

# Statement of Accounts 2013/14



**CYNGOR SIR POWYS**  
**POWYS COUNTY COUNCIL**

County Hall  
Llandrindod Wells  
Powys  
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## **EXPLANATORY FOREWORD**

### **Introduction**

The format and content of these accounts are dictated by the 2013 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 14/15 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 2013/14 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 Professional Lead for Finance, County Hall, Llandrindod Wells, LD1 5LG.

**Revenue Expenditure 2013/14**

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:

| Service Area                           | Original Budget<br>£'000 | Total Working budget<br>£'000 | Net Expenditure before Reserve movement<br>£'000 | Total Movement to/(from) Reserves<br>£'000 | Service Variance from Budget (Over) / Under spend<br>£'000 |
|--|--------------------------|-------------------------------|--|--|--|
| <b>People</b>                          |                          |                               |  |  |  |
| Adult & Commissioning                  | 52,630                   | 53,627                        | 57,209   | (3,582)                                    | (1,842)  |
| Children Services                      | 16,827                   | 16,301                        | 15,288   | 1,014                                      | 1,122  |
| Housing General Fund                   | 931                      | 973                           | 1,013  | (40)                                       | 0  |
| <b>Place</b>                           |                          |                               |  |  |  |
| Directors and Heads of Service         | (1)                      | -                             | 12   | (12)                                       | (5)  |
| Leisure & Recreation                   | 12,951                   | 14,753                        | 15,171   | (417)                                      | 177  |
| Regeneration, Property & Commissioning | 7,770                    | 8,664                         | 9,610  | (946)                                      | (3)  |
| Highways, Transport & Recycling        | 27,040                   | 28,419                        | 27,643   | 776  | (0)  |
| <b>Schools</b>                         |                          |                               |  |  |  |
| Schools Service                        | 26,728                   | 27,518                        | 28,293   | (775)                                      | (296)  |
| <b>Change and Governance</b>           |                          |                               |  |  |  |
| Access to Services                     | 408                      | 416                           | 611  | (195)                                      | -  |
| Organisational Development             | 590                      | 1,374                         | 1,508  | (133)                                      | 73   |
| Corporate, Legal & Democratic Services | 2,952                    | 3,700                         | 3,694  | 7  | 83   |
| ICT                                    | -                        | (103)                         | 379  | (481)                                      | (44)   |
| <b>Resources</b>                       |                          |                               |  |  |  |
| Professional Services                  | 1,320                    | 756                           | 1,896  | (1,140)                                    | 7  |
| Business Services                      | 93                       | 77                            | 1,767  | (1,690)                                    | (235)  |
| <b>Communications</b>                  | 131                      | 209                           | 246  | (37)                                       | (1)  |
| <b>Service Area Totals</b>             | <b>150,370</b>           | <b>156,686</b>                | <b>164,338</b>                                   | <b>(7,652)</b>                             | <b>(963)</b>   |
| Central Activities                     | 25,576                   | 18,985                        | 16,997   | 1,988                                      | 650  |
| Council Tax Surplus                    | -                        | -                             | (777)  | 777  | 777  |
| <b>Total</b>                           | <b>175,946</b>           | <b>175,671</b>                | <b>180,558</b>                                   | <b>(4,887)</b>                             | <b>464</b>   |
| Schools Delegated                      | 72,292                   | 72,567                        | 72,751   | (184)                                      | 1,136  |
| <b>Housing Revenue Account (HRA)</b>   | <b>0</b>                 | <b>0</b>                      | <b>(4,252)</b>                                   | <b>4,252</b>                               | <b>341</b>   |
| <b>Total including HRA</b>             | <b>248,238</b>           | <b>248,238</b>                | <b>249,057</b>                                   | <b>(820)</b>                               | <b>1,941</b>   |

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 Total Movement to/(from) Reserves column includes budgeted use of reserves, reserves used to fund severance pay costs and the transfer to or from reserves due to service under or overspends. The final column provides the under or overspend against the budget incurred by the service.

In order to balance the budget significant savings of £17.157m were required and £14.360m have been achieved leaving a shortfall of £2.7m. £1m held centrally to offset any slippage on savings reduces the overall shortfall to £1.7m. This shortfall has been included within the overall budget position reported.

The revenue outturn performance indicator target is to be within 0.5% of net budget. The forecast outturn for the year excluding the HRA and Schools Delegated is a net under spend of £464k or 0.2% of the working budget.

The Net Expenditure before reserve movement figure reconciles to the Net Expenditure by Directorate Total in Note 27 after adjusting for the £777k surplus on Council Tax, this figure is included within the Council Tax figure in Note 27.

### **People Directorate**

Adult Social Care overspent by £1.842m. The majority of the overspend relates to Home Care and Independent Residential Care.

Children's Services underspent against budget by £1.122m, this is due to a reduced demand in the Looked after Children budget as early intervention and prevention strategies are delivered. Staff turnover also contributes significantly to the underspend.

### **Place Directorate**

Leisure and Recreation realised an underspend of £177k. Savings were not fully achieved including car parking income at Leisure centres and reductions in catering hours. However, other areas of the service (Youth Service, and Arts, Theatres and Museums) realised underspends of £75k, and £98k which has offset the overspends. In addition the Catering and Cleaning Service position improved with school meal take-up improving significantly over the winter months, these services realised a £224k underspend.

Regeneration, Property & Commissioning saw a small net overspend of £3k, overspends on valuation of property and asset management budgets, underachievement of workshop income and redundancy costs were significantly offset by underspends on statutory testing, environmental health and trading standards.

Highways, Transport & Recycling final position was an underspend of £520k, the underspend funded the majority of the voluntary severance costs incurred. Underspends within Local Environment Operations and Waste Services have more than off-set overspends in Highways and Transportation.

## **Schools**

The Schools Service Central budget overspent by £296k. An overspend of £624k was reported on the School Operational budget, this was attributable to overspends on Structural Repairs and Maintenance, Severance Pay and Home to School & College transport. This was offset in part by underspends within the School Improvement and Pupil Inclusion Budgets. Additional recoupment income and staff slippage accounted for this.

Powys Training drew £189k from reserves at year end.

Schools delegated budget plans reported to Cabinet on the 30<sup>th</sup> July 2013 collectively showed a net transfer of £529k from their ringfenced reserves. The Outturn saw a much improved position with schools transferring approximately £751k into reserve.

## **Change and Governance**

Underspends in some service areas due to additional income and vacant posts more than covered an overspend within Information services.

The members budget was underspent by £83k as some members continue not to claim all their allowances, £50k of the allowances budget was used to fund free parking leading up to the Christmas period.

## **Resources**

Professional Services (Finance, Legal and HR) underspent by £255k, vacant posts were held across the service in readiness for the restructuring being delivered in 2014/15 to meet the savings. The underspend funded the voluntary severance costs for the service leaving a net underspend of £7k.

Business Services overspent by £235k due to timing delays making the staffing savings required. The restructuring of the Council delayed progress as staff moved between service areas and Managers changed. These savings will be fully realised in 2014/15.

## **Corporate Activities**

Cost of Council Tax Reduction awards were overspent by £258k, the benefits system changed in 2013/14 with payments being made directly from the Council rather than via grant. The new funding is based on an estimate of need rather than demand led and a fixed sum is awarded in the Revenue Support Grant. The additional funding is adjusted for in the Revenue Support Grant next financial year. The budget has been amended within the Medium Term Financial Plan.



Insurance costs were also over budget by £200k this includes a provision to cover the costs of ongoing claims.

Capital charges were significantly under budget as a result of capital expenditure being lower than budgeted and the full budget was not required in this financial year. This resulted in increased interest payments on the cash held and more significantly reduced revenue expenditure to support a lower borrowing requirement.

The Council approved a Voluntary Severance Scheme. This was a key part of the plan to assist in delivering the savings programme, costs associated with this together with other severance costs as services reconfigure totalled £3.484m in this financial year. These costs have been met from service underspends in the first instance followed by reserves. The approach adopted protects the reserve position to the greatest possible extent.

### Housing Revenue Account

The Housing Revenue Account (HRA) reported a surplus of £4.252m which is in line with the forecast and has been transferred into the specific HRA Reserve. Rents were increased in line with Welsh Government guidelines to support the financing of works to meet the Welsh Housing Quality Standard.

### Council Tax - £777k surplus

The surplus on the collection of Council Tax is the result of in-year collection and also arrears collected from previous financial years. The number of domestic properties contained within the Council Tax Valuation List during 2013-14 grew from 63,407 to 63,761, this also had a positive impact.

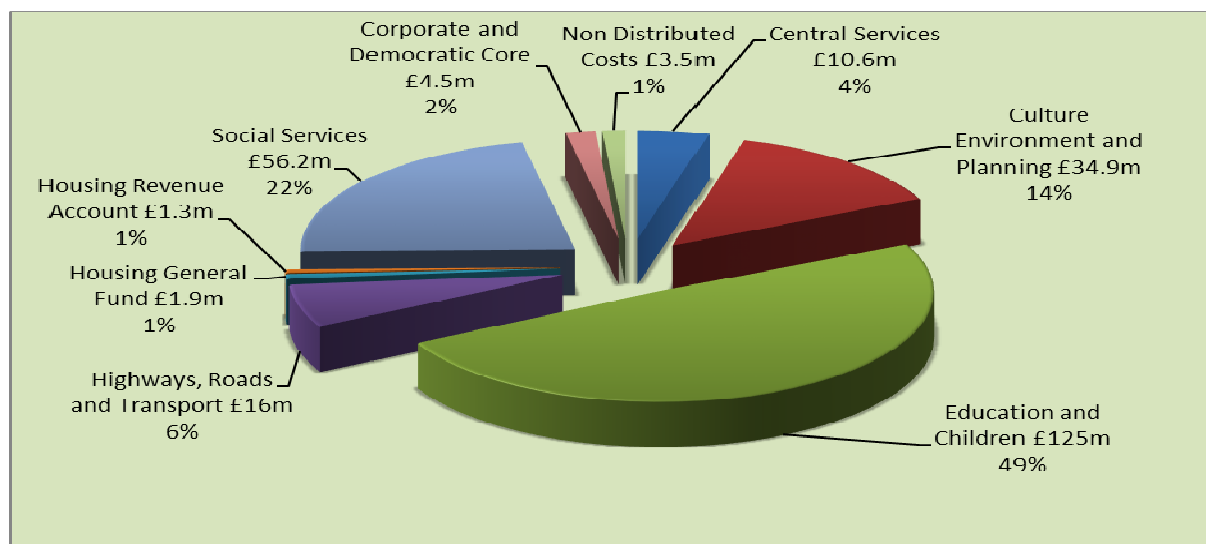
Powys achieved the 6th highest collection rate in Wales for Business Rates at 97.86% being 0.74% off the highest collection rate, and was 5<sup>th</sup> highest in Wales for the collection of Council Tax at 97.62%, just 0.26% off the highest rate. For both income sources the Council achieved a significantly higher collection rate than the Welsh average during another challenging year for the collection of monies from residents and businesses of Powys.

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

| 2012/13 |  | 2013/14 |
|---------|--|---------|
| %       |  | %       |
| 76      | Central Government (revenue support grant and non domestic rates | 77      |
| 24      | Council Tax  | 23      |

### 2013/14 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 22.



## 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.

| 31.03.13<br>£'000 | Revenue reserves                              | 31.03.14<br>£'000 |
|-------------------|---|-------------------|
|                   | <b>Ring Fenced Or Restricted Use Reserves</b> |                   |
| 2,601             | Schools Reserves                              | 2,795             |
| 8,528             | Other Specific Reserves                       | 10,892            |
|                   | <b>Committee Specific Reserves</b>            |                   |
| 16,717            | Other Specific Reserves                       | 17,414            |
| 27,846            | <b>TOTAL EARMARKED RESERVES (Note 8)</b>      | 31,101            |
|                   | <b>Central Or General Reserves</b>            |                   |
| 13,145            | Council Fund                                  | 9,957             |
| 8,023             | Housing Revenue Account                       | 7,056             |
| <b>49,014</b>     |   | <b>48,114</b>     |

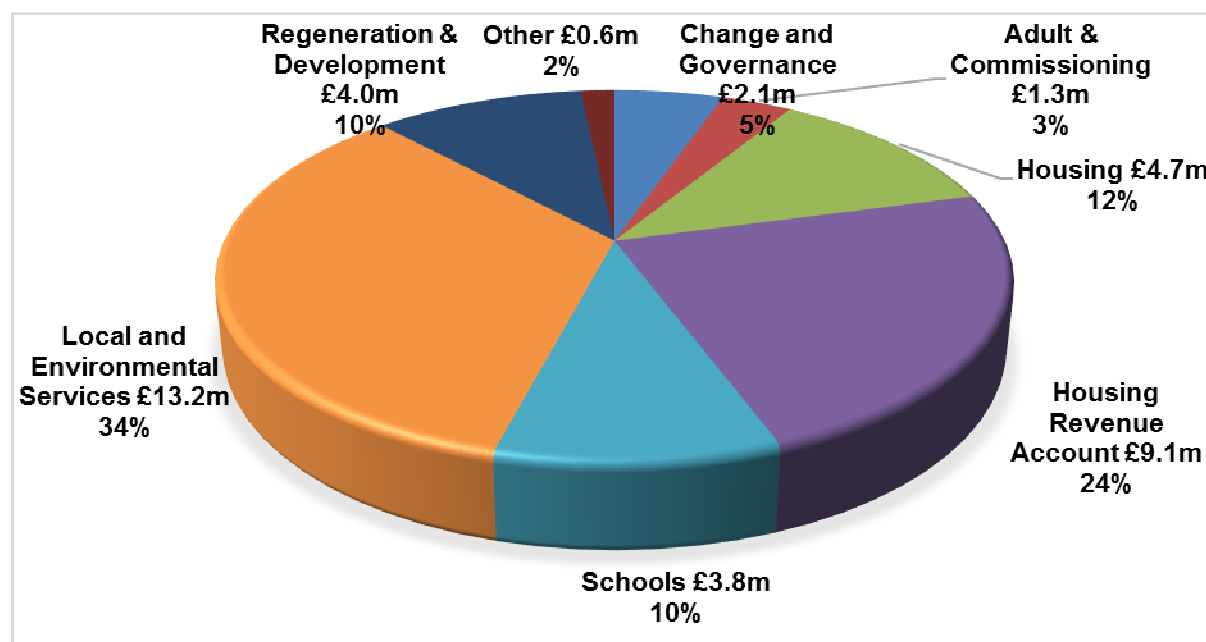
The reserves of the Council have been reviewed and reserves are no longer held by Service areas, all reserves are treated as Corporate this means that a more consistent approach to their use is adopted given the financial challenge for 2014/15 onwards.

A General reserve balance (excluding capital, insurance and other restricted reserves) of 3-5% 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 current percentage of reserves held against the budgeted net expenditure is 3.84%.

### **Capital Expenditure 2013/14**

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 2013/14 Capital expenditure of £36.7m was spent:

Capital Expenditure 2013/14



### **Capital Reserves**

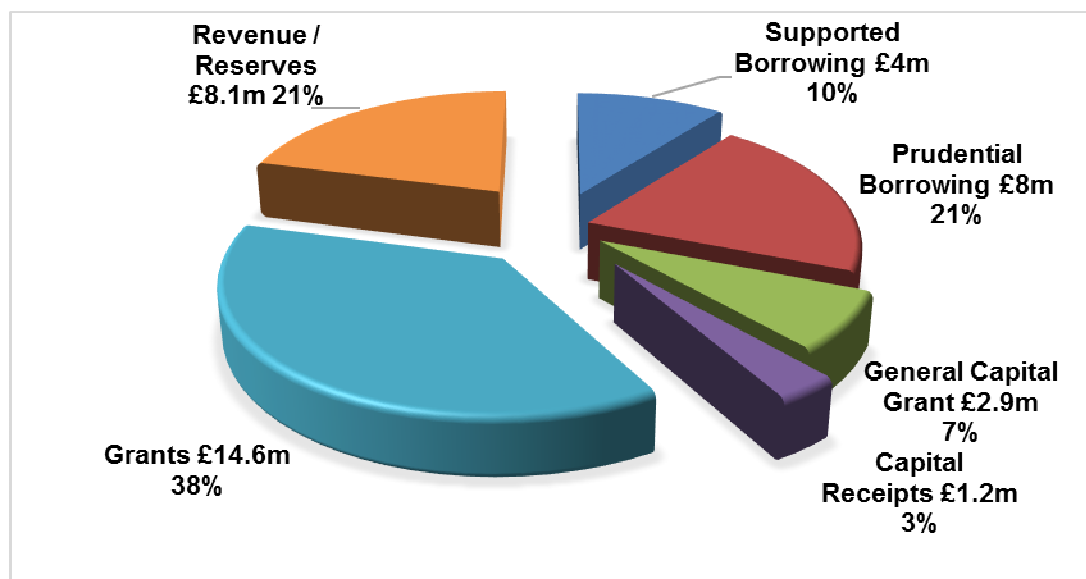
At 31st March 2014 the Authority had Usable Capital Reserves of:

|                          | <b>£'000</b>  |
|--------------------------|---------------|
| Capital Grants Unapplied | 899           |
| Capital Receipts         | 12,649        |
|                          | <b>13,548</b> |

The reserves are available to fund future Capital spend. Sales of Council houses during the year raised £785k and other disposals raised a total of £1,799k.

### **Capital Financing 2013/14**

The following graph details how the 2013/14 Capital programme was financed:



## Borrowing Arrangements

Borrowing is the main source of finance for the Authority's Capital spend. The overall borrowing at 31 March 2014 totalled:

|                        | £'000          |
|------------------------|----------------|
| Short Term Borrowing   | 1,815          |
| Long Term Borrowing    | 151,086        |
| <b>Total Borrowing</b> | <b>152,901</b> |

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 | Payments Received to 31 March 2014 (including interest) |
|-----------------|------------------------------------|---|
|                 | £'000                              | £'000   |
| Glitnir Bank HF | 2,000                              | 1,656   |

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.

Further details regarding Icelandic Banks are available in note 49.

### 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 105 to 157. 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 2013. It concluded that the funding level has risen from 71% to 79%.

### 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**

Group accounts are not required as the Authority has no such relationship with any external organisation.

### **Format of Accounts**

The Comprehensive Income and Expenditure Account 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 5.

### **Trust Fund Accounts**

The Authority remains sole trustee for the Welsh Church Acts Fund and Rhayader Leisure Centre. Their unaudited 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.

| 2012/13<br>£'000 | REVENUE ACCOUNT                             | 2013/14<br>£'000 |
|------------------|---|------------------|
| -80              | Income from Sale of Land                    | 0                |
| -75              | Investment Income                           | -85              |
| -4               | Rents                                       | -4               |
| -171             | Unrealised Profit (-) / Loss on Investments | -57              |
| 64               | Increase (-) / Decrease in Value Of Land    | 119              |
| -266             | <b>TOTAL INCOME</b>                         | -27              |
| 0                | Grants                                      | 25               |
| 25               | Administration                              | 30               |
| 25               | <b>TOTAL EXPENDITURE</b>                    | 55               |
| -241             | Surplus (-) / Deficit for the Year          | 28               |
| -2,205           | Fund Balance Brought Forward                | -2,446           |
| <b>-2,446</b>    | <b>FUND BALANCE CARRIED FORWARD</b>         | <b>-2,418</b>    |

| 2012/13<br>£'000 | BALANCE SHEET             | 2013/14<br>£'000 |
|------------------|---------------------------|------------------|
| 324              | Land and Buildings        | 205              |
| 1,971            | Investments               | 2,107            |
| 2,295            | <b>TOTAL FIXED ASSETS</b> | 2,312            |
| 25               | Debtors                   | 28               |
| -2               | Creditors                 | -29              |
| 128              | Bank                      | 107              |
| <b>2,446</b>     | <b>NET ASSETS</b>         | <b>2,418</b>     |
| <b>2,446</b>     | <b>FUND SURPLUS</b>       | <b>2,418</b>     |

### 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 Professional Lead for Finance. These draft accounts do not form part of the Authority's consolidated accounts.

| 2012/13<br>£'000 | REVENUE ACCOUNT                    | 2013/14<br>£'000 |
|------------------|------------------------------------|------------------|
| -402             | Income                             | -400             |
| 416              | Expenditure                        | 400              |
| 14               | Surplus (-) / Deficit For The Year | 0                |
| -28              | Fund Brought Forward               | -14              |
| -14              | Fund Carried Forward               | -14              |

| 2012/13<br>£'000 | BALANCE SHEET       | 2013/14<br>£'000 |
|------------------|---------------------|------------------|
| 3                | Stock               | 3                |
| 15               | Bank                | 14               |
| -4               | Creditors           | -3               |
| <b>14</b>        | <b>NET ASSETS</b>   | <b>14</b>        |
| <b>14</b>        | <b>FUND SURPLUS</b> | <b>14</b>        |

The Charities Act 1993 requires there to be an independent audit of the Statement of Accounts of the above two trust funds. The 2013/14 results above had not been audited by the time Powys County Council's audit was complete and the Audit Report at the rear of this Statement of Accounts does not relate to these Trust Funds.

### **The Medium Term Financial Plan**

The Council's net revenue budget is funded from Welsh Government (WG) Grant and Council Tax income.

As part of the UK Government's austerity measures for 2014/15 the Aggregate External Finance has decreased across Wales by an average of 3.4%. Powys received the 2nd lowest settlement in Wales with a 4.6% decrease, equivalent to a decrease in funding of £8.712m.

To mitigate the year-on-year impact on any Authority a damping mechanism or 'floor' has been applied within the settlement, this means that no Authority will experience a reduction in funding of more than 4.6%. Powys benefits from this arrangement and without this safety net would be £1.5m worse off. This is a discretionary matter which is not guaranteed for future years.

The AEF for Powys for 2014/15 totals £182 million and consists of the following:

- Revenue Support Grant (RSG) totalling £139.6m
- Non Domestic Rates (NDR) totalling £42.4m. Powys collects rates from business ratepayers on behalf of WG. It is then redistributed to local authorities in proportion to resident population over 18.

The settlement mechanism usually gives no requirement to specifically fund certain services, nor any specific service levels. However in 2012/13 WG indicated that it expected Councils to protect funding for Schools and Social Services at 1.58% above the level of the settlement that it received, this was extended into 2013/14 with protection of 2.08% expected. No protection is required for Social Services in 2014/15 and the approach any council takes is a matter for local determination. The protection for schools continued in 2014/15.

Apart from this it is for Powys County Council to determine how it uses the funding, together with the Council Tax it collects, to meet its service priorities in accordance with legislation.

The Council Tax increase has been set at 4.5% for a Band D property this represents an increase of £43.29 per annum and a Council Tax of £1005.40.



## Budget Summary

The table below summarises the Council's base budget for 2014/15.

|                                    | <b>£'000</b>   |
|------------------------------------|----------------|
| <b>Base Budget b/f</b>             | <b>248,238</b> |
| Inflation                          | 1,229          |
| Grant Transfers into Budget        | 1,595          |
| Pressures & Investment             | 9,168          |
| Efficiencies & Savings             | (17,576)       |
| Use of Reserves                    | (224)          |
| <b>Total Base Budget 2014/2015</b> | <b>242,430</b> |
| <br>                               |                |
| <b>Funded by</b>                   |                |
| AEF                                | 182,077        |
| Council Tax                        | 60,353         |
|                                    | <b>242,430</b> |

The Budget includes funding to meet areas of new responsibility, improve and modernise services, and to fund cost pressures across services.

Government continues to impose new legislation 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 demand on resources well in excess of funding available. The following investment has been included for 2014/15:-

|                              |       |
|------------------------------|-------|
| Landfill Tax                 | £158k |
| Waste Services               | £700k |
| Home to School Transport     | £200k |
| School Improvement           | £220k |
| Increase in School Roll      | £6k   |
| Capacity & Capability        | £157k |
| Coroners                     | £11k  |
| Capital Charges              | £300k |
| Prudential Borrowing         | £72k  |
| Council Tax Reduction Scheme | £400k |

Adult Social Care revenue budgets have experienced significant pressure, costs have escalated and savings have not been delivered, this has resulted in overspends year on year. The budget proposes a further £3.026m of growth for this

service area, which will be held centrally only to be drawn upon by the service as it transforms its services.

Welsh Government indicated that it expects Councils to protect funding for schools, after considering the impact that the increase in the Pupil Deprivation grant has on this figure a further £325k is included to increase the funding for schools.

Inflationary pressure has an impact on the council's budget. RPI at December 2013 was 2.7%, while CPI was 2.0%. This pressure has been considered and where it has a significant impact on service budgets it is proposed that specific budget lines are provided with additional funding.

### **Efficiencies and Savings**

The overall funding from Welsh Government and the increase in Council Tax is not sufficient to deliver the level of additional services required. The financial pressure on the Council has again risen significantly and in order to balance the budget efficiency savings of £17.576m have been identified, the savings can be summarised as those that:-

- Transform Services
- Increase charges for existing services
- Introduce new fees and charges for services
- Reduce some services

Reductions in staff form a significant part of the savings proposals across all services of the council, it is anticipated that around 400 FTE posts will be removed from the organisation. In order to do this in a planned and managed way a Voluntary Severance Scheme has been introduced for employees across the council (other than school based staff). This will incur substantial severance pay costs and the budget proposal includes £2m revenue funding to assist with these. In addition the use of reserves or the capitalisation of these costs will also be considered.

This level of saving is unprecedented and any delays in implementation will impact on the overall finances of the council. This will be closely monitored in 2014/15 and a revised financial reporting timetable and reporting format will assist Cabinet and Audit Committee assess delivery of this challenging requirement in the forthcoming financial year.

The reserve position of the Authority is in line with the generally accepted prudent range of 3-5% and these will be utilised to "smooth" any slippage in delivery of the savings.

## **Capital Budget Overview**

It is important that the Council continues to renew its core infrastructure, such as schools and housing, in spite of 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, in 2014/15 this allocation has slightly reduced by £0.027m to £7.567m, in addition to this the capital programme is funded through borrowing money and repaying this over a number of years. The budget for 2014/15 totals £51m.

The Capital Strategy supports the authority's priorities over the next 5 years, funding is included for the following projects:

- School Modernisation Programme including Brecon High School Campus, Gwernyfed Catchment and the Severn Valley Welsh Medium School.
- Highways Improvements, Flood Alleviation Schemes, Replacement Bridges.
- Waste Management.
- Brecon Cultural Hub.
- ICT Strategy.
- Welsh Housing Quality Standard which is to be achieved by March 2018.
- Regeneration and Development.

The Council's capital programme for the next 5 years totals £154m. This is a significant commitment. In addition a further £13.5m is included for the Welsh Quality Housing Standard Programme with the standard to be achieved by March 2018.

## **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 26<sup>th</sup> September 2014

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 2013/14 .**

I certify that the accounts set out on pages 1 to 158 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 2014 and its income and expenditure for the year then ended.

Signature:



D Powell Strategic Director – Resources

Date 30<sup>th</sup> June 2014

**MOVEMENT IN RESERVES STATEMENT**

|  | <b>Council<br/>Fund</b> | <b>Earmarked<br/>Reserves<br/>(Note 8)</b> | <b>HRA</b>   | <b>Capital<br/>Receipts</b> | <b>Capital<br/>Grants<br/>Unapplied</b> | <b>Total<br/>Usable<br/>Reserves</b> | <b>Unusable<br/>Reserves<br/>(Note 26)</b> | <b>Total<br/>Authority<br/>Reserves</b> |
|--|-------------------------|--|--------------|-----------------------------|---|--------------------------------------|--|---|
|  | £'000                   | £'000                                      | £'000        | £'000                       | £'000                                   | £'000                                | £'000                                      | £'000                                   |
| <b>Balance at 31 March 2012</b>  | <b>8,343</b>            | <b>36,829</b>                              | <b>4,423</b> | <b>12,737</b>               | <b>6,615</b>                            | <b>68,947</b>                        | <b>112,383</b>                             | <b>181,330</b>                          |
| <b>Restated (note 50)</b>  |                         |  |              |                             |   |                                      |  |   |
| <b>Movement In Reserves During 2012/13</b>   |                         |  |              |                             |   |                                      |  |   |
| Surplus Or (Deficit) On Provision Of Services  | -15,631                 | 0  | 3,147        | 0                           | 0                                       | -12,484                              | 0  | -12,484                                 |
| Other Comprehensive Expenditure And Income   | 0                       | 0  | 0            | 0                           | 0                                       |                                      | 3,550                                      | 3,550                                   |
| Total Comprehensive Expenditure And Income   | -15,631                 | 0  | 3,147        | 0                           | 0                                       | -12,484                              | 3,550                                      | -8,934                                  |
| Adjustments Between Accounting Basis And<br>Funding Basis Under Regulations (Note 7) | 11,452                  | 0  | 453          | -1,286                      | -4,862                                  | 5,757                                | -5,757                                     | 0                                       |
| Net Increase/Decrease Before Transfers To<br>Earmarked Reserves                      | -4,179                  | 0  | 3,600        | -1,286                      | -4,862                                  | -6,727                               | -2,207                                     | -8,934                                  |
| Transfers To/From Earmarked Reserves   | 8,980                   | -8,983                                     | 0            | 0                           | 3                                       | 0                                    | 0  | 0                                       |
| Increase/Decrease (Movement) In Year   | 4,801                   | -8,983                                     | 3,600        | -1,286                      | -4,859                                  | -6,727                               | -2,207                                     | -8,934                                  |
| <b>Balance At 31 March 2013 Carried Forward</b>                                      | <b>13,144</b>           | <b>27,846</b>                              | <b>8,023</b> | <b>11,451</b>               | <b>1,756</b>                            | <b>62,220</b>                        | <b>110,176</b>                             | <b>172,396</b>                          |
| <b>Movement In Reserves During 2013/14</b>   | <b>13,144</b>           | <b>27,846</b>                              | <b>8,023</b> | <b>11,451</b>               | <b>1,756</b>                            | <b>62,220</b>                        | <b>110,176</b>                             | <b>172,396</b>                          |
| Surplus Or (Deficit) On Provision Of Services  | -11,300                 | 0  | 1,720        | 0                           | 0                                       | -9,580                               | 0  | -9,580                                  |
| Other Comprehensive Expenditure And Income   | 0                       | 0  | 0            | 0                           | 0                                       | 0                                    | 176,696                                    | 176,696                                 |
| Total Comprehensive Expenditure And Income   | -11,300                 | 0  | 1,720        | 0                           | 0                                       | -9,580                               | 176,696                                    | 167,116                                 |
| Adjustments Between Accounting Basis And<br>Funding Basis Under Regulations (Note 7) | 11,489                  | 0  | -2,687       | 1,075                       | -855                                    | 9,022                                | -9,022                                     | 0                                       |
| Net Increase/Decrease Before Transfers To<br>Earmarked Reserves                      | 189                     | 0  | -967         | 1,075                       | -855                                    | -558                                 | 167,674                                    | 167,116                                 |
| Transfers To/From Earmarked Reserves   | -3,376                  | 3,255                                      |              | 123                         | -2                                      | 0                                    | 0  | 0                                       |
| Increase/Decrease (Movement) In Year   | -3,187                  | 3,255                                      | -967         | 1,198                       | -857                                    | -558                                 | 167,674                                    | 167,116                                 |
| <b>Balance At 31 March 2014 Carried Forward</b>                                      | <b>9,957</b>            | <b>31,101</b>                              | <b>7,056</b> | <b>12,649</b>               | <b>899</b>                              | <b>61,662</b>                        | <b>277,850</b>                             | <b>339,512</b>                          |

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2013/14

| 2012/13 Restated (note 50) |              |                 |  | 2013/14           |              |                 |
|----------------------------|--------------|-----------------|--|-------------------|--------------|-----------------|
| Gross Expenditure          | Gross Income | Net Expenditure |  | Gross Expenditure | Gross Income | Net Expenditure |
| £'000                      | £'000        | £'000           |  | £'000             | £'000        | £'000           |
| 12,773                     | -9,986       | 2,787           | Central Services To The Public   | 12,887            | -1,778       | 11,109          |
| 55,266                     | -19,027      | 36,239          | Cultural, Environmental And Planning   | 48,611            | -24,759      | 35,852          |
| 156,139                    | -36,728      | 119,411         | Education And Children's Services  | 161,232           | -33,672      | 127,560         |
| 32,187                     | -13,658      | 18,528          | Highways Roads And Transport   | 32,787            | -16,393      | 16,394          |
| 32,713                     | -31,027      | 1,686           | Housing Services: - General  | 33,765            | -31,639      | 2,126           |
| 20,419                     | -20,597      | -178            | - Housing Revenue Account  | 21,635            | -20,786      | 849             |
| 74,956                     | -26,099      | 48,857          | Adult Social Services  | 81,280            | -24,083      | 57,198          |
| 11,702                     | -4,798       | 6,904           | Corporate And Democratic Core  | 11,904            | -7,044       | 4,860           |
| 2,064                      | -1,248       | 816             | Non Distributed Costs  | 4,519             | -1,039       | 3,481           |
| 398,219                    | -163,168     | 235,051         | <b>Cost Of Services</b>  | 408,619           | -161,193     | 247,426         |
|                            |              | 18,573          | Other Operating Expenditure (Note 9)   |                   |              | 20,837          |
|                            |              | 16,496          | Financing and Investment Income and Expenditure (Note 10)  |                   |              | 16,945          |
|                            |              | -257,636        | Taxation and Non Specific Grant Income Operations Not Included in Net Cost Of Services (Note 11) |                   |              | -275,628        |
|                            |              | 12,484          | <b>(Surplus)/Deficit On Provision Of Services</b>  |                   |              | 9,580           |
|                            |              | -9,539          | Surplus(-)/Deficit on Revaluation of Property, Plant And Equipment Assets (Note 26)              |                   |              | -135,345        |
|                            |              |                 | Impairment losses on non-current assets charged to the revaluation reserve                       |                   |              | -1,188          |
|                            |              | -131            | Surplus(-)/Deficit on Revaluation of Available For Sale Financial Assets                         |                   |              | 87              |
|                            |              | 6,120           | Remeasurements of the net defined benefit liability/ asset(-) (Note 26)                          |                   |              | -40,250         |
|                            |              | -3,550          | <b>Other Comprehensive Income And Expenditure</b>  |                   |              | -176,696        |
|                            |              | 8,934           | <b>Total Comprehensive Income And Expenditure</b>  |                   |              | -167,116        |

**BALANCE SHEET**

| 31 March 2013<br>£'000 |  | Note | 31 March 2014<br>£'000 |
|------------------------|--|------|------------------------|
| 562,851                | Property, Plant And Equipment                | 12   | 701,347                |
| 1,350                  | Heritage Assets                              | 13   | 1,348                  |
| 385                    | Investment Property                          | 14   | 482                    |
| 2,703                  | Intangible Assets                            | 15   | 2,801                  |
| 4,777                  | Long Term Investments                        | 18   | 3,871                  |
| 1,931                  | Long Term Debtors                            | 18   | 2,942                  |
| <b>573,997</b>         | <b>LONG TERM ASSETS</b>                      |      | <b>712,791</b>         |
| 5,708                  | Short Term Investments                       | 18   | 6,108                  |
| 98                     | Assets Held For Sale                         | 22   | 794                    |
| 988                    | Inventories                                  | 19   | 1,198                  |
| 33,170                 | Short Term Debtors                           | 20   | 30,165                 |
| 152                    | Cash And Cash Equivalents                    | 21   | 3,587                  |
| <b>40,116</b>          | <b>CURRENT ASSETS</b>                        |      | <b>41,852</b>          |
| -4,222                 | Short Term Borrowing                         | 18   | -1,815                 |
| -30,125                | Short Term Creditors                         | 24   | -34,193                |
| -5,637                 | Short Term Provision                         | 23   | -5,652                 |
| -2,253                 | Capital Grant Receipts In Advance            | 38   | -131                   |
| <b>-42,237</b>         | <b>CURRENT LIABILITIES</b>                   |      | <b>-41,791</b>         |
| -8,462                 | Provisions                                   | 24   | -1,600                 |
| -146,189               | Long Term Borrowing                          | 18   | -151,086               |
| -3,880                 | Long Term Creditors                          | 23   | -9,734                 |
| -240,950               | Liability Related To Defined Benefit Pension | 44   | -210,920               |
| <b>-399,481</b>        | <b>LONG TERM LIABILITIES</b>                 |      | <b>-373,340</b>        |
| <b>172,395</b>         | <b>NET ASSETS</b>                            |      | <b>339,512</b>         |
| 62,220                 | Usable Reserves                              | 25   | 61,662                 |
| 110,175                | Unusable Reserves                            | 26   | 277,850                |
| <b>172,395</b>         | <b>TOTAL RESERVES</b>                        |      | <b>339,512</b>         |

**CASH FLOW STATEMENT**

| 2012/13<br>£'000            | Note   | 2013/14<br>£'000 |
|-----------------------------|--|------------------|
| <b>OPERATING ACTIVITIES</b> |  |                  |
| <b>Cash Outflows</b>        |  |                  |
| 165,168                     | Cash Paid To And On<br>Behalf Of Employees                 | 173,261          |
| 138,618                     | Other Operating Cash<br>Payments                           | 133,329          |
| 16,405                      | Housing Benefit Paid Out                                   | 16,458           |
| 20,740                      | Precepts And Levies Paid                                   | 21,479           |
| 6,850                       | Interest Paid  | 6,858            |
| 347,783                     |  | 351,385          |
| <b>Cash Inflows</b>         |  |                  |
| -8,832                      | Rents (After Rebates)                                      | -9,903           |
| -61,773                     | Council Tax Income   | -64,573          |
| -36,210                     | National Non-Domestic<br>Rate Receipts From Pool           | -41,732          |
| -141,772                    | Revenue Support Grant                                      | -149,658         |
| -26,519                     | DWP Grants For Benefits                                    | -17,247          |
| -52,988                     | Other Government Grants                                    | -46,794          |
|                             | 30   |                  |
| -20,912                     | Cash Received For Goods<br>And Services                    | -44,970          |
| -501                        | Interest Received  | -357             |
| -349,507                    |  | -375,233         |
| -1,724                      | <b>NET CASH (INFLOW)<br/>FROM OPERATING<br/>ACTIVITIES</b> | -23,849          |
| 15,021                      | <b>INVESTING ACTIVITIES</b>                                | 33,688           |
| -8,421                      | <b>FINANCING ACTIVITIES</b>                                | -13,274          |
| 4,876                       | <b>DECREASE/<br/>INCREASE(-) IN CASH</b>                   | -3,435           |
| 5,028                       | <b>Cash at 01 April</b>                                    | 152              |
| 152                         | <b>Cash Balance at 31<br/>March</b>                        | 3,587            |
|                             | 21   |                  |



## **1. ACCOUNTING POLICIES**

### **i. General principles**

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014 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 2013/14 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 for any sale proceeds greater than £10,000 the Capital Receipts Reserve.

#### **xv. Jointly controlled operations and jointly controlled assets**

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure 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 non-current 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:

|   | <b>Years</b> |
|---|--------------|
| Operational Buildings                   | Useful Life  |
| Garages                                 | 20           |
| Mobile Offices/Portacabins              | 20           |
| Council Dwellings                       | 20, 30       |
| Vehicles, plant, equipment and fittings | 5,7,10       |
| Infrastructure                          | 50           |
| Surplus                                 | 50           |
| Intangible                              | 7            |

Depreciation is not charged in the year of acquisition or addition. Depreciation is charged in full following a revaluation.

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.

The useful life is determined by the valuer, and with the change in 2013/14 to the District Valuation Service the lives of some assets have been amended in particular the Council Dwellings, garages and some operational assets.

## **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.

### **Adopted Roads**

Adopted Roads are infrastructure assets and are valued at historic cost and therefore have a nil value in line with the code of practice.

### **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 Liabilities**

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

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

### **Contingent assets**

A contingent asset arises where an event has taken place that gives the 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**

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

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

## **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. 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.

## **xxiii. Grants, contributions and donated assets**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **xxix. 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.

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

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2014 for 2013/14). Disclosure requirements are expected to be included in a subsequent edition of the Code.

IFRS 13 Fair Value Measurement (May 2011)

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IAS 27 Separate Financial Statements (as amended in 2011)

IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)

IAS 32 Financial Instruments: Presentation

Annual Improvements to IFRSs 2009 – 2011 Cycle.

It is anticipated that details of the disclosures required for most of these changes will be included in the Code of Practice issued for 2014/15.

## **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.

#### **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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| <b>Item</b>                   | <b>Uncertainty</b>   | <b>Effect if assumptions differ from actual</b>  |
|-------------------------------|--|--|
| 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 £204k 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   | 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.   |

| Item              | Uncertainty  | Effect if assumptions differ from actual   |
|-------------------|--|--|
|                   | precedents set by other authorities in the settlement of claims will be applicable.  |  |
| 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 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £10.77m. However, the assumptions interact in complex ways. During 2013/14, the Authority's Actuaries advised that the net pension's liability had decreased by £13.93m as a result of estimates being corrected as a result of experience and by £34.10m attributable to updating of the financial assumptions and increased by £3.53m attributable to demographic assumptions. |
| Arrears           | At 31 March 2014, the Authority had a balance of sundry debtors invoiced of £9.2m. A review of significant balances suggested that an impairment of doubtful debts of £2.2m 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 £2.8m 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

£4,457k (2012/13 £752k) was paid in redundancy costs with an additional £2,038k (2012/13 £265k) paid to the Pension Fund to cover the cost of early retirement.

These amounts include payments from a voluntary severance scheme that was offered to employees during 2013-14 for a limited period to assist with the restructure of the staffing within the council.

## 6. EVENTS AFTER THE BALANCE SHEET DATE

The Draft Statement of Accounts was authorised for issue by the Strategic Director - Resources on 30th June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. 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.

| 2013/14 Transactions   | Usable Reserves      |                         |                          |                          | Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|--------------------------|-------------------|
|  | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied |                   |
|  | £'000                | £'000                   | £'000                    | £'000                    |                   |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                      |                         |                          |                          |                   |
| Charges for depreciation   | -13,257              | -5,173                  |                          |                          | 18,430            |
| Amortisation of Intangible Assets  | -557                 |                         |                          |                          | 557               |
| Impairment   | -734                 |                         |                          |                          | 734               |
| Capital grants and contributions applied   | 12,772               | 3,818                   |                          |                          | -16,590           |
| Revenue expenditure funded from capital under statute  | -4,732               |                         |                          |                          | 4,732             |
| Revaluation losses on Property Plant and Equipment   | -4,197               | -911                    |                          |                          | 5,108             |
| Revaluation Loss on Assets Held for Sale   | -1,089               |                         |                          |                          | 1,089             |
| Change in Market Value Investment Property   | 98                   |                         |                          |                          | -98               |
| Loss on derecognition of Assets  | -1,458               |                         |                          |                          | 1,458             |
| 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 | -1,391               | -442                    |                          |                          | 1,834             |
| <b>Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:</b>   |                      |                         |                          |                          | 0                 |
| Statutory provision for the financing of capital investment  | 6,652                | 312                     |                          |                          | -6,964            |
| Capital expenditure charged against the Council Fund and HRA balances  | 2,799                | 5,275                   |                          |                          | -8,074            |
| <b>Adjustments primarily involving the capital grants unapplied account:</b>   |                      |                         |                          |                          |                   |
| Capital grants and contributions unapplied credited to the Comprehensive Income And Expenditure Statement Transferred from Capital Grants in advance     |                      |                         |                          | 855                      | -855              |

| 2013/14 Transactions  | Usable Reserves      |                         |                          |                          | Unusable Reserves |
|---|----------------------|-------------------------|--------------------------|--------------------------|-------------------|
|   | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied |                   |
|   | £'000                | £'000                   | £'000                    | £'000                    | £'000             |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>  |                      |                         |                          |                          |                   |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income And Expenditure Statement  | 1,781                | 803                     | -2,061                   |                          | -523              |
| Use of the capital receipts reserve to finance new capital expenditure  |                      |                         | 1,247                    |                          | -1,247            |
| Contribution from the capital receipts reserve towards administrative costs of non current asset disposals  |                      | -33                     | 33                       |                          |                   |
| Available for Sale Capital Receipt  | -50                  |                         |                          |                          | 50                |
| Deferred Capital Receipts upon receipt of cash  |                      |                         | -294                     |                          | 294               |
| <b>Adjustments primarily involving the Available for Sale Instruments Reserve:</b>  |                      |                         |                          |                          |                   |
| Accumulated gains on assets sold and maturing assets written out of the Comprehensive Income and Expenditure Statement as part of Other Investment Income                                     | -74                  |                         |                          |                          | 74                |
| <b>Adjustments primarily involving the capital receipts reserve:</b>  |                      |                         |                          |                          |                   |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to The Comprehensive Income And Expenditure Statement  | 1,350                |                         |                          |                          | -1,350            |
| <b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>   |                      |                         |                          |                          |                   |
| 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 | 367                  | -695                    |                          |                          | 328               |
| <b>Adjustments primarily involving the Pensions Reserve:</b>  |                      |                         |                          |                          |                   |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income And Expenditure Statement (see note 43)   | -28,443              | -697                    |                          |                          | 29,140            |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | 18,497               | 423                     |                          |                          | -18,920           |
| <b>Adjustment primarily involving the Accumulated Absences Account:</b>   |                      |                         |                          |                          |                   |

|   |                |              |               |            |              |
|---|----------------|--------------|---------------|------------|--------------|
| 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 | 176            | 8            |               |            | -184         |
| <b>Total Adjustments</b>  | <b>-11,489</b> | <b>2,687</b> | <b>-1,075</b> | <b>855</b> | <b>9,022</b> |

| 2012/13 Transactions (Restated)  | Usable Reserves      |                         |                          |                          | Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|--------------------------|-------------------|
|  | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied |                   |
|  | £'000                | £'000                   | £'000                    | £'000                    | £'000             |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                      |                         |                          |                          |                   |
| 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                |
| Loss on derecognition of Assets  | -290                 |                         |                          |                          | 290               |
| 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 | -349                 | -168                    |                          |                          | 517               |
| <b>Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:</b>   |                      |                         |                          |                          |                   |
| 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            |
| <b>Adjustments primarily involving the capital grants unapplied account:</b>   |                      |                         |                          |                          | 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            |



| 2012/13 Transactions (Restated)   | Usable Reserves      |                         |                          |                          | Unusable Reserves |
|---|----------------------|-------------------------|--------------------------|--------------------------|-------------------|
|   | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied |                   |
|   | £'000                | £'000                   | £'000                    | £'000                    | £'000             |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>  |                      |                         |                          |                          |                   |
| 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            |
| 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               |
| <b>Adjustments primarily involving the capital receipts reserve:</b>  |                      |                         |                          |                          |                   |
| 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            |
| <b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>   |                      |                         |                          |                          |                   |
| 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               |
| <b>Adjustments primarily involving the Pensions Reserve:</b>  |                      |                         |                          |                          |                   |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income And Expenditure Statement (see note 44)   | -24,377              | -583                    |                          |                          | 24,960            |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | 15,834               | 376                     |                          |                          | -16,210           |
| <b>Adjustment primarily involving the Accumulated Absences Account:</b>   |                      |                         |                          |                          |                   |
| 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              |
| <b>Total Adjustments</b>  | <b>-11,452</b>       | <b>-453</b>             | <b>1,286</b>             | <b>4,862</b>             | <b>5,757</b>      |

**8. TRANSFERS TO/FROM EARMARKED RESERVES**

| <b>Reserve Name</b>                        | <b>At 01.04.12</b> | <b>Movement</b> | <b>At 31.03.13</b> | <b>Movement</b> | <b>At 31.03.14</b> |
|--|--------------------|-----------------|--------------------|-----------------|--------------------|
|  | <b>£'000</b>       | <b>£'000</b>    | <b>£'000</b>       | <b>£'000</b>    | <b>£'000</b>       |
| <b>Restricted Use And Non Transferable</b> |                    |                 |                    |                 |                    |
| Schools Reserve                            | 1,768              | 833             | 2,601              | 194             | 2,795              |
| Insurance Reserve                          | 2,944              | -416            | 2,528              | -175            | 2,353              |
| Corporate Initiative Reserve               | 7,712              | -1,712          | 6,000              | 2,539           | 8,539              |
|  | <b>12,424</b>      | <b>-1,295</b>   | <b>11,129</b>      | <b>2,558</b>    | <b>13,687</b>      |
| <b>Committee Specific Reserves</b>         |                    |                 |                    |                 |                    |
| Carried Forward Reserves                   | 10,792             | -7,628          | 3,164              | 18              | 3,182              |
| Repairs And Renewals Revenues              | 18                 | -9              | 9                  | -9              | 0                  |
| Revenue Grants Unapplied                   | 881                | -244            | 637                | -129            | 508                |
| 21 <sup>st</sup> Century Schools           | 7,091              | -1              | 7,090              | 313             | 7,403              |
| Transport Reserve                          | 3,602              | 79              | 3,681              | 747             | 4,428              |
| Economic Development Fund                  | 169                | -57             | 112                | -112            | 0                  |
| Invest To Save                             | 400                | 211             | 611                | 1,005           | 1,616              |
| Other Reserves                             | 688                | -39             | 649                | -372            | 277                |
| Business Rates Revaluation                 | 764                | 0               | 764                | -764            | 0                  |
|  | <b>24,405</b>      | <b>-7,688</b>   | <b>16,717</b>      | <b>697</b>      | <b>17,414</b>      |
|  | <b>36,829</b>      | <b>-8,983</b>   | <b>27,846</b>      | <b>3,255</b>    | <b>31,101</b>      |

**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. This Reserve included money set aside to fund the Authorities Job Evaluation exercise which was implemented from the 1<sup>st</sup> 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.

**21<sup>st</sup> Century Schools**

Specifically to help finance the Schools Modernisation Programme.

**Transport Reserve**

Specifically to fund vehicle replacement.

**9. OTHER OPERATING EXPENDITURE**

| 2012/13<br>£'000 |  | 2013/14<br>£'000 |
|------------------|--|------------------|
|                  | <b>Precepts</b>                                      |                  |
| 1,971            | Community Council Precepts                           | 2,027            |
| 11,726           | Dyfed Powys Police Precept                           | 12,188           |
|                  | <b>Levies</b>  |                  |
| 6,336            | Mid And West Wales Fire Authority                    | 6,560            |
| 666              | Brecon Beacons National Park                         | 664              |
| 39               | Powysland Internal Drainage Board                    | 39               |
| -682             | (Gains)/Losses On The Disposal Of Non-Current Assets | 708              |
| -1,483           | Transfer To Deferred Credits - Landlord Loans        | -1,349           |
| <b>18,573</b>    |  | <b>20,837</b>    |

**10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

| <b>2012/13</b><br><b>£'000</b> |  | <b>2013/14</b><br><b>£'000</b> |
|--------------------------------|--|--------------------------------|
| 6,543                          | Interest Payable And Similar Charges   | 6,932                          |
| 10,150                         | Net Interest on the defined liability (asset)  | 10,190                         |
| -639                           | Interest Receivable And Similar Income   | -626                           |
| 23                             | Impairment Of Financial Instruments  | -57                            |
| -14                            | Income And Expenditure In Relation To Investment Properties<br>And Changes In Their Fair Value (Note 14) | -102                           |
| 433                            | Surplus Or Deficit On Trading Accounts (Note 31)   | 608                            |
| <b>16,496</b>                  |  | <b>16,945</b>                  |

**11. TAXATION AND NON SPECIFIC GRANT INCOMES**

| <b>2012/13</b><br><b>£'000</b> |                                  | <b>2013/14</b><br><b>£'000</b> |
|--------------------------------|----------------------------------|--------------------------------|
| 69,856                         | Council Tax Income               | 71,840                         |
| 36,210                         | Non Domestic Rates               | 41,732                         |
| 141,772                        | Non-Ringfenced Government Grants | 149,658                        |
| 9,798                          | Capital Grants And Contributions | 12,398                         |
| <b>257,636</b>                 |                                  | <b>275,628</b>                 |

**12. PROPERTY, PLANT AND EQUIPMENT**

| <b>Movement In 2013/14</b>   | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles Plant and Equipment</b> | <b>Infrastructure</b> | <b>Community Assets</b> | <b>Surplus Assets</b> | <b>Assets Under Construction</b> | <b>Total</b>   |
|--|--------------------------|---------------------------------|-------------------------------------|-----------------------|-------------------------|-----------------------|----------------------------------|----------------|
|  | <b>£'000</b>             | <b>£'000</b>                    | <b>£'000</b>                        | <b>£'000</b>          | <b>£'000</b>            | <b>£'000</b>          | <b>£'000</b>                     | <b>£'000</b>   |
| <b>Cost or Valuation</b>   |                          |                                 |                                     |                       |                         |                       |                                  |                |
| <b>At 01 April 2013</b>  | <b>167,858</b>           | <b>332,915</b>                  | <b>64,616</b>                       | <b>106,701</b>        | <b>1,347</b>            | <b>5,041</b>          | <b>9,530</b>                     | <b>688,008</b> |
| Additions  | 9,023                    | 6,760                           | 3,068                               | 8,494                 | 60                      | 0                     | 3,881                            | 31,288         |
| Donations  | 0                        | 0                               | 0                                   | 0                     | 0                       | 0                     | 0                                | 0              |
| Accumulated Dep'n & Impairments Written Off to GCA                                   | -35,450                  | -6,219                          | 0                                   | 0                     | 0                       | -95                   | 0                                | -41,764        |
| Revaluation increases recognised in the revaluation reserve                          | 91,778                   | 50,042                          | 0                                   | 0                     | 24                      | 1,262                 | 0                                | 143,107        |
| Revaluation decreases recognised in the revaluation reserve                          | -1,313                   | -3,922                          | 0                                   | 0                     | -38                     | -298                  | 0                                | -5,571         |
| Revaluation increases recognised in the surplus/deficit on the provision of services | 50                       | 7,296                           | 0                                   | 0                     | 0                       | 111                   | 0                                | 7,458          |
| Revaluation decreases recognised in the surplus/deficit on the provision of services | -1,257                   | -11,456                         | 0                                   | 0                     | -45                     | -178                  | 0                                | -12,936        |
| Derecognition –  | -425                     | -226                            | -3,001                              | 0                     | -29                     | -221                  | 0                                | -3,902         |

| <b>Movement In 2013/14</b>               | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles Plant and Equipment</b> | <b>Infrastructure</b> | <b>Community Assets</b> | <b>Surplus Assets</b> | <b>Assets Under Construction</b> | <b>Total</b>   |
|--|--------------------------|---------------------------------|-------------------------------------|-----------------------|-------------------------|-----------------------|----------------------------------|----------------|
|  | <b>£'000</b>             | <b>£'000</b>                    | <b>£'000</b>                        | <b>£'000</b>          | <b>£'000</b>            | <b>£'000</b>          | <b>£'000</b>                     | <b>£'000</b>   |
| disposals                                |                          |                                 |                                     |                       |                         |                       |                                  |                |
| Derecognition – other                    | 0                        | -1,706                          | 0                                   | 0                     | 0                       | 0                     | 0                                | -1,706         |
| Reclassification (to)/from held for sale | 0                        | -315                            | 0                                   | 0                     | 0                       | -2430                 |                                  | -2,745         |
| Other movements                          | 351                      | 2,235                           | 112                                 | 1,810                 | -101                    | 2,558                 | -6,965                           | 0              |
| <b>At 31 March 2014</b>                  | <b>230,616</b>           | <b>375,406</b>                  | <b>64,796</b>                       | <b>117,006</b>        | <b>1,218</b>            | <b>5,751</b>          | <b>6,447</b>                     | <b>801,237</b> |

| <b>Accumulated Depreciation</b>   |                |                |                |                |          |             |            |                |
|---|----------------|----------------|----------------|----------------|----------|-------------|------------|----------------|
| <b>At 01 April 2013</b>   | <b>-11,392</b> | <b>-16,857</b> | <b>-48,500</b> | <b>-15,693</b> | <b>0</b> | <b>-208</b> | <b>-17</b> | <b>-92,667</b> |
| Depreciation charge   | -5,164         | -7,459         | -3,378         | -2,299         | 0        | -129        | 0          | -18,429        |
| Depreciation written through revaluation reserve                          | 10,148         | 2,835          | 0              | 0              | 0        | 80          | 0          | 13,063         |
| Depreciation written through surplus/deficit on the Provision of Services | 1,247          | 1,575          | 0              | 0              | 0        | 15          | 0          | 2,838          |
| Derecognition – disposals depreciation                                    | 6              | 10             | 2,869          | 0              | 0        | 5           | 0          | 2,890          |
| Derecognition – other depreciation  | 0              | 234            | 0              | 0              | 0        | 0           | 0          | 234            |
| Reclassified (to)/from held for sale                                      | 0              | 0              | 0              | 0              | 0        | 137         | 0          | 137            |
| Other movements   | 0              | 185            | 0              | 0              | 0        | -185        | 0          | 0              |
| <b>At 31 March 2014</b>   | <b>-5,155</b>  | <b>-19,475</b> | <b>-49,010</b> | <b>-17,992</b> | <b>0</b> | <b>-284</b> | <b>-17</b> | <b>-91,934</b> |

| <b>Movement In 2013/14</b>  | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles Plant and Equipment</b> | <b>Infrastructure</b> | <b>Community Assets</b> | <b>Surplus Assets</b> | <b>Assets Under Construction</b> | <b>Total</b>   |
|---|--------------------------|---------------------------------|-------------------------------------|-----------------------|-------------------------|-----------------------|----------------------------------|----------------|
|   | <b>£'000</b>             | <b>£'000</b>                    | <b>£'000</b>                        | <b>£'000</b>          | <b>£'000</b>            | <b>£'000</b>          | <b>£'000</b>                     | <b>£'000</b>   |
| <b>Accumulated Impairment</b>   |                          |                                 |                                     |                       |                         |                       |                                  |                |
| <b>At 01 April 2013</b>   | <b>-24,433</b>           | <b>-7,876</b>                   | <b>-14</b>                          | <b>-29</b>            | <b>0</b>                | <b>2</b>              | <b>-140</b>                      | <b>-32,490</b> |
| Impairment charge (revaluations) recognised in the revaluation reserve                          | 18,831                   | 1,058                           | 0                                   | 0                     | 0                       | 0                     | 0                                | 19,889         |
| Impairment charge (revaluations) recognised in the surplus/deficit on the provision of services | 5,212                    | -6,271                          | 0                                   | 0                     | 0                       | -6                    | 0                                | -1,065         |
| Impairment losses (reversals) recognised  | 0                        | -1,406                          | 0                                   | 0                     | 0                       | 0                     | 0                                | -1,406         |

|  |                |                |               |               |              |              |              |                |
|--|----------------|----------------|---------------|---------------|--------------|--------------|--------------|----------------|
| in the Revaluation Reserve   |                |                |               |               |              |              |              |                |
| Impairment losses (reversals) recognised in the surplus/deficit on the provision of services | 384            | 6,692          | 0             | 0             | 0            | 0            | 0            | 7,083          |
| Reclassified (to)/from Held for Sale   | 0              | 0              | 0             | 0             | 0            | 9            | 0            | 9              |
| Reclassified (to)/from Investment Properties   | 0              | 0              | 0             | 0             | 0            | 0            | 0            | 0              |
| Derecognition – disposals impairment   | 0              | 16             | 0             | 0             | 0            | 0            | 0            | 16             |
| Derecognition – other Impairment   | 0              | 13             | 0             | 0             | 0            | 0            | 0            | 13             |
| Other movements  | 0              | 24             | 0             | 0             | 0            | -24          | 0            | 0              |
| <b>At 31 March 2014</b>  | <b>-7</b>      | <b>-7,750</b>  | <b>-14</b>    | <b>-29</b>    | <b>0</b>     | <b>-13</b>   | <b>-140</b>  | <b>-7,952</b>  |
| <b>Net Book Value</b>  |                |                |               |               |              |              |              |                |
| <b>At 31 March 2014</b>  | <b>225,454</b> | <b>348,181</b> | <b>15,772</b> | <b>98,984</b> | <b>1,218</b> | <b>5,454</b> | <b>6,290</b> | <b>701,352</b> |
| <b>At 31 March 2013</b>  | <b>132,033</b> | <b>308,182</b> | <b>16,102</b> | <b>90,979</b> | <b>1,347</b> | <b>4,835</b> | <b>9,373</b> | <b>562,851</b> |

**Comparative Movements in 2012/13:**

| <b>Movement In 2012/13</b>   | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles Plant and Equipment</b> | <b>Infrastructure</b> | <b>Community Assets</b> | <b>Surplus Assets</b> | <b>Assets Under Construction</b> | <b>Total</b>   |
|--|--------------------------|---------------------------------|-------------------------------------|-----------------------|-------------------------|-----------------------|----------------------------------|----------------|
|  | <b>£'000</b>             | <b>£'000</b>                    | <b>£'000</b>                        | <b>£'000</b>          | <b>£'000</b>            | <b>£'000</b>          | <b>£'000</b>                     | <b>£'000</b>   |
| <b>Cost or Valuation</b>   |                          |                                 |                                     |                       |                         |                       |                                  |                |
| <b>At 01 April 2012</b>  | <b>162,449</b>           | <b>299,167</b>                  | <b>62,303</b>                       | <b>98,623</b>         | <b>1,226</b>            | <b>4,362</b>          | <b>19,305</b>                    | <b>647,435</b> |
| 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                        | 18,573                          | 0                                   | 0                     | 10                      | 0                     | 0                                | 18,583         |
| 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/deficit on the provision of services | 0                        | -6,463                          | 0                                   | 0                     | -5                      | -30                   | 0                                | -6,498         |
| Derecognition - disposals  | -198                     | -174                            | -2,397                              | 0                     | 0                       | -55                   | 0                                | -2,824         |
| Derecognition - other  |                          | -290                            | 0                                   | 0                     | 0                       | 0                     | 0                                | -290           |

| <b>Movement In<br/>2012/13</b>  | <b>Council<br/>Dwellings</b> | <b>Other Land<br/>and<br/>Buildings</b> | <b>Vehicles<br/>Plant and<br/>Equipment</b> | <b>Infrastructure</b> | <b>Community<br/>Assets</b> | <b>Surplus<br/>Assets</b> | <b>Assets<br/>Under<br/>Construction</b> | <b>Total</b>   |
|---|------------------------------|---|---|-----------------------|-----------------------------|---------------------------|--|----------------|
|   | <b>£'000</b>                 | <b>£'000</b>                            | <b>£'000</b>                                | <b>£'000</b>          | <b>£'000</b>                | <b>£'000</b>              | <b>£'000</b>                             | <b>£'000</b>   |
| Reclassification (to)/from held for sale  |                              | 0                                       | 0   | 0                     | 0                           | -279                      | 0  | -279           |
| Other movements   |                              | 16,401                                  | 0   | -367                  |                             | 1,091                     | -<br>17,125                              | 0              |
| <b>At 31 March 2013</b>   | <b>167,858</b>               | <b>332,915</b>                          | <b>64,616</b>                               | <b>106,701</b>        | <b>1,347</b>                | <b>5,041</b>              | <b>9,530</b>                             | <b>688,008</b> |
| <b>Accumulated<br/>Depreciation</b>   |                              |   |   |                       |                             |                           |  |                |
| <b>At 01 April 2012</b>   | <b>-9,142</b>                | <b>-18,219</b>                          | <b>-47,422</b>                              | <b>-13,774</b>        | <b>0</b>                    | <b>-136</b>               | <b>0</b>                                 | <b>-88,693</b> |
| 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              |
| <b>At 31 March 2012</b>   | <b>-11,392</b>               | <b>-16,857</b>                          | <b>-48,500</b>                              | <b>-15,693</b>        | <b>0</b>                    | <b>-208</b>               | <b>-17</b>                               | <b>-92,667</b> |
| <b>Accumulated<br/>Impairment</b>   |                              |   |   |                       |                             |                           |  |                |
| <b>At 01 April 2012</b>   | <b>-18,934</b>               | <b>-8,810</b>                           | <b>-14</b>                                  | <b>-29</b>            | <b>0</b>                    | <b>2</b>                  | <b>0</b>                                 | <b>-27,785</b> |
| Impairment reversals recognised in the revaluation reserve                                | 0                            | 2,823                                   | 0   | 0                     | 0                           | 0                         | 0  | 2,823          |
| Impairment reversals (revaluation) recognised in the surplus on the provision of services | 0                            | 825                                     | 0   | 0                     | 0                           | 0                         | 0  | 825            |
| Impairment losses recognised in the Revaluation Reserve                                   | -3,326                       | -1,582                                  | 0   | 0                     | 0                           | 0                         | 0  | -4,908         |
| Impairment losses recognised in the surplus 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             |
| <b>Other movements</b>  | <b>0</b>                     | <b>140</b>                              | <b>0</b>                                    | <b>0</b>              | <b>0</b>                    | <b>0</b>                  | <b>-140</b>                              | <b>0</b>       |
| <b>At 31 March 2013</b>   | <b>-24,433</b>               | <b>-7,876</b>                           | <b>-14</b>                                  | <b>-29</b>            | <b>0</b>                    | <b>2</b>                  | <b>-140</b>                              | <b>-32,490</b> |
| <b>Net Book Value</b>   |                              |   |   |                       |                             |                           |  |                |
| <b>At 31 March 2013</b>   | <b>132,033</b>               | <b>308,182</b>                          | <b>16,102</b>                               | <b>90,979</b>         | <b>1,347</b>                | <b>4,835</b>              | <b>9,373</b>                             | <b>562,851</b> |
| <b>At 31 March 2012</b>   | <b>134,373</b>               | <b>272,138</b>                          | <b>14,867</b>                               | <b>84,820</b>         | <b>1,226</b>                | <b>4,228</b>              | <b>19,305</b>                            | <b>530,957</b> |

The non-current assets above do not include the 18 controlled faith schools or the 8 aided faith schools.

## Depreciation

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

- council dwellings – 30 and 20 years
- other land and buildings – useful life of the asset
- vehicles, plant, furniture & equipment – 10% to 35% of carrying amount
- infrastructure – 50 years

## Capital Commitments

At 31st March 2014, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2014/15 and future years budgeted to cost £8,455k. Similar commitments at 31st March 2013 were £497k. The major commitments are:

|                   | <b>£'000s</b> |
|-------------------|---------------|
| Vehicle Purchase  | 5,244         |
| Council Dwellings | 2,499         |
| Waste Boxes       | 285           |

In addition, there was an outstanding REFCUS commitment of £219k in respect of private sector housing at 31st March 2014.

## 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.

This year the majority of the revaluation, including the entire Housing stock, was undertaken by external valuers from DVS, the Property Services arm of the Valuation Office Agency. The County Council's in-house valuers completed the task in respect of any additional revaluations required as a consequence of property recategorisation throughout the year. 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.

The Council Dwellings were valued on an Existing use –Social Housing basis. The beacon method was adopted with a 40% of the market value used in the revaluations.

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 accounts have been certified by the Section 151 officer in the knowledge that a revaluation of the County Farms Estate is underway. If any material changes arise the accounts will be adjusted before the final deadline.

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 Construction | Total   |
|-----------------------|-------------------|--------------------------|--|-----------------|-----------|----------------|---------------------------|---------|
|                       | £'000             | £'000                    | £'000                                    | £'000           | £'000     | £'000          | £'000                     | £'000   |
| Historical cost       | 0                 | 25,713                   | 64,796                                   | 117,006         | 1,218     | 0              | 2,492                     | 211,224 |
| Valued at fair value: |                   |                          |  |                 |           |                |                           |         |
| 31-Mar-14             | 230,616           | 87,946                   |  |                 |           | 2,827          | 3,881                     | 325,270 |
| 31-Mar-13             |                   | 70,020                   |  |                 |           | 49             | 3                         | 70,072  |
| 31-Mar-12             |                   | 23,952                   |  |                 |           | 1,244          | 0                         | 25,196  |
| 31-Mar-11             |                   | 38,064                   |  |                 |           | 526            | 70                        | 38,660  |
| 31-Mar-10             |                   | 98,616                   |  |                 |           | 897            | 0                         | 99,513  |
|                       |                   |                          |  |                 |           |                |                           |         |
|                       | 230,616           | 344,311                  | 64,796                                   | 117,006         | 1,218     | 5,543          | 6,447                     | 769,935 |

### 13. HERITAGE ASSETS - Tangible

|                                    | Art Collection | Statues   | Museum Artefacts | Civic Regalia | Total        |
|------------------------------------|----------------|-----------|------------------|---------------|--------------|
|                                    | £'000          | £'000     | £'000            | £'000         | £'000        |
| <b>Cost</b>                        |                |           |                  |               |              |
| At 01 Apr 2013                     | 558            | 57        | 795              | 93            | 1,503        |
| Additions                          |                | 2         | 18               |               | 20           |
| Revaluations – Revaluation Reserve |                |           |                  |               | 0            |
| Derecognition                      | -8             |           | -15              |               | -23          |
| Reclassified                       |                |           |                  |               | 0            |
| <b>At 31 March 2014</b>            | <b>550</b>     | <b>59</b> | <b>798</b>       | <b>93</b>     | <b>1,500</b> |
|                                    |                |           |                  |               |              |
| <b>Impairments</b>                 |                |           |                  |               |              |
| At 01 Apr 2013                     | -73            | 0         | -80              |               | -153         |
| Reclassified                       |                |           |                  |               | 0            |
| <b>At 31 March 2014</b>            | <b>-73</b>     | <b>0</b>  | <b>-80</b>       | <b>0</b>      | <b>-153</b>  |
|                                    |                |           |                  |               |              |
| <b>Net Book Value</b>              |                |           |                  |               |              |
| <b>At 31 March 2014</b>            | <b>477</b>     | <b>59</b> | <b>718</b>       | <b>93</b>     | <b>1,347</b> |
| <b>At 31 March 2013</b>            | <b>485</b>     | <b>57</b> | <b>715</b>       | <b>93</b>     | <b>1,350</b> |

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

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 5 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:

| 2012/13 |                          | 2013/14 |
|---------|--------------------------|---------|
| £'000   |                          | £'000   |
| -5      | Rental Income            | -5      |
| 0       | Direct Operating Expense | 0       |
| -5      |                          | -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:

| 2012/13 |  | 2013/14 |
|---------|--|---------|
| £'000   |  | £'000   |
| 376     | Balance At Start Of Year                   | 385     |
|         | Additions:                                 |         |
| 0       | Purchases                                  | 0       |
| 0       | Construction                               | 0       |
| 0       | Subsequent Expenditure                     | 0       |
| 0       | Disposals                                  | 0       |
| 9       | Changes In Fair Value                      | 97      |
|         | Transfers                                  |         |
| 0       | to/from Inventories                        | 0       |
| 0       | To/from from Property, Plant and Equipment | 0       |
| 0       | Other Changes                              | 0       |
| 385     | Balance At End Of Year                     | 482     |

## 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 £557k charged to revenue in 2013/14 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:

|  |                         |        | 2012/13 |                         |        | 2013/14 |
|--|-------------------------|--------|---------|-------------------------|--------|---------|
|  | Internally<br>Generated | Other  | Total   | Internally<br>Generated | Other  | Total   |
|  | £'000                   | £'000  | £'000   | £'000                   | £'000  | £'000   |
| Cost At 1 <sup>st</sup> April  |                         | 4,368  | 4,368   |                         | 5,140  | 5,140   |
| Accumulated<br>Amortisation 1 <sup>st</sup> April  |                         | -1,915 | -1,915  |                         | -2,416 | -2,416  |
| Accumulated<br>Impairment 1 <sup>st</sup> April  |                         | -22    | -22     |                         | -22    | -22     |
| <b>Net Carrying<br/>Amount At 1<sup>st</sup> April</b>                                       |                         | 2,431  | 2,431   |                         | 2,703  | 2,703   |
| Additions:   |                         |        |         |                         |        |         |
| - Internally<br>Developed  |                         |        |         |                         |        |         |
| - Purchase   |                         | 772    | 772     |                         | 657    | 657     |
| Other Disposals  |                         |        |         |                         |        |         |
| Impairment Losses<br>Recognised In The<br>Surplus/Deficit On<br>The Provision Of<br>Services |                         |        |         |                         |        |         |
| Amortisation For The<br>Period   |                         | -500   | -500    |                         | -557   | -557    |
| Other Changes  |                         |        |         |                         |        |         |
| <b>Net Carrying<br/>Amount At 31<sup>st</sup><br/>March</b>                                  |                         | 2,703  | 2,703   |                         | 2,803  | 2,803   |
| Comprising   |                         |        |         |                         |        |         |
| Cost At 31 <sup>st</sup> March   |                         | 5,140  | 5,140   |                         | 5,797  | 5,797   |
| <b>Accumulated<br/>Amortisation 31<sup>st</sup><br/>March</b>                                |                         | -2,416 | -2,416  |                         | -2,973 | -2,973  |
| <b>Accumulated<br/>Impairment 31<sup>st</sup><br/>March</b>                                  |                         | -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.

| 2012/13<br>£'000 |  | 2013/14<br>£'000 |
|------------------|--|------------------|
| 195,490          | <b>Opening Capital Financing Requirement</b>   | 215,865          |
|                  | <b>Capital Investment:</b>   |                  |
| 46,447           | Property, Plant And Equipment  | 31,286           |
| 0                | Assets Held for Sale   | 0                |
| 0                | Investment Properties  | 0                |
| 10               | Heritage Assets  | 20               |
| 772              | Intangible Assets  | 657              |
| 5,463            | Revenue Expenditure Funded From Capital Under Statute                                  | 5,338            |
|                  | <b>Less Sources Of Finance:</b>  |                  |
| 2,724            | Capital Receipts   | 1,247            |
| 18,390           | Government Grants And Other Contributions  | 17,442           |
|                  | <b>Sums Set Aside From Revenue:</b>  |                  |
| 4,752            | Direct Revenue Contributions   | 8,074            |
|                  | In year non-material prior year adjustment   | -1,474           |
| 325              | Capital Receipts Set Aside   | 530              |
| 6,073            | Minimum Revenue Provision (MRP)  | 6,964            |
| 215,918          | <b>Closing Capital Financing Requirement</b>   | 220,383          |
|                  | <b>Explanation Of Movement In Year</b>   |                  |
| 5,565            | Increase In Underlying Need To Borrow (Supported By Government Financial Assistance)   | -3,521           |
| 14,838           | Increase In Underlying Need To Borrow (Unsupported By Government Financial Assistance) | 8,039            |
| 25               | Assets Acquired Under Finance Leases   | 0                |
| 20,363           | <b>Increase/Decrease(-) In Capital Financing Requirement</b>                           | 4,518            |

## 17. IMPAIRMENT LOSSES

During 2013/14 the Authority has recognised an impairment loss of £2.140m (£8.385m 2012/13) 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:

| <b>2013</b>    | <b>Long-term</b>                                 | <b>2014</b>    |
|----------------|--|----------------|
| <b>£'000</b>   |  | <b>£'000</b>   |
|                | <b>Investments</b>                               |                |
| 1,716          | Loans And Receivables                            | 1,020          |
| 3,061          | Available For Sale Financial Assets              | 2,850          |
| <b>4,777</b>   | <b>Total Investments</b>                         | <b>3,870</b>   |
|                | <b>Debtors</b>                                   |                |
| 1,931          | Loans And Receivables                            | 2,942          |
| 0              | Financial Assets Carried At Contract Amount      | 0              |
| <b>1,931</b>   | <b>Total Debtors</b>                             | <b>2,942</b>   |
|                | <b>Borrowings</b>                                |                |
| 146,189        | Financial Liabilities At Amortised Cost          | 151,087        |
| 0              | Finance Leases                                   | 0              |
| <b>146,189</b> | <b>Total Borrowings</b>                          | <b>151,086</b> |
|                | <b>Creditors</b>                                 |                |
| 0              | Financial Liabilities At Amortised Cost          | 0              |
| 12,342         | Financial Liabilities Carried At Contract Amount | 17,578         |
| <b>12,342</b>  | <b>Total Creditors</b>                           | <b>17,578</b>  |

| <b>2013</b>   | <b>Current</b>                                   | <b>2014</b>   |
|---------------|--|---------------|
| <b>£'000</b>  |  | <b>£'000</b>  |
|               | <b>Investments</b>                               |               |
| 5,708         | Loans And Receivables                            | 6,108         |
| 0             | Available For Sale Financial Assets              | 0             |
| <b>5,708</b>  | <b>Total Investments</b>                         | <b>6,108</b>  |
|               | <b>Debtors</b>                                   |               |
| 0             | Loans And Receivables                            | 0             |
| 33,170        | Financial Assets Carried At Contract Amount      | 30,165        |
| <b>33,170</b> | <b>Total Debtors</b>                             | <b>30,165</b> |
|               | <b>Borrowings</b>                                |               |
| 4,221         | Financial Liabilities At Amortised Cost          | 1,815         |
| 1             | Finance Leases                                   | 0             |
| <b>4,222</b>  | <b>Total Borrowings</b>                          | <b>1,815</b>  |
|               | <b>Creditors</b>                                 |               |
| 0             | Financial Liabilities At Amortised Cost          | 0             |
| 39,237        | Financial Liabilities Carried At Contract Amount | 39,845        |
| <b>39,237</b> | <b>Total Creditors</b>                           | <b>39,845</b> |

| 2013                                    | 2013                                   | 2013  | 2013         |   | 2014                                    | 2014                                   | 2014  | 2014         |
|---|--|---|--------------|---|---|--|---|--------------|
| 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        |
| 6,543                                   |  |   | 6,543        | Interest Expense  | 6,931                                   |  |   | 6,931        |
|   |  |   |              | Reductions In Fair Values   |   |  |   |              |
|   | 23                                     |   | 23           | Impairment Loss   |   | -57                                    |   | -57          |
|   |  |   |              | Fee Expense   |   |  |   |              |
| <b>6,543</b>                            | <b>23</b>                              | <b>0</b>                                    | <b>6,566</b> | <b>Total Expense In Deficit On The Provision Of Services</b>  | <b>6,931</b>                            | <b>-57</b>                             | <b>0</b>                                    | <b>6,874</b> |
|   |  |   |              |   |   |  |   |              |
|   | -579                                   |   | -579         | Interest Income   |   | -626                                   |   | -626         |
|   |  |   |              | Gains On Derecognition  |   |  |   |              |
|   |  |   |              | Fee Income  |   | -18                                    |   | -18          |
|   | -60                                    |   | -60          | Interest Income Accrued On Impaired Financial Assets  |   |  |   |              |
| <b>0</b>                                | <b>-639</b>                            | <b>0</b>                                    | <b>-639</b>  | <b>Total Income In Deficit On The Provision Of Services</b>   | <b>0</b>                                | <b>-644</b>                            | <b>0</b>                                    | <b>-644</b>  |
|   |  |   |              |   |   |  |   |              |
|   |  | -131  | -131         | Gains On Revaluation  |   |  | 87  | 87           |
| <b>0</b>                                | <b>0</b>                               | <b>-131</b>                                 | <b>-131</b>  | <b>Surplus/Deficit Arising On Revaluation Of Financial Assets In Other Comprehensive Income And Expenditure</b> | <b>0</b>                                | <b>0</b>                               | <b>87</b>                                   | <b>87</b>    |
|   |  |   |              |   |   |  |   |              |
| <b>6,543</b>                            | <b>-616</b>                            | <b>-131</b>                                 | <b>5,796</b> | <b>Net (Gain)/Loss For The Year</b>   | <b>6,931</b>                            | <b>-701</b>                            | <b>87</b>                                   | <b>6,317</b> |

## 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 2014 of 1.26% to 4.29% for loans from the PWLB and 4.44% to 4.87% 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 2013   |            | 31 March 2014   |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|                       | £'000           | £'000      | £'000           | £'000      |
| Financial Liabilities | 150,411         | 165,477    | 152,902         | 158,348    |
| Long-Term Creditors   | 8,462           | 8,462      | 17,578          | 17,578     |

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 2013   |            | 31 March 2014   |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|                       | £'000           | £'000      | £'000           | £'000      |
| Loans And Receivables | 7,424           | 7,447      | 7,128           | 7,128      |
| Long-Term Debtors     | 1,931           | 1,931      | 2,942           | 2,942      |

### 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.

| 2013<br>£'000 |                                       | 2014<br>£'000 |
|---------------|---------------------------------------|---------------|
| 620           | Building Materials, Vehicle Parts Etc | 572           |
| 307           | Road Salt                             | 532           |
| 61            | Other                                 | 94            |
| 988           |                                       | 1,198         |

**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.

| 2013<br>£'000 |                                       | 2014<br>£'000 |
|---------------|---------------------------------------|---------------|
|               | <b>Central government</b>             |               |
| 8,048         | Welsh Government                      | 6,493         |
| 1,367         | European Community                    | 1,548         |
| 1,608         | VAT – HMRC                            | 1,464         |
| 82            | Countryside Commission for Wales      | 53            |
| 12            | CADW                                  | 0             |
| 0             | National Lottery                      | 48            |
| 0             | Sports Council                        | 12            |
| 9,024         | <b>North Wales Trunk Road Agency</b>  | 4,247         |
|               | <b>Local authorities</b>              |               |
| 992           | Other local and education authorities | 2,743         |
|               | <b>NHS bodies</b>                     |               |
| 1,807         | Powys Teaching Health Board           | 1,985         |
| 9             | Other NHS Bodies                      | 63            |
|               | <b>Debts other than government</b>    |               |
| 2,695         | Council Tax                           | 2,602         |
| 255           | Housing tenants                       | 172           |
| 79            | Employees                             | 75            |
| 5,641         | Other short term debtors              | 6,545         |
| 1,551         | Payments in advance                   | 2,115         |
| 33,170        |                                       | 30,165        |

**21. CASH AND BANK ACCOUNTS**

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

| 2013<br>£'000 |                            | 2014<br>£'000 |
|---------------|----------------------------|---------------|
| 5,096         | Cash Held By The Authority | 6,906         |
| -4,944        | Bank Current Accounts      | -3,319        |
| 152           |                            | 3,587         |

**22. ASSETS HELD FOR SALE**

| 2013  |  | 2014   |
|-------|--|--------|
| £'000 |  | £'000  |
| 48    | Balance At Start Of Year                         | 98     |
| -179  | Revaluation Loss                                 | -1,089 |
|       | <b>Assets Newly Classified As Held For Sale:</b> |        |
| 279   | - Property, Plant And Equipment                  | 2,599  |
| -50   | Assets Sold                                      | -815   |
| 98    | Balance At End Of Year                           | 793    |

**23. CREDITORS****Short Term Creditors**

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

| 2013   |                                   | 2014   |
|--------|-----------------------------------|--------|
| £'000  |                                   | £'000  |
|        | <b>Central Government Bodies</b>  |        |
| 1,745  | Welsh Government                  | 903    |
| 2,802  | HM Revenues And Customs           | 3,028  |
| 849    | Department for Works and Pensions | 1,033  |
|        | <b>Local Authorities</b>          |        |
| 503    | Ceredigion C.C                    | 67     |
|        | Other Local Authorities           | 77     |
|        | <b>NHS Bodies</b>                 |        |
| 214    | Powys Teaching Health Board       | 575    |
|        | <b>Non Government Creditors</b>   |        |
| 19,341 | Sundry Creditors                  | 17,761 |
| 3,876  | Holiday Accrual                   | 3,692  |
| 2,085  | Wages And Salaries                | 3,406  |
| 784    | Payments Received In Advance      | 1,269  |
| 513    | Deposits – Section 40 Advance     | 700    |
| 453    | Commuted Sums – Land Drainage     | 457    |
| 837    | Council Tax Credits               | 1,225  |
| 34,001 |                                   | 34,193 |

Holiday accrual has been included as a short term creditor. 2012-13 figures were included within short term provisions. These have been restated above. And removed from note 24.

**Long Term Creditors**

| 2013  |                                       | 2014  |
|-------|---------------------------------------|-------|
| £'000 |                                       | £'000 |
| 3,880 | <b>Deposits – Section 106 Deposit</b> | 9,734 |
| 3,880 |                                       | 9,734 |

**24. PROVISIONS**

| At<br>01.04.13<br>£'000 | Increase in<br>Provision<br>£'000 | Reversal of<br>Unused<br>Provision<br>£'000 | Amounts<br>Paid<br>£'000 | Movement to<br>Short Term<br>£'000 | At<br>31.03.14<br>£'000 |
|-------------------------|-----------------------------------|---|--------------------------|------------------------------------|-------------------------|
| 8,462                   | 101                               | -6,591                                      | -273                     | 99                                 | 1,600                   |
| 8,462                   | 101                               | -6,591                                      | -273                     | 99                                 | 1,600                   |

Other Provisions includes amounts set aside for equal pay. There are no material unfunded risks.

**Short Term Provision**

|                                   | 2013<br>£'000 | Increase in<br>Provision | Reversal of<br>Unused<br>Provision | Amounts<br>Paid | Movement<br>from Long<br>Term | 2014<br>£'000 |
|-----------------------------------|---------------|--------------------------|------------------------------------|-----------------|-------------------------------|---------------|
| Other Short<br>Term<br>Provisions | 4,460         |                          | -576                               |                 | 99                            | 3,983         |
| Insurance<br>Provision            | 1,442         | 227                      |                                    |                 |                               | 1,669         |
| Other Short<br>Term<br>Provisions | 5,902         | 227                      | -576                               |                 | 99                            | 5,652         |

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 these as without this the 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. The usable capital receipts table which follows provides further information of movement on that reserve.

**Usable Capital Receipts**

|   | £'000  |
|---|--------|
| Balance at 1 <sup>st</sup> April 2013     | 11,451 |
| Gross Capital Receipts                    | 3,007  |
| Reserved Receipts                         | -530   |
| Financing Fixed Assets                    | -1,030 |
| Financing Refocus                         | -216   |
| Less Administration Costs                 | -33    |
| Balance as at 31 <sup>st</sup> March 2014 | 12,649 |

**26. UNUSABLE RESERVES**

| <b>31 March 2013</b> |  | <b>31 March 2014</b> |
|----------------------|--|----------------------|
| <b>£'000</b>         |  | <b>£'000</b>         |
| 126,978              | Revaluation Reserve                      | 257,032              |
| 1,822                | Available For Sale Financial Instruments | 1,661                |
| 222,844              | Capital Adjustment Account               | 229,690              |
| 1,328                | Financial Instruments Adjustment Account | 1,000                |
| -240,950             | Pensions Reserve                         | -210,920             |
| 2,029                | Deferred Capital Receipts                | 3,079                |
| -3,876               | Accumulated Absences Account             | -3,692               |
| <b>110,175</b>       |  | <b>277,850</b>       |

**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.

| <b>2012/13</b> | <b>2012/13</b> |  | <b>2013/14</b> | <b>2013/14</b> |
|----------------|----------------|--|----------------|----------------|
| <b>£'000</b>   | <b>£'000</b>   |  | <b>£'000</b>   | <b>£'000</b>   |
|                | 119,951        | Balance as at 01 April   |                | 126,978        |
| 18,584         |                | Upward revaluation of assets   | 144,658        |                |
| -9,045         |                | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit On The Provision of Services       | -8,125         |                |
|                | 9,539          | Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services |                | 136,534        |
| -2,377         |                | Difference between fair value depreciation and historical cost depreciation  | -5,029         |                |
| -135           |                | Accumulated gains on assets sold or scrapped   | -1,451         |                |
|                | -2,512         | Amount written off to the Capital Adjustment Account   |                | -6,480         |
|                | <b>126,978</b> | <b>Balance at 31 March</b>   |                | <b>257,032</b> |

## 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.

| 2012/13 |   | 2013/14 |
|---------|---|---------|
| £'000   |   | £'000   |
| 1,766   | Balance at 1 April  | 1,822   |
| 178     | (Downward)/Upward revaluation of investments  | -87     |
| -122    | Downward revaluation of investments not charged to the Surplus/Deficit On The Provision Of Services | -74     |
| 1,822   | Balance at 31 March   | 1,661   |

## 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.

| 2012/13 | 2012/13 |   | 2013/14 | 2013/14 |
|---------|---------|---|---------|---------|
| £'000   | £'000   |   | £'000   | £'000   |
|         | 218,694 | Balance at 1 April  |         | 222,844 |
|         |         | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income And Expenditure Statement:</b> |         |         |
| -13,103 |         | Charges for depreciation of non current assets  | -18,307 |         |
| -500    |         | Amortisation of Intangible Assets   | -557    |         |
| -6,466  |         | Revaluation losses on Property, Plant And Equipment   | -5,108  |         |

| 2012/13 | 2012/13 |   | 2013/14 | 2013/14 |
|---------|---------|---|---------|---------|
| £'000   | £'000   |   | £'000   | £'000   |
| -3,479  |         | Impairment due to economic consumption  | -734    |         |
| -5,463  |         | Revenue expenditure funded from capital under statute   | -4,732  |         |
| -290    |         | Loss on Recognition of Assets   | -1,126  |         |
| -383    | -29,684 | 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 | -715    | -31,279 |
|         | 2,378   | Depreciation transfer to Revaluation Reserve  |         | 4,906   |
|         | -27,306 | <b>Net written out of the cost of non current assets consumed in the year</b>   |         | -26,373 |
|         |         | <b>Capital financing applied in the year</b>  |         |         |
| 2,724   |         | Use of the Capital Receipts Reserve to finance new capital expenditure  | 1,247   |         |
| 12,579  |         | Capital grants and contributions credited to the Comprehensive Income And Expenditure Statement that have been applied to capital financing               | 16,590  |         |
| 5,241   |         | Application of grants to capital financing from the Capital Grants Unapplied Account  | 855     |         |
| 4,752   |         | Capital expenditure charged against the Council Fund and HRA balances   | 8,074   |         |
| 6,074   | 31,370  | Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances   | 6,964   | 33,730  |
|         | 9       | Movement in the market value of Investment Properties debited or credited to the Comprehensive Income And Expenditure Statement                           |         | 98      |
|         | -179    | Movement in the market value of Assets Held for Sale debited or credited to the Comprehensive Income And Expenditure Statement                            |         | -1,089  |
|         |         | Available for Sale Assets   |         | -50     |
|         | -69     | Deferred credits transfer   |         |         |
|         | 325     | Reserved capital receipts   |         | 530     |
|         | 222,844 | Balance at 31 March   |         | 229,690 |

## 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 2014 will be charged to the Council Fund over the remaining life of repaid loans.

| 2012/13 |  | 2013/14 |
|---------|--|---------|
| £'000   |  | £'000   |
| 1,678   | Balance at 1 April   | 1,328   |
| -291    | Discounts paid from rescheduling of debt   | 2       |
| -38     | Soft loans adjustment  | -35     |
| 2       | Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements | -291    |
| -23     | Invest to save loans   | -4      |
| 1,328   | Balance at 31 March  | 1,000   |

## 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.

| 2012/13  |  | 2013/14  |
|----------|--|----------|
| £'000    |  | £'000    |
| -226,080 | Balance at 1 April   | -240,950 |
| -6,120   | Actuarial gains or losses on pensions assets and liabilities   | 40,250   |
| -24,960  | 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 | -29,140  |
| 16,210   | Employer's pensions contributions  | 18,920   |

|          |                     |          |
|----------|---------------------|----------|
| -240,950 | Balance at 31 March | -210,920 |
|----------|---------------------|----------|

### 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.

| 2012/13 |  | 2013/14 |
|---------|--|---------|
| £'000   |  | £'000   |
| 729     | Balance at 1 April   | 2,029   |
| -7      | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | -6      |
| 1,483   | Landlord Loans   | 1,350   |
| -176    | Transfer to the Capital Receipts Reserve upon receipt of cash  | -294    |
| 2,029   | Balance at 31 March  | 3,079   |

### 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.

| 2012/13 |   | 2013/14 |
|---------|---|---------|
| £'000   |   | £'000   |
| -4,355  | Balance at 1 April  | -3,876  |
| 4,355   | Settlement or cancellation of accrual made at the end of the preceding year | 3,876   |
| -3,876  | Amounts accrued at the end of the current year                              | -3,692  |
| -3,876  | Balance at 31 March   | -3,692  |

## 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:

| <b>2013/14 Net expenditure by directorate</b>  | <b>Total<br/>£'000</b> |
|--|------------------------|
| <b>People:</b>   |                        |
| Adult Services And Commissioning   | 57,209                 |
| Children's Services  | 15,288                 |
| Housing  | 1,013                  |
| Housing Revenue Account  | -4,252                 |
| <b>Place:</b>  |                        |
| Director and Heads of Service  | 12                     |
| Leisure And Recreation   | 15,171                 |
| Regeneration And Development   | 9,610                  |
| Highways, Transport and Recycling  | 27,643                 |
|  |                        |
| <b>Schools</b>   | 101,044                |
|  |                        |
| <b>Change and Governance</b>   | 6,190                  |
|  |                        |
| <b>Resources</b>   |                        |
| Professional Services  | 1,896                  |
| Business Services  | 1,767                  |
| <b>Communications</b>  | 246                    |
|  |                        |
| <b>SERVICE AREA TOTALS</b>   | <b>232,838</b>         |
| Corporate Activities   | 16,996                 |
| <b>Total</b>   | <b>249,834</b>         |
| Council Tax  | -57,624                |
| Revenue Support Grant  | -149,658               |
| Non Domestic Rates   | -41,732                |
| <b>Net Expenditure In The Directorate Analysis</b>   | <b>820</b>             |
| Net expenditure not included in the analysis   | 507                    |
| Amounts in the Comprehensive Income And Expenditure Statement not reported to management in the analysis | 8,253                  |
| <b>(Surplus)/Deficit on Services In Comprehensive Income And Expenditure Statement</b>                   | <b>9,580</b>           |

| <b>2012/13 Net expenditure by directorate (Restated)</b>   | <b>Total<br/>£'000</b> |
|--|------------------------|
| <b><i>Care And Wellbeing:</i></b>  |                        |
| Adult Services `And Commissioning  | 49,634                 |
| Children's Services  | 15,960                 |
| Housing And Regulatory Services  | 920                    |
| Housing Revenue Account  | -3,681                 |
| <b><i>Finance And Infrastructure:</i></b>  |                        |
| Finance And Corporate Performance  | -100                   |
| Local Environmental Services   | 33,486                 |
| Business Performance Unit  | -89                    |
| <b><i>Law And Governance:</i></b>  |                        |
| Legal, Scrutiny And Democratic   | 3,509                  |
| Information And Customer Services  | 231                    |
| Human Resources  | 1,972                  |
| <b><i>Skills And Learning:</i></b>   |                        |
| School And Inclusion   | 97,850                 |
| Leisure And Recreation   | 13,789                 |
| Regeneration And Development   | 5,025                  |
|  |                        |
| <b>SERVICE AREA TOTALS</b>   | <b>218,506</b>         |
| Corporate Activities   | 5,483                  |
| <b>Total</b>   | <b>223,989</b>         |
| Council Tax  | -56,159                |
| Revenue Support Grant  | -141,772               |
| Non Domestic Rates   | -36,210                |
| <b>Net Expenditure In The Directorate Analysis</b>   | <b>-10,152</b>         |
| Net expenditure not included in the analysis   |                        |
| Amounts in the Comprehensive Income And Expenditure Statement not reported to management in the analysis | 22,636                 |
| <b>(Surplus)/Deficit on Services In Comprehensive Income And Expenditure Statement</b>                   | <b>12,484</b>          |

### 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.

| <b>2013/14</b>   | <b>Per Directorates analysis</b> | <b>Amounts not reported to management for decision making</b> | <b>Amounts not included in income and expenditure</b> | <b>Per the (surplus)/deficit from the provision of services</b> |
|--|----------------------------------|---|---|---|
|  | <b>£'000</b>                     | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  |
| Grants   | -53,894                          | -16,581   |   | -70,475   |
| Other grants, reimbursements and contributions         | -24,872                          |   |   | -24,872   |
| Customer and client income                             | -59,151                          | -2,065  |   | -61,216   |
| Internal Recharges                                     | -84,597                          | 0   |   | -84,597   |
| Credits resulting from soft loans                      |                                  | -1,350  |   | -1,350  |
| Surplus on Sale of Assets                              | -2,707                           |   |   | -2,707  |
| Council Tax  | -71,840                          |   |   | -71,840   |
| Non Domestic Rates                                     | -41,732                          |   |   | -41,732   |
| Revenue Support Grant                                  | -149,658                         |   |   | -149,658  |
| <b>Total Income</b>                                    | <b>-488,451</b>                  | <b>-19,996</b>  |   | <b>-508,447</b>   |
| Employee Costs   | 173,976                          | -7,467  |   | 166,509   |
| Premises related expenditure                           | 18,677                           | 167   |   | 18,844  |
| Transport related expenditure                          | 15,446                           | -1  |   | 15,445  |
| Supplies And Services                                  | 30,883                           | -408  |   | 30,475  |
| Depreciation And Impairment losses                     |                                  | 25,820  |   | 25,820  |
| Reffcus  |                                  | 4,732   |   | 4,732   |
| Third Party Payments                                   | 84,758                           | 0   |   | 84,758  |
| Precepts And Levies                                    | 21,479                           | 0   |   | 21,479  |
| Transfer Payments                                      | 45,483                           | 0   |   | 45,483  |
| Support services, and other internal recharges         | 82,629                           | 0   |   | 82,629  |
| Capital financing costs (Interest And Similar Charges) | 13,973                           | -7,067  |   | 6,906   |
| Pension Interest Costs                                 |                                  | 10,190  |   | 10,190  |
| IAS19 Past Service Costs                               |                                  | 2,080   |   | 2,080   |
| Insurance  | 1,968                            |   |   | 1,968   |
| Loss on Disposal of Assets                             |                                  | 709   |   | 709   |
| <b>Total Expenditure</b>                               | <b>489,272</b>                   | <b>28,755</b>   |   | <b>518,027</b>  |
| <b>Net Expenditure</b>                                 | <b>820</b>                       | <b>8,760</b>  |   | <b>9,580</b>  |

| <b>2012/13 (Restated)</b>                              | <b>Per Directorates analysis</b> | <b>Amounts not reported to management for decision making</b> | <b>Amounts not included in income and expenditure</b> | <b>Per the (surplus)/deficit from the provision of services</b> |
|--|----------------------------------|---|---|---|
|  | <b>£'000</b>                     | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  |
| Grants   | -112,631                         | 6,083   |   | -106,548  |
| Customer and client income                             | -59,707                          | -1,450  |   | -61,157   |
| Internal Recharges                                     | -67,065                          | 1,182   |   | -65,883   |
| Profit on Disposal of Assets                           | 0                                | -682  |   | -682  |
| Council Tax  | -56,158                          | -13,697   |   | -69,855   |
| Non Domestic Rates                                     | -36,210                          |   |   | -36,210   |
| Revenue Support Grant                                  | -141,772                         |   |   | -141,772  |
| <b>Total Income</b>                                    | <b>-473,543</b>                  | <b>-8,564</b>   |   | <b>-482,107</b>   |
| Employee Costs   | 166,527                          | -2,149  |   | 164,378   |
| Premises related expenditure                           | 19,850                           |   |   | 19,850  |
| Transport related expenditure                          | 21,046                           | -24   |   | 21,022  |
| Supplies And Services                                  | 33,603                           | 1,292   |   | 34,895  |
| Depreciation And Impairment losses                     | 0                                | 23,718  |   | 23,718  |
| Reffcus  | 0                                | 5,463   |   | 5,463   |
| Third Party Payments                                   | 98,950                           | -13,698   |   | 85,252  |
| Precepts And Levies                                    | 7,042                            | 13,698  |   | 20,740  |
| Transfer Payments                                      | 44,727                           |   |   | 44,727  |
| Support services and other internal recharges          | 55,754                           | -576  |   | 55,178  |
| Capital financing costs (Interest And Similar Charges) | 13,873                           | -2,190  |   | 11,683  |
| Pension Interest Costs                                 | 0                                | 4,990   |   | 4,990   |
| IAS19 Past Service Costs                               | 0                                | 270   |   | 270   |
| Insurance  | 2,019                            | 406   |   | 2,425   |
| <b>Total Expenditure</b>                               | <b>463,391</b>                   | <b>31,200</b>   |   | <b>494,591</b>  |
| <b>Net Expenditure</b>                                 | <b>-10,152</b>                   | <b>22,636</b>   |   | <b>12,484</b>   |

**28. CASHFLOW STATEMENT – INVESTING ACTIVITIES**

| <b>2012/13<br/>£'000</b> |  | <b>2013/14<br/>£'000</b> |
|--------------------------|--|--------------------------|
| 47,996                   | Purchase of property, plant and equipment, investment property and intangible assets               | 32,742                   |
| 294,620                  | Purchase of short and long term investments  | 284,320                  |
| -1,365                   | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | -2,469                   |
| -326,230                 | Proceeds from the sale of short and long term investments  | -280,905                 |
| <b>15,021</b>            | <b>Net Cash Flows From Investing Activities</b>  | <b>33,688</b>            |

**29. CASHFLOW STATEMENT – FINANCING ACTIVITIES**

| <b>2012/13<br/>£'000</b> |  | <b>2013/14<br/>£'000</b> |
|--------------------------|--|--------------------------|
| -2,500                   | Cash receipts of short and long term borrowing   | -16,200                  |
| -9,372                   | Other receipts from investing activities   | -8,914                   |
| 24                       | Cash payments relating to the reduction of the outstanding liabilities on finance leases | 1                        |
| 12                       | Repayments of short and long term borrowing  | 7,714                    |
| 3,415                    | Other payments for financing activities  | 4,125                    |
| <b>-8,421</b>            | <b>Net Cash Flows From Financing Activities</b>  | <b>-13,274</b>           |

**30. ANALYSIS OF GOVERNMENT GRANTS**

| <b>2012/13<br/>£'000</b> |  | <b>2013/14<br/>£'000</b> |
|--------------------------|--|--------------------------|
| 12,059                   | Housing Grants   | 11,547                   |
| 28                       | Other Housing  | 36                       |
| 4,518                    | Other Social Services (Primarily Mental Handicap Strategy) | 3,143                    |
| 5,654                    | Supporting People  | 6,038                    |
| 2,410                    | Other Transport Grants                                     | 143                      |
| 4,094                    | Waste Disposal And Recycling Grants                        | 4,782                    |
| 16,115                   | Education Grants   | 14,589                   |
| 28                       | Welsh Language Grant                                       | 15                       |
| 1,413                    | PIG Policy Agreements                                      | 1,393                    |
| 1,345                    | Concessionary Travel                                       | 164                      |
| 498                      | Regeneration and Development                               | 396                      |
| 251                      | Built Heritage ReFCUS                                      | 134                      |
| 200                      | CESF Grant   | 150                      |
| 779                      | Miscellaneous  | 531                      |
| 10                       | Safer Communities Fund                                     | 322                      |
| 264                      | Communities First  | 0                        |
| 6                        | Work Based Learning  | 0                        |
| 2,235                    | ReFCUS   | 2,336                    |
| 25                       | Public Protection  | 26                       |
| 538                      | Sports Council   | 468                      |
| 170                      | Animal Welfare   | 165                      |
| 119                      | Leisure & Recreation                                       | 156                      |
| 168                      | Welsh Arts Council   | 198                      |
| 61                       | Nutrition In Schools/Appetite For Life                     | 61                       |

| 2012/13<br>£'000 |  | 2013/14<br>£'000 |
|------------------|--|------------------|
| 52,988           |  | 46,794           |

### 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 2013/14 were:

| 2012/13<br>(Surplus)/Deficit<br>£'000 |  | 2013/14<br>Expenditure<br>£'000 | 2013/14<br>Income<br>£'000 | 2013/14<br>(Surplus)/Deficit<br>£'000 |
|---------------------------------------|--|---------------------------------|----------------------------|---------------------------------------|
| -49                                   | Building Cleaning                              | 3,343                           | -3,124                     | 219                                   |
| 132                                   | Catering                                       | 5,685                           | -5,654                     | 31                                    |
| 1,509                                 | Central Administration                         | 23,838                          | -23,538                    | 300                                   |
| -732                                  | Engineering And<br>Building Design             | 9,014                           | -9,047                     | -33                                   |
| 82                                    | Highways Maintenance                           | 1,100                           | -889                       | 211                                   |
| -199                                  | Information Technology<br>Dept                 | 5,823                           | -5,545                     | 278                                   |
| 2                                     | Internal Insurance                             | 2,007                           | -1,799                     | 208                                   |
| -134                                  | Vehicle Maintenance<br>And Transport           | 10,045                          | -9,982                     | 63                                    |
| -461                                  | Pension Deficit Funding<br>On Trading Accounts | 0                               | -837                       | -837                                  |
| 283                                   | Performance And<br>Communications              | 168                             | 0                          | 168                                   |
| 433                                   |  | 61,023                          | -60,415                    | 608                                   |

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:

| 2012/13<br>£'000 | Agency           | Description      | 2013/14<br>£'000 |
|------------------|------------------|------------------|------------------|
| 0                | Welsh Government | Houses for Homes | 331              |

### 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 2013/14 for free nursing care was £1,863k (2012/13 £2,034k), which is now within the PTHB base allocation from WG.

Powys County Council paid to Care Homes:

| 2012/13<br>£'000 |   | 2013/14<br>£'000 | 2013/14<br>£'000 | 2013/14<br>£'000 |
|------------------|---|------------------|------------------|------------------|
| Total            | Gross Funding   | Staff            | Other            | Total            |
| 1,065            | Powys County Council                                      | 0                | 1,065            | 1,065            |
| 969              | Powys Teaching Health Board                               | 0                | 798              | 798              |
| 2,034            | <b>Total Funding</b>                                      | 0                | 1,863            | 1,863            |
|                  | <b>Expenditure</b>  |                  |                  |                  |
| 2,108            | Monies spent in accordance with pooled budget arrangement | 0*               | 1,925            | 1,925            |
| 2,108            | <b>Total Expenditure</b>                                  | 0                | 1,925            | 1,925            |
| -74              | <b>Net Over(-)/ Under spend</b>                           | 0                | -62              | -62              |

| 2012/13<br>£'000 |                             | 2013/14<br>£'000 |
|------------------|-----------------------------|------------------|
| Total            | Net Over(-)/ Under spend    | Total            |
| 0                | Powys County Council        | 0                |
| -74              | Powys Teaching Health Board | -62              |
| -74              |                             | -62              |

\*The PtLHB employs 5 nurse assessors plus travel over and above the allocation.

#### Pooled Budgets

Powys County Council and Powys Teaching Health Board have entered into a partnership agreement in accordance with Section 33 of the NHS (Wales) Act 2006. 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:**

| 2012/13<br>£'000 |   | 2013/14<br>£'000 |
|------------------|---|------------------|
|                  | <b>Gross Funding</b>                      |                  |
| 384              | Powys County Council                      | 458              |
| 333              | Powys Teaching Health Board               | 584              |
| 95               | Other                                     | 15               |
| <b>812</b>       | <b>Total Funding</b>                      | <b>1,057</b>     |
|                  | <b>Expenditure</b>                        |                  |
| 27               | Management costs                          | 37               |
| 510              | Equipment purchase                        | 515              |
| 210              | Maintenance and Inspection                | 252              |
| 398              | Delivery, Cleaning and Collection Charges | 445              |
| <b>1,145</b>     | <b>Total Expenditure</b>                  | <b>1,249</b>     |
| <b>-333</b>      | <b>Net Over(-)/ Under spend</b>           | <b>-192</b>      |

**ICT Service:**

| 2012/13<br>£'000 |                                 | 2013/14<br>£'000 |
|------------------|---------------------------------|------------------|
|                  | <b>Gross Funding</b>            |                  |
| 838              | Powys County Council            | 908              |
| 372              | Powys Teaching Health Board     | 426              |
| 34               | Other Funding                   | 45               |
| 197              | Other Income                    | 287              |
| <b>1,441</b>     | <b>Total Funding</b>            | <b>1,666</b>     |
|                  | <b>Expenditure</b>              |                  |
| 117              | Management costs                | 164              |
| 843              | Staffing costs                  | 1,187            |
| 463              | Other expenditure               | 293              |
| <b>1,423</b>     | <b>Total Expenditure</b>        | <b>1,644</b>     |
| <b>18</b>        | <b>Net Over(-)/ Under spend</b> | <b>22</b>        |

**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 2013-14 code 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<br>£'000 | Income<br>£'000  |
|---|----------------------|------------------|
| Net cost of Services – Education          |                      | 22               |
| Net transfer To Joint Arrangement Reserve | 22                   |                  |
|   |                      |                  |
| Balance Sheet                             | Assets<br>£'000      | Reserve<br>£'000 |
| Debtors                                   | 52                   |                  |
| Earmarked reserves                        |                      | 52               |
|   |                      |                  |

### 35. MEMBERS ALLOWANCES

A total of £1,180 k was paid to Councillors in basic and special responsibility allowances (£1,143k in 2012/13). Councillors were also reimbursed travel, working expenses and subsistence expenses in accordance with regulations amounting to £118k.

### 36. SENIOR OFFICERS EMOLUMENTS

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

| 2013/14                                       | Note | Salary<br>(inc fees & allowances) | Benefits in kind | Compensation for loss<br>of office | Total Remuneration<br>Excluding Pension<br>Contribution | Pension Contribution | Total Remuneration<br>including Pension<br>Contribution |
|---|------|-----------------------------------|------------------|------------------------------------|---|----------------------|---|
| Post Title                                    |      | £'000                             | £'000            | £'000                              | £'000   | £'000                | £'000   |
| Chief Executive                               |      | 133                               |                  |                                    | 133   | 31                   | 164   |
| Strategic Director – Resources                | 1    | 87                                |                  |                                    | 87  | 20                   | 107   |
| Strategic Director – Place                    |      | 96                                | 1                |                                    | 97  | 22                   | 119   |
| Strategic Director – Law and Governance       | 2    | 9                                 |                  | 99                                 | 108   | 2                    | 110   |
| Director – Change & Governance                |      | 89                                | 1                |                                    | 90  | 21                   | 111   |
| Strategic Director - People                   |      | 92                                |                  |                                    | 92  | 21                   | 113   |
| Head of Local & Environmental Services        | 3    | 44                                |                  | 45                                 | 89  | 9                    | 98  |
| Head of Business & Performance Unit           | 4    | 20                                | 3                | 63                                 | 86  | 2                    | 88  |
| Head of Human Resources                       | 5    | 25                                |                  | 97                                 | 122   | 0                    | 122   |
| Head of Leisure & Recreation                  | 6    | 26                                |                  | 90                                 | 116   | 2                    | 118   |
| Head of Legal, Scrutiny & Democratic Services | 7    | 24                                |                  | 76                                 | 100   | 0                    | 100   |
| Head of Housing & Commissioning               |      | 67                                | 2                |                                    | 69  | 16                   | 85  |
| Interim Head of Schools Service               |      | 69                                | 3                |                                    | 72  | 16                   | 88  |
| Head of Operations                            |      | 75                                | 2                |                                    | 77  | 17                   | 94  |
| Head of Business Services                     |      | 59                                | 2                |                                    | 61  | 14                   | 75  |
| Head of Professional Services & Commissioning |      | 68                                |                  |                                    | 68  | 16                   | 84  |
| Head of Children's Services                   |      | 67                                | 3                |                                    | 70  | 16                   | 86  |
| Head of Adult Services                        | 8    | 18                                |                  |                                    | 18  | 4                    | 22  |
| Head of Regeneration Property & Commissioning | 9    | 17                                |                  |                                    | 17  | 4                    | 21  |

**Note 1** – The role of Strategic Director Resources became vacant in September 2013 and was immediately filled.

**Note 2** – The role of Strategic Director – Law and Governance was deleted in April 2013.

**Note 3** – The role of Head of Local & Environmental Services was deleted in September 2013.

**Note 4** – The role of Head of Business & Performance Unit was deleted in May 2013.

**Note 5** – The role of Head of Human Resources was deleted in April 2013.

**Note 6** – The role of Head of Local Leisure & Recreation was deleted in June 2013.

**Note 7** – The role of Head of Legal, Scrutiny & Democratic Services was deleted in April 2013.

**Note 8** – The role of Head of Adult Services & Commissioning costs were charged to consultancy. From October 2013 the post was filled permanently.

**Note 9** – The role of Head of Regeneration & Development became vacant in December 2012. From August 2013 the role of Head of Regeneration, Property & Commissioning was filled permanently.

| 2012/13   | Note | Salary<br>(inc fees & allowances) | Benefits in kind | Compensation for loss<br>of office | Total Remuneration<br>Excluding Pension<br>Contribution | Pension Contribution | Total Remuneration<br>including Pension<br>Contribution |
|---|------|-----------------------------------|------------------|------------------------------------|---|----------------------|---|
| Post Title  |      | £'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                          |      | 69                                |                  |                                    | 69  | 16                   | 85  |
| Interim Head of Operational Services                  |      | 66                                |                  |                                    | 66  | 8                    | 74  |
| 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 Adult Services & Commissioning costs are charged to consultancy.

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

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

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:

| 2012/13<br>No | Remuneration Band | 2013/14<br>No |
|---------------|-------------------|---------------|
| 14            | £60,000 - £64,999 | 16            |
| 5             | £65,000 - £69,999 | 8             |
| 2             | £70,000 - £74,999 | 3             |
| 0             | £75,000 - £79,999 | 0             |
| 1             | £80,000 - £84,999 | 1             |
| 2             | £85,000 - £89,999 | 1             |
|               | £90,000 - £94,999 | 1             |

Note 43 details termination benefits

### 37. AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

| 2012/13<br>£'000 |                   | 2013/14<br>£'000 |
|------------------|-------------------|------------------|
| 170              | Accounts          | 202              |
| 148              | Performance audit | 100              |
| 102              | Grant claims      | 105              |
| 14               | Other             | 49               |
| 434              |                   | 456              |

The Auditor General for Wales in his report on Local Government Audit and Inspection Fee Scales for 2014-15 announced that in response to the Public Audit (Wales) Act 2013, the Wales Audit Office has decided to redistribute reserves held at 31 March 2014 to Local Government bodies. Notification was received in August 2014 that a refund of £63k would be received in August 2014-15. No adjustment has been made to the disclosed fees in respect of this fund.

### 38. TAXATION AND NON SPECIFIC GRANT INCOME

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

| 2012/13<br>£'000 | Credited to Taxation and Non Specific Grant<br>Income | 2013/14<br>£'000 |
|------------------|---|------------------|
| 69,856           | Council Tax   | 72,055           |
| 141,772          | Revenue Support Grant                                 | 149,658          |
| 36,210           | Non Domestic Rates Redistribution                     | 41,732           |
| 0                | Other Non Specific Grants                             | 0                |
| 247,838          |   | 263,445          |

NNDR is organised on a national basis. The Welsh Government (WG) specifies an amount for the rate 46.4p in 2013/14 and 45.2p in 2012/13) 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:

| 2012/13<br>£'000 | Grants   | 2013/14<br>£'000 |
|------------------|--|------------------|
| 819              | Benefit Administration Grant                     | 775              |
| 25               | Council Tax Benefit Take Up                      | 0                |
| 175              | Central Government Other                         | 177              |
| 1,286            | Contribution From TEC                            | 1,318            |
| 8,196            | Council Tax Benefit Grant                        | 0                |
| 0                | Dry Recycling                                    | 3,239            |
| 1,129            | European Agricultural Fund for Rural Development | 2,336            |
| 696              | Education Support Grants                         | 521              |
| 1,009            | Flying Start                                     | 1,459            |
| 1,035            | Concessionary Travel                             | 1,036            |
| 11,201           | HRA Subsidy                                      | 11,838           |
| 74               | Lottery Grant                                    | 25               |
| 2,421            | Mental Handicap Strategy                         | 0                |
| 322              | NNDR Collection Grant                            | 325              |
| 1,396            | Other Grants                                     | 1,396            |
| 1,398            | PIG Policy Agreements                            | 1,423            |
| 3,812            | Primary Schools – Unallocable                    | 3,920            |
| 4,048            | Recycling-Welsh Assembly Directive               | 155              |
| 15,917           | Rent Allowance Grant                             | 15,321           |
| 7,362            | Secondary Schools Unallocable                    | 6,470            |
| 2,083            | SEG – School Effectiveness Grant                 | 1,308            |
| 349              | Social Services Training Supplement              | 0                |
| 572              | Sports Council                                   | 498              |
| 5,654            | Supporting People                                | 6,038            |
| 4,771            | Trunk Road Improvements                          | 846              |
| 71               | Trunk Road Maintenance                           | 80               |
| 500              | Welsh Development Agency Grants                  | 544              |
| 10,339           | Welsh Government Other                           | 10,147           |
| <b>86,660</b>    |  | <b>71,195</b>    |

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:

| 2012/13<br>£'000 | Capital grants received in advance            | 2013/14<br>£'000 |
|------------------|---|------------------|
| 3,583            | Balance at 01 April                           | 2,253            |
| 527              | Grants Received                               | 122              |
| -1,227           | Grants not received at 31 <sup>st</sup> March | -2,085           |
| -316             | Transfer to Capital Grants Unapplied          | -159             |
| -314             | To Income & Expenditure Account               | 0                |
| <b>2,253</b>     |   | <b>131</b>       |

### 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 2013/14 was 59,087. (59,062 in 2012/13).

The basic charge of £962.11 (£936.36 in 2012/13), for a band D property in 2013/14 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 | 3   | 2,845 | 5,778 | 9,534 | 8,664 | 12,771 | 11,866 | 6,132 | 1,095 | 400  |

| 2012/13<br>£'000 |                               | 2013/14<br>£'000 |
|------------------|-------------------------------|------------------|
| 69,910           | Council tax income            | 72,243           |
| -54              | Miscellaneous write offs      | -188             |
| 69,856           | Net Proceeds From Council Tax | 72,055           |

### 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 2014 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     | 45    |
| RWAS – Enterprises       | Cllr R Harris      | 8     |
| G & T Evans              | Cllr D Jones       | 2     |
| Wynnstay & Clwyd Farmers | Cllr Mrs E M Jones | 6     |
| Impact Schools           | Cllr D Mayor       | 1     |
| Dilwyns Solicitors       | Cllr T J Van Rees  | 2     |
| Banwy Fuels              | Cllr W.B Thomas    | 76    |
| School Transport         | Cllr G P Vaughan   | 14    |

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 2013/14.

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

The Authority has three 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 or from PTHB/Ceredigion | Unpaid at 31 March 2014 |
|---------------------------------------|--|------------|-----------------------------------|-------------------------|
|                                       |  |            | £'000                             | £'000                   |
| Senior Director – Care and Well Being | Joint Post – Social Services           | Ceredigion | 22                                | 0                       |
| Senior Partnership Manager            | Joint Working – Health/Social Services | Powys tHB  | 41                                | 19                      |
| Joint Passenger Transport Manager     | Bus Transport Management               | Ceredigion | 14                                | 14                      |

| Position                   | Purpose              | Authority  | Billed to or from PTHB/Ceredigion | Unpaid at 31 March 2014 |
|----------------------------|----------------------|------------|-----------------------------------|-------------------------|
| Streetworks Manager        | Joint Working – CWIC | Ceredigion | 23                                | 23                      |
| Streetworks Senior Officer | Joint Working - CWIC | Ceredigion | 12                                | 12                      |

## **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:

| 2012/13 Income | 2012/13 Expenditure |                 | 2013/14 Income | 2013/14 Expenditure |
|----------------|---------------------|-----------------|----------------|---------------------|
| £'000          | £'000               |                 | £'000          | £'000               |
| 101            | 101                 | Revenue         | 99             | 99                  |
| 748            | 748                 | Capital         | 579            | 579                 |
| 0              | 0                   | Capital – other | 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 2013/14 the Council was paid £766k for these services (£662k for 2012/2013). 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 £1,351k (£1,506k in 2012/13) and the total outstanding commitment on operating leases at the 31<sup>st</sup> March 2014 was £1,535k (£2,964k at 31<sup>st</sup> March 2013).

|   | £'000 |
|---|-------|
| Leases expiring in 2014-2015                | 316   |
| Leases expiring between 2015/16 and 2019/20 | 1,219 |



Finance Leases

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

| 2012/13<br>£'000 |                               | 2013/14<br>£'000 |
|------------------|-------------------------------|------------------|
| 3                | Property, Plant And Equipment | 1                |

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:

| 2012/13<br>£'000 |                                       | 2013/14<br>£'000 |
|------------------|---------------------------------------|------------------|
|                  | Finance lease liabilities             |                  |
| 1                | - current                             | 0                |
| 0                | - non current                         | 0                |
| 0                | Finance costs payable in future years | 0                |
| 1                | Minimum lease payments                | 0                |

|   | Minimum Lease Payments |                  | Finance Lease Liabilities |                  |
|---|------------------------|------------------|---------------------------|------------------|
|   | 31 March<br>2013       | 31 March<br>2014 | 31 March<br>2013          | 31 March<br>2014 |
|   | £'000                  | £'000            | £'000                     | £'000            |
| Not later than one year                           | 1                      | 0                | 1                         | 0                |
| Later than one year and not later than five years | 0                      | 0                | 0                         | 0                |
| Later than five years                             | 0                      | 0                | 0                         | 0                |
|   | 1                      | 0                | 1                         | 0                |

**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 2013 | 31 March 2014 |
|   | £'000         | £'000         |
| Not later than one year                           | 815           | 706           |
| Later than one year and not later than five years | 2,199         | 2,069         |
| Later than five years                             | 3,069         | 2,734         |
|   | 6,083         | 5,509         |

## 42. OBLIGATIONS UNDER LONG TERM CONTRACTS

A contract with BUPA to purchase a minimum number of beds amounting to £10.5m expired in 2014 this has been extended to 2016 for an additional £6.9m. There were no other significant long term obligations.

## 43. TERMINATION BENEFITS

The Authority had the following Termination Costs:

| 2012/13<br>£'000 | Range               | 2013/14<br>£'000 |
|------------------|---------------------|------------------|
| 547              | £0 - £20,000        | 2,690            |
| 297              | £20,001 - £40,000   | 2,058            |
| 173              | £40,001 - £60,000   | 835              |
| 0                | £60,001 - £80,000   | 405              |
| 0                | £80,001 - £100,000  | 258              |
| 0                | £100,001 - £160,000 | 801              |
| 0                | £160,001 - £210,000 | 202              |
| 1,017            |                     | 7,249            |

| 2012/13<br>£'000 |                | 2013/14<br>£'000 |
|------------------|----------------|------------------|
| 715              | Redundancy     | 5,173            |
| 265              | Pension Strain | 2,038            |
| 37               | Loss of Office | 38               |
| 1,017            |                | 7,249            |

## 44. DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that the employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme administered by Powys County Council. This is a funded defined benefit final salary scheme,

meaning that the Authority and employees pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets.

### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported 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 post-employment /retirement benefits is reversed out of the General Fund (and Housing Revenue Account) via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves during the year.

| <b>2012/13<br/>Funded</b> | <b>2012/13<br/>Total</b> | Comprehensive Income And<br>Expenditure<br>Statement   | <b>2013/14<br/>Funded</b> | <b>2013/14<br/>Total</b> |
|---------------------------|--------------------------|--|---------------------------|--------------------------|
| <b>£m</b>                 | <b>£m</b>                |  | <b>£m</b>                 | <b>£m</b>                |
|                           |                          | Cost of services   |                           |                          |
| 14.54                     | 14.54                    | Current service cost   | 16.87                     | 16.87                    |
| 0.27                      | 0.27                     | Past service costs   | 2.08                      | 2.08                     |
|                           |                          |  |                           |                          |
|                           |                          | <u>Financing And Investment<br/>Income And Expenditure</u>   |                           |                          |
| 10.15                     | 10.15                    | Interest on net defined benefit  | 10.19                     | 10.19                    |
|                           |                          |  |                           |                          |
| 29.14                     | 29.14                    | Pension expense charged to<br>the surplus/ deficit<br>on the provision of services                   | 24.96                     | 24.96                    |
|                           |                          | Other post employment benefit<br>charged to the Comprehensive<br>Income And Expenditure<br>Statement |                           |                          |
| -32.33                    | -32.33                   | Return on plan assets (in<br>excess of)/ that recognised in<br>net interest                          | 4.25                      | 4.25                     |
| 39.20                     | 39.20                    | Actuarial gains (-)/losses due to<br>change in financial assumptions                                 | -34.10                    | -34.10                   |
| 0                         | 0                        | Actuarial gains (-)/losses due to<br>changes in demographic<br>assumptions                           | 3.53                      | 3.53                     |
| -0.75                     | -0.75                    | Actuarial gains(-)/losses due to<br>liability experience   | -13.93                    | -13.93                   |
|                           |                          |  |                           |                          |
| 31.08                     | 31.08                    | Total post employment benefit<br>charged to the Comprehensive<br>Income And Expenditure<br>Statement | -11.11                    | -11.11                   |
|                           |                          | <u>Movement In Reserves<br/>Statement</u>  |                           |                          |

|        |        |   |        |        |
|--------|--------|---|--------|--------|
| -24.96 | -24.96 | Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code | -29.14 | -29.14 |
|        |        |   |        |        |
|        |        | Actual amount charged against the Council Fund balance during the year:   |        |        |
| -16.21 | -16.21 | Employers contributions payable to scheme   | -18.92 | -18.92 |

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31st March 2014 is a loss of £40.25m.

### Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefits plans is as follows.

|   | 2013    | 2014    |
|---|---------|---------|
|   | £m      | £m      |
| Fair value of assets                                | 388.16  | 403.65  |
| Present value of funded defined benefit obligation  | 629.11  | 614.57  |
| Funded Status                                       | -240.95 | -210.92 |
| Impact of minimum funding requirement/asset ceiling | 0       | 0       |
| Asset/Liability (-) recognised on the balance sheet | -240.95 | -210.92 |

### **Reconciliation of the Movements in the Fair Value of Scheme Assets**

| 2012/13 | Pension Scheme Assets                   | 2013/14 |
|---------|---|---------|
| £m      |   | £m      |
| 338.36  | Brought forward 01 April                | 388.16  |
| 15.94   | Interest Income on Assets               | 17.15   |
| 32.33   | Remeasurement gains/losses(-) on assets | -4.25   |
| 16.21   | Contributions by the employer           | 18.92   |
| 4.44    | Contributions by participants           | 4.57    |
| -19.12  | Net benefits paid out                   | -20.90  |
| 388.16  | Carried Forward 31 March                | 403.65  |

| 2012/13 | Actual Return on Assets                  | 2013/14 |
|---------|--|---------|
| £m      |  | £m      |
| 15.94   | Interest Income on Assets                | 17.15   |
| 32.33   | Remeasurement gains/losses (-) on assets | -4.25   |
| 48.27   | Actual Return On Assets                  | 12.90   |

## Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

| 2013<br>Funded<br>£m | Pension Scheme Liabilities   | 2014<br>Funded<br>£m |
|----------------------|--|----------------------|
| 564.44               | Brought forward 01 April   | 629.11               |
| 14.54                | Current service cost   | 16.87                |
| 26.09                | Interest cost  | 27.34                |
| 4.44                 | Contributions by participants                                      | 4.57                 |
| 39.20                | Actuarial gains(-)/losses on liabilities – financial assumptions   | -34.10               |
| 0                    | Actuarial gains(-)/losses on liabilities – demographic assumptions | 3.53                 |
| -0.75                | Actuarial gains(-)/losses on liabilities - experience              | -13.93               |
| -19.12               | Net benefits paid out  | -20.90               |
| 0.27                 | Past service cost  | 2.08                 |
| 629.11               | Carried Forward 31 March   | 614.57               |

## Local Government Pension Scheme Assets Comprised

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:

|                    | % Of<br>Assets<br>(Quoted)<br>31.03.13 | % Of Assets<br>(Quoted)<br>31.03.14 | % Of Assets<br>(Unquoted)<br>31.03.14 | % Of<br>Assets<br>31.03.14 |
|--------------------|--|-------------------------------------|---------------------------------------|----------------------------|
| Equity Investments | 56.6                                   | 48.9                                | 3.4                                   | 52.3                       |
| Property           | 6.2                                    | 6.1                                 | 0                                     | 6.1                        |
| Government Bonds   | 16.2                                   | 16.1                                | 0                                     | 16.1                       |
| Corporate Bonds    | 10.5                                   | 13.0                                | 0                                     | 13.0                       |
| Cash               | 2.4                                    | 2.5                                 | 0                                     | 2.5                        |
| Other              | 8.1                                    | 10                                  | 0                                     | 10                         |
|                    | 100                                    | 96.6                                | 3.4                                   | 100                        |

Other holdings include hedge funds, currency holdings, asset allocation futures and other financial instruments. The actuary assumed these will get a return in line with equities.

## 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 2013 and updated for following years by AON Hewitt 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:

|   | 2013<br>% | 2014<br>% |
|---|-----------|-----------|
| Inflation – RPI                         | 3.6       | 3.4       |
| Rate of general increase in salaries    | 4.6       | 3.9       |
| Rate of increase to pensions in payment | 2.7       | 2.4       |
| Rate of increase to deferred pensions   | 2.7       | 2.4       |
| Discount rate                           | 4.4       | 4.3       |

The Principal Demographic Assumptions are:

| Post Retirement Mortality                       | 31.03.13                                      | 31.03.14                                      |
|---|---|---|
| <b>Males</b>                                    |   |   |
| Base table (in 2007)                            | Standard SAPS<br>Normal Health All<br>Amounts | Standard SAPS<br>Normal Health<br>All Amounts |
| Scaling to above base table rates               | 110%  | 100%  |
| Cohort improvement factors (from 2007)          | CMI_2009                                      | CMI_2012                                      |
| Minimum underpin to improvement factors         | 1.25%   | 1.5%  |
| Future lifetime from age 65 (currently aged 65) | 21.7  | 22.9  |
| Future lifetime from age 65 (currently aged 45) | 23.5  | 25.1  |
| <b>Females</b>                                  |   |   |
| Base table (in 2007)                            | Standard SAPS<br>Normal Health All<br>Amounts | Standard SAPS<br>Normal Health<br>All Amounts |
| Scaling to above base table rates               | 110%  | 100%  |
| Cohort improvement factors (from 2007)          | CMI_2009                                      | CMI_2012                                      |
| Minimum underpin to improvement factors         | 1.25%   | 1.5%  |
| Future lifetime from age 65 (currently aged 65) | 23.9  | 25.4  |
| Future lifetime from age 65 (currently aged 45) | 25.8  | 27.7  |

|             | 31 March 2013  | 31 March 2014   |
|-------------|--|---|
| Commutation | Each member assumed to exchange 35% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum.<br>Each member assumed to exchange 70% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum. | Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum. |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the

assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

#### Funded LGPS Benefits

| <b>Discount Rate Assumption</b>                |                   |                   |
|--|-------------------|-------------------|
| Experience gains / (losses) on liabilities     | <b>+0.1% p.a.</b> | <b>-0.1% p.a.</b> |
| Present value of total obligations (£M's)      | 603.80            | 625.55            |
| % change in present value of total obligation  | -1.8%             | 1.8%              |
| Projected service cost (£M's)                  | 15.02             | 15.92             |
| Approximate % change in projected service cost | -2.9%             | 2.9%              |

| <b>Rate of general increase in salaries</b>    |                   |                   |
|--|-------------------|-------------------|
| Adjustment to salary increase rate             | <b>+0.1% p.a.</b> | <b>-0.1% p.a.</b> |
| Present value to total obligation (£M's)       | 617.06            | 612.11            |
| % change in present value of total obligation  | 0.4%              | -0.4%             |
| Projected service cost (£M's)                  | 15.47             | 15.47             |
| Approximate % change in projected service cost | 0.0%              | 0.0%              |

| <b>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption</b> |                   |                   |
|---|-------------------|-------------------|
| Adjustment to pension increase rate   | <b>+0.1% p.a.</b> | <b>-0.1% p.a.</b> |
| Present value of total obligation (£M's)  | 622.97            | 606.37            |
| % change in present value of total obligation   | 1.4%              | -1.3%             |
| Projected service cost (£M's)   | 15.93             | 15.01             |
| Approximate % change in projected service cost  | 3.0%              | -3.0%             |

| <b>Post Retirement Mortality Assumption</b>     |                |                |
|---|----------------|----------------|
| Adjustment to mortality age rating assumptions* | <b>-1 year</b> | <b>+1 year</b> |
| Present value of total obligation (£M's)        | 629.27         | 599.81         |
| % change in present value of total obligation   | 2.4%           | -2.4%          |
| Projected service cost (£M's)                   | 15.93          | 15.00          |
| Approximate % change in projected service cost  | 3.0%           | -3.0%          |

\*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for and individual that is 1 year older than them.

#### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a

common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The Council anticipates paying £17.29m regular contributions to the scheme in 2014/15.

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

|                     |     |
|---------------------|-----|
| Active members      | 40% |
| Deferred Pensioners | 13% |
| Pensioners          | 47% |

The weighted average duration of the defined benefit obligation for scheme members is 18.3 years in 2013/14 (17.2 years 2012/13).

#### **45. TEACHER PENSION COSTS**

In 2013/14 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, (£6.3m, 14.1% in 2012/13). 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 2013/14 payments made in relation to added years amounted to £1.4m, representing 3.18% of pensionable pay, (£1.4m, 3.13% in 2012/13).

#### **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 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) was settled in 2013-14.



There is potential that decisions made by our planning committee with regard to planning permission for Wind Farm development will go to appeal.

#### **47. CONTINGENT ASSETS**

No such assets were known to exist at 31 March 2014.

#### **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<br>March 2014<br>£000's | Actual Provision<br>For Bad Debts<br>Made<br>£000's | Bad Debt<br>Written Off<br>In Year<br>£000's | Other<br>Impairments<br>In Year<br>£000's |
|---|--------------------------------------|---|--|---|
| Deposits With Banks And<br>Financial Institutions | 6,108                                | 0   | 0  | 0   |
| <b>Customers</b>                                  |                                      |   |  |   |
| Council Tax                                       | 3,270                                | -668  | 188  | 0   |
| Housing Rents                                     | 915                                  | -743  | 5  | 0   |
| Sundry Debtors                                    | 29,730                               | -2,238  | 25   | 0   |
|   | <b>33,915</b>                        | <b>-3,649</b>                                       | <b>218</b>                                   | <b>0</b>                                  |

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<br>Months<br>£000's | 6 to 9<br>Months<br>£000's | Over 9<br>Months<br>£000's | Total<br>£000's |
|------------------------|----------------------------|----------------------------|----------------------------|-----------------|
| Debtors Ledger Control | 620                        | 159                        | 1,428                      | 2,207           |

|             | 1 –2 Years<br>£'000 | 2- 5<br>Years<br>£'000 | Over 5 Years<br>£'000 | Total<br>£'000 |
|-------------|---------------------|------------------------|-----------------------|----------------|
| Council Tax | 2,098               | 530                    | 163                   | 2,791          |

The carrying value of deposits and loans in default is:

| 2013<br>£'000 |                    | 2014<br>£'000 |
|---------------|--------------------|---------------|
| 0             | Glitnir Bank HF    | 0             |
| 844           | Landsbanki Islands | 0             |

There were no defaults during 2013/14 or 2012/13.

## 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:

| 2013    |                    | 2014    |
|---------|--------------------|---------|
| £'000   |                    | £'000   |
| 14      | Within a year      | 15      |
| 15      | Between 1-2 years  | 16      |
| 53      | Between 2-5 years  | 58      |
| 11,648  | Between 5-10 years | 19,659  |
| 134,088 | Over 10 years      | 86,056  |
| 145,818 | <b>Total</b>       | 105,804 |

## 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 2013/14 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 | -708   |
| Increase In Surplus Of Income And Expenditure Account        | -358   |
| 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):

#### Foreign Exchange Risk in relation to Icelandic deposits

The Authority had foreign exchange exposure in respect of the foreign currency bank accounts it held for receipt of Icelandic monies. These accounts were as follows:-

- Euros
- US Dollars
- Canadian Dollars
- Norwegian Krone

Monies received in these accounts was 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. 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<br>£'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

Up to September 2013, distributions in respect of Landsbanki amounting to circa 53% had been received. A decision was made by the Council's Cabinet in October 2013 to take part in a competitive auction process in respect of its Landsbanki claims. This decision was made on the basis that the administration of the insolvent estate of Landsbanki is likely to continue for several years which creates a level of uncertainty around the timing of future recoveries. Future distributions could be made in a number of currencies including Icelandic Krona, which is less advantageous. The decision to sell was made alongside a number of other priority creditors including other local authorities.

The successful sale of the claims took place on 30<sup>th</sup> January 2014. Each creditor who participated in the sale achieved the same auction price. The price at which the claims were sold was based on a reserve price set by the Council on the basis of legal advice received, financial advice procured from the Local Government Association and the Council's own analysis of the financial position.

##### **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 4.2% as at 31/03/14. 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.

## 50. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

Gross income and gross expenditure in the income and expenditure accounts included amounts relating to internally provided services and as such were overstated. These charges have been identified and removed and the accounts restated.

| COMPREHENSIVE<br>INCOME AND<br>EXPENDITURE<br>STATEMENT | 2012/13              |                 |                                    |                               |                                  |                             |
|---|----------------------|-----------------|------------------------------------|-------------------------------|----------------------------------|-----------------------------|
|   | Gross<br>Expenditure | Gross<br>Income | Gross<br>Expenditure<br>Adjustment | Gross<br>Income<br>Adjustment | Restated<br>Gross<br>Expenditure | Restated<br>Gross<br>Income |
|   | £'000                | £'000           | £'000                              | £'000                         | £'000                            | £'000                       |
| Central Services To The Public                          | 12,720               | -9,940          | 46                                 | -46                           | 12,766                           | -9,986                      |
| Cultural, Environmental And<br>Planning                 | 55,497               | -19,419         | -392                               | 392                           | 55,105                           | -19,027                     |
| Education And Children's<br>Services                    | 156,373              | -37,220         | -492                               | 492                           | 155,881                          | -36,728                     |
| Highways Roads And<br>Transport                         | 42,212               | -23,753         | -10,095                            | 10,095                        | 32,117                           | -13,658                     |
| Housing Services:                                       |                      |                 |                                    |                               |                                  |                             |
| - General   | 32,887               | -31,213         | -186                               | 186                           | 32,701                           | -31,027                     |
| - Housing Revenue Account                               | 20,398               | -20,597         | 0                                  | 0                             | 20,398                           | -20,597                     |
| Adult Social Services                                   | 74,886               | -26,151         | -52                                | 52                            | 74,834                           | -26,099                     |
| Corporate And Democratic<br>Core                        | 11,876               | -5,014          | -216                               | 216                           | 11,660                           | -4,798                      |
| Non Distributed Costs                                   | 2,859                | -2,043          | -795                               | 795                           | 2,064                            | -1,248                      |
| <b>Cost Of Services</b>                                 | <b>409,708</b>       | <b>-175,350</b> | <b>-12,182</b>                     | <b>12,182</b>                 | <b>397,526</b>                   | <b>-163,168</b>             |

### IAS19 - Employee Benefits - Change to Accounting Standard

There have been several changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. The principle changes are as follows:

- The expected return on assets is calculated at the discount rate, instead of as previously an expected return on actual assets held in the Fund.
- The interest on the service cost is included in the service cost itself.

- Administrative expenses continue to be charged through the Profit and Loss account.

The impact of these changes on the Council's 2012/13 published core statements is shown in the following tables. Where any disclosures have been restated the 2012/13 column on the disclosure table is headed 'Restated'. The restatement altered gross and net expenditure. Only net expenditure is shown in the table below.

| <b>COMPREHENSIVE INCOME<br/>AND EXPENDITURE<br/>STATEMENT</b>  | <b>2012/13</b>             |   |   |
|--|----------------------------|---|---|
|  | <b>Net<br/>Expenditure</b> | <b>IAS19<br/>Pensions<br/>Restatement</b> | <b>Restated<br/>Net<br/>Expenditure</b> |
|  | <b>£'000</b>               | <b>£'000</b>                              | <b>£'000</b>                            |
| Central Services To The Public   | 2,780                      | 7   | 2,787                                   |
| Cultural, Environmental And Planning   | 36,078                     | 161                                       | 36,239                                  |
| Education And Children's<br>Services   | 119,153                    | 258                                       | 119,411                                 |
| Highways Roads And Transport   | 18,459                     | 69  | 18,528                                  |
| Housing Services:  |                            |   |   |
| - General  | 1,674                      | 12  | 1,686                                   |
| - Housing Revenue Account  | -199                       | 21  | -178                                    |
| Adult Social Services  | 48,735                     | 122                                       | 48,857                                  |
| Corporate And Democratic Core  | 6,862                      | 42  | 6,904                                   |
| Non Distributed Costs  | 816                        | 0   | 816                                     |
| <b>Cost Of Services</b>  | <b>234,358</b>             | <b>693</b>                                | <b>235,051</b>                          |
| Other Operating Expenditure (Note 9)   | 18,573                     | 0   | 18,573                                  |
| Financing and Investment Income and<br>Expenditure (Note 10)   | 11,119                     | 5,377                                     | 16,496                                  |
| Taxation and Non Specific Grant Income<br>Operations Not Included in Net Cost Of<br>Services (Note 11) | -257,636                   | 0   | -257,636                                |
| <b>(Surplus)/Deficit On Provision Of Services</b>  | <b>6,414</b>               | <b>6,070</b>                              | <b>12,484</b>                           |
| Surplus(-)/Deficit on Revaluation of Property,<br>Plant And Equipment Assets (Note 26)                 | -9,539                     | 0   | -9,539                                  |
| Surplus(-)/Deficit on Revaluation of Available<br>For Sale Financial Assets                            | -131                       | 0   | -131                                    |
| Remeasurements of the net defined benefit<br>liability/ asset(-) (Note 26)                             | 12,190                     | -6,070                                    | 6,120                                   |
| <b>Other Comprehensive Income And<br/>Expenditure</b>  | <b>2,520</b>               | <b>-6,070</b>                             | <b>-3,550</b>                           |
| <b>Total Comprehensive Income And<br/>Expenditure</b>  | <b>8,934</b>               | <b>0</b>                                  | <b>8,934</b>                            |

**MOVEMENT IN RESERVES STATEMENT- Restatements adjustments  
relating to IAS19**

|  | 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                    |
| <b>Balance at 31 March 2012</b>  | 8,343        | 36,829                      | 4,423 | 12,737           | 6,615                    | 68,947                | 112,381                     | 181,328                  |
| <b>Movement In Reserves During 2012/13</b>                                       |              |                             |       |                  |                          |                       |                             |                          |
| Surplus Or (Deficit) On Provision of Services                                    | -6,049       | 0                           | -21   | 0                | 0                        | -6,070                | 0                           | -6,070                   |
| Other Comprehensive Expenditure And Income                                       | 0            | 0                           | 0     | 0                | 0                        | 0                     | 6,070                       | 6,070                    |
| Total Comprehensive Expenditure and Income                                       | -6,049       | 0                           | -21   | 0                | 0                        | -6,070                | 6,070                       | 0                        |
| Adjustment Between Accounting Basis And Funding Basis Under Regulations (Note 7) | 6,049        | 0                           | 21    | 0                | 0                        | 6,070                 | -6,070                      | 0                        |
| Net Increase/Decrease Before Transfers To Earmarked Reserves                     | 0            | 0                           | 0     | 0                | 0                        | 0                     | 0                           | 0                        |
| Transfer To / From Earmarked Reserves  | 5,693        | -8,983                      | 3,287 | 0                | 3                        | 0                     | 0                           | 0                        |
| Increase / Decrease (Movement) In Year   | 0            | 0                           | 0     | 0                | 0                        | 0                     | 0                           | 0                        |
| <b>Balance At 31 March 2013 Carried Forward</b>                                  | 0            | 0                           | 0     | 0                | 0                        | 0                     | 0                           | 0                        |



## Housing Revenue Account – Prior Year Adjustment

### Income and Expenditure Account

|  | 2012/13<br>£'000 | IAS19<br>pension<br>restatement<br>£'000 | Reclassification<br>adjustments | Restated<br>2012/13<br>£'000 |
|--|------------------|--|---------------------------------|------------------------------|
| <b>Expenditure</b>   |                  |  |                                 |                              |
| Supervision And<br>Management  | 3,820            | 21                                       | -872                            | 2,689                        |
| Repair And Maintenance   | 5,818            |  | 872                             | 6,690                        |
| Subsidy Payable  | 5,738            |  |                                 | 5,738                        |
| Rent And Rates   | 88               |  |                                 | 88                           |
| Movement In Allowance For<br>Bad And Doubtful Debts  | 62               |  |                                 | 62                           |
| Voids  | 344              |  | -344                            | 0                            |
| Depreciation, Impairment<br>and Revaluation Of Non<br>Current Assets   | 4,475            |  |                                 | 4,475                        |
| Debt Management<br>Expenses  | 54               |  |                                 | 54                           |
| <b>TOTAL SERVICE<br/>EXPENDITURE</b>   | 20,399           | 21                                       | -344                            | 20,076                       |
| <b>Income</b>  |                  |  |                                 |                              |
| Dwelling Rents   | -19,779          |  | 344                             | -19,435                      |
| Non Dwelling Rents   | -507             |  |                                 | -507                         |
| Other Charges For Services<br>And Facilities   | -289             |  |                                 | -289                         |
| Contributions Towards<br>Expenditure   | -22              |  |                                 | -22                          |
| Housing Grant  | 0                |  |                                 | 0                            |
| <b>TOTAL SERVICE<br/>INCOME</b>  | -20,597          |  | 344                             | -20,253                      |
| <b>Net Cost Of Services as<br/>Included in the<br/>Comprehensive Income<br/>and Expenditure Account</b>  | -198             | 21                                       |                                 | -177                         |
| HRA Services Share Of<br>Corporate And Democratic<br>Core  | 114              | 0  |                                 | 114                          |
| <b>Net Cost Of HRA Services<br/>HRA Share Of The<br/>Operating Income And<br/>Expenditure Included In<br/>The Comprehensive<br/>Income And Expenditure<br/>Statement</b> | -84              | 21                                       |                                 | -63                          |
| Gain(-) On Sale Of HRA Non<br>Current Assets   | -363             |  |                                 | -363                         |
| Interest Payable And Similar<br>Charges  | 631              |  |                                 | 631                          |
| Amortisation Of Premiums<br>And Discounts  | 135              |  |                                 | 135                          |

|  |               |            |  |               |
|--|---------------|------------|--|---------------|
| Net Interest on the net defined benefit/(liability)    | 116           | 119        |  | 235           |
| HRA Investment Income                                  | -22           |            |  | -22           |
| Capital Grants and Contributions applied               | -3,700        |            |  | -3700         |
| <b>SURPLUS(-)/DEFICIT FOR THE YEAR ON HRA SERVICES</b> | <b>-3,287</b> | <b>140</b> |  | <b>-3,147</b> |

### Housing Revenue Account – Prior Year Adjustment

#### Movement on Housing Revenue Account Statement

|  | HRA           | IAS19 Pension Restatement | Restated HRA  |
|--|---------------|---------------------------|---------------|
| 2012/13  | £'000         | £'000                     | £'000         |
| Balance At 01 April  | -4,423        |                           | -4,423        |
| Surplus(-)/Deficit For The Year On The HRA                                   | -3,287        | 140                       | -3,147        |
| Adjustments Between Accounting Basis And Funding Basis Under Statute         | -313          | -140                      | -453          |
| Decrease/Increase(-) In The HRA Balance Before Transfers To Or From Reserves | -3,600        |                           | -3,600        |
| Transfer To Reserves   | 0             |                           | 0             |
| Decrease/Increase(-) In The HRA Balance                                      | -3,600        |                           | -3,600        |
| <b>Balance At 31 March</b>   | <b>-8,023</b> |                           | <b>-8,023</b> |

## HOUSING REVENUE ACCOUNT

The HRA Income and Expenditure Statement 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.

### Income and Expenditure Account

| Restated<br>2012/13<br>£'000  |   | 2013/14<br>£'000 |
|---|---|------------------|
| <b>Expenditure</b>  |   |                  |
| 2,969   | Supervision And Management  | 2,960            |
| 6,689   | Repair And Maintenance  | 6,825            |
| 5,738   | Subsidy Payable   | 5,709            |
| 88  | Rent And Rates  | 34               |
| 62  | Movement In Allowance For Bad And Doubtful Debts  | 21               |
| 4,475   | Depreciation, Impairment and Revaluation Of Non Current Assets                              | 6,084            |
| 54  | Debt Management Expenses  | 3                |
| 20,076  | <b>TOTAL SERVICE EXPENDITURE</b>  | 21,635           |
| <b>Income</b>   |   |                  |
| -19,435   | Dwelling Rents  | -20,079          |
| -507  | Non Dwelling Rents  | -508             |
| -289  | Other Charges For Services And Facilities   | -179             |
| -22   | Contributions Towards Expenditure   | -22              |
| 0   | Housing Grant   | 0                |
| -20,253   | <b>TOTAL SERVICE INCOME</b>   | -20,786          |
| -177  | <b>Net Cost Of Services as Included in the Comprehensive Income and Expenditure Account</b> | 849              |
| 114   | HRA Services Share Of Corporate And Democratic Core   | 155              |
| -63   | <b>Net Cost Of HRA Services</b>   | 1,004            |
| <b>HRA Share Of The Operating Income And Expenditure Included In The Comprehensive Income And Expenditure Statement</b> |   |                  |
| -363  | Gain(-) On Sale Of HRA Non Current Assets   | -361             |
| 631   | Interest Payable And Similar Charges  | 568              |
| 135   | Amortisation Of Premiums And Discounts  | 695              |
| 235   | Net Interest on the net defined benefit/(liability)   | 228              |
| -22   | HRA Investment Income   | -37              |
| -3,700  | Capital Grants and Contributions applied  | -3,817           |
| -3,147  | <b>SURPLUS(-)/DEFICIT FOR THE YEAR ON HRA SERVICES</b>                                      | -1,720           |

**HOUSING REVENUE ACCOUNT****Movement on Housing Revenue Account Statement**

|  | <b>Note</b> | <b>HRA</b>    |
|--|-------------|---------------|
| <b>2012/13 Restated</b>  |             | <b>£'000</b>  |
| Balance At 01 April  |             | -4,423        |
| Surplus(-)/Deficit For The Year On The HRA                                   |             | -3,147        |
| Adjustments Between Accounting Basis And Funding Basis Under Statute         | 5           | -453          |
| Decrease/Increase(-) In The HRA Balance Before Transfers To Or From Reserves |             | -3,600        |
| Transfer To Reserves   |             | 0             |
| Decrease/Increase(-) In The HRA Balance                                      |             | -3,600        |
| <b>Balance At 31 March</b>   |             | <b>-8,023</b> |
| <b>2013/14</b>   |             |               |
| Surplus(-)/Deficit For The Year On The HRA                                   |             | -1,720        |
| Adjustments Between Accounting Basis And Funding Basis Under Statute         | 5           | 2,687         |
| Decrease/Increase(-) In The HRA Balance Before Transfers To Or From Reserves |             | 967           |
| Transfer To Reserves   |             | 0             |
| Decrease/Increase(-) In The HRA Balance                                      |             | 967           |
| <b>Balance At 31 March</b>   |             | <b>-7,056</b> |

## NOTES TO THE HOUSING REVENUE ACCOUNTS

### 1. Housing Stock

|                              | Number Of Bedrooms |            |              |              |            |          |          | 2013/14<br>Total |
|------------------------------|--------------------|------------|--------------|--------------|------------|----------|----------|------------------|
|                              | 2012/13<br>Total   | 1          | 2            | 3            | 4          | 5        | 6        |                  |
| Detached house/bungalow      | 50                 | 4          | 33           | 9            | 3          | 0        | 0        | 49               |
| Semi detached house/Bungalow | 2,158              | 271        | 810          | 1,030        | 38         | 3        | 0        | 2,152            |
| Terraced house               | 2,136              | 208        | 716          | 1,136        | 67         | 5        | 1        | 2,133            |
| Flats                        | 1,060              | 323        | 688          | 49           | 0          | 0        | 0        | 1,060            |
| Bedsits                      | 21                 | 21         | 0            | 0            | 0          | 0        | 0        | 21               |
|                              | <b>5,425</b>       | <b>827</b> | <b>2,247</b> | <b>2,224</b> | <b>108</b> | <b>8</b> | <b>1</b> | <b>5,415</b>     |

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

| 2013<br>£'000 |                        | 2014<br>£'000 |
|---------------|------------------------|---------------|
| 378           | Current tenant arrears | 230           |
| 570           | Former tenant arrears  | 685           |
| 948           | Total arrears          | 915           |
| 62            | Bad debts              | 21            |
| 693           | Provision for bad debt | 743           |

### 3. Housing Revenue Account Capital Expenditure

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

|                        | Total | Dwellings | Other Land and Buildings | Equipment | Non Operational |
|------------------------|-------|-----------|--------------------------|-----------|-----------------|
| Capital Expenditure    | £'000 | £'000     | £'000                    | £'000     | £'000           |
| Enhancing costs        | 9,131 | 9,023     | 0                        | 0         | 108             |
| Total expenditure      | 9,131 | 9,023     | 0                        | 0         | 108             |
| Impairment/Revaluation | 1,268 | 1,268     | 0                        | 0         | 0               |
| Depreciation           | 5,169 | 5,161     | 0                        | 8         | 0               |

The impairment charge of £1,268k relates to the revaluation of the dwellings. The capital expenditure was financed as follows:

|   | £'000        |
|---|--------------|
| Capital Grants and Contributions          | 3,817        |
| Usable capital receipts                   | 39           |
| Direct Revenue Contributions and Reserves | 5,275        |
| Prudential Borrowing                      | 0            |
|   | <b>9,131</b> |

#### 4. Housing Revenue Account Capital Receipts

The following amounts were received during 2013/14:

|                  | £'000      |
|------------------|------------|
| Disposal of land | 18         |
| Housing          | 785        |
| Other property   | 9          |
|                  | <b>812</b> |

#### 5. Adjustments between Accounting Basis and Funding Basis Under Statute

| 2012/13<br>£'000 |   | 2013/14<br>£'000 |
|------------------|---|------------------|
|                  | <b>Items included in the HRA Income and Expenditure Account but excluded from the HRA Balance for the year</b>                      |                  |
| -135             | Difference between interest payable and similar charges including amortisation of premiums and discounts in accordance with statute | -695             |
| -207             | Net charges made for retirement benefits in accordance with IAS19   | -274             |
| 363              | Gain(-) on sale of HRA non current assets   | 361              |
|                  | <b>Transfer to reserves</b>   |                  |
|                  | <u>Transfers to or from the Capital Adjustment Account</u>  |                  |
| -4,475           | Depreciation and impairment   | -6,084           |
| 287              | HRA Minimum Revenue Provision   | 312              |
| 3,700            | Capital Grants and Contributions Applied  | 3,817            |
| 69               | Capital Expenditure Funded by HRA   | 5,275            |
|                  | <u>Transfers from the Capital Receipts Reserve</u>  |                  |
| -53              | Admin costs on council house sales  | -33              |
|                  | <u>Transfer to Accumulated Balances Account</u>   |                  |
| -2               | Holiday accrual   | 8                |
|                  | To other committees/reserves  |                  |
| <b>-453</b>      | <b>Net additional amount required by statute to be debited to the HRA Balance for the year</b>                                      | <b>2,687</b>     |

#### 6. Housing Revenue Account Contributions to the Pension Reserves

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

| 2012/13<br>£'000 |   | 2013/14<br>£'000 |
|------------------|---|------------------|
| 376              | Employer contributions actually paid                | 423              |
| -6               | Past Service Costs                                  | -46              |
| -342             | Current cost of employees                           | -423             |
| -235             | Net Interest on the net defined benefit/(liability) | -228             |
| <b>-207</b>      | <b>Contribution to/from(-) reserve</b>              | <b>-274</b>      |

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# Pension Fund Accounts 2013/14



**CYNGOR SIR POWYS  
POWYS COUNTY COUNCIL**

County Hall  
Llandrindod Wells  
Powys  
LD1 5LG

## **Pension Fund Account**

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## 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 2013. The results of the valuation show an improvement in the funding level from 71% to 79%. The aim is to achieve 100% funding and the Committee, in conjunction with the Fund's advisors continue to explore methods of achieving this aim whilst minimising risk. The next valuation is due to be calculated as at 31 March 2016. The purpose of the valuation is to establish the contribution rates that employers should pay into the fund in order to finance member's future benefits. Employee rates are set in statute and are not affected by the valuation report. The full Valuation Report can be viewed on the Powys Pension Fund web site [www.powyspensionfund.org](http://www.powyspensionfund.org).

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.

The current pension scheme based on final salary drew to a close in March 2014, with the new scheme, LGPS (Local Government Pension Scheme) 2014, beginning on 1<sup>st</sup> April 2014. The main difference between the schemes being, benefits will be based on career average earnings rather than final salary. Benefits accrued up to March 2014 are protected. Details of the new scheme can be found on the LGPS 2014 web site.

Martin Weale was elected as the employer's representative on the Pensions Committee in September. We welcome his appointment to the Committee & look forward to his contribution to the governance of the Pension Fund.

The fund this year invested in two pooled fixed interest funds with Insight Investments. This was funded by the disinvestment from the segregated fixed interest investments with Western Asset.

Also, commitments to two new private equity funds with Harbourvest were entered into. Overall, the Fund returned 4.4% for the year ended 31<sup>st</sup> March 2014.

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

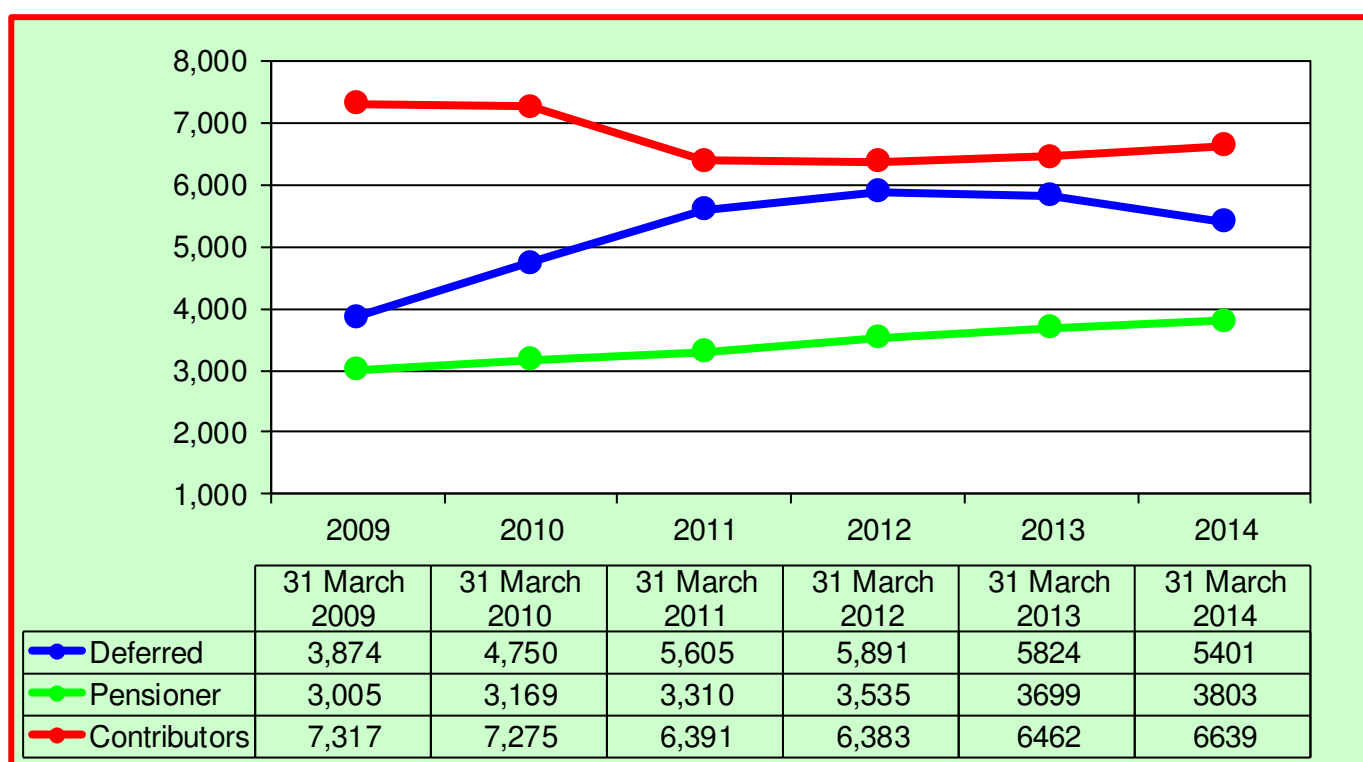
### Scheme Details

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 up to March 31<sup>st</sup> 2014 and career average earnings from 1<sup>st</sup> April 2014. 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 2013 all members have been allocated a contribution rate based on the following:

| Band | Range              | Contribution Rate |
|------|--------------------|-------------------|
| 1    | Up to £13,700      | 5.5%              |
| 2    | £13,701 to £16,100 | 5.8%              |
| 3    | £16,101 to £20,800 | 5.9%              |
| 4    | £20,801 to £34,700 | 6.5%              |
| 5    | £34,701 to £46,500 | 6.8%              |
| 6    | £46,501 to £87,100 | 7.2%              |
| 7    | More than £87,100  | 7.5%              |

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



## **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:

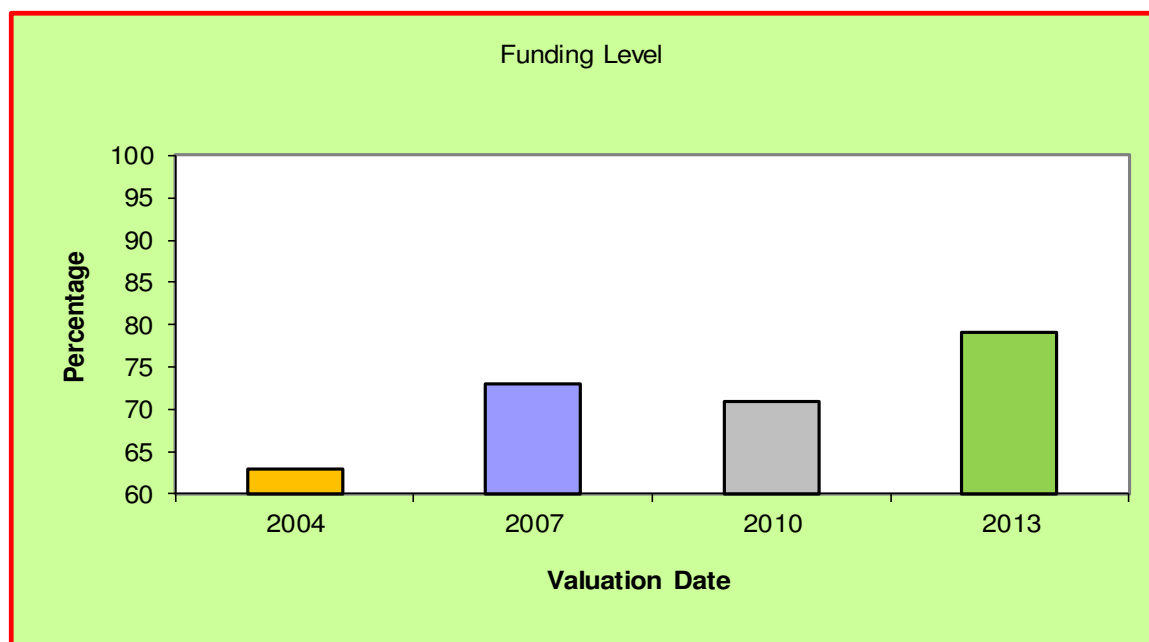
| Effective Date              | Increase % |
|-----------------------------|------------|
| 12 <sup>th</sup> April 2010 | 0.0        |
| 11 <sup>th</sup> April 2011 | 3.1        |
| 9 <sup>th</sup> April 2012  | 5.2        |
| 8 <sup>th</sup> April 2013  | 2.2        |
| 7 <sup>th</sup> April 2014  | 2.7        |

## **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 is managed. It also monitors 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 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 2016.

The actuarial valuation as at 31 March 2013 showed the assets held at the valuation date were sufficient to cover only 79% 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**

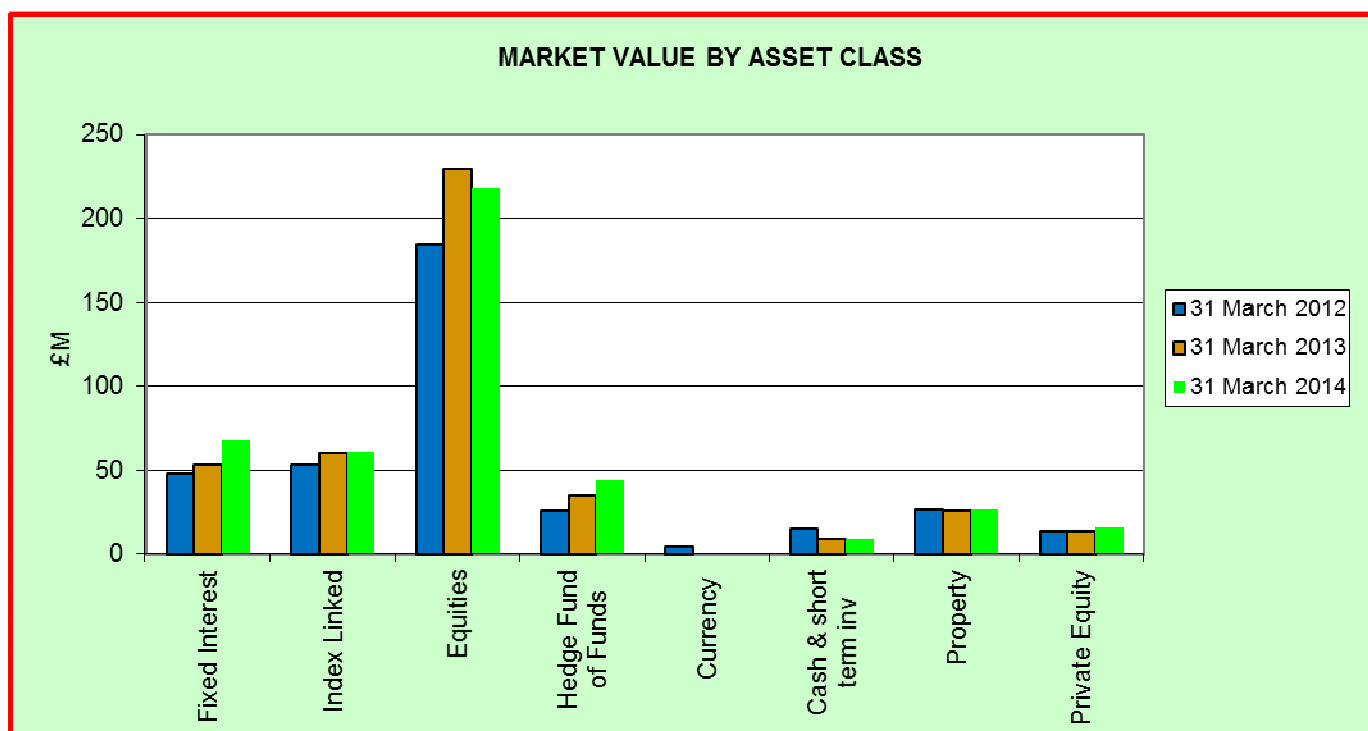
Since 06 April 1988, it has been a legal requirement for all Pension Schemes to provide members with access to an in-house AVC Scheme. The Authority's appointed providers are the Equitable Life Assurance Society, the Standard Life Assurance Company and Prudential plc. Members are able to pay contributions 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 | 4.4      | 8.1       | 10.7      |
| Inflation CPI                                     | 1.6      | 2.6       | 3.1       |
| Average Earnings Index                            | 1.8      | 1.7       | 2.0       |

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 2013/14 is shown in the table. 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)                | 8.3                  | 7.3                       |
| BlackRock Global Investors (Index-Linked Funds)      | -4.5                 | -4.4                      |
| Aberdeen Asset Management (Global Equity)            | 1.3                  | 9.0                       |
| MFS (Global Equity)                                  | 8.0                  | 8.4                       |
| Schroder Investment Manager (Global Equity)          | 9.9                  | 8.4                       |
| Aviva Investors (UK Property)                        | 11.0                 | 12.2                      |
| Permal (Hedge Fund of Funds)                         | 9.9                  | 0.5                       |
| GAM (Hedge Fund of Funds)                            | -2.9                 | 7.5                       |
| Goldman Sachs (Hedge Fund of Funds) *                | 10.3                 | 0.5                       |
| CBRE Investors (European Property)                   | -11.1                | 2.5                       |
| Insight Bonds Plus (Fixed Interest)                  | 1.2                  | 0.1                       |
| Insight UK Corp' Bond (Fixed Interest)               | 1.7                  | 2.4                       |
| Standard Life Investments (Private Equity)           | 0.2                  | 6.7                       |
| HarbourVest Partners VII (Private Equity)            | 16.0                 | 6.7                       |
| HarbourVest Partners VIIIa - Buyout (Private Equity) | 18.2                 | 6.7                       |
| HarbourVest Partners VIIIb -Venture (Private Equity) | 10.5                 | 6.7                       |
| HarbourVest Partners IXa - Buyout (Private Equity)   | -18.8                | 0.7                       |
| HarbourVest Partners IXb -Venture (Private Equity)   | 5.9                  | 0.7                       |
| <b>Overall Fund</b>                                  | <b>4.4</b>           |                           |

During 2013/14 the fund placed the disinvestment of the Western Assets portfolio in two new fixed interest funds with Insight Investments and committed to two new private equity funds with Harbourvest. Of the £2.828m capital commitment (Note 19) outstanding as at 31 March 2013, £0.49m was drawn down.

#### Investment manager structure as a percentage of fund total, as at 31<sup>st</sup> March 2014

| Asset Class    | Manager     |                           |                     |                            |             |                       | Total %      |
|----------------|-------------|---------------------------|---------------------|----------------------------|-------------|-----------------------|--------------|
|                | Blackrock   | Aberdeen, Schrodgers, MFS | Insight Investments | Permal, GAM, Goldman Sachs | Aviva, CBRE | Std Life, Harbourvest |              |
|                | Passive %   | Active %                  | Active %            | Active %                   | Active %    | Active %              |              |
| Equities       | 27.3        | 22.0                      |                     |                            |             |                       | 49.3         |
| Fixed Interest | 2.7         |                           | 12.7                |                            |             |                       | 15.4         |
| Index Linked   | 13.8        |                           |                     |                            |             |                       | 13.8         |
| Property       |             |                           |                     |                            | 6.0         |                       | 6.0          |
| Private Equity |             |                           |                     |                            |             | 3.5                   | 3.5          |
| Hedge Fund     |             |                           |                     | 9.9                        |             |                       | 9.9          |
| Cash/ Other    | 2.1         |                           |                     |                            |             |                       | 2.1          |
| <b>TOTAL</b>   | <b>45.9</b> | <b>22.0</b>               | <b>12.7</b>         | <b>9.9</b>                 | <b>6.0</b>  | <b>3.5</b>            | <b>100.0</b> |

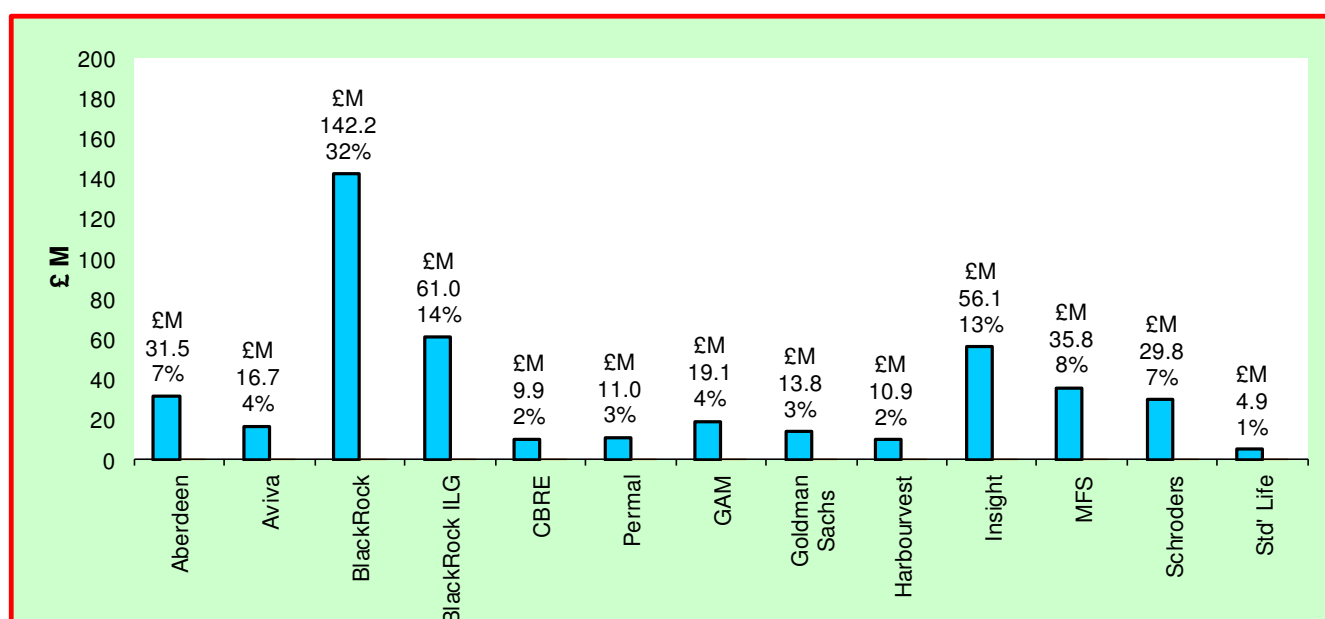
The strategic asset allocation is as follows:

|  | 2012/13 | 2013/14 |
|--|---------|---------|
| Equities                                   | 47%     | 47%     |
| Fixed Interest and Index Linked Securities | 30%     | 30%     |
| Property                                   | 10%     | 10%     |
| Private Equity                             | 5%      | 5%      |
| Hedge Fund of Funds                        | 8%      | 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.

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 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 2014 is shown below:





## Net Assets Statement

As at 31 March

|                                  | Note | 2013<br>£'000  | 2014<br>£'000  |
|----------------------------------|------|----------------|----------------|
| Investments                      | 11   | 425,834        | 442,753        |
| Current Assets                   | 14   | 3,685          | 4,156          |
| Current Liabilities              | 14   | -4,155         | -10,227        |
| <b>NET ASSETS AS AT 31 MARCH</b> |      | <b>425,364</b> | <b>436,682</b> |

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 | 2012/13<br>£'000 | 2013/14<br>£'000 |
|--|------|------------------|------------------|
| <u>Contributions and Benefits</u>              |      |                  |                  |
| Contributions Receivable                       | 4    | 21,894           | 24,911           |
| Transfers In                                   | 5    | 1,648            | 899              |
| Other Income                                   | 6    | 77               | 75               |
| <b>TOTAL INCOME</b>                            |      | <b>23,619</b>    | <b>25,885</b>    |
| Benefits Payable                               | 7    | 20,576           | 22,859           |
| Payments on Account of Leavers                 | 8    | 812              | 9,976            |
| Administrative Expenses                        | 9    | 724              | 921              |
| <b>TOTAL EXPENDITURE</b>                       |      | <b>22,112</b>    | <b>33,756</b>    |
| <b>NET ADDITIONS FROM DEALING WITH MEMBERS</b> |      | <b>1,507</b>     | <b>-7,871</b>    |
| <u>Returns on Investments</u>                  |      |                  |                  |
| Investment Income                              | 10   | 3,798            | 3,687            |
| Change in Market Value of Investments          | 11   | 49,361           | 17,741           |
| Investment Management Expenses                 | 13   | -1,590           | -2,239           |
| <b>NET PROFIT ON INVESTMENTS</b>               |      | <b>51,569</b>    | <b>19,189</b>    |
| <b>NET INCREASE IN THE FUND</b>                |      | <b>53,076</b>    | <b>11,318</b>    |
| <b>OPENING NET ASSETS</b>                      |      | <b>372,288</b>   | <b>425,364</b>   |
| <b>CLOSING NET ASSETS</b>                      |      | <b>425,364</b>   | <b>436,682</b>   |

## Notes to the Pension Accounts

### 1. Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2013/14 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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 income*  
Interest income is recognised in the fund account as it accrues.

#### *Distributions from pooled funds*

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

#### *Movement in the net market value of investments*

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

- 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 the bid market price ruling on the final day of the accounting period. Fund Managers value unquoted securities at the year-end in line with generally accepted guidelines to ascertain the fair value of the investment. In the case of pooled investments that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable tax. Fixed interest securities are recorded at net market value based on their current yields. Fair value for limited partnerships is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership. It is not the intention of the fund to dispose of unquoted investments before maturity.
- Cash and cash equivalents  
Cash comprises cash in hand and demand deposits.  
  
Cash equivalents are short-term, highly liquid investments that are readily convertible to cash and that are subject to minimal risk of changes in value.
- Taxation  
The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.
- Financial liabilities  
The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the fund.
- Actuarial present value of promised retirement benefits  
The actuarial value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial value of promised retirement benefits by way of a note to the net assets statement (note 22).
- Administrative expenses  
All staff costs of the pension administration team and other overheads are apportioned to the fund in accordance with Council policy

- **Contingent Liabilities**

Contingent liabilities are possible liabilities whose existence will only be confirmed by future events and are not recognised until the realisation of the loss is virtually certain.

### **3. Critical Judgements in Applying Accounting Policies**

#### *Unquoted private equity investments*

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equity investments are valued by the investment managers using acceptable guidelines. The value of these investments at 31 March 2014 was £15.8m (31 March 2013: £13.5m).

#### *Pension fund liability*

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the statement of the actuary. This estimate is subject to significant variances based on changes to the underlying assumptions.

**4. Contributions Receivable**

|                  | 2012/13<br>£'000 | 2013/14<br>£'000 |
|------------------|------------------|------------------|
| <u>Employers</u> |                  |                  |
| Normal           | 16,615           | 18,059           |
| Additional       | 419              | 1,950            |
| <u>Members</u>   |                  |                  |
| Normal           | 4,860            | 4,902            |
|                  | <b>21,894</b>    | <b>24,911</b>    |

|  | 2012/13<br>£'000 | 2013/14<br>£'000 |
|--|------------------|------------------|
| Contributions were made as follows:            |                  |                  |
| Powys County Council (Administering Authority) | 19,423           | 23,387           |
| Scheduled Bodies (Appendix 3)                  | 1,178            | 924              |
| Admitted Bodies (Appendix 3)                   | 1,293            | 600              |
|  | <b>21,894</b>    | <b>24,911</b>    |

**5. Transfers In**

|   | 2012/13<br>£'000 | 2013/14<br>£'000 |
|---|------------------|------------------|
| Individual Transfers From Other Schemes | 1,648            | 899              |

**6. Other Income**

|                                 | 2012/13<br>£'000 | 2013/14<br>£'000 |
|---------------------------------|------------------|------------------|
| Administrative Fees Received    | 25               | 12               |
| Additional Allowances Recovered | 52               | 63               |
|                                 | <b>77</b>        | <b>75</b>        |

**7. Benefit Payable**

|   | 2012/13<br>£'000 | 2013/14<br>£'000 |
|---|------------------|------------------|
| Pensions                                      | 17,273           | 18,158           |
| Commutations and Lump Sum Retirement Benefits | 3,067            | 4,261            |
| Lump Sum Death Benefits                       | 236              | 440              |
|   | <b>20,576</b>    | <b>22,859</b>    |

|  | 2012/13<br>£'000 | 2013/14<br>£'000 |
|--|------------------|------------------|
| Benefits Can Be Further Analysed:              |                  |                  |
| Powys County Council (Administering Authority) | 11,455           | 13,950           |
| Scheduled Bodies (Appendix 4)                  | 8,113            | 8,013            |
| Admitted Bodies (Appendix 4)                   | 1,008            | 896              |
|  | <b>20,576</b>    | <b>22,859</b>    |

**8. Payments to and on Account of Leavers**

|  | 2012/13<br>£'000 | 2013/14<br>£'000 |
|--|------------------|------------------|
| Refunds to Members Leaving Service       | 6                | 7                |
| Payments to Members Joining State Scheme | -                | 1                |
| Individual Transfers to Other Schemes    | 806              | 9,968            |
|  | <b>812</b>       | <b>9,976</b>     |

**9. Pensions Administration**

|                            | 2012/13<br>£'000 | 2013/14<br>£'000 |
|----------------------------|------------------|------------------|
| Powys CC Fees              | 662              | 767              |
| Direct Administration Fees | 32               | 81               |
| Audit Fees                 | 30               | 29               |
| Actuarial Fees             | -                | 44               |
|                            | <b>724</b>       | <b>921</b>       |

Actual audit fees for 2013/14 were £35k. A rebate of £6k was received relating to previous years fees.

**10. Investment Income**

|                                       | 2012/13<br>£'000 | 2013/14<br>£'000 |
|---------------------------------------|------------------|------------------|
| Income From Fixed Interest Securities | 2,409            | 1,682            |
| Income From Indexed Securities        | 806              | 1,624            |
| Dividends From Equities               | -                | -                |
| Interest on Cash Deposits             | 293              | 4                |
| Other Investment Income               | 290              | 377              |
|                                       | <b>3,798</b>     | <b>3,687</b>     |

**11. Investments**

|                               | Value at<br>01.04.13<br>£'000 | Purchases<br>at Cost<br>£'000 | Sale<br>Proceeds<br>£'000 | Cash<br>Movement<br>£'000 | Change in<br>Market<br>Value<br>£'000 | Value at<br>31.03.14<br>£'000 |
|-------------------------------|-------------------------------|-------------------------------|---------------------------|---------------------------|---------------------------------------|-------------------------------|
| Fixed Interest Securities     | 53,340                        | 69,750                        | 59,095                    | 1,152                     | 2,653                                 | 67,800                        |
| Index linked Securities       | 60,155                        | 17,398                        | 13,814                    | 1,740                     | -4,502                                | 60,977                        |
| Equities (pooled funds)       | 229,118                       | 41,245                        | 68,934                    | -263                      | 16,980                                | 218,146                       |
| Property (pooled funds)       | 26,073                        | -                             | 711                       | 213                       | 1,018                                 | 26,593                        |
| Private Equity                | 13,546                        | 3,576                         | 2,882                     | -456                      | 2,061                                 | 15,845                        |
| Hedge Fund of Funds           | 34,615                        | 8,000                         | -                         | -436                      | 1,798                                 | 43,977                        |
| Cash & Short Term Investments | 8,987                         | 27,050                        | 24,355                    | -                         | -2,267                                | 9,415                         |
|                               | <b>425,834</b>                | <b>167,019</b>                | <b>169,791</b>            | <b>1,950</b>              | <b>17,741</b>                         | <b>442,753</b>                |

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 equity investments held by the fund are now in unit trusts.

## 12. Breakdown of Investments

|                                    | 2012/13<br>£'000 | 2013/14<br>£'000 |
|------------------------------------|------------------|------------------|
| <b>Fixed Interest Securities</b>   |                  |                  |
| UK Public Sector Quoted            | 10,335           | -                |
| UK Quoted                          | 42,949           | 11,750           |
| Overseas Quoted                    | 56               | -                |
| Pooled Funds                       | -                | 56,050           |
|                                    | 53,340           | 67,800           |
| <b>Index Linked Securities</b>     |                  |                  |
| UK Quoted                          | 60,155           | 60,977           |
| Overseas Quoted                    | -                | -                |
|                                    | 60,155           | 60,977           |
| <b>Equities – Pooled</b>           | 229,118          | 218,146          |
| <b>Hedge Fund of Funds</b>         | 34,615           | 43,977           |
| <b>Private Equity</b>              | 13,546           | 15,845           |
| <b>Property</b>                    | 26,073           | 26,593           |
| <b>Cash</b>                        | 8,992            | 116              |
| <b>Liquidity Funds</b>             | -                | 9,299            |
| <b>Derivatives</b>                 |                  |                  |
| Futures Options                    | -                | -                |
| Forward Foreign Exchange Contracts | -5               | -                |
|                                    | 425,834          | 442,753          |

**13. Investment Management Expenses**

|                                       | 2012/13      | 2013/14      |
|---------------------------------------|--------------|--------------|
|                                       | £`000        | £`000        |
| Administrative Management and Custody | 1,568        | 2,216        |
| Performance Measurement Charges       | 22           | 23           |
|                                       | <b>1,590</b> | <b>2,239</b> |

**14. Current Assets and Liabilities**

|  | 2012/13       | 2013/14        |
|--|---------------|----------------|
|  | £`000         | £`000          |
| <b><u>Current Assets</u></b>                 |               |                |
| Contributions due from Employers and Members | 191           | 665            |
| Cash Balances                                | 471           | 2,808          |
| Sundry Debtors                               | 3,023         | 683            |
|  | <b>3,685</b>  | <b>4,156</b>   |
| <b><u>Current Liabilities</u></b>            |               |                |
| Benefits Payable                             | -289          | -9,177         |
| Sundry Creditors                             | -3,866        | -1,050         |
|  | <b>-4,155</b> | <b>-10,227</b> |

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. Current liabilities includes a provision of £8.9m for the bulk transfer of Coleg Powys to the Swansea fund.

**15. Related Party Transactions**

Details of Members and officers of the Council represented on the Pensions and Investment Committee are shown in Appendix 1. Their combined contributions into the scheme were £22k in 2013/14.

The Fund is administered by Powys County Council. Consequently there is a relationship between the Authority and the Fund.

The Authority incurred costs of £766,000 (2012-2013: £662,000) 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 £16,885,880 to the Fund in 2013-2014 (2012-2013: £15,944,994) in employers contributions.

**Governance**

There are five councillor members of the Pensions & Investment Committee. In 2013-14 these were Councillor T Thomas, Councillor P Ashton Councillor G Vaughan, Councillor A Jones, & Councillor T Turner.

The Director of Resources, Mr David Powell, 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 Resources 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.



## 16. 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.

|                      | 2012/13<br>£'000 | 2013/14<br>£'000 |
|----------------------|------------------|------------------|
| Powys County Council | 105              | 254              |
| Other Bodies         | 2                | 6                |
|                      | <b>107</b>       | <b>260</b>       |

## 17. Contingent Liabilities

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

## 18. Post Balance Sheet Events

The accounts outlined in these financial statements represent the financial position of the Fund as at 31 March 2014. Since this date, the performance of the global markets may have affected the financial value of pension fund investments.

## 19. Capital Commitments

|                                     | 2012/13<br>£'000 | 2013/14<br>£'000 |
|-------------------------------------|------------------|------------------|
| Private Equity and Property Mandate |                  |                  |
| Standard Life (Private Equity)      | 1,055            | 1,049            |
| Harbourvest (Private Equity)        | 1,398            | 12,252           |
| CBRE (Property)                     | 375              | 375              |
|                                     | <b>2,828</b>     | <b>13,676</b>    |

## 20. Stock Lending

As set out in the Statement of Investment principles, the Fund, custodian or investment managers do not engage in stock lending on behalf of the Fund.

## 21. Financial Instruments

### 21a. 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 2013  |                     |                                    | 31 March 2014  |                     |
|----------------|---------------------|------------------------------------|----------------|---------------------|
| Cost<br>£'000  | Fair Value<br>£'000 |                                    | Cost<br>£'000  | Fair Value<br>£'000 |
|                |                     | <b>Financial assets</b>            |                |                     |
| 333,125        | 425,834             | Fair value through profit & loss   | 361,696        | 442,753             |
| 3,668          | 3,685               | Current assets                     | 4,156          | 4,156               |
| <b>336,793</b> | <b>429,519</b>      | <b>Total financial assets</b>      | <b>365,852</b> | <b>446,909</b>      |
|                |                     | <b>Financial liabilities</b>       |                |                     |
| -4,155         | -4,155              | Current liabilities                | -10,227        | -10,227             |
| <b>-4,155</b>  | <b>-4,155</b>       | <b>Total financial liabilities</b> | <b>-10,227</b> | <b>-10,227</b>      |

### 21b. 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 2014  | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|-----------------------------|------------------|------------------|------------------|----------------|
| Investments                 | 356,338          | 26,594           | 59,821           | 442,753        |
| Current assets              | 4,156            |                  |                  | 4,156          |
| Current liabilities         | -10,227          |                  |                  | -10,227        |
| <b>Net financial assets</b> | <b>350,267</b>   | <b>26,594</b>    | <b>59,821</b>    | <b>436,682</b> |

| Values as at 31 March 2013  | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|-----------------------------|------------------|------------------|------------------|----------------|
| Investments                 | 351,605          | 26,074           | 48,155           | 425,834        |
| Current assets              | 3,685            |                  |                  | 3,685          |
| Current liabilities         | -4,155           |                  |                  | -4,155         |
| <b>Net financial assets</b> | <b>351,135</b>   | <b>26,074</b>    | <b>48,155</b>    | <b>425,364</b> |

## 22. Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2014 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 2013 is £632.4M

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

## 23. 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 2014/15 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             | 11.0 %                            |
| Global Pooled Equities        | 11.7 %                            |
| Total Bonds inc' Index Linked | 6.0 %                             |
| Cash                          | 0.0 %                             |
| Property                      | 4.0 %                             |
| Alternatives                  | 3.4 %                             |

The table below shows the Fund's value at 31 March 2015 should the investments increase/decrease in line with the above.

| Asset Type                | Value at<br>31.03.14<br>£'000 | Percentage<br>change<br>% | Value on<br>increase<br>£'000 | Value on<br>decrease<br>£'000 |
|---------------------------|-------------------------------|---------------------------|-------------------------------|-------------------------------|
| Fixed Interest Securities | 67,800                        | 6.0                       | 71,868                        | 63,732                        |
| Index Linked Securities   | 60,977                        | 6.0                       | 64,636                        | 57,318                        |
| Equities (Pooled)         | 218,146                       | 11.7                      | 243,669                       | 192,623                       |
| Hedge Fund of Funds       | 43,977                        | 3.4                       | 45,472                        | 42,482                        |
| Private Equity            | 15,845                        | 3.4                       | 16,384                        | 15,306                        |
| Property                  | 26,593                        | 4.0                       | 27,657                        | 25,529                        |
| Cash                      | 9,415                         | 0.0                       | 9,415                         | 9,415                         |
| <b>Total Assets</b>       | <b>442,753</b>                |                           | <b>479,101</b>                | <b>406,405</b>                |

## 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.

A 0.5% volatility associated with interest rates is considered likely, based on the Authorities Treasury Management advisors latest advice.

The fund's exposure to interest rate movements as at 31 March 2013 and 31 March 2014 is set out below.

| Asset Type                | As at         | As at         |
|---------------------------|---------------|---------------|
|                           | 31.03.13      | 31.03.14      |
|                           | £'000         | £'000         |
| Cash                      | 8,992         | 9,415         |
| Cash Balances             | 471           | 2,808         |
| Fixed Interest Securities | 53,340        | 67,800        |
| <b>Total</b>              | <b>62,803</b> | <b>80,023</b> |

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<br>31.03.14<br>£'000 | Change to net assets available to pay benefits |                |
|---------------------------|-------------------------------|--|----------------|
|                           |                               | +0.5%<br>£'000                                 | -0.5%<br>£'000 |
| Cash                      | 9,415                         | 9,462  | 9,368          |
| Cash Balances             | 2,808                         | 2,822  | 2,794          |
| Fixed Interest Securities | 67,800                        | 68,139   | 67,461         |
| <b>Total Assets</b>       | <b>80,023</b>                 | <b>80,423</b>                                  | <b>79,623</b>  |

### 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 2013 and 31 March 2014 is set out below.

| Asset Type     | As at         | As at         |
|----------------|---------------|---------------|
|                | 31.03.13      | 31.03.14      |
|                | £'000         | £'000         |
| Private Equity | 13,546        | 15,845        |
| Currency       | 360           | -             |
| Derivatives    | -349          | -             |
| <b>Total</b>   | <b>13,557</b> | <b>15,845</b> |

A 7.2% 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.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7.2% 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<br>31.03.14<br>£'000 | Change to net assets available to pay benefits |                |
|---------------------|-------------------------------|--|----------------|
|                     |                               | +7.2%<br>£'000                                 | -7.2%<br>£'000 |
| Private Equity      | 15,845                        | 16,986   | 14,704         |
| Currency            | -                             | -  | -              |
| Derivatives         | -                             | -  | -              |
| <b>Total Assets</b> | <b>15,845</b>                 | <b>16,986</b>                                  | <b>14,704</b>  |

### 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 2013 and 31 March 2014.

| Summary                     | Rating | As at 31.03.13<br>£'000 | As at 31.03.14<br>£'000 |
|-----------------------------|--------|-------------------------|-------------------------|
| <b>Bank Current Account</b> |        |                         |                         |
| HSBC                        | AA-    | 9                       | 5                       |
| <b>Bank Deposit Account</b> |        |                         |                         |
| HSBC                        | AA -   | 462                     | 2,803                   |

### 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 2014 the value of illiquid assets was £433.2m, which represented 96.9% of the total fund assets - (31 March 2013 - £416.9m, which represented 97.9% 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 2014 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.

### 24. 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.

### 25. Future Liabilities

There are no future liabilities unaccounted for as at 31<sup>st</sup> march 2014.



## Powys County Council Pension Fund

### Statement of the Actuary for the year ended 31 March 2014

#### 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 2013 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 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £425M) covering 79% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 is:
  - 15.3% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

#### Plus

- Monetary amounts 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 2014, amounting to £5.6M in 2014/15, and increasing by 3.9% 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 31 March 2014 (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 for periods in service   | 5.3% p.a. |
| Discount rate for periods after leaving service  | 5.3% p.a. |
| Rate of pay increases:   | 3.9% p.a. |
| Rate of increase to pension accounts   | 2.4% p.a. |
| Rate of increases in pensions in payment<br>(in excess of Guaranteed Minimum Pension): | 2.4% 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 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2016.
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 2013. 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 2013 is available on request from Powys County Council, the Administering Authority of the Fund.

Aon Hewitt Limited

**12 June 2014**

## **APPENDIX 1 – PENSIONS AND INVESTMENT COMMITTEE**

The Pensions and Investment Committee meet on a quarterly basis. During 2013/14 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 M. Weale

### County Council Officers in Attendance:

Mr G. Petty (Strategic Director – Finance & Infrastructure)  
Mr D. Powell (Director Resources)  
Mr J. Rollin (Pensions Manager)  
Mrs A. Owen (Treasury Manager)  
Mr S. Offa (Pensions Accounts)

### Fund Managers:

|                                  |                           |
|----------------------------------|---------------------------|
| Aberdeen Asset Management        | Aviva Investors           |
| Blackrock Global Investors (BGI) | CBRE                      |
| Fauchier Partners                | GAM                       |
| Goldman Sachs                    | HarbourVest Partners      |
| Insight Investments              | MFS                       |
| Schroders Investment Management  | Standard Life Investments |

### Global Custodian

### Independent Advisor to the Fund

### Actuary

### Performance Measurement

J.P. Morgan  
Mr S. Cole (Aon Hewitt Limited)  
Aon Hewitt Limited  
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  
 Knighton Town Council  
 Llandrindod Wells Town Council  
 Llanidloes Burial Joint Committee  
 Magistrates Court  
 Newtown and Llanllwchaiarn Town Council  
 Powys County Council  
 Probation Committee  
 Welshpool Town Council  
 Ystradfellte Community Council  
 Ystradgynlais Town Council

### Admitted Bodies

BUPA Care Homes  
 Careers Wales Powys  
 Celtica  
 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 available to anyone on demand, subject to a small administration charge. A full copy of the report can be viewed at [www.powyspensionfund.org](http://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**

|                               |              |              |
|-------------------------------|--------------|--------------|
| Professional Lead for Finance | Jane Thomas  | 01597 826341 |
| Pensions Accounts             | Stephen Offa | 01597 826727 |

**APPENDIX 3 – CONTRIBUTIONS BY SCHEDULED AND ADMITTED BODIES**

| 2013/14                           | No of Contributors | Employers Normal<br>£ | Employers Additional<br>£ | Members Normal<br>£ | Total<br>£        |
|-----------------------------------|--------------------|-----------------------|---------------------------|---------------------|-------------------|
| <b>Scheduled Bodies</b>           |                    |                       |                           |                     |                   |
| Brecon Beacons National Park      | 134                | 511,158               | -                         | 175,098             | 686,256           |
| Brecon Town Council               | 4                  | 12,905                | -                         | 3,382               | 16,287            |
| Coleg Powys                       | 0                  | 115,649               | 10,788                    | 40,765              | 167,202           |
| Llandrindod Wells Town Council    | 1                  | 4,316                 | -                         | 1,569               | 5,885             |
| Llanidloes Burial Joint Committee | 1                  | 3,002                 | -                         | 654                 | 3,656             |
| Newtown Town Council              | 3                  | 11,213                | -                         | 3,158               | 14,371            |
| Powys County Council              | 6,349              | 16,882,660            | 1,939,096                 | 4,565,817           | 23,387,573        |
| Welshpool Town Council            | 2                  | 11,427                | -                         | 1,196               | 12,623            |
| Ystradfellte Community Council    | 1                  | 501                   | -                         | 117                 | 618               |
| Ystradgynlais Town Council        | 3                  | 13,468                | -                         | 3,918               | 17,386            |
| <b>Total</b>                      | <b>6,498</b>       | <b>17,566,299</b>     | <b>1,949,884</b>          | <b>4,795,674</b>    | <b>24,311,857</b> |
| <b>Admitted Bodies</b>            |                    |                       |                           |                     |                   |
| BUPA                              | 51                 | 266,506               | -                         | 44,772              | 311,278           |
| Mencap                            | 1                  | -                     | -                         | -                   | -                 |
| Menter Maldwyn                    | 3                  | 11,180                | -                         | 4,178               | 15,358            |
| Mirus-Wales Ltd                   | 7                  | 23,160                | -                         | 7,467               | 30,627            |
| P.A.V.O. (Former P.R.C.)          | 6                  | 26,750                | -                         | 6,917               | 33,667            |
| Careers Wales                     | 24                 | 155,121               | -                         | 39,263              | 194,384           |
| Presteigne Shirehall              | 1                  | 3,114                 | -                         | 736                 | 3,850             |
| Theatr Brcheiniog                 | 3                  | 7,446                 | -                         | 3,030               | 10,476            |
| <b>Total</b>                      | <b>96</b>          | <b>493,277</b>        | <b>-</b>                  | <b>106,363</b>      | <b>599,640</b>    |
| <b>2012/13</b>                    |                    |                       |                           |                     |                   |
| <b>Scheduled Bodies</b>           |                    |                       |                           |                     |                   |
| Brecon Beacons National Park      | 130                | 494,411               | -                         | 170,056             | 664,467           |
| Brecon Town Council               | 4                  | 12,012                | -                         | 3,131               | 15,143            |
| Coleg Powys                       | 161                | 332,927               | -                         | 118,159             | 451,086           |
| Llandrindod Wells Town Council    | 1                  | 4,143                 | -                         | 1,505               | 5,648             |
| Llanidloes Burial Joint Committee | 1                  | 3,026                 | -                         | 680                 | 3,706             |
| Newtown Town Council              | 2                  | 9,267                 | -                         | 2,482               | 11,749            |
| Powys County Council              | 6,010              | 14,718,633            | 265,337                   | 4,438,672           | 19,422,642        |
| 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            |
| <b>Total</b>                      | <b>6,315</b>       | <b>15,595,092</b>     | <b>265,337</b>            | <b>4,739,801</b>    | <b>20,600,230</b> |
| <b>Admitted Bodies</b>            |                    |                       |                           |                     |                   |
| BUPA                              | 54                 | 294,449               | -                         | 48,263              | 342,712           |
| Mencap                            | 1                  | 822                   | -                         | 211                 | 1,033             |
| Menter Maldwyn                    | 3                  | 10,309                | -                         | 3,904               | 14,213            |
| Mirus-Wales Ltd                   | 6                  | 2,299                 | -                         | 757                 | 3,056             |
| P.A.V.O. (Former P.R.C.)          | 7                  | 32,334                | -                         | 9,549               | 41,883            |
| P.C.G.S. Ltd                      | 24                 | 663,493               | 153,809                   | 51,178              | 868,480           |
| Presteigne Shirehall              | 1                  | 3,036                 | -                         | 721                 | 3,757             |
| Theatr Brcheiniog                 | 5                  | 12,956                | -                         | 5,408               | 18,364            |
| <b>Total</b>                      | <b>101</b>         | <b>1,019,698</b>      | <b>153,809</b>            | <b>119,991</b>      | <b>1,293,498</b>  |

| 2013/14                           | No of Contributors | Employers Normal<br>£ | Employers Additional<br>£ | Members Normal<br>£ | Total<br>£        |
|-----------------------------------|--------------------|-----------------------|---------------------------|---------------------|-------------------|
| <b>Scheduled Bodies</b>           |                    |                       |                           |                     |                   |
| Brecon Beacons National Park      | 134                | 511,158               | -                         | 175,098             | 686,256           |
| Brecon Town Council               | 4                  | 12,905                | -                         | 3,382               | 16,287            |
| Coleg Powys                       | 0                  | 115,649               | 10,788                    | 40,765              | 167,202           |
| Llandrindod Wells Town Council    | 1                  | 4,316                 | -                         | 1,569               | 5,885             |
| Llanidloes Burial Joint Committee | 1                  | 3,002                 | -                         | 654                 | 3,656             |
| Newtown Town Council              | 3                  | 11,213                | -                         | 3,158               | 14,371            |
| Powys County Council              | 6,349              | 16,882,660            | 1,939,096                 | 4,565,817           | 23,387,573        |
| Welshpool Town Council            | 2                  | 11,427                | -                         | 1,196               | 12,623            |
| Ystradfellte Community Council    | 1                  | 501                   | -                         | 117                 | 618               |
| Ystradgynlais Town Council        | 3                  | 13,468                | -                         | 3,918               | 17,386            |
| <b>Total</b>                      | <b>6,498</b>       | <b>17,566,299</b>     | <b>1,949,884</b>          | <b>4,795,674</b>    | <b>24,311,857</b> |
| <b>Admitted Bodies</b>            |                    |                       |                           |                     |                   |
| BUPA                              | 51                 | 266,506               | -                         | 44,772              | 311,278           |
| Mencap                            | 1                  | -                     | -                         | -                   | -                 |
| Menter Maldwyn                    | 3                  | 11,180                | -                         | 4,178               | 15,358            |
| Mirus-Wales Ltd                   | 7                  | 23,160                | -                         | 7,467               | 30,627            |
| P.A.V.O. (Former P.R.C.)          | 6                  | 26,750                | -                         | 6,917               | 33,667            |
| Careers Wales                     | 24                 | 155,121               | -                         | 39,263              | 194,384           |
| Presteigne Shirehall              | 1                  | 3,114                 | -                         | 736                 | 3,850             |
| Theatr Brcheiniog                 | 3                  | 7,446                 | -                         | 3,030               | 10,476            |
| <b>Total</b>                      | <b>96</b>          | <b>493,277</b>        | <b>-</b>                  | <b>106,363</b>      | <b>599,640</b>    |
| <b>2012/13</b>                    |                    |                       |                           |                     |                   |
| <b>Scheduled Bodies</b>           |                    |                       |                           |                     |                   |
| Brecon Beacons National Park      | 130                | 494,411               | -                         | 170,056             | 664,467           |
| Brecon Town Council               | 4                  | 12,012                | -                         | 3,131               | 15,143            |
| Coleg Powys                       | 161                | 332,927               | -                         | 118,159             | 451,086           |
| Llandrindod Wells Town Council    | 1                  | 4,143                 | -                         | 1,505               | 5,648             |
| Llanidloes Burial Joint Committee | 1                  | 3,026                 | -                         | 680                 | 3,706             |
| Newtown Town Council              | 2                  | 9,267                 | -                         | 2,482               | 11,749            |
| Powys County Council              | 6,010              | 14,718,633            | 265,337                   | 4,438,672           | 19,422,642        |
| 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            |
| <b>Total</b>                      | <b>6,315</b>       | <b>15,595,092</b>     | <b>265,337</b>            | <b>4,739,801</b>    | <b>20,600,230</b> |
| <b>Admitted Bodies</b>            |                    |                       |                           |                     |                   |
| BUPA                              | 54                 | 294,449               | -                         | 48,263              | 342,712           |
| Mencap                            | 1                  | 822                   | -                         | 211                 | 1,033             |
| Menter Maldwyn                    | 3                  | 10,309                | -                         | 3,904               | 14,213            |
| Mirus-Wales Ltd                   | 6                  | 2,299                 | -                         | 757                 | 3,056             |
| P.A.V.O. (Former P.R.C.)          | 7                  | 32,334                | -                         | 9,549               | 41,883            |
| P.C.G.S. Ltd                      | 24                 | 663,493               | 153,809                   | 51,178              | 868,480           |
| Presteigne Shirehall              | 1                  | 3,036                 | -                         | 721                 | 3,757             |
| Theatr Brcheiniog                 | 5                  | 12,956                | -                         | 5,408               | 18,364            |
| <b>Total</b>                      | <b>101</b>         | <b>1,019,698</b>      | <b>153,809</b>            | <b>119,991</b>      | <b>1,293,498</b>  |

**APPENDIX 4 – BENEFITS PAID TO SCHEDULED & ADMITTED BODIES**

| 2013/14                           | Retirement Pensions £ | Commutation & Lump Sums £ | Death Benefits £ | Total £           |
|-----------------------------------|-----------------------|---------------------------|------------------|-------------------|
| <u>Scheduled Bodies</u>           |                       |                           |                  |                   |
| Brecknock Borough Council         | 738,438               | -                         | -                | 738,438           |
| Brecon Beacons National Park      | 308,331               | 139,626                   | -                | 447,957           |
| Brecon Town Council               | 218                   | -                         | -                | 218               |
| Coleg Powys                       | 126,982               | 37,544                    | 8,864            | 173,390           |
| Knighton Town Council             | 7,729                 | -                         | -                | 7,729             |
| Llandrindod Wells Town Council    | 1,849                 | -                         | -                | 1,849             |
| Llanidloes Burial Joint Committee | 539                   | -                         | -                | 539               |
| Magistrates Courts Committee      | 13,104                | 17,725                    | -                | 30,829            |
| Montgomeryshire District Council  | 991,879               | 28,029                    | -                | 1,019,908         |
| Newtown Town Council              | 7,300                 | -                         | -                | 7,300             |
| Powys County Council              | 14,618,346            | 3,900,644                 | 430,982          | 18,949,972        |
| Probation Committee               | 71,003                | -                         | -                | 71,003            |
| Radnorshire District Council      | 488,163               | 62                        | -                | 488,225           |
| Welshpool Town Council            | 25,362                | -                         | -                | 25,362            |
| Ystradgynlais Town Council        | 42                    | -                         | -                | 42                |
| <b>Total</b>                      | <b>17,399,285</b>     | <b>4,123,629</b>          | <b>439,847</b>   | <b>21,962,761</b> |
| <u>Admitted Bodies</u>            |                       |                           |                  |                   |
| BUPA                              | 275,025               | 60,936                    | -                | 335,961           |
| Celtica                           | 178                   | -                         | -                | 178               |
| D.B.R.W.                          | 251,677               | 32,126                    | -                | 283,804           |
| Menter Maldwyn                    | 2,472                 | 23,221                    | -                | 25,693            |
| P.A.V.O. (Former P.R.C.)          | 44,675                | 5,194                     | -                | 49,869            |
| Careers Wales                     | 151,570               | 11,575                    | -                | 163,145           |
| Powys Valuation Panel (Vcct)      | 25,197                | -                         | -                | 25,197            |
| Theatr Brycheiniog                | 2,353                 | 3,457                     | -                | 5,810             |
| Wales European Centre (Wec) Lt    | 6,032                 | 411                       | -                | 6,444             |
| <b>Total</b>                      | <b>759,179</b>        | <b>136,921</b>            | <b>-</b>         | <b>896,100</b>    |

| 2013/14                           | Retirement Pensions £ | Commutation & Lump Sums £ | Death Benefits £ | Total £           |
|-----------------------------------|-----------------------|---------------------------|------------------|-------------------|
| <b><u>Scheduled Bodies</u></b>    |                       |                           |                  |                   |
| Brecknock Borough Council         | 738,438               | -                         | -                | 738,438           |
| Brecon Beacons National Park      | 308,331               | 139,626                   | -                | 447,957           |
| Brecon Town Council               | 218                   | -                         | -                | 218               |
| Coleg Powys                       | 126,982               | 37,544                    | 8,864            | 173,390           |
| Knighton Town Council             | 7,729                 | -                         | -                | 7,729             |
| Llandrindod Wells Town Council    | 1,849                 | -                         | -                | 1,849             |
| Llanidloes Burial Joint Committee | 539                   | -                         | -                | 539               |
| Magistrates Courts Committee      | 13,104                | 17,725                    | -                | 30,829            |
| Montgomeryshire District Council  | 991,879               | 28,029                    | -                | 1,019,908         |
| Newtown Town Council              | 7,300                 | -                         | -                | 7,300             |
| Powys County Council              | 14,618,346            | 3,900,644                 | 430,982          | 18,949,972        |
| Probation Committee               | 71,003                | -                         | -                | 71,003            |
| Radnorshire District Council      | 488,163               | 62                        | -                | 488,225           |
| Welshpool Town Council            | 25,362                | -                         | -                | 25,362            |
| Ystradgynlais Town Council        | 42                    | -                         | -                | 42                |
| <b>Total</b>                      | <b>17,399,285</b>     | <b>4,123,629</b>          | <b>439,847</b>   | <b>21,962,761</b> |
| <b><u>Admitted Bodies</u></b>     |                       |                           |                  |                   |
| BUPA                              | 275,025               | 60,936                    | -                | 335,961           |
| Celtica                           | 178                   | -                         | -                | 178               |
| D.B.R.W.                          | 251,677               | 32,126                    | -                | 283,804           |
| Menter Maldwyn                    | 2,472                 | 23,221                    | -                | 25,693            |
| P.A.V.O. (Former P.R.C.)          | 44,675                | 5,194                     | -                | 49,869            |
| Careers Wales                     | 151,570               | 11,575                    | -                | 163,145           |
| Powys Valuation Panel (Vcct)      | 25,197                | -                         | -                | 25,197            |
| Theatr Brycheiniog                | 2,353                 | 3,457                     | -                | 5,810             |
| Wales European Centre (Wec) Lt    | 6,032                 | 411                       | -                | 6,444             |
| <b>Total</b>                      | <b>759,179</b>        | <b>136,921</b>            | <b>-</b>         | <b>896,100</b>    |



| 2012/13                           | Retirement Pensions £ | Commutation & Lump Sums £ | Death Benefits £ | Total £           |
|-----------------------------------|-----------------------|---------------------------|------------------|-------------------|
| <b><u>Scheduled Bodies</u></b>    |                       |                           |                  |                   |
| Brecknock Borough Council         | 730,172               | 211                       | -                | 730,383           |
| Brecon Beacons National Park      | 284,431               | 29,360                    | -                | 313,791           |
| Brecon Town Council               | 218                   | 0                         | -                | 218               |
| Coleg Powys                       | 136,683               | 50,554                    | -                | 187,236           |
| Knighton Town Council             | 7,558                 | 0                         | -                | 7,558             |
| Llandrindod Wells Town Council    | 1,808                 | 0                         | -                | 1,808             |
| Llanidloes Burial Joint Committee | 529                   | 0                         | -                | 529               |
| Magistrates Courts Committee      | 8,819                 | 26,046                    | -                | 34,865            |
| Montgomeryshire District Council  | 988,276               | 81,452                    | -                | 1,069,728         |
| Newtown Town Council              | 7,148                 | -                         | -                | 7,148             |
| Powys County Council              | 13,821,031            | 2,594,522                 | 186,894          | 16,602,447        |
| Probation Committee               | 69,588                | -                         | -                | 69,588            |
| Radnorshire District Council      | 496,735               | 11,261                    | -                | 507,996           |
| Welshpool Town Council            | 35,471                | -                         | -                | 35,471            |
| Ystradgynlais Town Council        | 41                    | -                         | -                | 41                |
| <b>Total</b>                      | <b>16,588,507</b>     | <b>2,793,406</b>          | <b>186,894</b>   | <b>19,568,807</b> |
| <b><u>Admitted Bodies</u></b>     |                       |                           |                  |                   |
| BUPA                              | 258,347               | 53,167                    | 48,745           | 360,259           |
| D.B.R.W.                          | 240,519               | 7,276                     | -                | 247,795           |
| P.A.V.O (Former P.R.C)            | 43,590                | -                         | -                | 43,590            |
| P.C.G.S Ltd                       | 115,332               | 172,862                   | -                | 288,194           |
| Powys Valuation Panel (Vcct)      | 24,225                | -                         | -                | 24,225            |
| Theatr Brycheiniog                | 94                    | -                         | -                | 94                |
| Wales European Centre (Wec) Ltd   | 2,924                 | 40,556                    | -                | 43,480            |
| <b>Total</b>                      | <b>685,031</b>        | <b>273,861</b>            | <b>48,745</b>    | <b>1,007,637</b>  |

## **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)<sup>1</sup> 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.

<sup>1</sup> 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 its 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 Section 151 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 Administating Authority role to the Pensions & Investment Committee. This includes investing the Fund's 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 Pensions & Investment Committee has recently decided to extend the project period, with regular reviews as they see fit. 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

| <b>Asset Class</b>    | <b>%</b>   | <b>Benchmark Index</b>   |
|-----------------------|------------|--|
| <b>Equities</b>       | <b>47</b>  |  |
| Active                | 19         | Split one third MSCI World and two thirds MSCI World (NDR) due to different manager benchmarks |
| Passive               | 28         | FTSE Developed World   |
| <b>Bonds</b>          | <b>30</b>  |  |
| Corporate Bonds       | 6          | iBoxx Sterling Non-gilts   |
| Index-Linked Gilts    | 15         | FTSE UK Index-Linked over 5 years  |
| Gilts                 | 3          | FTSE UK Gilts All Stock  |
| Absolute Return       | 6          | 3 Month GBP LIBOR  |
| <b>Property</b>       | <b>10</b>  | IPD Index  |
| <b>Private Equity</b> | <b>5</b>   | MSCI AC World ex UK  |
| <b>FoHF</b>           | <b>8</b>   | 3 Month LIBOR  |
| <b>Total</b>          | <b>100</b> |  |

Over the next few years the property allocation with CB Richard Ellis will be distributed back to the Fund. Proceeds will either be re-invested into property or allocated within the existing assets of the Fund.

## 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:

| <b>Investment Manager</b> | <b>Mandate</b>            | <b>Benchmark</b>  | <b>Objective</b>   |
|---------------------------|---------------------------|---|--|
| 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.   |
| Insight Asset Management  | UK Corporate Bonds        | iBoxx Sterling Non-Gilt All Maturities Index  | To outperform the benchmark by 0.75% p.a. net of fees  |
| Insight Asset Management  | Absolute Return Bonds     | 3 month GBP LIBOR   | To outperform the benchmark by 2% gross of fees  |
| Standard Life Investment  | Private Equity (European) | MSCI World  | To outperform the benchmark by 5% pa over a rolling three year period.   |
| 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

| <u>Principle</u>           | <u>Compliance</u>   |
|----------------------------|---|
| 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) and the Council's Actuary (currently Aon Hewitt ).
- 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:

David Powell,  
Strategic Director – Resources,  
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

### **Accrual**

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

### **Actuary**

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

### **Actuarial Valuation**

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

### **Additional Voluntary Contributions**

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

### **Admitted Bodies**

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

### **Audit**

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

### **Balance Sheet**

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

### **Contingent Liabilities**

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

### **Creditor**

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

### **Current Asset**

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

### **Current Liabilities**

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

### **Current Service Costs (Pension)**

The increase in the liability of a defined benefit pensions scheme as a result of employee's service in the current period.

### **Debtor**

A debtor is an organisation/individual that owes the Council money at the Balance Sheet date.

### **Equities - Pooled**

The Pension Fund invests in equities through unit Trusts. It has no direct investments in equities.

### **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.

### **Gilt Edged Stocks**

These are investments in government or local Authority stocks. They are regarded as risk-free.

### **Liability**

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

### **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.

## GLOSSARY OF TERMS

|   |  |
|---|--|
| <p><b>Post Balance Sheet Events</b><br/>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.</p> | <p><b>Securities</b><br/>These are investments such as stocks and bonds.</p> |
|---|--|

## **POWYS COUNTY COUNCIL**

### **ANNUAL GOVERNANCE STATEMENT 2013/14**

#### **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<sup>1</sup> Framework *Delivering Good Governance in Local Government*. This statement will explain how Powys County Council has complied with the code.
- 1.4 Powys County Council is the Administering Authority for the Powys Pension Fund (the Pension Fund). The governance arrangements detailed in this Annual Governance Statement apply to the Council's responsibilities to the Pension Fund. There are further specific requirements for the Pension Fund which are:
- The Statement of Investment Principles
  - Funding Strategy Statement
  - A full Actuarial Valuation to be carried out every third year.

#### **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

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<sup>1</sup> Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives

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 31<sup>st</sup> March, 2014. 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.

### **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, through the Powys Local Service Board (LSB), agreed to focus on collectively delivering ten citizen centred outcomes detailed in the One Powys Plan 2011-14. These shared outcomes defined 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 a single integrated plan for Powys, steps that ultimately led to the development of Welsh Government guidance on community planning titled Shared Purpose; Shared Delivery.

The One Powys Plan 2011-14 can be found at:

***<http://www.one.powys.gov.uk>***

The County Council's 'Powys Change Plan 2013-16' sets out the Council's contribution towards delivering the shared outcomes for the One Powys Plan, setting out its vision for:

***“Efficient services for the green heart of Wales”***

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

***<http://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, the Council has led a project, working with its partners 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 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

The new One Powys Plan 2014-17 was agreed by full council on the 30<sup>th</sup> April 2014 and can be found at:

***<http://www.one.powys.gov.uk>***

### **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 2013/14, 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,



the People Scrutiny Committee has co-opted members in respect of education scrutiny, and the Environment, Infrastructure and Crime and Disorder Scrutiny Committee has a co-opted member in respect of crime and disorder matters.

The Council also operates a Joint Chairs and Vice Chairs Steering Group whose main focus is:

- The co-ordination and work programming of activities between Scrutiny and Audit Committees
- A specific scrutiny response in respect of:
  - One Powys Plan / Powys Change Plan
  - Draft Budget
  - Annual Improvement Report and Improvement Assessment Letters (Wales Audit Office)
  - Annual Performance Report
  - Annual Governance Statement

The Council initiated 6 programme boards to manage delivery of key transformational change through the Powys Change Programme:

- Care and Well-being
- School Modernisation
- Leisure Transformation
- Regeneration
- Climate Change
- Organisational Development Plan (ODP) – formerly the Council programme

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 Care and Wellbeing Programme Board has been replaced by the Health and Adult Social Care Leadership Board. This has reduced the amount of duplication and improved governance across a multi-agency spectrum.

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 2013/14, the following officers held statutory roles:

The Council's Solicitor was designated as Monitoring Officer and carried overall responsibility for legal compliance.

The Strategic Director – Resource 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 – People was the Statutory Director for Social Services and the Lead Director for Children and Young People.

The Chief Executive was the Interim Chief Education Officer.

### **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 a 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 – People as Senior Information Risk Owner (SIRO). Key responsibilities are the assurance of information security and ensuring the robust management of actual and perceived threats, incidents and data breaches, including referral 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.

In November 2013, Powys County Council underwent a consensual Data Protection Audit, carried out by Auditors of the Information Commissioner. The Council's assurance level was determined as *reasonable*, indicating that the auditors felt there is a reasonable level of assurance that processes and procedures are in place and are delivering data protection compliance.

Recommendations from the ICO Auditors have been integrated into a revised IMAG plan, for 2014 – 2016. This plan was agreed March 2014.

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.

Powys County Council continues with the good progress made to date in developing information management, assurance and governance policies, procedures, and practices.

The Council's Information Governance Report 2013-14 is available from the Information Governance Manager on request.

### **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 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. renewable energy applications, the Council's budget, 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 exploring how to cater for public interest in viewing a range of other formal meetings including the Cabinet, Planning and Scrutiny and has been undertaking a pilot project, to assess how the Council should proceed.

The Cabinet works to a Risk Management Strategy agreed in November 2011. This sets out how the Council identifies and manages risk. Risk formed part of corporate performance reporting in 2013/14 but the Council has identified that its risk management needs to be improved. 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. A Member Development Programme is in place and members in receipt of Senior Salaries (e.g. Cabinet Members and Committee Chairs) have undertaken personal development reviews (PDRs) to assess their individual training needs. PDRs will be offered to all other Members of the Council.

A Member Development Working Group consisting of Councillors and officers has been established to develop and monitor the implementation of the Member training programme.

Council received a number of seminars in 2013/14. These help to build background knowledge and help Members in fulfilling their scrutiny and audit roles. These seminars included:

- Safeguarding Vulnerable People including Adults and Child Protection
- Financial Planning and Budgeting
- Commissioning Model
- Adult Social Care
- Post 16 Education
- Local Development Plan
- Children's Services
- Sustainable Development Bill
- Trading Standards, Environmental Health and Community Safety
- Regeneration

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.

Through the Organisational Development Plan, the council is establishing a more robust process for staff appraisals through implementing team

scorecards and individual 90 day action plans. This will ensure a golden thread linking the Council's strategic plans to the work of individual officers and operational staff. Embedding this new approach will continue into 2014/15.

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

The LSB's Participation Strategy is now due to be reviewed in the light of the new One Powys Plan 2014-17. This work will be led by Powys Association for Voluntary Organisations as the project lead. Work continues on the Community Voices programme, a lottery funded project that is designed 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 and to identify key areas of improvement. The outcomes of this survey informs the Council's improvement planning. To improve the transparency of this link, a new Consultation and Engagement Framework was approved by Cabinet on 19 March 2013 to ensure customer and consultation feedback informs improvement planning
- The residents' survey 2013 was one of the key considerations in developing the Council's 'Statement of Intent' which Cabinet and Management Team maintain as a working document to direct improvement planning within the council
- The One Powys Plan 2014-17 demonstrates how key consultations have influenced the selection of key areas for improvement

Public consultation on the Council's proposed budget for 2014/15 was carried out both within the Council and externally with the public and the 3<sup>rd</sup> sector during January 2014. 385 people attended a series of workshops / drop in sessions and 1,754 residents completed an on-line survey. The information informed the budget setting process.

With regards the Council's approach to meeting the financial challenge, the consultation indicated support as follows:

- 31% - Transforming services
- 23% - Increase charges for existing services
- 24% - Introduce new fees and charges for services
- 22% - Reducing some of our services

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 2013/14, 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
  - Brecon Learning campus
  - Additional learning needs
  - John Beddoes/Newtown consultation
- One Powys Plan
- Mobile libraries
- Trading Standards Ringmaster survey
- Fleet management
- Flood Risk strategy

#### **4. Review of Effectiveness**

There is an 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 2013/14, the Council's Cabinet and Management Team 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 for delivering 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 2012/13 was published in October 2013 and is also available at:

**<http://www.powys.gov.uk/index.php?id=296&L=0>**

The review of performance for 2013/14 will be available from November 2014.

#### 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 2013/14:

- 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;
- Cultural Services;
- Regeneration;
- Children's Services
- Car Parking in Brecon.

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

The 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 reports 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
- ICT (Project management and disposal of equipment)
- Statutory Testing
- Schools (fair funding formula and after school clubs)
- Business Continuity
- Civil Parking enforcement
- Workshops

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

**Wales Audit Office (WAO)** is the public sector watchdog for Wales. Their aim is to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.

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

Key reports during the 2013/14 financial year are set out below:

- **Audit of Financial Statements Report (issued September, 2013)**  
This report was presented to Audit Committee on 26<sup>th</sup> September, 2013. The report stated:
  - “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<sup>st</sup> March, 2013 and of its income and expenditure for the year then ended;
    - have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.”

In presenting their report, some areas of improvement were highlighted.

- **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.



Letters to the Council in September and December 2013 have been very positive and have not resulted in new statutory recommendations or proposals for improvement:

- The Council discharged its improvement planning duties under the Measure and acted in accordance with Welsh Government guidance
- The Council complies with the requirement to make arrangements to secure continuous improvement during the financial year
- The 'challenge process' is good practice and should remain a permanent fixture in the Council's forward planning calendar (good links with scrutiny)
- The Council is taking action to strengthen its arrangements to monitor and report progress against its improvement objectives

However, their commentary has highlighted some improvement areas for consideration:

*"My audit and assessment work has identified scope to strengthen the Plan in one important aspect. Where the Council is using performance indicators (whether statutory, standard or local) as measures of success in achieving its Improvement Objectives, baseline and targeted performance data is needed to clearly express the scale of the council's improvement ambitions." (Improvement Assessment Letter 532A2013)*

*"Although a wider range of evidence is included in this year's Report, this does not yet amount to a comprehensive and balanced assessment of performance. There remains an over-reliance on numerical outputs and the extent of feedback from users is limited or anecdotal. Other broader, qualitative information, for example, the result of benchmarking, scrutiny assessments or peer reviews is not provided." (Improvement Assessment Letter 640A2013)*

- Maintain focus on the 'Commissioning Council'
- More robust arrangements to embed resulting actions from both regulators and internal scrutiny recommendations are embedded in improvement plans and those responsible are held to account
- Strengthen the portfolio of success measures – The Council should be more explicit about the level of ambition, identified in good measures with clear baselines and targets, well connected to the change activities being implemented
- Continued improvement in our approach to self-evaluation
- Ensure the change plan and the MTFP is well connected and that there is a balance between delivering transformation and securing cost improvement
- Implement identified improvements following national study of scrutiny arrangements.

The latest Annual Improvement Report from Wales Audit Office is due in July 2014.

- Review of Whistle Blowing Allegations  
In their review of allegations made under whistle blowing legislation, the WAO “found no evidence of impropriety or bias by officers or members of the council.”

Areas of concern were raised however, in particular the “lack of an audit trail to support key decisions and events” and the need for improvement of “information governance in terms of human resource files”.

#### 4.5 Estyn

Estyn is the Office of Her Majesty’s Chief Inspector of Education and Training in Wales. Their mission is to achieve excellence for all learners in Wales through raising the standards and quality in education and training. Estyn has a wide range of statutory inspection and reporting responsibilities which include inspection of all publicly funded education and training across Wales.

The authority was monitored in October 2012. Inspectors found that too little progress had been made against the recommendations and placed the authority in need of “significant improvement”. In a follow up monitoring visit in October 2013, Estyn stated:

*“Since the Estyn monitoring visit in October 2012 change and improvement have happened at a considerable pace both corporately and within the Schools’ Service.”*

*“There is now much greater transparency in the work of the service and also in its communications with schools. The authority has improved the engagement of stakeholders in its decisions. Estyn stated in its letter reporting on the October 2012 visit that senior officers and key elected members understood well the challenges faced by the council but that progress was too slow. The understanding of the challenges and shortcomings goes much further now. Officers and schools have all shown that they realise the need to improve and their willingness to work towards achieving this.” (Estyn Monitoring Visit 23-25 October 2013)*

#### 4.6 Care and Social Services Inspectorate Wales (CSSIW)

CSSIW encourages the improvement of social care, early years and social services by regulating, inspecting, reviewing and providing professional advice to ministers and policy makers. It provides the council with their views on the councils’ annual review and evaluation of performance.

Their Annual Review and Evaluation 2012-2013 for Powys stated:

*“The delivery of children’s social services remains complex and challenging, with significant risks associated with working with very vulnerable children and their families.....improvement was in evidence across a number of performance indicators in 2012/13.”*

*“The Children and Young People’s Partnership and the Local Safeguarding Children Board continue to provide a robust strategic framework for children’s services to work within, alongside its partner agencies.”*

*“The director’s report reflects the work needed to improve adult services and provides evidence of the ongoing work to achieve this.”*

*“CSSIW has identified the following potential risks for the council:*

- *Financial challenges and overspend in adult services; the council recognises the “volatility” in the adult services budget, and the risks associated with a reduction in health funding for learning disability services.*
- *Maintaining sufficient momentum in transforming adult social care especially in light of increasing collaboration.*
- *Ensuring effective governance and oversight of the various collaboration arrangements especially where differing boundaries in relation to health boards could cause problems.*
- *The regionalisation of the local safeguarding children’s board functions.”*

*(CSSIW - Annual Review and Evaluation 2012-2013: Powys)*

#### 4.7 Internal Audit

During 2013/14, Internal Audit was subject to the requirements and principles of:

- Public Sector Internal Audit Standards in the UK - 2013
- CIPFA Local Government Application Note - 2013

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 corruption. 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 recognised standards, 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 in July 2014, the Internal Audit Manager’s opinion on internal control is that there is a “Satisfactory (bordering on limited)” level of Assurance i.e. the control environment is

generally effective, but there are areas of the Council where improvement in control is required.

Internal Audit will track the implementation of the agreed action plans either through the Internal Audit Sub Group and/or through a series of follow-up reviews.

## **5. Significant Governance Issues**

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

5.2 Delivering in Partnership - One Powys Plan 2014-17

We believe that we can best deliver our key priorities for improvement through working with our Local Service Board Partners. We will jointly develop and implement a single improvement plan as required by Welsh Government. The Council's Improvement Plan will be integrated within the One Powys Plan.

In developing the One Powys Plan we will:

- Address issues through prevention and early intervention rather than reaction
- Understand the interventions that best deliver outcomes for citizens and commission services accordingly
- Focus on delivering advantage together that we cannot obtain by working separately
- Build on our current programmes of change where these remain valid
- Mandate multi-agency programmes to define and manage delivery of our priority outcomes
- Recognise that each organisation retains responsibility for single agency plans but will align these plans with the One Powys Plan – to ensure there is only one plan.
- Commit to pooling resources where added value can be gained.

Many of our cross cutting themes outlined in 5.4 will support the delivery of the One Powys Plan.

Arrangements for multi-agency programme delivery will be established to ensure effective governance arrangements are in place. This will build on the earlier initiative to establish a Health and Adult Social care Leadership Board to replace the Care and Wellbeing Programme Board outlined in 3.2.

In addition, we will work with our LSB partners to provide a collective and lobbying force for Powys as an entity, particularly in relation to Welsh Government policy and how it is likely to affect the citizens of Powys. For example, the recent joint response to WG on the Commission for Public Services and the paper on co-terminosity between the council and Powys teaching Health Board.

5.3 A fit for purpose and sustainable council - Organisational Development Plan

During the last year the council has invested in developing and starting to implement a simpler and more effective operating model and service commissioning approach. We have also been challenged to improve our self-evaluation and governance capability by our regulator leading to the development of a Strategic Planning and Performance Improvement framework. These streams reinforce each other and will be delivered as an organisation wide development plan. The scope and outcomes of the four streams in this programme are set out below.

| Stream  | Summary Outcome   |
|---|---|
| <p><b>Strategic Planning and Performance Improvement</b></p> <p>Designing a simpler, closed loop process to move from performance management to performance improvement, producing the One Plan, MTFP and Service Improvement Plans</p> | <p>A strong set of strategic priorities delivered by jointly agreed business and balanced financial plans. Clear team and personal accountability for delivery evaluated using a simpler performance process. Consistent and appropriate scrutiny challenge.</p>              |
| <p><b>Service Commissioning Design and Rollout</b></p> <p>Designing a rigorous process for service commissioning, agreeing a rollout plan based on likely benefit and piloting the process.</p>   | <p>New commissioning processes designed and implemented. Briefed and trained members, management and staff. A programme of re-commissioning work with pilot projects delivering benefits.</p>   |
| <p><b>Operating Model Completion</b></p> <p>Complete implementation of new elements of the operating model and complete our management redesign</p>   | <p>Each element is clear to staff, organised appropriately, has clear accountabilities and is implementing the systems and processes necessary to deliver its role. Leaders take accountability and engage with staff in developing a culture of innovation and delivery.</p> |
| <p><b>Cost Improvement</b></p> <p>Shape and oversee a cost improvement programme based on consistent, cross council themes and a hypothesis for an affordable council.</p>  | <p>A one council plan to achieve rapid and sustainable cost reduction towards a lower cost base in line with the direction of transformation and implementation of the new operating model. Improved cost and benefit management capabilities.</p>                            |

#### 5.4 Cross Cutting Themes

We are committed to progressing as a single council and therefore must also focus on opportunities that cut across individual services. These are set out below.

##### 5.4.1 Commissioning Appropriate, Viable, Equitable and Affordable Services

Over the next three years the Council will work to commission services so that they address specific citizen need in an effective and efficient way within available funding. This work has already begun with the commissioning of a

new reablement and domiciliary care provision that promises to increase independence for Older People and reduce acute need.

Where similar services are delivered in different service areas they will be commissioning on a cross-council basis. Individual service commissioning projects are set out in section 4. Cross Council service commissioning approaches will initially focus on:

- Transport - providing a single coherent approach to the provision, management, sourcing and maintenance of service and community transport.
- Property Facilities Management - providing a single coherent approach to the provision of buildings and the services that support them including grounds maintenance, security and cleaning for our corporate, service and schools estate. This will be done alongside our health partners.

#### 5.4.2 Improving our Cost Base through Consistent Transformation

We will develop and implement a cross-council approach to continuously reduce the cost of providing excellent services. We recognise that we cannot do this by repeatedly slicing services and will deliver more of this cost improvement through sustainable transformation. We will also make savings from a number of areas of cost to protect front line staffing where we can. In particular we will apply good practice principles in three areas:

- There will be a better understanding of the overall cost base that will have to reduce because of the £40m savings requirement over the next 3 years. This will signal a move to a different approach to providing information to decision makers that will be supported by the reshaping of the Council's support services. The approach will bring greater transparency to internal recharges so that internal customers can understand the cost of services provided by council suppliers.
- Setting appropriate fees and charges – Income generation will be one of the ways that the Council will address the overall funding. The setting of income charges will be within an overall policy framework that will have regard to market comparison of charging levels where applicable. This will need to be informed by comparison with comparable suppliers and a principle that there should be full cost recovery where appropriate. We will aim to recover the full cost of our services from organisations and individuals where they are able to make payment, where the value of our service is recognised, where this prompts the right behaviours and where this does not disadvantage vulnerable individuals. We may discontinue discretionary services where the value is not recognised sufficiently by the recipient to pay for the service.
- Getting better value from our spend on goods and services - we will bring our spend together to get more influence on the market, we will buy to an appropriate specification, we will understand the market and procure in a way that improves our influence with suppliers and reduces both our costs. We will work with local suppliers to allow them

to offer better value and stronger competition for our business and to help them become more able to compete nationally.

- We will simplify the way we manage our staff, expecting more accountability and self-reliance from our teams and reducing the layers of management and the number of management posts.

#### 5.4.3 Rationalise our Property Estate

We recognise a significant investment in a diverse and wide ranging estate of office and service buildings. We recognise that many of these buildings are key to our communities but that our buildings are not necessarily fit for purpose or in the right position/place.

We will use our Property function to take oversight of our entire estate and use a Strategic Asset Management approach to identify the right locations for services and how we best use the buildings we retain and make surplus buildings available for other uses. We will do this alongside our public service partners.

We will aim to occupy less space to deliver activities that do not face the customer and ensure our customer facing buildings are located appropriately.

#### 5.4.4 Regeneration as a Cross Service Principle

We will ensure that our regeneration vision is embedded into everyday practice, to deliver outcomes which will have a positive impact upon not just the physical, social, environmental, but the economic and cultural attributes of the county as well.

Our regeneration vision is to nurture and promote the County's assets and strengths as the means to addressing its weaknesses, by establishing a robust and sustainable economy that is based upon vibrant communities, and which enhances and protects the physical, social and cultural environment of Powys.

#### 5.4.5 Public Sector Collaboration

We will work with regional, national and local public bodies where this allows us to deliver more efficiently and effectively. We will recognise the challenge in delivering effective collaboration and will only pursue opportunities where the appetite for collaboration is clear and demonstrated and where we cannot deliver such benefits working alone.

#### 5.4.6 Working with the Third Sector

We recognise that an increasing co-dependence with the third sector will require a sound relationship based on clear mutual advantage as outlined in the Third Sector Compact. The Compact states that:

The Council and LSB partners work together to achieve a civil society where:

- the public and third sectors work together as partners of equal value in order to meet social need and deliver improving public services
- volunteering is valued for the major contribution that it makes to local life, to the delivery of public services and to local democracy
- voluntary organisations and community groups (as well as service users and carers through their contact with voluntary organisations and community groups) have clear access to decision making processes
- people are enabled to participate in the development of their community and their contribution is valued

This will require us to consolidate and improve the strategic working relationships between the public service and third sector in order to:

- recognise the crucial contribution that the third sector makes to civil society
- recognise and address third sector issues and concerns
- encourage, value and promote volunteering
- encourage, value and promote community participation
- engage relevant voluntary organisations on the potential impact of policy changes on the voluntary sector
- encourage and share good practice in strategic partnerships
- confirm and maintain transparent procedures in the administration of grant schemes, commissioning, procurement and other funding mechanisms
- recognise the statutory, legal and financial obligations on public bodies

The One Powys Plan (2014-17) makes a commitment to review the Compact in the light of the recently reviewed and published (January 2014) Welsh Governments Third Sector Scheme which sets out a framework based on 17 key principles. New Welsh Government guidance for local authorities and other public bodies is currently being prepared in order that local Compacts reflect the national Scheme.

#### 5.4.7 Neighbourhood Management

We recognise that our communities are different and require an appropriate response from the Council. We recognise that engaging with citizens at a community level will allow us to deliver this appropriate response. We will therefore complete our current pilot in Newtown and roll-out a Neighbourhood Management approach across the county to inform our service commissioning and delivery approach. This will include a defined approach to:

- Community leadership and facilitation
- Local joint needs assessments to support planning and priority setting
- Community and citizen engagement
- Community based commissioning and service design

#### 5.4.8 Resourcing Appropriately

We will develop the capacity and capability that we need to improve so that we continue to minimise our spend on external advisors. We will make sure



these resources are able and available to work across service and are fully utilised. We recognise that the Council is developing in new areas and we will make a limited investment in those skills that are infrequently required and cannot be effectively developed inside the council. We will access temporary capability where peaks of work do not justify permanent staffing. We will rigorously specify, appoint, manage and then remove temporary staff when the requirement is completed.

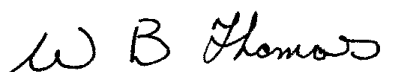
- 5.5 Progress on the above will be monitored through the One Powys Plan and the five programme governance arrangements, together with effective monitoring of service improvement plans. The Council is also in the process of introducing balanced scorecards and 90 day action plans to ensure effective performance management arrangements are in place across all executive and managerial tiers. Both Cabinet, Scrutiny and Audit Committees will monitor progress throughout 2014/15.

**Signed on behalf of Powys County Council:**



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**Chief Executive**

**Date:** 30<sup>th</sup> June 2014



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**Leader of the Council**

**Date:** 30<sup>th</sup> June 2014