Infrastructure,
Powys County Council,
County Hall,
Llandrindod Wells,
Powys
LD1 5LG

SECTION 2.

Terms of Reference

Pension Administration Functions

- To appoint the Fund's Actuary;
- To receive the triennial actuarial valuation and such other valuations that may arise from time to time and set employers' contribution rates arising there-from.
- To manage, monitor and review the overall arrangements for the administration of the Local Government Pension Scheme (LGPS).
- To respond to consultations in respect of the LGPS.
- To undertake the following functions of the LGPS:

    - To act as Scheme Trustees in relation to the Powys County Council Additional Voluntary Contributions (AVC) Scheme

    - To exercise the discretionary powers available to an administering authority under the provisions of the LGPS regulations

    - To develop, publish and review policies as required by the LGPS regulations.

Investment Functions

- To determine long-term investment policy.
- To approve the Council's Funding Strategy Statement and Statement of Investment Principles.
- To review the fund's investment structure at least triennially, having regard to the Fund's liabilities and the advice of the Fund's Investment Adviser and the Section 151 Officer.
- To appoint and dismiss investment managers, consultants and advisers.
- To review investment performance at least once every 3 months.
- To appoint the Fund's custodian for its assets and to periodically review custody arrangements.
- To appoint the Performance Measurement Service for the fund.

General

- To approve the annual business plan, Statement of Investment Principles and Governance Compliance Statement.
- Assess and approve the annual pension fund accounts, external audit opinion and management representation in relation to annual audit findings.
- To receive internal audit reports on Pension Fund matters.
- Meetings are open to the public except for exempt and confidential items as defined by the Local Government Act 1972. Copies of reports and minutes are available on the Council's website.

SECTION 3.

Functions Delegated to the Section 151 Officer

Pension Administration Functions

- To manage the administration of LGPS.
- To undertake the following functions of the LGPS:

  - Award of Death Grants in accordance with the Council's agreed policy.

  - Ensure compliance with the Pensions Act 1995

  - Ensure compliance with the Finance Acts 2004 and 2005, in particular the meeting of HMRC Reporting Requirements

  - Provide active and deferred members of the Scheme with Annual benefit Statements;

  - Manage, monitor and review arrangements in respect of the scheme's internal dispute resolution procedure.

Investment Functions

- To undertake regular monitoring and reconciliation of investments and to report matters of significance to the Pensions and Investment Committee.
- To undertake tendering exercises for Fund services and Investment Managers in accordance with the Council's overall governance arrangements and the Pension and Investment Committee's instructions and to present the Committee with shortlists for appointment.

General

- To produce the Fund's Annual Accounts in accordance with proper practice.
- To authorise, within limits, expenditure from the Fund.
- To authorise cash or asset movements between the Council, the Fund, custodian and investment managers.
- When necessary, the exercise of the Fund's voting rights by instruction to the investment managers and custodian, after consultation with the Chairman and Vice-Chairman of the Pension and Investment Committee.
- The Pension and Investment Committee has delegated the use of the voting rights attached to its shareholdings to the investment managers but retains a right to exercise those rights on its own account in exceptional circumstances.
- The Section 151 officer may authorise officers in his / her service to exercise, on his / her behalf, functions delegated to him / her. Any decisions taken under this authority shall remain the responsibility of the Section 151 Officer and must be taken in his / her name and he / she shall remain accountable and responsible for such decisions.

SECTION 4.

Trustee Training Plan

Members of the Pension and Investment Committee will be expected to develop the following proficiencies.

To be achieved within 12 months of appointment to the Committee:

- Understanding of the role of the Committee and the quasi-trustee role of its Members.
- A basic understanding of the Local Government Pension Scheme (LGPS), to include;
    - the scheme's benefits;
    - the discretionary powers available to an administering authority
    - the scheme's funding, including the Actuarial valuation;
    - the roles of the administering authority, scheduled and admitted employers.
- A basic understanding of the roles of the following:
    - The Section 151 Officer;
    - The Investment Adviser;
    - The Actuary;
    - The Investment Managers;
    - The Custodian;
    - The Investment Measurement Service.
- A basic understanding of the relationship between the Fund's assets and liabilities, including the Funding Strategy Statement.
- A basic understanding of the investments of the Fund and the use of benchmarks to measure performance, including the Statement of Investment Principles.

Thereafter, Committee Members will be expected to undertake training to develop their competencies in the above areas and to remain abreast of relevant developments in the LGPS and investment opportunities. Members will need to demonstrate that they have completed at least 10 hours training and development per annum and a record will be kept for this purpose. A budget will be available to facilitate training.

Training may take the following forms:

- External courses, conferences and seminars;
- Internal courses and sessions facilitated by Council officers, advisers to the Fund and Investment Managers;
- Reading relevant literature.

If Members do not meet the training requirements, this will be referred to the County Council.

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.

Impairment

Loss in value as a result of a past event whether physical or economic.

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 itself can borrow.

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

Refcus
Capital expenditure that does not result in a fixed asset on the Balance Sheet and is therefore treated as revenue but funded from Capital resources.

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 of 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.

Supported Borrowing
Borrowing that is financed by the Welsh Government through the Revenue Support Grant.

Independent auditor's report to the Members of Powys County Council

I have audited the accounting statements and related notes of:

- Powys County Council; and
- Powys Pension Fund

for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

Powys County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement. Powys Pension Fund accounting statements comprise the Fund Account and the Net Assets Statement.
The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 22, the responsible financial officer is responsible for the preparation of the statement of accounts, and pension fund accounts which gives a true and fair view.
My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Powys County Council's and Powys Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.
In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Powys County Council

In my opinion the accounting statements and related notes:

give a true and fair view of the financial position of Powys County Council as at 31 March 2012 and of its income and expenditure for the year then ended; and

have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on the accounting statements of Powys Pension Fund

In my opinion, the pension fund accounts and related notes:

give a true and fair view of the financial transactions of Powys Pension Fund during the year ended 31 March 2012 and of the amount and disposition of the fund's assets and liabilities as at that date other than liabilities to pay pensions and benefits after the end of the scheme year; and

have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

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

Certificate of completion of audit

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

Anthony Barrett
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

POWYS COUNTY COUNCIL

ANNUAL GOVERNANCE STATEMENT 2012/13

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.

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[1] 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 engages and leads the community, and accounts to 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 outcome-focused, 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.

2.3 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 The following section summarise the governance framework and the system of internal control which has been in place in Powys County Council for the year ended 31st March, 2013. The Council's Corporate Governance Manual can be found at:

http://www.powys.gov.uk/index.php?id=3361&L=0

The structure of this Statement is based on the CIPFA/SOLACE Framework.

[1] Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives

3. The Governance Framework

3.1 Principle 1 – Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

The Council and its partners have, through the Powys Local Service Board (LSB), agreed to focus on collectively delivering ten citizen centred outcomes. These shared outcomes define the conditions of well-being that we aim to create for the people of Powys and the environment in which they live. Agreeing to these ten outcomes was the first step towards developing the "One Powys" Plan

The current One Powys Plan and the Quarterly Performance Reports for the One Powys Plan can be found at:

One.powys.gov.uk

The County Council's current Change Plan sets out the Council's contribution towards delivering the shared outcomes for the current One Powys Plan. The Change Plan sets out the Council's vision which is:

"Efficient services for the green heart of Wales"

Powys County Council's Change Plan can be found at:

www.powys.gov.uk/index.php?id=296&L=0

Following the formal release of the Welsh Government's Guidance on Single Integrated Plans - Shared Purpose Shared Delivery, a Project Plan has been developed and is being implemented in order to deliver:-

- A lean LSB partnership structure that provides a clear communication and accountability framework.
- A Transformation and Commissioning Function / Team that facilitates efficient and effective collaborative programmes of work designed to provide multi-agency citizen / community focused services
- A new refreshed One Powys Change Plan (2014-17) which brings together the Powys Change Plan and the single integrated plan and addresses key priorities identified through a Joint Strategic Needs Assessment.
- Demonstrable and measurable outcomes at population, community, service and individual level.

3.2 Principle 2 – Members and officers working together to achieve a common purpose with clearly defined functions.

The Council's Constitution sets out the roles and responsibilities of Members and officers so that accountability for decisions made and actions taken is clear.

The Council operates a Leader and Cabinet model of governance. The Council is responsible for appointing the Leader. The Leader appoints the remainder of the Cabinet. The Council retains responsibility for approving the Council's Change Plan and the annual budget.

The Cabinet has delegated responsibility for a number of functions, including:

- Strategic leadership and direction;
- Developing and proposing to Council the Powys Change Plan, the Medium Term Financial Plan and the Annual Budget;
- Ensuring delivery of the Powys Change Plan;
- Consulting with relevant Scrutiny Committees in the development of policy;
- Delivering services in line with adopted policies and budgets.

The Constitution sets out clear terms of reference for all Committees of the Council. The Cabinet, Scrutiny and Audit Committees have work programmes for the civic year.

In 2012/13, the Council operated 2 Scrutiny Committees:

- People
- Environment, Infrastructure and Crime and Disorder

Scrutiny Committees undertake reviews and inquiries, either within the Committee as a whole or generally by delegation to Working Groups. The findings of Scrutiny reviews and inquiries are presented to Cabinet for action.

The Audit Committee is independent of both the Cabinet and Scrutiny functions. It oversees the work of Internal Audit and receives the reports of the Wales Audit Office. It has responsibility for approving the Council's Accounts. It also monitors the Council's performance in relation to its budget and achievement of performance targets.

The Council's committees also include some representatives who are not County Councillors. The Audit Committee has an independent "lay" member and the People Scrutiny Committee has co-opted members in respect of education scrutiny.

The Council has initiated 5 programmes boards to manage delivery of key transformational change through the Powys Change Programme:

- Care and Well-being
- Learning and Community
- Regeneration
- Climate Change
- Council

Each programme is assigned a Lead Portfolio Holder and Programme Sponsor (Strategic Director)

Each programme reports on a quarterly basis to the Executive Programme Board which consists of Portfolio Holders and Management Team

The Chief Executive is the Head of Paid Service. He leads the Council's officers and chairs the Management Team and Heads of Service Group.

All staff have clear conditions of employment and job descriptions which highlight their roles and responsibilities. This is supported by a range of Human Resources policies.

During 2012/13, the following officers held statutory roles:

The Strategic Director – Law and Governance was designated as Monitoring Officer and carried overall responsibility for legal compliance.

The Strategic Director – Finance and Infrastructure was the Section 151 Officer appointed under the Local Government Act 1972. He was responsible for the proper administration of the financial affairs of the Authority.

The Strategic Director – Care and Well-being was the Statutory Director for Social Services.

The Strategic Director – Communities, Skills and Learning was the Chief Education Officer (transferred to the Chief Executive in October 2012) and the Lead Director for Children and Young People.

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

The Council places a high value on upholding the highest standards in public office for both Members and Officers.

For elected Members, the Council has adopted the Model Code of Conduct for County Councils in Wales. Conduct of Members is monitored by the Public Services Ombudsman and the Council's Standards Committee.

For officers, the Council follows the statutory Code of Conduct. Conduct and behaviour is the responsibility of the individual officer and a breach may constitute a disciplinary matter.

The Council has an Anti-Fraud and Anti-Corruption Strategy and Whistle Blowing Policy which allows matters of concern to be raised and sets out how they will be investigated.

The Audit Committee is responsible for examining, approving and reviewing the adequacy of risk assessment, risk management and internal controls, including compliance.

The Council has a formal compliments and complaints procedure that enables complaints to be escalated and investigated independently of the service concerned.

The Council has nominated the Strategic Director – Care and Wellbeing as Senior Information Risk Owner (SIRO). Key responsibilities are the assurance of information security and investigating data breaches, including referrals to the Information Commissioner, if necessary.

Powys County Council has implemented an Information Governance framework to initiate, develop, and monitor policies and practices in relation to information security, management and risk, to ensure compliance with relevant information legislation and standards.

During the year there has been effective reporting of information incidents and near misses, and the management of reported incidents has ensured corrective action taken, where necessary. The Information Commissioner has been notified of these information incidents.

3.4 Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council's Constitution sets out how the Council operates and the process for policy and decision making. Within this framework, decisions are taken by Council, Cabinet, individual Cabinet Members and officers. Certain specific decisions are taken by the Regulatory Committee (now the Planning, Taxi Licensing and Rights of Way Committee), Shire Committees, Pensions and Investment Committee and the Employment and Appeals Committee.

The Council's publication scheme commits Powys County Council to make information available to the public as part of its normal business activities. The scheme can be found at:

http://www.powys.gov.uk/index.php?id=1935&L=0

The Council presumes that reports will be publicly available unless certain, specific tests are met. There are seven categories of exempt information and these include:

- Information relating to a particular individual;
- Information relating to legal matters.

For information to be treated as exempt, an assessment of public interest has to be made, to ensure proper balance is achieved between the right to know, the right to personal privacy and the delivery of efficient government.

For issues attracting high public interest e.g. the Council has webcast meetings in order that interested stakeholders can view proceedings in real time and through an archive facility. The facility has been valued by stakeholders with both live debates and archived debates having high levels of discrete viewings. The Council is seeking to further explore public interest in viewing a range of other formal meetings including Planning and Scrutiny.

The Cabinet agreed a new Risk Management Strategy in November 2011. This sets out how the Council will identify risk and how it will be managed. The Council has identified that its risk management needs to be improved and risk is now forming part of corporate performance reporting in 2012/13. The Audit Committee has a key role in monitoring and challenging the Council's risk register.

3.5 Principle 5 – Developing the capacity and capability of members and officers to be effective

The Council aims to provide a wide range of opportunities for Members and Officers to be more effective.

All newly elected Members receive an induction programme. There is also specific training relating to whichever committees they are appointed. Powys County Council has been awarded the Wales Charter for Member Support and Development. Development of an accredited member training scheme and member support forms part of the Powys Change Plan.

A Member Development Working Group consisting of Councillors and officers has been established to develop and monitor the implementation of the Member training programme and is developing a process for the roll-out of individual Personal Development Reviews for all Councillors to assess individual training needs.

Council received a number of seminars in 2012/13. These help to build background knowledge and help Members in fulfilling their scrutiny and audit roles. These seminars included:

- Safeguarding and Corporate Parenting
- Welsh Housing Quality Standard
- Estyn Action Plan
- Adult Services
- Members' Annual Reports
- Blogging and Social Networking

All new officers receive induction training, both corporately and within their specific service. A range of role based training is available across the Council, in particular to ensure staff operate in a safe manner to protect themselves, the public and their colleagues. The Council offers specific training based around staff reviews to provide the opportunity to develop existing skills or learn new skills.

The Council has an Employee Development Review system. The Council acknowledges that this scheme has not been operated consistently throughout the Council.

3.6 Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability

The LSB have drafted and approved a Participation Strategy and Action Plan which is being led by PAVO. A recent consortium Lottery bid, aligned to the LSB strategy, under the Community Voices programme has been successful and provides an additional £700k over the next three years to ensure better consultation with vulnerable groups.

The Council is always seeking better ways to engage with local people and other stakeholders.

- The Council undertakes an annual resident's survey with a representative sample of 1,000 people to monitor public satisfaction with key services (schools, street lighting, recycling, adult care) and to identify key areas of improvement. The outcomes of this survey feeds into the Council's Change Plan and individual service business plans. However, the Council acknowledges that links between this survey and its planning process need to be more transparent and a new Consultation and Engagement Framework was approved by Cabinet on 19 March 2013 to ensure that clearer links are made between consultation feedback and service development.

- The residents' survey 2012 was one of the key considerations in developing the Council's 'Statement of Intent' which was agreed by Cabinet on the 20th and published on the 21st November 2012. Items drawn from the residents' survey included:

  - More emphasis on affordable housing

- More support for the creation and maintaining of local jobs
- Improvements in our planning services

- The Powys Change Plan 2013-16 demonstrates how key consultations have influenced the selection of key areas for improvement

The Council has a Citizens' Panel of about 1,000 residents, which enables the Council to consult quickly and directly on a range of proposals.

The Council, via the Children's and Young People's Partnership. Has an active Youth Forum, which is regularly consulted on a wide variety of strategic and operational areas, both specific in nature to children and young people, but also in relation to wider population issues. They also link to the Welsh Government's Funky Dragon initiative and provide the young inspectors for those services seeking to meet the National Participation Standards.

In addition, Eat Carrots, Be Safe from Elephants, Powys' Junior Safeguarding Children's Board has received national recognition, and cited as an exceptional example of good engagement practice by the Children's Commissioner for Wales for supporting the Local Safeguarding Children's Board in the business of safeguarding and child protection.

The Council holds an annual meeting with business ratepayers to discuss the budget proposals.

During 2012/13, there was a wide range of consultations based around service specific policies. These included:

- Consulting with schools and the public using a variety of methods on proposals to change school provision in a number of high school catchment areas;

- On street surveys with the public and local business on satisfaction with a new traffic system in Welshpool;

- As part of the Powys Adult and Community Learning Partnership, consulting with the public on the future shape of adult education;

- Consulting with the public on priorities for the council's youth service;

- Consulting with a wide variety of stakeholders on the council's new Council Tax Reduction Scheme;

4. Review of Effectiveness

There is ongoing review of the effectiveness of the Council's Governance Arrangements. The review is informed by the work of:

- The Council's Cabinet

- The Council's Scrutiny and Audit Committees

- The Council's statutory Chief Officers

- The Authority's regulators, including Wales Audit Office, Estyn and CSSIW

- Internal Audit

4.1 Cabinet Executive Programme Board

Throughout 2012/13, the Council's Cabinet has met in its role of Executive Programme Board. In these meetings, the Cabinet receive quarterly reports to review both the Council's performance and the progress of the key improvement programmes in the Council's Change Plan. The Cabinet also receives reports on the Council's financial performance on a regular basis.

Each year, the Council is required to produce an overview of its performance for the year just past. The Council's performance review for 2011/12 was published in October 2012 and is also available at:

www.powys.gov.uk/index.php?id=296&L=0

The review of performance for 2012/13 will be available from November 2013.

4.2 Scrutiny and Audit Committees

Decisions and their implementation can be scrutinised by the Scrutiny Committees and can be called in by full Council. The following are examples of areas which were scrutinised during 2012/13:

- Monitoring of the action plan in response to the Estyn Inspection of the Local Education Authority;
- Monitoring of the action plan in response to the CSSIW (Care and Social Services Inspectorate Wales) Inspection of Adult Social Care;
- Welshpool one-way system;
- Regeneration;
- Health and safety compliance by the Local Environment Service.

The recommendations of scrutiny reviews are presented to Cabinet for their consideration.

Audit Committee meets on a regular basis. The Committee receives reports from Internal Audit and the Wales Audit Office and can make recommendations to both the Cabinet and Scrutiny Committees. The Committee has a Finance and Performance Sub Group that receives regular financial and performance report and makes recommendations arising from review of these reports. The Committee receives a quarterly report on the Council's risk management arrangements.

The Committee also has an Internal Audit Sub Group that meets regularly to receive all adverse opinion reports i.e. those rated Limited or Low assurance. Its main purpose is to track action plans to ensure that effective and timely corrective measures have been implemented.

Key areas of focus were:

- Housing Repairs and Maintenance
- County Farms- Debt Collection

- Management of Construction Projects
- Information Security on obsolete ICT equipment

Continued failure to address significant weaknesses will be reported to the main Audit Committee.

4.3 The Council's Statutory Chief Officers have a range of functions with respect to the overall review of the Council's effectiveness. These include:

The Chief Executive is signatory to the Council's Annual Governance Statement;

The Chief Finance Officer is responsible for certifying that the Council's Accounts present a true and fair view of its financial position and income and expenditure;

The Council's statutory Director of Social Services is responsible for an annual review of the Council's social services under the Annual Council Reporting Framework (ACRF).

4.4 Wales Audit Office

Each year, Wales Audit Office reviews the performance of local authorities in Wales in accordance with their statutory responsibilities.

Key reports during the 2012/13 financial year are set out below:

- Audit of Financial Statements Report (issued September, 2012)

  This report was presented to Audit Committee on 28th September, 2012. The report stated:

  "Opinion on the accounting statements of Powys County Council

  In my opinion the accounting statements and related notes:

  Give a true and fair view of the financial position of Powys County Council as at 31st March, 2012 and of its income and expenditure for the year then ended; and

  have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12."

- Annual Improvement Report

  The Wales Audit Office (WAO) has a duty to report to the public on the arrangements councils in Wales put in place to secure continuous improvement. The report is underpinned by two key pieces of work:

  - A forward looking assessment of the Council's arrangements to secure continuous improvement;
  - A backward looking assessment of whether the Council has achieved its planned improvements.

Forward looking assessment of the Council's arrangements to secure continuous improvement.

The WAO's Improvement Assessment letter was received in September 2012 where they state:

"The council has discharged its improvement planning duties under the Measure. However, it should ensure that it acts more in accordance with Welsh Government guidance and that its improvement plan effectively conveys what it is going to do differently and how this will affect the lives of citizens."

"The council has made progress in addressing the immediate skills gaps needed to deliver its improvement priorities. However, there are risks that the Council needs to manage proactively to ensure staff have manageable workloads and deliver key improvement projects in a timely manner."

"The council has put in place affordable plans to improve services but is less able to demonstrate their impact on service delivery and in improved outcomes for citizens."

"The council's approach to managing secondary school budgets has been ineffective and a significant challenge remains if it is to curtail secondary school budget deficits in the short-term and eliminate them in the longer-term."

"The council is prioritising a cultural change programme in order to drive a more open and realistic self-assessment and evaluation of its progress in achieving its key areas for improvement."

Proposals for Improvement 2012

- Monitor closely the development of service based workforce plans and the introduction of the new staff appraisal system and personal development plans to ensure these key projects are delivered successfully, and in a timely manner.
- School Budget Deficits - Consult upon the revised scheme for school funding and associated guidance.
- School Budget Deficits - Consolidate the actions necessary to implement relevant recommendations contained in the internal audit, scrutiny and Estyn reports into one overall plan to avoid duplication and facilitate improved monitoring arrangements.
- School Budget Deficits - Rigorously monitor progress in implementing actions and evaluate whether they are being effective in reducing school budget deficits and bringing the Council into full compliance with the School Funding (Wales) Regulations 2010.

Backward looking assessment of whether the Council has achieved its planned improvements.

The WAO's Improvement Assessment letter was received in December 2012 where they state:

"The council is prioritising a cultural change programme in order to drive a more open and realistic self-assessment and evaluation of its progress in achieving its key areas for improvement."

Proposals for Improvement 2012

- Incorporate more effective and timely processes to challenge and scrutinise the extent of progress the Council is making.
- Continue to work towards more open and self-critical evaluation of performance and reporting of progress to local citizens.

Annual Improvement Report – the council received the latest Annual Improvement Report in April 2013. Whilst there were no new statutory recommendations or proposals for improvement, there were previous proposals for improvement in earlier improvement assessment letters as detailed above. The following actions are being pursued to address those concerns raised and are detailed in the council's Powys Change Plan 2013-16:

- Implement the new operating model to ensure that we focus on outcomes for residents, including a new approach to performance management and organizational development.
- Improve our capacity for effective decision making based on accurate and timely information, balanced self-evaluation, performance improvement and effective scrutiny of outcomes for residents.
- Facilitate the Local Service Board to produce a single integrated plan (2014-17) that is designed to achieve better outcomes for citizens:
- Develop a workforce that is more agile, productive and responsive to residents' demands. We will do this by improving staff engagement, building on the job evaluation and single status project to reduce supervisory layers and ensuring clear accountabilities throughout the council. We will review our HR policies, such as our sickness policy, to ensure they are clear and support workforce transformation.
- Taking effective action to reduce school deficit budgets.
- An Adult Social Care Service Improvement Board and a LAESCYP[2] Recovery Board have been established to oversee improvements in adult social care and educational service provision and outcomes.

Wales Audit Office also issued reports in respect of:

- Review of Governance Improvement;
- Review of Housing Benefits;
- Welshpool Review;
- Adult Social Care Budgets;
- Review of the Management of Secondary School Budget Deficits.

The key recommendations from these reports are reflected in the reports noted above.

4.5 Estyn

Estyn undertook a monitoring visit in October, 2012 and reported in November 2012. This followed an inspection of education services for children and young people in February, 2011.

The outcome of the monitoring visit is summarised below from the Estyn Report:

"As a result of these findings, and the slow progress against recommendations, the authority will move from Estyn monitoring and be placed in the category of an authority in need of significant improvement. A team of HMI will return in not less than 12 months to judge progress."

[2] Local Authority Education Services for Children and Young People

The following recommendations were made:

- develop effective self-evaluation procedures;
- make sure that performance management processes are robust and hold officers to account;
- ensure that the work of the Schools Service is planned effectively, quality assured rigorously and evaluated robustly in order to improve its impact upon learners;
- ensure that strategic planning is focussed consistently on achieving better outcomes for learners and that it is responsive to Welsh Government guidance on single plans; and
- take timely action to deliver its education modernisation programme.

4.6 CSSIW

CSSIW reported in October 2012 on their overall evaluation of Powys' social services' performance for 2011/12. The report noted:

"There have been long standing historic concerns about the delivery of adult social services. This resulted in an in-depth joint inspection last year between Wales Audit Office and CSSIW. A number of areas for improvement were identified both at a strategic and operation level. The council has responded positively to the recommendations. It has put a programme board in place and produced an adult social care business plan. This, together with the Powys change plan, has set out the response required to address the issues raised."

"Children's services in Powys are stable, perform well and benefit from strong capable management. Particular emphasis has been placed on developing networks across staff groups and partner agencies which is crucial to the success of providing responsive services across a widely dispersed authority."

CSSIW identified the following potential risks:

- The work on collaboration could create uncertainty leading to delays in progressing modernisation. It will be important to maintain effective corporate and senior management attention to ongoing business whilst collaboration is being discussed.
- Lack of permanency in key appointments in adult services. This could result in the failure to sustain and embed the change programme.
- Potential impact of health board overspend.
- Ensuring consistency of care delivery of adult services across the Shires.

Areas identified for follow-up are:

- The role of the statutory Director of Social Services (this is part of CSSIW's national review).
- Strategic commissioning plans for learning disability and older people's services.

- Re-referral rate in Children's Services.
- Progress of the action plan developed from the CSSIW review of the local safeguarding children's board.

4.7 Internal Audit

During 2012/13, Internal Audit complied with the requirements and principles of:

- CIPFA Code of Practice for Internal Audit 2006 – Service Standards;
- CIPFA Role of Head of Internal Audit in Local Government.

Internal Audit has completed a programme of work reviewing the Council's internal control environment. The programme of work contained planned, as well as unplanned, reviews. Each review contained an opinion on the control environment.

Internal Audit undertakes investigatory work in respect of fraud and irregularity. A separate team undertakes housing benefit fraud investigations in conjunction with the Department of Works and Pensions.

Where an Internal Audit report identifies a significant weakness in the control environment, a report is made to the Audit Committee. The Committee require an action plan to be produced by the service to address the weakness and monitors the implementation of that action plan.

In accordance with the Internal Audit Code of Practice for Local Government, the Head of Audit is required to give an opinion on the overall internal control environment based on the work undertaken throughout the year.

In the report being presented to Audit Committee on the11th July 2013, the Internal Audit Manager's opinion on internal control is that there is a Satisfactory level of Assurance i.e. the control environment is generally effective in achieving the Council's objectives.

The key areas of material weakness identified in this report are:

- Failure to demonstrate effective and transparent arrangements for the procurement of assets (vehicles and plant)
- Failure to identify and monitor potential conflicts of interests in procurement activities and other positions of influence.
- Concern exists over business continuity arrangements for Schools
- Concern over control and support for school activities on the periphery of the normal operations such as After School Clubs and Unofficial Funds.
- Failure to clearly define roles/ responsibilities in project teams and an absence of proper engagement has hindered the effectiveness of some significant projects.
- An increase in the number of cases of suspected fraud in the year. Mangers should be more aware of the potential risks and monitoring indicators. In many cases, a proactive approach would have resulted in a much earlier intervention.

5. Significant Governance Issues

5.1 There are a number of governance challenges facing Powys County Council at present:

5.2 The Council needs to implement the changes necessary to address the issues raised in the Estyn Inspection. The Council has engaged with our regional partners in Ceredigion Council to support the development of the action plan required by Estyn. Estyn agreed the action plan in May 2013. An Estyn team will return in not less than 12 months to judge progress. The Council's Cabinet and People Scrutiny Committee will review and challenge progress against the action plan. There is Joint Recovery Board between Powys County Council and Ceredigion County Council to drive progress.

5.3 The Council is continuing to address the issues raised by CSSIW and WAO in respect of Adult Social Care. It has been acknowledged by the regulators that some progress is being made but this needs to be sustained. The modernisation of Adult Social Care falls against a backdrop of changing demography. The population of Powys is aging and financial resources are constrained. Effective new service models, such as reablement, are required to meet the desired outcomes for our citizens within a service that is affordable. Modernisation of Adult Social Care is a key element of the Council's Change Plan for 2013-2016.

5.4 The Council must improve its own critical self-assessment. The weaknesses in the Schools' Service and Adult Social Care were both raised by external regulators. This is in spite of an extensive internal regulatory environment that failed either to highlight these weaknesses or ensure they were adequately addressed. There is a clear need to improve the level of constructive challenge and self-assessment that exists throughout the Council. This is seen as less of a structural issue and more of a behavioural and cultural issue. The Council has engaged support from the Welsh Local Government Association (WLGA) and consultants to develop a new operating model. Key to this model is an emphasis on the "commissioning" council, where we achieve far more clarity on the outcomes for our citizens. Greater clarity on our outcomes will enable more sustained and focused challenge whether those outcomes are being delivered. The model is currently being implemented.

5.5 The Council has a significant financial challenge to meet. The Medium Term Financial Plan currently identifies cost pressures of £35m through to 2016. Budget control across the Council has been patchy in recent years. Whilst the Council's overall financial position remains sound, some services have struggled to deliver within budget. The Leader and Chief Executive have made it clear that services must remain within budget and budget performance will form part of the "balanced scorecard" for senior officers in future. The Council Programme within the Council's Change Plan will both drive and track the efficiency agenda. These changes have already begun with the introduction of the Council's new operating model and a reduction in the number of senior posts, combined with an emphasis on improving capacity and capability throughout the organisation, including Cabinet and the wider elected membership.

5.6 The Council needs to improve its recycling performance and the efficiency of its recycling service. The Council's performance has improved in recent years but the Council narrowly missed the 52% statutory target for recycling for 2012/13. The service is significant overspent. The Council is in the process of renewing its recycling fleet and supporting infrastructure. This should significantly reduce costs and help to deliver the recycling service in more rural areas. The project is being managed the Climate Change Programme in the Council's Change Plan.

5.7 The Council has objected to a number of planning applications for windfarms and associated infrastructure. This has triggered a public enquiry. The Council has set aside a significant sum of reserves for this purpose. The enquiry will need robust project management to ensure that costs are contained within the sum that Council has made available. The Council will need to manage the balance between public expectation, the strength of the legal arguments and cost.

5.8 The Council has identified a governance risk in respect of joint working. The Council is actively engaged in a number of local and regional partnerships. These include joint working with the Local Health Board, collaborative activity with Ceredigion County Council with schools, social services, recycling and transport, and regional collaboration in respect of schools improvement, social care, supporting people, recycling and transport. Whilst all of these collaborations present opportunities, they also present governance risks. In particular, the Council has recognised that where its is entering into partnership arrangements that lines of accountability and responsibility, both democratic and for officers, need to be made transparent as soon as possible.

Progress on the above will be monitored through the Powys Change Plan and the governance arrangements for the individual projects. Both Cabinet and Scrutiny and Audit Committees will monitor progress throughout 2013/14.

Signed on behalf of Powys County Council:

....	....
Chief Executive	**Leader of the Council**
Date 24/06/2013	**Date** 24/6/13