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Audit Committee

Meeting Venue
Committee Room A - County Hall, Llandrindod Wells, Powys

Meeting Date
Thursday, 30 June 2016

Meeting Time
2.00 pm

For further information please contact
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24 June 2016

PLEASE NOTE THAT THIS MEETING WAS CANCELLED

AGENDA

1.	APOLOGIES	A33-2016

To receive apologies for absence.

2.	DECLARATIONS OF INTEREST	A34-2016

To receive declarations of interest from Members.

3.	DISCLOSURE OF PARTY WHIPS	A35-2016

To receive disclosures of prohibited party whips which a Member has been given in relation to the meeting in accordance with Section 78(3) of the Local Government Measure 2011.

(NB: Members are reminded that under Section 78 Members having been given a prohibited party whip cannot vote on a matter before the Committee.)

4.	**MINUTES**	**A36-2016**

To authorise the Chair to sign the minutes of the previous meetings held on 15 April and 11 May 2016.

(Pages 3 - 14)

5.	**DRAFT STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT**	**A37-2016**

To consider the draft Statement of Accounts and Annual Governance Statement.

(Pages 15 - 196)

6.	**WORK PROGRAMME**	**A38-2016**

To consider the forward work programme and whether any additional items should be included.

(Pages 197 - 200)

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 15 APRIL 2016

PRESENT
County Councillor JG Morris (Chair)

County Councillors D E Davies, E R Davies, L Fitzpatrick, G Hopkins, M J Jones, F H Jump, P J Medlicott, R H Mills, D R Price, G W Ratcliffe, D A Thomas, D G Thomas, R G Thomas, T J Van-Rees, J Brautigam and D R Jones, Chair People Scrutiny Committee and W T Jones, Portfolio Holder for Finance and Performance

WAO: Ms Justine Morgan**,** Performance Audit Lead, Messrs Colin Davies, Lead Performance Audit, Phil Pugh, Audit Manager and Anthony Veale, Engagement Director

Officers: David Powell, Strategic Director, Resources, Jane Thomas, Professional Lead for Finance, Ian Halstead, Internal Audit Manager, Caroline Evans, Business Continuity and Risk Management Officer, Lee Anderson, Senior Strategic Commissioning Manager and Dylan Owen, Head of Transformation, Adult Social Care

1.	**APOLOGIES**	**A1-2016**

Apologies for absence were received from County Councillors L R E Davies, S Davies and W D Powell.

2.	**DECLARATIONS OF INTEREST**	**A2-2016**

There were no declarations of interest.

3.	**DISCLOSURE OF PARTY WHIPS**	**A3-2016**

There were no disclosures.

4.	**MINUTES**	**A4-2016**

The Chair was authorised to sign the minutes of the previous meeting, held on 4 February 2016, as a correct record.

5.	**WAO**	**A5-2016**

5.1. **Powys County Council Statement of Accounts 2014-15**

Documents:
- WAO letter to Strategic Director, Resources

Issues:
- 2014/15 accounts could not be certified due to the ongoing review into the letting of the domiciliary care contract

- This had been concluded and receipt of the letter formally concluded the 2014/15 Financial Statements

Outcome:
- **That the letter be noted**

5.2. **Assessment of Financial Resilience**

Documents:
- Financial Resilience Assessment

Issues:
- A national study had been undertaken with authorities receiving individual feedback
- Three areas had been considered – financial planning, financial control and financial governance
- An overall rating of ‘medium’ risk had been given
- An Action Plan would be produced in due course

Discussion:
- The WAO had acknowledged the improved approach taken by the Authority
- The Finance Scrutiny Panel (FSP) had started to have an impact
- Scrutiny of performance was inadequate. The Committee noted that finance and performance would be vested in one Portfolio Holder and hoped that this would improve the situation
- The WAO acknowledged the difficult circumstances in which budgets were being set and noted that traditional budget setting arrangements may no longer be adequate. Investment in the FSP was beginning to show improvements but this should continue to ensure rigorous scrutiny and challenge is ongoing
- Impact assessments had been identified as good practice and the benefits of ensuring rigorous assessment were noted
- Members commented that whilst some service areas had submitted clear and robust impact assessments, others required improvement. The committee would wish to see the initiative continued and improved to increase the usefulness of the documents
- It had previously been acknowledged that scrutiny of finance and performance needed to be strengthened. Proposals for combined reporting are under discussion
- The WAO were asked how Powys ranked against other authorities – it was reiterated that Powys had been classified as ‘medium’ showing that there is more work to do but that there were no concerns that Powys was not attempting to address improvements. There was no precise definition for ‘medium’.
- The FSP had considered the report at a meeting on 11 April and welcomed the acknowledgement the Panel had received. The Panel noted the Business Partner arrangement that was ongoing with the BBC but remained concerned that there were capacity issues which may hinder ongoing work. It had been acknowledged for some time that the Audit Committee’s Finance and Performance working group had not been as effective as hoped but that the committee and working group structure

was currently under review. The need for further improvements to impact assessments in some areas had also been commented on
- The Strategic Director was asked whether the risk register would influence the action plan in the response to the WAO. Key elements were being brought together and, whilst there was better correlation between the register and strategic plans, there is not yet a complete overlap.
- The Portfolio Holder for Finance was asked whether outstanding savings from 2014/15 had been achieved. Savings had not been met in the schools service and the Portfolio Holder is awaiting details of plans to cover the shortfall. A further £31K had not been achieved in relation to lease cars but this would be rectified over the three year period of the lease
- The Chair reported Joint Chairs' Steering Group concerns in relation to the Commissioning and Procurement Board
- The WAO was asked whether it thought the Council was positioned to assess the impacts of future changes. An opinion was expressed that the Council was suitably positioned, with the extent of predictions in the medium term being as robust as could be expected. Assumptions must be revisited on a regular basis.

Outcome:
- **An Action Plan to be prepared, incorporating comments made by the Finance Scrutiny Panel, and monitored by the Audit Committee.**

5.3. **Pension Fund Audit Plan**

Documents:
- 2016 Audit Plan

Issues:
- Financial audit only
- Aims to conduct work to achieve an opinion that the Pension Fund accounts are free from misstatement or error
- Key risks are identified and proposed responses included

Outcome:
- **Noted**

5.4. **Audit Plan**

Documents:
- 2016 Audit Plan

Issues:
- Financial and performance audit
- Statutory duty of the Auditor General for Wales and discharges responsibilities under the International Standards of Auditing
- The principles are the same as the Audit of the Pension Fund but with different risks identified
- Risks identified include the change to the minimum revenue position, transfer of leisure services and ongoing themes identified in the previous year.

- Grant claims work would also be undertaken and it was expected that this would be for between 13 and 16 claims

Discussion:
- Members noted that there had been difficulties with continuity of WAO staff during the last audit necessitating the authority's staff to repeat work. The WAO assured the Committee that there would be continuity throughout the audit with the core element remaining consistent.
- Meetings at officer level have taken place to consider options for improvement on both sides. Issues identified will lead to improvements.
- The WAO were asked if sampling would take place at the same level as the previous audit. This would be determined by the risks identified and the audit approach.

Outcome:
- **Noted**

County Councillor D R Price left the meeting at 11.20

5.5. **Letting of domiciliary care contract**

Documents:
- Report of the Portfolio Holders for Adult Social Care and Finance and Performance
- Original and updated Action Plans
- Learning Document – Adult Social Care

Issues:
- The Strategic Director, People was responsible for one element of the Action Plan and the Strategic Director, Resources responsible for two elements
- The report had been accepted by Cabinet
- The Action Plan had been updated and circulated to Members

Discussion:
- Names against some actions still needed to be updated
- Members expressed concerns that commissioning was being adequately dealt with – not only the initial commissioning but the managing and monitoring of projects. The Strategic Director, Resources informed the Committee that the Authority had taken steps to strengthen commissioning and a Commercial Services Team was now in place. This would ensure greater engagement in the future. He went on to say it was essential that sufficient resource was available to ensure continuing improvements and deliver change. Senior managers had also developed a greater awareness of commissioning.
- A comment was made that both the Chief Executive and Leader had been leading when the initial contract had been let, and were now responsible for implementing corrections. A query was raised whether there would be any external oversight. It was noted that the commissioning of the domiciliary care contract was a corporate issue and that Management Team had considered best practices to ensure that there would not be a reoccurrence.

- The Chair of People Scrutiny Committee had concerns that resources to remedy the domiciliary care issue had disadvantaged other projects such as the re-letting of the residential care contract. He asked whether there was sufficient resilience and resource within the Council to deal with these issues. The Strategic Director, Resources responded that there was sufficient resource and acknowledged the delays in taking the contract forward. Lessons must be learned. The Senior Strategic Commissioning Manager informed the Committee that commissioning over the next two to three years had been prioritized and resourced appropriately. A team is being put together to support the Adult Social Care Commissioning Team to ensure the residential care contract is delivered on time. This additional resource had been provided to cover not just the reletting of the BUP contract but more extensive work to address provision in both the private and voluntary sectors over the next 25 to 30 years. The Head of Transformation noted that there was no evidence to suggest that better terms could have been negotiated if the contract had been dealt with earlier. He reassured Members that work was in hand to ensure planning was in place for April 2017.
- The Committee noted the references to scrutiny and were of the opinion that the matter should have been considered by scrutiny earlier in the process
- The Chair informed the Committee that concerns regarding challenge of the Commissioning and Procurement Board had been raised and sought assurance that the Board were fully aware of their role and responsibilities
- It was acknowledged that this had been a wider corporate failure and not just People Services that lessons had to be learned. One of the driving factors in commissioning domiciliary care had been the need to deliver savings and the process had been undertaken quickly. More preparation time should have been allowed which may have enabled more effective scrutiny to take place. The Strategic Director Resources confirmed meetings were taking place with Heads of Service to ensure that all savings identified over the next three years are supported by a robust plan. The level of support required needs to be quantified and the Authority must recognise that transformation will require funding. This must be factored into individual business cases
- The Chair questioned the level of engagement with scrutiny and Audit Committee despite both being mentioned in the Action Plan

Outcome:

- **That the implementation of the Action Plan continue to be monitored by the Audit Committee**

6.	CORPORATE ASSESSMENT	A6-2016

Documents:

- Local Government studies programme and 2016-17 performance audit programme

Issues:

- A full corporate assessment would not now take place as planned

- Unprecedented change has taken place including austerity measures, the demise of the Local Government Measure 2009 and the Future Generations and Wellbeing Act.
- The WAO had also had budgets reduced and this would affect the improvement programme
- All authorities will be subject to three, themed studies
  - Financial Resilience – a stronger focus on savings plans and initiatives alongside the content and robustness of those plans
  - Governance – decision making and scrutiny particularly around the setting of the budget
  - Transformational Change – an expert panel is scoping this element and it is anticipated that this study will not take place until the last quarter
- The studies will identify areas where further assurance is required for those authorities that have not yet completed a full corporate assessment. This could potentially focus on leadership and vision and integration
- The Portfolio Holder for Finance and Performance reported that a task group had already been established to identify weaknesses. Work undertaken in preparation for a full corporate assessment would continue to ensure a joined up approach was taken. He considered this to be good practice irrespective of the audit regime.

Outcome:

- **The change to the performance monitoring framework was noted**

7.	RISK MANAGEMENT	A7-2016

Documents:

- Report of the Business Continuity and Risk Management Officer
- Heat Map
- Risk Register
- Risk Assessment Matrix

Issues:

- Single Integrated Impact Assessments (SIIAs) had analysed risks
- Feedback from Members and officers had been received and templates would be revised. Would now be known as Impact Assessments (IAs)
- Training of officers and Members responsible for signing off IAs to be undertaken to ensure better information is included
- IAs of savings for 2017/18 are currently being completed and will be completed by mid-June – these will then feed into budget planning meetings
- Training regarding risk assessment had been undertaken with Members immediately prior to the Committee. This had also been delivered to Cabinet and will be rolled out to remaining Members in due course.

Discussion:

- The training session was welcomed by Members
- Members again raised the issue that some risks were owned by both the Leader and Chief Executive and queried where accountability lay. All

officers are accountable and measures are in place to ensure this occurs. It was noted that the WAO had oversight of the Authority and that the Chief Executive was subject to a rigorous annual review by an external partner and Group Leaders. The One Powys Plan has shared objectives and there will be ongoing discussions with the WAO regarding arrangements. Assurance will be gained through the three themed studies that are replacing the Corporate Assessment.
- Improvements to the risk management process were welcomed but Members sought assurance regarding the robustness of some of the plans behind risk management. These were always discussed with Heads of Service and should be living documents subject to regular review
- Internal Audit had conducted a review of Risk Management – the report will be available to Members in due course and may address the issues raised

Outcome:
- **Noted**

8.	SCRUTINY OF RESERVES	A8-2016

Documents:
- Report of the Professional Lead, Finance
- Statement of reserves
- Report of the Portfolio Holder for Finance
- Reserves Policy

Issues:
- Additional information for Members following on from a document considered at the last meeting regarding scrutiny of reserves
- A Reserves Policy was agreed by Cabinet in 2015
- Monthly monitoring reports are submitted to Cabinet

Discussion:
- Further information would be provided regarding usable and unusable reserves
- The Portfolio Holder for Finance reported that the budget was expected to be balanced for 2015/16 and the previously identified use of reserves would no longer be required. He believed it was unacceptable to maintain reserves at 4% while services were being cut – there was an expectation that the reserves level would be between 3 and 3 ½ % when the accounts were finalized
- A £1.019M Budget Management Reserve was maintained to mitigate any failures to achieve savings. This could be rolled forward to the current financial year.

Outcome:
- **A further report on the reserves position would be submitted following the closure of accounts**

9.	CLOSURE OF ACCOUNTS	A9-2016

Documents:
- Report of the Professional Lead for Finance

Issues:
- Project Team meets fortnightly throughout the year to resolve issues as they arise
- Phase 2 will be completed by the end of April
- A meeting with the WAO audit team has already been held and proved to be beneficial

Discussion:
- Officers were asked whether the Authority would be in a position to deliver an earlier completion date as required by Welsh Government – the timescale will be shortened in 2018/19 and again in 2020/21. New internal targets have been implemented and service accounts will be closed by 29 April
- As the authority devolves services, contracts are clear with regard to future timescales

Outcome:
- **The report be noted.**

10.	TREASURY MANAGEMENT	A10-2016

Documents:
- Report of the Portfolio Holder for Finance
- Credit rating list

Issues:
- Interest rates were not changing
- Current investment rates remained low but the lower level for borrowing was more important
- The Capital budget is more closely aligned to the Revenue Budget

Discussion:
- The Local Authority Mortgage Scheme cannot be extended. Members were of the opinion that this was a lost opportunity given the low wage economy and high property prices

Outcome:
- **The report be noted**

11.	WORKING GROUPS	A11-2016

Documents:
- Scrutiny summary report – Internal Audit Working Group

Issues:

- Delivery of S106 Agreements had been disjointed across the Authority – following the Internal Audit Review Members were pleased to note that Planning had actively developed a co-ordinated approach to improve delivery of S106
- Procurement of Portable IT Equipment – the Group had asked that a letter to be sent to schools regarding the purchase of equipment outside of a corporate contract to be strengthened. The Chair reminded Members that many of them were LEA governors and asked that if the delegated budgets were to be used to purchase equipment, that every effort be made to ensure that such items were compatible with corporate systems.

Outcome:

- **A copy of the letter being sent to schools to be copied to all Members**

12.	WORK PROGRAMME	A12-2016

Documents:

- Work Programme

Outcome:

- **The work programme be approved**

13.	JOINT CHAIRS' STEERING GROUP	A13-2016

Documents:

- Notes of the Joint Chairs' Steering Group held on 18 March 2016

Outcome:

- **Noted**

14.	CORRESPONDENCE	A14-2016

There were no items of correspondence.

County Councillor JG Morris (Chair)

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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON WEDNESDAY, 11 MAY 2016

PRESENT
County Councillors J G Morris (Chair), A W Davies, D E Davies, E R Davies, L R E Davies, M J Jones, W D Powell, D G Thomas, T J Van-Rees, S L Williams and Mr J Brautigam

1.	APOLOGIES	A29-2016

Apologies for absence were received from County Councillors G G Hopkins and R G Thomas.

2.	ELECTION OF CHAIR	A30-2016

RESOLVED that County Councillor J G Morris be elected Chair for the ensuing year.

3.	ELECTION OF VICE CHAIR	A31-2016

RESOLVED that Mr J Brautigam be elected Vice Chair for the ensuing year.

4.	INTERNAL AUDIT WORKING GROUP	A32-2016

RESOLVED that County Councillors E R Davies, J G Morris, W D Powell, D G Thomas, and S L Williams and Mr J Brautigam be appointed to the Internal Audit Working Group.

County Councillor JG Morris (Chair)

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Statement of Accounts 2015/16

Powys

Contents

Narrative Report

Introduction

The Statement of Accounts 2015/16 provide details of the Council's financial position for the year ended 31 March 2016. The information presented on pages 1 – 181 is in accordance with the requirements of the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) based on International Financial Reporting Standards (IFRSs), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts consist of:

- The **Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves;
- The **Comprehensive Income and Expenditure Statement** which 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 council tax. The council tax position is shown in the Movement in Reserves Statement;
- The **Balance Sheet** which sets out the financial position of the Council at 31 March 2016
- The **Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the financial year;
- The Notes to the Core Financial Statements which provide further information to the Core Financial Statements;
- The **Housing Revenue Account** (HRA) and notes which show in more detail the income and expenditure on HRA services included in the Comprehensive Income and Expenditure Account;
- The **Pension Fund Accounts**. The financial data has been extracted from the 2015/16 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** which sets out the governance arrangements in place, annual review and recommended improvements.

Review of the Year

Revenue Funding

The Council's net revenue budget is funded from Welsh Government Grant, locally generated income and Council Tax income.

The Welsh Government funded 73.2% of the Council's 2015/16 net revenue budget compared to 75.2% in 2014/15. The funding is provided in a settlement known as Aggregate External Finances (AEF).

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 experienced a reduction in funding of more than 4.5%. Powys benefits from this discretionary informal arrangement entered into by all 22 Welsh local authorities and without this safety net would be £2.2m worse off.

Revenue Expenditure

The revenue financial performance of the Council is summarised below:

Service Area	Original Budget	Total Working budget	Net Expenditure before Reserve movement	Total Movement to/(from) Reserves	Approved use of Reserves	Service Variance from Budget Under/(Over) spend
	£k	£k	£k	£k	£k	£k
People						
Adult & Commissioning	54,373	54,948	56,813	(1,865)	(3)	(1,862)
Children Services	16,088	15,941	16,072	(131)	0	(131)
Housing General Fund	715	587	532	55	10	45
Place						
Leisure & Recreation	12,025	12,938	13,013	(75)	(133)	58
Regeneration, Property & Commissioning	6,905	7,304	7,065	239	(199)	438
Highways, Transport & Recycling	21,655	24,130	25,366	(1,236)	11	(1,247)
Schools						
Schools Service	25,842	30,090	30,150	(360)	50	(410)
Chief Executive	4,147	4,502	4,442	60	(166)	226
Resources						
Professional Services	1,382	1,150	1,392	(242)	(248)	6
Information Services	(96)	(358)	(682)	324	205	119
Business Services	(158)	(188)	12	(201)	(298)	97
Service Area Totals	142,878	151,044	154,175	(3,432)	(771)	(2,661)
Central Activities	24,123	16,688	8,545	8,143	3,517	4,626
Council Tax Surplus						
Total	167,001	167,732	163,116	4,711	2,746	1,965
Schools Delegated	70,981	70,251	71,141	(590)	(2,149)	1,559
Housing Revenue Account (HRA)	0	0	(5,985)	5,985	5,821	164
Total including Schools & HRA	**237,982**	**237,983**	**227,876**	**10,106**	**6,418**	**3,688**

The Revenue Budget for the Council was approved by the Council on the 27 January 2015 at £237.982m.

The Council's net expenditure for the year was £227.876m with £6.418m funded from reserves. A number of reserve movements were included in the approved budget or made by virements during the year this includes Capital and Voluntary Severance.

After excluding approved reserve transfers the Service performance against budget reported an overall underspend of £3.688m, or £1.965m after excluding Schools Delegated and the Housing Revenue Account (HRA).

In order to balance the budget significant savings of £12.768m were required and £9.716m have been achieved leaving a shortfall of £3.052m. This shortfall has been included within the overall budget position reported. Other mitigation has delivered the overall underspend. Delivery of the remaining £3.052m savings is still required and is essential to the delivery of an ongoing balance budget.

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 underspend of £1.965m or 1.17% of the working budget.

Corporate Activities were underspent by £4.626m at year end. The position reflects a significant underspend of £4.884m on Capital charges, mainly due to the policy change for the minimum revenue provision calculation, which made a contribution of £3.025m, and the costs of interest being charged to the HRA following the buy-out in April. The approved capitalisation of expenditure in respect of Management of Change has also contributed to the underspend by approximately £1.6m.

Revenue Reserves

31 Mar 15 £k	Revenue Reserves	31 Mar 16 £k
	Ring Fenced or Restricted Use Reserves	
3,082	School Reserves	2,393
8,691	Other Specific Reserves	8,007
	Committee Specific Reserves	
14,311	Other Specific Reserves	16,299
26,085	**Total Earmarked Reserves**	**26,699**
	Central or General Reserves	
11,007	Council Fund	14,269
3,833	Housing Revenue Fund	1,386
40,925	**Total**	**42,354**

Revenue reserves represent an accumulation of revenue over and underspends and sums set aside specifically to meet future expenditure.

Ring fenced reserves must be used for the purpose intended. The Housing Revenue Account (HRA) and school reserves are ring-fenced by statute.

The HRA contribution to reserve has increased by a further £164k, due to reduced costs in the day to day running of the HRA and £496k as a result in changes in the settlement figures compared to figures available at budget setting. The final balance being £1.386m. Under Financial Regulations this balance should not be less than £1m.

Schools delegated budgets ended the year with a transfer from their ring-fenced reserve of £732k, this is a much improved position than was projected, with schools budgets expecting to be supported by £2.2m from their reserves.

The improved revenue position has increased the ability to transfer to reserves. The level of General Fund reserves at 31 March 2016 is 4.29% of net expenditure. This includes all ring-fenced and specific reserves.

Capital Expenditure

The approved capital programme totalled £131.5m. Final expenditure in 2015/16 was significantly lower than the approved programme at £107.068m. The variance is mainly due to a number of projects being delayed and re-profiled in the year. The capital expenditure excluding revenue expenditure funded from capital under statute is included in the table below.

Area	Capital Expenditure £m
Adults & Commissioning	0.1
Highways, Transport & Recycling	6.7
Housing Revenue Account	15.1
Leisure & Recreation	1.7
Regeneration, Property & Commissioning	0.5
Schools	6.8
Other	0.5
Total	**31.4**

The Council receives a core capital allocation from Welsh Government, in 2015/16 this allocation was £7.523m, a reduction of £0.044m compared to the previous year. In addition to this the capital programme is also funded through a mixture of Supported and Prudential Borrowing, capital receipts, grants and revenue reserves as shown below:

Area	Capital Financing £m
Supported Borrowing	2.7
Prudential Borrowing	8.4
Grants	9.7
Capital Receipts	1.5
Reserves	9.1
Total	**31.4**

Medium Term Financial Strategy

The Council’s budget settlement continues to be adversely affected by the UK Government’s austerity measures to significantly reduce public spending in order to address the UK’s debt situation.

The Spending Review announced on 25th November 2015 set budgets for government departments and the devolved administrations for each financial year for the rest of the Parliament (2016/17 to 2019/20).

Day to day spending is set to fall by £18 billion or 6% between 2015/16 and 2019/20 in real terms, meaning that many departments will see budget reductions. Some departments are protected from spending reductions, including the NHS, some schools spending, defence spending and the international development budget. This means that other departments have seen larger reductions, in many cases on top of the reductions seen over the previous Parliament.

Scotland, Wales and Northern Ireland will all receive more money to be spent on infrastructure projects, with each government deciding where this will be spent. This will be an increase of around 14% for Scotland, 16% for Wales and 12% for Northern Ireland.

The local context affecting our funding and demand for services is heavily influenced by Powys being sparsely populated with a wide geographic area requiring services. It has a higher than average elderly population that is predicted to increase at a rate that is significantly greater than the national average. This statistic can largely be attributed to people living longer as a result of better healthcare and improved lifestyles together with an inward migration of people to the county above retirement age.

Conversely the county's younger population is declining with a reducing birth rate and a sizeable outward migration of young people looking for further educational and career opportunities being the main contributors to this trend.

These factors in combination are presenting significant challenges. The provision of services to a dispersed and relatively small population is expensive as a result of greater transport costs and the demand for facilities to be delivered locally or within a commutable distance. Additionally, a consequence of an ageing population is the increased demand for more complex and therefore more expensive care support.

The 2016 – 2019 Medium Term Financial Strategy (MTFS) has been developed as part of the overall strategic planning process that involves the 'Statement of Intent' which captures the financial, regulatory and policy drivers affecting the council and sets the direction and approach. It also incorporates the plan for delivering a balanced budget for 2016/17 and indicative budgets for the following 2 years to March 2019. This means the Council has a balanced on-going financial plan to enable service transformation within a realistic estimated funding envelope.

The Financial Resourcing Model (FRM) sets out how a balanced budget will be delivered for 2016/17, however this position is reliant on the delivery of £10.004m of savings during the year. The FRM identifies the requirement for further savings of £19.883m over the remaining period of the MTFS.

2020 Vision

The Council's response to the challenges that it faces is captured in its vision of what the Council will look like and how public services will be delivered by 2020. It envisages 'strong communities in the green heart of Wales' that are vibrant, economically active and work in partnership with the Council to deliver services locally. In support of this vision, the Council has established four key priorities. They are:

- Remodelling council services to respond to reduced funding
- Supporting people within the community to live fulfilled lives
- Developing the economy
- Improving learner outcomes for all, minimising disadvantage

Highways Network Asset

In 2016/17 a change in accounting policy will require all Councils to recognise a new asset category. The Highways Network Asset will be shown as a separate line on the balance sheet. The valuation of the asset will change from a historical to a depreciated replacement cost basis. The effect is expected to increase these assets, previously shown as infrastructure assets significantly. The requirements to restate opening balances for the asset as at 1 April 2015 and preceding year information in the 2016-17 Financial Statements have been removed under an exceptional adaptation to IAS1 Presentation of Financial Statements.

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 - Resources.
- 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 [redacted]

[redacted]

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 2015/16.

I certify that the accounts set out on pages 1 to 181 present a true and fair view of the financial position of Powys County Council and the Powys County Council Pension Fund as at 31 March 2016 and its income and expenditure for the year then ended.

Signature: Date 30th June 2016

D Powell Strategic Director – Resources

Movement in Reserves Statement

	Council Fund £k	Earmarked Reserves (Note 8) £k	HRA £k	Capital Receipts £k	Capital Grants Unapplied £k	Total Usable Reserves £k	Unusable Reserves (Note 26) £k	Total Authority Reserves £k
Balance at 31 March 2014	9,957	31,101	7,056	12,649	899	61,662	277,853	339,515
Movement In Reserves During 2014/15								
Surplus Or (Deficit) On Provision Of Services	(11,642)	0	3,845	0	0	(7,797)	0	(7,797)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	35,414	35,414
Total Comprehensive Expenditure and Income	(11,642)	0	3,845	0	0	(7,797)	35,414	27,617
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	7,676	0	(7,068)	1,155	438	2,201	(2,201)	0
Net Increase/(Decrease) Before Transfers To Earmarked Reserves	(3,966)	0	(3,223)	1,155	438	(5,596)	33,213	27,617
Transfers To/(From) Earmarked Reserves	5,016	(5,016)	0	0	0	0	0	0
Increase/(Decrease) Movement In Year	1,050	(5,016)	(3,223)	1,155	438	(5,596)	33,213	27,617
Balance at 31 March 2015 Carried Forward	11,007	26,085	3,833	13,804	1,337	56,066	311,066	367,132
Movement In Reserves During 2015/16								
Surplus Or (Deficit) On Provision Of Services	(19,537)	0	(65,909)	0	0	(85,446)	0	(85,446)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	42,097	42,097
Total Comprehensive Expenditure and Income	(19,537)	0	(65,909)	0	0	(85,446)	42,097	(43,349)
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	23,413	0	63,462	740	(206)	87,409	(87,409)	0
Net Increase/(Decrease) Before Transfers To Earmarked Reserves	3,876	0	(2,447)	740	(206)	1,963	(45,312)	(43,349)
Transfers To/(From) Earmarked Reserves	(614)	614	0	0	0	0	0	0
Increase/(Decrease) Movement In Year	3,262	614	(2,447)	740	(206)	1,963	(45,312)	(43,349)
Balance at 31 March 2016 Carried Forward	14,269	26,699	1,386	14,544	1,131	58,029	265,754	323,783

Comprehensive Income & Expenditure Account

2014/15				2015/16		
Gross Exp. £k	Gross Inc. £k	Net Exp. £k		Gross Exp. £k	Gross Inc. £k	Net Exp. £k
76,637	(22,003)	54,634	Adult Social Services	79,669	(23,280)	56,389
11,649	(1,395)	10,254	Central Services To The Public	12,153	(1,871)	10,282
144,670	(25,093)	119,577	Children’s and Education Services	142,718	(23,900)	118,818
17,873	(4,878)	12,995	Cultural, Related Services	13,947	(2,975)	10,972
23,392	(8,080)	15,312	Environmental and Regulatory Services	24,519	(8,334)	16,185
27,220	(14,074)	13,146	Highways Roads And Transport	26,193	(13,573)	12,620
32,373	(31,079)	1,294	Housing Services - General	38,180	(33,152)	5,028
20,740	(21,668)	(928)	Housing Services - Housing Revenue Account	88,789	(22,047)	66,742
6,772	(3,036)	3,736	Planning Services	4,867	(2,548)	2,319
5,761	(1,852)	3,909	Corporate And Democratic Core	7,294	(1,731)	5,563
2,364	(207)	2,157	Non Distributed Costs	3,219	(45)	3,174
369,452	**(133,364)**	**236,088**	**Cost Of Services**	**441,548**	**(133,456)**	**308,092**
		22,628	Other Operating Expenditure (Note 9)			23,643
		15,918	Financing and Investment Income and Expenditure (Note 10)			16,226
		(266,838)	Taxation and Non Specific Grant Income Operations Not Included in Net Cost Of Services (Note 11)			(262,515)
		7,797	**(Surplus)/Deficit On Provision Of Services**			**85,446**
		(51,329)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets (Note 26)			(24,028)
		1,828	Impairment losses on non-current assets charged to the revaluation reserve (Note 26)			1,727
		(123)	(Surplus)/Deficit on Revaluation of Available For Sale Financial Assets (Note 26)			24
		14,210	Re-measurements of the net defined benefit (asset)/liability (Note 26)			(19,820)
		(35,413)	**Other Comprehensive Income And Expenditure**			**(42,097)**
		(27,616)	**Total Comprehensive Income And Expenditure**			**43,349**

Balance Sheet

Balance as at 31 Mar 15 £k		Note	Balance as at 31 Mar 16 £k
757,742	Property, Plant And Equipment	12	776,001
1,356	Heritage Assets	13	1,420
1,763	Investment Property	14	1,814
2,629	Intangible Assets	15	2,025
3,823	Long Term Investments	18	3,761
3,086	Long Term Debtors	18	3,570
770,399	**LONG TERM ASSETS**		**788,590**
474	Short Term Investments	18	5,875
1,598	Assets Held For Sale	22	1,423
1,281	Inventories	19	1,143
217	Intangible Asset – Carbon Reduction Commitment		237
31,505	Short Term Debtors	20	29,081
11,254	Cash And Cash Equivalents	21	350
46,329	**CURRENT ASSETS**		**38,109**
(16,537)	Short Term Borrowing	18	(3,037)
(30,558)	Short Term Creditors	23	(28,566)
(1,910)	Short Term Provision	24	(1,898)
(174)	Capital Grant Receipts In Advance	38	(207)
(49,179)	**CURRENT LIABILITIES**		**(33,709)**
(1,341)	Provisions	24	(1,159)
(151,458)	Long Term Borrowing	18	(227,013)
(15,718)	Long Term Creditors	23	(21,976)
(231,900)	Liability Related To Defined Benefit Pension	44	(219,060)
(400,417)	**LONG TERM LIABILITIES**		**(469,207)**
367,132	**NET ASSETS**		**323,783**
56,066	Usable Reserves	25	58,029
311,066	Unusable Reserves	26	265,754
367,132	**TOTAL RESERVES**		**323,783**

Cash Flow Statement

Restated 2014/15 £k		Note	2015/16 £k
	OPERATING ACTIVITIES		
	Cash Outflows		
173,503	Cash Paid to and on Behalf of Employees		161,925
13,786	Other Operating Cash Payments		95,193
157,426	Cash Paid to Suppliers of Good and Services		144,159
16,949	Housing Benefit Paid Out		17,772
21,982	Precepts and Levies Paid		21,802
6,974	Interest Paid		8,487
363,587	**TOTAL OUTFLOWS**		**449,339**
	Cash Inflows		
(9,835)	Rents (After Rebates)		(10,509)
(67,320)	Council Tax Income		(70,316)
(42,469)	National Non-Domestic Rate Receipts from Pool		(38,880)
(139,609)	Revenue Support Grant		(135,436)
(17,696)	DWP Grants for Benefits		(17,803)
(43,218)	Other Government Grants	30	(41,895)
(85,763)	Cash Received for Goods and Services		(69,304)
(57)	Interest Received		-
(379,115)	**TOTAL INFLOWS**		**(384,143)**
(15,527)	**NET CASH (INFLOW) FROM OPERATING ACTIVITIES**		65,196
33,421	**INVESTING ACTIVITIES**	28	18,333
(25,560)	**FINANCING ACTIVITIES**	29	(72,624)
(7,666)	**DECREASE/(INCREASE) IN CASH**		10,905
3,587	**Cash Balance as at 1 April**		11,254
11,254	**Cash Balance as at 31 March**	21	350

The restatement is to accommodate a separate line for cash paid to suppliers of goods and services.

Notes to the Core Financial Statements

Note 1: Accounting Policies

i. General principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016 on a going concern basis. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, 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 2015/16 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 C.C., 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 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 non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible non-current 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, the minimum revenue provision, 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 the contribution in the Council Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructure.

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 Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Powys County Council.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

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

- The liabilities of the Powys pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method- ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (based on the indicative rate of return on high quality corporate bond (Aon Hewitt GBP Select AA Curve)).
- The assets of Powys C.C. pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value.

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

- Service cost compromising:
  - Current service cost - the increase in liabilities as a result of years of service earned this year- allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Non Distributed Costs.
  - Net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement- this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period- taking into account and changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions- charged to the Pensions as Other Comprehensive Income and Expenditure.
- Contributions paid to Powys C.C. pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions reserve thereby measures the beneficial impact to the Council Fund of being required to account for the retirement benefits on the basis of cash flows rather than as benefits earned by the employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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 revalued 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset investment properties are measured at highest and best use. Properties are not depreciated but are revalued 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, the minimum revenue provision, 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.

Further information of intangible assets can be read in part xi. Intangible Assets earlier in this document.

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.
- All vehicles with a registration number, irrespective of value.
- Are part of external financing or contribution.

Depreciation & Amortisation

All tangible Non-Current assets other than land have been depreciated on a straight line basis using the following methods:

Asset	Years
Operational buildings	Useful life
Garages	20
Mobile offices/portacabins	20
Council dwellings	20, 30
Vehicles, plant, equipment and fittings	4, 5, 7, 10, useful life
Infrastructure	50, 18, 7
Surplus	Useful Life
Intangible	4, 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 operational non current assets are measured at current 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, on a modern equivalent basis.

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

Impairment

The value of each category of non-current asset 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:

- 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.
- 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 Comprehensive Income and Expenditure Statement 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 non-current 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 (greater than 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.

Highways assets are not treated as a single asset. Instead the layers of the highway are going to be recognised as work is undertaken on these layers. Specifically:

Structural Maintenance: Reconstruction associated with the removal of two or more of the structural layers of a road or pavement and their replacement with new material, including new surfacing. It involves the replacement of the existing wearing costs to increase or restore the strength of the carriageway. The Highways Asset Management Plan (HAMP) gives these assets an 18 year life.

Surface Dressing: Application of a bituminous emulsion to the carriageway upon which one or more layers of stone chippings are applied. It also includes the renewal of the anti-skid treatment, to enhance the surface texture and seal the carriageway. The HAMP gives these assets a 7 year life.

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. 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.

xix. 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.

xx. 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 & 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.

xxi. 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 Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement 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 polices.

xxii. Financial assets

Financial assets are classified into two types:

Loans & 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 Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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 Statement 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 Statement.

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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xxiii. 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.

xxiv. Financial liabilities

Examples of Liabilities are payables and borrowings from third parties.

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. 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 Statement 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 Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premia and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund balance to be spread over future years. The 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 Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement In Reserves Statement.

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

xxv. 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 31 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.

xxvi. 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.

xxvii. 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.

xxviii. 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.

xxix. Schools

Maintained (VA) schools

Governing Bodies of maintained schools are separate legal entities. As such, they are not covered by s33 of the VAT Act 1994 and so VAT incurred by them in respect of their non-business activities may not be recovered under s33.

The Governing Bodies are responsible for meeting all capital expenditure in relation to the school premises (with certain exclusions) except where it falls within a relevant de-minimus level. For materiality reasons, Local Authorities can set de-minimis limits on capitalisation of their expenditure in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

This Council’s de-minimus level is £10k hence this will be applied in respect of the Authority’s maintained schools.

Other schools

In accordance with the code local authority maintained schools not included in the above are considered to be controlled by the Authority. As such, income, expenditure, assets and liabilities are consolidated into the accounts of the Authority.

With regards to Non-Current Assets the Authority records only those assets it owns. In the case of Voluntary Aided and Faith Schools ownership is with the Diocese. The Authority does not have control of these schools and so omits on the Authority Balance Sheet.

xxx. Accounting for the costs of the Carbon Reduction Commitment scheme

The Authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently the second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used.

As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

Note 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 2016 for 2015/16).

The standards introduced in the 2016/17 code are as follows:

- Amendments to IAS19 *Employee Benefits*
- Annual improvements to IFRSs 2010 – 2012 cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual improvements to IFRSs 2012 – 2014 cycle
- Amendment to IAS 1 *Presentation of Financials Statements* (Disclosure Initiative)

None of the above are expected to have a material impact on the financial statements. The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

Note 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 Council’s 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.

Note 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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if assumptions differ from actual
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings within Land and Buildings would increase by £531k for every year that useful lives had to be reduced.
Provisions	The Authority has made a provision for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year, in either the total number of claims, or the estimated average settlement would each have the effect of adding to the provision needed.

Item	Uncertainty	Effect if assumptions differ from actual
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 £12.41m. However, the assumptions interact in complex ways. During 2015/16, the Authority's Actuaries advised that the net pension's liability had decreased by £6.22m as a result of estimates being corrected as a result of experience and likewise by £25.48m attributable to updating of the financial assumptions with no movement attributable to demographic assumptions.
Arrears	At 31 March 2016, the Authority had a balance of sundry debtors invoiced of £11.9m. A review of significant balances suggested that an impairment of doubtful debts of £1.3m was appropriate. Council Tax arrears stand at £3.6m. 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.

Note 5: Material Items of Income and Expense

There are no material items of income and expenditure that the Council deems as requiring further explanation.

Note 6: Events after the Balance Sheet Date

The Draft Statement of Accounts was authorised for issue by the Strategic Director - Resources on 30 June 2016. 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 2016, 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.

Note 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.

	Usable Reserves				
2015/16 TRANSACTIONS	**Council Fund Balance £k**	**Housing Revenue Account £k**	**Capital Receipts Reserve £k**	**Capital Grants Unapplied £k**	**Unusable Reserves £k**
Adjustments primarily involving the Capital Adjustment Account:					
Charges for depreciation	(18,179)	(5,900)	-	-	24,079
Amortisation of intangible assets	(664)	-	-	-	664
Impairment	(15)	-	-	-	15
Capital grants and contributions applied	7,555	4,425	-	-	(11,980)
Revenue expenditure funded from capital under statute	(5,602)	-	-	-	5,602
HRA Subsidy Exit Payment	-	(72,423)	-	-	72,423
Revaluation gain/loss on property plant and equipment	(4,446)	-	-	-	4,446
Change in market value investment property	50	-	-	-	(50)
Loss on derecogntion of assets	(2,626)	-	-	-	2,626
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	(3,422)	(761)	-	-	4,183
In year prior year adjustment	(64)	-	-	-	64
Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:					
Statutory provision for the financing of capital investment	4,112	1,726	-	-	(5,838)
Capital expenditure charged against the council fund and HRA balances	630	8,433	-	-	(9,063)
Adjustments primarily involving the capital grants unapplied account:					
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	482	-	-	206	(688)
Adjustments primarily involving the Capital Receipts Reserve:					
transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	2,949	1,273	(4,222)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	3,897	-	(3,897)

2015/16 TRANSACTIONS	Usable Reserves: Council Fund Balance £k	Usable Reserves: Housing Revenue Account £k	Usable Reserves: Capital Receipts Reserve £k	Usable Reserves: Capital Grants Unapplied £k	Unusable Reserves £k
Contribution from the capital receipts reserve towards administrative costs of noncurrent asset disposals	-	(31)	31	-	-
Available for sale asset capital receipt	(20)	-	-	-	20
Deferred capital receipts upon receipt of cash	(2)	-	(444)	-	446
Transfer of deferred sale proceeds credited to the capital receipts reserve	-	-	(2)	-	2
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	781	-	-	-	(781)
Adjustments primarily involving the Available for Sale Instruments Reserve:					
Accumulated gains on assets sold and maturing assets written out of the comprehensive income and expenditure statement as part of other investment income	(18)	-	-	-	18
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(258)	1	-	-	257
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see Note 44)	(23,417)	(713)	-	-	24,130
Employer's pensions contributions and direct payments to pensioners payable in the year	16,653	497	-	-	(17,150)
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,108	11	-	-	(2,119)
Total adjustments	**(23,413)**	**(63,462)**	**(740)**	**206**	**87,409**

	Usable Reserves				
2014/15 TRANSACTIONS	**Council Fund Balance £k**	**Housing Revenue Account £k**	**Capital Receipts Reserve £k**	**Capital Grants Unapplied £k**	**Unusable Reserves £k**
Adjustments primarily involving the Capital Adjustment Account:					
Charges for depreciation	(16,895)	(5,395)	-	-	22,290
Amortisation of intangible assets	(636)	-	-	-	636
Impairment	(556)	-	-	-	556
Capital grants and contributions applied	7,225	3,715	-	-	(10,940)
Revenue expenditure funded from capital under statute	(2,452)	-	-	-	2,452
Revaluation gain/loss on property plant and equipment	632	(58)	-	-	(574)
Revaluation loss on assets held for sale	(771)	-	-	-	771
Change in market value investment property	(92)	-	-	-	92
Loss on derecogntion of assets	(115)	-	-	-	115
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	(2,924)	(560)	-	-	3,484
Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:					
Statutory provision for the financing of capital investment	6,909	295	-	-	(7,204)
Capital expenditure charged against the council fund and HRA balances	5,790	8,735	-	-	(14,525)
Adjustments primarily involving the capital grants unapplied account:					
capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	462	-	-	(438)	(24)
Adjustments primarily involving the Capital Receipts Reserve:					
transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	1,735	857	(2,024)	-	(568)
Use of the capital receipts reserve to finance new capital expenditure	-	-	1,267	-	(1,267)
Contribution from the capital receipts reserve towards administrative costs of noncurrent asset disposals	-	(29)	29	-	-
Available for sale asset capital receipt	(71)	-	-	-	71
Deferred capital receipts upon receipt of cash	-	-	(427)	-	427

2014/15 TRANSACTIONS	Usable Reserves Council Fund Balance £k	 Housing Revenue Account £k	 Capital Receipts Reserve £k	 Capital Grants Unapplied £k	Unusable Reserves £k
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	531	-	-	-	(531)
Adjustments primarily involving the Available for Sale Instruments Reserve:					
Accumulated gains on assets sold and maturing assets written out of the comprehensive income and expenditure statement as part of other investment income	(100)	-	-	-	100
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	51	(289)	-	-	238
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see Note 44)	(23,252)	(598)	-	-	23,850
Employer's pensions contributions and direct payments to pensioners payable in the year	16,663	417	-	-	(17,080)
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	190	(22)	-	-	(168)
Total adjustments	**(7,676)**	**7,068**	**(1,155)**	**(438)**	**2,201**

Note 8: Transfers To/(From) Earmarked Reserves

Reserve Name	As at 31 Mar 14 £k	Movement £k	As at 31 Mar 15 £k	Movement £k	As at 31 Mar 16 £k
Restricted Use And Non Transferable					
Schools Reserve[1]	2,795	287	3,082	(689)	2,393
Insurance Reserve[2]	2,353	(165)	2,188	(223)	1,965
Corporate Initiative Reserve[3]	8,539	(2,036)	6,503	(461)	6,042
	13,687	**(1,914)**	**11,773**	**(1,374)**	**10,400**
Committee Specific Reserves					
Carried Forward Reserves[4]	3,182	(1,566)	1,616	365	1,981
Revenue Grants Unapplied[5]	508	571	1,079	39	1,118
21 Century Schools[6]	7,403	(487)	6,916	(182)	6,734
Transport Reserve[7]	4,428	(1,400)	3,029	2,024	5,053
Invest To Save[8]	1,616	(72)	1,544	(294)	1,250
Other Reserves[9]	277	(149)	128	35	163
	17,414	**(3,102)**	**14,311**	**1,989**	**16,299**
Total	**31,101**	**(5,016)**	**26,085**	**615**	**26,699**

[1] Total representing the funds available and ring-fenced to specific schools.
[2] To mitigate the effect of large claims against the Authority
[3] 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 April 2013.
[4] 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.
[5] Grants received but that have not been utilised that do not have to be repaid to the Grantor.
[6] Specifically to help finance the Schools Modernisation Programme.
[7] The transport reserve is used to fund vehicle, plant and equipment replacements. Services are charged a real depreciation amount which is transferred to the reserve annually and new VPE is purchased when the assets are life expired.
[8] Funds can be borrowed by departments to fund money saving schemes.
[9] A total of accumulated balance made up from smaller reserves.

Note 9: Other Operating Expenditure

2014/15 £k		2015/16 £k
	Precepts	
2,327	Community Council Precepts	2,511
12,642	Dyfed Powys Police Precept	12,182
	Levies	
6,367	Mid And West Wales Fire Authority	6,483
606	Brecon Beacons National Park	585
40	Powysland Internal Drainage Board	41
1,177	(Gain)/loss on the disposal of non-current assets	2,624
(531)	Transfer to deferred credits - landlord loans	(783)
22,628		**23,643**

Note 10: Financing and Investment Income and Expenditure

2014/15 £k		2015/16 £k
7,032	Interest Payable And Similar Charges	10,062
8,700	Net Interest on the defined liability (asset)	7,150
(495)	Interest Receivable And Similar Income	(730)
23	Impairment Of Financial Instruments	5
(29)	Income And Expenditure In Relation To Investment Properties And Changes In Their Fair Value (Note 14)	(224)
687	(Surplus)/Deficit On Trading Accounts	(37)
15,918		**16,226**

A review of the trading accounts in 2015/16 identified areas where a commercial competitive environment could not be justified. As a result those transactions were apportioned to the Net Cost of Service relevant to them.

Note 11: Taxation and Non-specific Grant Incomes

2014/15 £k		2015/16 £k
75,334	Council Tax income	78,757
42,469	Non Domestic Rates	38,880
139,609	Non-ringfenced government grants	135,435
9,426	Capital grants and contributions	9,443
266,838		**262,515**

Note 12: Property, Plant and Equipment

The non-current assets above do not include the 16 controlled faith schools or the 9 aided faith schools as the ownership of the assets does not reside with the Council.

Movement In 2015/16	**Council Dwellings**	**Other Land & Buildings**	**Vehicles, Plant & Equipment**	**Infrastructure**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**
	£k	**£k**	**£k**	**£k**	**£k**	**£k**	**£k**	**£k**
Cost or Valuation								
As at 1 April 15	242,702	412,291	69,335	126,512	1,262	3,859	10,903	866,866
Additions	15,152	8,242	877	5,254	9	5	1,866	31,405
In year prior period adjustments	(1)	(59)	-	-	-	1	-	(59)
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the revaluation reserve	-	17,124	-	-	(34)	121	-	17,211
Revaluation increases/(decreases) recognised in the surplus on the provision of services	-	(4,563)	-	-	(137)	(668)	-	(5,369)
Derecognition - disposals	(808)	(1,458)	(2,738)	-	(0)	(1,025)	(61)	(6,090)
Derecognition - other	-	(2,683)	-	-	-	(5)	-	(2,687)
Reclassification from/(to) held for sale	-	150	-	-	-	(685)	-	(535)
Reclassification from/(to) Investment Properties	-	-	-	-	-	-	-	-
Reclassification from/(to) intangible assets	-	-	-	-	-	-	-	-
Other movements	20	2,793	3	1,938	(1)	2,702	(7,457)	(3)
As at 31 March 16	257,065	431,836	67,478	133,704	1,100	4,305	5,252	900,740
Accumulated Depreciation								
As at 1 April 15	(10,514)	(20,133)	(50,837)	(20,613)	-	(241)	(19)	(102,356)
Depreciation charge	(5,843)	(11,278)	(3,815)	(3,090)	-	(53)	-	(24,079)
Depreciation written out to the revaluation reserve	-	3,833	-	-	-	178	-	4,011

Movement In 2015/16	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£k	£k	£k	£k	£k	£k	£k	£k
Depreciation written out to the deficit on the Provision of Services	-	504	-	-	-	64	-	568
Derecognition - disposals depreciation	41	98	2,416	-	-	19	-	2,573
Derecognition - other	-	2	-	-	-	-	-	2
Reclassified from/(to) held for sale	-	(3)	-	-	-	(0)	-	(2)
Reclassified from/(to) Investment Properties	-	-	-	-	-	-	-	-
Other movements	(1)	1	-	(2)	-	(0)	2	-
As at 31 March 16	(16,317)	(26,976)	(52,236)	(23,706)	-	(33)	(17)	(119,283)
Accumulated Impairment								
At 1 April 15	(6)	(6,574)	(14)	(29)	-	(2)	(140)	(6,766)
Impairment (reversals)/losses recognised in the revaluation reserve	-	1,205	-	-	-	-	-	1,205
Impairment (reversals)/losses recognised in the surplus on the provision of services	-	68	-	-	-	-	-	68
Reclassified from/(to) Held for Sale	-	-	-	-	-	-	-	45
Reclassified from/(to) Investment Properties	-	-	-	-	-	-	-	-
Derecognition - disposals Impairment	-	45	-	-	-	-	-	-
Other movements	-	(4)	-	-	-	7	-	3
In year prior period adjustments	2	(8)	-	-	-	(5)	-	(11)
As at 31 March 16	(5)	(5,268)	(14)	(29)	-	-	(140)	(5,456)
Net Book Value								
As at 31 March 16	240,744	399,593	15,228	109,969	1,100	4,272	5,095	776,001
As at 31 March 15	232,182	385,584	18,485	105,870	1,262	3,616	10,744	757,742

Comparative Movements in 2014/15:

Movement In 2014/15	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£k	£k	£k	£k	£k	£k	£k	£k
Cost or Valuation								
As at 1 April 14	230,616	375,406	64,796	117,006	1,218	5,751	6,447	801,237
Additions	12,892	3,055	6,067	8,676	35	-	5,150	35,876
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the revaluation reserve	(167)	41,579	-	-	-	(366)	-	41,046
Revaluation increases/(decreases) recognised in the surplus on the provision of services	(63)	(2,532)	-	-	-	(77)	-	(2,671)
Derecognition - disposals	(577)	(2,301)	(1,557)	-	-	-	-	(4,434)
Derecognition - other	-	(1)	(19)	-	-	(152)	-	(172)
Reclassification from/(to) held for sale	-	-	-	-	-	(2,383)	-	(2,383)
Reclassification from/(to) Investment Properties	-	(1,462)	-	-	-	-	-	(1,462)
Reclassification from/(to) intangible assets	-	-	-	-	-	-	(171)	(171)
Other movements	-	(1,452)	48	830	10	1,086	(522)	-
As at 31 March 15	242,702	412,291	69,335	126,512	1,262	3,859	10,903	866,866
Accumulated Depreciation								
As at 1 April 14	(5,155)	(19,475)	(49,010)	(17,992)	-	(284)	(17)	(91,934)
Depreciation charge	(5,381)	(10,797)	(3,351)	(2,621)	-	(141)	-	(22,290)
Depreciation written out to the revaluation reserve	1	8,322	-	-	-	39	-	8,362
Depreciation written out to the deficit on the Provision of Services	4	1,736	-	-	-	24	-	1,764
Derecognition - disposals depreciation	17	61	1,506	-	-	-	-	1,583
Derecognition - other	-	1	19	-	-	37	-	56
Reclassified from/(to) held for sale	-	-	-	-	-	56	-	56

Movement In 2014/15	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£k	£k	£k	£k	£k	£k	£k	£k
Reclassified from/(to) Investment Properties	-	45	-	-	-	-	-	45
Other movements	-	(27)	-	-	-	29	(2)	-
As at 31 March 15	(10,514)	(20,133)	(50,837)	(20,613)	-	(241)	(19)	(102,356)
Accumulated Impairment								
At 1 April 14	(7)	(7,750)	(14)	(29)	-	(13)	(140)	(7,952)
Impairment (reversals)/losses recognised in the revaluation reserve	-	93	-	-	-	-	-	93
Impairment (reversals)/losses recognised in the surplus on the provision of services	-	914	-	-	-	11	-	926
Reclassified from/(to) Held for Sale	-	-	-	-	-	46	-	46
Reclassified from/(to) Investment Properties	-	44	-	-	-	-	-	44
Derecognition - disposals Impairment	-	79	-	-	-	-	-	79
Other movements	-	46	-	-	-	(46)	-	-
As at 31 March 15	(7)	(6,574)	(14)	(29)	-	(2)	(140)	(6,766)
Net Book Value								
As at 31 March 15	232,182	385,584	18,485	105,870	1,262	3,616	10,744	757,742
As at 31 March 14	225,454	348,181	15,772	98,984	1,218	5,454	6,290	701,352

Capital Commitments

At 31 March 2016, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2016/17 and future years budgeted to cost £2,584k. Similar commitments at 31 March 2015 were £9,206k.

In addition, there was an outstanding Revenue Expenditure Funded from Capital Under Statute (Reffcus) commitment of £419k in respect of private sector housing at 31 March 2016 (£422k at 31 March 2015).

Revaluations

The Authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years.

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. Assets valued in 2015-16 were revalued at 1 April 2015.

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 fair values of Property, Plant and Equipment:

	Council Dwellings	**Other Land & Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure**	**Community**	**Surplus Assets**	**Assets Under Construction**	**Total**
	£k	**£k**	**£k**	**£k**	**£k**	**£k**	**£k**	**£k**
Historical cost	-	24,506	55,858	133,579	767	-	4,873	219,584
Valued at fair value:								
31 Mar 16	-	57,664	-	-	-	4,270	-	61,934
31 Mar 15	-	138,997	-	-	-	-	96	139,093
31 Mar 14	257,065	119,707	3,734	125	171	-	283	381,085
31 Mar 13	-	67,851	823	-	124	-	-	68,798
31 Mar 12	-	23,112	7,062	-	38	35	-	30,247
	257,836	**431,836**	**67,478**	**133,704**	**1,100**	**4,305**	**5,252**	**900,740**

Note 13: Heritage Assets – Tangible

Cost	Art Collection £k	Statues £k	Museum Artefacts £k	Civic Regalia £k	Total £k
As at 1 April 15	550	67	798	93	1,508
Additions	15	48	-	-	63
As at 31 March 16	565	115	798	93	1,571

Impairments	Art Collection £k	Statues £k	Museum Artefacts £k	Civic Regalia £k	Total £k
As at 1 April 15	(73)	-	(80)	-	(153)
As at 31 March 16	(73)	-	(80)	-	(153)

Net Book Value	Art Collection £k	Statues £k	Museum Artefacts £k	Civic Regalia £k	Total £k
As at 31 March 16	492	115	718	93	1,420
As at 31 March 15	477	67	718	93	1,356

Comparative Movements in 2014/15

Cost	Art Collection £k	Statues £k	Museum Artefacts £k	Civic Regalia £k	Total £k
As at 1 April 14	550	59	798	93	1,500
Additions	-	8	-	-	8
As at 31 March 15	550	67	798	93	1,508

Impairments	Art Collection £k	Statues £k	Museum Artefacts £k	Civic Regalia £k	Total £k
As at 1 April 14	(73)	-	(80)	-	(153)
As at 31 March 15	(73)	-	(80)	-	(153)

Net Book Value	Art Collection £k	Statues £k	Museum Artefacts £k	Civic Regalia £k	Total £k
As at 31 March 15	477	67	718	93	1,356
As at 31 March 14	477	59	718	93	1,347

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 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

Note 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:

2014/15 £k		2015/16 £k
(140)	Rental income	(126)
19	Direct operating expense	(48)
(121)		(174)

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:

2014/15 £k		2015/16 £k
482	Balance as at 1 April	1,764
	Additions:	
-	Disposal	(1)
(92)	Change in fair value	50
	Transfers:	
1,373	(To)/from Property, Plant and Equipment	-
-	Other Changes	2
1,763	Balance as at 31 March	1,814

Fair Value Measurement

The table below provides an analysis of the fair values of non-current assets grouped into levels one to three, based on the level to which the inputs to the measurement of fair value are observable. There are no movements between valuations levels 1 and 2.

	Level 1: Quoted Market Price £k	Level 2: Observable Inputs £k	Level 3: Unobservable Inputs £k	Total as at 31 March 2016 £k	Total gains/ (losses) £k
Recurring fair value measurements:					
Investment property (Note 14)	-	1,814	-	1,814	50
Non-recurring fair value measurements:					
Assets held for sale (Note 22)	-	684	-	684	-
Surplus assets	132	4,112	-	4,244	(310)

The table below shows a reconciliation of fair value valuations and the balance sheet figures.

	Fair Value £k	Balance Sheet £k	Variance £k
Investment Property	1,814	1,814	-
Assets held for sale	684	1,423	739
Surplus Assets	4,244	4,272	28

Fair valuation of surplus assets and assets held for sale varies from the balance sheet figure because the valuation of assets held for sale reflect the accounting policy of reporting the lower of fair valuation or carrying value.

Valuation Techniques Used to Determine Level 2 Fair Values

The fair value for assets held for sale has been based on the market approach using prices and other relevant information generated by market transactions involving comparable properties. Market conditions are such that similar properties are actively purchased & sold and the level of observable inputs are significant, leading to the properties being categorised as Level 2.

Highest and Best Use

In estimating the fair value of the Council’s investment property, the highest and best use of the properties is their current use.

For recurring valuations of investment property any gains or losses are recognised in the Comprehensive Income and Expenditure Statement within the line for income and expenditure related to investment properties. For the valuation of surplus assets, the gain or loss has been recognised in the non-distributed costs.

Sensitivity to Changes in Significant Unobservable Inputs

Significant changes in rental yield and vacancy levels or discount rate will result in a significantly lower or higher fair value.

Note 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 £664k charged to revenue in 2015/16 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.

The movements on intangible assets are below.

2015/16	**Internally generated £k**	**Other £k**	**Total £k**
Cost at 1 April	-	6,261	6,261
Accumulated amortisation 1 April	-	(3,609)	(3,609)
Accumulated impairment 1 April	-	(22)	(22)
Net carrying amount at 1 April		2,629	2,629
Additions:			
Purchase	-	60	60
Movement from PPE	-	0	0
Other Adjustments	-	(1)	(1)
Amortisation for the period	-	(664)	(664)
Net carrying amount at 31 March	-	2,025	2,025
Comprising			
Cost at 31 March	-	6,320	6,320
Accumulated amortisation 31 March	-	(4,273)	(4,273)
Accumulated impairment 31 March	-	(22)	(22)

2014/15	Internally generated £k	Other £k	Total £k
Cost at 1 April	-	5,797	5,797
Accumulated amortisation 1 April	-	(2,973)	(2,973)
Accumulated impairment 1 April	-	(22)	(22)
Net carrying amount at 1 April	-	2,803	2,803
Additions:			
Purchase	-	293	293
Movement from PPE	-	171	171
Amortisation for the period	-	(636)	(636)
Net carrying amount at 31 March		2,629	2,629
Comprising			
Cost at 31 March	-	6,261	6,261
Accumulated amortisation 31 March	-	(3,609)	(3,609)
Accumulated impairment 31 March	-	(22)	(22)

Note 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.

2014/15 £k		2015/16 £k
220,383	Opening capital financing requirement	224,482
	Capital investment:	
35,875	Property, plant and equipment	31,198
5	Assets held for sale	-
8	Heritage assets	63
293	Intangible assets	60
2,452	Revenue expenditure funded from capital under statute	78,025
	Less sources of finance:	
1,267	Capital receipts	3,897
10,964	Government grants and other contributions	12,668
	Sums set aside from revenue:	
14,525	Direct revenue contributions	9,063
574	Capital receipts set aside	-
7,204	Minimum revenue provision (MRP)	5,838
224,482	Closing capital financing requirement	302,363
	Explanation of movement in year:	
(4,682)	Decrease in underlying need to borrow (supported by government financial assistance)	(2,924)
8,781	Increase in underlying need to borrow (unsupported by government financial assistance)	80,805
4,099	Increase/(decrease) in capital financing requirement	77,881

Note 17: Impairment Losses

During 2015/16 the Authority has recognised an impairment loss of £161k (£2,384k in 2014/15) 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.

Note 18: Financial Instruments

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

2015			2016	
Long-term £k	Current £k		Long-term £k	Current £k
3,823	**474**	**Investments**	**3,761**	**5,875**
1,020	474	Loans And Receivables	1,020	5,875
2,803	-	Available For Sale Financial Assets	2,741	-
3,086	**31,505**	**Debtors**	**3,570**	**29,081**
3,086	-	Loans And Receivables	3,570	-
-	31,505	Financial Assets Carried At Contract Amount	-	29,081
151,458	**16,537**	**Borrowings**	**227,013**	**3,037**
151,458	16,537	Financial Liabilities At Amortised Cost	227,013	3,037
15,718	**32,468**	**Creditors**	**21,976**	**28,566**
15,718	32,468	Financial Liabilities Carried At Contract Amount	21,976	28,566

2015					2016			
Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivable	Financial Assets: Available for Sale	Total		Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivable	Financial Assets: Available for Sale	Total
£k	£k	£k	£k		£k	£k	£k	£k
7,032	-	-	7,032	Interest expense	10,061	-	-	10,061
-	23	-	23	Impairment loss	-	5	-	5
7,032	**23**	**-**	**7,055**	**Total expense in deficit on the provision of services**	**10,061**	**5**	**-**	**10,066**
-	(496)	-	(496)	Interest income	-	(723)	-	(723)
-	(31)	-	(31)	Interest income accrued on impaired financial assets	-	-	-	-
-	**(527)**	**-**	**(527)**	**Total income in deficit on the provision of services**	**-**	**(723)**	**-**	**(723)**
-	-	(123)	(123)	(Gains)/loss on revaluation	-	-	24	24
-	**-**	**(123)**	**(123)**	**(Surplus)/deficit arising on revaluation of financial assets in other comprehensive income and expenditure**	**-**	**-**	**24**	**24**
7,032	**(504)**	**(123)**	**6,405**	**Net (gain)/loss for the year**	**10,061**	**(718)**	**24**	**9,367**

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 2016 of 1.13% to 2.92% for loans from the PWLB and 3.07% to 3.50% 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 15			31 March 16	
Carrying Amount £k	**Fair Value £k**		**Carrying Amount £k**	**Fair Value £k**
167,995	205,939	Financial liabilities	230,050	285,195
15,718	15,718	Long-term creditors	21,976	21,976

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 15			31 March 16	
Carrying Amount £k	**Fair Value £k**		**Carrying Amount £k**	**Fair Value £k**
1,494	1,494	Loans and receivables	6,895	6,427
3,086	3,086	Long-term debtors	3,570	3,570

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.

Note 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 31 March.

31 Mar 15 £k		31 Mar 16 £k
525	Building materials, vehicle parts etc	463
704	Road salt	630
52	Other	50
1,281		**1,143**

Note 20: Short Term Debtors

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

31 Mar 15 £k		31 Mar 16 £k
	Central Government	
8,512	Welsh Government	3,811
445	European Community	102
2,237	HMRC (Value Added Tax)	2,295
87	Natural Resources Wales	58
106	Department for Work and Pensions	-
-	Food Standards Agency	93
-	Home Office	30
38	National Lottery	44
11	Sports Council	11
	Trunk Road Agencies	
6,908	North Wales Trunk Road Agency	5,165
	Local Authorities	
-	Ceredigion C.C	122
2,773	Other local and education authorities	1,360
	NHS Bodies	
888	Powys Teaching Health Board	3,879
192	Other NHS bodies	60
	Debt other than government	
2,731	Council tax	2,868
272	Housing benefits	245
72	Employees	66
-	Celtic Energy Section 106	1,600
4,501	Other short-term debtors	5,740
1,733	Payments in advance	1,532
31,505		**29,081**

Note 21: Cash and Bank Accounts

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

31 Mar 15 £k		31 Mar 16 £k
14,787	Cash held by the Authority	3,659
(3,533)	Bank current accounts	(3,309)
11,254		**350**

Note 22: Assets Held for Sale

2015 £k		2016 £k
793	**Opening balance**	**1,598**
(770)	Revaluation loss	-
	Assets newly classified as held for sale	
2,281	Property, plant and equipment	685
5	Additions	-
	Assets declassified as held for sale	
-	Property, plant and equipment	(147)
(713)	Assets sold	(713)
1,598	**Closing balance**	**1,423**

Note 23: Creditors

Short Term Creditors

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

31 Mar 15 £k		31 Mar 16 £k
	Central Government	
(1,979)	Welsh Government	(2,552)
(2,739)	HM Revenues and Customs	(2,718)
-	Department of Energy And Climate Change	(237)
-	Department for Work and Pensions	(200)
	Local Authorities	
(144)	Ceredigion County Council	(310)
(1,346)	Other local and education authorities	(529)
	NHS Bodies	
(716)	Powys Teaching Health Board	(261)
-	Other NHS	(4)
	Credit other than government	
(15,595)	Sundry Creditors	(15,025)
(3,524)	Holiday Accrual	(1,405)
(1,124)	Wages And Salaries	(1,120)
(789)	Payments Received In Advance	(914)
(791)	Deposits – Section 40 Advance	(1,573)
(472)	Commuted Sums – Land Drainage	(492)
(1,341)	Council Tax Credits	(1,226)
(30,558)		**(28,566)**

Long Term Creditors

31 Mar 15 £k		31 Mar 16 £k
(15,718)	Deposits – Section 106 deposit	(21,976)
(15,718)		**(21,976)**

Note 24: Provisions

The long and short term provisions include amounts set aside for equal pay. There are no material unfunded risks.

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.

Long Term Provisions

	As at 1 April 15 £k	Increase in Provision £k	Reversal of Unused Provision £k	Amounts Paid £k	Movement to Short Term £k	As at 31 March 16 £k
Long Term	(1,341)	(18)	-	200	-	(1,159)

Short Term Provisions

	As at 1 April 15 £k	Increase in Provision £k	Reversal of Unused Provision £k	Amounts Paid £k	Movement to Long Term £k	As at 31 March 16 £k
Insurance	(1,605)	(691)	-	631	-	(1,665)
Other	(305)	(100)	-	172	-	(233)
	(1,910)	**(791)**	**-**	**803**	**-**	**(1,898)**

Note 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

2014/15 £k		2015/16 £k
12,649	Balance as at 1 April	13,804
3,022	Gross capital receipts	4,668
(571)	Reserved receipts	-
(1,252)	Financing fixed assets	(1,530)
(15)	Financing Reffcus	(2,397)
-	Abortive costs	30
(29)	Less Administration costs	(31)
13,804	Balance as at 31 March	14,544

Note 26: Unusable Reserves

31 Mar 15 £k		31 Mar 16 £k
297,104	Revaluation reserve	309,232
1,684	Available for sale financial instruments	1,642
243,759	Capital adjustment account	171,325
762	Financial instruments adjustment account	505
(231,900)	Pensions reserve	(219,060)
3,181	Deferred capital receipts	3,515
(3,524)	Accumulated absences account	(1,405)
311,066		**265,754**

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:

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

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

2014/15 £k			2015/16 £k	
	256,628	Balance as at 1 April		297,104
		In year prior period adjustments	68	
56,129		Upwards revaluation of assets	24,298	
(6,628)		Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(1,997)	
	49,501	Surplus or deficit on the revaluation of non-current assets not posted to the surplus/deficit on the provision of services		22,369
(6,843)		Difference between fair value depreciation and historical cost deprecation	(7,522)	
(2,182)		Accumulated gains on assets sold or scrapped	(2,719)	
	(9,025)	Amount written off to the capital adjustment account		(10,241)
	297,104	Balance as at 31 March		309,232

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:

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

2014/15 £k		2015/16 £k
1,661	Balance as at 1 April	1,684
123	Upward/(downward) revaluation of investments	(24)
(100)	Accumulated gains on assets sold and maturing assets written out the comprehensive income and expenditure statement as part of other investment income	(18)
1,684	Balance as at 31 March	1,642

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.

2014/15 £k			2015/16 £k	
	230,097	Balance as at 1 April		243,759
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income And Expenditure Statement:				
-		In year prior year adjustment	(133)	
(22,290)		Charges for depreciation of non-current assets	(24,079)	
(636)		Amortisation of Intangible Assets	(664)	
574		Revaluation gain/(loss) on Property, Plant And Equipment	(4,446)	
(556)		Impairment due to economic consumption	(15)	
(2,452)		Revenue expenditure funded from capital under statute	(5,602)	
-		HRA Subsidy Exit Settlement	(72,423)	
(115)		Loss on derecognition of Assets	(2,626)	
(1,303)	(26,778)	Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income And Expenditure Statement	(1.464)	(111,452)
	6,843	Depreciation transfer to Revaluation Reserve		7,522
	(19,935)	Net written out of the cost of non-current assets consumed in the year		(103,929)
Capital Financing applied in the year				
1,267		Use of the Capital Receipts Reserve to finance new capital expenditure	3,897	
10,940		Capital grants and contributions credited to the Comprehensive Income And Expenditure Statement that have been applied to capital financing	11,980	
24		Application of grants to capital financing from the Capital Grants Unapplied Account	688	
14,525		Capital expenditure charged against the Council Fund and HRA balances	9,063	
7,204	33,960	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	5,838	31,465
	(92)	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income And Expenditure Statement		50
	(771)	Movement in the market value of Assets Held for Sale debited or credited to the Comprehensive Income And Expenditure Statement		-
	(71)	Available for Sale Assets		(20)
	570	Reserved capital receipts		-
	243,759	Balance as at 31 March		171,325

Financials 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 2015 will be charged to the Council Fund over the remaining life of repaid loans.

2014/15 £k		**2015/16 £k**
1,000	Balance as at 1 April	762
(291)	Discounts paid from rescheduling of debt	(289)
49	Soft loans adjustment	45
2	Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	-
2	Invest to save loans	(13)
762	Balance as at 31 March	505

Pension 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.

2014/15 £k		**2015/16 £k**
(210,920)	Balance as at 1 April	(231,900)
(14,210)	Actuarial gains or losses on pensions assets and liabilities	19,820
(23,850)	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	(24,130)
17,080	Employer's pensions contributions	17,150
(231,900)	Balance as at 31 March	219,060

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.

2014/15 £k		2015/16 £k
3,079	Balance as at 1 April	3,181
(3)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2)
531	Landlord Loans	781
(426)	Transfer to the Capital Receipts Reserve upon receipt of cash	(446)
3,181	Balance as at 31 March	3,514

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.

2014/15 £k		2015/16 £k
(3,692)	Balance as at 1 April	(3,524)
3,692	Settlement or cancellation of accrual made at the end of the preceding year	3,524
(3,524)	Amounts accrued at the end of the current year	(1,405)
(3,524)	Balance as at 31 March	(1,405)

Note 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:

2014/15 £k	Net expenditure by directorate	2015/16 £k
	People	
54,833	Adult Services And Commissioning	56,813
15,862	Children's Services	16,072
944	Housing	532
(5,552)	Housing Revenue Account	(5,985)
	Place	
-	Director and Heads of Service	112
14,896	Leisure And Recreation	13,013
8,762	Regeneration, Property and Commissioning	7,065
25,517	Highways, Transport and Recycling	25,254
102,893	Schools	101,291
4,169	Change and Governance	-
-	Chief Executive	4,442
	Resources	
1,117	Professional Services	1,392
-	Information Services	(682)
51	Business Services	12
61	Communications	-
223,553	**Service area Total**	**219,331**
11,423	Corporate Activities	8,941
234,976	**Total**	**228,272**
(60,150)	Council Tax	(64,063)
(139,609)	Revenue Support Grant	(135,436)
(42,845)	Non Domestic Rates	(38,880)
(7,628)	**Net Expenditure In The Directorate Analysis**	**(10,107)**
476	Net expenditure not included in the analysis	75,052
14,949	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	20,501
7,797	**(Surplus)/deficit on services in comprehensive income and expenditure statement**	**85,446**

Reconciliation to subjective analysis

The reconciliation overleaf 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.

2015/16	Per Directorates analysis £k	Amounts not reported to management for decision making £k	Amounts not included in income and expenditure £k	Per the (surplus)/deficit from the provision of services £k
Grants (see note 38)	(66,625)	(9,510)	-	(76,135)
Other grants, reimbursements and contributions (see note 38)	(11,605)	24	-	(11,581)
Customer and client income	(71,668)	(648)	-	(72,316)
Internal Recharges	(78,415)	(3,226)	-	(81,641)
Transfer to deferred credits - landlord loans (see note 9)	-	(783)	-	(783)
Reffcus (see note 38)	-	(2,972)	-	(2,972)
Precepts	(14,693)	-	-	(14,693)
Council Tax	(64,063)	-	-	(64,063)
Non Domestic Rates	(38,880)	-	-	(38,880)
Revenue Support Grant	(135,436)	-	-	(135,436)
Total Income	**(481,385)**	**(17,115)**	**-**	**(498,500)**
Employee Costs	162,672	(2,773)	-	159,899
Premises related expenditure	14,984	-	-	14,984
Transport related expenditure	15,476	-	-	15,476
Supplies And Services	26,047	(135)	-	25,912
Depreciation And Impairment losses	-	24,744	-	24,744
Reffcus	-	78,025	-	78,025
Third Party Payments	82,955	3	-	82,958
Precepts And Levies (see note 9)	21,802	-	-	21,802
Transfer Payments	47,230	-	-	47,230
Support services, and other internal recharges	76,910	2,981	-	79,891
Capital financing costs (Interest And Similar Charges)	21,524	(1,427)	-	20,097
Pension Interest Costs	-	7,150	-	7,150
IAS19 Past Service Costs	-	470	-	470
Insurance	1,678	222	-	1,900
Loss on Disposal of Assets	-	3,408	-	3,408
Total Expenditure	**471,278**	**112,668**	**-**	**583,946**
Net Expenditure/(Income)	**(10,107)**	**95,553**	**-**	**85,446**

2014/15	Per Directorates analysis £k	Amounts not reported to management for decision making £k	Amounts not included in income and expenditure £k	Per the (surplus)/deficit from the provision of services £k
Grants (see note 38)	(66,400)	(11,326)	-	(77,726)
Other grants, reimbursements and contributions (see note 38)	(12,221)	214	-	(12,007)
Customer and client income	(72,156)	(68)	-	(72,224)
Internal Recharges	(64,827)	(2,283)	-	(67,110)
Transfer to deferred credits - landlord loans (see note 9)	-	(531)	-	(531)
Council Tax	(75,119)	(215)	-	(75,334)
Non Domestic Rates	(42,845)	376	-	(42,469)
Revenue Support Grant	(139,609)	-	-	(139,609)
Total Income	**(473,177)**	**(13,834)**	-	**(487,010)**
Employee Costs	166,306	(2,740)	-	163,565
Premises related expenditure	15,649	-	-	15,649
Transport related expenditure	15,668	(1)	-	15,667
Supplies And Services	27,796	107	-	27,903
Depreciation And Impairment losses	-	23,770	-	23,770
Reffcus	-	2,452	-	2,452
Third Party Payments	93,081	102	-	93,182
Precepts And Levies (see note 9)	21,982	-	-	21,982
Transfer Payments	45,516	(14)	-	45,502
Support services, and other internal recharges	62,796	2,144	-	64,940
Capital financing costs (Interest And Similar Charges)	15,069	(7,204)	-	7,865
Pension Interest Costs	-	8,700	-	8,700
IAS19 Past Service Costs	-	630	-	630
Insurance	1,686	135	-	1,821
Loss on Disposal of Assets	-	1,177	-	1,177
Total Expenditure	**465,549**	**29,259**	-	**494,808**
Net Expenditure/(Income)	**(7,628)**	**15,426**	-	**7,797**

Note 28: Cash Flow Statement – Investing Activities

2014/15 £k		2015/16 £k
32,654	Purchase of property, plant and equipment, investment property and intangible assets	26,913
288,569	Purchase of short and long term investments	254,895
(2,738)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,995)
(285,064)	Proceeds from the sale of short and long term investments	(259,480)
33,421	Net cash flows from investing activities	18,333

Note 29: Cash Flow Statement – Financing Activities

2014/15 £k		2015/16 £k
(28,186)	Cash receipts of short and long term borrowing	(80,778)
(8,490)	Other receipts from investing activities	(11,698)
7,155	Repayments of short and long term borrowing	15,679
3,961	Other payments for financing activities	4,172
(25,560)	Net cash flows from financing activities	(72,624)

Note 30: Cash Flow Statement – Analysis of Government Grants

2014/15 £k		2015/16 £k
10,478	Housing Grants	11,547
2,552	Other Social Services (Primarily Mental Handicap Strategy)	2,270
4,291	Supporting People	7,509
1,220	Other Transport Grants	1,397
3,713	Waste Disposal And Recycling Grants	3,484
13,890	Education Grants	7,799
38	Welsh Language Grant	38
1,357	PIG Policy Agreements	1,376
778	Concessionary Travel	1,227
58	Regeneration and Development	-
347	Built Heritage Reffcus	-
14	CESF Grant	200
1,606	Miscellaneous	1,457
173	Safer Communities Fund	86
136	Communities First	111
1,708	Reffcus	2,714
6	Public Protection	-
508	Sports Council	451
145	Animal Welfare	121
117	Leisure & Recreation	-
83	Welsh Arts Council	108
43,218		41,895

Note 31: Trust Funds

The Authority remains sole trustee for the Welsh Church Acts Fund and Rhayader Leisure Centre. Their unaudited accounts are summarised over the next two pages 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.

2014/15 £k	Revenue Account	2015/16 £k
	Income	
(76)	Investment Income	(72)
(3)	Rents	(3)
(101)	Unrealised (Profit) on Investments	-
(180)	**Total Income**	**(75)**
	Expenditure	
29	Administration	43
-	Unrealised Loss on Investments	133
29	**Total Expenditure**	**176**
(150)	Deficit/(Surplus) for the year	101
(2,418)	Fund Balance Brought Forward	(2,568)
(2,568)	**Fund Balance Carried Forward**	**(2,467)**

31 Mar 15 £k	Balance Sheet	31 Mar 16 £k
	Non-current Assets	
205	Land and Buildings	205
2,208	Investments	2,075
2,413	**Total Non-current Assets**	**2,280**
156	Net Current Assets	187
2,568	**Net Assets**	**2,467**
2,568	**Fund Surplus**	**2,467**

Rhayader Leisure Centre Trust Fund

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

2014/15 £k	Revenue Account	2015/16 £k
(416)	Income	(438)
402	Expenditure	460
(14)	Deficit/(Surplus) for the year	22
(12)	**Fund Balance Brought Forward**	**(26)**
(26)	**Fund Balance Carried Forward**	**(4)**

31 Mar 15 £k	Balance Sheet	31 Mar 16 £k
26	Net Current Assets	4
26	**Net Assets**	**4**
26	**Fund Surplus**	**4**

The Charities Act 1993 requires there to be an independent audit of the Statement of Accounts of the above two trust funds. The 2015/16 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.

Note 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:

2014/15 £k	Agency	Description	2015/16 £k
528	Welsh Government	Houses for Homes	2
-	Welsh Government	Home Improvement Loans	18
-	Welsh Government	Viable & Vibrant Places Scheme	333

Note 33: Pooled Budgets and Joint Arrangements

Funded Nursing Care Pooled Budget (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 2014/15 for Free Nursing care was £2,070,147 which is now within the PtHB base allocation from WG.

2014/15		**2015/16**		
Total £k		**Staff £k**	**Other £k**	**Total £k**
	Gross Funding			
1,065	Powys County Council	-	1,065	1,065
1,082	Powys Teaching Health Board	-	1,005	1,005
2,147	**Total funding**	**-**	**2,070**	**2,070**
	Expenditure			
2,033	Monies spend in accordance with pooled budget arrangement	-*	2,004	2,004
2,033	**Total expenditure**	**-**	**2,004**	**2,004**
114	**Net under/(over) spend**	**-**	**66**	**66**
	Net under/(over) spend held			
(33)	Powys County Council			(4)
147	Powys Teaching Health Board			70

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

Powys Carers Services Section 33 Pooled Budget

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. Powys County Council is the lead commissioner and the host partner for the purposes of the Regulations. The agreement will not affect the liability of the parties from the exercise of their respective statutory functions and obligations.

2014/15 £k		**2015/16 £k**
	Gross Funding	
-	Powys County Council	237
-	Powys Teaching Health Board	16
-	**Total funding**	**253**
	Expenditure	
-	Powys Carers	253
-	**Total expenditure**	**253**
-	**Net under/(over) spend**	**-**

Community Equipment Store (CES) Pooled Budgets (Section 33)

Powys Teaching Health Board (PtHB) and Powys County Council (PCC) have entered into a partnership agreement in accordance with Section 33 of the National Health Services Act 2006. The agreement will not affect the liability of the parties from the exercise of their respective statutory functions and obligations.

Powys County Council is the lead commissioner and the host partner for the purposes of the Regulations. The purpose of the agreement is to facilitate the provision of a community equipment service and development within Powys.

2014/15 £k		**2015/16 £k**
	Gross Funding	
458	Powys County Council	521
584	Powys Teaching Health Board	521
15	Other	6
1,057	**Total funding**	**1,048**
	Expenditure	
54	Management costs	53
-	Audit	5
403	Equipment purchase	432
250	Maintenance and inspection	289
439	Delivery, cleaning and collection charges	377
1,146	**Total expenditure**	**1,156**
(89)	**Net under/(over) spend**	**(108)**
	Net under/(over) spend held	
(39)	Powys County Council	(54)
(50)	Powys Teaching Health Board	(54)

Integrated Health and Social Care Centre, Glan Irfon, Builth Wells Pooled Budget (Section 33)

Powys Teaching Health Board (PtHB) and Powys County Council (PCC) have entered into a partnership agreement in accordance with Section 33 of the National Health Services Act 2006.

The agreement will not affect the liability of the parties from the exercise of their respective statutory functions and obligations. Powys County Council is the lead commissioner and the host partner for the purposes of the Regulations.

The purpose of the agreement is to facilitate the provision of person centred care at Glan Irfon, for 12 residents within the short stay shared care re-ablement unit with in-reach clinical, nursing and re-ablement support (registered under CSSIW for Residential Care).

2014/15 £k		2015/16 £k
	Gross funding	
177	Powys County Council	177
177	Powys Teaching Health Board	177
354	**Total funding**	**354**
	Expenditure	
277	Twelve beds	354
277	**Total expenditure**	**354**
77	**Net under/(over) spend**	**-**
	Net under/(over) spend held	
38	Powys County Council	-
38	Powys Teaching Health Board	-

Reablement Service Section 33 Joint Arrangement

Powys Teaching Health Board (PtHB) and Powys County Council (PCC) have entered into a partnership agreement in accordance with Section 33 of the National Health Services Act 2006.

The agreement will not affect the liability of the parties from the exercise of their respective statutory functions and obligations.

2014/15 £k		2015/16 £k
	Gross funding	
413	Powys County Council	413
828	Powys Teaching Health Board	828
1,241	**Total funding**	**1,241**
	Expenditure	
700	Powys County Council	728
329	Powys Teaching Health Board	394
1,029	**Total expenditure**	**1,122**
212	**Net under/(over) spend**	**119**
	Net under/(over) spend held	
16	Powys County Council	4
196	Powys Teaching Health Board	115

Kaleidoscope Tier 2/3 Psycho-social Treatment Services Section 33 Joint Arrangement

Powys Teaching Health Board (PtHB) and Powys County Council (PCC) have entered into a partnership agreement in accordance with Section 33 of the National Health Services Act 2006.

Powys County Council is the lead commissioner and the host partner for the purposes of the Regulations. The agreement will not affect the liability of the parties from the exercise of their respective statutory functions and obligations.

The purpose of the agreement is to provide a Tier 2 and 3 service provision for drug and alcohol users and their concerned others.

2014/15 £k		2015/16 £k
	Gross funding	
670	Powys County Council	670
122	Powys Teaching Health Board	122
792	**Total funding**	**792**
	Expenditure	
792	In accordance with joint arrangement	792
792	**Total expenditure**	**792**
-	**Net under/(over) spend**	**-**

ICT Service

2014/15 £k		2015/16 £k
	Gross funding	
1,407	Powys County Council	2,167
682	Powys Teaching Health Board	1,089
2	Other income	176
2,091	**Total funding**	**3,432**
	Expenditure	
207	Management costs	162
1,232	Staffing costs	1,926
555	Other expenditure	1,277
1,994	**Total expenditure**	**3,365**
97	**Net under/(over) spend**	**67**
	Net under/(over) spend held	
(26)	Powys County Council	59
123	Powys Teaching Health Board	8

Note 34: Joint Committees

Education through Regional Working ERW is a Joint Committee consisting of six local authorities in South West and Mid-Wales. Pembrokeshire is the lead Authority. The total annual contribution from participating Authority's for 2015/16 was £250k (£250k in 2014/15) of which Powys C.C. contributed £36k (£40k in 2014/15). The reserve held specifically for Powys C.C. by ERW is £55k in 2015-16 (£66K in 2014-15).

Note 35: Members Allowances

A total of £1,236k was paid to Councillors in basic and special responsibility allowances (£1,210k in 2014/15). Councillors were also reimbursed travel, working expenses and subsistence expenses in accordance with regulations amounting to £96k (£114k in 2014/15).

Note 36: Senior Officers Emoluments

The remuneration ratio of the chief executive during the year of the accounts to the amount of the median remuneration (£19,048 in 2015/16, £18,376 in 2014/15) of the Authorities employees was 6.97 (7.23 in 2014/15).

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

Post Title	**Salary (inc fees & allowances)**	**Benefits in kind**	**Compensation for loss of office**	**Total Remuneration Excluding Pension Contribution**	**Pension Contribution**	**Total Remuneration including Pension Contribution**
2015/16	**£k**	**£k**	**£k**	**£k**	**£k**	**£k**
Chief Executive	138	-	-	138	32	170
Strategic Director – Resources	103	-	-	103	24	127
Strategic Director – People	101	-	-	101	23	124
Strategic Director – Place	99	-	-	99	23	122
Interim Director – PCC/PTHB Integration[1]	96	-	-	96	22	118
Head of Highways, Transport & Recycling	79	-	-	79	18	97
Head of Schools Service	77	-	-	77	18	95
Head of Professional Services & Commissioning	77	-	-	77	18	95
Head of Childrens Services	77	-	-	77	18	95
Head of Adult Services[2]	77	-	-	77	18	95
Head of Adult Services – Operations[3]	5	-	-	5	1	6
Head of Adult Services – Transformation[3]	4	-	-	4	1	5
Head of Housing	76	-	-	76	18	94
Head of Business Services	72	-	-	72	17	89
Head of Regeneration, Property & Commissioning	71	-	-	71	16	87
Head of ICT & Programme Office	62	-	-	62	14	76

[1] The role of Director – Change & Governance was removed and the post holder transferred into the role of Interim Director – PCC/PTHB Integration in February 15 although the council's records did not reflect this change until October 15.
[2] The role of Head of Adult Services will be vacated in April 16
[3] The role of Head of Adult Services has been split between Operations and Transformation, both filled in March 16.

Post Title	Salary (inc fees & allowances)	Benefits in kind	Compensation for loss of office	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total Remuneration including Pension Contribution
2014/15	**£k**	**£k**	**£k**	**£k**	**£k**	**£k**
Chief Executive	138	-	-	138	32	170
Strategic Director – Resources	101	-	-	101	23	124
Strategic Director – Place	99	1	-	100	23	123
Director - Change & Governance	92	1	-	93	21	114
Strategic Director - People	99	-	-	99	23	122
Head of Schools Service[1]	56	4	-	60	13	73
Interim Head of Schools Service[1]	17	-	-	17	4	21
Head of Operations[2]	35	1	12	48	11	59
Head of Highways, Transport & Recycling[3]	31	-	-	31	11	42
Head of Business Services	68	1	-	69	16	85
Head of Professional Services & Commissioning	74	1	-	75	17	92
Head of Childrens Services	74	3	-	77	17	94
Head of Adult Services	73	-	-	73	17	90
Head of Regeneration Property & Commissioning	68	-	-	68	16	84
Head of Housing & Commissioning[4]	32	-	40	72	8	80
Service Manager - Leisure	65	-	-	65	15	80
Head of Housing[5]	6	-	-	6	1	7

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:

2014/15 Officers	Remuneration Band	2015/16 Officers
8	£60,000 - £64,999	8
8	£65,000 - £69,999	6
3	£70,000 - £74,999	3
-	£75,000 - £79,999	3
1	£80,000 - £84,999	-
1	£85,000 - £89,999	-
1	£90,000 - £94,999	1

Note 43 details termination benefits.

[1] The post holder in the role of Interim Head of Schools Service was transferred into the role of Head of Schools Service in June 2014.
[2] The role of Head of Operations was deleted in May 2014.
[3] From November 2014 the role of Highways, Transport & Recycling was filled permanently.
[4] The role of Head of Housing and Commissioning was vacated in October 2014.
[5] The Head of Housing costs were charged to consultancy. From March 2015 the post was filled permanently.

Note 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.

2014/15 £k		2015/16 £k
208	Accounts	235
99	Performance audit	101
95	Grant claims	70
4	Other	0
406		**406**

Note 38: Taxation and Non-specific Grant Income

The Authority credited the following grants, contributions and donations to the

Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £k	Credited to Taxation and non-specific grant income	2015/16 £k
75,334	Council Tax	78,757
139,609	Revenue Support Grant	135,435
42,469	Non-domestic Rates redistribution (NNDR)	38,880
257,412		**253,072**

NNDR is organised on a national basis. The Welsh Government (WG) specifies an amount for the rate 48.2p in 2015/16 (47.3p in 2014/15) 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 as outlined overleaf. Please note that in 2015/16 Welsh Government replaced many school grants with a singular 'Education Improvement Grant'. These have been identified with a star (★).

2014/15 £k	Government Grants	2015/16 £k
565	14-19 Revenue Grant ★	-
145	Animal Health Welfare Grant	219
532	Benefit Administration Grant	505
561	Benefit Payments	546
148	Bus Revenue Support (Traws Cymru)	311
1,017	Concessionary Travel	1,139
1,117	Contribution From TEC	306
728	European Agricultural Fund for Rural Development	121
-	Education Improvement Grant ★	5,868
1,140	Families First	1,152
1,638	Flying Start	1,782
4,213	Foundation Phase ★	-
10,480	Housing Benefit Subsidy	11,548
-	Independent Living Grant	922
1,498	Integrated Care Fund	1,014
-	Integration Grant	300
257	Learning in Digital Wales	2
200	Local Government Borrowing Initiative	-
325	NNDR Collection Grant	332
1,352	Outcome Agreements	1,367
1,557	Pupil Deprivation Grant	1,921
957	Regional Transport Service Grant	1,127
17,164	Rent Allowance Grant	16,993
1,109	School Effectiveness Grant ★	-
220	School Milk	194
335	CSW Development	290
5,882	Sixth Form Grant	5,546
523	Sports Council	451
845	Substance Abuse Action Plan	835
5,721	Supporting People	5,138
3,836	Sustainable Waste Management Grant	3,892
293	TRACC Smartcards	-
274	Welsh Development Agency Grants	123
345	Welsh in Education Grant ★	-
1,975	Reffcus	2,788
8,906	Capital Grants	9,292
2,658	Other Government Grants	2,585
78,516		**78,609**

2014/15 £k	Other Grants, Contributions & Donations	2015/16 £k
4,960	Joint Finance – Area Health	4,662
665	Local Health Board	835
-	Reffcus	184
520	Capital Grants	27
5,071	Other	6,372
11,216		**12,080**

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:

2014/15 £k	Capital grants received in advance	2015/16 £k
131	**Balance as at 1 April**	**174**
92	Grants Received	39
(20)	Transfer to capital grants unapplied	(6)
(29)	To income and expenditure account	-
174	**Balance as at 31 March**	**207**

Note 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 1 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 2015/16 was 60,889. (60,029 in 2014/15).

The basic charge of £1,045.62 (£1,005.40 in 2014/15), for a band D property in 2015/16 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
Properties	3	3,008	6,027	9,762	8,895	13,169	12,246	6,241	1,114	394

2014/15 £k		2015/16 £k
75,501	Council tax income	78,921
(167)	Miscellaneous write offs	(165)
75,334	**Net proceeds from council tax**	**78,756**

Note 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.

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 Expenditure with companies in which members had an interest were:

		Payments in year £k	Outstanding at year end £k
Mid Wales Manufacturing	Cllr J H Brunt	116	-
Canal & River Trust	Cllr F Jump	30	-
Banwy Fuels	Cllr W.B Thomas	38	-
		184	-

The only significant Income received by Powys County Council from companies in which members had an interest are below.

		Receipts in year £k	Outstanding at year end £k
RWAS – Enterprises	Cllr R Harris	18	-
		18	-

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 2015/16.

Other Public Bodies [Subject To Common Control By Central Government]

The Authority has five pooled budget arrangements with Powys Teaching Health Board 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/(from) £k	Outstanding £k
Streetworks Manager	Joint Working CWIC	Ceredigion County Council	21	-
Workforce Director	Joint Working	Powys Teaching Health Board	(17)	-

The Powys Pension Fund

As well as making employer contributions to the Fund the County Council also provides administrative services for the fund. In 2015/16 the Council was paid £763k for these services (£763k for 2014/2015).

Note 41: Leases

Authority as a 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 £1,088k (£1,365k in 2014/15) and the total outstanding commitment on operating leases at the 31 March 2016 was £2,068k (£2,166k at 31 March 2015).

Date of expiry	£k
Leases expiring in 2016/17	1,021
Leases expiring between 2017/18 and 2021/22	1,047

Finance Leases

The Authority has not engaged with any leases of this type in 2015/16.

Authority as a 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:

31 Mar 15 £k	**Minimum lease payments**	**31 Mar 16 £k**
1,634	No later than one year	1,526
3,610	Later than one but no later than five years	3,632
4,553	Later than five years	4,543
9,797		9,701

Finance Leases

The Authority as a lessor has not issued any finance leases.

Note 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 was extended to 2016 for an additional £6.9m. Further to this the contract will be negotiated on an annual basis. This note has been maintained to provide comparability with the previous year.

Note 43: Termination Benefits

The Authority had the following termination costs.

2014/15			2015/16	
Staff	£k		Staff	£k
799	1,840	£0 - £20,000	260	1,090
75	2,155	£20,001 - £40,000	20	560
19	895	£40,001 - £60,000	7	319
-	-	£60,001 - £80,000	1	74
-	-	£80,001 - £100,000	-	-
3	358	£100,001 - £150,000	-	-
-	-	£150,001 - £200,000	1	157
896	5,248		289	2,200

2014/15 £k		2015/16 £k
3,362	Redundancy	1,524
1,204	Pension strain	468
158	Loss of office	115
524	Payment in lieu of notice or holidays	93
5,248		2,200

Note 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, who are responsible for the governance of the Fund. 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. Benefits earned up to 31 March 2014 are linked to final salary, benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in the ‘Local Government Pension Scheme Regulations 2013’ and ‘The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014’.

Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund’s Funding Strategy Statement. The last actuarial valuation was at 31 March 2013 and the contributions to be paid until 31 March 2017 resulting from that valuation are set out in the Funds Rates and Adjustment Certificate. An actuarial valuation of the Fund will be carried out at 31 March 2016 and as part of the valuation a new Rates and Adjustment Certificate will be produced for the three year period from 1 April 2017.

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.

2014/15 Funded £m	2014/15 Total £m	Comprehensive income and expenditure statement	2015/16 Funded £m	2015/16 Total £m
		Cost of services		
14.52	14.52	Current service cost	16.51	16.51
0.63	0.63	Past service costs	0.47	0.47
		Financing And Investment Income And Expenditure		
8.70	8.70	Interest on net defined benefit	7.15	7.15
23.85	23.85	Pension expense charged to the surplus/deficit on the provision of services	24.13	24.13
Other post employment benefit charged to the Comprehensive Income And Expenditure Statement				
(43.33)	(43.33)	Return on plan assets (in excess of)/that recognised in net interest	11.88	11.88
61.27	61.27	Actuarial (gains)/losses due to change in financial assumptions	(25.48)	(25.48)
-	-	Actuarial (gains)/losses due to changes in demographic assumptions	-	-
(3.73)	(3.73)	Actuarial (gains)/losses due to liability experience	(6.22)	(6.22)
38.06	38.06	Total other post employment benefit charged to the Comprehensive Income And Expenditure Statement	4.31	4.31
		Movement In Reserves Statement		
(23.85)	(23.85)	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(24.13)	(24.13)
Actual amount charged against the Council Fund balance during the year:				
(17.08)	(17.08)	Employers contributions payable to scheme	(17.15)	(17.15)

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31 March 2016 is a gain of £19.82m.

Pension 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.

2015 £m		2016 £m
403.65	Fair value of assets	463.58
695.48	Present value of funded defined benefit obligation	684.87
(231.90)	Funded Status	(219.06)
-	Impact of minimum funding requirement/asset ceiling	-
(231.90)	Asset/(Liability) recognised on the balance sheet	(219.06)

Reconciliation of the Movements in the Fair Value of Scheme Assets

2014/15 £m	Pension Scheme Assets	2015/16 £m
403.65	Brought forward 1 April	463.58
17.36	Interest Income on Assets	14.83
43.33	Remeasurement gains/(losses) on assets	(11.88)
17.08	Contributions by the employer	17.15
4.44	Contributions by participants	4.39
(22.28)	Net benefits paid out	(22.26)
463.58	Carried Forward 31 March	465.81

2014/15 £m	Actual Return on Assets	2015/16 £m
17.36	Interest Income on Assets	14.83
43.33	Remeasurement gains/(losses) on assets	(11.88)
60.69	Actual Return On Assets	2.95

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

2015 Funded £m	Pension Scheme Liabilities	2016 Funded £m
614.57	Brought forward 1 April	695.48
14.52	Current service cost	16.51
26.06	Interest expense on defined benefit obligation	21.98
4.44	Contributions by participants	4.39
61.27	Actuarial (gains)/losses on liabilities – financial assumptions	(25.48)
-	Actuarial (gains)/losses on liabilities – demographic assumptions	-
(3.73)	Actuarial (gains)/losses on liabilities – experience	(6.22)
(22.28)	Net benefits paid out	(22.26)
0.63	Past service cost	0.47
695.48	Carried forward 31 March	684.87

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 Assets 31 Mar 15		% of Assets (Quoted) 31 Mar 16	% of Assets (Unquoted) 31 Mar 16	Total Assets 31 Mar 16
53.0	Equity Investments	46.9	4.7	51.6
7.4	Property	14.2	-	14.2
16.3	Government Bonds	12.5	-	12.5
8.6	Corporate Bonds	7.6	-	7.6
5.2	Cash	0.9	-	0.9
9.5	Other	13.2	-	13.2
100.0		95.3	4.7	100.0

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 31 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 31 March:

2015 %		2016 %
2.9	Inflation – RPI	2.9
3.3	Rate of general increase in salaries	3.3
1.8	Rate of increase to pensions in payment	1.8
1.8	Rate of increase to deferred pensions	1.8
3.2	Discount rate	3.4

The Principal Demographic Assumptions are:

31 Mar 15	Post Retirement Mortality	31 Mar 16
	Males	
Standard SAPS Normal Health All Amounts	Base table (in 2007)	Standard SAPS Normal Health All Amounts
100.0%	Scaling to the above table	100.0%
CMI_2012	Cohort improvement factors (from 2007)	CMI_2012
1.5%	Minimum underpin to improvement factors	1.5%
23.0	Future lifetime from age 65 (currently aged 65)	23.1
25.2	Future lifetime from age 65 (currently aged 45)	25.3
	Females	
Standard SAPS Normal Health All Amounts	Base table (in 2007)	Standard SAPS Normal Health All Amounts
100.0%	Scaling to the above table	100.0%
CMI_2012	Cohort improvement factors (from 2007)	CMI_2012
1.5%	Minimum underpin to improvement factors	1.5%
25.5	Future lifetime from age 65 (currently aged 65)	25.6
27.8	Future lifetime from age 65 (currently aged 45)	28.0

	31 Mar 15	31 Mar 16
Commutation	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.	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 overleaf 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 did not change from those used in the previous period.

Funded LGPS Benefits

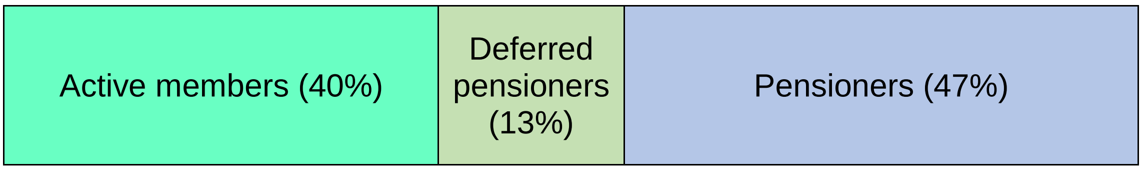
Discount Rate Assumption		
Experience gains / (losses) on liabilities	+0.1% p.a.	-0.1% p.a.
Present value of total obligations (£m's)	672.46	697.51
% change in present value of total obligation	-1.80%	1.80%
Projected service cost (£m's)	15.61	16.63
Approximate % change in projected service cost	-3.10%	3.20%
Rate of general increase in salaries		
Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value to total obligation (£m's)	687.79	681.97
% change in present value of total obligation	0.40%	-0.40%
Projected service cost (£m's)	16.11	16.11
Approximate % change in projected service cost	0.00%	0.00%
Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption		
Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£m's)	694.56	675.33
% change in present value of total obligation	1.40%	-1.40%
Projected service cost (£m's)	16.63	15.61
Approximate % change in projected service cost	3.20%	-3.10%
Post Retirement Mortality Assumption		
Adjustment to mortality age rating assumptions[1]	-1 year	+1 year
Present value of total obligation (£m's)	702.41	667.30
% change in present value of total obligation	2.60%	-2.60%
Projected service cost (£m's)	16.65	15.57
Approximate % change in projected service cost	3.30%	-3.30%

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 Council anticipates paying £17.34m regular contributions to the scheme in 2016/17.

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



The weighted average duration of the defined benefit obligation for scheme members is 18.3 years in 2015/16 (18.3 years 2014/15).

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

Risks Associated with the Fund in Relation to Accounting

Asset Volatility

The assets used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield this will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

Changes in Bond Yield

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

Inflation Risk

The majority of the pension liabilities are linked to either pay or inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that the increase in inflation will increase the deficit.

Life Expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Exiting Employers

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

Note 45: Teacher Pension Costs

In 2015/16 the County Council paid £6.5m to the Department for Education and Skills in respect of teacher's pension costs which represents 14.1% of teacher's pensionable pay (£6.1m, 14.1% in 2014/15). 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 1 September 1998. It is also responsible for any related increases on these awards. In 2015/16 payments made in relation to added years amounted to £1.4m, representing 3.13% of pensionable pay (£1.6m, 3.61% in 2014/15).

Note 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 set an initial Levy rate of 15% on claims paid by MMI exceeding in aggregate £50k. The initial Levy payment was made in 2013-14. In March 2016 the Scheme administrator applied a Second Levy increasing the initial levy to 25%. A provision of £46k is included in note 24 as 25% of outstanding estimates provided by the Scheme administrator. An accrual of £106k has been made for increase in levy on claims paid. The contingent liability is noted to incorporate any increase in the levy above 15%.

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

Note 47: Contingent Assets

No such assets were known to exist at 31 March 2016.

Note 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 measures such 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 below 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 Mar 16 £k	Actual provision for bad debts made £k	Bad debt written off in year £k	Other impairments in year £k
Deposits with banks and financial institutions	9,450			
Customers				
Council Tax	2,868	(702)	165	-
Housing rents	245	(935)	36	-
Sundry debtors	25,967	(1,319)	548	-
	29,080	(2,956)	749	-

No collateral is held as security on Financial Assets.

The Authority does not generally allow credit for Customers. The aged debt over 3 months on Debtors Ledger Control and over one year for Council Tax can be analysed by age as follows:

	3 to 6 Months £k	6 to 9 Months £k	Over 9 Months £k	Total £k
Debtors Ledger Control	394	354	1,844	2,592

	1 to 2 Years £k	2 to 5 Years £k	Over 5 Years £k	Total £k
Council Tax	2,292	514	211	3,017

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:

2015 £k		2016 £k
16	Within a year	18
18	Between 1 to 2 years	19
63	Between 2 to 5 years	7,069
25,930	Between 5 to 10 years	26,217
79,763	Over 10 years	148,073
105,790		181,396

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 as follows.

	Lower limit	Upper limit
Under 1 year	0%	40%
1 to 2 years	0%	40%
2 to 5 years	0%	40%
5 to 10 years	0%	40%
10 to 20 years	0%	40%
20 to 30 years	0%	40%
30 to 40 years	0%	40%
40 to 50 years	0%	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 pound for pound. 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 favourable, 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 2015/16 with all other variables constant, the financial effect would be:

	£k
Increase In Interest Payable On Variable Rate Borrowings	578
Increase In Interest Receivable On Variable Rate Investments	(178)
Increase In Surplus Of Income And Expenditure Account	400
Share Of Overall Impact Debited To The HRA	-

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 has foreign exchange exposure resulting from an element of the monies received in respect of the Icelandic Glitnir Bank deposit being in Icelandic Kroner. This element is currently held in an interest bearing escrow account in Iceland due to the current imposition of currency controls.

Note 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 £k	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 Islands

The Landsbanki situation was concluded in 2013/14.

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 is in an escrow account in Iceland and was earning interest of 4.22% as at 31 March 16. 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.

Housing Revenue Accounts

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.

Housing Revenue Account (HRA) Self Financing

In July 2013 the UK Government and the Welsh Government reached agreement on the terms under which Authorities with housing stock in Wales could exit from the HRA subsidy system and become self-financing. The move to self-financing in April 2015 means that Authorities for the first time be in a position where they can support their landlord activities from their own income. A settlement of £72m was paid to the Welsh Government (on behalf of the UK Treasury) in April 2015 to buy-out of the HRA subsidy system. Loans were taken out with the PWLB to fund the settlement.

Income and Expenditure Account

2014/15 £k		2015/16 £k
	Expenditure	
2,861	Supervision and management	3,191
6,352	Repairs and maintenance	7,078
5,866	Subsidy payable	1
-	HRA Subsidy Exit Payment	72,423
33	Rents and rates	49
172	Movement in allowance for bad and doubtful debts	71
5,453	Depreciation, impairment and revaluation of noncurrent assets	5,900
3	Debt management expenses	76
20,740	Total service expenditure	88,789
	Income	
(20,996)	Dwelling rents	(21,430)
(509)	Non dwelling rents	(476)
(157)	Other charges for services and facilities	(138)
(6)	Contributions towards expenditure	(3)
(21,668)	Total service income	(22,047)
(928)	Net cost of services as included in the Comprehensive income and expenditure account	66,742
124	HRA services share of corporate and democratic core	122
(804)	Net cost of HRA services	66,864
	HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement	
(297)	(Gain)/loss on sale of HRA noncurrent assets	(512)
493	Interest payable and similar charges	3,779
289	Amortisation of premiums and discounts	(1)
212	Net interest on the net defined benefit liability	207
(23)	HRA investment income	(1)
(3,715)	Capital grants and contributions applied	(4,425)
(3,845)	(Surplus)/deficit for the year on HRA services	65,909

Movement on Housing Revenue Account Statement

2014/15 £k		Note	2015/16 £k
(7,056)	Balance as at 1 April		(3,833)
(3,845)	(Surplus)/deficit for the year on the HRA		65,909
7,068	Adjustments between accounting basis and funding basis under statute	5	(63,462)
3,223	(Increase)/decrease in the HRA balance Before transfers to or from reserves		2,447
-	Transfer to reserves		-
3,223	(Increase)/decrease in the HRA balance		2,447
(3,833)	Balance as at 31 March		(1,386)

Notes to the Housing Revenue Accounts

Note 1: Housing Stock

2014/15 Total		Number of bedrooms						2015/16 Total
		1	2	3	4	5	6	
48	Detached house/bungalow	4	33	8	3	-	-	48
2,147	Semidetached house/bungalow	271	808	1,018	38	3	-	2,138
2,130	Terraced house	208	714	1,130	67	5	1	2,125
1,058	Flats	322	687	49	-	-	-	1,058
17	Bedsits	17	-	-	-	-	-	17
5,400		822	2,242	2,205	108	8	1	5,386

Note 2: Arrears and Provision for Housing Bad Debts at 31 March

2015 £k		2016 £k
389	Current tenant arrears	339
770	Former tenant arrears	842
1,159	Total arrears	1,181
29	Bad debts	36
889	Provision for bad debt	887

Note 3: Housing Revenue Account Capital Expenditure

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

Capital expenditure	Total £k	Dwellings £k	Intangible £k	Equipment £k	Non operational £k
Enhancing costs	87,576	15,152	-	1	72,423
Total expenditure	87,576	15,152	-	1	72,423
Impairment/revaluation	-	-	-	-	-
Depreciation	5,900	5,843	53	4	-

The capital expenditure was financed as follows:

	£k
Capital Grants and Contributions	4,425
Usable capital receipts	404
Direct Revenue Contributions and Reserves	8,433
Prudential Borrowing	74,313
	87,575

Note 4: Housing Revenue Account Capital Receipts

The following amounts were received during 2015/16:

	£k
Disposal of land	11
Housing	1,262
	1,273

Note 5: Adjustments between Accounting Basis and Funding Basis under Statute

2014/15 £k		2015/16 £k
	Items included in the HRA Income and Expenditure Account but excluded from the HRA Balance for the year	
(289)	Difference between interest payable and similar charges including amortisation of premiums and discounts in accordance with statute	1
(181)	Net charges made for retirement benefits in accordance with IAS19	(216)
297	(Gain)/loss on sale of HRA non-current assets	512
	Transfer to reserves	
	Transfers to or from the Capital Adjustment Account	
(5,453)	Depreciation and impairment	(5,900)
295	HRA Minimum Revenue Provision	1,726
-	HRA Subsidy Exit Settlement	(72,423)
3,715	Capital Grants and Contributions Applied	4,425
8,735	Capital Expenditure Funded by HRA	8,433
	Transfers from the Capital Receipts Reserve	
(29)	Admin costs on council house sales	(31)
	Transfer to Accumulated Balances Account	
(22)	Holiday accrual	11
-	**Transfer to other committees/reserves**	**-**
7,068	Net additional amount required by statute to be debited to the HRA Balance for the year	(63,462)

Note 6: Housing Revenue Account Contributions to the Pension Scheme

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

2014/15 £k		2015/16 £k
417	Employer contributions actually paid	497
(15)	Past Service Costs	(14)
(370)	Current cost of employees	(492)
(212)	Net Interest on the net defined benefit/(liability)	(207)
(181)	Contribution to/(from) reserve	(216)

Pension Fund Accounts 2015/16

Chairman's Statement

Over the past year, the Powys Pension Fund has struggled to find growth in the face of volatile world equity markets; low oil and other commodity prices; very low interest rates; and, continuing geopolitical uncertainties. Over the year, the Fund's net asset value has increased marginally to £501,778k.

The Pension Fund has not made any significant changes to its asset allocation strategy during the year but has taken a number of decisions in relation to the re-balancing of assets and has changed one manager. A decision taken in March 2014 to invest in the Hermes Property Fund was finalised last summer, the Pension Fund having been queued for over 12 months. In the autumn of 2015 and following a downgrading of their 'buy' rating by the Pension Fund's investment consultants, a decision was taken to replace Aberdeen Asset Management as one of the Pension Fund's active global equity managers. After a manager selection process, the Pension Fund appointed Carnegie Asset Management and Hosking Partners. Investment in the new managers will be made early in 2016/17.

As required by the Public Service Pensions Act 2013, the Pension Fund successfully established a local Pension Board within the appropriate statutory timescales. Details of the Board's work over the past year is included later on in this Annual Report. In addition, the minutes of the meetings of the Powys Pension Board may be viewed online in the Forms and Publications section of the Pension Fund's website:

www.powyspensionfund.org

Over the year the Pension Fund has, with the other Welsh LGPS Funds, investigated the merits of 'pooling' pension fund assets with a view to reducing costs via economies of scale. Work on a Wales Collective Investment Vehicle (CIV) continues whilst the pooling of passive global equity and fixed income mandates has progressed over the year, culminating in March 2016 with the appointment of BlackRock to manage passive assets on a pooled basis for all 8 Welsh LGPS Funds.

The prospects for the Pension Fund for the coming year are likely to be both interesting and challenging. The key event for 2016/17 will be the triennial valuation which will determine the contribution rates to be paid by participating employers with effect from 1 April 2017. With continuing downward pressure on public spending under the Government's austerity agenda, valuation results are likely to be of even more significance than usual. In addition, the results of the Government consultation on reform of LGPS investments – including the proposal to pool more LGPS Fund assets to create a number of 'British Wealth Funds' with a focus on infrastructure investment are expected later in 2016.

I trust that you will find this report interesting and informative. Should you have any comments on this report or any aspect of the Pension Fund or the Local Government Pension Scheme, see Appendix 2 for details of how to contact us.

Cllr Tony Thomas
Chair of the Pensions and Investment Committee

Fund Administration

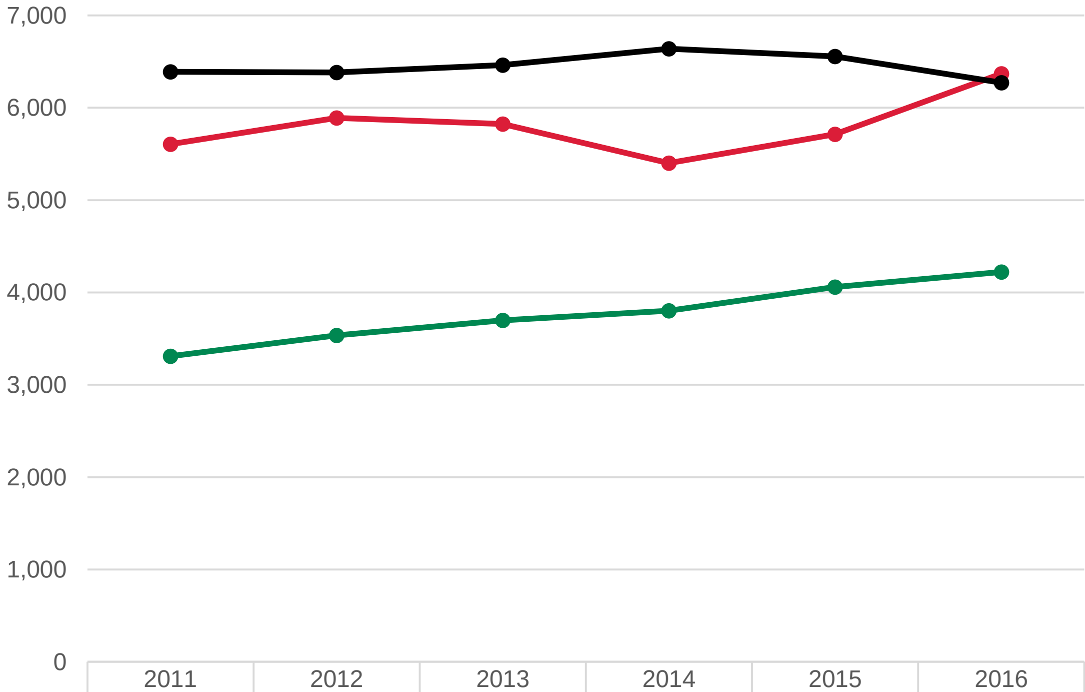
Scheme Details

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 31 March 2014 and career average earnings from 1 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 1 April 2014 all members have been allocated a contribution rate based on the following:

Band	Range	Contribution Rate
1	Up to £13,600	5.50%
2	£13,601 to £21,200	5.80%
3	£21,201 to £34,400	6.50%
4	£34,401 to £43,500	6.80%
5	£43,501 to £60,700	8.50%
6	£60,701 to £86,000	9.90%
7	£86,001 to £101,200	10.50%
8	£100,201 to £151,800	11.40%
9	More than £150,801	12.50%

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 as at 31 March. Deferred members are former employees of the contributing authorities who have yet to draw their pensions.



	2011	2012	2013	2014	2015	2016
Deferred	5,605	5,891	5,824	5,401	5,713	6,369
Pensioner	3,310	3,535	3,699	3,803	4,059	4,223
Contributers	6,391	6,383	6,462	6,639	6,555	6,273

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:

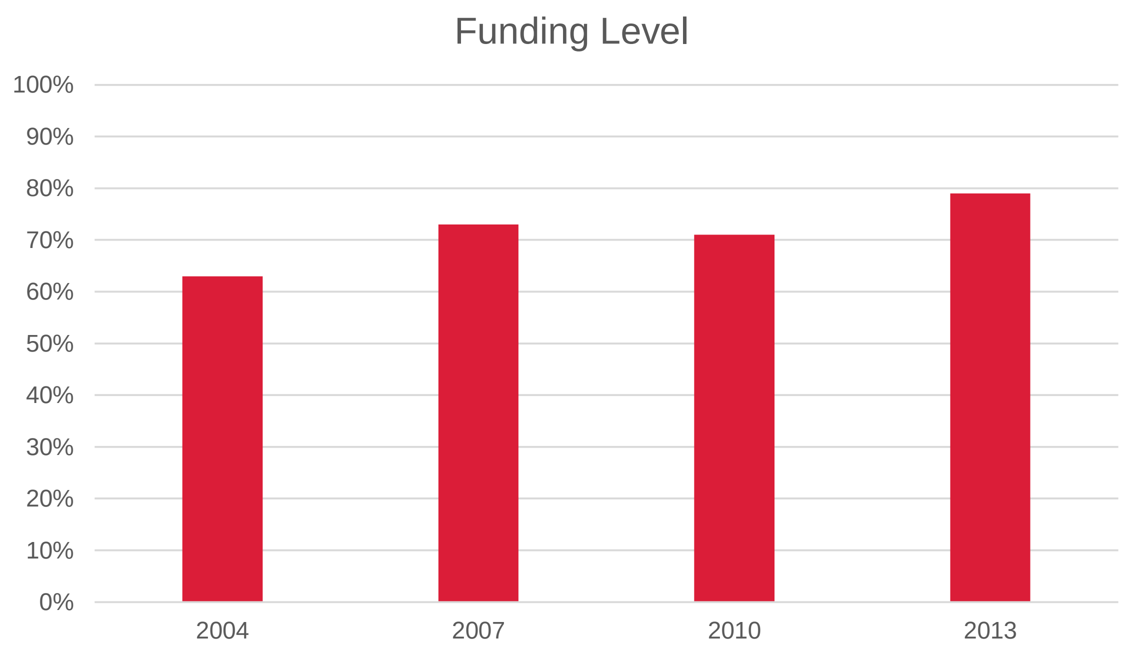
Effective date	Increase
9th April 12	5.2%
8th April 13	2.2%
7th April 14	2.7%
6th April 15	1.2%
11th April 16	0.0%

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

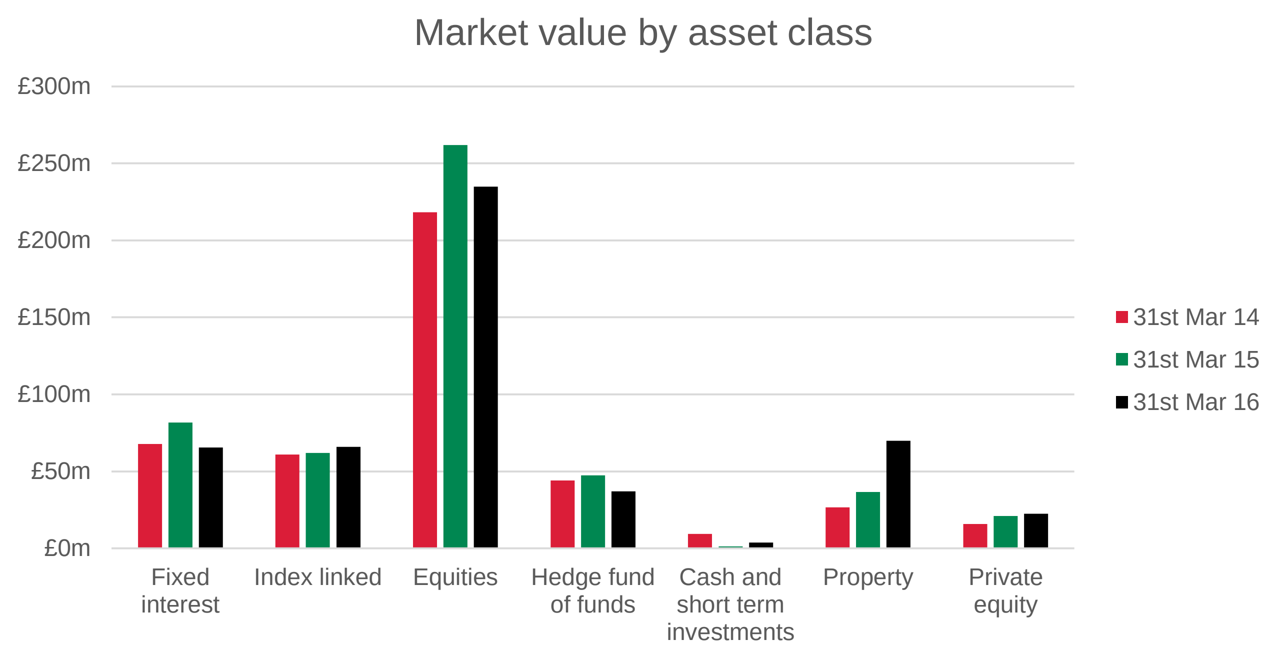
Since 6 April 1988, it has been a legal requirement for all Pension Schemes to provide members with access to an in-house AVC Scheme. The Authority's appointed providers are the Equitable Life Assurance Society, the Standard Life Assurance Company and Prudential plc. Members are able to pay contributions 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 can be found in the Pension Fund Annual Report (see note 24) - which complies with the six investment principles set out by the Chartered Institute of Public Finance Accountants (CIPFA) Pensions Panel.

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	0.5	6.5	7.9
Inflation CPI	0.1	1.1	2.0
Average Earnings Index	2.4	2.1	2.1

Given the long-term nature of the Fund, perhaps the most significant column above is that detailing the comparisons over five years. Inflation and average earning percentages are taken from the Office for National Statistics data.

The performance of each of the current Fund Managers for 2015/16 is shown in the table overleaf. 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 %
Aberdeen Asset Management (Global Equity)	(6.1)	0.3
Aviva Investors (UK Property)	10.6	11.0
BlackRock Global Investors (Balanced)	0.2	0.5
BlackRock Global Investors (Index-Linked Funds)	1.8	1.8
CBRE Investors (European Property)	10.1	1.6
GAM (Hedge Fund of Funds)	(1.4)	(5.4)
Goldman Sachs (Hedge Fund of Funds)	(6.8)	0.6
HarbourVest Partners VII Buyout (Private Equity)	17.3	(0.4)
HarbourVest Partners VIII - Buyout (Private Equity)	17.6	(0.4)
HarbourVest Partners VIII -Venture (Private Equity)	21.5	(0.4)
HarbourVest Partners IX - Buyout (Private Equity)	18.1	(0.4)
HarbourVest Partners IX -Venture (Private Equity)	24.4	(0.4)
HarbourVest Partners HIPEP VII (Private Equity)	4.2	(0.4)
Hermes Investment Management (Property)	*	*
Insight Bonds Plus (Fixed Interest)	(3.6)	0.4
Insight UK Corporate Bonds (Fixed Interest)	(0.1)	0.6
MFS (Global Equity)	1.2	(0.3)
Permal (Hedge Fund of Funds)	(8.5)	0.6
Schroders (Global Equity)	(3.5)	(0.3)
Schroders (Property)	2.1	10.6
Standard Life Investments (Private Equity)	(4.9)	(0.4)
Overall Fund	2.0	

* Denotes full year figure not available

During 2015/16 the Fund invested £12.1m in a pooled property fund with Hermes funded by a £7.1m disinvestment from GAM and £5m from BlackRock. Of the £24.9m capital commitment (Note 18) outstanding as at 31 March 2015, £4.7m was drawn down.

Investment manager structure as a percentage of fund total, as at 31 March 2016

	Manager						
	Blackrock	Aberdeen, Schroders & MFS	Insight Investments	Permal, GAM & Goldman Sachs	Aviva, CBRE, Schroders & Hermes	Standard Life & Harbourvest	
Asset Class	Passive %	Active %	Active %	Active %	Active %	Active %	Total %
Equities	25.0	22.0					47.0
Fixed Interest	4.9		8.2				13.1
Index Linked	13.2						13.2
Property					14.0		14.0
Private Equity						4.5	4.5
Hedge Fund				7.4			7.4
Cash/ Other	0.8						0.8
Total	43.9	22.0	8.2	7.4	14.0	4.5	100.0

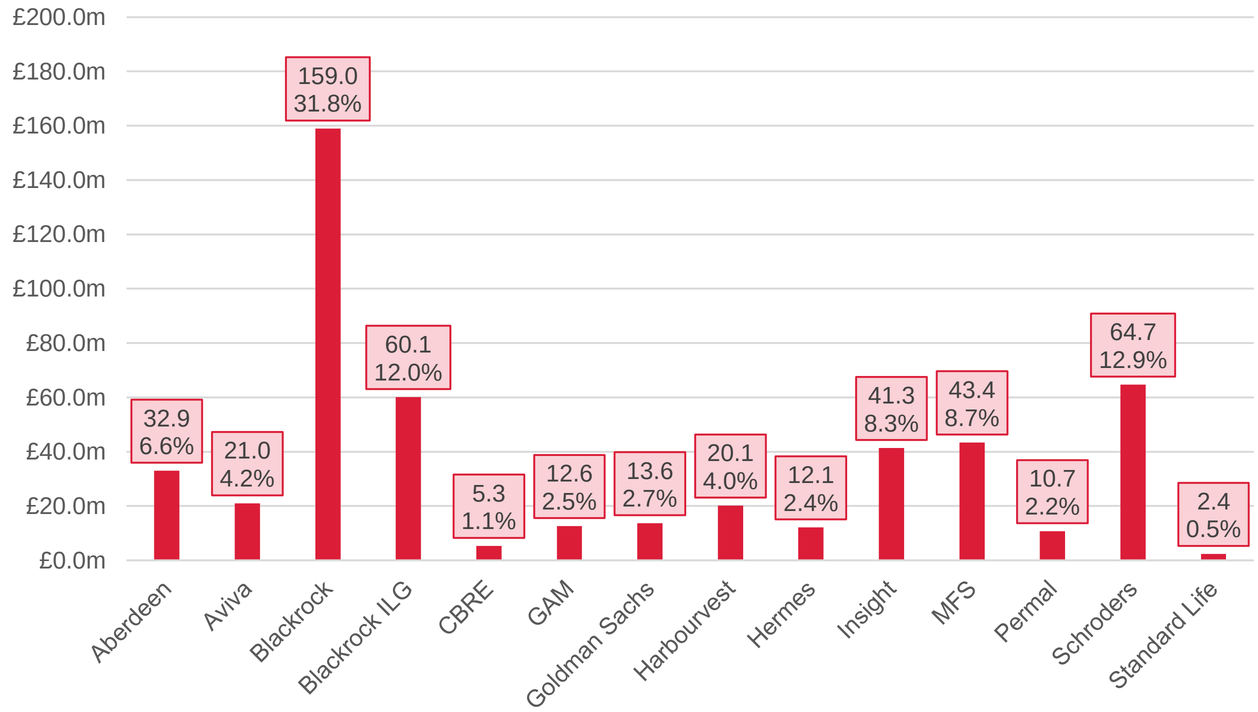
The strategic asset allocation is as follows:

2014/15		2015/16
47%	Equities	47%
30%	Fixed interest and index linked securities	30%
10%	Property	10%
5%	Private equity	5%
8%	Hedge fund of funds	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 2016 is shown below.



Net Assets Statement

As at 31 March

2015 £k		Note	2016 £k
511,707	Investments	12	499,332
1,898	Current Assets	13	3,229
(12,007)	Current Liabilities	13	(783)
501,598	Net Asset as at 31 March		501,778

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

2014/15 £k		Note	2015/16 £k
	Contributions and benefits		
22,730	Contributions receivable	4	23,026
1,162	Transfers in	5	1,038
60	Other income	6	48
23,952	Total income		24,113
24,746	Benefits payable	7	24,019
2,677	Payments to and on account of leavers	8	997
3,258	Administrative expenses	9	3,723
30,681	Total expenditure		28,739
(6,729)	Net additions from dealing with members		(4,626)
	Returns on investments		
4,015	Investment income	10	5,175
-	Taxes on income	11	(20)
67,630	Changes in the market value of investments	12	(349)
71,645	Net profit on investments		4,806
64,916	Net increase in the fund		180
436,682	Opening net assets		501,598
501,598	Closing net assets		501,778

Notes to the Pension Accounts

Note 1: Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2015/16 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.

Note 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 values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contribution to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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.

Change in Market Value

Changes in market value of investments comprise reinvested investment income and 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. 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 21).

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.

Note 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 2016 was £22.5m (31 March 2015: £21.0m).

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.

Note 4: Contributions Receivable

2014/15 £k	By Category	2015/16 £k
18,000	Employers	18,251
4,730	Employees	4,775
22,730		23,026

2014/15 £k	By Authority	2015/16 £k
21,586	Powys County Council (administering body)	21,557
765	Scheduled bodies	761
379	Admitted bodies	708
22,730		23,026

2014/15 £k	By Type	2015/16 £k
11,374	Employers normal contributions	11,569
4,730	Employees normal contributions	4,775
616	Employers additional contributions	495
5,980	Employers deficit reduction contributions	6,187
30	Employers augmentation	-
22,730		23,026

Note 5: Transfers In

2014/15 £k		2015/16 £k
1,162	Individual transfers from other schemes	1,038

Note 6: Other Income

2014/15 £k		2015/16 £k
14	Administrative fees received	21
46	Additional allowances recovered	27
60		48

Note 7: Benefit Payable

2014/15 £k		2015/16 £k
19,716	Pensions	20,139
4,447	Commutations and lump sum retirement benefits	3,196
583	Lump sum death benefits	684
24,746		24,019

Benefits can be further analysed:

2014/15 £k		2015/16 £k
20,939	Powys County Council (administering authority)	20,137
2,971	Scheduled bodies	2,754
836	Admitted bodies	1,128
24,746		24,019

Note 8: Payments to and on Account of Leavers

2014/15 £k		2015/16 £k
35	Refunds to members leaving service	52
1	Payments to members joining state scheme	2
2,641	Individual transfers to other schemes	943
2,677		997

Note 9: Management Expenses

2014/15 £k		2015/16 £k
777	Administration	906
2,368	Investment management expenses (see Note 9a)	2,706
113	Oversight and governance costs	111
3,258		3,723

Oversight and governance costs include the costs of establishing and operating the new local pension board. This was a statutory requirement placed on all pension fund administering authorities with effect from 1 April 2015.

Note 9a: Investment Management Expenses

2014/15 £k		2015/16 £k
2,102	Management fees	2,340
266	Investment advice	366
2,368		2,706

Note 10: Investment Income

2014/15 £k		2015/16 £k
935	Fixed interest securities	902
2,872	Private equity income	3,035
203	Pooled property investments	1,225
5	Interest on cash deposits	5
-	Other investment income	9
4,015		5,175

Note 11: Taxes on Income

2014/15 £k		2015/16 £k
-	Withholding tax – Private Equity	(20)
-		(20)

Note 12: Investments

2015/16	Value as at 1 April 15	Purchases at Cost	Sales Proceeds	Fees included in Nav	Disposals Income	Change in Market Value	Value as at 31 March 16
	£k	£k	£k	£k	£k	£k	£k
Fixed Interest Securities	81,706	18,300	(35,323)	(73)	-	941	65,551
Index linked Securities	62,035	-	(3,000)	-	-	6,828	65,863
Equities (Pooled Funds)	261,837	9,323	(27,000)	(262)	-	(9,023)	234,875
Property (Pooled Funds)	36,571	32,099	(2,025)	(423)	-	3,552	69,774
Private Equity	21,050	4,913	(5,301)	(426)	3,035	(762)	22,509
Hedge Fund of Funds	47,357	-	(8,000)	(513)	-	(1,910)	36,934
Cash & Short Term Investments	1,151	6,900	(4,250)	-	-	25	3,826
	511,707	71,535	(84,899)	(1,697)	3,035	(349)	499,332

2014/15	Value as at 1 April 14	Purchases at Cost	Sales Proceeds	Fees included in Nav	Disposals Income	Change in Market Value	Value as at 31 March 15
	£k	£k	£k	£k	£k	£k	£k
Fixed Interest Securities	67,800	18,300	(8,420)	(73)	-	4,099	81,706
Index linked Securities	60,977	5,135	(15,325)	-	-	11,248	62,035
Equities (Pooled Funds)	218,146	36,480	(34,880)	(252)	-	42,343	261,837
Property (Pooled Funds)	26,593	10,187	(3,293)	(224)	283	3,025	36,571
Private Equity	15,845	4,824	(4,816)	(438)	2,589	3,046	21,050
Hedge Fund of Funds	43,977	-	-	(463)	-	3,843	47,357
Cash & Short Term Investments	9,415	-	(8,290)	-	-	26	1,151
	442,753	74,926	(75,024)	(1,450)	2,872	67,630	511,707

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time 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.

Note 12a: Analysis of Investments

2014/15 £k		2015/16 £k
	Fixed interest securities	
81,706	Pooled funds	65,551
81,706		65,551
	Index linked securities	
62,035	UK quoted	65,863
261,837	**Equities – Pooled**	234,875
47,357	**Hedge Fund of Funds**	36,934
21,050	**Private Equity**	22,509
36,571	**Property**	69,774
130	**Cash**	147
1,021	**Liquidity Funds**	3,679
511,707		499,332

Note 12b: Investments Analysed by Fund Manager

31 Mar 15			31 Mar 16	
Market Value £k	**%**		**Market Value £k**	**%**
34,983	6.8	Aberdeen Asset Management Ltd	32,941	6.6
19,186	3.7	Aviva Investors Pensions Ltd	21,001	4.2
231,618	45.3	BlackRock Global Investors Ltd	219,146	43.9
6,838	1.3	CBRE Ltd	5,321	1.1
20,903	4.1	GAM Fund Management Ltd	12,573	2.5
14,731	2.9	Goldman Sachs Asset Management Ltd	13,631	2.7
17,812	3.5	HarbourVest Partners LLC	20,138	4.0
-	-	Hermes Fund Managers Ltd	12,110	2.4
63,076	12.3	Insight Investment Ltd	41,314	8.3
42,873	8.4	MFS International Ltd	43,395	8.7
11,723	2.3	Permal Investment Management Services Ltd	10,731	2.2
44,725	8.7	Schroders Investment Management Ltd	64,660	12.9
3,237	0.6	Standard Life Investments Ltd	2,370	0.5
511,707			499,332	

The following investments represent more than 5% of the net assets of the scheme:

31 Mar 15			31 Mar 16	
Market Value £k	**%**	**Security**	**Market Value £k**	**%**
34,983	6.8	Aberdeen Life World Equity Fund	32,941	6.6
69,046	13.5	Blackrock Aquila Life US Equity Index Fund	70,639	14.1
36,055	7.0	Insight Bonds Plus fund	15,260	3.1
27,021	5.3	Insight UK Corporate All Maturities Bond Fund	26,053	5.2
42,873	8.4	MFS Global Equity Fund	43,395	8.7
34,177	6.7	Schroder Life QEP Active Value Fund	33,318	6.7
10,548	2.1	Schroder UK Real Estate Fund	31,342	6.3

Note 13: Current Assets and Liabilities

2014/15 £k		2015/16 £k
	Current Assets	
88	Contributions due from employers and members	121
1,341	Cash balances	2,506
469	Sundry debtors	602
1,898		3,229
	Current Liabilities	
(11,732)	Benefits payable	(73)
(275)	Sundry creditors	(710)
(12,007)		(783)

The majority of amounts unpaid at the year end are subsequently paid within a 3 month period. Current liabilities in 2014/15 included a provision of £10.0m for the bulk transfer of Coleg Powys to the Swansea fund and £1.3m to Greater Manchester Pension Fund in respect of Probation Services. These were settled in 2015/16.

Note 14: Related Party Transactions

Details of Members and officers of the Council represented on the Pensions and Investment Committee are shown in Appendix 1. The combined contributions of members into the scheme totalled £11k in 2015/16. The Chairman of the Committee is in receipt of a pension from the Fund.

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

The Authority incurred costs of £862k in 2015/16 (2014/15: £763k) 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 £16,687k to the Fund in 2015/16 (2014/15: £16,528k) in employers contributions and deficit recovery payments.

Governance

The makeup of the Pensions and Investment Committee can be seen in Appendix 1.

The Strategic Director - 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 Strategic Director - 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.

Note 15: Additional Voluntary Contributions (AVC)

Members of the Pension Fund may make additional voluntary contributions (AVCs) in order to obtain improved benefits on retirement. The AVC investments are excluded from the Financial Statements of the Powys Pension Fund, in accordance with section 4(2)b of the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 (SI 2009/3093). However, as administering authority we oversee the following AVC arrangements:

2015/16 Contributions received	Standard Life £k	Prudential £k	Equitable Life £k	Total £k
Powys County Council	61	188	1	250
BBNP	1	7	-	8

Fund Value	Standard Life £k	Prudential £k	Equitable Life £k	Total £k
As at 31 March 16	1,039	302	126	1,467

Note 16: Contingent Liabilities

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

Note 17. Post Balance Sheet Events

The accounts outlined in these financial statements represent the financial position of the Fund as at 31 March 2016. Since this date, the performance of the global markets may have affected the financial value of pension fund investments.

Note 18: Capital Commitments

2014/15 £k	Private Equity and Property mandate	2015/16 £k
1,019	Standard Life (Private Equity)	899
23,870	Harbourvest (Private Equity)	19,012
24,889		19,911

Note 19: 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.

Note 20: Financial Instruments

Note 20A: Fair value of financial instruments & liabilities

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

31 Mar 15			31 Mar 16	
Cost £k	**Fair value through profit and loss £k**		**Cost £k**	**Fair value through profit and loss £k**
		Financial Assets		
73,631	81,706	Fixed interest securities	62,753	65,551
49,208	62,035	Index linked securities	52,013	65,862
166,128	261,837	Equities (pooled funds)	152,696	234,876
32,999	36,571	Property (pooled funds)	63,265	69,774
9,902	21,050	Private equity	18,727	22,509
41,349	47,357	Hedge fund of funds	33,669	36,934
1,145	1,151	Cash & short term investments	3,679	3,826
1,898	1,898	Current assets	3,230	3,230
376,260	513,605	Total financial assets	390,032	502,562
		Financial Liabilities		
(10,707)	(10,707)	Current liabilities	(783)	(783)
(10,707)	(10,707)		(783)	(783)

Note 20B: 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.

Value as at 31 Mar 16	Level 1 £k	Level 2 £k	Level 3 £k	Total £k
Investments	370,114	69,774	59,443	499,332
Current assets	3,229	-	-	3,229
Current liabilities	(783)	-	-	(783)
Net financial assets	372,560	69,774	59,443	501,778

Value as at 31 Mar 15	Level 1 £k	Level 2 £k	Level 3 £k	Total £k
Investments	417,276	26,024	68,407	511,707
Current assets	1,898	-	-	1,898
Current liabilities	(10,707)	-	-	(10,707)
Net financial assets	408,467	26,024	68,407	502,598

Note 21: Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2016 of the actuarial valuation of promised retirement benefits as set out in IAS 26. The actuarial present value should be calculated on an IAS 19 basis. IAS 26 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.

The actuarial present value of the promised retirement benefits were as follows

As at	£m
31 March 2013	632.4
31 March 2010	568.8

Note 22: 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 2016/17 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	9.7%
Global Pooled Equities	10.0%
Total Bonds including Index Linked	6.0%
Cash	0.0%
Property	4.6%
Alternatives	3.7%

The table on the next page shows the Fund's value at 31 March 2016 should the investments increase/decrease in line with the above.

Asset Type	Value as at 31 Mar 16 £k	Percentage Change %	Value on Increase £k	Value on Decrease £k
Fixed Interest Securities	65,551	6.0%	69,464	61,638
Index Linked Securities	65,863	6.0%	69,795	61,931
Equities - Pooled	234,875	10.0%	258,339	211,411
Hedge Fund of Funds	36,934	3.7%	38,312	35,556
Private Equity	22,509	3.7%	23,349	21,669
Property	69,774	4.6%	72,984	66,564
Cash	3,826	0.0%	3,826	3,826
Total Assets	499,332		536,069	462,595

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 0.25% 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 2015 and 31 March 2016 is set out below.

As at 31 Mar 15 £k	Asset Type	As at 31 Mar 16 £k
1,151	Cash Instruments	3,826
1,341	Cash balances	2,506
81,706	Fixed interest securities	65,551
84,198	Total	71,883

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 +/- 0.25% change in interest rates.

Asset Type	Value as at 31 Mar 16 £k	Plus 0.25% £k	Minus 0.25% £k
Cash instruments	3,826	3,836	3,816
Cash balances	2,506	2,512	2,499
Fixed interest securities	65,551	65,715	65,387
Total assets	71,883	72,063	71,702

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 2015 and 31 March 2016 is set out below.

As at 31 Mar 15 £k		**As at 31 Mar 16 £k**
21,050	Private equity	22,509
21,050	Total	22,509

An 8.2% 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.

An 8.2% 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 as at 31 Mar 16 £k**	**Plus 8.2% £k**	**Minus 8.2% £k**
Private equity	22,509	24,355	20,663
Total	22,509	24,355	20,663

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 2015 and 31 March 2016.

	Rating	As at 31 Mar 15 £k	As at 31 Mar 16 £k
Bank Current Account			
HSBC	AA-	45	80
Bank Deposit Account			
HSBC	AA-	1,296	2,426

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 Fund 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 2016 the value of illiquid assets was £129m, which represented 25.9% of the total fund assets - (31 March 2015 - £105m, which represented 20.5% 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 2016 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.

Note 23: 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.

Note 24: Annual Report

The full annual report for the Powys Pension Fund can be obtained from Professional Lead –Finance, County Hall, Llandrindod Wells, Powys, LD1 5LG. The report includes the Statement of Investment Principles, Governance Statement, Funding Strategy Statement and Communications Policy.

Statement of the Actuary for the Year Ended 31 March 2016

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 in respect of service prior to the valuation date 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 in force at that time. 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 (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 due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. The actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.

9. 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.

10. The report on the actuarial valuation as at 31 March 2013 is available on the Fund's website at the following address: http://www.powyspensionfund.org/about-us/forms-and-publications.aspx

Aon Hewitt Limited
16 June 2016

Appendix 1: Pensions and Investment Committee

The Pensions and Investment Committee meet on a quarterly basis. During 2014/15 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:

- Mr D. Powell (Strategic Director - Resources)
- Mr J. Rollin (Pensions Manager)

Legal Advisors

- Burges Salmon

Fund Managers:

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

Independent Advisor to the Fund

- Mrs R. Pinder (Aon Hewitt Limited)

Actuary

- Aon Hewitt Limited

Performance Measurement

- WM Performance Services

Appendix 2: Other Bodies

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

Scheduled Bodies	Admitted Bodies
Brecon Beacons National Park	BUPA Care Homes
Brecon Town Council	Careers Wales Powys
Knighton Town Council	Celtica
Llandrindod Wells Town Council	Development Board for Rural Wales
Llanidloes Burial Joint Committee	Freedom Leisure
Llanidloes Town Council	MENCAP
Newtown and Llanllwchaiarn Town Council	Menter Maldwyn
Powys County Council	Mirus Wales
Powys Magistrates Courts' Committee	Powys Association of Voluntary Organisations
Powys Probation Committee	Powys Dance
Welshpool Town Council	Powys Valuation Panel
Ystradfellte Community Council	Presteigne Shire Hall Museum Trust
Ystradgynlais Town Council	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. Should you have any comments on the financial statement or any other pension matter please contact the appropriate officer in the following list:

Pension Scheme

Pensions Administration Manager	Mr C Hurst	01597 827640

Accounts & Investment

Pension Fund Accounts	Mr D Paley	01597 826042
Investments	Mr S Offa	01597 826727

Fund Governance & Other Matters

Pension Fund Manager	Mr J Rollin	01597 827641

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.

IAS
International Accounting Standard – The standard by which the Authority must record financial information. If followed by a number (e.g. IAS 19), this references a particular accounting standard.

IFRS
International Financial Reporting Standard – The standard by which the Authority must present financial information. If followed by a number (e.g. IFRS 11), this references a particular reporting standard.

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.

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

Securities
These are investments such as stocks and bonds.

Auditor General for Wales' Report to the Members of Powys County Council

AWAITING REVIEW

Annual Governance Statement 2015/16

1. Scope of Responsibility

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

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

1.3 Powys County Council adopted a system of corporate governance in June 2008, which is consistent with the principles of the CIPFA/SOLACE[1] Framework *Delivering Good Governance in Local Government*. This statement will explain how Powys County Council has complied with the code.

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 realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.4 The following sections summarise the governance framework and the system of internal control which has been in place in Powys County Council for the year ended 31 March, 2016. The Council's constitution can be found at:

http://powys.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13166&path=0

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

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 eleven citizen centred outcomes detailed in the One Powys Plan 2014-17. These shared priorities define the conditions of well-being that we aim to create for the people of Powys and the environment in which they live through working in partnership with other key public agencies in Powys. The One Powys Plan was reviewed and updated for 2015-16 and will again be updated for the final year 2016-17. This is the second integrated One Powys Plan following on from the initial plan which ran from 2011-14.

The LSB's vision states 'we will work together to meet the needs of Powys citizens'. We will work in partnership to:

- Provide clear strategic direction, allocating resources to support the delivery of the One Powys Plan
- Unblock issues and provide support across our organisations
- Focus on the long term challenges affecting Powys

The LSB's values mirror those of the council. There is a clear set of values that underpin all the work of the LSB and guide the behaviours that are expected of everyone engaged in our work, or working with us:

- **Accessibility** - ensure that all members of the community are able to access our services with ease
- **Openness** - ensure that our decision-making is clear and we carry out our business with integrity
- **Respect** - value one another's differences and treat one another with dignity
- **Focus** - ensure resources and effort remain focussed on our priorities
- **Engagement** - listen to our residents and staff and where appropriate involve them in the planning and delivery of services. Consult meaningfully with residents and staff and listen to their views
- **Learning** - learn from others and from our own experiences to help us develop and improve
- **Trust** - ensure our staff and residents have trust in us and what we're aiming to achieve

The council has a statutory duty to set annual improvement objectives and make arrangements to secure continuous improvement. In 2014/15, the council took the unprecedented step of integrating its annual improvement plan (formerly known as the Powys Change Plan) into the One Powys Plan and therefore removing a potentially double layer of corporate planning whilst recognising that meeting future service provision needs requires working in partnership. The One Powys Plan 2014-17 was agreed by Full Council on the 30th April 2014.

Recognising that the OPP 2014-17 is a three year plan, the LSB undertook a light review of the plan following its implementation through 2014-15. This approach was discussed and agreed with both Welsh Government and the Wales Audit Office. The 2015 update was approved by Full Council on the 23rd April 2015. Both documents can be found at:

http://www.one.powys.gov.uk

Recognising the increased challenges posed by the long term financial outlook the Cabinet has reviewed and amended the Council's overall vision to **Strong Communities for the Green Heart of Wales.**

The amendment to the vision focuses on the relationship between the Council and its communities. The Council is seeking partnership from communities to work together to deliver services in future and in turn this will help keep communities vibrant. In particular the Council wishes to create more employment opportunities for young people within the community.

The Cabinet will continue to develop the Council's operating model based upon commissioning and has reaffirmed the following priorities to support the Vision:

- **Remodelling council services to respond to reduced funding.**
- **Supporting people within the community to live fulfilled lives.**
- **Developing the economy.**
- **Improving learner outcomes for all, minimising disadvantage.**

These priorities shape everything the Council does. The Council will fully engage citizens and staff in the process of change. Citizens need to be aware that the Council can no longer deliver all the services in the traditional way and that to maintain services, communities and citizens will be supported to do more for themselves. Staff will be encouraged to work in new ways and to take on new responsibilities.

The council continues to operate a set of budget principles (Table 1) to shape decisions to allocate resources. These play a key part in shaping the overall budget and the approach seeks consistency and the best outcomes for communities in Powys.

Table 1: The Council's budget principles

Budget Principle	Definition
Valued Services	• Focusing on our priorities & what matters to people, stopping things we don't need to do.
Supporting the Vulnerable	• Targeting resources on individuals, families, communities at risk or disadvantaged; early intervention & prevention; a shift in social care provision.
Local Delivery	• Devolution to Community Councils and the Voluntary Sector; local decision making; working through area based provision; developing Social enterprise models.

Budget Principle	Definition
Personal Responsibility	• Self-resilience, people and communities helping themselves, behavioural change; increase in personalisation.
Value for Money	• Reducing the pay bill; third party spend savings; smarter delivery, cutting costs. • Full cost recovery for services where appropriate. • Redefine property portfolio and release surplus assets. • Collaboration with appropriate councils and LHB. • Longer term financial planning within an agreed envelope. • Reducing bureaucracy; less regulation and red tape, smaller government; right first time delivery.
Improving Productivity	• Process challenge and redesign. • Reducing sickness absence. • Management delayering.

The Council's Joint Chairs and Vice-Chairs Steering Group (Scrutiny and Democratic Services Committees) undertake a challenge of the Draft One Powys Plan and any updates which are based on documents such as the Cabinet's Statement of Intent and the Joint Strategic Needs Assessment. The scrutiny committees have also undertaken a review of Service Improvement Plans. These challenges focus on whether the needs assessment is reflected in the Council's One Powys Plan and whether the outcomes are appropriate and can be realised.

In addition the scrutiny committees had established a number of working groups to oversee the Council's recovery plans following adverse reports by external regulators to ensure that the required improvement is achieved and this work is ongoing.

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 has processes in place for the appointment by political groups to committees, as well as processes for the appointment of the Lay Member on the Audit Committee, Parent Governor Representatives on the People Scrutiny Committee and the appointment of Independent "Lay" members on the Standards Committee.

There are clear schemes of delegation to officers as well as limits to such delegation set out within the Constitution. The Constitution is reviewed on an ongoing basis to ensure that it meets the needs of the Council. The Council has implemented a new Constitution (using a new model format) as from 1 September, 2015 which is published on the Council's website. Revisions of the Constitution are ongoing and future changes will be incorporated in a new full version being published each time which will make easier the identification of versions in force at a particular point in time, which was not the case previously. It is expected that the second version will be approved by Council in April, 2016.

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, and the Scrutiny and Audit Committees have rolling work programmes.

In 2015/16, the Council operated 3 Scrutiny Committees:

- People
- Place
- Audit (designated in the Constitution as a scrutiny committee)

Scrutiny Committees undertake reviews and inquiries, either within the Committee as a whole by means of a spotlight or light touch review, or in greater depth by delegation to Working Groups. The findings of Scrutiny reviews and inquiries are presented to Cabinet with recommendations for action. A number of Working Groups which have been established work over a longer period rather than being “task and finish” such as those relating to Education and Social Care where the work of the groups has been mainly to monitor the delivery of the Council’s recovery plans following adverse external regulator reports. Another is also monitoring other corporate matters which otherwise might not be scrutinised on a regular basis.

The Education Working Group’s remit has been increased following a direction from Estyn to scrutinise schools where there are financial or performance issues or where the schools are the subject of regulator intervention. The Finance Scrutiny Panel continues to scrutinise budget proposals by the Cabinet prior to those proposals being finalised by the Cabinet for consideration by the Council.

The Audit Committee Scrutiny Committees are independent of the Cabinet, but the Audit Committee does undertake a ‘Scrutiny’ function. It oversees the work of Internal Audit, Risk Management 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. The Place Scrutiny Committee has a co-opted member in respect of crime and disorder matters, although this role is currently vacant.

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 the Scrutiny and Audit Committees
- A specific scrutiny response in respect of:
    - One Powys Plan
    - Service Improvement Plans (joint responsibility with Scrutiny working groups)
    - Annual Improvement Report and Certificates of Compliance (Wales Audit Office)
    - Annual Performance Summary and Technical Report (joint responsibility with Scrutiny working groups)
    - Annual Governance Statement

The Council initiated 5 programme boards to manage delivery of key transformational change identified in the integrated One Powys Plan 2014-17:

- Integrated Health and Adult Social Care
- Children and Young People
- Transforming Learning and Skills
- Stronger Communities
- Organisational and Partnership Development

Each multi-agency programme is assigned a Lead Portfolio Holder, Programme Sponsor, Deputy Programme Sponsor and Strategic Programme Manager.

Each programme reports on an at least a quarterly basis and overview reports are made available to both LSB Transformation Board and LSB Board together with the Council's Management Team and Portfolio Holders. However, there have been some issues regarding the efficacy of Transformation Board with a number of meetings being cancelled due to attendance issues during 2015-16

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 2015/16, the following officers held statutory roles:

The Solicitor to the Council 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.

The Scrutiny Manager was the Head of Democratic Services.

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.

Creating a council of the future that is driven by the right culture and behaviours is important. The council wants to deliver high performance and value for communities by listening to, and working with, the public as well as private, voluntary and community sectors.

The organisational culture will be based on trust, innovation and responsibility. The Council has a clear set of values that underpin all the work of the Council and guide the behaviours that are expected of everyone engaged in our work, or working with us.

- Accessibility - Ensuring that all members of the community are able to access our services with ease.
- Openness - Ensure that our decision-making is clear and we carry out our business with integrity.
- Respect - Value one another's differences and treat one another with dignity.
- Focus - Ensuring resources and efforts remain focused on our priorities.
- Engagement – Listen to our residents and staff and where appropriate involve them in the planning and delivery of services.
- Learning - Learn from others and from our own experiences to help us develop and improve.
- Trust - Ensuring our staff and residents have trust in us and in what we are aiming to achieve.

These values were revised during 2015/16 and a new set are detailed in the council’s Corporate Improvement Plan 2016/17. However, these revised values did not directly impact the council during 2015/16.

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. The Council has adopted other protocols for elected members such as one relating to gifts and hospitality and in respect of Planning Applications / Matters. A mandatory refresher training for Members in relation to the Code of Conduct has been held during 2015. In view of the number of webcasts being undertaken training has been provided for Members. The Council following the recommendation of the Public Services Ombudsman for Wales has adopted a Local Resolution Process whereby low level complaints between Members (or between officers and Members) can be resolved locally rather than being referred to the Public Services Ombudsman for Wales.

There were a number of complaints against Members referred to the Public Services Ombudsman for Wales during 2015/16 but the number of referrals which are subsequently investigated are low. The Standards Committee is made aware at meetings of the numbers of referrals to the Ombudsman, and has not been required to consider any potential breaches of the Code of Conduct referred to it by the Ombudsman.

The Standards Committee is active in trying to assist where possible, Members either individually or collectively in taking part in discussions where they might otherwise be debarred from taking part by the Code of Conduct, by the granting of individual or general dispensations. By this means the Standards Committee seeks to ensure that the representative role of Members is protected as well as protecting the Council's decision making processes from being brought into disrepute.

The Standards Committee monitors the attendances of Members at committees. Failure to comply with the 60% attendance requirement will lead to the Member having to account for their absences to the 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. In addition the Council has within its Constitution a protocol for Member and Officers Relations as well as Relationships between Officers and Political Groups.

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.

Powys County Council continues working in line with its Information Governance framework plan, to initiate, develop, and monitor policies and practices in relation to information security, management, and risk, in order to improve and ensure on going compliance with relevant information legislation and standards.

The Council has robust information security incident reporting and management processes in place; which enables swift corrective action, ICO notification where necessary, and which also allows informed identification of information risks and mitigation.

The numbers of formal information requests continue to rise and the Council continues to provide the public, who when exercising their right of access to information held by the Council with an efficient and professional service.

The training of staff in the basics of data protection and information handling continues to be an important measure in the Council's information assurance design.

Powys County Council continues to progress its information management, assurance and governance policies, procedures, and practices.

The Council's Information Governance Report 2014-15 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, The Licensing Act 2003 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

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.

Agendas, reports and minutes of the Council's committees are published online and are accessible to the public unless an item contains information which is classed as exempt. There is a presumption that most meetings will be open to the public, again save where information is to be discussed which is classed as exempt.

For issues attracting high public interest e.g. renewable energy applications, the Council's budget, the closure of high schools, 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 initially undertook a pilot project, which ended in March, 2015, where Council, Cabinet, the Planning, Taxi-Licensing and Rights of Way Committee and the

People Scrutiny Committee were webcast. As a result the Council has decided to undertake further webcasts on an ongoing basis which were to be implemented commencing in the 2015-16 financial year. For technical reasons only a limited number of webcasts have been undertaken in 2015-16.

We are continuously improving and updating our approach to risk management to help better understand and manage the risks the Council faces, prepare for future challenges and to increase the likelihood of achieving objectives. A new Risk Management: Policy, Strategy and Methodology was agreed by Cabinet on the 26th January 2016. Risk management is a core management discipline that supports organisational delivery. The risks that the organisation faces are changing all the time, so the art of good risk management is to combine planning for what we know might happen with preparation for unknown situations, and to safeguard the organisation and in turn make it more resilient.

The Portfolio Holder for Risk Management is the Leader of the council. The portfolio holder is updated on the progress of the risk management programme on a monthly basis by the Business Continuity & Risk Management Officer. The Corporate Risk Register is also reported to Cabinet / Management Team on a quarterly basis.

Consideration of risk is an integral part of quarterly performance reviews held with portfolio holders, strategic directors and heads of service. The Audit Committee has a key role in monitoring and challenging the Council’s risk register.

Risk is also featured in the integrated approach to impact assessments developed during 2015/16. For last year’s budget setting process, an impact assessment (IA) was completed for each of the savings proposals identified. The IAs were included in the budget pack distributed to Members as part of the sign-off process.

A number of suggestions to facilitate continuing improvement is proposed for the 2017/18 budget process:

- Further training on completion of the IA toolkit is being provided to:
    - Cabinet;
    - Heads of Service;
    - Officers identified to complete IAs for 2017/18 savings.
- Accountability of the IA and the governance / sign-off process to be incorporated into the training programme;
- Cabinet sign-off group to meet bi-monthly to review the IAs as they are received, rather than processing large numbers at end of year;

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 was re-awarded the Wales Charter for Member Support and Development in January 2015 (having first gained the award in 2011). An annual Member

Development Programme is in place and the Council has identified mandatory and discretionary training as well as possible sanctions which can be utilised by the Standards Committees for Members failing to achieve the level of training set by the Council. 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. This is undertaken on a 2 yearly basis or within 3 months of their appointment. PDRs have been offered to all other Members of the Council or they will be asked to undertake a training needs analysis which will assist in the development of the Member Development Programme.

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 between April 2015 / March 16. These help to build background knowledge and help Members in fulfilling their scrutiny and audit roles. These seminars included:

- Powys Youth Forum
- Regeneration & Economic Development
- Welsh Language Standards
- Well-Being of Future Generations Act 2015
- Powys teaching Health Board Seminar 1 - Integrated Medium Term Plan [3 year plan]
- Budget seminars 1,2 and 3
- Gypsy & Travellers - Members' roles and responsibilities under Housing (Wales) Act 2014 and Equality Act 2010
- Resilience training
- Mid Wales Healthcare Collaborative
- Treasury Management
- Dementia Friendly Communities
- Show Racism the Red Card Wales
- Social Services Wellbeing [Wales] Bill and Housing Bill

Other Member Development undertaken as a result of membership of committees:

- Planning, Taxi Licensing & Rights of Way Committee development - Determining applications to register "new" town and village greens
- Licensing Act 2003 Committee development - Licensing Act 2003
- Code of Conduct – Refresher
- Pensions & Investment Committee - Continuing Development

Members also meet their development needs through attending staff training. Through the PDR process 'Debating skills – communication' was identified as a training need and this was provided to 8 Members.

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

The Council is establishing a new, more robust process for Individual Performance Review (IPR) which will be rolled out during 2015/16. This replaces the former annual Employee Development Reviews (EDR) and will provide better focus on more regular, worthwhile conversations that take place a minimum of four times a year.

In conjunction with the scorecards and 90 day action plans, the new IPR process will help managers and staff have a greater focus on performance management to ensure work is directed towards achieving the goals of the individual services and the organisation as a whole. Therefore, the golden thread linking the Council's strategic plans to the work of individual officers and operational staff is ensured.

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

During the past year the Powys Consultation and Engagement Officers Network - CEON (a group of engagement practitioners from a mix of partner agencies chaired by the LSB champion Carl Cooper, CEO of PAVO) mapped out all the relevant stakeholders who may be affected by projects set out in our One Powys Plan 2014-17 to enable and ensure everyone affected can take part in relevant consultations if they so wish.

Powys County Council and a number of its partners strive to work to the National Principles for Public Engagement in Wales so conversations are meaningful, timely and resourced. Both the Local Service Board and the Council have signed up to these principles.

At a strategic level, the following finding emerged from consultation and engagement activities.

Residents Survey – 2015: Key Findings

Our analysis has identified a number of interesting key messages. Some of the 2015 information challenges the findings we uncovered in 2013, while other information helps generate new insight into residents' views on priority themes for their county.

- The vast majority of residents feel Powys is a good place to bring up children and as a safe place to live. However, residents continue to have concerns around job opportunities and housing. Only 19% of residents rated the county as very good/good for jobs – although this is a 10% improvement from the 2013/14 figure of 9%. Similarly for housing 39% of respondents felt housing in Powys was very good or good when asked. This has increased from the 2013/14 figure of 22%."
- Most residents did not dispute the value in having a vision statement for the county that reads "to create strong communities in the green heart of Wales." Some respondents would have liked to have seen more explicit reference to developing a strong local economy.
- Just over half of residents (52%) were unaware that the council had had a 4.4% decrease in funding from the Welsh Government which equalled a £7.7m funding gap.
- Nine in ten respondents agree that the county should have priority themes of helping to support fulfilling lives (living independently through health and social care) and learning for all. Although still supported by a significant majority of respondents, there was relatively less support for the principle of delivering services for less, for example by working with the third sector.
- Respondents were asked whether they felt it mattered who delivers services. Overall, 67% felt it didn't matter and 33% felt it did matter, representing an increase on the 26% reported in 2013.
- In terms of the Council's approach to managing change, there were two statements that residents were more likely to disagree with than agree. These are "Powys is seen as business-like and efficient by residents" and "Powys consults communities when developing or changing services".
- In 2013 we reported that residents were unlikely to support the idea of charging for services that had previously been offered free at the point of contact. In 2015, however, we see that a small majority of respondents, 52%, said this was an option they would support.
- When asked to consider what their current and future priorities might be, the analysis identifies some interesting differences. Respondents are twice as likely to identify environmental / street-scene type services as an immediate priority as opposed to a future priority (26% and 13% respectively). Conversely, caring for those in need (for example, elderly social care) is felt to be a priority for the future rather than now.
- Services relating to the development of the local economy are identified as the single key priority for improving quality of life and helping communities thrive.

Citizens Panel Survey - Autumn 2015

- 262 responses received. Profile of the panel is predominantly older residents who volunteer to take part in surveys.
- 59% citizen panel members said they were aware of current funding issue however a further 36% said they didn't really understand the background or why we were in this situation.
- 70% feel they have seen a difference and a reduction in the level of service provided over the past year. E.g. street cleaning, potholes, refuse collection, care.
- 92% are very or fairly concerned about the situation facing Powys.
- 80% of panel members stated they still tend to get their information about Powys via local media however 27% said they picked up flyers and posters and leaflets, 22% said they used the council's website and 22% said they got information from their town and community council.
- Over a hundred budget saving ideas were given by panel members and these were varied. They ranged from increasing council tax to selling the land and properties we hold and from boosting inward investment to protesting to Welsh Government about the current settlement.

Budget Simulator Exercise

Respondents were prepared to reduce spend by around 26% in three key areas – namely Catering, Cleaning and Corporate Support services. These were seen as areas that would likely be targeted by most respondents for the largest percentage of savings.

Regeneration and Property, Countryside Access and Library and Cultural proposals received an overall reduction of 24%, 23% and 23% respectively.

Under the Regeneration and Property heading respondents felt the council could do more to promote and encourage agile working. There were differing views on the sale of assets with some respondents stating that we should use these to lever in funding for capital projects and other respondents suggesting we sell off county farms and other office and civic accommodation if we are reducing employee numbers.

There was a clear view that we should be investing in grants for voluntary and community groups – not cutting them - especially when we are expecting and keen to see a greater level of community and voluntary service delivery.

A number of suggestions were made around countryside access including the provision of incentives and grants for farmers to promote and maintain rights of way over their land, levying in funds from tourist firms who use rights of way and imposing fines where access to rights of way is blocked.

There were mixed views on libraries with some respondents supporting the closure of smaller branch libraries and others feeling they were a lifeline in communities and could be expanded and developed into community learning and support centres offering a range of opportunities for people. One lady who attended the drop in session at Crickhowell library felt the council needed to recognise that for some residents there is a real lack of broadband signal still across more rural parts of the county and the library is the only place to access the internet etc.

There was less desire to see budgets cut in Environmental Health and Trading Standards (average reduction in budget was 15.33%); services for children with disabilities (average reduction in budget overall was 15.88%) and planning development and management services (average reduction in budget was 16.71%).

However, it was evident that the proposals for environmental health/trading standards and planning attracted some criticism from a number of respondents as, at the 30% budget reduction marker, the consequences implied that these services would be at risk of not meeting their statutory obligations. This appears to have stopped respondents choosing to cut this service further. Anecdotal evidence and comments in the simulator support this view. This factor needs to be taken into account with regard to the rest of the proposals and final decision making.

Respondents were keen to see fewer cuts in services for looked after children, family support services and home care services for older residents.

Views were given around the issue of early prevention and intervention under the umbrella of Family Support Services. Respondents felt that rather than reducing costs there was a need for investment in this area. Targeted support; working more with voluntary and community groups/charities; reducing some of the larger packages and ensuring looked after children are placed in Powys not outside the county were all suggestions made to reduce costs.

There was some evidence to show an understanding and some support for providing day care services in a different way. However there was a clear view coming across that if we were to look at savings in this and residential services then we needed to invest in home care so as to ensure older people were not isolated from their communities. Being able to stay in your own home had advantages and disadvantages and the council needed to consider fully what approach it was taking. If it’s encouraging and sustaining independence the infrastructure needs to be in place and cutting voluntary/community grants and reducing home care services were detrimental to this philosophy.

Respondents felt that the schools service could be cut by around 20%. It was deemed reasonable that parents pay for breakfast clubs if they wanted their children to access them and that PCC should review the current policies around home to school transport as the use of taxis and minibuses were costly. Ceasing to pay to transport children out of county to attend specific schools was also suggested as a cost saving. There was some frustration that plans to modernise schools in Powys was not progressing fast enough and that small schools should be closed and the secondary schools reorganisation completed.

Further details on consultation and engagement undertaken by Powys County Council is available from the Corporate Consultation Officer on request

The Council publishes its agendas, reports and minutes of the Council, the Cabinet and committees on its public website. In addition the increasing use of webcasting ensures that the public have a greater ability to access meetings. The Council makes use of social media to deliver information to the public in a digital format. The Council also will respond to requests for factual information regarding services through social media.

Council Members produce an Annual Report on their activities which are published on the Council’s public website. Some Members only produce information regarding their attendances at meetings and training sessions whilst others provide additional information about activities undertaken in their electoral division and attending outside bodies as representatives of the Council.

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
- External requirements / legislation e.g. Public Services Ombudsman for Wales, all Wales review of Constitutions.

4.1 Cabinet Executive Programme Board

Throughout 2015/16, the Council's Cabinet and Management Team has received quarterly reports to review both the Council's performance through service improvement plans and the progress of the key improvement programmes delivering the One Powys 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 against its improvement plan for the year just past. The Council's and LSB's combined Annual Performance Summary and Evaluation 2014/15 was published in October 2015 and is also available at:

http://www.powys.gov.uk/index.php?id=296

The review of performance for 2015/16 will be available from November 2016.

4.2 Scrutiny and Audit Committees

Decisions and their implementation can be scrutinised by the Scrutiny Committees. The following are examples of areas which were scrutinised during 2015/16:

<u>Place Committee:</u>

Enforcement of Dog Fouling – 5 recommendations had been made in the 2014/15 year. Three were abandoned by Cabinet with the remaining two relating to developing an education and awareness campaign, and to further liaison with the Police and Crime Commissioner to extend powers to PCSOs on a regional basis, being taken forward.

Civil Parking Enforcement – 11 recommendations had been made in 2014/15. Cabinet agreed in principle to 9 of the 11 recommendations. One was partially accepted and one could not be implemented for technical reasons.

Public Transport Review – considered responses to a consultation exercise regarding two options for future public transport delivery. The group considered the strategic impact of the proposals and submitted several observations to the Portfolio Holder. Members were invited to comment individually on aspects of particular routes.

Street lighting review – the Portfolio Holder for Finance requested that scrutiny be undertaken to assess whether there was evidence to show if there had been any increase in crime or accidents following the switch off of street lights. The Group determined that there was no evidence to support this, but made two further recommendations to continue Invest to Save Initiatives to replace remaining sodium lights with LEDs and that any local requests continue to be considered on their merits as and when they arise.

Waste Strategy – review completed 2012 but quarterly monitoring continues regarding the implementation of three weekly collections, trade waste, household waste recycling centres, education and awareness and any further developments. The failure to meet recycling targets remains a high risk to the authority with the potential for substantial fines to be imposed. Whilst no formal recommendations have been made to Cabinet, a number of informal suggestions have been made to the service and implemented.

The Place Scrutiny Committee scrutinizes the work of the Community Safety Partnership on a six monthly basis.

Finance Scrutiny Panel – 8 recommendations had been made at the end of the previous year, 7 recommendations were accepted in full by Cabinet. The remaining recommendation generated further debate but was not implemented. The Panel considered the emerging three year budget proposals in some detail which culminated in a presentation to a Member Budget Seminar in December 2015. The Panel continues to develop and is adapting to revised ways of working.

Audit Committee

Finance and Performance Working Group – the group began the period by continuing to review financial overview and forecast reports. Performance data was not accessible in a timely or efficient manner. In discussion with the Strategic Director, Resources, the Portfolio Holder for Finance and the Chair and Vice Chair of Audit Committee, agreement has been reached to completely review the process for finance and performance monitoring and this particular Group has ceased to exist.

Internal Audit Working Group – Internal audit reports with limited or low assurance continue to be rigorously reviewed alongside fraud (corporate and internal) and the internal audit work plan. The Group also drafted a self-assessment for consideration by the Audit Committee.

Joint Audit/Adult Social Care Working Group – following correspondence between the Chair of the Audit Committee and the Leader regarding the Authority's capacity and capability to deliver transformational change and avoid consistent overspends in the budget, it was agreed that a joint group with the ASC Working Group of the People Scrutiny Committee be set up. Interviews with senior managers of both the service and Finance were held. It was agreed that further consideration would be given to a consultant's report when it became available.

People Scrutiny Committee

- ERW Scrutiny – meeting in Port Talbot in September and Swansea in March with letters from each meeting sent to ERW Joint Committee (2 recommendations in each letter)
- Education of Looked after children
- Ongoing education scrutiny – standards, attendance, exclusions, school budgets, school modernisation, inspection outcomes
- Health Scrutiny – observing each of quarterly Mid Wales Health Care Collaborative meetings across mid Wales and holding initial joint scrutiny sessions with letter from first meeting in Dolgellau in March (4 recommendations to Collaborative)
- Scrutiny observations on action plan in response to CSSIW Inspection report (2 recommendations to Cabinet, 2 recommendations to Scrutiny Group)
- Scrutiny observations on progress against Improvement Objectives (March 2016)
- Ongoing monitoring of progress against improvement objectives in Adult Social Care
- Initial investigations into direct payments, domiciliary care, residential care, day services, fairer care, third party spend
- Scrutiny of Inspection reports e.g. Bannau / Camlas Residential Unit; Powys Fostering Service
- Involvement in the Challenge Day for the Director of Social Services' Annual Report, scrutinising the draft report and the CSSIW performance and evaluation report
- Scrutiny observations on Library Standards (5 recommendations to Cabinet)

Regeneration Working Group – Pre-scrutiny of the draft Cabinet policy - "Community Benefits from Renewable Energy". Discussion with the Portfolio Holder for Regeneration and officers regarding the Economic Development Strategy. The Group will scrutinise the work-streams established to deliver the strategy.

Joint Chairs and Vice-Chairs Steering Group

The Steering Group scrutinised the following:

- Risk register
- Draft Annual Governance Statement
- WAO Annual Improvement Report 2014-15
- Commissioning and Procurement Board
- Draft Strategic Equality Plan
- One Powys Plan Update

The Steering Group also considered the composition of scrutiny committees, scrutinising performance reports, assessing the potential impact of scrutiny, the corporate assessment, the new corporate plan, integration with the Local Health Board and reviewed the process to initiate scrutiny reviews.

The reports containing the findings of scrutiny reviews together with any recommendations are presented to Cabinet for their consideration. The Cabinet is expected to produce an action plan to respond to any recommendations made by scrutiny.

In 2014 – 15 the Council established a Finance Scrutiny Panel as part of a project funded and supported by the Centre for Public Scrutiny. The Panel's composition included scrutiny chairs, opposition group leaders and representatives of the Audit Committee with the Chair of the Audit Committee being Chair of the Panel.

In this first year it was acknowledged that the work of the Panel would be in part development, and part scrutiny. With the assistance of the Centre for Public Scrutiny the Council was able to draw upon external expertise from such bodies as CIPFA Wales, Grant Thornton, and the University of Birmingham to develop the Panel.

The role of the Panel is not only to undertake the scrutiny of the draft budget from Cabinet prior to its consideration by the Council, but in addition to scrutinise elements underlying the budget process to assess whether base assumptions being used by the Council were sound. The Panel will also look at the Medium Term Financial Plan and the deliverability of financial targets in forthcoming years. It is expected that the Panel will commence its work in relation to the 2017-18 budget early in the next financial year.

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. It is acknowledged that this Working Group's is not functioning effectively. Consideration is therefore being given to its role being incorporated into the role of the Finance Scrutiny Panel. 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. In addition, the group receive regular updates on cases of internal and external fraud.

Key areas of focus were:

- Direct payments,
- Debt management and recovery,
- Trade waste, energy procurement,
- Internet usage and security,
- Section 106 agreements,
- Gas safety.

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

The Joint Chairs and Vice-Chairs Steering Group (Chairs and Vice-Chairs of the Scrutiny, Audit and Democratic Services Committees) have reviewed the workload of the scrutiny function and have asked that a re-scoring of current activities be undertaken (to incorporate new requests for scrutiny and impending requirements) so that a better forward work programme can be prepared. This seeks to ensure that the scrutiny function does not become overloaded as currently and that adequate time and resource can be allocated to scrutiny projects. The functioning of both scrutiny committees is also under review to judge whether further structural changes to the committees are required.

The Welsh Government has issued its Consultation White Paper "Reforming Local Government" which has a number of significant implications for the Council in how scrutiny will be delivered in the future and it will be necessary to assess the draft plan in conjunction with these proposals once there is clarity about the future structure of local government in Wales. The Council in preparation for a Corporate Assessment by the Wales Audit Office is also reviewing its scrutiny function to ascertain whether further changes to structures and processes are required, and an action plan will be developed during 2016/17.

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 2015/16 financial year are set out below:

- Audit of Financial Statements Report (issued September, 2015)

  This report was presented to Audit Committee on 28th September 2015. 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 March, 2015 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 2014/15."*

- 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.

The Council has strengthened its governance arrangements and is making progress in its priority areas, but faces significant challenges in commissioning and providing its adult social care services.

The Council has generally robust financial management arrangements, and it is further developing them to ensure they remain fit for purpose in the increasingly challenging financial climate.

The Council has undertaken a robust approach to strengthening its financial scrutiny and is well placed to drive improvement in relation to its medium-term financial planning.

The governance, accountability and management arrangements for safeguarding responsibilities to children are mostly adequate but some improvements could be made.

The Powys ICT partnership has improved service resilience and reduced IT risk, and section 33 arrangements provide a good basis for integrated working.

The Council has embedded a coaching approach to help address capacity and capability issues.

The Council's improvement plan and its evaluation of its performance comply with the requirements of the 2009 Measure.

The Council is facing significant challenges in the shaping and remodelling of its current and future social care provision and the robustness of its contracting and commissioning functions

The Council is delivering environmental health services at the required standard, but will find it a challenge to take on new statutory duties that protect the public and the environment

The Council has identified the Welsh-language needs of its citizens and its workforce and is integrating this information into the way it provides services

Proposals for improvement arising from the Wales Audit Office during 2014/15:

- ***P1** Review its working practices against the recommendations in the Auditor General's 2014-15 Local Government Reports and implement improvements where appropriate*
- ***P2** Extend its financial monitoring arrangements to include service performance data to ensure that expected service standards are not being compromised at the expense of securing financial savings.*
- ***P3** Ensure appropriate and timely action is taken to manage risks and under performance in relation to safeguarding and ensure elected members are informed of risk management arrangements, and progress in addressing safeguarding risks is included in future scrutiny work.*
- ***P4** Improve the work of the Council's Scrutiny Committees to ensure it is providing assurance on the effectiveness of the Council's corporate safeguarding arrangements.*
- ***P5** Ensure all elected members and staff who come into contact with children on a regular basis receive training on safeguarding and child protection issues and the Council's corporate policy on safeguarding.*
- ***P6** Identify and agree an appropriate internal audit programme of work for safeguarding.*

(Annual Improvement Report 433A2015)

The latest Annual Improvement Report from Wales Audit Office is due no later than July 2016.

- Review of the Letting of a Domiciliary Care Contract to Alpha Care Limited (Wales Audit Office)

Powys County Council had been concerned for several years that the development of domiciliary care services across Powys was inconsistent and that the quality and value for money of the service needed improvement. The Authority decided to look at alternative ways of commissioning the service. In late 2013 the Authority sought to progress quickly the development and implementation of new arrangements for the service.

In circumstances where timescales are compressed, ensuring that risk is effectively managed and proper accountability arrangements are in place is particularly important. We are of the view that in its haste to introduce the new domiciliary care service as quickly as possible, the integrity of the Authority's established governance arrangements was compromised. In consequence, the Authority and users of the domiciliary care service were exposed to unnecessary risk. We found that:

- the governance, management and scrutiny arrangements established for the *procurement of the domiciliary care service were inadequate;*
- *weaknesses and ambiguities in the Invitation to Tender (ITT) meant that it was not conducive to the submission of robust tenders by potential providers;*
- *weaknesses in the processes adopted for the evaluation of tenders submitted by potential providers has resulted in the Authority being unable to demonstrate that contract award decisions were soundly based; and*
- *the Authority tried to support Alpha to deliver the contract, but these efforts proved unsuccessful*.

In the light of the *findings* of this report, the Authority should review other major projects currently being progressed and assure itself that the concerns identified in respect of governance and accountability are not more widespread.

Recommendations:

- ***R1 Domiciliary Care Provision:*** *The Authority should ensure that the weaknesses and/or deficiencies in the arrangements established to let the current domiciliary care contract are not replicated in any future domiciliary care procurement exercise. These include deficiencies in:*
  - *governance and accountability;*
  - *the way the contract was structured;*
  - *information made available to tenderers; and*
  - *the way in which tenders were evaluated.*
- ***R2 Wider Implications for the Authority:*** *In order to meet the challenges of transforming its service delivery in the light of reduced financial resources and increasing demand, the Authority has adopted a clearly defined commissioning and procurement strategy. We recommend that the Authority consider whether the issues raised in*

this report have wider relevance for the successful delivery of its commissioning and procurement strategy, and undertake a review of its processes for developing and letting major contracts. Particular attention should be paid to ensuring that the governance arrangements for developing, scrutinising and approving contracting exercises are appropriate and are working in practice.

- ***R3 Document Retention:*** *Audit work undertaken previously by the Auditor General in 2010 and 2014 on the Authority's whistleblowing policies identified that 'there was often a lack of an audit trail to support key decisions and events. Some key decisions were not documented and there were instances of key documents or supporting information not being found or not existing.' Similar issues are identified in this report. The review recommended above should also consider the extent to which adequate documentation is produced and retained to support key decisions made when developing and letting tenders.*

(WAO ref: 692A2015 – January 2016)

- Other Studies (Local and National)

A number of studies were published for shared learning by WAO during 2015/16:

- Good Scrutiny? Good Question (May 2014)*
- Young people not in education, employment or training – Findings from a review of councils in Wales (July 2014)*
- Managing early departures across Welsh public bodies (February 2015)*
- Achieving improvement in support to schools through regional education consortia – an early view (June 2015)
- Review of Corporate Safeguarding Arrangements in Welsh Councils (July 2015)
- Supporting the Independence of Older People: Are Councils Doing Enough? (October 2015)
- Delivering with less – Leisure Services (December 2015)
- Financial Resilience Assessment - Powys County Council (March 2016)

** Reports from 2014/15 not included in previous AGS*

The content and findings are considered and appropriate action planned where required.

4.5 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.

The approach taken by Powys County Council to the commissioning of domiciliary care services in 2013 and 2014 was flawed in concept, design, and delivery. The governance arrangements and decision making were not managed at a senior level and were not sufficiently rigorous or challenging, especially given the number of people reliant on these services and the risks associated with the transfer of care arrangements. The senior management team at the time were not experienced in social care commissioning and this remains an area of challenge for the Council, as it continues to rely on external consultancy and interim arrangements to support the delivery of these key functions.

A number of key building blocks which would have underpinned a successful *re-provisioning of care and support were not in place, for example a consistent reablement service across the county and up to date individual care and support plans. As a consequence, the decisions made during the procurement exercise were not always well thought through, especially in terms of the real costs versus benefits analysis and therefore sustainability.*

The view that Powys is unique because of its demography is often articulated by people who live and work there and there are undoubtedly rurality factors that impact on the delivery of services. This can sometimes act as a block to thinking of solutions and has created an inward facing culture within the Council. However Powys is the sum of its parts, many of which share similarities with other communities in Wales. The strategic relationship with Powys Teaching Health Board does provide many opportunities in terms of service delivery and shared facilities, including information technology, but this has also meant that Powys does not naturally or easily look outside its borders for opportunities to jointly commission or to work collaboratively.

A key challenge for Powys County Council has been the recruitment of staff at all levels and they did not have in place a workforce strategy. We understand that this is under discussion with key partners such as the Powys Teaching Health Board and provider organisations and this will be a key component in the delivery of an integrated pathway for older people.

The pace of change has increased since the appointment of the permanent Director of Social Services in July 2013 and Head of Service in October 2013 respectively. They are facing a very demanding and ambitious schedule to modernise social services in Powys and the failure of the commissioning framework for domiciliary care has made this more difficult. The prospects therefore are uncertain and questions remain about the future arrangements, particularly in the context of budget reductions and in preparing for the implementation of the Social Services and Well Being (Wales) Act. However there are signs of improvement and the Council is following through on the *recommendations within the IPC report including the development of a commissioning toolkit for all staff.*

Recommendations:

- *The **corporate governance arrangements** for social care commissioning need to be clarified and strengthened in order to effectively challenge and test the design, planning and delivery of the demanding work programme that Powys is facing.*
- *The **commissioning strategy** for older people must be based on a rigorous analysis of need and demand at community level and include local infrastructure and innovative and collaborative solutions. It should also consider models of best practice used elsewhere.*
- *The approach to commissioning social care services should make greater use of **service user and carer experiences** and facilitate a wider conversation with its communities about what future service models might look like.*
- *Future commissioning and procurement exercises for domiciliary care services should be built on a **market development** and partnership approach. It must robustly test the tender submissions, the capacity and capability of organisations to manage the transition of services and deliver the service specifications.*
- *The **knowledge and skill base** for managers in commissioning and the management of contractual relationships needs to be developed through a range of solutions including training and mentoring opportunities.*
- *The Council needs to strengthen its **relationships** with and oversight of domiciliary care providers operating in Powys, including setting up regular meetings and clear lines of communication with the commissioning managers to address ongoing concerns and queries.*
- *The Council needs to consider carrying out a review of the **grants and service level arrangements** to ensure they align with the Powys One Plan and the Integrated Pathway and provide the best value for money.*
- *The development of the **integrated pathway** for older people with Powys Teaching Health Board should be clearly defined and articulated to capture the projected demand and therefore capacity required at each stage, including reablement. The future integrated service model must be supported by clear governance arrangements that include financial commitments and management accountability.*
- *The **first contact** arrangements via the Powys People Direct should be further developed to ensure it can provide the appropriate level of response, advice, support and information for adult services and therefore reduce the need for an additional duty response at team level.*

- *The new adult **safeguarding** management structures and reporting mechanisms must be secured and established as a priority, to ensure that the Designated Lead Managers are supported in their responsibilities and there is consistent reporting, decision making and oversight at an appropriately senior level.*
- *The low uptake of **carer assessments** needs to be further investigated to understand the needs of this group of people and how they can be supported in their role.*
- *A **workforce strategy** which supports the establishment of the integrated pathway for older people should be developed across the wider health and social care workforce including domiciliary care. Opportunities to build workforce capacity such as care apprenticeships should be considered, as well as potential barriers such as housing and transport.*

(CSSIW: Inspection of Adult Social Services - March / May 2015)

4.6 Internal Audit

During 2015/16, 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 undertook a programme of risk based work, formulated using an approved planning strategy, to review the Council's internal control environment.

Each audit undertaken contained an opinion on the control framework and agreed actions by Management to correct the areas of risk identified. Those that had an adverse opinion (Low or Limited Assurance) are reported to the Internal Audit Working Group where accountable officers are required to attend to update the Members on progress with their action plans. In addition, the Internal Audit Team have supplemented this tracking approach by undertaking a series of follow-up reviews on high risk areas.

Internal Audit routinely considers the likelihood of fraud occurring within the systems being audited. Where necessary, it undertakes investigatory work in respect of fraud and corruption which can result a Police referrals and/or disciplinary actions. The Council has a zero tolerance attitude toward fraud and corruption.

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. Whilst still indicative as this stage, the Head of Audit's likely opinion on internal control for 2015/16 is that there is a "Satisfactory" level of Assurance i.e. the control environment is generally effective, but there are some areas of the Council where improvement in control is required.

In accordance with the Public Sector Internal Audit Standards (PSIAS), the Council undertook an external quality assessment of Internal Audit to determine compliance against the professional standards. The outcome of this review found that Internal Audit were mostly compliant with those standards, but that some improvement was required in the linkage to the risk register, team skills and recommendation tracking. This was reported to the Audit Committee together with an action plan to ensure future compliance.

4.7 Constitution.

Following the development of a New Model Constitution for Welsh Authorities which was released in 2013, the Council has migrated its current Constitution with the new Model Constitution, and at the same time taking the opportunity to review every section and make improvements to existing provisions. The new Constitution came into force on 1 September, 2015. Further revisions have taken place since then as the Constitution is kept constantly under review and it is anticipated that version 2 of the new Constitution will come into force in April, 2016. The Council's constitution can be found at:

http://powys.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13166&path=0

4.8 Complaints Regarding Members of the Council.

Following a requirement by the Public Services Ombudsman for Wales that Councils establish a local resolution protocol for certain categories of complaints from Members of the Council against other Members, or from officers regarding Members, the Council has agreed its own Local Resolution Process which is incorporated into the new Constitution.

The types of complaints to be considered are those which would not otherwise be deemed to be of such a nature that they would ordinarily be considered by the Public Services Ombudsman and the process is intended to resolve these matters at a local level. As this process has been in existence for a short period is too early to judge the effectiveness of this process.

4.9 Local Service Board Scrutiny.

The Council has not developed a robust scrutiny process for scrutinising the work of the Local Service Board (LSB), and scrutiny has been based on observation of LSB meetings by the scrutiny chairs. At a workshop in February 2015 which involved the Local Service Board, the Powys Transformation Board and scrutiny Chairs together with involvement from the Centre for Public Scrutiny, the need for better arrangements was identified.

A project plan has been developed including the establishment of Terms of Reference for such a scrutiny process. The Joint Chairs and Vice-Chairs Steering Group and the Local Service Board have both agreed in principle for the project to progress. A process was drawn up and agreed by the Joint Chairs and Vice-Chairs and incorporated into the Council's Constitution.

Nominees of the other partner bodies were sought however due to the delay in the names of nominees being made by those other partners, the LSB Scrutiny Committee did not meet during 2015/16. In addition as the Public Service Board comes into existence in April 2016 the arrangements will need to be reviewed to establish a PSB Scrutiny Committee at the earliest opportunity in 2016/17.

These scrutiny arrangements will also need to take account for the integration process with the Powys teaching Local Health Board to see whether there is a possibility of integrated scrutiny arrangements to cover all these requirements.

4.10 Powys Pension Fund

On 21 January 2015 Council approved a proposal to create a local Pension Board for the Powys Pension Fund by 1 April 2015, as required by the Public Service Pensions Act 2013.

The role of the Pension Board is to assist the Administering Authority to secure compliance with regulations and requirements imposed by the Pensions Regulator; and, to assist in ensuring effective and efficient governance, management and administration of the LGPS and the Powys Pension Fund. This is accepted to mean that the Pension Board has an oversight role but not a decision-making role.

The Pension Board consists of five members and be constituted of 2 Employer Representatives, 2 Scheme Member Representatives and 1 Independent Member. The first Board meeting was held on 31 July 2015.

The Fund's Governance Policy sets out in detail the Governance arrangements of the Fund.

5. Significant Governance Issues

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

5.2 The Cabinet's approach

Recognising the increased challenges posed by the long term financial outlook the Cabinet has reviewed and amended the Council's overall vision to **Strong Communities for the Green Heart of Wales.**

The amendment to the vision focuses on the relationship between the Council and its communities. The Council is seeking partnership from communities to work together to deliver services in future and in turn this will help keep communities vibrant. In particular the Council wishes to create more employment opportunities for young people within the community.

The Cabinet will continue to develop the Council's operating model based upon commissioning and has reaffirmed the following priorities to support the Vision:

- Remodelling council services to respond to reduced funding.

  We need to find a way of dealing with increased demand and expectations on some of our services while spending less than we do now. This means taking a new look at how we deliver services rather than simply carrying on doing what we did in the past so that we meet people's needs in the most appropriate and cost effective way. This process is called commissioning.

  This may mean re-designing a current service or working with a partner so that they provide the service on our behalf. In the future the council will be smaller with people employed by other organisations, such as the voluntary sector, town and community councils, not-for-profit organisations or commercial enterprises.

- Supporting people within the community to live fulfilled lives.

  People living longer puts more pressure on older people services. We need to move away from traditional based services which are expensive and not built around the personal requirements of those in need. We need to ensure that the homes we provide for older people meet the needs of this generation of vulnerable older people. This requires the design of new services that promote prevention and personal control which are community based. We need to build on our current commissioning relationship with our partners to design and deliver services that promote independence and alternatives to institutional care. This can contribute to the long-term sustainability of our communities by developing the local care economy.

- Developing the economy.

  A healthy and enterprising economy is essential for sustaining communities which is why economic development is one of our top priorities. Low levels of economic activity have contributed to the number of young people who leave in search of opportunities elsewhere and don't return. This has had a direct impact on services such as schools, as the number of young people in our county declines. It also affects the supply of people in the local workforce and on the ability of successful local businesses to grow within the county.

  Traditional approaches to regeneration have not secured sufficient economic growth. Our new regeneration strategy will focus upon how we can support the local economy. For example, through using our land ownership and influence to promote economic activity in all sectors, and through the decisions we make in respect of the improvement and maintenance of our existing housing stock and the development of new homes.

  Improved transport links and access to superfast broadband will make Powys an attractive proposition to invest in, or to relocate to. That's why we are already lobbying for, and securing, investment in infrastructure that will encourage growth, including an hourly service on the Cambrian railway line, the Newtown Bypass and working with BT to introduce high speed broadband to rural communities.

- Improving learner outcomes for all, minimising disadvantage.

  We want Powys to be an attractive place to work for young people with ambition to succeed. In the past the county has been rightly proud of the academic achievement of its young learners. However, there are many Powys pupils whose attainment could be better, especially those from low income households.

  Transforming skills and learning is a key aim of the council to make sure all children and young people are supported to achieve their full potential. To succeed in our ambition we need first class teaching, high quality leadership and appropriate class sizes with a fair distribution of resources.

  Although many of our schools are highly regarded it's clear that the quality of most of our school buildings are no longer suitable for education in the 21 century. Our young people demand the investment to compete with other parts of the country. We need to provide modern learning environments to take advantage of the latest technology.

  It is in everyone's interest that the council's focus is on driving up the attainment and ambition of the majority of its pupils with a special emphasis on those from more disadvantaged backgrounds. We must also provide stimulating learning environments for our able and gifted students and provide improved access to Welsh medium education.

  To be successful we must ensure that our schools can offer the range of courses that are both attractive to our pupils but also meet the needs of the local economy. This way we can attract investment and economic growth from within.

These priorities will shape everything we do, and we hope to fully engage citizens and staff in the process of change. Citizens need to be aware that we can no longer deliver all the services in the traditional way and that to maintain services communities and citizens will be supported to do more for themselves. Staff will be encouraged to work in new ways and to take on new responsibilities.

We will set out to reduce our cost base through transforming services by undertaking whole council and sector reviews, reducing the amount of property we use, and developing a community delivery and neighbourhood management approach which will focus upon the needs of specific communities and the services they need.

5.3 The 2016/17 Budget and Prioritising our Service Spend

The provisional budget settlement for the Council was announced by Welsh Government on 9th December 2015. The settlement has awarded the Council a 4.1% budget reduction for the next financial year against a Welsh average reduction of 1.3%. This amounts to a reduction in cash terms of £7.147m compared with the settlement for 2015/16. The Council received the benefit of the floor mechanism in the sum of £1.9m, the highest in Wales.

Importantly this means that the per capita funding for Powys is £1,252 compared with a Welsh average of £1,309. Many of the Council’s current services and facilities were developed when the County received one of the highest per capita allocations within Wales. The Council’s future service provision needs to reflect this shift of funding away from rural areas which is likely to continue and the Cabinet’s budget proposals acknowledge this requirement.

The scale of the financial challenge facing the Council dictates that the Cabinet must review the historic allocation of resources to services and re-allocate funds based upon the principles developed in 2014 and reconfirmed in May 2015 at the start of the financial planning process for 2016/17.

- Valued Services.
- Supporting the Vulnerable.
- Local Delivery.
- Personal Responsibility.
- Value for Money.
- Improving Productivity.

The setting of the budget and medium term financial strategy in the face of continuing reductions in grant income from Government remains the most critical challenge facing Powys County Council. Our response has been to move to a three year balanced Medium Term Financial Strategy (MTFS). The strategy also recognises that the future may well be even more challenging.

The Council’s Budget strategy centres on the Council’s vision “Stronger Communities for the Green Heart of Wales” and the four organisational priorities that aim to meet the challenges presented by the combination of reduced funding and service pressures and a need to be cost effective and focused on core outcomes for residents, business and communities.

A shift in cost of this magnitude cannot be achieved through an annual budget process of targeting services with savings. This requires a better understanding of each services cost base and the application of a model of key cost cutting themes which require consistent and coherent cross council action.

We will set out to reduce our cost base through transforming services by undertaking whole council and sector reviews, reducing the amount of property we use, and developing a community delivery and neighbourhood management approach which will focus upon the needs of specific communities and the services they need.

5.4 Delivering in Partnership - One Powys Plan 2014-17

The council is committed to delivering key priorities for improvement through working with Local Service Board (LSB) Partners. We will continue to implement the single improvement plan as required by Welsh Government. The Council's formal Improvement Plan is integrated within the One Powys Plan. An agreed approach to producing an annual update was agreed and supported in principle by both WG and WAO. The annual update 2016-17 meets the key requirements of the Local Government (Wales) Measure 2009, Part 1.

In implementing 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 sustained to ensure effective governance arrangements are in place.

However, on entering the third year of the plan, the council recognises some tensions arising from integrating the council's statutory improvement plan within the One Powys Plan (OPP). The council has at times, found it difficult to use the OPP to easily identify and communicate the council's vision (as opposed the LSB's vision). This is necessary for engagement with staff, elected members, the public and stakeholders such as regulators. In addition, it is not always possible to easily see the links to the council's medium term financial strategy (MTFS). The council also recognises that other partners retain their own corporate planning frameworks.

Therefore, the council will however, develop a standalone Corporate Improvement Plan (CIP) for 2016, in parallel with the OPP Update 2016/17. This CIP will clearly define the council's vision, priorities and intended outcomes, clearly making links to the OPP, the MTFS and workforce strategy.

The intention is to evolve this initial CIP into the council's future corporate plan as indicated in the current Local Government (Wales) Bill.

As part of the statutory requirements set out in the Well-being of Future Generations (Wales) Act 2015. The LSB will evolve to the statutory Powys Public Service Board (PSB) from April 2016. Under this new Act the statutory members of the PSB will be:

- Powys County Council
- Powys teaching Health Board
- Mid and West Wales Fire and Rescue Service
- Natural Resource Wales

The Act also requires the PSB to issue a formal invitation to participate to:

- Welsh Ministers
- The Chief Constable for Dyfed Powys Police
- The Police and Crime Commissioner for Dyfed Powys Police
- The Probation Service
- Representative body of voluntary organisations in Powys.

Preliminary work has been undertaken with these bodies in preparation for the requirements of the Act.

5.5 Realising the potential for further integrated working with PtHB

Powys County Council in partnership with Powys Teaching Health Board have pledged to accelerate the integration of health and social care services.

Integration is a way of achieving seamless, co-ordinated working between a range of our teams and services in the best interests of those who use our services. Integration is not an end itself, but a way of working that ensures that people get the right care and support according to their needs.

By working closely together we can provide services that enable people to live more independent, fulfilled lives. When people do need us, we will provide responsive services in a way that meets their particular needs.

Our first priority is to enable our older people's teams to work more closely together, and work is well underway. These teams will work closely with local GPs to offer care in, or as close to people's homes as possible, and using technology, we can ensure quality, safety and cost effectiveness.

Integration makes good sense as both our organisations serve the same population and we experience many of the same challenges providing services in a large rural county. We know how effective integrated working is, but we recognise we are not currently doing enough. We know we must go much further and at a greater pace.

Organisational Development is key to enabling integration to succeed. We need to ensure our structures, processes and people are organised to deliver in the best way for people in Powys. We are developing an approach to support staff with the skills they need to be most effective.

By joining the teams, pooling resources and shared processes the organisations can tailor services to meet the needs of the individual in a more holistic way.

In order for the council and local health board to respond to these changes, a Joint Partnership Board (JPB) will govern and oversee our ambitious change agenda and integration of services.

The JPB brings together nominated strategic leaders from Powys County Council and Powys Teaching Health Board. It will provide strategic leadership and make key decisions in accordance with a scheme of delegation, agreed by both bodies, to ensure effective partnership working across organisations within the county for the benefit of Powys' citizens.

The key responsibilities of the JPB are to:

- oversee the integration of health and social services, together with related enabling services
- assist in the development of a health and social care system that delivers co-ordinated care in the community to enable people to live longer and live better
- ensure that NHS and Local Authority resources are directed to support integration as required
- oversee organisational development and a culture change to deliver integration, innovation and transformation
- work to the following principles, as reflected in the Powys Integration Plan as approved from time to time:
    - Make a positive difference for the people of Powys
    - Always consider integration as the default position
    - Adding value not cost whilst diverting demand/cost avoidance
    - Design and deliver through dialogue with staff and the people of Powys
    - Challenge the status quo through supportive enquiry
    - Working to common frameworks and systems e.g. project management
    - Share learning and use evidence based approaches and standards

A Joint Management Team (JMT), consisting of the Chief Executives and Directors of both organisations, will support the work of the JPB. Work of the Joint Management Team will be incorporated within the reporting arrangements to the JPB.

5.6 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 over the next pages.

5.6.1 Commissioning Appropriate, Viable, Equitable and Affordable Services

It is the council's aim to commission services so that they address specific citizen need in an effective and efficient way within available funding. Where similar services are delivered in different service areas they will be commissioned on a cross-council basis.

5.6.2 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.

We have sold 20 sites in 2015/16, ranging from small pieces of land to larger development sites, and surplus buildings, raising £2.4m in the process. We have also instructed legal and have sales valued at £2.5m representing a further 8 properties (again, some land, some land and buildings) sold subject to contract.

Of the sales completed, £1.38m was in respect of the Farm Estate, and £1.02m was for General Fund properties.

5.6.3 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.

On 26th March 2016, the cabinet approved a new Economic Development Strategy. The strategy describes a re-calibration of the council's current regeneration effort towards economic development to encourage a more thriving economy with a suitable range of jobs for our citizens. The key messages from the strategy are:

- An appropriate job with reasonable pay in a thriving economy makes the biggest difference to a person's well-being.

- The objectives of Powys' County Council's new Economic Development Strategy are to develop a thriving economy by: growing Powys' strategic business sectors, attracting new business to Powys, increasing visitors and visitor spend and increasing Powys' economically active population
- The council's economic development effort will concentrate on sectors that Welsh government are particularly keen to promote, sectors which have the potential benefit to raise Gross value added (GVA) and sectors that are already prevalent in Powys. This will include the following:
  - Energy and environment
  - Creative industries
  - Life sciences and health technologies
  - Automotive sector

5.6.4 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.

5.6.5 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

5.6.6 Community Delivery and 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. To inform our service commissioning and delivery, we will continue our 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

A project was initiated under the Stronger Communities programme to develop a toolkit approach to neighbourhood management, providing:

- A list of working principles
- A suitable generic structured approach to problem solving process or method
- Broad outline agreement on neighbourhood areas, closely associated to community areas
- A generic information sharing protocol
- Develop a template standard neighbourhood CONTRACT
- A single point of contact for each agency in each area
- A nominated Neighbourhood Management Champion selected by the community in each neighbourhood area to act as a single point

The following community asset transfers (CAT) have been completed during 2015/16:

- Old School (Crickhowell) - January 2015
- Tick Tock Site land(Ystradgynlais) - April 2015
- Crickhowell High School land (Crickhowell) - May 2015
- Westwood Day Centre)Welshpool) - June 2015
- Knighton Community Centre (Knighton) - July 2015
- Brecon Bowling Club (Brecon) - July 2015
- Trefnanney Community Field (Welshpool) - August 2015

5.6.7 Resourcing Appropriately

The Council will recognize that at a time of significant change it must provide access to resource to deliver this. We will access temporary capability where peaks of work do not justify permanent staffing. This will be reflected in the budget.

5.7 Directorate Approach

This sets out the point of view of each Strategic Director as to their intent for direction and delivery. We are committed to progressing as a single council and therefore also focus on opportunities that cut across directorates as outlined above.

5.7.1 People

Our people services include adult social care, children's services and housing. These services are developing a number of 'whole system' approaches both within the services, the council and in our work with partners in order to make our contribution to the Council's savings requirements. By 'whole system' approach we mean that we look at the broader picture of what is being delivered to service users as a whole and work to redesign our approach so that each component part of service delivery compliments and contributes to the overall service delivered and improves the impact and service users experience.

We are progressing:

- The redesign of our service and management structures including the de-commissioning of services. Where there is value to be added we will work regionally to improve purchase power and make better use of specialist skills where critical mass does not exist in Powys.
- Continue to build on the success of our early intervention and prevention approach with well-defined and integrated care pathways, including a joint approach with Powys teaching Health Board and other partners such as the third sector.
- By developing a new contract with our citizens / communities, we will set clearer eligibility criteria designed to support those people most in need alongside full cost recovery access model to services such as income generation (where a client can afford more) and direct payments.

As part of this strategy there will be changes to the type and level of service we offer our citizens, however we remain focused on supporting and protecting the most vulnerable.

Our people services will remain committed to:

- High quality, efficient and effective services that focus on impact and outcomes.
- Engaging our citizens in building social capacity (both individuals and communities) - in essence partnering with our citizens to deliver services.

- Developing effective and efficient care pathways from universal through to acute, through managed demand for the whole population in collaboration with our partners.
- Equity of access - ensuring that the resource requirement and true service cost is fully understood.
- Partnership and collaboration with key partners, ensuring we have the capability to meet new legislative requirements.

5.7.2 Schools and Inclusion

Our schools service has an overall annual budget of £97m, £72m of which goes directly to schools and forms their delegated budget. An additional £9m per annum is used to provide home to school or college transport.

Transforming learning and skills is one of the five main themes of the One Powys Plan 2014-17. We are committed to ensuring that “All children and young people are supported to achieve their full potential“.

We must strive towards improving the performance of our schools and standards in terms of learner outcomes and well-being to ensure that Powys Local Authority, its schools and learners are amongst the highest performing in Wales.

At all times we must work to ensure the impact of budget reductions on the achievement, attainment and well-being of our children and young people is minimised.

We will:

- Through regional and hub partnerships within ERW implement the national model for school improvement.
- Continue to restructure our services for additional learning needs, inclusion and behaviour through implementation of the revised Strategy for Special Educational needs.
- Review the school age of admissions policy
- Implement the revised School Transformation Policy and revised methodology for reviewing schools to ensure quality leadership, teaching and learning, affordability and sustainability in all phases of education.
- Implement the 21 Century School Capital Programme.
- Pass on to schools delegated budgets all increases or reductions which relate to changes in pupil numbers.
- Expect schools to take account of all inflationary pressures including staffing costs when preparing their budgets.

The council will also consider recommendations to the provision in its secondary sector and this also links to the budget plan.

5.7.3 Place

Our place services include recreation and leisure, highways, transport and waste, property, regeneration, regulatory services (trading standards for example) and commissioning. These are front line services, many of which are highly valued and essential to health and wellbeing.

We will seek to achieve maximum efficiency and effectiveness whilst remaining within the allocated budget.

Through our overall approach we will:

- Ensure that our new operating model is applied to all staff structures so that the workforce is efficient, responsive and accountable.
- Review third party spend so that contracts and specifications are appropriate and proportionate and meeting our priorities.
- Adopt a commissioning approach to service delivery based on proven need.
- Review our use of property to maximise the opportunities for shared service delivery whilst reducing our property portfolio to eliminate unnecessary cost, and increase capital receipts.
- Consider ways we can reduce transport costs whilst taking into account the rural nature of Powys and citizen needs.
- Where possible and appropriate, maximise the recovery of costs (particularly in areas where alternative service provision is available).
- Consider further partnership working in order to increase efficiency and reduce cost.
- Identify services that may be no longer appropriate or required.
- Develop a community delivery approach to service delivery via the Stronger Communities Programme Board and our partners.

In Highways, Transport and Recycling Services we will:

- Continue the modernisation of our fleet management, passenger transport and the waste collection service to ensure vehicles and staff are deployed in the most productive way possible whilst meeting waste and recycling targets.
- Consider how fees and charges can be used more effectively to support our budget requirements.
- Review the way we manage and deliver front line services in order to achieve cost reduction targets.

In Regeneration, Property and Commissioning Services we will:

- Review the amount of property we own and use including reviewing the number of locations we operate from, taking opportunities to reduce our portfolio and meet cost reduction targets, but making sure we can still support our priorities as a council.
- Review our regulatory services in terms of service delivery, to ensure a proportionate approach whilst continuing to improve community safety.

- Continue to ensure planning services are efficient and effective and achieving key performance targets.

In Leisure and Recreation Services we will:

- Continue to review the provision of leisure and sports centres, and libraries, to ensure long term affordability and sustainability.
- Create a universal youth service that is primarily delivered through the Third sector / Community Enterprise.
- Continue to progress the transfer of our assets to other organisations where appropriate and possible, in order to encourage and facilitate community engagement in the delivery of appropriate services.

5.7.4 Resources

The Directorate provides a range of corporate services such as strategic planning, finance, HR, ICT, payroll and business intelligence. The focus is on changing the services delivered by working with the rest of the organisation to determine service levels and areas for priority support. There will be a requirement to demonstrate value for money and this will require the assessment of alternative models of service provision either through collaboration or in partnership with other providers. Working to the following operating principles we will re-design a service that meets the business requirements over the next three years:

- Continue to reduce operating costs and provide an appropriate level of service – customer expectations to be managed
- Keep the authority `safe`
- Increase the level of resilience
- Challenge all areas via `root and branch` reviews
- New model needed - we may not be the provider of choice
- Continue to deliver current improvement programme

In Professional Services we will:

- Integrate with Health if the business case supports this approach
- Seek an external provider for specific services if a case exists
- Reduce number of operating systems
- Re-engineer processes
- Reduce staffing levels

In ICT Services we will:

- Reduce number of systems and integrate core systems
- Modernise key systems to support self service
- Seek alternative providers of the service (in whole or in part) or partner where appropriate with Private sector and Public sector partners
- Review ICT contracts to drive down costs as part of the 3rd party spend project
- Reduce numbers of directly employed staff

In Business Services we will:

- Continue current improvement programme
- Re-engineer processes
- Increase external income
- Assess transactional services for further efficiencies and look at other providers for sharing services e.g. payroll
- Reduce staffing levels

5.8 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 deploying Individual Performance Reviews to provide that golden thread that ensures effective performance management arrangements are in place to deliver the organisation’s priorities and objectives. Both Cabinet, Scrutiny and Audit Committees will monitor progress throughout 2016/17.

Signed on behalf of Powys County Council:

Chief Executive	**Leader of the Council**
Date: 30th June 2016	**Date:** 30th June 2016

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22 June 2016

AUDIT COMMITTEE

Work Programme 16-17

Chair **Cllr John G Morris**
Vice Chair **Mr John Brautigam**

30 June 2016		
Standard Items • Minutes • Work Programme	15 April and 11 May 2016	Lisa Richards " "
Draft Statement of Accounts including Annual Governance Statement		Jane Thomas
Other •		

7 July 2016		
Standard Items • Minutes • Work Programme • Joint chairs notes	30 June 2016 24 May 2016	Lisa Richards " "
WAO		
Risk Management	Progress Report	Caroline Evans
Internal Audit	Audit Plan Annual Audit Review KPMG review	Ian Halstead
Closure of Accounts	Progress Report	Jane Thomas
Treasury Management	Procedure for annual review and Q1	Lisa Richards/Ann Owen
Working Groups • Internal Audit	Summary report	Lisa Richards
Finance Scrutiny Panel	Summary report	Lisa Richards
Other • **Corporate Assessment** • **Financial Resilience** • **Domiciliary Care** • **Commercial Services** • **All Wales Pension Pooling**	Progress report Action Plan Progress against Action Plan Half yearly review Update	Caroline Evans David Powell/ Caroline Evans David Powell /Amanda Lewis Jason Lewis David Powell/Joe Rollin

30 September 2016		
Standard Items • Minutes • Joint Chairs Notes • Work Programme	5July & 13 September 2016 5 July, 13 September 2016	Lisa Richards “ “
Final Statement of Accounts etc		
Annual Improvement Report		
Risk Management	Progress Report	Caroline Evans
Internal Audit		Ian Halstead
Finance Scrutiny Panel	Summary report	Lisa Richards
Working Groups • Internal Audit	Summary report	Lisa Richards
Other • **Corporate Assessment** • **Scrutiny of Reserves**		Caroline Evans Jane Thomas

4 November 2016		
Standard Items • Minutes • Joint Chairs Notes • Work Programme	30 September 2016 18 October 2016	Lisa Richards “ “
WAO		
Risk Management	Progress Report	Caroline Evans
Internal Audit		Ian Halstead
Closure of Accounts	Progress Report	Jane Thomas
Treasury Management	Q2	Ann Owen
Working Groups • Internal Audit	Summary report	Lisa Richards
Other • **Corporate Assessment**		Caroline Evans

February 2017		
Standard Items • Minutes • Joint Chairs Notes • Work Programme	4 November 2016 28 November 2016 & January 2017	Lisa Richards “ “
WAO: • Audit Plan - Financial statements • Audit Plan – Pension Fund		Phil Pugh

Risk Management	Progress Report	Caroline Evans
Internal Audit	Performance Report IA Plan 17/18	Ian Halstead
Closure of Accounts	Progress Report	Jane Thomas
Treasury Management	Q3	Ann Owen
Working Groups • Internal Audit	Summary report	Lisa Richards
Other • **Commercial Services** •	Half yearly review	Jason Lewis

April 2017		
Standard Items • Minutes • Joint Chairs Notes • Work Programme		Lisa Richards " "
WAO: • Audit Plan - Financial statements • Audit Plan – Pension Fund • Financial Resilience	WAO Assessment and PCC response	Phil Pugh
Risk Management	Progress Report	Caroline Evans
Internal Audit	Performance Report IA Plan 2017/18	Ian Halstead
Closure of Accounts	Progress Report	Jane Thomas
Treasury Management	Q4	Ann Owen
Working Groups • Internal Audit	Summary report	Lisa Richards
Other •		

May 2017 - AGM		
Election of Chair and Vice		

Working Groups

Internal Audit:	**Chair, E R Davies, S C Davies, F ump, D Thomas and Mr J Brautigam**