

## Audit Committee

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Meeting Venue  
**Teams Live**

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Meeting Date  
**Tuesday, 29 September 2020**

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Meeting Time  
**09:00**

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For further information please contact  
**Lisa Richards**  
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County Hall  
Llandrindod Wells  
Powys  
LD1 5LG

23 September 2020

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Mae croeso i chi siarad yn Gymraeg neu yn Saesneg yn y cyfarfod.  
Rhowch wybod pa iaith rydych am ei defnyddio erbyn hanner dydd, ddau ddiwrnod  
gwaith cyn y cyfarfod.  
You are welcome to speak Welsh or English in the meeting.  
Please inform us of which language you wish to use by noon, two working days  
before the meeting.

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### AGENDA

<b>1.</b>	<b>APOLOGIES</b>
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To receive apologies for absence.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
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To receive declarations of interest from Members.

<b>3.</b>	<b>MINUTES</b>
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To authorise the Chair to sign the minutes of previous meetings.  
(Pages 3 - 20)

<b>4.</b>	<b>STATEMENT OF ACCOUNTS</b>
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To consider the report of the Head of Finance.  
(Pages 21 - 238)

<b>5.</b>	<b>CAPITALISATION DIRECTION</b>
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To consider the report of the Head of Finance.  
(Pages 239 - 242)

<b>6.</b>	<b>CAPITAL PAYMENT TO THEATR BRYCHEINIOG</b>
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To consider the SWAP report into the Council's process in relation to a one-off capital payment made to Theatr Brycheiniog in 2018.

(Pages 243 - 326)

<b>7.</b>	<b>REVIEW OF INTERNAL AUDIT SERVICE</b>
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To receive a presentation from the Corporate Director, Resources and Transformation.

<b>8.</b>	<b>INTERNAL AUDIT UPDATE</b>
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To consider the report of the Assistant Director, SWAP.

(To Follow)

<b>9.</b>	<b>INTERNAL AUDIT - HOWPS</b>
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To note the Internal Audit report on HOWPS Contract Management, the Authority's response and comments from the Internal Audit Working Group.

(Pages 327 - 350)

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 7 FEBRUARY 2020

### PRESENT:

Mr J Brautigam, In the Chair, County Councillors M Barnes, M J Jones, K Laurie-Parry, K Lewis, DW Meredith, D A Thomas, R G Thomas, T J Van-Rees and A Williams and

Cabinet Portfolio Holders In Attendance: County Councillors G Breeze and A W Davies

Officers: Jane Thomas, Head of Finance

Other Officers In Attendance: Messrs I Halstead and D Hill, SWAP, Mr P Pugh, Ms L Williams and Ms S Leahy, WAO

<b>1. APOLOGIES</b>
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Apologies for absence were received from County Councillors J G Morris (Chair), D R Jones, WD Powell, J M Williams and R Williams

<b>2. DECLARATIONS OF INTEREST</b>
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County Councillor T J Van Rees declared an interest in item 10, Theatr Brycheiniog as a former Board Member.

<b>3. DISCLOSURE OF PARTY WHIPS</b>
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There were no disclosures of party whips.

<b>4. MINUTES</b>
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The Chair was authorised to sign the minutes of the previous meeting, held on 19 December 2019, as a correct record.

<b>5. WAO ANNUAL AUDIT SUMMARY 2019</b>
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### Documents:

- WAO – Annual Audit Summary 2019

### Discussion:

- This was a new style report replacing annual audit letters that was being trialled – the WAO would welcome any feedback
- The summary provides a snapshot of work completed in the period October 2018 to December 2019

- The WAO were satisfied with value for money but recognised the challenges in the delivery of timely transformation
- A report regarding Financial Sustainability will be available for the March meeting
- The WAO were also satisfied that planning and reporting requirements were in place to deliver continued improvement
- the Corporate Improvement Plan had been published in October 2019
- Wellbeing of Future Generations examinations show that the Council has acted in accordance with the sustainable development principle, but improvements could be made with regard to schools' infrastructure and the design of the North Powys Wellbeing Programme
- A higher priority needs to be given to transformation
- Ongoing work includes
  - Delivering Vision 2025
  - Growing Mid Wales
  - Assurance and Risk Assessment
  - Financial Sustainability
- The Committee questioned whether the process associated with the use of funds under the Capital Receipts Directive had been considered and whether the projects financed had been sustainable. The requirements of the Directive are quite specific.
- The WAO were asked if there was any discussion with the senior management team regarding the work programme. The WAO combine their knowledge of what is happening within the Council with particular reference to risk. Prior to finalising the Audit Plan, discussions are held with the Chief Executive and other senior managers to discuss what has been included. The work programme will cover specific projects and national projects, but managers will be asked if there are any areas which they think should be included. The WAO would robustly challenge if there was a suggestion by management that an item was not included.
- The WAO were asked how their work programme ties in with the Internal Audit work programme. With regard to financial audit work there is no reliance on the internal audit work programme. However, the outcomes of internal audit reports inform the level of risk to the financial statements and whether any of those risks might lead to misstatements. If this were the case, then more testing would be done in that particular area. A similar process would apply to performance auditing.
- A specific query was raised regarding the Mid Wales Growth Deal – to date no money has been spent but the governance arrangements will be included in the work programme
- A Member asked the WAO if consideration was given to projects that were overspent but was advised that the Authority had responsibility for project management and the WAO would only consider whether funds had been properly accounted for and would not have an impact on the financial statements.
- The WAO were asked if they received good quality data from other sources. There were good relationships with CIW and Estyn. The WAO was also an observer on the Improvement and Assurance Board and could monitor implementation of Action Plans through that forum.
- With reference to Value for Money, the WAO were asked how their opinion had been evidenced. Consideration is given to processes, methods, policies and procedures to ensure money is spent effectively



and efficiently. This will be aligned with good practice and any recommendations included within the final report. There was very little benchmarking analysis, but the Portfolio Holder for Finance indicated that this was the subject of discussion at the Improvement and Assurance Board.

**Outcome:**

- **The summary report was noted**

<b>6. STRATEGIC RISK MANAGEMENT</b>
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**Documents:**

- Report of the Portfolio Holder for Corporate Governance and Engagement
- Strategic Risk Register
- Heat Map

**Discussion:**

- Report to end of quarter 3
- 11 risks on the Strategic Risk Register
- CS0009 – this risk had been escalated to the Strategic Register. Even after mitigation the risk remains high.
- Members requested that the date a risk is first included on the register be reported
- ED0022 – inherent risk had been scored at 9 but the residual risk after mitigation had increased to 12
- ED0023 – the score did not improve after mitigation
- Members were concerned that mitigation was not impacting upon the scores – this was apparent in a number of the risks and further information was sought. There was further concern that the service risk registers may be in a similar state.
- Evidence of mitigation actions was required
- Close monitoring was not an adequate mitigation measure
- The report was a Cabinet report and the Committee was unclear what the role of the Audit Committee was in considering this report – the Committee asked that their role be clarified with regards all reports – are reports for information, scrutiny etc
- It was suggested that the outcomes arising from Cabinet’s consideration of the report should be considered

**Outcomes:**

- **The Chair would liaise with senior officers regarding the issues raised relating to the Strategic Risk Register**

<b>7. INTERNAL AUDIT</b>
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**Documents:**

- Report of Internal Audit Activity as at 30 January 2020

**Discussions:**

- More resource has been added as the year has progressed
- 63% of work has been completed or is in draft
- 31% is work in progress
- 6% is planned
- The top 20 risks across the sector have been reviewed
- There is a clear programme of work going forward
- If Members thought there were any further areas of risk, the Head of Internal Audit would appreciate feedback
- Partial opinions have been given:
  - Patch Management – a technical IT audit has been undertaken. Patches have been loaded straight into the system without testing. It is not clear that the process has been carried out effectively. There was a lack of supporting records.
  - Deprivation of Liberties (DOLs) – the scope of DOLs had widened in 2014 leading to an increase in the number of applications. There has been a significant failure in carrying out assessments in line with timescales. The Committee questioned why a ‘partial’ opinion was given rather than none at all. The Head of Internal Audit advised that the opinion given was based on a wider review.
- Additional work had been undertaken in relation to Theatr Brycheiniog with Schools IT and Commissioning having been postponed.
- Performance is good and the Plan is on track to be delivered by year end

**Outcomes:**

- **The report was noted**
- **The Internal Audit Working Group would consider those audits where a partial or low opinion was given in more depth**

<b>8.</b>	<b>TREASURY MANAGEMENT</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- The Treasury Management Strategy will form part of the document pack for Council when the budget is considered
- A slight improvement in VAT reporting was noted but level of errors was still unacceptable. The team continues with the ‘right first time’ policy but there are notable failures in some areas to submit the correct documentation. Members were concerned that this issue continued despite any failure to claim VAT being charged to the service. This was particularly prevalent in schools.
- The Public Works Loan Board interest rate has increased, and the Committee asked if this had changed the debt management strategy or whether there were any inherent risks. The Head of Finance reported that alternatives were being considered for both short and longer-term loans but that there would be no greater risk provided the strategy was adhered to.

**Outcomes:**

- **The report was noted**

<b>9. CLOSURE OF ACCOUNTS</b>
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**Documents:**

- Report of the Head of Finance

**Discussion:**

- A project management approach continues to be taken
- The WAO deliverables list has already been received
- CIPFA have produced information to streamline account preparation and are to run workshops
- Internal workshops are already in hand
- The process was on track and there were no issues to report

**Outcomes:**

- **The report was noted**

<b>10. THEATR BRYCHEINIOG</b>
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The Chair informed the meeting that the review into the grant paid to Theatr Brycheiniog in 2018 had taken longer than expected. The report had been withdrawn in September 2019 pending a further review by SWAP. This is nearing completion and both reports will be considered at an extra meeting of the Audit Committee on 23 March 2020.

<b>11. AUDIT COMMITTEE SELF EVALUATION</b>
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**Documents:**

- Report of the Chair
- Completed Self-Evaluation questionnaire

**Discussion:**

- Members were of the opinion that the core principles of an audit committee were not reflected in the Constitution
- The Committee regularly reviews its terms of reference to ensure they remain appropriate – this will be scheduled in the work programme for a future meeting
- A review of Internal Audit had also been carried out and both documents would be checked for consistency

**Outcomes:**

- **A review of the Audit Committee's Terms of Reference would be included on a future agenda**

<b>12. WORK PROGRAMME</b>
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**Documents:**

- Work programme 2020

**Discussion:**

- The extra meeting on 23 March 2020 will consider
  - Savings delivery 2019/20
  - Update on risk register report
  - WAO Audit Plan
  - Internal Audit Plan
  - Theatr Brycheiniog
  - WAO Financial Sustainability
  - WAO Assurance and Risk Assessment
- WAO Audit Summary will be considered on 4 September 2020
- WAO Annual Improvement Report will be considered on 10 December 2020

**Outcomes:**

- **The work programme will be amended to include the items discussed**

**Mr J Brautigam  
Chair**

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON THURSDAY, 4 JUNE 2020

### PRESENT

County Councillors JG Morris (Chair), M Barnes, D R Jones, M J Jones, K Laurie-Parry, DW Meredith, WD Powell, D A Thomas, R G Thomas, T J Van-Rees, A Williams, J M Williams and R Williams and Mr J Brautigam,

Cabinet Portfolio Holders In Attendance: County Councillor A W Davies

Officers: J Thomas, Head of Finance and C Turner, Chief Executive

Other Officers In Attendance: P Pugh and L Williams, Audit Wales and I Halstead, SWAP

<b>1.</b>	<b>APOLOGIES</b>
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There were no apologies for absence.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
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There were no declarations of interest.

<b>3.</b>	<b>CLOSURE OF ACCOUNTS</b>
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#### 3.1. WAO Audit Plans

##### Documents:

- Audit Wales – Audit Plans Powys County Council and Pension Fund 2019/20

##### Discussion:

- There has been an unprecedented impact from Covid 19 which has had an impact on both Audit Wales and the Authority's ability to compete the audit
- The Auditor General is keen to ensure the safety and wellbeing of staff in all organisations - Audit Wales staff continue to work from home
- Work is continuing wherever possible and links are being maintained with the Authority
- Both documents identify key risks
- In preparing its financial statements the Council is required to comply with the full CIPFA Code
- Work is ongoing with the Authority to ensure planned performance audit work supports the Council. There may be changes to the planned programme, but this will be in consultation with the Authority.
- The report into the Financial Sustainability study that was completed during the year is being finalised. Longer-term sustainability will also be considered as part of the study planned in the coming months and the

scope of this study is likely to be developed in consultation with the Welsh Treasurers' Group.

- A revised timetable for the scrutiny study is being discussed
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- The Audit Fee is below that for the previous year as there is less work on grants certification
- The Audit Wales team is largely the same – Members' attention was drawn to two potential, perceived conflicts of interest and how this would be addressed
- The Committee's attention was also drawn to the regulations and requirements in the Appendices to the report
- Audit Wales were asked if there would be a major change in the level of sampling to be undertaken. As Covid 19 occurred late in the financial year and the Council's accounts payables and receivables systems continued to operate no significant risk associated with the pandemic as no material expenditure had been made during the last two weeks of the financial year. Sampling may increase in estimates, accounts payable and receivable. The risk factor will stay the same.
- Audit Wales would not comment on political decisions but would consider the challenges the Authority may face regarding sustainability. A national study is to be undertaken.
- Business support grants were made in line with criteria although some payments were made before the funding had been received. Cash management has been carefully monitored over the period.
- A Member asked if there had been an increase in risk due to the speed of change witnessed throughout the pandemic. As mentioned previously, the pandemic occurred late in the financial year so there would not be a significant increase in risk in relation to the 2019-20 accounts.
- The Annual Governance Statement may be amended to reflect the control environment in place during the period up to and including the sign-off of the accounts. It is likely that reference will be made to the decision-making framework.
- Could the Actuary's Report be considered by Audit Committee – the report would be considered by the Pensions and Investment Committee but would be circulated to Audit Committee for information.
- A further query was raised regarding the All Wales Investment Pool and how that was reflected in the Authority's accounts. The Joint Partnership will provide financial statements. During 2018/19, the Authority had invested £72M with the Partnership and in 2019/20 a further £37M was invested. Audit Wales will audit the joint committee accounts and will provide assurance regarding the level of investments to the Powys Council audit team. Volatility in the markets was noted and Audit Wales will look at the evidence which supports valuations.

#### **Outcomes:**

- **The Audit Plans for Powys County Council and the Pension Fund were noted**

#### 3.2. Closure of Accounts

The Head of Finance reported that the team were on track to finalize the draft accounts by 15 June. The team had adapted quickly and were working flexibly

from home to ensure that the service could continue to support business critical activity. She was pleased to report that, although some members of staff were shielding, no one from the team had fallen ill with Covid 19.

The next deadline to achieve is the 15 September 2020 for approval of the accounts and it was hoped that Audit Committee would meet on 4 September 2020 as planned, albeit virtually.

**Outcomes:**

- **The Committee asked that their thanks to the Finance Team be recorded for the outstanding work undertaken in difficult circumstances**

<b>4.</b>	<b>DRAFT ANNUAL GOVERNANCE STATEMENT</b>
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This item was deferred to a future meeting.

<b>5.</b>	<b>SWAP - INTERNAL AUDIT UPDATE</b>
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The Assistant Director, SWAP, informed the Committee that all staff were home working and none had been furloughed. SWAP was supporting the ongoing wellbeing of those staff.

Work has continued where possible but there have been challenges. All staff were registered on the redeployment register. Added value was provided by sharing across partners. Post Covid 19, a different approach will be taken with a new way of working being introduced. Staff are currently being upskilled to adapt to more agile working, with more client liaison and a data driven approach being adopted. More efficient reporting will be introduced with 'a report on a page' being the norm.

The 2020/21 Audit Plan had been agreed by EMT in March but had not been considered by Audit Committee due to the pandemic. Work has continued in those areas with greater capacity. The Audit Plan will necessarily be more flexible to address risk.

**Discussion:**

- If the service is to be more agile and quicker, shorter reports provided, would there be an opportunity for more work to be undertaken or the fee to be reduced? The new approach will require buy in from the client and the fee will remain static. The Plan will need to be reviewed constantly and resources for other topics considered.
- There will be further discussions with the Council Solicitor regarding how Internal Audit reports will be dealt with

**Outcomes:**

- **The report was noted**

<b>6.</b>	<b>RISK REGISTER - COVID 19</b>
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**Documents:**

- Covid 19 Risk Register

**Discussion:**

- The Covid specific Risk Register was established early in the pandemic and is reviewed weekly by Heads of Service
- Each risk is assessed on likelihood and impact
- The scoring matrix would be circulated for information
- A monthly claim is made against the Covid Hardship Fund
- Discussions with the WLGA and Welsh Treasurers continue to seek support from Welsh Government.
- The Committee had concerns regarding the financial impact of the flooding late in the last financial year followed by the impact of Covid 19. Claims have been made through the Emergency Fund for flood related support although the Council has to meet the first £517K of costs. Further claims are being made during the current financial year. Consideration is being given to flood alleviation schemes to limit future risk.
- There may be additional costs associated with some contracts due to sites being closed, projects delayed together with the risk of suppliers liquidating. This is kept under constant review.
- The Council's cash flow is under constant review
- Not all risks were showing a review date, but the Committee was assured that these were in place
- Creditor payments are made as quickly as possible to support the economy
- PPN2/20 has been implemented providing supplier relief where appropriate
- The Head of Finance works closely with other authorities through a network of Welsh Treasurer's and the WLGA
- Focus is now moving to recovery
- The Portfolio Holder was pleased to report that the Council was working across boundaries and that agencies had been brought together during the crisis
- Risk 0046 identified Track and Trace as a risk for one service only - this should be identified across all services
- There was concern regarding the statistics that were published by Public Health Wales and that this may lead to complacency in the County. Data from the Office of National Statistics was more accurate but there was a delay in reporting. The Portfolio Holder informed Members that the Chief Executive had written to the Welsh Government in this regard.
- Risk 0024 relating to the potential insolvency of any participating employers in the Pension Fund – the Vice Chair asked if the Authority was dangerously exposed. The Head of Finance advised that all participating employers were being monitored on an ongoing basis and there were no issues identified currently.
- The Assistant Director, SWAP, informed the Committee that a report on risk management would be finalized shortly. The Authority needed to know if risk was being over or under controlled.

**Outcomes:**



- **Each scrutiny committee should consider the risks relating to its area of consideration**

<b>7.</b>	<b>POLICIES FOR INFORMATION AND REVIEW</b>
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**The following documents were received for information:**

- Powys County Council Anti-Money Laundering
- Powys County Council Anti-Fraud
- Fraud Prosecutions and Sanctions

**County Councillor JG Morris (Chair)**

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# Public Document Pack

Audit Committee – 4 September 2020

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 4 SEPTEMBER 2020

### PRESENT

County Councillors JG Morris (Chair), M Barnes, D R Jones, K Laurie-Parry, DW Meredith, WD Powell, R G Thomas, T J Van-Rees, A Williams, J M Williams and R Williams and Mr J Brautigam

Cabinet Portfolio Holders In Attendance: A W Davies, Finance and G Breeze, Corporate Governance

Officers: Jane Thomas, Head of Finance and Paul Bradshaw, Head of Workforce and Organisational Development

Other Officers In Attendance: Phil Pugh and Sara Leahy, Audit Wales and Ian Halstead, SWAP

<b>1. APOLOGIES</b>
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Apologies for absence were received from County Councillors M J Jones and D A Thomas

The Committee had been scheduled to sign off the Statement of Accounts at this meeting. However, timescales across other sectors have impacted on finalizing the Council's accounts and audit. With the agreement of the Welsh Government, the date has been extended. The Council had submitted its draft accounts in line with the deadline of 15 June with audit work commencing in July. The accounts would be finalised and presented to Committee for approval at an extra meeting of the Audit Committee on 29 September 2020. A further meeting will be required to approve the Pension Fund Accounts as that date has been extended to the end of November.

<b>2. DECLARATIONS OF INTEREST</b>
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There were no declarations of interest.

<b>3. AUDIT WALES - WORKFORCE PLANNING</b>
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#### Documents:

- Report of the Head of Workforce and Organisational Development
- Audit Wales – Workforce Planning at Powys County Council

#### Discussion:

- A council wide approach had been undertaken for workforce planning across all services for the first time.
- An audit was planned during 2019/20, which took place in the final quarter to coincide with the appointment of a new Head of Service.

- The audit provided reassurance that the new approach was a significant improvement on the previous process and that the stronger workforce planning meant that the Council was better placed to support its transformation objectives.
- Moving forwards and to further improve workforce planning:
  - An analysis of the local labour market will take place
  - Succession planning will be incorporated into the next round of planning
  - The workforce planning tools had been simplified for future years
  - And it was the intention to digitalise the process and to better embed workforce planning within the wider business planning process
- A significant improvement on previous plans was noted
- Audit Wales explained that the audit had intended to review and seek assurance regarding workforce plans at a strategic and operational level and to ensure such plans were embedded in the wider transformation process.
- The work had been completed before lockdown, and many of the points raised had been developed.
- The Chair asked if the pandemic had set the process back – there had been very little impact and all actions had been worked upon. The only process which had not progressed as much as planned, was the digitalisation of the planning tool which had been partially completed.
- It was also intended that HR Business Partners attend service management team meetings to help gauge and support progress against the workforce plan, this however has been deferred due to the activation of the Council’s Emergency Plan.
- The Committee sought assurance that all twelve service areas would have similarly robust plans in place. At the end of 2019/20, nine services had robust plans in place but there were extenuating circumstances for the remaining three, for instance the Education Service had been developing an improvement plan at the time in response to a recent inspection. Workforce planning in this case had been deferred so it could encompass the workforce needs arising from the post inspection action plan. All services moving forwards would be supported in developing robust workforce plans as part of their overall business planning.

**Outcomes:**

- **The report was noted**

<b>4.</b>	<b>CORPORATE IMPROVEMENT REPORT AND PERFORMANCE CERTIFICATE</b>
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**Documents:**

- Report of the Head of Transformation and Communications
- Audit Wales – Improvement Plan Certificate
- Audit Wales – Performance Certificate

**Discussion:**

- There is a requirement under the Local Government Measure to publish an assessment of performance for 2019/20 together with an Improvement Plan to ensure continued improvement in 2020/21
- Both certificates have been issued and confirm that the Authority has acted in accordance with statutory guidelines and has discharged its duties
- The Committee asked how Powys County Council compared with other authorities – it was noted that most Councils fulfil the requirements of the Local Government Measure, however many Councils are not at a point of publication for their local measure outputs due to challenges in holding full Council meetings and other disruptions during Covid-19.
- The Assistant Director, SWAP, confirmed that work during 2019/20 had not stopped although there had been some delay at the end of the financial year. The real impact of the pandemic will be reflected in the current year's performance.

**Outcomes:**

- **The report was noted**

<b>5.</b>	<b>INTERNAL AUDIT - ANNUAL REPORT</b>
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**Documents:**

- SWAP – Annual Internal Audit Report

**Discussion:**

- It is the role of the Internal Auditor to give an opinion to support the Annual Governance Statement on governance, risk and control
- The opinion is based on a summary of work undertaken and any qualifications or issues arising would be stated
- Business continuity had prioritised critical services and this had had an impact on internal audit work
- The next Audit Committee on 29 September will receive a summary of the position of each piece of work
- An opinion of Reasonable Assurance has been given
- Adequate controls are in place but some need to improve
- Any audits receiving a partial opinion will be addressed through the Internal Audit Working Group
- Added value has been given by considering the top 20 risks across the partnership
- 77% of audits are complete, 17% are in draft and 6% have not been started
- Customer satisfaction is 93% and 98% of recommendations have been accepted by management
- SWAP is quality assessed regularly and has been found to conform to the required standards
- The Committee raised the issue of HOWPS and asked to be informed of the key governance issues raised. The Internal Audit Working Group is to consider the report in detail in the next few weeks. Governance has been identified as an issue and assurance has been sought from the Authority regarding measures to be put in place. The Audit Committee will receive

a summary report of the Working Groups findings. A further working group has also been established under the Economy, Residents and Governance Committee to consider HOWPS in more detail.

- A Member asked for a position statement on the review of YGaer – the Terms of Reference have been agreed and governance arrangements reviewed. The next step will be to interview stakeholders, but this has been on hold whilst the Authority is in business continuity mode.
- The Committee asked what processes were in place to get the internal audit work programme back on track to ensure that reviews do not become out of date or lead to increased risks if not dealt with
- Consideration will now be given to capacity within services to move the work programme forward
- Work is ongoing to improve reporting processes
- The Committee asked for more detail regarding the recommendations that were not accepted – this may be because there is insufficient resource available. A balance must be struck between risk and the costs of control

**Outcomes;**

- **The report was noted**
- **A further report detailing the current work programme will be considered at the next meeting**

<b>6. STRATEGIC AND COVID RISK REGISTERS</b>
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**Documents:**

- Strategic Risk Register
- Covid Risk Register

**Discussion:**

- The Head of Finance reminded Members that the role of Audit Committee was to gain assurance regarding the management of risk
- The report has been reviewed by Cabinet but there were no additional issues raised
- Each service head is required to bring their budget back to a balanced position
- Further support for local authorities will be key in addressing the situation
- Discussions around future settlements are being held
- Local authorities are inputting into the spending review
- The Portfolio Holder indicated that Finance Panel will consider the position later in the month and a wider budget seminar would also be arranged. There was significant uncertainty regarding funding, but this should become clearer as we move through the year bringing some clarity to the outturn for the current year.
- Comments have previously been made regarding the use of reserves to support the unprecedented situation which faces the Authority. All options will be considered going forward but reserves cannot be used for recurring costs. Consideration of future resilience must also be borne in mind.
- The Committee had asked for sight of the Shaun Harriss report – this was to be released by the Welsh Government in the near future

- Further consideration should also be given to the position regarding joint ventures – HOWPS should also be included in the register
- Many risks within the Covid Risk Register were noted as having a catastrophic rating – it was suggested that these should be reviewed where mitigation measures have been introduced.

**Outcomes:**

- **The Head of Property, Planning and Public Protection be asked to consider including the HOWPS Joint Venture on the Risk Register**
- **The Head of Finance to review the format of reports to enable them to be displayed more effectively**

<b>7. TREASURY MANAGEMENT - ANNUAL REVIEW 2019/20</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- There is a requirement in the CIPFA Code of Practice to submit an Annual Treasury Management review by 30 September
- The Capital Financing Requirement is £101M for 2019/20 and this is projected to rise to £490M in five years. The Authority has £299M borrowed and so remains in an under-borrowed position
- The rate of return on investments remains low
- There is a requirement to provide a summary statement of accounts for Treasury Management
- It was noted that the budget for transport appeared to have doubled – further detail would be provided to the Committee but it was for leasing and hire costs – individual budgets would be used for such things as ensuring social distancing on school transport
- Interest was shown as £3.5M lower in the year. There were delays within the capital programme. This has been the case for several years and is constantly under review. To mitigate against this, the Finance Team had budgeted for 70% delivery against the capital programme. This was likely to slip further due to the pandemic. The capital programme also has an impact on the revenue budget.

**Outcomes:**

- **The report was noted**
- **Further detail regarding transport leasing and hiring costs would be circulated**

<b>8. TREASURY MANAGEMENT - QUARTERLY REPORT</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- The Treasury Management Strategy has been approved by Council and does not show any changed investment strategies
- The Authority will aim for an optimum return whilst maintaining security and liquidity
- An under-borrowed position will be maintained as this is currently the most advantageous to the Authority
- The Head of Finance was asked what due diligence was undertaken when lending to other authorities or public bodies? The risk of borrowing or lending to other authorities was deemed to be low risk. Any authority wishing to borrow would submit a request which would be considered based on the amount, the term and the authority in question.
- A very high number of incorrectly coded debtor invoices was noted. In terms of monetary value this was not high. Consideration would be given to debtors during ongoing transformation work. The 'Right First Time' programme was to be reinvigorated.

**Outcomes:**

- **The report was noted**

<b>9.</b>	<b>NEXT MEETING</b>
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The next meeting would be held on 29 September 2020 when the following items will be included on the agenda:

- Statement of Accounts
- Theatr Brycheiniog grant review
- HOWPS Internal Audit Report
- Internal Audit – work programme monitoring report

**County Councillor JG Morris (Chair)**



**CYNGOR SIR POWYS COUNTY COUNCIL****AUDIT COMMITTEE  
29<sup>th</sup> September 2020****REPORT AUTHOR:** Jane Thomas, Head of Financial Services**SUBJECT:** Statement of Accounts and Pension Fund Accounts  
2019/20

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**REPORT FOR:** Information

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- 1.1 The draft Statement of Accounts and the Pension Fund accounts for 2019/20 were signed off by the Head of Finance (Section 151 Officer) on the 15 June 2020 as required by Accounts and Audit (Wales) Regulations 2014 (as amended).
- 1.2 The onset of the Covid 19 pandemic in March has had a significant impact on the completion and audit of the accounts but despite the barriers put in our way the Council and Audit Wales have completed their work and the Statement of Accounts for the Council for the financial year 2019/20 are before you today for consideration.
- 1.3 In response to the potential impact of the pandemic Welsh Government made provision for the potential delay in completing the accounts and on the 30 April 2020 issued a letter recommending the preparation and certification of draft accounts be extended to the 31 August 2020 with the publication of final audited accounts extended to the 30 November 2020 for all local government bodies in Wales. The letter also advised that by including a note on the Authority website to say why they have not been prepared or published within existing deadlines then the Authority is complying with legislation. The Accounts and Audit (Wales) Regulations 2014 (as amended), stipulate timescales of 15 June for responsible financial officer certification and 15 September for publication. As advised the Authority placed a note on its website prior to 15 September 2020.
- 1.4 The Pension Fund Accounts are not being considered at this meeting as the audit has yet to be completed and a date for Audit Committee approval will be scheduled prior to 30 November 2020.
- 1.5 The Auditor General intend to issue an unqualified opinion on the 2019/20 Accounts of the Authority following the Committees consideration and approval, The Head of Finance (Section 151 Officer) and the Chair of Audit Committee will sign the Statement of Accounts. Arrangements will then be made to publish these accounts.
- 1.6 As part of its role in scrutinising the Council's Statement of Accounts, Audit Committee has participated in two Audit seminars. One on 8 July 2020, where

they received a presentation on the draft accounts submitted to Audit Wales and another held on the 4 September 2020 which presented the changes made since the draft and also reviewed the items and issues raised during the audit period. Members of the Committee used this opportunity to review and question the amendments, enabling them to fully understand the reasons for the changes and any impact they have on the accounts.

- 1.7 There is one misstatement identified in the audited accounts that remains uncorrected. It concerns a £1.214m Welsh Government short term debtor in respect of the Welshpool CIW school building project part financed by the 21<sup>st</sup> Century Schools Project. Management are of the view that the funding will be received pending the business case being presented to Welsh Government in October.
- 1.8 All other misstatements have been corrected and these are recorded in Appendix 4 of the Auditor General's Report.
- 1.9 The Auditor General's report includes emphasis of matter paragraphs relating to the uncertainty on valuations of operational property assets and council dwellings as well as Pension Fund property assets. This reflects the unknown future impact that Covid 19 might have on the real estate market.
- 1.10 The Accounts were made available for Public Inspection and the Auditors made themselves available for questions on the Accounts, the opportunity was not taken up by anyone this year.
- 1.11 The Project approach used in 2019-20 will continue in 2020/21, the project outline, timetable and actions will be put in place shortly and will incorporate any issues encountered this year alongside any recommendations identified in the forthcoming Audit Wales accounts memorandum report.
- 1.12 The Accounts and Audit (Wales) Regulations 2014 (as amended) brings forward the preparation and certification of draft accounts for 2020-21 to 31 May 2021 and the publication of the final audited accounts to 31 July 2021.
- 1.13 The Statement of Accounts and Annual Governance Statement are presented as separate documents and approval will be sought for each.

Recommendation:	Reason for Recommendation:
<p><b>That Audit Committee considers and approves the 2019-20 Statement of Accounts. Which can be formally signed by Chair of the Committee and the Section 151 Officer.</b></p> <p><b>The Statement of Accounts be published as soon as possible but certainly by the 30 November 2020.</b></p> <p><b>That Audit Committee considers and approves the 2019-20 Annual Governance Statement. Which can be formally signed by The Leader of the Council and the Chief Executive.</b></p> <p><b>The Annual Governance Statement be published as soon as possible but certainly by the 30 November 2020.</b></p>	<p><b>To ensure compliance with the Statutory Requirements.</b></p>

Contact Officer Name:	Tel:	Email:
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## Audit of Accounts Report – Powys County Council

Audit year: 2019-20

Date issued: September 2020

Document reference: 2053A2020-21

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2019-20 accounts in this report.
- 2 We have already discussed these issues with the Head of Finance and the Financial Reporting and Policy Accountant.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £4.9 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Senior Officers Emoluments
  - Related party transactions and balances
- 6 We have now substantially completed this year's audit.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way.
- 8 However, in our Audit Plan dated May 2020, we brought to your attention two potential conflicts of interest. The first matter relates to a member of my financial audit team who holds a voluntary role as Treasurer of a charity which has a contract to provide a service within Adult Social Care. The second matter relates to another member of my financial team whose husband is employed by Powys Teaching Health Board and who is also a governor of a secondary school in Powys. I can confirm that planned safeguards have operated as intended in respect of both these matters. I can also confirm that, all other members of my team are independent of the Council and your officers

## Impact of COVID-19 on this year's audit

- 9 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. Indeed, in recognition of the likely challenges facing councils, the Welsh Government wrote to all councils recommending that if it was not possible to meet the statutory accounts timetable, bodies should aim to prepare accounts by 31 August and publish audited accounts by 30 November 2020.
- 10 Despite the challenges faced, the Council was able to produce the draft statement of accounts by the statutory deadline of 15 June, which is a significant



achievement. We are extremely grateful to the professionalism of the team in completing the financial statements and supporting us to complete our audit in such difficult circumstances.

11 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year’s audit process.

**Exhibit 1 – impact of COVID-19 on this year’s audit**

<p><b>Timetable</b></p>	<ul style="list-style-type: none"> <li>• The statutory deadline for the completion of the draft accounts was 15 June which was achieved.</li> <li>• We received the draft accounts on 15 June 2020.</li> <li>• Our audit commenced on 29 June which was later than intended. This was due to the impact of the extended Welsh Government deadlines for the completion of audits within other sectors (eg NHS), due to the COVID-19 pandemic.</li> <li>• Our deadline for completing our audit has been extended to 30 November 2020.</li> <li>• We expect your audit report to be signed on 30 September 2020, well in advance of the extended deadline.</li> </ul>
<p><b>Electronic signatures</b></p>	<p>The Head of Finance provided an electronic signature, along with a supporting e-mail to confirm that she had certified the statement of accounts. We will continue to accept the use of electronic signatures and electronic transfer of files during the approval and signing process.</p>
<p><b>Audit evidence</b></p>	<p>As in previous years, we received the majority of audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> <li>• officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li> <li>• officers provided audit evidence to the audit team via e-mail or via the secure ‘Sharepoint’ folder which was accessible to Audit Wales staff remotely;</li> <li>• officers were available through Microsoft Teams for video conference meetings, and to share on-screen information/evidence; and</li> </ul>

	<ul style="list-style-type: none"> <li>• Audit Wales also secured remote read-only access to the Council's ledger system which enabled the audit team to view evidence (eg invoices issued/paid) and hence reduce the burden on officers to provide this information.</li> </ul> <p>The practical implications of lockdown, together with the additional workload pressures on your staff created by the overriding need to respond to the pandemic, meant that whilst the majority of our audit work was completed by the end of August, delays were experienced in receiving some audit evidence and obtaining timely responses to a number of audit queries.</p> <p>Whilst we acknowledge that delays were largely unavoidable in this year's exceptional circumstances, this did place significant additional pressure on meeting the initial timetable set for the production of the revised financial statements, and subsequent audit completion of 15 September. Despite this, the audit is due to be completed well within the Welsh Government's revised deadline of 30 November deadline.</p>
<p><b>Other</b></p>	<ul style="list-style-type: none"> <li>• Video conferencing has enabled the audit team to correspond effectively with officers throughout the audit.</li> <li>• Video-conference-based Audit Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance.</li> </ul>

- 12 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

- 13 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 14 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 15 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 16 Our proposed audit report is set out in **Appendix 2**. Whilst our audit opinion is unqualified, we have included Emphasis of Matter paragraphs as per ISA (UK) 706 within our Auditor's Report. This is in relation to:
- uncertainty regarding valuations of Operational Properties, Council Dwellings & Investment Properties; and

- a material uncertainty relating to the valuation of Pension Fund Property assets.

17 Further information is provided in **Exhibit 2** below.

## Significant issues arising from the audit

### Uncorrected misstatements

18 There is one misstatement identified with the accounts, which remains uncorrected. We set out below details of this misstatement which has been discussed with management. We request that this is corrected. If you decide not to correct this misstatement, we ask that you provide us with the reason in writing for not correcting it.

- Note 16 'Short Term Debtors' includes an amount totalling £1.214 million. The Council is of the view that this is a valid debt. However, during the course of our audit, we have been unable to obtain any supporting information to support the validity of the debt.

### Corrected misstatements

19 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

20 The number of errors identified, during the course of the audit this year, was higher than in previous years. The complexity of some of the adjustments also meant that additional time was required to ensure that these were processed correctly in the amended version of the financial statements.

### Other significant Issues arising from the audit

21 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year as shown in **Exhibit 2**:

**Exhibit 2 – significant issues arising from the audit**

<b>Significant issues arising from the audit</b>	
<p><b>Material uncertainty in relation to pension fund property assets</b></p>	<p>I have requested that the Council sets out in Note 4 additional narrative to disclose the material uncertainty in relation to pension fund property assets.</p> <p>The Council has included the additional narrative disclosure.</p> <p>I have drawn the reader's attention to this disclosure in an emphasis of matter paragraph in my audit report.</p> <p><b>My opinion is not modified in respect of this matter.</b></p>
<p><b>Uncertainty in relation to Operational Property Assets, Council Dwellings &amp; Investment Properties</b></p>	<p>The Council's draft financial statements included reference within Note 4 to uncertainty in relation to the valuation of its Operational Property Assets, Council Dwellings and Investments as highlighted by the Council's valuers as a result of the COVID-19 pandemic.</p> <p>I have also drawn the reader's attention to this disclosure in an emphasis of matter paragraph in my audit report.</p> <p><b>My opinion is not modified in respect of this matter.</b></p>
<p><b>Impact of McCloud Pension remedy proposals on IAS 19 figures</b></p>	<p>Our audit plan highlighted the impact of the McCloud judgement as a potential audit risk. An estimate for this potential liability was compiled prior to the proposed remedy being known and was included in the 2018-19 financial statements.</p> <p>On 16 July 2020, the UK government proposed its remedy, and this had the potential to significantly impact the previous estimate.</p> <p>We corresponded with management and the actuary to assess whether the estimate for this potential liability was in line with the proposed remedy. We have received confirmation from the actuary that their assumptions were broadly similar to the subsequently proposed remedy. Therefore, we were able to conclude that the estimate included in the financial statements remains reasonable.</p> <p>No adjustments were therefore required to be made to the 2019-20 financial statements.</p>

## Significant issues arising from the audit

### **Prior Period restatements in respect of Teachers Discretionary Benefits and revaluation losses relating to HRA assets**

The Council brought to our attention errors arising in prior years that it had identified during the course of preparing the draft financial statements. These related to the accounting treatment for Teacher's Discretionary Benefits and HRA revaluation losses. Having discussed these with the Council we are satisfied that prior period adjustments and related disclosures were required. These are presented in the revised financial statements in line with the requirements of International Accounting Standard 8

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales  
Audit Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

29 September 2020

### Representations regarding the 2019-20 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Powys County Council for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Powys County Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There is one item that remains uncorrected which relates to Note 16 'Short Term Debtors'. Included within the overall balance of £49.951 million is a debtor of £1.214 million which we believe is a valid debt with the Welsh Government but where we currently await

confirmation of this from the Welsh Government to confirm the validity of the debt. In our view this is not material and therefore the financial statements have not been amended in this regard.

## **Representations by those charged with governance]**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that Powys County Council maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 29 September 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Head of Finance

Date: 29 September 2020

Signed by:

Chair of Audit Committee

Date: 29 September 2020



# Appendix 2

## Proposed audit report

### The independent auditor's report of the Auditor General for Wales to the members of Powys County Council

#### Report on the audit of the financial statements

##### Opinion

I have audited the financial statements of Powys County Council for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

Powys County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

- give a true and fair view of the financial position of Powys County Council as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Emphasis of matter - effects of the COVID-19 pandemic on the valuation of Operational Property Assets, Council Dwellings and Investment Properties**

I draw attention to the disclosures in Note 4 of the financial statements which describes the impact of the COVID-19 pandemic and uncertainty of the valuation of the Council's Operational Property Assets, Council Dwellings & Investment Properties provided by its external professional valuers.

My opinion is not modified in respect of this matter.

## **Emphasis of matter - effects of the Covid-19 pandemic on the valuation of Pension Fund Property Valuations**

I draw attention to Note 4 (Pension Fund Property Valuations) of the financial statements, which describes the impact of a material uncertainty disclosed in pension fund managers year-end valuation reports for the UK property funds managed on behalf of the Powys Pension Fund.

The Council has disclosed this material uncertainty and my audit opinion is not modified in respect of this matter.

## **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## **Other information**

The responsible financial officer is responsible for the other information in the Narrative Report and accounts. The other information comprises the information included in the Narrative Report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing

the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of the Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## Certificate of completion of audit

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

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the

responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Adrian Crompton  
Auditor General for Wales  
30 September 2020

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of corrections made

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
<p>Various significant adjustments across the net expenditure of most directorates.</p> <p>Total value of adjustments £9 million, but no overall impact on the net value.</p>	<p>Errors were identified in the prior-year comparator restatement for a number of directorates within the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis.</p>	<p>The prior-year restatement had not been correctly analysed in the draft financial statements. This was due to:</p> <ul style="list-style-type: none"> <li>• some expenditure not being disclosed on the same line between the two years;</li> <li>• errors in the allocation of pension costs across the directorates; and</li> <li>• an error in the adjustment for depreciation for HRA assets.</li> </ul>
<p>£13.0 million</p>	<p><b>Note 4 Assumptions and estimation uncertainty</b></p> <p>Reference to £60 million of future income raised annually by the Authority increased to £73 million.</p>	<p>Figure corrected to match the Customer and Client income referred to in Note 22.</p>
<p>£10.075 million</p>	<p><b>Note 42 Nature and Extent of risks arising from Financial Instruments</b></p> <p>Various figures corrected in the table relating to Credit Risks.</p>	<p>Figures corrected to include £10.075 million of deposits with banks erroneously excluded from Note 42.</p> <p>Also, Council Tax, Housing Rents and Sundry Debtors figures updated to correct</p>

Value of correction	Nature of correction	Reason for correction
		various errors made in the collation of this note.
£5.100 million	<p><b>Note 22 Expenditure and Income analysed by nature</b></p> <p>Customer and Client income reduced by £5.1 million and Capital Charges reduced by £5.1 million.</p>	To correct errors made in the collation of this note due to HRA Minimum Revenue Provision and HRA Interest paid which was credited erroneously to Customer and Client Income.
£4.423 million	<p><b>Note 33 Grant Income increased</b></p>	<p>Various amendments to this note as a result of grants either being omitted or details being incorrectly included in the draft account. These included:</p> <ul style="list-style-type: none"> <li>• Children and Communities Grant £3.265 million</li> <li>• Teaching Workforce Issues Grant £0.8 million</li> <li>• NNDR collection grant increased by £0.358 million</li> </ul>
£4.157 million	<p><b>Note 12 Capital Commitments</b></p> <p>The overall Capital Commitments was reduced.</p>	We identified that the REFCUS commitments had been included twice within this note.
£3.362 million	<p><b>Note 22 Expenditure and Income Analysed by Nature</b></p> <p>National Non Domestic Rates has been increased</p>	To correct a misposting error in one month's RSG and NNDR income from the Welsh Government.

Value of correction	Nature of correction	Reason for correction
	and Revenue Support Grant decreased.	
£2.729 million	<b>Note 12 Property Plant and Equipment Assets increased</b>	Our work identified that the revaluation amount on the valuer's report for one school had been incorrectly included at a nil book value. (Llandrindod Wells CP School).
£1.457 million	<b>Note 14 Capital Grants and Capital Financing</b> Government Grants decreased.	To correct the accounting treatment which was wrongly applied in respect of an Economic Development Grant from the Welsh Government.
£1.142 million	<b>Note 16 Debtors</b> Reclassification of part of balance with Powys Teaching Health Board between trade debtors and other debtors.	Reclassification to ensure that the debt with Powys Teaching Health Board is correctly stated in other debtors.
£1.017 million	<b>Note 18 Creditors</b> Reclassification of part of the Holiday Pay accrual from Trade Payables to Accruals and Deferred income	£1.017 million of the £4.259 million holiday pay accrual had been erroneously posted to Trade Payables instead of Accruals and Deferred Income.
£0.413 million	<b>Note 12: Property Plant and Equipment Assets increased</b>	To correct the impact of an asset being incorrectly treated as a disposal during the year (Llandrindod Wells HWRC).

Value of correction	Nature of correction	Reason for correction
£0.334 million	<b>Note 12: Property Plant and Equipment Assets have decreased</b>	Amendment required as a result of the reconciliation of the financial statements to the Authority's Fixed Asset Register not being completed until after the production of the draft financial statements.
N/A	<b>Note 31 Remuneration Banding disclosure</b> The number of staff in the pay bands has been increased by five in total.	To correct calculation errors in the collation of this note.
£6.951 million	<b>Note 35 Related Parties</b> Additional disclosures added for four councillors relating to Mid and West Fire Authority.	To include reference to Mid and West Fire Authority which was omitted from the related party note.
Various	Various amendments to the Narrative Report and Notes to the financial statements.	We noted a number of inconsistencies between the information in the Narrative Report to that disclosed in the Financial Statements and minor inaccuracies in the notes to the financial statements where some narrative related to 2018-19 and had not been updated.
Various	Various numerical and presentational changes throughout the account.	A number of minor numerical and narrative changes have been made to various notes in the financial statements to correct casting errors and internal inconsistencies which were not identified during the



Value of correction	Nature of correction	Reason for correction
		Council's quality assurance process



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

**Jane Thomas**  
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Your ref / Eich cyf:

Our ref / Ein cyf:

Date / Dyddiad: 29th September 2020

### **Representations regarding the 2019-20 financial statements**

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Powys County Council for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### **Management representations**

#### **Responsibilities**

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### **Information provided**

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Powys County Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

### **Financial statement representations**

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There is one item that remains uncorrected which relates to Note 16 'Short Term Debtors'. Included within the overall balance of £49.951m is a debtor of £1.214m which we believe is a valid debt with the Welsh Government but where we currently await confirmation of this from the Welsh Government to confirm the validity of the debt. In our view this is not material and therefore the financial statements have not been amended in this regard.

### **Representations by those charged with governance**

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that Powys County Council maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 29 September 2020.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Head of Finance

Date: 29 September 2020

Signed by:

Chair of Audit Committee

Date: 29 September 2020

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# Statement of Accounts 2019/20



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## Narrative Report

### Introduction

The Statement of Accounts 2019/20 provide details of the Council's financial position for the year ended 31 March 2020. The information presented on pages 1 to 119 is in accordance with the requirements of the 2019/20 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 **Expenditure and Funding Analysis** shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- 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 2020.
- 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;

### Exceptional Circumstances

The COVID-19 pandemic and the measures imposed by the Government at a UK and Welsh Government level are having a significant impact on the council.

The Council's response to the pandemic saw us move away from business as usual to focus on business critical activities and the implementation of specific plans in response to the emerging situation. We reacted quickly to demands to support the local economy and address the significant pressures on key council services to maintain delivery particularly for Adult Social Care and Homelessness. The majority of our schools have closed but we are maintaining key Hubs to provide care for the children of key workers who are delivering frontline services.

The situation has impacted on all service areas, increased demands on some, with the suspension and the paring back of others. Staff have been withdrawn from their usual duties and many are being redeployed as we react to demand and needs of the organisation, our residents and communities.

There have and continue to be cost pressures arising from the pandemic, but these have had minimal impact on the financial outturn for 2019/20. In 2020/21, Welsh Government has provided additional funding through the COVID-19 Hardship Fund to support some of the additional costs incurred. These include support for free school meals, homelessness, temporary mortuary costs and other additional costs in supporting our most vulnerable adults and children.

The Council's finances will be further impacted with substantial reductions in income across many services. These include parking, commercial waste, licensing fees, registrars and planning fees. Traded services such school meals, leisure services and childcare provision have all ceased and collection rates for Council Tax and Business Rate have declined.

In response to this financial challenge the Council has made provision to increase its reserves at year end to add some resilience to our finances as we move into the new financial year.

The Council will review and refresh its Medium Term Financial Strategy in response to the changing situation. Our objectives may change and adapt in recognition of the impact of the pandemic and the Council's revised strategic objectives. The COVID-19 crisis will require the Council to identify what its most critical services are. The changing environment will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority, whilst aiming to still achieve its Vision 2025, Corporate Improvement Plan.

## Review of the Year

### *Facts/figures*

During 2019/20 the Council:

- Supported over 310 looked after children
- Completed over 1,150 assessments of children's needs
- 3,690 Child Protection visits in last 12 months
- Over 5,620 Child contacts in the last 12 months
- Supported over 2,640 adults in care homes, supported living, domiciliary care or through direct payments
- Supported over 2,630 adults through the information, advice and assistance service
- Supported over 690 individuals to remain independent in their own homes with reduced care and support needs through reablement
- Enabled over 700 individuals to feel safer at home through Technology Enabled Care leading to independent living
- Provided education to approximately 16,500 pupils across 94 schools (79 primary, 11 secondary, 1 all through and 3 special schools), as well as providing workplace learning opportunities.
- Let, managed and maintained over 5,375 homes
- Supported 613 homelessness presentations
- Syrian Refugee Resettlement Programme -There are currently 20 families residing in 18 households throughout Powys.
- Maintained over 440kms of Trunk Roads and 5,000kms of County Roads - the longest highway network in Wales
- Collected and processed recyclable material and residual waste from around 67,000 properties
- Provided 5 Household Waste Recycling Centres for residents to take their waste to be recycled
- Provided public and home to school transport to over 1 million passengers and 7,000 eligible learners
- Handled approximately 1,285 planning applications
- Supported leisure, learning, recreational and cultural activities that culminated in an estimated 1.8m visits to leisure establishments

## POWYS COUNTY COUNCIL

### *Financial Performance*

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

The Welsh Government funded 68.3% of the Council's 2019/20 net revenue budget compared to 70% in 2018/19. The funding is provided in a settlement known as Aggregate External Finance (AEF).

As part of the UK Government's austerity measures for 2019/20 the AEF increased across Wales by an average of 0.2%. Powys received a 0.3% decrease, equivalent to a decrease in funding of £524k after adjusting for transfers.

Our Council Tax was set at £1,302.17 for properties in valuation Band D (£1,189.20 2018/19). We collected £89.52m with a collection rate of 97.2%, the collection rate for Non Domestic Rates was 98.2%.

The Revenue Budget for 2019/20 was approved by the Council on the 7th March 2019. The Council's net expenditure for the year was £255.19m. Cost reductions of £12.99 million were included in the budget, a further £8.70m were identified by Social Care to mitigate the potential cost pressures identified by both Children's and Adult services. Together these total £21.69m to be delivered during 2019/20.

The Council's budget was set with an aim to protect the services residents' value and need, and prioritised in the council's Vision 2025:

- The budget passed on to schools delegated budgets an additional £1m, retaining Powys' position as one of the highest funders of education in Wales.
- The budget protected the investment that has been made in Children's and Adults services although significant pressures remain.
- The budget maintained the funding for developing key priorities within Vision 2025 such as the mid-Wales Growth Deal, building 250 extra homes and using the council's considerable spend to support county businesses with greater use of the Powys pound.
- The budget protected the delivery of statutory services such as environmental health and Trading Standards

The level of investment in Social Care in 2018/19 year was considerable, increasing their base funding by an unprecedented £6.5m for Adults and £6.2m for Children's services. Further funding provided by Welsh Government via the revenue settlement in 2019/20 provided an additional £1.1m. This level of additional funding (particularly for Children's Services) reflected the serious challenge the Council faced as well as its commitment to improve outcomes by addressing the poor Children's Service inspection report. However, the overall risk that Social Care (both Children's and Adults) face in 2019/20 means that the budget management reserve forms a key part of the strategy and the £2m addition included as part of the budget addresses this potential risk.

The revenue financial performance of the Council is summarised on the next page.

## STATEMENT OF ACCOUNTS

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
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Childrens and Adults</b>						
Adult Services	64,461	64,936	64,958	(22)	(40)	18
Childrens Services	21,057	20,680	25,333	(4,653)	-	(4,653)
Commissioning	2,178	3,143	2,758	385	-	385
★Education	22,138	★15,650	★16,048	(398)	(226)	(172)
<b>Economy &amp; Environment</b>						
Highways, Transport & Recycling	29,975	31,568	33,038	(1,470)	204	(1,674)
Property, Planning & Public Protection	6,591	6,952	6,949	3	119	(116)
Regeneration	1,008	1,097	1,056	41	(4)	45
Housing General Fund	5,723	5,984	5,771	213	-	213
<b>Organisational Transformation</b>						
Digital & Communication Services	4,781	5,071	5,662	(591)	(969)	377
Strategy, Performance & Transformation Programmes	3,524	1,968	1,852	116	(73)	189
Workforce & Organisational Development	1,508	1,367	1,496	(129)	(220)	91
Legal & Democratic Services	3,056	3,302	3,087	215	36	179
Finance	4,276	5,035	5,294	(259)	(30)	(229)
Corporate Activities	14,786	12,728	3,364	9,364	2,562	6,802
<b>Totals</b>	<b>185,062</b>	<b>179,481</b>	<b>176,666</b>	<b>2,815</b>	<b>1,359</b>	<b>1,456</b>
Housing Revenue Account (HRA)	-	-	(2,807)	2,807	2,344	463
★Schools Delegated	70,124	★75,705	★76,693	(988)	(2,314)	1,326
<b>Total including Schools &amp; HRA</b>	<b>255,186</b>	<b>255,186</b>	<b>250,552</b>	<b>4,634</b>	<b>1,389</b>	<b>3,245</b>

★ These figures differ from the outturn figures provided to cabinet as part of the year end report, due to an adjustment which has been made relating to the treatment of grant funding for schools, which was originally shown in the delegated schools line, but it should form part of education. The change is reflected in the budgeted and actual figures and has no impact has on the service variance.



## POWYS COUNTY COUNCIL

The revenue outturn position for 2019/20 is an underspend of £1.46m (excluding Schools and the Housing Revenue Account), which is equivalent to 0.8% of the working budget. The figures include cost reductions delivered of £15.83m, 73% of the £21.69m target, this compares with 58% delivered in the previous year. Comprising £9.52m of service cost reductions and £6.31m of pressures managed by Social Care.

Undelivered cost reductions of £5.86 million have been managed in part by some services who have identified mitigating actions using alternative means of covering the shortfall in 2019/20 together with the £2.00 million budget management risk budget which is held in the Corporate Services budget. £1.60 million of the undelivered cost reductions have been rolled forward and will be achieved in the new financial year. Undelivered cost reductions that are now considered as unachievable have been removed from the service budgets in 2020/21.

Costs in excess of the approved budget are reported for Childrens Services, Highways Transport and Recycling, Property Planning and Public Protection and Finance, these overspends are being offset by underspends across other services of the council and most notably within Corporate Activities in part through the reduced need on borrowing budgets.

Capital investment and the financing of capital activities have a significant impact on the authority's revenue position. In 2019/20 £62.36m was actually spent (including HRA) on capital investments versus the revised budget of £72.60m. This resulted in an underspend of £10.23m (14%) on the council's Capital Budget.

Interest and Minimum Revenue Provision (MRP) budgets support the cost of borrowing for capital purposes and recognises the Council's future need to borrow. These revenue budgets were approved to support the original capital programme of £92.34m. The actual capital spend was 30% less, and grants were maximised to reduce the call on borrowing. The actual cost of borrowing was £11.79m, an underspend of £3.30m which helped support the service deficits. The MRP cost was offset by £4.5m from the release of some of the backdated adjustment to the MRP as planned in the 2019/20 budget.

A key part of the Council's financial strategy is to reduce the cost of delivering our services. Transformational activity undertaken during the year was again supported by the use of the Capitalisation directive. Under this directive capital receipts totalling £3.18m were used to fund expenditure relating to transformation and redundancy costs that would have otherwise been funded from the Council Fund.

### *Revenue Grants*

The Council supports a number of organisations by providing them with a grant. The recipient does not provide a service directly for the Council but their activity supports the wider objectives of the Council, for example in promoting the social, economic or environmental well-being of their area. During 2019/20 grants totalling £296k were issued supporting 43 organisations.



*Revenue Reserves*

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.

As part of the year end process consideration has been given to the impact that the COVID-19 pandemic will have on the Council's finances in subsequent years. In order to add resilience to our planning the use and holding of reserves has been a key part of our assessment.

This approach has increased the overall level of usable reserves and maintained a council fund reserve at year end of £9.47m representing 5.1% of total net revenue budget excluding Schools and the HRA. This maintains reserves in line with the Council's policy and provides greater flexibility should it be needed to support the financial position due to COVID-19 in 2020/21. Reduced income, and the likely decrease in the delivery of cost reductions will inevitably impact on the revenue budget and in these exceptional circumstances there may be a need to use reserves to support the budget.

31 March 19 £'000	Revenue Reserves	31 March 20 £'000
	<b>Ring Fenced or Restricted Use Reserves</b>	
(293)	School Reserves	(1,260)
2,311	Other Specific Reserves	1,449
	<b>Committee Specific Reserves</b>	
15,675	Other Specific Reserves	18,925
<b>17,693</b>	<b>Total Earmarked Reserves</b>	<b>19,114</b>
	<b>Central or General Reserves</b>	
9,065	Council Fund	9,471
1,111	Housing Revenue Fund	3,919
<b>27,869</b>	<b>Total</b>	<b>32,504</b>

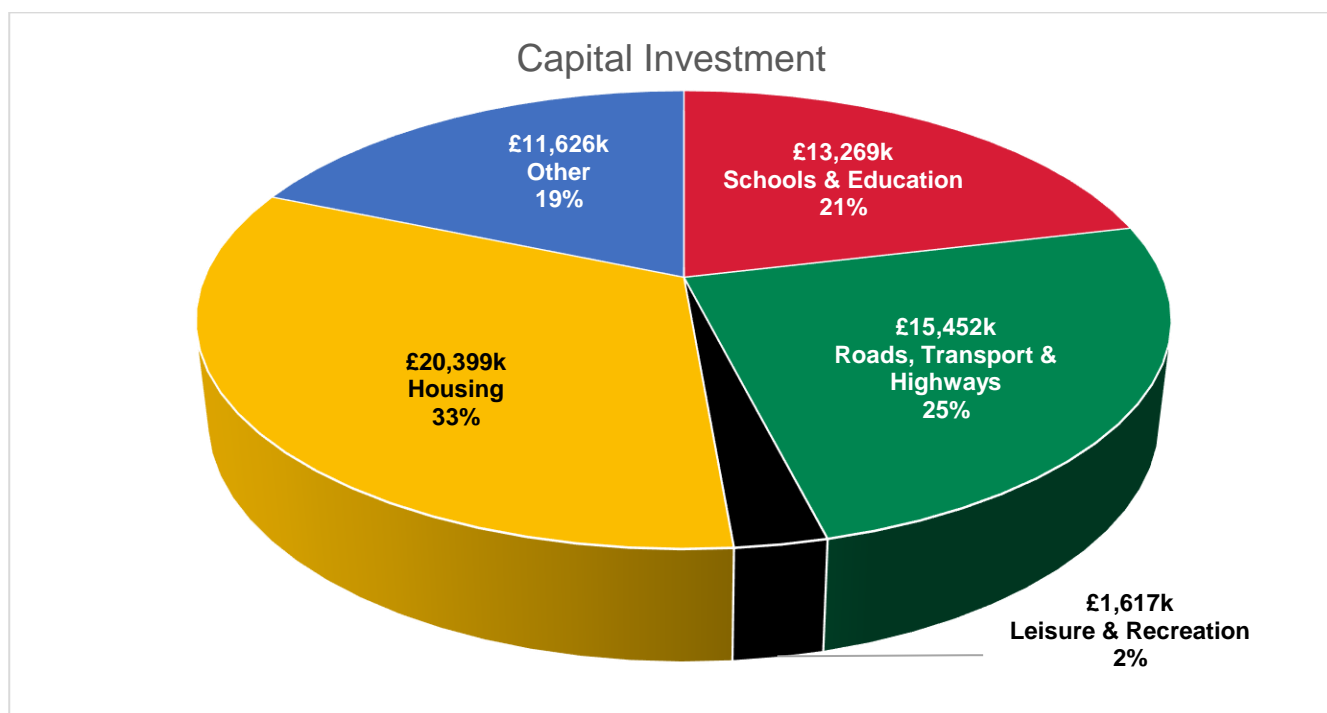
The Housing Revenue Account (HRA) and school reserves are ring-fenced by statute. The HRA net contribution to reserve was £2.8m, due to the decision to use borrowing to support the capital programme rather than reserves and helps maintain funding that may be necessary to support the budget in 2019/20 through the COVID-19 pandemic, this increases the reserve to £3.9m.

*Capital Expenditure*

The approved capital programme totalled £92.34m. Final expenditure in 2019/20 was lower than the approved programme at £62.36m. The variance is mainly due to a number of projects being delayed and re-profiled in the year.

The investment has been necessitated by the need to acquire or build new assets or enhance ageing, and in some cases, dilapidated assets that will enable the council to provide services to its residents more effectively, in the pursuit of its statutory obligations. The table and diagram below, show some of the priority areas where the Council has invested in the 2019/20 financial year.

Service Area	2019/20 £'000
Schools & Education	13,269
Roads, Transport & Highways	15,452
Leisure & Recreation	1,617
Housing	20,399
Other	11,626
<b>Total</b>	<b>62,363</b>



**Housing (£20,399k)**

Approximately £14m has been spent on major refurbishment of Council Dwellings. Renewal of kitchens, bathrooms, heating, and replacement of roofs is continuing across the County and more investment has been committed in the next few years to improve living conditions and general wellbeing of our residents.

In total 198 homes were fitted with new Kitchens, 104 homes were fitted with new Bathrooms, 32 homes were rewired, 570 homes were fitted with new double glazed Windows and 454 homes had their roofs replaced.

In addition £6m has been used to develop plans to build new dwellings in the county with the first development starting in Brecon. £670k has been used to purchase 5 dwellings.

**Schools & Education (£13,269k)**

Through the 21st Century Schools Programme, major investment was made during the 2019/20 financial year.

Ysgol Carno was officially opened by Kirsty Williams AM and Cllr Myfanwy Alexander in April 2019, a school which forms part of the Council's first primary school federation model with Ysgol Glantymyn and Ysgol Llanbrynmair.

In December 2019, Brecon High School new building officially opened to pupils; the £21m scheme, which was jointly funded from Powys and Welsh Government, delivered a state of the art 750 place school with community facilities.

A local contractor was contracted to re-commence the construction of the new 360 place school building with community facilities for Welshpool Church in Wales Primary School in January 2020. Consequential works to improve the sporting facilities and changing rooms were also completed at Welshpool High School.

Ysgol Gymraeg y Trallwng project is on track to deliver the first hybrid passivhaus/ refurbished project in the UK with the design team appointed to complete the technical stage designs.

Several feasibility studies to improve the education infrastructure with community facilities in the county concluded within this financial year, including work at Ysgol Bro Hyddgen all-through school, and Cedewain and Brynlllywarch special schools.

The Schools Major Improvements Programme supports the improvement of education facilities and infrastructure for pupils. In this financial year, 82 projects were completed. The improvements include the installation of new windows, replacement of fire doors, installation of new boilers and controls, disability alterations, resurfacing of road, playground and pathways, upgrading of accommodation for early years, flood prevention schemes, upgrading and installing new electrical, gas, water and foul/waste infrastructure and safeguarding (fencing/gates/school reception) works to meet legislative and Estyn requirements.

The impact of COVID-19 at the end of the financial year has seen some work stop and sites closedown. These projects will resume when possible.

**Road, Transport & Highways (£15,452k)**

Investment through the Highways major strategic schemes facilitates economic growth, improves transport links, provides network resilience and improves safety. £7.0m has been invested in resurfacing, structural improvements and road safety improvements and £1.0m on improvements to bridges. Further investment of £1.2m supported passenger transport infrastructure, public rights of way, active travel and safe route schemes which aim to encourage active and sustainable lifestyles.

Other major projects this year include the completion of both a new household waste recycling facility in Newtown and strategic salt reserve at Llangammarch Wells. Construction of a recycling bulking facility for the north of the county began during the year and is expected to be completed during the 2020/21 financial year.

## POWYS COUNTY COUNCIL

### Leisure & Recreation (£1,617k)

A total of £1.62m was invested in museum and galleries, parks and open spaces and sports facilities. Y Gaer opened as a valuable community resource for the people of Brecon and the surrounding area, providing opportunities for participation and volunteering and a significant tourist attraction.

### Other (Regeneration, Properties, ICT, etc.) (£11,626k)

ICT projects in 19/20 included a new Finance System, which became operational at the start of the year. A new email system and the introduction of SharePoint across the authority enabled the implementation of agile working across the authority.

Investment continued in the County Farms estate with a programme of improvements including roofing work and the removal of asbestos. The industrial unit in Ffrwdgrech, purchased in 17/18 was refurbished during the year. The property units are fully occupied as of 1 May 2020 and secures annual rental and service charge income.

### *Medium Term Financial Strategy 2020 - 2025*

The Medium Term Financial Strategy (MTFS) sets out how the Council will develop its financial plans and manage its finances over the next few years and over the medium term.

We continue to plan in challenging and uncertain times, and for the first time in a decade Powys has received a much welcome improvement in the funding that it receives from Welsh Government for 2020/21. This will go some way to ease the pressure on Council services. However, the Council's budget remains under significant pressure as service demand, our costs and investment requirements continue to rise.

The Council's future settlement will be determined by decisions made by the Welsh Government on how to allocate the funding settlement it receives from the UK Government. The real-terms increases in the Welsh Government's resource budget of 1% for 2019/20 and 2.3% in 2020/21 represent a step-change compared to the average fall of 0.7% per annum in real-terms between 2010/11 and 2017/18. However, Welsh Government day-to-day spending in 2020/21 will remain 3% below its 2010-11 level in real-terms. The Welsh revenue settlement for 2020/21 gave local authorities a real-terms increase of 5.6% as part of its final settlement, this equated to 5.4% for Powys.

The local context affecting our funding and demand for services is well recognised and heavily influenced by Powys being sparsely populated with a wide geographic area requiring services. Powys has a higher than average older population that is predicted to increase at a faster rate 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 above retirement age to the County. Conversely, the county's younger population is declining with a reducing birth rate and a sizeable outward migration of young people. Further and higher education and career opportunities are the main contributors to this trend.

These factors in combination present significant challenges to the Council. As evidenced in the Rural Cost Analysis (<https://en.powys.gov.uk/article/7842/Funding-changes-needed>) 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.

On the current modelling, to deliver a balanced annual budget between April 2021 and 2025 the Council will need to reduce its spending by more than £50.8m and to increase council tax by 5% year on year. This will be achieved through transformational change and cost efficiencies but reductions in some services offered will also be inevitable.

The Council's budget planning has traditionally been determined using an incremental budgeting approach and has tended to focus on one year with limited development over the longer term. This will not deliver a sustainable financial position for the Council going forward. The Council is therefore moving to an Outcome Based Budgeting approach, focused on the medium to long term and aligned to service and workforce planning.

The strategy is based on an approach which brings together all elements of the Council activity to deliver Vision 2025, a programme of transformation, and one which encompasses service improvement and delivers appropriate levels of statutory service. It will better align revenue and capital to ensure that our limited resources are prioritised to achieve maximum effectiveness and based on securing outcomes that matter to our residents.

The economic implications of the pandemic and indeed Brexit are yet unknown. The impact of COVID-19 has seen a government response greater than has ever been seen before. The increase in the national debt will undoubtedly have repercussions that could last for decades. How this will impact on future local government settlements remains to be seen but we can learn from the positives seen over the last couple of months, a whole council response, delivered at pace collectively with our partners has supported our residents and businesses through this challenging time. The Council must grasp the benefits seen as it turns its focus to recovery, reviewing its priorities and plans and reassessing both revenue and capital budgets. We will need to revisit and realign our Medium Term Financial Strategy to ensure the Council is sustainable and resilient for the short, medium and longer term.

## Vision 2025

Powys 2025 represents the vision for the council and its priorities are clearly laid out.

The Corporate Improvement Plan is our road map to Vision 2025, setting out our top priorities and milestones. It draws together information from a number of our key strategies and the steps we will take to meet our priorities and the improvements you can expect to see when our plan is delivered.

In an era of continued budgetary pressures, growing demand, and increased expectations it is very important that we are clear about what we want to achieve now and in the future and support this within our financial planning.

The Council has an ambitious Transformation Programme in place to help deliver Vision 2025. The Programme is governed by a Transformation Delivery Board comprising the Cabinet and the Executive Management Team and progress of each programme is included in the Council's performance management reports which are presented to Cabinet each quarter. There are service transformation programmes also underway across the Council and progress on these also reported to the Board at regular intervals.

Full details of the Vision 2025 can be found at: <https://en.powys.gov.uk/Vision2025/>

The Council is required to produce an Annual Governance Statement, signed by the Chief Executive and the Leader of the Council and approved by Audit Committee, the statement covers all significant corporate systems, processes and controls.

## 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 Head of Finance.
- 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 [date].

Signature: \_\_\_\_\_ Date \_\_\_\_\_

Audit Committee Chairman

### Head of Finance Responsibilities

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"). 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 Head of Finance 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 Head of Finance 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 Head of Finance on the Accounts of Powys County Council for 2019/20.

I certify that the accounts set out on pages 1 to 119 present a true and fair view of the financial position of Powys County Council as at 31 March 2020 and its income and expenditure for the year then ended.

Signature: \_\_\_\_\_ Date \_\_\_\_\_

J Thomas Head of Finance

POWYS COUNTY COUNCIL

Audit report of the Auditor General to the Members of  
Powys County Council

*These pages are reserved for Audit Wales*



*These pages are reserved for Audit Wales*

*These pages are reserved for Audit Wales*

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
[Date]

24 Cathedral Road  
Cardiff  
CF11 9LJ

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**The maintenance and integrity of the Powys County Council's website is the responsibility of the Section 151 Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.**

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## Movement in Reserves Statement

	Council Fund £'000	Earmarked Reserves (Note 8) £'000	HRA £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (Note 21) £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2018 (Restated Note 43)</b>	9,681	27,409	3,267	7,559	1,499	49,415	176,032	225,447
<b>Movement in Reserves During 2018/19</b>								
<b>Total Comprehensive Income and Expenditure (Restated Note 43)</b>	(45,134)	-	(5,438)	-	-	(50,572)	24,671	(25,901)
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 7) (Restated Note 43)	34,802	-	3,282	(327)	(410)	37,347	(37,347)	-
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>(10,332)</b>	<b>-</b>	<b>(2,156)</b>	<b>(327)</b>	<b>(410)</b>	<b>(13,225)</b>	<b>(12,676)</b>	<b>(25,901)</b>
Transfers To/(From) Earmarked Reserves	9,716	(9,716)	-	-	-	-	-	-
<b>Increase/(Decrease) Movement in Year</b>	<b>(616)</b>	<b>(9,716)</b>	<b>(2,156)</b>	<b>(327)</b>	<b>(410)</b>	<b>(13,225)</b>	<b>(12,676)</b>	<b>(25,901)</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>9,065</b>	<b>17,693</b>	<b>1,111</b>	<b>7,232</b>	<b>1,089</b>	<b>36,190</b>	<b>163,356</b>	<b>199,546</b>
<b>Movement in Reserves During 2019/20</b>								
Surplus or (Deficit) on Provision of Services	(44,788)	-	5,990	-	-	(38,798)	-	(38,798)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	(34,595)	(34,595)
<b>Total Comprehensive Income and Expenditure</b>	<b>(44,788)</b>	<b>-</b>	<b>5,990</b>	<b>-</b>	<b>-</b>	<b>(38,798)</b>	<b>(34,595)</b>	<b>(73,393)</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 7)	46,615	-	(3,182)	2,004	313	45,750	(45,750)	-
<b>Net Increase/(Decrease) Before Transfers To Earmarked Reserves</b>	<b>1,827</b>	<b>-</b>	<b>2,808</b>	<b>2,004</b>	<b>313</b>	<b>6,952</b>	<b>(80,345)</b>	<b>(73,393)</b>
Transfers To/(From) Earmarked Reserves	(1,421)	1,421	-	-	-	-	-	-
<b>Increase/(Decrease) Movement in Year</b>	<b>406</b>	<b>1,421</b>	<b>2,808</b>	<b>2,004</b>	<b>313</b>	<b>6,952</b>	<b>(80,345)</b>	<b>(73,393)</b>
<b>Balance at 31 March 2020 Carried Forward</b>	<b>9,471</b>	<b>19,114</b>	<b>3,919</b>	<b>9,236</b>	<b>1,402</b>	<b>43,142</b>	<b>83,011</b>	<b>126,153</b>

STATEMENT OF ACCOUNTS

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## Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments.

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19 Restated			2019/20			
Net Expenditure Chargeable to the Council Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement (CIES)		Net Expenditure Chargeable to the Council Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement (CIES)
£'000	£'000	£'000		£'000	£'000	£'000
66,448	1,299	67,747	Adult Services	67,039	3,102	70,141
29,606	377	29,983	Childrens Services	27,818	851	28,669
2,466	65	2,531	Commissioning	3,373	362	3,735
*9,458	13,298	22,756	Education	10,376	14,561	24,937
33,937	5,430	39,367	Highways Transport & Recycling	28,677	11,769	40,446
6,157	1,695	7,852	Property, Planning & Public Protection	4,236	5,314	9,550
1,009	684	1,693	Regeneration	1,055	450	1,505
5,969	3,097	9,066	Housing & Community Development	4,454	3,686	8,140
149	475	624	Digital & Communication Services	(124)	751	627
1,291	318	1,609	Strategy, Performance & Transformation Programmes	539	384	923
1,292	89	1,381	Workforce & OD	472	206	678
3,471	231	3,702	Legal & Democratic Services	2,682	377	3,059
116	2,474	2,590	Finance	1,088	3,419	4,507

*7,425	12,482	19,907	Corporate Activities	9,663	781	10,444
1,444	4,782	6,226	Housing Revenue Account (HRA)	(2,128)	(3,201)	(5,329)
75,933	1,206	77,139	Schools Delegated	76,692	1,929	78,621
<b>*246,171</b>	<b>48,002</b>	<b>294,173</b>	<b>Net Cost of Services</b>	<b>235,912</b>	<b>44,741</b>	<b>280,653</b>
24,798	5,440	30,238	Other Operating Expenditure	26,893	6,845	33,738
*12,181	6,886	19,067	Financing and Investment Income and Expenditure	11,778	6,516	18,294
(270,662)	(22,244)	(292,906)	Taxation and Non Specific Grant Income Operations not Included in Net Cost Of Services	(279,218)	(14,669)	(293,887)
<b>*12,488</b>	<b>38,085</b>	<b>50,572</b>	<b>Surplus or Deficit</b>	<b>(4,635)</b>	<b>43,433</b>	<b>38,798</b>
(40,357)			Opening Council Fund and HRA Balance at 31 March	(27,869)		
12,488			Add (Surplus)/Deficit on Council Fund and HRA Balance in Year	(4,635)		
<b>(27,869)</b>			<b>Closing Council Fund and HRA Balance at 31 March</b>	<b>(32,504)</b>		

A split of the Council Fund and HRA balances are shown in the Movement in Reserves Statement.

The 'Adjustments between the Funding and Accounting Basis' are disclosed in more detail in Note 6.

For comparative purposes, the Net of Cost of Services, which in the 2018/19 accounts consisted of 4 service headings Social Services, Environment, Resources and Schools and Leisure has been re-classified to reflect changes in the reporting structure in 2019/20.

The 2018/19 has been restated to include adjustments made in relation to discretionary benefits awarded. Details can be found in Note 43 Prior Period Adjustment.

\* These lines have been restated.

## Comprehensive Income & Expenditure Statement (CIES)

2018/19 Restated			2019/20			
Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000		Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000
90,943	(23,196)	67,747	Adult Services	93,581	(23,440)	70,141
31,720	(1,737)	29,983	Childrens Services	30,008	(1,339)	28,669
6,913	(4,382)	2,531	Commissioning	10,866	(7,131)	3,735
*39,771	(17,015)	22,756	Education	38,378	(13,441)	24,937
57,702	(18,335)	39,367	Highways Transport & Recycling	61,465	(21,019)	40,446
16,890	(9,038)	7,852	Property, Planning & Public Protection	18,816	(9,266)	9,550
3,056	(1,363)	1,693	Regeneration	3,434	(1,929)	1,505
13,479	(4,413)	9,066	Housing & Community Development	11,348	(3,208)	8,140
1,920	(1,296)	624	Digital & Communication Services	1,761	(1,134)	627
1,788	(179)	1,609	Strategy, Performance & Transformation Programmes	1,218	(295)	923
2,624	(1,243)	1,381	Workforce & OD	2,310	(1,632)	678
4,292	(590)	3,702	Legal & Democratic Services	4,457	(1,398)	3,059
3,286	(696)	2,590	Finance	6,500	(1,993)	4,507
*50,472	(30,565)	19,907	Corporate Activities	39,715	(29,271)	10,444
30,621	(24,395)	6,226	Housing Revenue Account (HRA)	20,167	(25,496)	(5,329)
84,800	(7,661)	77,139	Schools Delegated	88,270	(9,649)	78,621
<b>*440,277</b>	<b>(146,104)</b>	<b>294,173</b>	<b>Cost of Services</b>	<b>432,294</b>	<b>(151,641)</b>	<b>280,653</b>
		30,238	Other Operating Expenditure (Note 9)			33,738
		*19,067	Financing and Investment Income and Expenditure (Note 10)			18,294
		(292,906)	Taxation and Non Specific Grant Income and Expenditure (Note 11)			(293,887)
		<b>50,572</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>38,798</b>
		(57,028)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets (Note 21)			(13,217)
		54,167	Impairment losses on Non-current Assets Charged to the Revaluation Reserve (Note 21)			26,012
		*(21,810)	Re-measurements of the Net Defined Benefit (Asset)/Liability (Note 21)			21,800
		<b>*(24,671)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>34,595</b>
		<b>*25,901</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>73,393</b>

For comparative purposes 2018/19 has been re-classified to reflect changes in the reporting structure in 2019/20.



The 2018/19 has been restated to include adjustments made in relation to discretionary benefits awarded. Details can be found in Note 43 Prior Period Adjustment.

\* These lines have been restated.

## Balance Sheet

Restated Balance as at 1 Apr 18 £'000	Restated Balance as at 31 Mar 19 £'000		Note	Balance as at 31 Mar 20 £'000
822,817	837,671	Property, Plant And Equipment	12	822,572
1,433	1,241	Heritage Assets		1,252
3,988	5,000	Investment Property	13	7,952
1,786	1,476	Intangible Assets		1,122
2,833	999	Long Term Investments	15	989
2,924	3,160	Long Term Debtors	15	3,021
<b>835,781</b>	<b>849,547</b>	<b>LONG TERM ASSETS</b>		<b>836,908</b>
-	7,307	Short Term Investments	15	10,075
1,378	1,152	Assets Held for Sale		2,661
813	1,152	Inventories		1,197
75	-	Intangible Asset – Carbon Reduction Commitment		-
36,171	41,433	Short Term Debtors	16	49,951
34	(167)	Cash and Cash Equivalents	17	(3,499)
<b>38,471</b>	<b>50,877</b>	<b>CURRENT ASSETS</b>		<b>60,385</b>
(12,949)	(14,267)	Short Term Borrowing	15	(28,382)
(36,987)	(40,024)	Short Term Creditors	18	(41,354)
(2,218)	(2,660)	Short Term Provision	19	(3,683)
(213)	(790)	Capital Grant Receipts in Advance	33	(1,264)
<b>(52,367)</b>	<b>(57,741)</b>	<b>CURRENT LIABILITIES</b>		<b>(74,683)</b>
(785)	(665)	Provisions	19	(12)
(241,715)	(289,157)	Long Term Borrowing	15	(305,253)
(20,555)	(20,715)	Long Term Creditors	18	(20,762)
*(331,590)	(332,600)	Liability Related to Defined Benefit Pension	39	(370,430)
<b>*(594,645)</b>	<b>(643,137)</b>	<b>LONG TERM LIABILITIES</b>		<b>(696,457)</b>
<b>*227,240</b>	<b>199,546</b>	<b>NET ASSETS</b>		<b>126,153</b>
49,415	36,190	Usable Reserves		43,142
*177,285	163,356	Unusable Reserves	21	83,011
<b>*226,700</b>	<b>199,546</b>	<b>TOTAL RESERVES</b>		<b>126,153</b>

In accordance with IAS8 Accounting Policies, Changes in Accounting Estimates and Errors, opening balances have been presented for the earliest period presented due to an accounting error. More details are provided in note 43. Prior Periods adjustment.

\*Lines restated.

## Cash Flow Statement

Reclassified 2018/19 £'000		Note	2019/20 £'000
	<b>OPERATING ACTIVITIES</b>		
	<b>Cash Outflows</b>		
163,565	Cash Paid to and on Behalf of Employees		166,642
18,431	Other Operating Cash Payments		20,776
186,876	Cash Paid to Suppliers of Good and Services		196,120
16,946	Housing Benefit Paid Out		15,319
24,754	Precepts and Levies Paid		26,892
13,164	Interest Paid		11,071
<b>423,736</b>	<b>TOTAL OUTFLOWS</b>		<b>436,820</b>
	<b>Cash Inflows</b>		
(12,217)	Rents (After Rebates)		(14,416)
(82,660)	Council Tax Income		(90,727)
(43,213)	National Non-Domestic Rate Receipts from Pool		(43,708)
(130,813)	Revenue Support Grant		(130,583)
(17,416)	DWP Grants for Benefits		(15,692)
(41,870)	Other Government Grants	25	(39,376)
(93,456)	Cash Received for Goods and Services		(95,123)
(27)	Interest Received		(72)
<b>(421,672)</b>	<b>TOTAL INFLOWS</b>		<b>(429,697)</b>
2,064	<b>NET CASH OUTFLOW/(INFLOW) FROM OPERATING ACTIVITIES</b>		7,123
64,648	<b>INVESTING ACTIVITIES</b>	23	44,743
(66,511)	<b>FINANCING ACTIVITIES</b>	24	(48,534)
201	<b>DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS</b>		3,332
34	<b>Cash and Cash Equivalent Balance as at 1 April</b>		(167)
(167)	<b>Cash and Cash Equivalent Balance as at 31 March</b>	17	(3,499)

The cashflow statement has been reclassified in 2018/19. Payments made to pensioners amounting to £3,527k have been moved from cash paid to and on behalf of employees to other cash operating payments.

## Notes to the Core Financial Statements

### Note 1: Accounting Policies

#### i. General principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020 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 2019/20, 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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. 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 County Council, 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.

### iv. 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.

### v. 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.

### vi. Charges to revenue for Non-Current Assets

Services and support services 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.

## POWYS COUNTY COUNCIL

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 (MRP), 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.

The MRP on supported borrowing on Council Fund debt is calculated on a 2% straight-line basis.

### vii. 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 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 a corporate service segment 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 Schools 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 County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method- i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (based on the indicative rate of return on high quality corporate bond (Aon Hewitt Limited GBP Select AA Curve)).
- The assets of Powys County Council 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 Corporate Activities.
  - Net interest on the net defined benefit liability (asset), i.e. 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 Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to Powys County Council 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.

**vii. 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.

**ix. Interests in companies and other entities**

The authority has an interest in the Heart of Wales Property Services Limited that has the nature of an associate. Due to materiality the entries are included in the single entity accounts and no Group Accounts have been prepared. The accounts have been prepared on the equity method.

**x. Long term contracts**

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.

**xi. 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.

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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.

### xii. Jointly controlled operations and jointly controlled assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs 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.

### xiii. 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).

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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.

### xiv. 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.

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:

<b>Asset</b>	<b>Years</b>
Operational buildings	Useful life
Garages	20
Mobile offices/portacabins	20
Council dwellings	15-30
Vehicles, plant, equipment and fittings	4, 5, 7, 10, Useful life
Infrastructure	7, 18, 20, 50, Useful life
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.

***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 38% 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 (i.e. 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.

### *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.

### *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.

## xv. 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.

### *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.

### *xvi. 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.

### *xvii. 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.

### *xviii. 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 policies.



**xix. Financial assets**

To meet new code requirements Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss, and
- Fair value through other comprehensive income

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

***Financial Assets Measured at Amortised Cost***

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and the interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

***Expected Credit Loss Model***

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

**xx. 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 2% in respect of other debt (the minimum revenue provision). The Authority met this requirement.

### **xxi. Financial liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for the interest payable are based on the carrying amount of the liability, multiplied by the effective rate for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instruments to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and the interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the Council Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES 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.

### **xxii. 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, Capita, from the market on 31 March 2020 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.

**xxiii. 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.

**xxiv. 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 Council 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.

#### xxv. Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Local Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Council's financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances 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.

#### xxv. Fair Value measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that the market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses the valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows.

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets and liabilities that the authority can assess at the measurement date.
- Level 2:** Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3:** Unobservable inputs for the asset or liability.

**xxvi. Council Tax and Non-domestic Rates (NDR)*****NDR***

As a billing authority, the Council collects NDR on behalf of the Welsh Government and pays the money collected from local business into the Welsh Government National Pool. The Welsh Government redistributes the sums payable back to Local Authorities on the basis of a fixed amount per head of population. The Authority's share of NDR Pool is reported in the Comprehensive Income and Expenditure Statement. NDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and are not recognised in the Balance Sheet.

***Council Tax***

Council Tax income is included in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. Council Tax debtors or creditors and impairment allowance for doubtful debts are included in the Balance Sheet.

## 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 2020 for 2019/2020). None of the standards introduced in the 2020/21 code are expected to have a material impact on the financial statements.

## 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:

- The IAS 19 pension cost calculations in Note 39 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.



#### 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Operational Property
<b>Uncertainty</b>	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 1 April 2019 for approximately 20% of its operational portfolio. Since the valuation date, the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets. Whilst at the valuation date, transaction volumes provided a sufficient amount of comparable market evidence upon which to base opinions of value, as at the financial reporting date of 31 March 2020, in the UK, market activity was showing signs of being impacted across all sectors. If requested to undertake a valuation as at the date of the financial reporting date (31 March 2020), the valuers do not consider that they would be able to place the same degree of reliance upon the available comparable market evidence and may therefore arrive at a different conclusion. Given the unknown future impact that COVID-19 might have on the real estate market, the valuers recommend that valuations of these assets are kept under frequent review.
<b>Effect if assumptions differ from actual</b>	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £43m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The net book value of non-current assets subject to potential revaluation is £822m.

Item	Property, Plant and Equipment
<b>Uncertainty</b>	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.
<b>Effect if assumptions differ from actual</b>	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 £577k for every year that useful lives had to be reduced.

Item	Pension Liability
<b>Uncertainty</b>	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.
<b>Effect if assumptions differ from actual</b>	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 £18.63m. However, the assumptions interact in complex ways. During 2019/20, the Authority's Actuaries advised that the net pension's liability had increased by £4.42m as a result of estimates being corrected as a result of experience. There was a decrease of £7.19m attributable to updating of the demographic assumptions and a decrease of £17.43m attributable to financial assumptions. A sensitivity analysis of a change in various assumptions can be seen in Note 39 Defined Benefit Pension Schemes.

Item	Arrears
<b>Uncertainty</b>	At 31 March 2020, the Authority had a balance of sundry debtors of £48.2m. A review of significant balances suggested that an impairment of doubtful debts of £3.9m was appropriate. Housing Rent arrears had a balance of £1.1m and Council Tax arrears £4.6m at 31 March 2020. A review of significant balances suggested that an impairment of doubtful debts of £0.9m for Housing Rent arrears and £0.8m for Council Tax arrears 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. The economic impact of COVID-19 has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and their ability to settle their debts.
<b>Effect if assumptions</b>	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £5.6m to be set



<b>differ from actual</b>	aside as an allowance. However, very little debt is historically written off as disclosed in note 42.
<b>Item</b>	<b>Investment Properties</b>
<b>Uncertainty</b>	Whilst at the valuation date (1 April 2019), transaction volumes provided a sufficient amount of comparable market evidence upon which to base opinions of value, as at the financial reporting date of 31 March 2020, in the UK, market activity was showing signs of being impacted across all sectors. If requested to undertake a valuation as at the date of the financial reporting date (31 March 2020), the valuers do not consider that they would be able to place the same degree of reliance upon the available comparable market evidence and may therefore arrive at a different conclusion. Given the unknown future impact that COVID-19 might have on the real estate market, the valuers recommend that valuations of these assets are kept under frequent review.
<b>Effect if assumptions differ from actual</b>	A reduction in the estimate value of Investment Properties would be a or a loss in the CIES. If the value of investment properties were to reduce by 10% this would lead to a reduction in value of about £795k. An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

<b>Item</b>	<b>Valuation of Council Dwellings</b>
<b>Uncertainty</b>	Council Dwellings are valued on an Existing use-Social Housing basis using a beacon methodology. In order to value the whole portfolio, it is necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential property, information available at a local level showing house price movement plus regional and National Indices. Whilst at the valuation date (1 April 2018), transaction volumes provided a sufficient amount of comparable market evidence upon which to base opinions of value, as at the financial reporting date of 31 March 2020, in the UK, market activity was showing signs of being impacted across all sectors. If requested to undertake a valuation as at the date of the financial reporting date (31 March 2020), the valuers do not consider that they would be able to place the same degree of reliance upon the available comparable market evidence and may therefore arrive at a different conclusion. Given the unknown future impact that COVID-19 might have on the real estate market, the valuers recommend that valuations of these assets are kept under frequent review.
<b>Effect if assumptions differ from actual</b>	A reduction in the estimate value of Council Dwellings would be a reduction in the revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £22.2m. An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

Item	Income
<b>Uncertainty</b>	Income generated through fees and charges plays an important part of the Council's financial strategy. The Council raises approximately £72m of income annually and relies on this to ensure it can maintain a balanced budget. It is likely there will be income reductions from the impact of COVID-19 Pandemic, including an effect on our collection of debt for Council Tax and Business Rates.
<b>Effect if assumptions differ from actual</b>	There are a number of services that have seen significant monthly income reductions due to the impact of COVID-19 – Car Parking fees and Catering delivered to schools. In addition, it is likely that the collection rate of tenancy rents, Council Tax and Business Rates will drop below their normal thresholds. The Council and Welsh Government are working to consider how these potential funding issues can be addressed.

Item	Pension Fund Property Valuations
<b>Uncertainty</b>	The Coronavirus (COVID-19) pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, year-end valuation reports provided to the Powys Pension Fund include a statement that there is a material valuation uncertainty related to the UK property funds managed on behalf of the Powys Pension Fund. The total value of the Pooled Property Investment funds as at 31st March 2020 is £61.11m of which, £55m (90%) is attributable to Powys County Council.
<b>Effect if assumptions differ from actual</b>	A change in the overall asset valuation of the Fund will impact the funding position. The expected returns are built into the Actuaries assumptions, which are addressed in the Pension Liability Item recorded earlier in this note.

### Note 5: Material Items of Income and Expense

The Council does not have any items of income and expenditure to report that require further information.

## Note 6: Note to the Expenditure and Funding Analysis

Please note that the explanation for the meaning of the column headings can be found after the table.

Reclassified 2018/19				Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2019/20			
Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(781)	(455)	(63)	(1,299)	Adult Services	(1,768)	(1,221)	(113)	(3,102)
(38)	(305)	(34)	(377)	Childrens Services	(37)	(741)	(73)	(851)
(5)	(60)	-	(65)	Commissioning	(5)	(320)	(37)	(362)
(14,607)	1,330	(21)	(13,298)	Education	(15,353)	841	(49)	(14,561)
(4,732)	(642)	(56)	(5,430)	Highways Transport & Recycling	(9,995)	(1,638)	(136)	(11,769)
(1,339)	(358)	2	(1,695)	Property, Planning & Public Protection	(4,026)	(1,184)	(104)	(5,314)
(643)	(25)	(16)	(684)	Regeneration	(384)	(60)	(6)	(450)
(3,010)	(53)	(34)	(3,097)	Housing & Community Development	(3,329)	(330)	(27)	(3,686)
(331)	(130)	(14)	(475)	Digital & Communication Services	(395)	(327)	(29)	(751)
(207)	(92)	(19)	(318)	Strategy, Performance & Transformation Programmes	(208)	(171)	(5)	(384)
-	(81)	(8)	(89)	Workforce & OD	-	(188)	(18)	(206)
(143)	(83)	(5)	(231)	Legal & Democratic Services	(139)	(217)	(21)	(377)
(2,314)	(157)	(3)	(2,474)	Finance	(3,211)	(164)	(44)	(3,419)
61	(12,510)	(33)	(12,482)	Corporate Activities	(9)	(779)	7	(781)
(4,598)	(177)	(7)	(4,782)	Housing Revenue Account (HRA)	3,499	(275)	(23)	3,201
-	(672)	(535)	(1,207)	Schools Delegated	-	(1,536)	(393)	(1,929)
(32,687)	(14,470)	(846)	(48,003)	Net Cost of Services	(35,360)	(8,310)	(1,071)	(44,741)
(5,440)	-	-	(5,440)	Other Operating Expenditure	875	(7,720)	-	(6,845)
2,748	(8,350)	(1,284)	(6,886)	Financing and Investment Income and Expenditure	(6,698)	-	182	(6,516)
22,244	-	-	22,244	Taxation and Non-specific Grant Income and Expenditure	14,669	-	-	14,669
(13,135)	(22,820)	(2,130)	(38,085)	Difference between Council Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	(26,514)	(16,030)	(889)	(43,433)

The comparator 2018/19 figures have been re-classified to reflect the reporting structure of the Authority.

### Adjustments for Capital Purposes

Adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

### Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For services this represents adjustments made for accumulated absences.
- For Financing and investment income and expenditure the other differences column recognises adjustments to the Council Fund for the timing differences for premiums and discounts.

## 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				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>2019/20 TRANSACTIONS</b>					
Adjustments primarily involving the Capital Adjustment Account:					
Charges for depreciation	(20,292)	(5,739)	-	-	26,031
Amortisation of intangible assets	(502)	(53)	-	-	555
Impairment	(2,319)	-	-	-	2,319
Capital grants and contributions applied	17,104	3,983	-	-	(21,087)
Revenue expenditure funded from capital under statute	(7,286)	-	-	-	7,286
Revaluation gain/loss on property plant and equipment	(11,720)	(456)	-	-	12,176
Movement in fair value of investment property	257	-	-	-	(257)
Loss on derecognition of assets	(3,407)	-	-	-	3,407
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	(8,985)	(33)	-	-	9,018
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	765	1,909	-	-	(2,674)
Capital expenditure charged against the council fund and HRA balances	465	3,856	-	-	(4,321)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	359	-	-	(313)	(46)
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	5,405	90	(5,495)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	3,642	-	(3,642)
Deferred capital receipts upon receipt of cash	-	-	(151)	-	151

	Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>2019/20 TRANSACTIONS</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	84	-	-	-	(84)
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	25	158	-	-	(183)
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 39)	(36,974)	(1,136)	-	-	38,110
Employer's pensions contributions and direct payments to pensioners payable in the year	21,454	626	-	-	(22,080)
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	(1,048)	(23)	-	-	1,071
<b>Total adjustments</b>	<b>(46,615)</b>	<b>3,182</b>	<b>(2,004)</b>	<b>(313)</b>	<b>45,750</b>

	Restated - Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>2018/19 TRANSACTIONS</b>					
Adjustments primarily involving the Capital Adjustment Account:					
Charges for depreciation	(20,894)	(5,283)	-	-	26,177
Amortisation of intangible assets	(672)	-	-	-	672
Capital grants and contributions applied	28,753	4,799	-	-	(33,552)
Revenue expenditure funded from capital under statute	(10,086)	-	-	-	10,086
Revaluation gain/loss on property plant and equipment	(6,175)	(13,199)	-	-	19,374
Movement in fair value of investment property	913	-	-	-	(913)
Loss on derecognition of assets	(3,253)	-	-	-	3,253
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(4,844)	(444)	-	-	5,288
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	90	1,745	-	-	(1,835)
Capital expenditure charged against the council fund and HRA balances	2,959	9,085	-	-	(12,044)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	269	-	-	410	(679)
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	1,630	797	(2,427)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	3,004	-	(3,004)
Deferred capital receipts upon receipt of cash	-	-	(250)	-	250
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	674	-	-	-	(674)
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	(1,409)	73	-	-	1,336



	Restated - Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>2018/19 TRANSACTIONS</b>					
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 39)	(42,484)	(1,556)	-	-	44,040
Employer's pensions contributions and direct payments to pensioners payable in the year	20,513	707	-	-	(21,220)
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	(786)	(6)	-	-	792
<b>Total adjustments</b>	<b>(34,802)</b>	<b>(3,282)</b>	<b>327</b>	<b>410</b>	<b>37,347</b>

The comparator in 2018-19 has been restated to reflect a £13,199k revaluation loss attributed to the HRA.



The following sets out a description of the reserves that the adjustments are made against.

### Council Fund Balance

The Council Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that the statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the Council Fund Balance, which is not necessarily in accordance with proper accounting practice. The Council Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to funding HRA services.

### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for the local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of the income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which is restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by the terms as to the capital expenditure against which it can be applied and /or the financial year in which this can take place.

## Note 8: Transfers To/(From) Earmarked Reserves

	As at 31 March 18	Movement	As at 31 March 19	Movement	As at 31 March 20
Reserve Name	£'000	£'000	£'000	£'000	£'000
<b>Restricted Use and Non-transferable</b>					
Schools Reserve <sup>1</sup>	(878)	585	(293)	(967)	(1,260)
Insurance Reserve <sup>2</sup>	1,587	(871)	716	(593)	123
Corporate Initiative Reserve <sup>3</sup>	2,582	(987)	1,595	(269)	1,326
	<b>3,291</b>	<b>(1,273)</b>	<b>2,018</b>	<b>(1,829)</b>	<b>189</b>
<b>Specific Reserves</b>					
Service Specific Reserves <sup>4</sup>	2,456	(1,040)	1,416	(619)	797
Revenue Grants Unapplied <sup>5</sup>	1,254	(169)	1,085	(157)	928
21 <sup>st</sup> Century School Reserve <sup>6</sup>	5,524	(5,045)	479	-	479
Transport Reserve <sup>7</sup>	6,164	329	6,493	2,773	9,266
Invest to Save <sup>8</sup>	1,713	(229)	1,484	92	1,576
Other Reserves <sup>9</sup>	672	(285)	387	1,162	1,549
Budget Management Reserve <sup>10</sup>	6,335	(2,004)	4,331	(1)	4,330
	<b>24,118</b>	<b>(8,443)</b>	<b>15,675</b>	<b>3,250</b>	<b>18,925</b>
<b>Total</b>	<b>27,409</b>	<b>(9,716)</b>	<b>17,693</b>	<b>1,421</b>	<b>19,114</b>

<sup>1</sup> As at 31 March 2020 Schools Reserves show a deficit position. Recovery plans are requested from schools in a deficit position and are monitored at surgery sessions. Those schools that are unlicensed receive a Notice of Concern and are monitored more closely. County Officers work with schools to produce the recovery plans to ensure they are looking at all opportunities to bring the schools back into a balanced budget position across an agreed period of time but no longer than five years. Formal action has been taken during the year with the issue of warning notices to 14 schools

<sup>2</sup> To mitigate the effect of large claims against the Authority

<sup>3</sup> Balance of unspent money for specific initiatives and one off Authority wide projects and costs. This Reserve included money set aside to fund the Authority's Job Evaluation exercise which was implemented from the 1 April 2013.

<sup>4</sup> Accumulated balances that are set aside for specific service activity. Each reserve must have a specific reason with a timetable of planned use that justifies its inclusion.

<sup>5</sup> Grants received but that have not been utilised that do not have to be repaid to the Grantor.

<sup>6</sup> Initially set aside to finance the Schools Modernisation Programme, the reserve was redirected to support the overall budget plan including the investment of social services in 2018/19.

<sup>7</sup> 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.

<sup>8</sup> Funds can be borrowed by departments to fund money saving schemes or transformation activity.

<sup>9</sup> A total of accumulated balances made up from smaller reserves.

<sup>10</sup> An accumulation of the difference between the budget and the outturn position to mitigate future potential pressures.

## Note 9: Other Operating Expenditure

2018/19 £'000		2019/20 £'000
	<b>Precepts</b>	
3,509	Community Council Precepts	3,902
13,871	Dyfed Powys Police Precept	15,441
	<b>Levies</b>	
6,805	Mid and West Wales Fire Authority	6,951
525	Brecon Beacons National Park	554
44	Powys Land Drainage Board	45
2,539	(Gain)/Loss on the Disposal of Non-current Assets	3,514
3,253	Non-enhancing Expenditure	3,415
(308)	Transfer to Deferred Credits - Landlord Loans	(84)
<b>30,238</b>		<b>33,738</b>

## Note 10: Financing and Investment Income and Expenditure

Reclassified 2019/20 £'000		2019/20 £'000
11,986	Interest Payable and Similar Charges	11,220
8,350	Net Interest on the Defined Liability (Asset)	7,720
(139)	Interest Receivable and Similar Income	(178)
(1,087)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value (Note 13)	(468)
(44)	(Gains)/Losses Arising from the Derecognition of Financial Assets Measured at Amortised Cost	-
<b>19,066</b>		<b>18,294</b>

£527k shown in this note as an Impairment of Financial Instruments in 2018/19 has been reclassified into the net cost of service in the Comprehensive Income and Expenditure Statement to reflect the reporting structure of the Authority.

## Note 11: Taxation and Non-specific Grant Income/Expenditure

2018/19 £'000		2019/20 £'000
91,837	Council Tax income (Note 34)	100,949
43,213	Non-domestic Rates	43,708
130,813	Non-ringfenced Government Grants	130,583
27,043	Capital Grants and Contributions	18,647
<b>292,906</b>		<b>293,887</b>

## Note 12: Property, Plant and Equipment

The non-current assets below do not include the 15 controlled faith schools or the 8 aided faith schools as the ownership of the assets does not reside with the Council.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
Movement In 2019/20	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
As at 1 April 19	218,531	471,826	74,988	165,640	1,070	5,059	38,104	975,217
Additions	15,016	13,689	5,156	9,312	140	-	8,840	52,153
Revaluation increases/(decreases) recognised in the revaluation reserve	-	(35,770)	-	-	-	(300)	-	(36,070)
Revaluation increases/(decreases) recognised in the surplus on the provision of services	(456)	(11,622)	-	-	-	(78)	-	(12,156)
Derecognition - disposals	(88)	(6,219)	(10,029)	(2)	(8)	(2,575)	(26)	(18,947)
Derecognition - other	-	(3,312)	(14)	-	(70)	-	-	(3,396)
Reclassification from/(to) held for sale	-	-	-	-	-	(1,977)	-	(1,977)
Reclassification from/(to) Investment Properties	-	-	-	-	-	-	-	-
Reclassification from/(to) intangible assets	-	-	-	-	-	-	-	-
Other movements	-	29,934	321	459	-	1,682	(32,396)	-
As at 31 March 20	233,003	458,526	70,422	175,409	1,132	1,811	14,522	954,824

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
Movement In 2019/20	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation</b>								
As at 1 April 19	(5,267)	(40,620)	(56,737)	(33,912)	-	(119)	(27)	(136,682)
Depreciation charge	(5,738)	(11,346)	(4,474)	(4,391)	-	(83)	-	(26,032)
Depreciation written out to the revaluation reserve	-	22,658	-	-	-	29	-	22,687
Depreciation written out to the deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals depreciation	2	637	9,610	-	-	72	-	10,321
Derecognition - other	-	-	-	-	-	-	-	-
Reclassified from/(to) Held for Sale	-	-	-	-	-	45	-	45
Reclassified from/(to) Investment Properties	-	-	-	-	-	-	-	-
Other movements	-	(4)	41	(2)	-	(58)	163	140
As at 31 March 20	(11,003)	(28,675)	(51,560)	(38,305)	-	(114)	136	(129,521)
<b>Accumulated Impairment</b>								
At 1 April 19	-	(681)	(14)	(29)	-	-	(140)	(864)
Impairment reversals/(losses) recognised in the revaluation reserve	-	588	-	-	-	-	-	588
Impairment reversals/(losses) recognised in the surplus on the provision of services	-	-	-	(2,319)	-	-	-	(2,319)
Reclassified from/(to) Held for Sale	-	-	-	-	-	-	-	-
Reclassified from/(to) Investment Properties	-	-	-	-	-	-	-	-
Derecognition - disposals Impairment	-	3	-	-	-	-	-	3
Other Movements	-	(139)	-	-	-	-	-	(139)
As at 31 March 20	-	(229)	(14)	(2,348)	-	-	(140)	(2,731)
<b>Net Book Value</b>								
As at 31 March 20	222,000	429,622	18,848	134,756	1,132	1,697	14,518	822,572
As at 31 March 19	213,264	430,525	18,237	131,699	1,070	4,940	37,937	837,671

## Comparative Movements in 2018/19:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
Movement In 2018/19	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
As at 1 April 18	279,205	446,539	70,943	149,036	1,069	2,850	31,423	981,065
Additions	16,085	5,983	6,604	11,882	1	-	24,976	65,531
Revaluation increases/(decreases) recognised in the revaluation reserve	(62,491)	20,947	-	-	-	1,062	-	(40,483)
Revaluation increases/(decreases) recognised in the surplus on the provision of services	(13,655)	(6,119)	-	-	-	(58)	-	(19,832)
Derecognition - disposals	(406)	(3,219)	(3,285)	-	-	(771)	(96)	(7,777)
Derecognition - other	-	(3,058)	-	-	-	-	-	(3,058)
Reclassification from/(to) Held for Sale	-	50	-	-	-	-	-	50
Reclassification from/(to) Investment Properties	-	(280)	-	-	-	-	-	(280)
Reclassification from/(to) intangible assets	-	-	-	-	-	-	-	-
Other movements	(207)	10,983	726	4,722	-	1,976	(18,199)	1
As at 31 March 19	218,531	471,826	74,988	165,640	1,070	5,059	38,104	975,217

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
Movement In 2018/19	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation</b>								
As at 1 April 18	(29,458)	(40,910)	(55,598)	(29,903)	-	(49)	(29)	(155,947)
Depreciation charge	(5,230)	(12,942)	(3,913)	(4,009)	-	(83)	-	(26,177)
Depreciation written out to the revaluation reserve	28,948	12,944	-	-	-	15	-	41,907
Depreciation written out to the deficit on the Provision of Services	456	2	-	-	-	-	-	458
Derecognition - disposals depreciation	17	226	2,774	-	-	44	2	3,063
Derecognition - other	-	-	-	-	-	-	-	-
Reclassified from/(to) Held for Sale	-	-	-	-	-	-	-	-
Reclassified from/(to) Investment Properties	-	14	-	-	-	-	-	14
Other movements	-	46	-	-	-	(46)	-	-
As at 31 March 19	(5,267)	(40,620)	(56,737)	(33,912)	-	(119)	(27)	(136,682)
<b>Accumulated Impairment</b>								
At 1 April 18	(5)	(2,113)	(14)	(29)	-	-	(140)	(2,301)
Impairment reversals/(losses) recognised in the revaluation reserve	5	1,432	-	-	-	-	-	1,437
Impairment reversals/(losses) recognised in the surplus on the provision of services	-	-	-	-	-	-	-	-
Reclassified from/(to) Held for Sale	-	-	-	-	-	-	-	-
Reclassified from/(to) Investment Properties	-	-	-	-	-	-	-	-
Derecognition – disposals impairment	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
As at 31 March 19	-	(681)	(14)	(29)	-	-	(140)	(864)
<b>Net Book Value</b>								
As at 31 March 19	213,264	430,525	18,237	131,699	1,070	4,940	37,937	837,671
As at 31 March 18	249,742	403,516	15,331	119,104	1,069	2,801	31,254	822,817

### Capital Commitments

At 31 March 2020, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years budgeted to cost £13,719k. Similar commitments at 31 March 2019 were £13,548k.

Included within the £13,719k was an outstanding Revenue Expenditure Funded from Capital Under Statute (Reffcus) commitment of £4,157k (£679k at 31 March 2019).

### 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. All valuations undertaken this year were carried out by external valuers.

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 2019/20 were revalued at 1 April 2019.

The Council Dwellings are valued on an Existing use – Social Housing basis. The beacon method was adopted with a 38% 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:

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure</b>	<b>Community</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Historical cost	5,823	40,371	66,673	166,098	1,062	94	5,998	286,119
Valued at fair value:								
31 March 20	-	103,817	-	-	-	1,018	-	104,835
31 March 19	212,263	130,032	-	-	-	355	-	342,650
31 March 18	-	88,179	-	-	-	33	-	88,212
31 March 17	-	32,111	-	-	-	-	-	32,111
31 March 16	-	49,976	-	-	-	310	-	50,286
	<b>218,086</b>	<b>444,486</b>	<b>66,673</b>	<b>166,098</b>	<b>1,062</b>	<b>1,810</b>	<b>5,998</b>	<b>904,213</b>



**Note 13: Investment Properties**

The following items of income and expense have been accounted for in the finance and investment income and expenditure line in the Comprehensive Income and Expenditure Statement:

2018/19 £'000		2019/20 £'000
(448)	Rental income	(451)
274	Direct operating expense	240
(174)		(211)

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:

2018/19 £'000		2019/20 £'000
3,988	Balance as at 1 April	5,000
194	Additions	2,703
(165)	Disposal	(10)
913	Change in fair value	257
	Transfers:	
266	(To)/From Property, Plant & Equipment	-
(196)	Other Changes	2
5,000	Balance as at 31 March	7,952

**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.

2018/19				2019/20					
Level 1: Quoted Market Price	Level 2: Observable Inputs	Level 3: Unobservable Inputs	Total as at 31 March 2019		Level 1: Quoted Market Price	Level 2: Observable Inputs	Level 3: Unobservable Inputs	Total as at 31 March 2020	
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	
Recurring fair value measurements:									
-	3,603	1,397	5,000	Investment property	-	4,117	1,140	5,257	
Non-recurring fair value measurements:									
-	533	-	533	Assets held for sale	-	1,483	20	1,503	
-	3,661	20	3,681	Surplus assets	-	1,340	130	1,470	

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

2018/19				2019/20		
Fair Value £'000	Balance Sheet £'000	Variance £'000		Fair Value £'000	Balance Sheet £'000	Variance £'000
5,000	5,000	-	Investment Property	5,257	7,952	2,695
533	1,152	619	Assets held for sale	1,503	2,660	1,157
3,681	4,940	1,259	Surplus Assets	1,470	1,697	227

Fair valuation of 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 14: 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.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
324,480	Opening Capital Financing Requirement	349,528
	Capital Investment:	
66,329	Property, Plant and Equipment	52,153
194	Investment Properties	2,703
-	Heritage Assets	20
362	Intangible Assets	201
10,086	Reffcus	7,286
	Less Sources of Finance:	
3,004	Capital Receipts	3,642
35,040	Government Grants and Other Contributions	21,133
	Sums Set Aside from Revenue:	
12,044	Direct Revenue Contributions	4,321
1,835	Minimum Revenue Provision (MRP)	2,674
349,528	Closing Capital Financing Requirement	380,121
	Explanation of Movement in Year:	
3,063	Increase/(Decrease) in Underlying Need to Borrow (Supported by Government Financial Assistance)	4,590
21,985	Increase in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	26,003
25,048	Increase/(Decrease) in Capital Financing Requirement	30,593

**Note 15: Financial Instruments**

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

**Financial Assets**

31 March 2019			31 March 2020	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
999	7,307	Investments - Amortised Cost	989	10,075
3,160	41,433	Debtors – Amortised Cost	3,021	49,951

**Financial Liabilities**

31 March 2019			31 March 2020	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
289,157	14,267	Borrowings – Amortised Cost	305,253	28,382
20,715	42,684	Creditors – Amortised Cost	20,762	41,354

**Income, Expense, Gains and Losses**

2018/2019				2019/2020		
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Total		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Total
£'000	£'000	£'000	£'000	£'000	£'000	
			<b>Net Gains/Losses on:</b>			
527	-	527	Impairment loss	442	-	442
527	-	527	Total Net Gains/Losses	442	-	442
			<b>Interest Revenue:</b>			
(139)	-	(139)	Financial Assets Measured at Amortised Cost	(178)	-	(178)
(139)	-	(139)	Total Interest Revenue	(178)	-	(178)
11,030	-	11,030	Interest Expense	11,220	-	11,220

### 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 2020 of 1.90% to 2.65% for loans from the PWLB and 2.44% to 2.87% for LOBO's and 0.0659% to 0.8424% 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 19			31 March 20	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
303,424	381,896	Financial Liabilities	333,635	399,007
20,610	20,610	Long Term Creditors	20,762	20,762

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 19			31 March 20	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
8,306	8,306	Loans and Receivables	11,064	11,064
3,160	3,160	Long Term Debtors	3,021	3,021

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

**Note 16: 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.

<b>31 March 19 £'000</b>		<b>31 March 20 £'000</b>
11,148	Trade Debtors	15,318
27,375	Other Debtors	32,931
2,910	Payments in Advance	1,702
<b>41,433</b>		<b>49,951</b>

**Note 17: Cash and Bank Accounts**

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

<b>31 March 19 £'000</b>		<b>31 March 20 £'000</b>
2,082	Cash Held by the Authority	23,122
(2,249)	Bank Current Accounts	(26,621)
<b>(167)</b>		<b>(3,499)</b>

**Note 18: Creditors**

**Short Term Creditors**

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

<b>31 March 19 £'000</b>		<b>31 March 20 £'000</b>
(21,931)	Trade Payables	(23,516)
(7,363)	Other Payables	(7,050)
(10,730)	Accruals and Deferred Income	(10,788)
<b>(40,024)</b>		<b>(41,354)</b>

**Long Term Creditors**

<b>31 March 19 £'000</b>		<b>31 March 20 £'000</b>
(20,715)	Receipts in Advance	(20,762)
<b>(20,715)</b>		<b>(20,762)</b>

**Note 19: Provisions****Short Term Provisions**

	<b>As at 1 Apr 19 £'000</b>	<b>Increase in Provision £'000</b>	<b>Reversal of Unused Provision £'000</b>	<b>Amounts Paid £'000</b>	<b>As at 31 March 20 £'000</b>
Insurance <sup>1</sup>	(2,542)	(503)	-	537	(2,508)
Other <sup>2</sup>	(118)	(1,068)	2	9	(1,175)
	<b>(2,660)</b>	<b>(1,571)</b>	<b>2</b>	<b>546</b>	<b>(3,683)</b>

**Long Term Provisions**

	<b>As at 1 Apr 19 £'000</b>	<b>Increase in Provision £'000</b>	<b>Reversal of Unused Provision £'000</b>	<b>Amounts Paid £'000</b>	<b>As at 31 March 20 £'000</b>
Long Term <sup>3</sup>	(665)	-	572	81	(12)

**Note 20: 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**

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
7,559	Balance as at 1 April	7,232
2,677	Gross capital receipts	5,646
(625)	Financing fixed assets	-
(2,379)	Financing Refocus	(3,642)
7,232	Balance as at 31 March	9,236

**Note 21: Unusable Reserves**

<b>Restated 31 Mar 19 £'000</b>		<b>31 Mar 20 £'000</b>
309,827	Revaluation reserve	284,508
187,314	Capital adjustment account	171,073
(1,264)	Financial instruments adjustment account	(1,081)
(332,600)	Pensions reserve	(370,430)
3,321	Deferred capital receipts	3,254
(3,242)	Accumulated absences account	(4,313)
<b>163,356</b>		<b>83,011</b>

<sup>1</sup> A provision has been made to meet known and anticipated liabilities on claims under the Council's insurance arrangements, this includes employer and public liability.

<sup>2</sup> Included in Other are Equal Pay claims still to be settled and an open book exercise which is being carried out to establish the cost of care home provision under/over paid by the Authority.

<sup>3</sup> The balance of the long term provision relates to the Municipal Mutual Insurance Company 'run-off'. More detail can be found in the Contingent Liability note.

### 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.

2018/19 £'000			2019/20 £'000	
	316,911	Balance as at 1 April		309,827
57,028		Upwards revaluation of assets	13,217	
(54,167)		Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(26,012)	
	2,861	Surplus or deficit on the revaluation of non-current assets not posted to the surplus/deficit on the provision of services		(12,795)
(8,007)		Difference between fair value depreciation and historical cost depreciation	(6,847)	
(1,938)		Accumulated gains on assets sold or scrapped	(5,677)	
	(9,945)	Amount written off to the capital adjustment account		(12,524)
	309,827	Balance as at 31 March		284,508

### Available For Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contained the gains made by the Authority arising from increases in the value of its investments. In accordance with IFRS9 (see note 15) the Available for Sale has been decommissioned. The reserve has been off-set against the Low Cost housing investment to reflect amortised cost.

2018/19 £'000			2019/20 £'000	
1,776		Balance as at 1 April		-
(1,793)		Transition IFRS9		-
17		Accumulated gains on assets sold and maturing assets written out the comprehensive income and expenditure statement as part of other investment income		-
-		Balance as at 31 March		-

### 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.



## STATEMENT OF ACCOUNTS

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.

2018/19 £'000			2019/20 £'000	
	190,209	Balance as at 1 April		187,314
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income And Expenditure Statement:</b>				
(26,177)		Charges for depreciation of non-current assets	(26,031)	
(672)		Amortisation of Intangible Assets	(555)	
(19,374)		Revaluation gain/(loss) on Property, Plant and Equipment	(12,176)	
-		Impairment due to economic consumption	(2,319)	
(10,086)		Revenue expenditure funded from capital under statute	(7,286)	
(3,253)		Loss on derecognition of Assets	(3,407)	
(5,246)	(64,808)	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	(9,008)	(60,782)
	9,945	Adjusting amounts written out of the Revaluation Reserve		12,524
	(54,863)	Net written out of the cost of non-current assets consumed in the year		(48,258)
<b>Capital Financing applied in the year</b>				
3,004		Use of the Capital Receipts Reserve to finance new capital expenditure	3,642	
33,552		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	21,087	
679		Application of grants to capital financing from the Capital Grants Unapplied Account	46	
12,044		Capital expenditure charged against the Council Fund and HRA balances	4,321	
1,835	51,114	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	2,674	31,770
	913	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		257
	(59)	Financial Instruments		(10)
	187,314	Balance as at 31 March		171,073

**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 2019 will be charged to the Council Fund over the remaining life of repaid loans.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
72	Balance as at 1 April	(1,264)
(80)	Discounts paid from rescheduling of debt	(8)
3	Soft loans adjustment	146
16	Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	45
(1,275)	Repayment of LOBO loan	-
(1,264)	Balance as at 31 March	(1,081)

**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. More details relating to the 2018/19 restatement can be seen in Note 43 Prior Period Adjustment.

<b>Restated 2018/19 £'000</b>		<b>2019/20 £'000</b>
(331,590)	Balance as at 1 April	(332,600)
21,810	Actuarial gains or (losses) on pensions assets and liabilities	(21,800)
(44,040)	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	(38,110)
21,220	Employer's pensions contributions	22,080
(332,600)	Balance as at 31 March	(370,430)

**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.

2018/19 £'000		2019/20 £'000
2,897	Balance as at 1 April	3,321
674	Landlord Loans	84
(250)	Transfer to the Capital Receipts Reserve upon receipt of cash	(151)
3,321	Balance as at 31 March	3,254

**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.

2018/19 £'000		2019/20 £'000
(2,450)	Balance as at 1 April	(3,242)
2,450	Settlement or cancellation of accrual made at the end of the preceding year	3,242
(3,242)	Amounts accrued at the end of the current year	(4,313)
(3,242)	Balance as at 31 March	(4,313)

## Note 22: Expenditure and Income Analysed by Nature

Restated 2018/19 £'000	Per the (surplus)/deficit from the provision of services	2019/20 £'000
171,026	Employee Costs	179,235
21,866	Premises related expenditure	21,574
17,556	Transport related expenditure	16,626
26,751	Supplies and Services	27,405
45,310	Depreciation and Impairment losses	40,822
10,086	Reffcus	7,286
94,003	Third Party Payments	94,553
24,754	Precepts and Levies (see note 9)	26,893
48,518	Transfer Payments	50,621
12,050	Capital financing costs (Interest and Similar Charges)	11,283
8,350	Pension Interest Costs	7,720
12,430	IAS 19 Past Service Costs	760
3,253	Non-Enhancing Expenditure	3,415
2,495	Loss on Disposal of Asset	3,514
<b>498,448</b>	<b>Total Expenditure</b>	<b>491,707</b>
(104,505)	Grants, reimbursements and contributions (see note 33)	(101,741)
(70,284)	Customer and client income	(72,867)
(308)	Transfer to deferred credits - landlord loans (see note 9)	(84)
(139)	Interest received and similar income	(178)
(6,777)	Reffcus	(2,799)
(17,386)	Precepts	(19,343)
(74,451)	Council Tax	(81,606)
(43,213)	Non Domestic Rates	(43,708)
(130,813)	Revenue Support Grant	(130,583)
<b>(447,876)</b>	<b>Total Income</b>	<b>(452,909)</b>
<b>50,572</b>	<b>Net Expenditure/(Income)</b>	<b>38,798</b>

## Reconciliation to the report to Cabinet (see Narrative Forward)

2018/19 £'000		2019/20 £'000
50,572	(Surplus)/Deficit on the Provision of Services (see CIES)	38,798
74,451	Council Tax	81,606
(1,475)	Council Tax Surplus	(710)
43,213	Non-Domestic Rates	43,708
130,813	Revenue Support Grant	130,583
	<b>Items not reported to management</b>	
(38,084)	Adjustments made between Accounting Basis and Funding Basis Under Regulations (see Expenditure and Funding Analysis)	(43,433)
<b>259,490</b>	<b>Net Expenditure/(Income) as per Narrative Report</b>	<b>250,552</b>

## Note 23: Cash Flow Statement – Investing Activities

2018/19 £'000		2019/20 £'000
59,969	Purchase of property, plant and equipment, investment property and intangible assets	43,513
270,280	Purchase of short and long term investments	313,510
(2,612)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,473)
(262,989)	Proceeds from the sale of short and long term investments	(310,807)
<b>64,648</b>	<b>Net cash flows from investing activities</b>	<b>44,743</b>

## Note 24: Cash Flow Statement – Financing Activities

2018/19 £'000		2019/20 £'000
(97,375)	Cash receipts of short and long term borrowing	(33,891)
(22,515)	Other receipts from financing activities	(21,995)
49,504	Repayments of short and long term borrowing	3,696
3,875	Other payments for financing activities	3,656
<b>(66,511)</b>	<b>Net cash flows from financing activities</b>	<b>(48,534)</b>

## Note 25: Cash Flow Statement – Analysis of Government Grants

2018/19 £'000		2019/20 £'000
11,328	Housing Grants	10,571
13	Other Housing	13
5,172	Other Social Services (Primarily Mental Handicap Strategy)	3,718
4,379	Supporting People	3,854
1,899	Other Transport Grants	1,796
2,466	Waste Disposal And Recycling Grants	1,154
4,954	Education Grants	8,267
1,103	Concessionary Travel	2,588
3,775	Miscellaneous	4,197
153	Safer Communities Fund	76
85	Communities First	131
6,044	Reffcus	2,545
446	Sports Council	425
53	Arts Council of Wales	41
<b>41,870</b>		<b>39,376</b>

**Note 26: 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.

The Charities Act 1993 requires there to be an independent audit of the Statement of Accounts of the following two trust funds. The 2018/19 results below 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.

**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.

2018/19 £'000	Revenue Account	2019/20 £'000
	<b>Income</b>	
(54)	Investment Income	(83)
-	Other income	(4)
(130)	Gains on Investment Assets	-
<b>(184)</b>	<b>Total Income</b>	<b>(87)</b>
	<b>Expenditure</b>	
35	Raising Funds	41
75	Charitable Activities	46
-	Losses on Investment Assets	209
<b>110</b>	<b>Total Expenditure</b>	<b>296</b>
(74)	Deficit/(Surplus) for the year	209
(2,572)	Fund Balance Brought Forward	(2,646)
<b>(2,646)</b>	<b>Fund Balance Carried Forward</b>	<b>(2,437)</b>

31 March 19 £'000	Balance Sheet	31 March 20 £'000
	<b>Non-current Assets</b>	
205	Land and Buildings	205
2,441	Investments	2,232
<b>2,646</b>	<b>Total Non-current Assets</b>	<b>2,437</b>
<b>2,646</b>	<b>Net Assets</b>	<b>2,437</b>
<b>2,646</b>	<b>Fund Surplus</b>	<b>2,437</b>

**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 Finance department. These draft accounts do not form part of the Authority's consolidated accounts.

2018/19 £'000	Revenue Account	2019/20 £'000
(362)	Income	(349)
362	Expenditure	349
-	Deficit/(Surplus) for the year	-
<b>(4)</b>	<b>Fund Balance Brought Forward</b>	<b>(4)</b>
<b>(4)</b>	<b>Fund Balance Carried Forward</b>	<b>(4)</b>

31 March 19 £'000	Balance Sheet	31 March 20 £'000
4	Net Current Assets	4
<b>4</b>	<b>Net Assets</b>	<b>4</b>
<b>4</b>	<b>Fund Surplus</b>	<b>4</b>

**Note 27: 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:

2018/19 £'000	Agency	Description	2019/20 £'000
138	Welsh Government	Houses for Homes	291
524	Welsh Government	Home Improvement Loans	-
685	Welsh Government	Viable & Vibrant Places Scheme	1,748
-	Welsh Government	COVID-19 Business Support	11,700

**Note 28: 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 2019/20 for Free Nursing care was £2,108,424 which is now within the PTHB base allocation from WG.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
	<b>Gross Funding</b>	
1,065	Powys County Council	1,064
1,075	Powys Teaching Health Board	1,044
867	Powys Teaching Health Board Arrears	-
<b>3,007</b>	<b>Total funding</b>	<b>2,108</b>
	<b>Expenditure</b>	
3,014	Monies spent in accordance with Pooled Budget arrangement	2,218
<b>3,014</b>	<b>Total expenditure</b>	<b>2,218</b>
<b>(7)</b>	<b>Net under/(over) spend</b>	<b>(110)</b>
	<b>Net under/(over) spend - held</b>	
-	Powys County Council	-
(7)	Powys Teaching Health Board	(110)

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



**Powys Carers Services Section 33 Pooled Budget**

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. To ensure the integrated provision of high quality, cost effective services to Carers which meet local health and social care needs.

2018/19 £'000		2019/20 £'000
	<b>Gross Funding</b>	
263	Powys County Council	191
17	Powys Teaching Health Board	17
<b>280</b>	<b>Total funding</b>	<b>208</b>
	<b>Expenditure</b>	
280	Monies spent in accordance with Pooled Budget arrangement	208
<b>280</b>	<b>Total expenditure</b>	<b>208</b>
-	<b>Net under/(over) spend</b>	-

**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.

2018/19 £'000		2019/20 £'000
	<b>Gross Funding</b>	
521	Powys County Council	521
521	Powys Teaching Health Board	521
(1)	Other	-
<b>1,041</b>	<b>Total funding</b>	<b>1,042</b>
	<b>Expenditure</b>	
1,059	Monies spent in accordance with Pooled Budget arrangement	1,072
<b>1,059</b>	<b>Total expenditure</b>	<b>1,072</b>
<b>(18)</b>	<b>Net under/(over) spend</b>	<b>(30)</b>
	<b>Net under/(over) spend - held</b>	
(9)	Powys County Council	(15)
(9)	Powys Teaching Health Board	(15)

POWYS COUNTY COUNCIL

**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 reablement unit with in-reach clinical, nursing and reablement support (registered under CSSIW for Residential Care).

2018/19 £'000		2019/20 £'000
	<b>Gross Funding</b>	
177	Powys County Council	227
177	Powys Teaching Health Board	227
<b>354</b>	<b>Total funding</b>	<b>454</b>
	<b>Expenditure</b>	
354	Monies spent in accordance with Pooled Budget arrangement	454
<b>354</b>	<b>Total expenditure</b>	<b>454</b>
-	<b>Net under/(over) spend</b>	-

**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.

The gross funding agreed by both parties is detailed below:

2018/19 £'000		2019/20 £'000
	<b>Gross Funding</b>	
413	Powys County Council	413
828	Powys Teaching Health Board	828
<b>1,241</b>	<b>Total funding</b>	<b>1,241</b>
	<b>Expenditure</b>	
	Monies spent in accordance with Pooled Budget arrangement	
732	Powys County Council	732
474	Powys Teaching Health Board	480
<b>1,206</b>	<b>Total expenditure</b>	<b>1,212</b>
<b>35</b>	<b>Net under/(over) spend</b>	<b>29</b>
	<b>Net under/(over) spend - held</b>	
-	Powys County Council	-
35	Powys Teaching Health Board	29

### Substance Misuse 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.

2018/19 £'000		2019/20 £'000
	<b>Gross Funding</b>	
624	Powys County Council	673
122	Powys Teaching Health Board	122
<b>746</b>	<b>Total funding</b>	<b>795</b>
	<b>Expenditure</b>	
748	Monies spent in accordance with Pooled Budget arrangement	795
<b>748</b>	<b>Total expenditure</b>	<b>795</b>
<b>(2)</b>	<b>Net under/(over) spend</b>	<b>-</b>

### ICT Service

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 pool ICT funds from both partners so as to enhance the ICT service in both organisations due to finite resources.

2018/19 £'000		2019/20 £'000
	<b>Gross Funding</b>	
2,973	Powys County Council	3,145
1,016	Powys Teaching Health Board	1,277
684	Other income	1,063
<b>4,672</b>	<b>Total funding</b>	<b>5,485</b>
	<b>Expenditure</b>	
4491	Monies spent in accordance with Pooled Budget arrangement	5,249
<b>4,491</b>	<b>Total expenditure</b>	<b>5,249</b>
<b>181</b>	<b>Net under/(over) spend</b>	<b>236</b>
	<b>Net under/(over) spend - held</b>	
185	Powys County Council	236
<b>(4)</b>	<b>Powys Teaching Health Board</b>	<b>-</b>

**Note 29: 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 2019/20 was £250k (£250k in 2018/19) of which Powys C.C. contributed £34k (£35k in 2018/19). The reserve held specifically for Powys C.C. by ERW is £2k in 2019/20 (£15k in 2018/19).

**Note 30: Members Allowances**

A total of £1,256k was paid to Councillors in basic and special responsibility allowances (£1,247k in 2018/19). Councillors were also reimbursed travel, working expenses and subsistence expenses in accordance with regulations amounting to £82k (£109k in 2018/19).

**Note 31: Senior Officers Emoluments**

The remuneration ratio of the Chief Executive during the year of the accounts to the amount of the median remuneration (£21,166 in 2019/20, £20,541 in 2018/19) of the Authorities employees was 6.38 (6.30 in 2018/19). Please note that these calculations are based on contracted salaries and so excludes non-contracted payments such as the Chief Executive's role as the Returning Officer.

The ratio is based on the annualised salary of the Chief Executive in post at 31 March.

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.

2018/19 Officers	Remuneration band	2019/20 Officers
26	£60,000 - £64,999	28
8	£65,000 - £69,999	17
4	£70,000 - £74,999	4
5	£75,000 - £79,999	12
2	£80,000 - £84,999	4
2	£85,000 - £89,999	2
2	£90,000 - £94,999	-
-	£95,000 - £99,999	2
2	£100,000 - £104,999	1
	...	
1	£150,000 - £154,999	-
-	£155,000 - £159,999	1
	...	
1	£165,000 - £169,999	-
	...	
1	£235,000 - £239,999	-
	...	
1	£275,000 - £279,999	-

Note that in 2018/19 there was a management restructure which led to a number of redundancy payments.

## STATEMENT OF ACCOUNTS

Those officers in statutory roles or reporting directly to the Chief Executive who attracted remuneration of at least £60k are shown in the 2019/20 disclosure below.

Note 38 details termination benefits.

Post Title	Salary (inc fees & allowances)	Benefits in kind <sup>1</sup>	Termination Benefits	Total Remuneration Excluding Pension Contribution	Pension Contribution <sup>2</sup>	Total Remuneration including Pension Contribution
2019/20	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	134	-	-	134	37	171
Corporate Director (Children and Adults) <sup>3</sup>	110	-	-	110	31	141
Corporate Director (Economy and Environment)	99	4	-	103	28	131
Corporate Director (Resources and Transformation) <sup>4</sup>	106	-	-	106	30	136
Head of Finance (S.151 Officer)	79	-	-	79	22	101
Head of Legal and Democratic Services	84	3	-	87	23	110
Interim Head of Education <sup>5</sup>	52	-	-	52	14	66
Head of Education <sup>6</sup>	36	-	-	36	10	46

### Notes to the 2019/20 structure

1. The Benefits in Kind are based on an interim report which was made available at the time of preparing the draft Statement of Accounts
2. Pension Contribution is 27.95% of pensionable pay, of which 18.70% relates to employer's future service costs while 9.25% is deficit funding relating to the shortfall concerning past service liabilities.
3. Since March 2019 the Corporate Director (Children and Adults) has fulfilled the statutory role of Director of Social Services whereas previously an officer of the WLGA had done so on an interim basis. No amounts were paid to the WLGA in respect of this in 2019/20.
4. The position of Corporate Director (Transformation) was replaced with the Corporate Director (Resources and Transformation) on 1 Oct 2019 so as to include the Finance department. There were no changes in post holder or pay.
5. The position of Interim Head of Education was created and filled on 1 Aug 2019
6. The position of Head of Education was vacated by the post holder on 27 Aug 2019 and is currently being covered on an interim basis (see 5 above)

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Post Title	Salary (inc fees & allowances)	Benefits in kind	Termination Benefits	Total Remuneration Excluding Pension Contribution	Pension Contribution <sup>1</sup>	Total Remuneration including Pension Contribution
2018/19	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Pre 1 March 19 Reorganisation</u></b>						
Chief Executive <sup>2</sup>	69	-	170	239	19	258
Acting Chief Executive <sup>3</sup>	10	-	-	10	3	13
Acting Chief Executive <sup>4</sup>	122	-	-	122	32	154
Deputy Chief Executive <sup>5</sup>	95	3	119	217	25	242
Director of Education <sup>6</sup>	104	2	-	106	28	134
Director of Environment <sup>7</sup>	81	4	-	85	22	107
Director of Social Services <sup>8</sup>	92	-	-	92	23	115
Head of Financial Services and Acting Section 151 Officer <sup>9</sup>	6	-	-	6	2	8
Head of Strategic Policy and Performance <sup>10</sup>	77	4	-	81	19	100
Head of Workforce and Organisation <sup>11</sup>	32	-	-	32	8	40
Senior Manager, Chief Executive and Member Services <sup>12</sup>	57	-	-	57	15	72
Solicitor to the Council <sup>13</sup>	76	2	-	78	20	98
Strategic Director – Place <sup>14</sup>	8	-	3	11	2	13
Acting Director – Resources <sup>15</sup>	87	3	58	148	19	167
<b><u>Post 1 March 19 Reorganisation</u></b>						
Chief Executive	12	-	-	12	3	15
Corporate Director (Children and Adults)	17	-	-	17	2	19
Corporate Director (Economy and Environment)	8	-	-	8	2	10
Corporate Director (Transformation) <sup>16</sup>	2	-	-	2	1	3
Head of Finance (S.151 Officer)	6	-	-	6	2	8
Head of Legal and Democratic Services	7	-	-	7	2	9
Head of Education	6	-	-	6	2	8

Please see the notes to the above on the next page.

## Notes to the 2018/19 structure

1. Pension Contribution is 26.80% of pensionable pay, of which 18.70% relates to employer's future service costs while 8.10% is deficit funding relating to the shortfall concerning past service liabilities.
2. Absent due to sickness from 23 October 2017 to 30 September 2018.
3. The Strategic Director - Resources undertook this role until 29 April 2018.
4. The occupant was in post from 30 April 2018 to 28 February 2019.
5. The Strategic Director - Resources assumed the role of Deputy Chief Executive (and Section 151 officer) from 30 April to 7 March. This role does not exist following the 1 March 2019 restructure.
6. The occupant left the post on 31 March 2019. This role will not be part of the senior management structure in 2019/20.
7. The occupant commenced in the role, initially as Acting Director of Environment on 23 April 2018 and then as Director of Environment on 3 July 2018. The role was replaced by the Corporate Director (Economy and Environment) on 1 March 2019.
8. The occupant commenced on 23rd April. The role was replaced by the Corporate Director (Children and Adults) as part of the restructure on 1 March 2019.
9. The Head of Financial Services was replaced by the Head of Finance as part of the restructure on 1 March 2019. The occupant was also S151 officer between 1 April 2018 and 29 April 2018.
10. The occupant was Acting Head of Strategic Policy and Performance until 4 May when they took up the post permanently. Following the restructure on 1 March, this post no longer exists.
11. The occupant left the post on 14 September 2018. Following the restructure on 1 March 2019, this post is no longer part of the senior structure of the organisation that is required to be disclosed here.
12. Following the restructure on 1 March 2019 this role no longer exists.
13. Following the restructure on 1 March 2019 this role has been replaced by the Director of Legal and Democratic Services.
14. The occupant left on 29 April 2018 and the post was replaced by the Director of Environment.
15. Following the restructure on 1 March 2019 this role no longer exists.
16. The occupant took up post on 25 March 2019.

The statutory role of Interim Director of Social Services has been held by staff employed by the Welsh Local Government Association. No amounts were paid in relation to this in 2018/19.

**Note 32: 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.

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
208	Accounts	208
110	Performance audit	110
60	Grant claims	50
<b>378</b>		<b>368</b>



**Note 33: Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

<b>2018/19 £'000</b>	<b>Grants, Reimbursements and Contributions</b>	<b>2019/20 £'000</b>
-	AHW Social Services Grant	1,233
234	Animal Health Welfare Grant	271
346	Benefit Administration Grant	312
558	Benefit Payments	-
597	Bus Revenue Support (Traws Cymru)	649
-	Children & Communities Grant	3,265
1,106	Concessionary Travel	1,076
291	CSW Development	321
5,305	RCSIG (formerly Education Improvement Grant)	4,592
921	European Agricultural Fund for Rural Development	1,059
1,027	Families First	-
1,800	Flying Start	-
208	Home Grown Homes	534
11,328	Housing Benefit Subsidy	11,488
1,133	Integrated Care Fund	2,532
5,453	Joint Finance – Area Health	4,813
1,379	Local Health Boards	1,556
489	NNDR Collection Grant	727
2,175	Pupil Deprivation Grant	2,244
1,054	Regional Transport Service Grant (formerly Bus Services Support Grant)	1,072
16,719	Rent Allowance Grant	14,105
87	School Milk	111
247	Self Improving System (formerly Small & Rural Schools Grant)	114
1,183	Single Revenue Grant (formerly Sustainable Waste Management Grant)	1,241
4,622	Sixth Form Grant	4,610
(26)	Social Care Tasks in Nursing Homes	-
433	Sports Council	413
974	Substance Abuse Action Plan	1,023
5,172	Supporting People	5,123
579	Supporting Social Services Grant	-
946	Teaching Workforce Issues	800
-	Teachers Pension Grant	1,576
27,042	Capital Grants	18,647
3,944	Other Government Grants	7,712
67	Other Non-Government Grants	625
7,112	Other	7,897
<b>104,505</b>		<b>101,741</b>

## POWYS COUNTY COUNCIL

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 grantor. The balances at the year-end are as follows:

2018/19 £'000	Capital grants received in advance	2019/20 £'000
213	Balance as at 1 April	790
644	Grants Received	690
205	Transfer to Capital Grants Unapplied	-
(272)	Transfer to Income and Expenditure Account	(216)
<b>790</b>	<b>Balance as at 31 March</b>	<b>1,264</b>

Taxation and non-specific grant income can be seen in note 11.

NNDR is organised on a national basis. The Welsh Government (WG) specifies an amount for the rate 52.6p in 2019/20 (51.4p in 2018/19) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by this amount. The total rateable value at 31 March 2020 was £83,770,730 (£83,021,234 at 31 March 2019). The Council pays the rates it collects to a pool administered by Welsh Government. Welsh Government redistributes the sums payable back to Local Authorities on the basis of a fixed amount per head of population.

### Note 34: 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 2019/20 was 62,123 (61,769 in 2018/19).

The basic charge of £1,302.17 for a band D property in 2019/20 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	5	3,127	6,021	9,982	9,214	13,437	12,532	6,297	118	380

2018/19 £'000		2019/20 £'000
92,053	Council tax income	101,288
(216)	Miscellaneous write offs	(339)
<b>91,837</b>	<b>Net proceeds from council tax</b>	<b>100,949</b>

### Note 35: 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

Welsh Government have 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 22 on reporting for resources allocation decisions.

#### 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 other material transactions took place in 2019/20.

#### Joint Venture

Heart of Wales Property Services Limited (HOWPS) is a joint venture company between Powys County Council and Kier Facilities Services Limited (Kier). Incorporated on 3 July 2017, the company delivers repairs and maintenance, minor / major works / consultancy / advice and statutory testing for Council Housing and for the Council's public and commercial buildings.

The Company has eight directors, four appointed by Powys Council (two Officers, two members) and four by Kier, the Chair appointed by Kier will have the deciding vote save in respect of a list of Reserved Matters set out in the Shareholders' Agreement.

Heart of Wales Property Services Limited accounting period is 30 June. Profits and losses are shared equally between the shareholders.

The Council expenditure with the Company in 2019/20 was £13,010k (£13,937k in 2018/19). The Council has a prepayment of £71k (£488k in 2018/19) and a creditor of £395k (£191k in 2018/19), £392k of which represents the Council's liability for the share of losses at 31 March 2020 (£191k in 2018/19). A £202k in year loss (£99k profit in 2018/19) was recorded in 2019/20, £115k (£56k in 2018/19) apportioned to the Council Fund and £87k (£43k in 2018/19) recognised in the Housing Revenue Account (HRA).

#### Precepts

Details of precepts collected on behalf of other organisations by the Council can be found in Note 9 Other Operating Expenditure.

## POWYS COUNTY COUNCIL

### Other Public Bodies [Subject to Common Control by Central Government]

The Authority has seven pooled budget arrangements with Powys Teaching Health Board for the provision of health services. Transactions and balances outstanding are detailed in Note 28.

### The Powys Pension Fund

As well as making employer contributions to the Fund the County Council also provides administrative services for the fund. In 2019/20 the Council was paid £942k for these services (£916k for 2018/19).

### 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 30 shows the allowances paid to members.

The following table is a summary of all transactions recorded in relation to declared relationships which were controlled by a member and in total aggregate to £10k and above.

Member	Body	Relationship	Expenditure		Income	
			In Year £'000	O/S £'000	In Year £'000	O/S £'000
Durrant, Emily Victoria	Black Mountains College Project	Company Director (unpaid)	49	-	-	-
Jones, Michael John	Brecon Beacons National Park	Member of Planning Committee	680	80	34	13
Williams, Gwilym Ioan Snead	Brecon Beacons National Park	Member of Planning Committee	680	80	34	13
Davies, Phyl	Celtic Travel (Llanidloes) Ltd	Director	2,107	(4)	-	-
Corfield, Linda Veronica	Community Foundation in Wales	LEA Representative	33	-	-	-
George, Les	E George & Son	Family Owned Business	25	-	-	-
Baynham, Beverley Jane	East Radnor Day Centre	Chief Officer	194	-	1	-
Jones, Michael E.	East Radnor Day Centre	Director	194	-	1	-
Williams, Jon	Llandrindod Wells Town Council	Chair	15	-	4	-
Jones, Gareth David	Llanfair Caereinion Town Council	Member and Chairman	12	-	5	16
Jones, Joy Rachel	Maldwyn Leisure Centre	Board Member	2,482	75	1,082	473
Curry, Kelvyn	Mid and West Wales Fire Authority	Councillor	6,951	-	46	12
Price, David	Mid and West Wales Fire Authority	Councillor	6,951	-	46	12
Thomas, Gwynfor	Mid and West Wales Fire Authority	Councillor	6,951	-	46	12
Van-Rees, Tim	Mid and West Wales Fire Authority	Councillor	6,951	-	46	12

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Member	Body	Relationship	Expenditure		Income	
			In Year £'000	O/S £'000	In Year £'000	O/S £'000
Breeze, Graham Charles	Mid Wales Trophies and Engraving	Partner	10	-	-	-
Powell, William Denston	PAVO	Trustee	145	4	-	-
Harris, Rosemarie	Powys Community Health Council	Chair	-	-	31	4
Hulme, Heulwen Doreen	Powys Community Health Council	Committee Member	-	-	31	4
Charlton, Jackie	Powys Teaching Health Board	Mental Health Act Manager	1,993	226	10,210	4,573
Barnes, Mark Antony	Revive and Thrive Ltd	Managing Director	51	-	-	-
Ratcliffe, Gareth	Royal British Legion	Trustee	12	-	1	-
Harris, Rosemarie	Royal Welsh Agricultural Show	Enterprise Director and Steward	31	10	27	-
Mackenzie, Maureen	Royal Welsh Agricultural Show	Committee Member for Llanelwedd	31	10	27	-
Meredith, David William	Theatr Brycheiniog	Board Member	75	-	-	-
Roderick, Edwin	Theatr Brycheiniog	Board Member	75	-	-	-
Weale, Martin Jonathan	Weales Wheels	Proprietor	394	-	-	-
Mackenzie, Maureen	Wyeside Arts Centre	Interim Chair	40	-	-	-
Price, David Rowland	Wyeside Arts Centre	Trustee	40	-	-	-
Thomas, David	Ystradgynlais Mind	Trustee	12	-	5	-
Williams, Huw	Ystradgynlais Mind	Trustee	12	-	5	-
Davies, Sandra Christine	Ystradgynlais Sports Centre, Management Committee	Member	2,482	75	1,082	473

**Note 36: 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 £912k (£936k in 2018/19) and the total outstanding commitment on operating leases at the 31 March 2020 was £1,086k (£1,977k at 31 March 2019).

<b>31 March 19 £'000</b>	<b>Minimum lease payments</b>	<b>31 March 20 £'000</b>
903	No later than one year	515
761	Later than one but no later than five years	281
313	Later than five years	290
<b>1,977</b>		<b>1,086</b>

*Finance Leases*

The Authority has no finance leases.

**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:

<b>31 March 19 £'000</b>	<b>Minimum lease payments</b>	<b>31 March 20 £'000</b>
1,699	No later than one year	1,207
2,949	Later than one but no later than five years	2,414
3,774	Later than five years	3,079
<b>8,423</b>		<b>6,700</b>

*Finance Leases*

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

**Note 37: Obligations under Long Term Contracts**

The contract with BUPA to purchase a minimum number of beds amounting to £10.5m was originally scheduled to expire in 2014 and then extended on multiple occasions concluding on 31st May 2019.

The below table shows the commitments under this agreement.

<b>31 March 19 £'000</b>	<b>Commitment</b>	<b>31 March 20 £'000</b>
809	No later than one year	-
-	Later than one but no later than five years	-
-	Later than five years	-
<b>809</b>		<b>-</b>

A contract replacing the above with Shaw began on 1 June 2019 lasting a minimum of three years with an option to extend up to a maximum of five years. Future commitments are as follows:

<b>31 March 19 £'000</b>	<b>Commitment</b>	<b>31 March 20 £'000</b>
4,929	No later than one year	5,899
12,784	Later than one but no later than five years	6,885
-	Later than five years	-
<b>17,713</b>		<b>12,784</b>

The Heart of Wales Property Service was created on 3 July 2017 as a joint venture between Powys County Council and Kier to maintain council premises. Initially the council have committed to a ten year contract which has a break option after five years. Therefore for the purpose of this disclosure, it is assumed that the option will be utilised.

<b>31 March 19 £'000</b>	<b>Commitment</b>	<b>31 March 20 £'000</b>
10,199	No later than one year	10,100
22,781	Later than one but no later than five years	12,681
-	Later than five years	-
<b>32,980</b>		<b>22,781</b>



**Note 38: Termination Benefits**

The Authority had the following termination costs.

2018/19			2019/20	
Staff	£'000		Staff	£'000
107	608	£0 - £20,000	340	777
28	788	£20,001 - £40,000	19	548
8	400	£40,001 - £60,000	2	94
1	69	£60,001 - £80,000	1	63
-	-	£80,001 - £100,000	-	-
2	241	£100,001 - £150,000	2	230
3	517	£150,001 - £200,000	-	-
1	213	£200,001 - £250,000	-	-
<b>150</b>	<b>2,836</b>		<b>364</b>	<b>1,712</b>

2018/19 £'000		2019/20 £'000
1,568	Redundancy	804
944	Pension strain	652
36	Loss of office	49
288	Payment in lieu of notice or holidays	207
<b>2,836</b>		<b>1,712</b>

**Note 39: 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 actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Funds Rates and Adjustment Certificate. An actuarial valuation of the Fund was carried out at 31 March 2019 and as part of the valuation a new Rates and Adjustment Certificate has been produced for the three year period from 1 April 2020.



### 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 Council 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 Council Fund balance via the Movement in Reserves during the year.

Local Government Pension Scheme	Restated Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2018/19 £'000	2018/19 £'000		2019/20 £'000	2019/20 £'000
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Service cost comprising:				
23,260	-	• Current service cost	29,630	-
11,080	1,350	• Past service costs	650	110
Financing and Investment Income and Expenditure:				
7,650	700	• Net interest expense	7,060	660
<b>41,990</b>	<b>2,050</b>	<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>37,340</b>	<b>770</b>
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
(34,830)	-	• Return on plan assets (excluding the amount included in the net interest expense)	42,440	-
47,800	980	• Actuarial (gains)/losses arising on changes in demographic assumptions	(17,430)	(260)
(36,220)	(1,020)	• Actuarial (gains)/losses arising on changes in financial assumptions	(7,190)	(150)
1,430	50	• Other	4,420	(30)
<b>20,170</b>	<b>10</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>59,580</b>	<b>330</b>
<b>Movement in Reserves Statement</b>				
(41,990)	2,050	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for postemployment benefits in accordance with the Code	(37,340)	(770)
Actual amount charged against the General Fund Balance for pensions in the year:				
(19,700)		Employers' contributions payable to scheme	(20,590)	
	(1,520)	Retirement benefits payable to pensioners		(1,490)

*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.

Local Government Pension Scheme	Restated Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
31 March 2019 £'000	31 March 2019 £'000		31 March 2020 £'000	31 March 2020 £'000
609,560	-	Fair value of assets	579,210	-
914,040	28,120	Present value of defined benefit obligation	922,680	26,960
(304,480)	(28,120)	Net liability arising from defined benefit obligation	(343,470)	(26,960)

Reconciliation of the Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme	Restated Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2018/19 £'000	2018/19 £'000	Pension Scheme Assets	2019/20 £'000	2019/20 £'000
561,200	-	Brought forward 1 April	609,560	-
14,590	-	Interest Income on Assets	14,610	-
34,830	-	Remeasurement gains/(losses) on assets	(42,440)	-
19,700	1,520	Contributions by the employer	20,590	1,490
4,520	-	Contributions by participants	4,620	-
(25,280)	(1,520)	Net benefits paid out	(27,730)	(1,490)
<b>609,560</b>	<b>-</b>	<b>Carried Forward 31 March</b>	<b>579,210</b>	<b>-</b>

Local Government Pension Scheme	Restated Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2018/19 £'000	2018/19 £'000	Actual Return on Assets	2019/20 £'000	2019/20 £'000
14,590	-	Interest Income on Assets	14,610	-
34,830	-	Remeasurement gains/(losses) on assets	(42,440)	-
49,420	-	Actual Return on Assets	(27,830)	-

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

Local Government Pension Scheme	Restated Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2019 Funded £'000	2019 Funded £'000	Pension Scheme Liabilities	2020 Funded £'000	2020 Funded £'000
865,210	27,580	Brought forward 1 April	914,040	28,120
23,260	-	Current service cost	29,630	-
22,240	700	Interest expense on defined benefit obligation	21,670	660
4,520	-	Contributions by participants	4,620	-
47,800	980	Actuarial (gains)/losses on liabilities – financial assumptions	(17,430)	(260)
(36,220)	(1,020)	Actuarial (gains)/losses on liabilities – demographic assumptions	(7,190)	(150)
1,430	50	Actuarial (gains)/losses on liabilities – experience	4,420	(30)
(25,280)	(1,520)	Net benefits paid out	(27,730)	(1,490)
11,080	1,350	Past service cost	650	110
<b>914,040</b>	<b>28,120</b>	<b>Carried Forward 31 March</b>	<b>922,680</b>	<b>26,960</b>

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 (Quoted) 31 March 19	% of Assets (Unquoted) 31 March 19	% of Assets 31 March 18		% of Assets (Quoted) 31 March 20	% of Assets (Unquoted) 31 March 20	Total Assets 31 March 20
47.8	4.7	52.5	Equity Investments	37.5	6.2	43.7
9.7	-	9.7	Property	9.5	-	9.5
14.7	-	14.7	Government Bonds	16.3	-	16.3
6.0	-	6.0	Corporate Bonds	6.5	-	6.5
2.1	-	2.1	Cash	3.2	-	3.2
15.0	-	15.0	Other	18.7	2.1	20.8
<b>95.3</b>	<b>4.7</b>	<b>100.0</b>		<b>91.7</b>	<b>8.3</b>	<b>100.0</b>

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 2016 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:

2019 %		2020 %
2.2	Inflation – CPI	2.0
3.7	Rate of general increase in salaries	3.5
2.2	Rate of increase to pensions in payment	2.0
2.2	Rate of increase to deferred pensions	2.0
2.4	Discount rate	2.3

The Principal Demographic Assumptions are:

31 March 19	Post Retirement Mortality	31 March 20
	<b>Males</b>	
Standard SAPS S2N tables	Year of Birth base table	Standard SAPS S2N tables
100.0%	Scaling to the above table - current pensioners	105.0%
105.0%	Scaling to the above table - future pensioners	110.0%
CMI_2017	Cohort improvement factors to base table	CMI 2018 projections (Sk 7.5, A0.0)
1.5%	Minimum underpin to improvement factors	1.5%
22.4	Future lifetime from age 65 (currently aged 65)	21.8
23.7	Future lifetime from age 65 (currently aged 45)	23.2
	<b>Females</b>	
Standard SAPS S2N tables	Year of Birth base table	Standard SAPS S2N tables
95.0%	Scaling to the above table - current pensioners	90.0%
100.0%	Scaling to the above table - future pensioners	95.0%
CMI 2014	Cohort improvement factors to base table	CMI 2018 projections (Sk 7.5, A0.0)
1.5%	Minimum underpin to improvement factors	1.5%
24.8	Future lifetime from age 65 (currently aged 65)	25.0
26.2	Future lifetime from age 65 (currently aged 45)	26.4

## STATEMENT OF ACCOUNTS

	31 March 19	31 March 20
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 on the next page 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*

<b>Discount Rate Assumption</b>		
Experience gains / (losses) on liabilities	+0.1% p.a.	-0.1% p.a.
Present value of total obligations (£'000s)	904,420	941,310
% change in present value of total obligation	-2.0%	2.0%
Projected service cost (£'000s)	28,710	30,810
Approximate % change in projected service cost	-3.5%	3.6%
<b>Rate of general increase in salaries</b>		
Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value to total obligation (£'000s)	924,660	920,720
% change in present value of total obligation	0.2%	-0.2%
Projected service cost (£'000s)	29,740	29,740
Approximate % change in projected service cost	0.0%	0.0%
<b>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption</b>		
Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£'000s)	939,920	905,820
% change in present value of total obligation	1.90%	-1.80%
Projected service cost (£'000s)	30,810	28,710
Approximate % change in projected service cost	3.6%	-3.5%
<b>Post Retirement Mortality Assumption</b>		
Adjustment to mortality age rating assumptions <sup>1</sup>	-1 year	+1 year
Present value of total obligation (£'000s)	952,480	893,170
% change in present value of total obligation	3.2%	-3.2%
Projected service cost (£'000s)	30,860	28,630
Approximate % change in projected service cost	3.8%	-3.7%

<sup>1</sup> 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.

### 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 16 years. Funding levels are monitored on an annual basis. The triennial valuation was completed on March 2019.

The Council anticipates paying £19.88m regular contributions to the scheme in 2020/21.

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

Active members (37%)	Deferred pensioners (19%)	Pensioners (44%)
----------------------	---------------------------	------------------

The weighted average duration of the defined benefit obligation for scheme members is 20.0 years in 2019/20 (18.2 years 2018/19).

### 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 40: Teacher Pension Costs**

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of this Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2019/20 the County Council paid £8.5m to the Department for Education in respect of teacher's pension costs which represented 16.48% of teacher's pensionable pay from April to August and 23.68% from September 2019 onwards (£6.8m, 16.48% in 2018/19). 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 2019/20 payments made in relation to added years amounted to £1.49m, representing 3.61% of pensionable pay (£1.6m, 3.76% in 2018/19). Estimated employer contributions for 2020/21 are £9.7m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

**Note 41: Contingent Liabilities**

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 £12k is included in Note 19 as 25% of outstanding estimates provided by the Scheme administrator. The contingent liability is noted to incorporate any increase in the levy above 25%.

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An Employment Tribunal ruled that support workers (who sleep-in as part of their shift) should be paid the hourly minimum wage for the entirety of their shift, including the time they are asleep. Prior to this ruling, these workers were paid a flat-rate for a sleep-in. This ruling was appealed successfully (Court of Decision Appeal in Royal Mencap Society v Tomlinson-Blake), to the extent that the only time that counts for national minimum wage is the time the worker was awake for the purposes of working. Unison have applied for leave to appeal to the Supreme Court. If the appeal is successful there is a potential liability of up to 6 years back-pay that the authority may have to pay to its service providers to compensate for the historic 'sleep-in' payments. As the legal situation is currently unclear, we have not recognised a provision in our accounts during 2019/20.

Planning permission for extension to the Nant Helen Surface Mine was granted in March 2012 subject to a Section 106 agreement. This agreement required quarterly payments to be made to the Council into a Restoration Escrow Account from March 2012 until September 2017 until a total of £30,280,380 was reached. It also required 7 annual payments of £100,000 as contribution to a Communities Facilities Fund. In March 2016 Celtic Energy suspended these payments, the result of which was that £19,500,000 was held in the Restoration Escrow Account and £500,000 in the Communities Facilities Fund. Advice was sought and offered the view that an acceptable restoration scheme would be achievable with the £19.5m already held in the Escrow account. The contingent liability is noted to reflect any shortfall that may arise in restoring the site.



**Note 42: 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 £30m 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:

	<b>Amount at 31 March 20 £'000</b>	<b>Actual provision for bad debts made £'000</b>	<b>Bad debt written off in year £'000</b>
Deposits with banks and financial institutions	10,075	-	-
Customers			
Council Tax	4,561	(843)	215
Housing rents	1,100	(876)	326
Sundry debtors	48,220	(3,913)	201
	<b>53,881</b>	<b>(5,632)</b>	<b>742</b>

No collateral is held as security on Financial Assets.

## POWYS COUNTY COUNCIL

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:

	<b>3 to 6 Months £'000</b>	<b>6 to 9 Months £'000</b>	<b>Over 9 Months £'000</b>	<b>Total £'000</b>
Debtors Ledger	1,282	631	3,224	5,137

	<b>1 to 2 Years £'000</b>	<b>2 to 5 Years £'000</b>	<b>Over 5 Years £'000</b>	<b>Total £'000</b>
Council Tax	3,699	653,265	209,511	866,475

### Amounts Arising from Expected Credit Losses

We have concluded that the expected credit loss on short and long term investments is not material therefore no allowances have been made for these classifications. The increase in impairments of debtors excluding Council Tax and NDR in 2019/20 is £442k, (£527k in 2018/19). The age of the debt, past experience and other factors are taken into consideration in the calculation of the impairment.

### 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:

<b>2019 £'000</b>		<b>2020 £'000</b>
11,031	Within a year	25,025
23,033	Between 1 to 2 years	17,549
31,635	Between 2 to 5 years	52,098
40,751	Between 5 to 10 years	48,978
192,804	Over 10 years	186,534
<b>299,254</b>		<b>330,184</b>

### 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.

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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 2018/19 with all other variables constant, the financial effect would be:

	£'000
Increase in Interest Payable on Variable Rate Borrowings	250
Increase in Interest Receivable on Variable Rate Investments	(222)
Increase in Surplus of Income and Expenditure Account	28
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.

## Note 43: Prior Period Adjustment

### *43.1 Teachers' Discretionary Benefits*

A prior period adjustment has been made after the Authority discovered an error in the way it accounted for discretionary awards of retirement benefits for the early retirement of teachers. It has been identified that the Council has not previously been accounting for this correctly. The liabilities estimated to arise as a result of the award should have been accrued in the year the decision was made and accounted for using the same policies as applied to the Local Government Pension Scheme. The amount not recognised was £27,580k at 31 March 2018 and was £28,120k at 31 March 2019. The impact on the primary statements is shown in the Movement in Reserves table and the extracts of the Balance Sheet and Comprehensive Income and Expenditure statement below.

### *43.2 Revaluation Losses relating to the HRA assets*

In 2018/19 revaluation losses of £13,199k were classified within the Council fund but related to Council properties and should have been reflected in the HRA Account. The depreciation, impairment and revaluation of non current assets in the HRA Income and Expenditure Account has been restated from £5,283k to £18,482k. The losses are then excluded from the HRA reserve balance through an adjustment involving the Capital Adjustment Account (see HRA note 5). The impact on the Movement in Reserves Statement is shown in the Movement in Reserves Table below.

## STATEMENT OF ACCOUNTS

	Council Fund £'000	HRA £'000	Total Usable Reserves £'000	Unusable Reserves (Note 26) £'000	Total Authority Reserves £'000
<b>Movement in Reserves Statement</b>					
Balance Sheet 31 March 2018 - as previously stated at 31 March 2018	9,861	3,267	49,415	205,405	254,820
Retrospective IRFS9 transition adjustment shown in MIRS 2018-19	-	-	-	(1,793)	(1,793)
<b>Balance at 31 March 2018 - as previously stated</b>	<b>9,681</b>	<b>3,267</b>	<b>49,415</b>	<b>203,612</b>	<b>253,027</b>
* Teachers' Discretionary Benefits Prior Periods Adjustment	-	-	-	(27,580)	(27,580)
<b>Restated Balance at 31 March 2018</b>	<b>9,681</b>	<b>3,267</b>	<b>49,415</b>	<b>176,032</b>	<b>225,447</b>
Total Comprehensive Income and Expenditure- as previously stated 2018-19	(57,803)	7,761	(50,042)	24,681	(25,361)
** HRA Revaluation Prior Period Adjustment for 2018-19	13,199	(13,199)	-	-	-
* Teachers Discretionary Benefits Prior Period Adjustment for 2018-19	(530)	-	(530)	(10)	(540)
<b>Restated Total Comprehensive Income and Expenditure 2018-19</b>	<b>(45,134)</b>	<b>(5,438)</b>	<b>(50,572)</b>	<b>24,671</b>	<b>(25,901)</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations - as previously stated 2018-19	47,471	(9,917)	36,817	(36,817)	-
** HRA Revaluation Prior Period Adjustment for 2018-19	(13,199)	13,199	-	-	-
* Teachers' Discretionary Benefits Prior Period Adjustment for 2018-19	530	-	530	(530)	-
<b>Restated Adjustments Between Accounting Basis and Funding Basis Under Regulations 2018-19</b>	<b>34,802</b>	<b>3,282</b>	<b>37,347</b>	<b>(37,347)</b>	<b>-</b>
Net Increase/(Decrease) Before Transfers to Earmarked Reserves - as previously stated	(10,332)	(2,156)	(13,225)	(12,136)	(25,361)
<b>Restated Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>(10,332)</b>	<b>(2,156)</b>	<b>(13,225)</b>	<b>(12,676)</b>	<b>(25,901)</b>
Increase/(Decrease)Movement in Year - as previously stated	(616)	(2,156)	(13,225)	(12,136)	(25,361)
<b>Restated Increase/(Decrease)Movement in Year</b>	<b>(616)</b>	<b>(2,156)</b>	<b>(13,225)</b>	<b>(12,676)</b>	<b>(25,901)</b>
Balance at 31 March 2019 - as previously stated	9,065	1,111	36,190	191,476	227,666
* Teachers' Discretionary Benefits Prior Period Adjustment prior to 31 March 2018	-	-	-	(27,580)	(27,580)
* Teachers' Discretionary Benefits Prior Period Adjustment for 2018-19	-	-	-	(540)	(540)
<b>Restated Balance at 31 March 2019</b>	<b>9,065</b>	<b>1,111</b>	<b>36,190</b>	<b>163,356</b>	<b>199,546</b>

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<b>Balance Sheet</b>	<b>Balance at 31 Mar 19, as previously stated £'000</b>	<b>Adjustments Prior to 31 Mar 18 £'000</b>	<b>Movement in 2018/19, see CIES £'000</b>	<b>Restated Balance 31 Mar 19 £'000</b>
Liability Related to Defined Benefit Pension	(304,480)	(27,580)	(540)	(332,600)
Long Term Liabilities	(615,017)	(27,580)	(540)	(643,137)
Net Assets	227,666	(27,580)	(540)	199,546
Unusable Reserves	191,476	(27,580)	(540)	163,356
Total Reserves	227,666	(27,580)	(540)	199,546

The following adjustments have been made to the expenditure line within the Comprehensive Income and Expenditure Statement in 2018-19.

<b>Comprehensive Income and Expenditure Statement Extract</b>	<b>Gross Expenditure £'000</b>	<b>Net Expenditure £'000</b>
Education	(1,520)	(1,520)
Corporate Activities	1,350	1,350
Cost of Services	(170)	(170)
Financing and Investment Income and Expenditure		700
(Surplus)/Deficit on Provision of Services		530
Re-measurements of the net defined benefit (asset)/liability		10
Other Comprehensive Income and Expenditure		10
Total Comprehensive Income and Expenditure		540

## 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.

### Income and Expenditure Account

Restated 2018/19 £'000		2019/20 £'000
	<b>Expenditure</b>	
3,772	Supervision and management	4,596
8,105	Repairs and maintenance	8,994
102	Rents and rates	132
144	Movement in allowance for bad and doubtful debts	179
18,482	* Depreciation, impairment and revaluation of noncurrent assets	6,248
16	Debt management expenses	18
<b>30,621</b>	<b>Total service expenditure</b>	<b>20,167</b>
	<b>Income</b>	
(23,139)	Dwelling rents	(23,986)
(605)	Non dwelling rents	(611)
(442)	Other charges for services and facilities	(360)
(209)	Contributions towards expenditure	(539)
<b>(24,395)</b>	<b>Total service income</b>	<b>(25,496)</b>
<b>6,226</b>	<b>Net cost of services as included in the Comprehensive income and expenditure account</b>	<b>(5,329)</b>
506	HRA services share of corporate and democratic core	130
<b>6,732</b>	<b>Net cost of HRA services</b>	<b>(5,199)</b>
	<b>HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement</b>	
(353)	(Gain)/loss on sale of HRA noncurrent assets	(58)
3,657	Interest payable and similar charges	3,193
(73)	Amortisation of premiums and discounts	(158)
274	Net interest on the net defined benefit liability	215
(4,799)	Capital grants and contributions applied	(3,983)
<b>5,438</b>	<b>(Surplus)/deficit for the year on HRA services</b>	<b>(5,990)</b>

- \* In 2018/19 revaluation losses of £13,199k were not classified correctly to the HRA. The losses excluded from the HRA reserve balance through an adjustment involving the Capital Adjustment Account (see HRA note 5).

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Movement on Housing Revenue Account Statement

Restated 2018/19 £'000		2019/20 £'000
<b>3,267</b>	<b>Balance as at 1 April</b>	<b>1,111</b>
(5,438)	Surplus/(deficit) for the year on the HRA	5,990
3,282	Adjustments between accounting basis and funding basis under statute (Note 5)	(3,182)
<b>(2,156)</b>	<b>Increase/(decrease) in the HRA balance Before transfers to or from reserves</b>	<b>2,808</b>
(2,156)	Increase/(decrease) in the HRA balance	2,808
<b>1,111</b>	<b>Balance as at 31 March</b>	<b>3,919</b>



## Notes to the Housing Revenue Accounts

### Note 1: Housing Stock

2018/19 Total	Property Type	Number of bedrooms						2019/20 Total
		1	2	3	4	5	6	
51	Detached house/bungalow	4	32	12	4	-	-	52
2,113	Semidetached house/bungalow	262	826	983	39	4	-	2,114
2,116	Terraced house	201	746	1,087	77	3	3	2,117
1,082	Flats	349	686	49	-	-	-	1,084
13	Bedsits	13	-	-	-	-	-	13
5,375	Total	829	2,290	2,131	120	7	3	5,380

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

31 March 2019 £'000		31 March 2020 £'000
357	Current tenant arrears	308
928	Former tenant arrears	792
<b>1,285</b>	<b>Total arrears</b>	<b>1,100</b>
107	Bad debts	326
1,023	Provision for bad debt	876

### Note 3: Housing Revenue Account Capital Expenditure

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

2019/20 Capital Expenditure	Total £'000	Dwellings £'000	Intangible £'000	Equipment £'000	Infrastructure £'000	Non-operational £'000
Enhancing Costs	20,399	14,755	-	72	80	5,492
<b>Total Expenditure</b>	<b>20,399</b>	<b>14,755</b>	<b>-</b>	<b>72</b>	<b>80</b>	<b>5,492</b>
Impairment/ Revaluation	456	456	-	-	-	-
Depreciation	5,792	5,739	53	-	-	-

The capital expenditure was financed as follows:

Financed by	2019/20 £'000
Capital Grants and Contributions	3,982
Usable Capital Receipts	-
Direct Revenue Contributions and Reserves	3,856
Prudential Borrowing	12,561
	<b>20,399</b>

<b>Restated 2018/19 Capital expenditure</b>	<b>Total £'000</b>	<b>Dwellings £'000</b>	<b>Intangible £'000</b>	<b>Equipment £'000</b>	<b>Non operational £'000</b>
Enhancing costs	16,499	16,189	-	-	310
<b>Total expenditure</b>	<b>16,499</b>	<b>16,189</b>	-	-	<b>310</b>
Impairment/ Revaluation	13,199	13,199	-	-	-
Depreciation	5,283	5,230	53	-	-

The capital expenditure was financed as follows:

<b>Financed by</b>	<b>2018/19 £'000</b>
Capital Grants and Contributions	4,799
Usable Capital Receipts	561
Direct Revenue Contributions and Reserves	9,085
Prudential Borrowing	2,054
	<b>16,499</b>

#### Note 4: Housing Revenue Account Capital Receipts

The following amounts were received during the year:

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
73	Disposal of land	-
724	Housing	90
<b>797</b>		<b>90</b>

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

<b>Restated 2018/19 £'000</b>		<b>2019/20 £'000</b>
	<b>Items included in the HRA Income and Expenditure Account but excluded from the HRA Balance for the year</b>	
73	Difference between interest payable and similar charges including amortisation of premiums and discounts in accordance with statute	158
(849)	Net charges made for retirement benefits in accordance with IAS 19	(510)
353	(Gain)/loss on sale of HRA non-current assets	58
	<b>Adjustments</b>	
	<b>Primarily involving the Capital Adjustment Account</b>	
(18,482)	Depreciation, impairment and revaluation of non-current assets	(6,248)
1,745	HRA Minimum Revenue Provision	1,909
4,799	Capital Grants and Contributions Applied	3,982
9,085	Capital Expenditure Funded by HRA	3,856
	<b>Primarily involving the Accumulated Balances Account</b>	
(6)	Holiday accrual	(23)
<b>(3,282)</b>	<b>Net additional amount required by statute to be debited to the HRA Balance for the year</b>	<b>3,182</b>
14	To Other Committees/Reserves	-

**Note 6: Housing Revenue Account Contributions to the Pension Scheme**

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

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
707	Employer contributions actually paid	626
(398)	Past Service Costs	(20)
(884)	Current cost of employees	(901)
(274)	Net Interest on the net defined benefit/(liability)	(215)
(849)	Contribution to/(from) reserve	(510)

## 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.

### 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.

### Reffcus

Revenue Expenditure Funded From Capital Under Statute

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# Powys County Council

## Annual Governance Statement 2019-20

### Section 1. Executive Summary

This Annual Governance Statement (AGS) provides an account of the processes, systems and records the council has in place to demonstrate effectiveness of its governance arrangements. It principally covers the period April 2019 to March 2020. However, during the period to September 2020, when the accounts are signed, it is updated. The Statement therefore includes details of the Council's response to the COVID19 Coronavirus pandemic.

Powys County Council adopted a system of corporate governance in June 2008, which is consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government (2016 Edition). This statement is structured around the seven core principles, which are set out in Section 3, and gives an account of how the Council has discharged its responsibilities during 2019-20 as well recommendations for development.

Based on the evidence set out in this annual governance statement, including the impact of the pandemic on our governance framework, we consider the level of assurance to be Reasonable.

Assurance levels for annual opinion:

<b>Substantial</b>	▲ ★ ★ ★	We are able to offer substantial assurance that the Council's arrangements adequately reflect the principles of good governance as indicated in the CIPFA Governance Framework. Processes are in place and operating effectively and risks to effective governance are well managed.
<b>Reasonable</b>	▲ ★ ★ ★	We are able to offer reasonable assurance that the Council's arrangements adequately reflect the principles of good governance as indicated in the CIPFA Governance Framework. Generally, risks are well managed, but some processes could be improved.
<b>Partial</b>	▲ ★ ★ ★	We are able to offer partial assurance that the Council's arrangements adequately reflect the principles of good governance. Some key risks are not well managed and processes require the introduction or improvement of internal controls to ensure effective governance.

<b>None</b>	▲☆☆☆	We are not able to offer any assurance. The Council's arrangements were found to be inadequately controlled. Risks are not well managed and processes require the introduction or improvement of internal controls to ensure effective governance.
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## Section 2. Introduction

### 2.1 Ensuring Good Governance

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.

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.

This Annual Governance Statement will explain how Powys County Council has complied with the code.

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 Investment Strategy Statement
- Funding Strategy Statement
- A full Actuarial Valuation to be carried out every third year

### 2.2 The Governance Framework

Powys County Council's governance framework comprises the systems, processes, cultures and values, by which the Council is directed and controlled and through which it engages, leads and is accountable to residents and communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of outcome-focused and cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk at a reasonable level. It cannot eliminate all risk of failure



to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Powys County Council's policies, aims and objectives. In addition, it assists in evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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 2020. In addition, the Council's constitution can be found at: [Link to Council Constitution.](#)

The COVID19 Coronavirus pandemic did not change the Council's governance frameworks until the last few weeks of the 2019-20 financial year, but it has had a significant impact on them in the first six months of 2020-21. As the Annual Governance Statement covers the control / governance framework in operation up until the date that accounts are signed off the changes to our control framework are set out in Appendix 6. The relevant regulator guidance which has affected or directed changes to control frameworks is also shown here.

There may be a delay in achieving some of the actions and outcomes for 2020-21 identified below due to the pandemic and the period of recovery thereafter. In addition, the Council will need to take economic, environmental and social factors into account as part of the recovery process which may result in other changes to governance arrangements during the year.

## Section 3. The Core Principles

### 3.1 Core Principle A

*Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*

#### How we do this:

#### **Our Values**

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 Council has a 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. Our values are embedded into staff appraisals. Awareness of the values are tested out by means of the Council's staff survey conducted every two years.

<b>Professional</b>	Whatever role we play in the council, we act with professionalism and integrity
<b>Positive</b>	We take a proactive attitude in all we do
<b>Progressive</b>	We take a proactive and responsible approach to planning for the future
<b>Open</b>	We keep each other informed, share knowledge and act with honesty and integrity
<b>Collaborative</b>	We work constructively and willingly on joint initiatives

These values are detailed in [Vision 2025](#) (See item 9 in the agenda) our Corporate Improvement Plan (CIP) for 2020-25 which was updated and approved by Council on 5 March 2020.

### **Members' Code of Conduct / Standards Committee**

For elected Members, the Council has adopted the Model Code of Conduct for County Councils in Wales, which came into force on 1 April 2016. 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. Mandatory training for Members in relation to the Code of Conduct was undertaken following the election in 2017. 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.

The Standards Committee is active in trying to assist 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 will also monitor attendances at Mandatory Member Development Sessions to ensure that Members complete the Mandatory Training.

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.

### **Officers' Code of Conduct**

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.

## **Anti-Fraud / Anti-Corruption and Whistleblowing**

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

### **Audit Committee**

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

### **Compliments and Complaints**

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

[Link to Complaints Policy](#)

### **Information Governance**

Powys County Council continues to develop its information governance maturity working to its agreed framework, to initiate, develop, and monitor policies and practices in relation to information security, management, assurance and risk, in order to improve and ensure on-going compliance with relevant information legislation and standards.

The Council has robust information personal data breach reporting and management processes in place, which ensures swift containment action, enables informed identification of information risks and mitigation, and supports regulatory reporting requirements.

The Council continues to provide those who choose to exercise their right of access to information held by the Council, or who choose to exercise their data protection rights with an effective and professional service. Further reporting has been developed to not only identify timeline compliance for requests for information, but also includes disclosure and exemption data, indicating the extent of disclosure of information to the public.

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

Powys County Council continues to progress its information management, assurance and governance policies, procedures, and practices. In addition, the Corporate Governance Information Group comprising of the Senior Information Risk Owner (SIRO) and Directors developed appropriate planning and response strategies to the implementation of the General Data Protection Regulations and the UK Data Protection Act 2018.

The SIRO receives an annual Information Governance Report.

## Review of effectiveness:

In the 2018-19 Annual Governance Statement the following areas for development during 2019-20 were identified:

- Continue to embed the Council's values and guiding principles (5 ways of working) into strategic and service planning and staff appraisals to encourage staff to think differently, act differently and therefore deliver differently
- Improve the response rate to requests made under data protection legislation (including GDPR / SARs)
- Ensure customer data is safe
- Improve IT governance processes to support digital transformation agenda

An assessment of effectiveness against Core Principle A during 2019-20 is set out below.

### **Our Values**

In November 2019 a staff survey was conducted. 1,421 employees responded to survey in 2019, compared to 332 in 2018.

In the 2019 survey staff were given a list of ten values and asked to select the Council's values with the following results:

- Collaborative 70%
- Open 71%
- Positive 67%
- Professional 80%
- Progressive 65%

The survey also found that:

- 77% are proud to work for the Council (compared to 62% in 2018)
- 77% are proud of the work they do (compared to 65% in 2018)
- 83% feel confident making decisions without having to seek permission from their line manager (compared to 73% in 2018)
- 91% will go that extra mile to get the job done (compared to 88% in 2018)
- 32% don't feel involved in discussions around changes in their service area (43% in 2018)

During 2019-20 the Council promoted the staff values through internal communications and included a section in individual appraisal forms to facilitate a discussion between line managers and employees about the extent to which individuals are demonstrating behaviours consistent with our values.

### **Members' Code of Conduct / Standards Committee**

During 2019-20 68 Members completed mandatory training and development in Treasury Management, 59 Members completed mandatory training in Corporate Safeguarding and 49 completed mandatory training in Corporate Parenting.

In relation to the monitoring of attendances at committees, there are few Members who fall beneath the 60% requirement, and those that do have valid reasons such as a period of illness. In 2019-20 10 Members were reported to the Standards Committee for a failure to achieve the minimum level of attendance for the period May 2018 to May 2019. Of these 2 Members had their statistics corrected following review, 2 Members resigned and the remainder provided satisfactory responses to the Committee.

The Standards Committee is informed at meetings of the numbers of referrals to the Ombudsman. There were five complaints against Members referred to the Public Services Ombudsman for Wales in 2019-20 of which one is still awaiting a decision. Three were closed following receipt by the Ombudsman's Office (i.e. no evidence that there was a suggested breach of the Code of Conduct) and one was closed following an investigation.

### **Officers' Code of Conduct**

The Code of Conduct for employees will be reviewed in 2020-21.

### **Anti-Fraud / Anti-Corruption and Whistleblowing**

In 2019-20 the Council introduced a new [Anti-Fraud and Anti-Corruption Policy](#) (See Item 9).

There were no referrals in the year under the Whistleblowing Policy.

### **Audit Committee**

The Audit Committee undertook a self evaluation in January 2020 which was approved at Audit Committee on 7 February 2020. The Committee recommended that the Terms of Reference of the Committee be reviewed as the core principles of audit committees were not reflected within the Constitution. The Committee met on nine occasions, three of which were in seminar mode to consider the draft and final Statement of Accounts and one to undertake the self assessment. During the year the Committee and its Working Group considered 13 Internal Audit reports. Members of the Audit Committee undertook training in financial planning.

### **Compliments and Complaints**

The Council has a formal compliments and complaints procedure that enables complaints to be escalated and investigated independently of the service concerned. [Link to Complaints Policy](#)

### **Local Resolution Process**

There were three complaints dealt with under this process in 2019-20. 2 issues were resolved and 1 was not resolved.

### **Information Governance**

There were 230 information security incidents reported during 2019-20, with 9 requiring notification to the Information Commissioner. No further regulatory action was considered necessary in any of these cases.

In 2019-20 the Council has retrained 76% of employees in Cyber Security and GDPR following the introduction of new mandatory regulations in April 2019.

In 2019-20 the response rate to

- Freedom of Information requests was 69% against 76% in 2018-19
- Environmental Information Regulations was 58% against 78% in 2018-2019
- Data Subject Access Requests was 29% against 40% in 2018-2019

Management actions were also taken to improve patch management following an Internal Audit report and the Council achieved Cyber Essentials Plus and IASME accreditations.

## Conclusion

The Council can offer substantial assurance that the Council's arrangements adequately reflect the principles of good governance as set out in Core Principle A: *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*. Processes are in place and operating effectively and risks to effective governance are well managed.

### Recommendations for further development in 2020-21:

During 2020-21 the following developments will be undertaken:

<b>Development Action:</b>	<b>Lead / deadline</b>
Review the arrangements for Members' Code of Conduct training for TCC Members	Clive Pinney 30 September 2020
Review Employees Code of Conduct	Clive Pinney 31 March 2021
Refresh County Councillor training in 2020-21	Clive Pinney 31 March 2021
Complaints and Compliments Policy to be reviewed in the light of any updates in the PSOW guidance	Diane Reynolds 30 June 2020
Local Resolution Process to be reviewed	Clive Pinney October 2020

## 3.2 Core Principle B

*Ensuring openness and comprehensive stakeholder engagement*

How we do this:

### Engagement and consultation

Powys County Council is signed up to the National Principles for Public Engagement in Wales<sup>1</sup> to ensure conversations with our stakeholders are meaningful, timely and appropriately resourced.

We believe all our citizens, partners and businesses should be engaged and consulted so their voice influences future decisions and service provision. While we continue to engage citizens using both traditional methods like surveys, focus groups and meetings, we are increasingly also investing in and using digital tools such as online platforms, survey software and social media channels to listen to residents voices.

The Council has a corporate Facebook, Twitter, Instagram and Flickr account and its own YouTube channel. A proactive approach to the use of video, animations and infographics to promote key campaigns like Foster Carer recruitment has resulted in the growth of followers on both our Facebook and Twitter accounts and we monitor and share posts from partner organisations wherever relevant to ensure our residents gain access to information that may be useful to them.

LinkedIn and Facebook are both used to advertise job vacancies so residents who may not look at our website can see what's on offer. The Chief Executive has her own Twitter account as do some of the Strategic Directors and Heads of Service alongside several key services, providing choice and a voice so Powys residents are kept up to date about the design, planning and delivery of our services.

### **The Big Squeeze Budget Exercise**

During the year several consultation and engagement exercises were conducted to seek views from the residents of Powys on a range of policy and service matters.

The Big Squeeze – the Council's budget consultation exercise – was one of the key exercises which helped to inform the Council's 2020-2021 budget. The exercise took place during late Autumn using an online budget simulator completed by 621 residents. The simulator tasked residents with finding savings to the tune of between £8 -£13m so the Council could set a balanced budget. Users could see a range of proposals to save money across several Council services and choose how, or if to reduce this budget, sustain it or increase it for each service proposal. People could submit at any point during the exercise and were not forced to meet the budget shortfall. This provided useful feedback and resulted in an increase of £0.5m for road maintenance and a Council Tax increase which was set in line with the views given by respondents.

A regional survey was also conducted in partnership with Ceredigion, Pembrokeshire and Carmarthenshire Councils whereby residents were asked to rate their experiences of several services highlighted in the Equality and Human Rights Commission's report into equality in Wales. An online survey was promoted by all the public sector partners including fire, police and ambulance and a regional report

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<sup>1</sup> <https://www.participationcymru.org.uk/national-principles/>



and localised reports produced to inform the Strategic Equality Plans for the year ahead.

A new Ask Sara directory of services for adults who may be seeking support in their local community was launched during the year alongside a survey conducted to name a new service for children to complement the Assist Service launched for adults during 2018/19. The services aim to ensure that all children and adult care referrals are directed through one team to improve access to timely information, advice and assistance.

**Welsh Language and stakeholders** During the year we also conducted an internal campaign focussing on some of the main elements of providing a service in Welsh, to ensure that we as a Council provide the Active Offer of a service in Welsh when interacting with the public. This included services by telephone, in meetings, in correspondence and through digital communication, but also emphasised the importance of considering the impact of our policies and services on the Welsh language.

To ensure the impact of our services in the Welsh language is considered, all surveys now incorporate three standard questions to capture feedback on how our decisions impact the Welsh Language and how they could be changed to ensure a more positive outcome.

A summary of some of the key consultations conducted during the year is contained in Appendix 1.

### **Cabinet Forward Work Programme**

In 2019-20 the Head of Democratic Services became accountable for maintaining and updating the Cabinet Forward Work Programme 18 months ahead, in consultation with the Senior Leadership Team. This has improved the completeness and quality of the Forward Work Programme.

### **Committee Agendas and Reports**

In 2019-20 the Council published all the agendas, reports and minutes of the Council, the Cabinet and committees on its public website within timescale. In addition, all Council meetings were webcast and a new and improved webcast system was introduced.

### **Members' Annual Reports**

In 2019-20 all Members produced an Annual Report on their activities and these are all published on the Council's public website. [Councillor Annual Reports](#)

### **Public Participation at Council Meetings**

The Council received eight questions from members of the public during 2019-20. Of those four people attended the Council meeting where they were able to ask a supplementary question and two submitted supplementary questions by email. All the questions were to Cabinet Members.



## Conclusion:

The Council is able to offer substantial assurance that the Council's arrangements adequately reflect the principles of good governance as set out in Core Principle B: *Ensuring openness and comprehensive stakeholder engagement*. Processes are in place and operating effectively and risks to effective governance are well managed.

## Recommendations for further development in 2020-21:

During 2020-21 the following developments will be undertaken:

Recommended Action	Lead / deadline
Effectiveness of new scrutiny arrangements to be reviewed	Clive Pinney 31 July 2020
Further strengthen Cabinet and Committee Forward Work programmes	Clive Pinney 31 July 2020

## 3.3 Core Principle C

*Defining outcomes in terms of sustainable economic, social, and environmental benefits*

### How we do this:

#### Corporate Planning Cycle

The Council has a set process in place for annually reviewing its objectives and corporate plans to ensure that they remain relevant and focussed on improving the right outcomes for residents and communities.

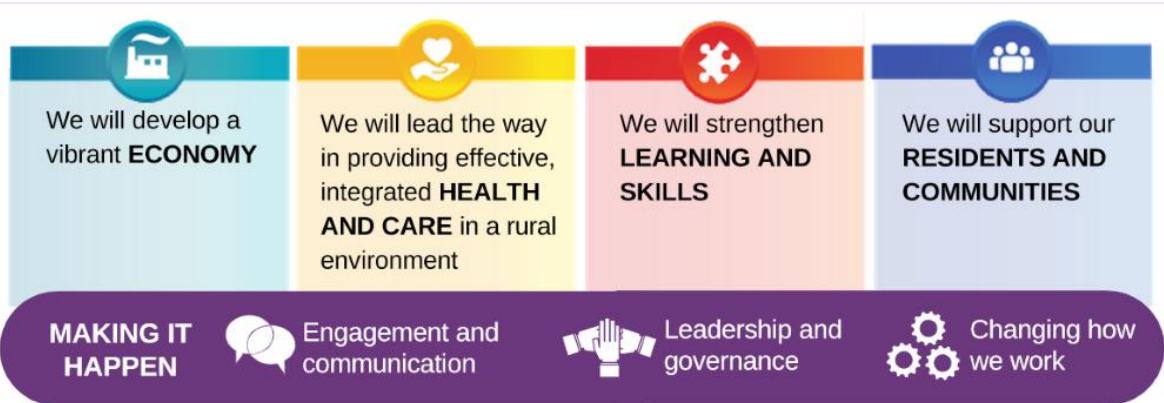
#### Vision 2025: Our Corporate Improvement Plan (CIP)

The Council's long-term vision and objectives for improving the economic, social, environmental and cultural well-being of Powys are set out in Vision 2025: Our Corporate Improvement Plan.

Vision 2025 is the Council's vision for the future. Within it are four priority areas: Economy; Health and Care; Learning and Skills; and Residents and Communities. These are supported by a 'Making It Happen' priority which focuses on engagement and communication; leadership and governance; and changing how we work.

## Delivering Vision 2025

By 2025 Powys will be widely recognised as a fantastic place in which to work, live and play

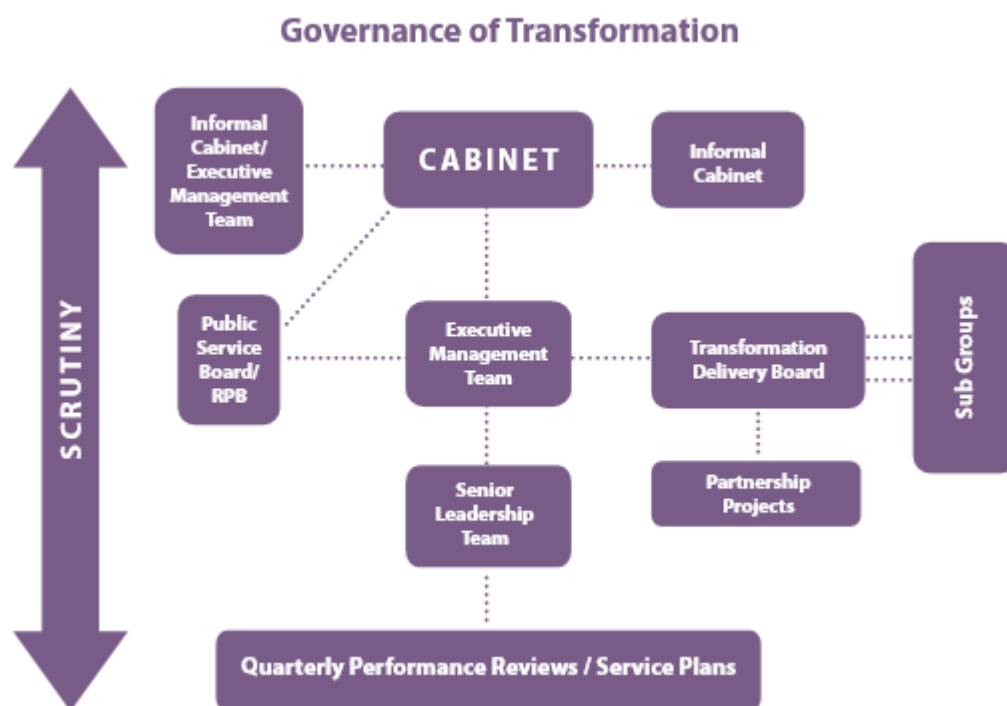


Vision 2025 provides an important framework for engaging residents, councillors, staff and other stakeholders, such as regulators, in the vision and the Council's key objectives. It sets out a series of aspirational outcomes for improving well-being for Powys residents, communities and businesses. The plan is reviewed and updated annually and an Annual Report of progress is published in July each year.

Our Corporate Improvement Plan integrates with our partnership plans including the Powys Public Service Board well-being plan *Towards 2040*, and the Powys Regional Partnership Board Joint Area Plan *Healthy Caring Powys*.

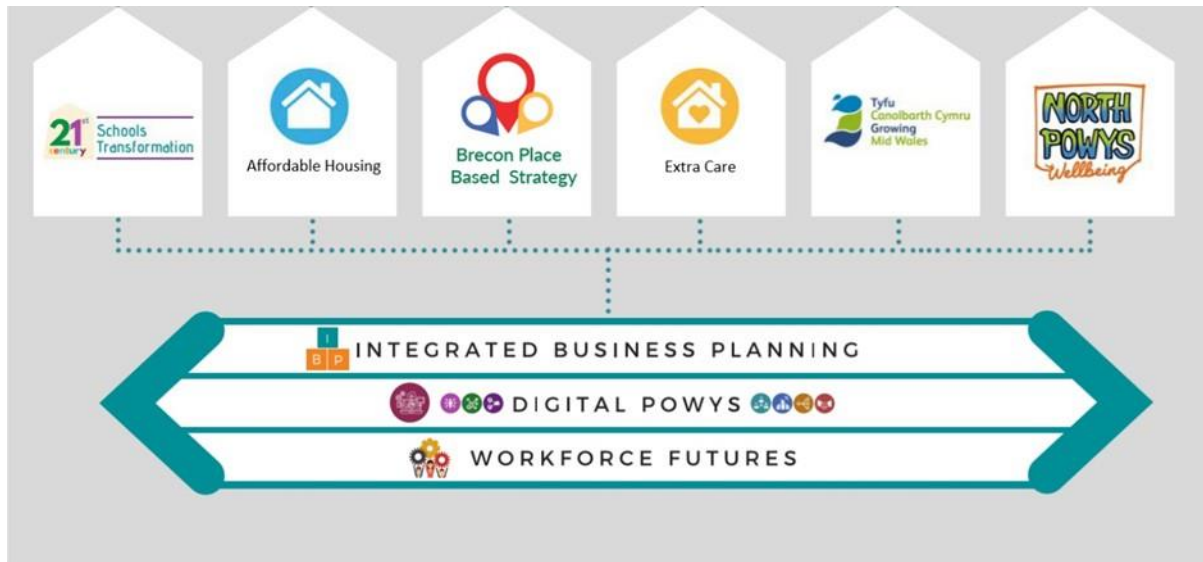
Vision 2025 also shows how we are embracing the Well-being of Future Generations (Wales) Act 2015, by ensuring that our objectives contribute to the seven national well-being goals and that we are considering the five ways of working in the way we plan our services.

The diagram below outlines the governance of transformation within the Council.



## Vision 2025 Transformation Programme

The Vision 2025 outcomes are being delivered by the Transformation Programme which consists of nine core projects together with service transformations:



## Medium Term Financial Strategy

The Council's [Medium-Term Financial Strategy](#) (MTFS) (Please See Item 5 – Appendix A) articulates how the Council plans to use its resources (revenue and capital) to support the achievement of its corporate priorities as well as the management of its statutory and core duties, known pressures and risks. The MTFS helps the Council to work more effectively with partners in other sectors and provides a strategy for the use of reserves to meet changes in resources, risks or unforeseen demands from year to year without impacting unduly on services or council taxpayers. It includes a set of principles that will govern the strategy, a five-year Financial Resource Model, Capital Financing and Treasury Management Strategies and a Capital Programme.

## Strategic Equality Plan

This [plan](#) sets out our equality objectives and action plans for making Powys a fairer place to live where people can achieve their potential, thrive and prosper. It focuses on three things: improving our services, making our organisation a better place to work, and improving the most important life outcomes for local people.

## Service Improvement Plans

In 2019-20 all Council's services have a Service Improvement Plan to show how they will deliver continuous service improvements in line with Vision 2025.

## Integrated Impact Assessments

The Council undertakes Integrated Impact Assessments for all significant service, financial or policy changes to ensure the implications are understood, to support

effective decision making and to ensure compliance with respective legislation, including the Well-being of Future Generations Act, the Equalities legislation and the Welsh Language Standards.

## **Scrutiny Functions**

In February 2019 the Council introduced three new scrutiny committees to align more closely to Vision 2025:

- Health and Care Scrutiny Committee
- Learning and Skills Scrutiny Committee
- Economy, Residents, Communities and Governance Scrutiny Committee

At the same time Audit Committee remit was focused on the Committee's statutory financial functions while the Finance Scrutiny Panel was renamed the Finance Panel, with a focus on strategic financial scrutiny only and scrutiny of individual services being undertaken by the 3 scrutiny committees. In addition, a Co-ordinating Committee was established comprising representatives of the Cabinet, Chairs and Vice-Chairs of the Scrutiny and Audit Committees and representatives of the Executive Management Team to undertake the development of the Scrutiny Forward Work Programme.

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.

Scrutiny Committees undertake reviews and inquiries, within the Committee as a whole or within Working Groups. The findings of Scrutiny reviews and inquiries are presented to Cabinet with recommendations for action. Since December 2016, greater emphasis is now placed on pre-decision scrutiny of significant strategic policy issues and service changes.

The Health and Care and Learning and Skills Scrutiny Committees have overseen the Council's recovery plans following adverse reports by external regulators to ensure that the required improvement is achieved and this work is ongoing.

The Audit Committee 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.

The Council's scrutiny committees also include some representatives who are not County Councillors. The Audit Committee has an independent "lay" member, the Learning, Skills and Economy Scrutiny Committee has co-opted Members in respect of education scrutiny. The Economy, Residents, Communities and Governance Scrutiny Committee has a co-opted member in respect of crime and disorder matters, although this role is currently vacant.

## **Public Service Board Scrutiny**

The Council has established a PSB Scrutiny Committee comprising those agencies who currently make up the PSB with the first meeting held in September 2018. Its role is to scrutinise the implementation of the Powys Well-being Plan as well as integration projects between the Council and the Powys Teaching Health Board.

### **Review of effectiveness:**

In the 2018-19 Annual Governance Statement the following areas for development during 2019-20 were identified under Core Principle C:

- Improve decision making through the embedded use of analytics, research and horizon scanning
- Design and implement our digital transformation, setting the map for how the Council will take advantage of digital technologies to transform service delivery through the way we work, how we use information, support our customers, improve resident opportunities and help our businesses to compete
- Continue to embed the Council's values and guiding principles (5 ways of working) into strategic and service planning and staff appraisals to encourage staff to think differently, act differently and therefore deliver differently
- Deliver Children's Service Improvement Plan Partnership Working objectives

An assessment of effectiveness against Core Principle C during 2019-20 is set out below.

## **Corporate Planning Cycle**

In 2019-20 the Council introduced a new corporate planning approach, Integrated Business Planning, which involves the development of a single plan that connects the Council's Corporate Improvement Plan and statutory obligations to service area operational plans, budget and workforce plans while balancing practical constraints about the availability of financial and workforce resources with the Council's Medium Term Financial Strategy. To assist in the development of an integrated business plan the organisation is adopting Outcome Based Budgeting (OBB) to seek to allocate financial resources to achieve priority outcomes. Crucially the success of OBB depends on the organisation understanding the value it derives (e.g. outcome / cost) from all its activities. The aim is to understand what outcomes the Council is achieving from the money it is spending so that resources can be redirected to where they will add greatest value.

Integrated Business Planning, and OBB within it, takes time to implement and the Council is therefore adopting a phased approach to its adoption. In 2019-20 this focused on supporting services to produce Integrated Business Plans for 2020-23, using the data currently available. It resulted in the Council having service plans that for the first time also articulate the financial and workforce plans required for the achievement of the outcomes set out in Vision 2025.

Successfully moving to Integrated Business Planning and Outcome Based Budgeting is dependent on the provision and analysis of data and the Council has

benefited from the investment it is making in digital technology and data analytics. During 2019-20 the Council secured nearly £1 million from the Welsh Government to support further developments in this area over the next two years.

### **Vision 2025: Our Corporate Improvement Plan (CIP)**

The Council published its 2018-19 Annual Report on Vision 2025 in July 2019.

During 2019-20 a review has been undertaken of the Vision 2025 outcomes, actions and measures and the latest update to Vision 2025 Corporate Improvement Plan was approved unanimously by full Council on 5 March following engagement with Members, scrutiny and consultations with services.

### **Vision 2025 Transformation Programme**

In 2019-20 the Council consolidated its arrangements for planning and delivering Vision 2025 with the establishment of the Vision 2025 Transformation Programme and the Transformation Delivery Board. This has helped the Council to focus on key projects on which Vision 2025 outcomes will depend.

The Transformation Programme is governed by the Transformation Delivery Board, comprising Cabinet / EMT and includes programmes that will have the most dramatic impact on the Powys population, including schools' transformation, a place-based strategy for Brecon, a well-being programme for the whole of North Powys, a Mid Wales Growth Deal, investment in extra care and affordable housing. There are also three cross cutting programmes around workforce, digital technology and integrated business planning which are focused on transforming the way in which the Council works. The Vision 2025 Transformation Programme governance is proportionate and consistent across the programme and the focus is on delivery. 2019-20 saw the programme really take shape and start to deliver. The individual programmes are at different stages of development with some only being brought into the programme in December 2019, but all will be in implementation phase during 2020-21.

During 2019-20 the Council has also developed a corporate transformation narrative, methodology and standardised governance and documentation for all programmes. These measures ensure rigour, consistency and appropriate accountability of the overall programme.

The Digital Powys Programme is one of the nine projects in the Vision 2025 Transformation Programme. In 2019-20 following engagement with the public, staff and stakeholders we developed a Digital Powys strategy and a programme to ensure its delivery. Supported by Council investment and grant funding from the Welsh Government the programme is enhancing our customers' experience across all our platforms.

### **Medium Term Financial Strategy**

Council approved the MTFs for 2020-25 on 28 February 2020 and this can be found [here](#) (See Item 5 Appendix A).

There has been a significant change to medium term financial planning in the Council since April 2019, with the introduction of Integrated Business Planning. The budget allocation process has focused on how best to use our resources to make the biggest impact on the outcomes the Council is seeking to achieve, informed where available by comparative performance and unit cost data and feedback from regulators and customers. In May 2019 services were given notional budget allocations for 2020-23 to work from, but through an iterative process of challenge and engagement over a number of months the final allocations reflect as well as possible how the Council should use the resources available to it to achieve Vision 2025. As such the Council has moved away from salami slicing.

There is further work to do to move properly away from incremental budgeting and to Outcome Based Budgeting and this work is planned, starting with a project focused on setting an outcome-based budget for Powys children, but with a plan over the period of the MTF5 to move fully to OBB as part of our Integrated Business Planning Programme.

2019-20 has seen much a higher level of engagement in the development of the budget and the MTF5 with staff, members, stakeholders and the public, albeit consultation on the detailed proposals was later than desired due to the lateness of the Provisional Local Government Settlement in December 2019. Use of the budget simulator, numerous member engagement sessions, staff engagement events, meetings with stakeholders and scrutiny of the Draft 2020-21 budget and the 2020-25 MTF5 have all helped to bring greater openness and transparency to the financial planning process.

For 2020-25 the MTF5 has been strengthened to include key principles that will guide the Council's financial planning and management over the medium term. The Council's capital strategy and programme have been strengthened in 2019-20 and are now integral to the Integrated Business Planning process. The strategy facilitates a seamless interface between business planning within the Council and the management of assets and capital resources. The introduction of a new framework for the inclusion of projects in the capital programme supported by CIPFA training for key staff in business case development has helped to improve the quality of advice and decision making around capital investment.

### **Strategic Equality Plan**

2019-20 was the final year of the 2016-2020 Strategic Equality Plan and a performance report will be presented to Council when the current pandemic is over. From 2020-21 the Council has incorporated its equality objectives into its Corporate Improvement Plan.

### **Service Improvement Plans**

In 2019-20 all twelve service areas had a Service Improvement Plan for 2019-22. Each of these plans was presented to Members in a Member Development session and individual Heads of Services were held to account for their delivery by their Director and Cabinet Member.



Children's Services, Adult Services and the Education Service all have specific improvement plans to respond to recommendations made by regulators. These plans are overseen by the Improvement and Assurance Board (see below).

### Adults Services

Through 2019-20, there has been consistent leadership within Adult Services, with a permanent senior leadership team in place. This continues to provide the stability in leadership required to further the vision for continued transformation of the service as well as managing day to day sustained improvements. The service has further embedded a strengths-based approach to its work and has invested jointly with Powys Teaching Health Board to develop the community connector capacity with partners in the voluntary sector. ASSIST, our adult services front door, has increased its ability to respond to initial calls for information and advice, resolving issues at the earliest opportunity.

Our partnership working with PTHB has also seen a refinement of our hospital discharge pathways and improved performance in transferring people from hospital back into the community at the earliest opportunity.

The challenges of ensuring availability of domiciliary care where and when required has improved during the year. The numbers waiting for care reduced significantly towards the end of the year and the service continues to work towards rolling out the dynamic purchasing system. There is significant work in developing Community Catalysts and an increase in Direct Payments take up. Using the strengths-based approach, integrated reablement service, and technology enabled care, the service has reduced the average size of domiciliary care packages and is delaying the need for residential care. The Service has developed excellent working relationships with statutory partners and made significant progress in early 2020 in reducing Delayed Transfers of Care and lengths of stay in hospital.

However, the COVID-19 pandemic placed the service in business continuity from mid March 2020 onwards and many developments, including the dynamic purchasing system roll-out, were put on hold.

### Children's Services

Throughout 2019-20 there has been consistent leadership across Children's Services with all Senior Manager posts appointed permanently. This has established a clear strategic vision for improving the service. The Service is two years into a journey of improvement. Key areas of improvement to date are:

The restructure of the Service from one based on generic teams where workers were required to undertake tasks from referral to adoption to specialist teams. The restructure enables workers to have clarity of role and manageable workloads and makes Children's Services in Powys an attractive place to work. The specialist teams are now made up of the following:

- Early Help and Assessment
- Intervention and Prevention
- Care and Support



- Corporate Parenting
- Safeguarding and Quality Assurance

Following the restructure, staff morale has improved and colleagues report feeling better equipped to undertake their roles. The restructure also included a big focus and investment in Early Help Services and Intervention and Prevention Services. The Intervention and Prevention Service works directly with children, young people and their families to help keep families together wherever it is safe and in the child's best interests and with foster carers to stabilise placements which may be at risk of breaking down and prevent escalation. Since these services began the number of children becoming looked after from April 2019 to March 2020 is 59, 23 fewer than in 2018-19. This can directly be attributed to the work of the Early Help and Intervention and Prevention Services and is evidence that the restructure has positively changed the way we work.

The practice framework Signs of Safety has been rolled out and embedded across the service. Training for all staff has been implemented and a Signs of Safety Implementation Group was established and meets monthly to review all the forms the services uses to ensure they are in line with Signs of Safety. The Group is attended by staff from all aspects of the Service and examples of good practice are shared. Team Managers report that using Signs of Safety has transformed the way they work with families and the focus is on developing family support networks and keeping children safely at home wherever possible.

A focus for the Service has been on stabilising the workforce and the recruitment of a Permanent Director, Head of Children's Services, Senior Managers and Team Managers and Team Leaders has been achieved alongside key roles within the structure including; Children's Services Participation and Engagement Officer, Children's Services Development Manager – Residential and Supported Accommodation, Safeguarding Manager, and Exploitation and Safeguarding Lead. Since April 2019 when the restructure began there have been 56.2 FTE permanent appointments across the service. The number of agency social workers has reduced from 63 in November 2018 to 34 at end of March 2020. Every Senior Manager, Team Manager and Principal Social Worker in the Service is permanent.

The number of qualified social work vacancies have reduced along with the reliance on agency staff. As at 31 March 2020 there were 32 posts vacant (29.41fte) of which 9 (8fte) are not covered by agency staff. This number is reducing steadily month by month. Social workers are applying for jobs with us having heard through word of mouth that Powys is a positive place to be a children's social worker. The Service has undertaken several recruitment drives and initiatives to raise the profile of the Service and these are contributing to the steady permanent recruitment.

The Service is implementing a Closer to Home strategy to increase the supply of a range of placements that will meet the needs of children and young people while enabling them to live in their communities. We have reduced the number of children

who are looked after from a high of 250 in February 2019 to 237 at the end of January 2020. We have established supported accommodation for care leavers in the North and South of Powys so that young people no longer have to go out of county, as well as opening a training flat to begin preparing young people for life as tenants of social housing. We have acquired a property which is being prepared as a children's home which will be able to accommodate two children. We have consulted with foster carers and reviewed the support offer, whilst working with national colleagues on the harmonisation of fees for foster carers across Wales.

We have worked with Housing colleagues to establish a Housing Gateway Panel so that our care leavers no longer have to present as homeless in order to access social housing (the previous process).

The voice of the child and young person has been at the forefront of the restructure and the change in the way we work. All appointments are made with a young person's panel. The creation of the Children's Services Participation and Engagement Officer who will mentor and line manage the Participation and Engagement Care Leaver apprentice post, is linked to the youth work pathway. We have also re-established the Children in Care and Care Leaver fora. The service has invested in the app Mind of My Own which helps children and young people express themselves and communicate with professionals making sure they are heard. This app is currently being rolled out with training being provided to practitioners across the service.

The Service has established a quality assurance framework and audits are regularly taking place with a quarterly theme. The Service has integrated the Social Services and Well-being Act and is continuing to develop practice standards for every part of the service.

The Wales Community Care Information System (WCCIS) has been developed to provide essential management information data to enable the effective management of the business and contribute to effective strategic planning. A performance management framework has been developed working in collaboration with corporate colleagues. Performance has significantly improved with average performance for visits to children looked after within statutory timescales at 95% for the last 6 months and the visits to children on the Child Protection register averages at 90% completed within the statutory timescales.

### Education Service

Powys Local Authority Education Service was inspected by Estyn in July 2019 and its report was published in September 2019. The inspection team concluded that "...there are many areas of the authority's work causing significant concern, such as those relating to school organisation, financial management, school governance, lack of action regarding schools causing concern and the co-ordination of provision for pupils with special educational needs or who may require extra support. These issues affect school leadership, staffing structures, curriculum planning and staff morale."

The Council was required to prepare a Post Inspection Action Plan (PIAP) in response to the recommendations made and in November 2019 a Post Inspection Improvement Conference was held, chaired by Estyn to seek assurance that the Council had:

- identified and understood the current issues
- coherent plans to address these issues
- enough resources to implement its plans
- rigorous processes in place to monitor the implementation of its plans and evaluate the impact.

Following the conference, the PIAP was refined and detailed actions were put into team plans leaving strategic priorities in the PIAP. The Education Service, supported by the Transformation Team have worked with headteachers, teachers and governors to develop a case for change and a vision for the future of education provision in Powys. Cabinet approved a report approved a draft vision and engagement plan in January and the current consultation closed on 24 February. Estyn held a link visit with the Council on 11 February and concluded that that improvements are being made at pace.

### **Integrated Impact Assessments**

The quality of Integrated Impact Assessments improved during 2019-20 although room for further improvement was identified by Scrutiny during the 2020-21 budget consultation process.

### **Scrutiny**

The new scrutiny committees have been bedding in during 2019-20 and an interim review of them was conducted in September 2019. The results of the review were considered by the Co-ordinating Committee in December 2019 and concluded that the majority of responses regarding the way that scrutiny was operating were positive.

A full review was due to take place in April 2020, but this has been deferred due to the Coronavirus pandemic and the need for the Council to focus on its response to that.

### **Conclusion:**

The Council is able to offer **reasonable** assurance that the Council's arrangements adequately reflect the principles of good governance as set out in Core Principle C: *Defining outcomes in terms of sustainable economic, social, and environmental benefits*. Processes are in place and operating effectively and risks to effective governance are well managed.

### **Recommendations for further development in 2020-21:**

During 2020-21 the following developments will be undertaken:

<b>Recommended Action</b>	<b>Lead/deadline</b>
Review Vision 2025 and the Council's operating model to embed good practice developed during the COVID19 pandemic	Emma Palmer 31 March 2021
Quality assurance process for Integrated Impact Assessments	Emma Palmer 30 September 2020

### 3.4 Core Principle D

*Determining the interventions necessary to optimise the achievement of the intended outcomes*

How we do this:

#### **Strategic plans**

The Council's Corporate Improvement Plan, Vision 2025, was developed taking account of evidence gained through a population needs assessment and a well-being assessment. This plan identifies the interventions necessary to achieve the outcomes set out in the document. With its partners on the Regional Partnership Board the Council has also developed a Health and Care Strategy for Powys and with its Public Service Board Partners, Towards 2040, our Well-being Plan. These strategic plans all align and are designed to ensure the Council focuses its activities and resources on optimising the achievement of its intended outcomes.

#### **Performance Management and Quality Assurance Framework**

The Council has a Performance Management and Quality Assurance Framework in place to ensure a consistent approach and clear accountability for performance improvement. Our organisation is large, complex and needs to work with multiple external partners to deliver overall results for our residents. A performance management framework is therefore essential as it lays out the common system and methods needed to perform and improve, helping us to work as one 'joined up' community rather than separate services. The framework ensures that staff can clearly understand their responsibilities regarding performance management on which the Council's governance arrangements will hold them to account.

#### **Management Information and Business Intelligence**

The Council has a Business Intelligence Team which is responsible for the development of management information through the collection, collation and analysis of data to aid decision making and performance management.

#### **Improvement and Assurance Board**

The Improvement and Assurance Board (IAB) was established in April 2018 by the Welsh Government to provide challenge and support to the Council to assist the Leader in driving forward required change and improvement, particularly in respect of corporate governance, social services and in 2019-20 education improvement was

added. Part of its remit has been to support the Council in identifying and pursuing the interventions necessary to optimise the achievement of the intended outcomes.

#### Review of effectiveness:

In the 2018-19 Annual Governance Statement the following areas for development during 2019-20 were identified:

- Strengthen Public Service Board, Regional Partnership Board, Powys County Council golden thread alignment of planning and reporting
- Review and embed a Performance Management and Quality Assurance Framework to ensure our decisions are underpinned by accurate information
- Review and re-design our services to ensure that they are more efficient and focus on our customers' requirements

#### Strategic plans

During 2019-20 the Council has worked with its Regional Partnership Board partners to develop the North Powys Well-being Programme under the Powys Health and Care Strategy, including developing an assurance framework for that programme. The Partnership has also developed and published a Strategic Framework for the Health and Care workforce in Powys and is currently working on a similar Framework for digital. The Council continues to work with its Public Service Board partners on the delivery of Towards 2040 and in 2019-20 held engagement event with Town and Community Councils to extend the reach of the plan. The PSB membership was also extended to include a TCC representative.

#### Performance Management and Quality Assurance Framework

The Performance Management Quality Assurance Framework (PMQAF) has refreshed the whole Council's approach to improving and maintaining service performance. It is part of the new Managers' Induction Programme mandatory training and the Executive Management Team and Cabinet have attended a training session. Performance Assurance is embedded, and all services are clear on their targets. This enables challenge and accountability to be made at all levels.

The Executive Management Team has a Corporate Dashboard of service performance, providing timely, relevant and accurate performance and quality assurance information. Systems and processes have been established to ensure corporate visibility of all services.

Performance is now reported on a quarterly basis to the Executive Management Team, Cabinet and scrutiny committees. It is also available in the public domain. A detailed report is collated setting an analysis of the following information:

- Top 20 Performance Indicators - Powys specific Performance Indicators (PIs) based on what is most important to Powys, informed by Vision 2025 and regulatory reports.

- Corporate Improvement Plan 2018-2023 (CIP) - The Corporate Improvement Plan is our road map to Vision 2025, setting out our top priorities and milestones.
- Public Accountability Measures 2018-2019 – Performance framework set by Welsh Government and comparable across 21 Councils.
- Strategic Equality Plan 2016-20 – This provides an update of progress against the objectives, actions and measures within the Council’s statutory Plan.
- Quality Assurance – Framework to help measure and assess the quality and standards of services.

During the second quarter of 2019-20, the method for reporting quarterly performance and progress against Vision 2025, our CIP, was refined following officer feedback and a change in governance. All performance reporting is now based on a simplified ‘Achievements, Issues, Actions’ principle.

The Performance Management Framework also requires services to report on quality indicators including feedback from customers, compliments and complaints. This helps the Council to understand whether its interventions are having the desired impact and outcome and together with the other performance data allows us to adapt where required.

### **Management Information and Business Intelligence**

During 2019-20 the data analytics capability within the Council has strengthened considerably, fully embracing Microsoft Power BI to undertake data modelling for service change (e.g. [North Powys Well-being Programme](#) and schools’ transformation) and to provide interactive [self-serve dashboards\\*](#), both internally and externally. The Council leadership now has self-serve access to 1500 management information reports (including sub-reports) from the online [Corporate Insight Centre](#) (which has 500+ users), covering Adults’ and Children’s Services, as well as Council-wide workforce, finance (revenue and capital) and customer service information. The most popular reports focus on sickness, supervisions, complaints and open assessments. The Council also has a [Well-being Information Bank](#) with 74 dashboards that the public can access on our website (average 150 hits per month). A [mobile management reporting](#) tool will be rolled out to SLT in February 2020 and in the summer of 2020 Power BI premium will be implemented across the Council.

### **Improvement and Assurance Board**

The IAB met monthly during 2019-20 to monitor the Council’s improvement journey in respect of corporate governance, adults’ and children’s services and from October 2019 education service. The independent members of the board provided advice and guidance to officers on strategic and operational aspects of their plans throughout this period. A review has been undertaken by Sean Harriss of the effectiveness of the Improvement and Assurance Board.

## Internal Improvement Boards

In addition to the IAB the Council has established other internal improvement boards during 2019-20 including one for housing and corporate compliance improvements, one for social services. These boards have focused on identifying the interventions needed to drive rapid improvements in service performance.

### Conclusion:

The Council is able to offer reasonable assurance that the Council's arrangements adequately reflect the principles of good governance as set out in Core Principle D: *Determining the interventions necessary to optimise the achievement of the intended outcomes*. Processes are in place and operating effectively and risks to effective governance are well managed.

### Recommendations for further development in 2020-21:

During 2020-21 the following developments will be undertaken:

Objective	Responsible Service
Review and strengthening Improvement and Assurance arrangements to take account of recommendations from the Sean Harriss review	Caroline Turner July 2020
Understanding the Impact of the pandemic on Powys (short/medium/long term)	Emma Palmer June 2020
Evaluate with stakeholders where possible, all pre-COVID19 Council activities to determine changes to services and activities required during the recovery phase	Caroline Turner July 2020
Adjust 2020-21 content of Integrated Business Plans to include short term recovery action	Heads of Service July 2020
Produce 2021-24 Integrated Business Plans to include medium term recovery action	Heads of Service September 2020

## 3.5 Core Principle E

*Developing the entity's capacity, including the capability of its leadership and the individuals within it*

### How we do this:

#### Constitution

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

The Council has processes in place for the appointment by political groups to committees, as well as processes for the appointment of the Parent Governor Representatives onto the Learning, Skills and Economy Scrutiny Committee and the

appointment of Independent “Lay” Members on the Standards Committee and Audit Committee.

There are clear schemes of delegation to officers, which are being revised as a result of a revision to the Council’s Senior Management Structure, as well as limits to such delegation set out within the Constitution. The Council’s constitution is published on the public website. Revisions of the Constitution are ongoing and future changes are 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. The eighth version of the Council’s constitution was approved by full Council on the 23 January 2020.

## **Council**

The Council has seventy-three elected members. The current political composition of the Council is: Independent (24); Conservative (18); Liberal Democrat / Green (15); Welsh Labour (8); Plaid Cymru (2); Action for Powys (4); Non-aligned (2). The ruling administration is a coalition between the Independent and Conservative Groups.

## **Cabinet**

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 CIP and the annual budget.

The Cabinet has delegated responsibility for some functions, including:

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

In addition, the Leader has delegated authority to individual Cabinet members to take decisions on all matters within their individual Portfolios, and there is a process set out in the Constitution so that the decision-making process is open and transparent.

## **Member Development**

The Council provides a wide range of opportunities to support Members’ development. All newly elected Members receive induction training. There is also specific training relating to whichever committees they are appointed. Powys County Council is accredited with the Wales Charter for Member Support and Development. 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 mandatory 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 two-yearly basis or within three months of their initial appointment.

A Member Development Working Group consisting of Councillors and officers develops and monitors the implementation of the Member Development Programme. The programme is reviewed and amended on a regular basis with input from the Council's Senior Leadership Team to ensure that it includes the current areas of priority for the Council.

### **Partnership Working**

The Council works closely with key partners through statutory and non-statutory arrangements. The Council is a member of the Regional Partnership Board, established under the Social Services and Well-being Act 2014 to drive the strategic regional delivery of social services in close collaboration with health. We are also a member of the statutory Public Service Board established under the Well-being of Future Generations Act 2015 to improve joint working across all public services in the local authority area. These arrangements enable the Council to achieve more for our residents through joint planning and co-ordination of our shared resources.

The Council also has a number of Section 33 Agreements with Powys Teaching Health Board in relation to the provision of health and care services as well as ICT. The Section 33 Agreements are governed by a Joint Partnership Board (JPB) which also oversees our ambitious change shared agenda set out in the Area Plan and our CIP.

### **Improvement and Assurance Board**

See Core Principle D above for details

### **Senior Officer roles and responsibilities**

The Chief Executive is the Head of Paid Service who leads the Council's officers. They are responsible for signing the Council's Annual Governance Statement

During 2019-20, the following officers held statutory roles:

- The Head of Legal and Democratic Services was the designated Monitoring Officer and the Senior Information Risk Owner (SIRO)
- The Head of Financial Services was the designated Section 151 Officer, responsible for certifying that the Council's Accounts present a true and fair view of its financial position and income and expenditure
- The Corporate Director – Children and Adults was the designated Statutory Director for Social Services, responsible for an annual review of the Council's social services under the ACRF
- The Corporate Director – Children and Adults was the Chief Education Officer for the period 1 April 2019 to 29 April 2019
- The Chief Executive was the Chief Education Officer for the period 29 April 2019 to 30 July 2019
- The Interim Head of Education was the designated Interim Chief Education Officer from 30 July 2019 to March 2020

- The Corporate Director – Children and Adults was the designated Lead Director for Children and Young People for the period
- The Scrutiny Manager was the designated Head of Democratic Services

## **Workforce Planning and Development**

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.

Effective workforce planning and development is in place to ensure the Council has the workforce it needs to deliver its statutory functions and improvement outcomes.

All new employees receive induction training and are required to complete corporate mandatory training and any other related to their role. A range of role-based training is available across the Council to ensure staff operate in a safe manner to protect themselves, the public and their colleagues.

The Council has a Leadership Programme for managers at all levels as well as a coaching programme.

There is an annual appraisal system through which individuals' objectives are agreed, training needs are identified and performance assessed. There is a full appraisal once a year and an interim appraisal after six months. The appraisal process helps 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.

## **Digital Services**

The Council has a well developed digital infrastructure which facilitates the work of its employees and services, using the latest technology to enhance our residents' and employees' experience of engaging with the Council.

### [Review of effectiveness:](#)

In the 2018-19 Annual Governance Statement the following areas for development during 2019-20 were identified:

- Develop initial workforce strategy in order to improve the recruitment, retention and quality of leadership (at all levels), across our schools with a specific focus on secondary schools
- Continue to embed the Council's values and guiding principles (5 ways of working) into strategic and service planning and staff appraisals to encourage staff to think differently, act differently and therefore deliver differently
- Re-model the Council's staffing structure to embed changes in organisational culture, while making significant financial savings

- Equip the workforce with the right skills, attitude, behaviours and experience and develop our own talent through apprenticeships and training, to enable them to reach their potential
- Support services in developing short to medium term workforce resourcing plans to ensure we have the required skilled and competent workforce in place. Facilitate an internal talent management pipeline/process to ensure services have succession plans in place as part of their Workforce Planning. This will link into effective sub-regional workforce planning key areas such as Social Services
- Design and implement our digital transformation, setting the map for how the Council will take advantage of digital technologies to transform service delivery through the way we work, how we use information, support our customers, improve resident opportunities and help our businesses to compete
- Develop and implement a workforce plan for Digital Service
- Improve governance of Section 33 Agreement with Powys Teaching Health Board

## **Constitution**

In January 2020 Section 13 Council Functions and scheme of delegations was updated.

## **Cabinet**

In 2019-20 there were eight Cabinet Members, including the Leader. The Cabinet portfolios are as follows:

- Leader - Councillor Rosemarie Harris
- Portfolio Holder for Education and Property - Councillor Phyl Davies
- Portfolio Holder for Young People and Culture - Councillor Rachel Powell
- Portfolio Holder for Finance, Countryside and Transport / Deputy Leader - Councillor Aled Davies
- Portfolio Holder for Adult Social Care and Welsh Language - Councillor Myfanwy Alexander
- Portfolio Holder for Corporate Governance and Engagement - Councillor Graham Breeze
- Portfolio Holder for Economic Development, Housing and Regulatory Services - Councillor James Evans
- Portfolio Holder for Environment - Councillor Heulwen Hulme

During 2019-20 relationships between the Cabinet and opposition groups has been developing. The Leader holds monthly meetings to compliment the work of the Improvement and Assurance Board in respect of social care and education. These meetings are attended by Opposition Group Leaders. The Opposition Group Leaders are also members of the Improvement and Assurance Board.

The relationship between the Cabinet, Scrutiny Committees and the rest of Council also needs further development so that all elected members value their respective

roles and responsibilities. In April 2020 a new member development framework and programme will be introduced which will include further opportunities to develop Members' understanding and recognition of scrutiny as a catalyst for improvement and an essential part of the democratic process.

### **Partnership Working**

The Council continued to strengthen its partnership working through 2019-20 as evidenced under Core Principle D above. Weaknesses identified in an internal audit report on Section 33 Agreements with Powys Teaching Health Board have been addressed. Reductions in the number of Delayed Transfers of Care across the health and care system in the final quarter were a testament to the strong working relationships that have been developed across the Council and Powys Teaching Health Board.

### **Improvement and Assurance Board**

The Improvement and Assurance Board has added value to the Council's improvement and transformation journey during 2019-20. The Board's role has moved to one of assurance, holding officers to account on performance and the development and delivery of robust improvement and transformation plans. During this time the IAB has adopted a lighter touch approach to corporate arrangements being satisfied with the progress being made in this area. Following a review of the Improvement Board in September 2019 two external advisors were stood down (one with finance expertise, the other with Adult Service's expertise) recognising the progress the Council had made. One External Advisor on social services (Phil Hodgson) was appointed as an Independent Member. At the same time following an Estyn inspection of the Council's Education Service, education improvement was added to the IAB's remit. Dr Gwynne Jones joined as an Independent Member for education.

### **Member Development**

In 2019-20 Member Development has been strengthened with a comprehensive programme including sessions on: financial planning and management (led by CIPFA); Service Improvement Plans; the 2020-25 MTFS and 2020-21 budget; the Vision 2025 transformation programme; the Estyn report and Post Inspection Action Plan; and schools' transformation (including presentation of data). The full Member Development programme for 2019-20 is at Appendix 2.

These new arrangements have strengthened the understanding of Members and the quality of scrutiny of Council business, but further improvement is required consistently to provide the level of challenge and assurance needed for the wider political membership to hold the Executive to account and to help drive further improvement and transformation across the Council.

A new Member Development strategy and programme is in development for 2020-21 but is delayed by the Council's focus on responding to the Coronavirus pandemic.

## **Senior Officer roles and responsibilities**

In February 2019 a new Chief Executive took up post. An Interim Chief Executive had implemented a restructure to the managerial leadership with Council approval and a new operating model took effect from 1 March 2019. The new structure and operating model has been bedding in during 2019-20.

The Executive Management Team comprises the CEO, three corporate directors and two Heads of Service with statutory roles (i.e. S151 and Monitoring Officer). The Senior Leadership Team (SLT) which includes EMT and the other ten Heads of Service is now complete albeit two roles are interim with officers on promotion into them (Education Service and Digital Services). Of the 16 roles in the SLT six have been filled with external appointments and of the remainder seven have been promoted within the Council in the last two years. These appointments have created a healthy balance with the team of external officers with considerable improvement and transformation experience with talented internal officers with strong corporate memory and local knowledge. Recognising that many are new to the chief officer role mentors have been found for SLT members and individual development needs have been identified and are being addressed. SLT has also recognised a collective need for digital skills training and increased media awareness and this is being addressed.

## **Workforce Planning and Development**

The new Annual Appraisal is ensuring individuals are accountable for and receive feedback on their performance. The organisation is becoming more attractive to work for, and attracting new recruits, is reducing agency staff reliance. The Workforce Analysis Report presented to the Improvement and Assurance Board regarding Children's Service Performance contains a high level of analysis of performance and is being used as a benchmark by other local authorities. The organisational culture is changing as a result of the performance and workforce improvement work, and this is evidenced in the enhanced challenge happening in EMT on a fortnightly basis, and will continue as new posts are appointed to enhanced job descriptions with a strong focus on performance.

In 2019-20 the Council developed a workforce strategy, supported by a Workforce Futures Programme which includes developments in leadership training, development and coaching as well as improved staff engagement and workforce planning all of which are designed to support the development of a highly skilled and productive workforce.

Every service area has produced a workforce plan as part of the Integrated Business Planning process and an organisation Training Needs Analysis has been undertaken. A corporate training plan and individual service training plans have been developed as a result of the TNA.

As part of the Workforce Futures Programme a new Leadership Development Programme has been developed.

The Council has also developed, with Regional Partnership Board partners, a strategic framework for the health and care workforce in Powys.

The table below outlines the number of Council staff who completed Institute of Leadership and Management (ILM) programmes during 2019-20.

Programme	Completed course
ILM Coaching and Mentoring	5
ILM Level 3 in Leadership & Management	39
ILM Level 5 in Leadership & Management	26
Powys Executive Programme	0
<b>Total</b>	<b>70</b>

### Conclusion:

The Council is able to offer reasonable assurance that the Council's arrangements adequately reflect the principles of good governance as set out in Core Principle E: *Developing the entity's capacity, including the capability of its leadership and the individuals within it.* Processes are in place and operating effectively and risks to effective governance are well managed.

### Recommendations for further development in 2020-21:

During 2020-21 the following developments will be undertaken:

Objective	Responsible Service
To implement new member development strategy and programme	Clive Pinney 31 March 2021
Deliver planned 2020-21 leadership development programme, using e-learning where possible	Paul Bradshaw 31 March 2021

## 3.6 Core Principle F

*Managing risks and performance through robust internal control and strong public financial management*

### How we do this:

#### Risk Management

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. 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, 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 quarterly basis. The Strategic Risk Register is also reported to Cabinet on a quarterly basis.

Consideration of risk is an integral part of quarterly performance reviews held with Portfolio Holders, Directors and Heads of Service. The Audit Committee has a key role in monitoring and challenging the Council's risk register.

### **Performance Management and Quality Assurance Framework**

See Core Principal D for details on the PMQAF.

We monitor a set of Public Accountability Measures which consist of "outcome focussed" indicators. They reflect those aspects of local authority work which local authorities agree are considered to be important in terms of public accountability. For example, Social Care, educational attainment and waste. This Data allows us to compare our performance in key areas, against the 21 other local authorities in Wales.

### **Financial Management**

The management of the Council's financial affairs are conducted in accordance with the Financial Procedure Rules set out in Section 16 of the Constitution. This sets out the financial management standards for staff and members and their duty to abide by the highest standards of probity in dealing with financial issues and the use of the public's money. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

The Financial Procedure Rules set out the systems and procedures, key controls, and responsibilities for Financial Management, Financial Planning and Risk Management and the Control of resources.

The Council has well established budget monitoring and internal control arrangements and these act as an effective early warning system in identifying potential problems and for managing potential areas of risk.

Monthly reports are provided to Budget Holders, Heads of Service, Directors and Cabinet. The reports monitor performance against budget with full year forecasting and variance reporting. The delivery of savings and the forecast use of reserves are also included.

Budget Challenge events are undertaken throughout the year to challenge financial performance at a service level. No service area should plan to overspend, all expenditure must be consistent with approved service priorities and the overall approved budget.

The Council commissioned CIPFA (Chartered Institute of Public Finance and Accountancy) to undertake a Financial Management Assessment using their Financial Management Model – the global standard in public finance good practice. The model measures the financial management performance including the

identification of strengths, weaknesses and areas for improvement. Importantly it measures the whole organisation's attitude to financial management.

The assessment reports that "Powys is able to demonstrate a basic level of financial management capability with foundational delivering accountability stewardship being secured through a competent finance service, supporting governance and assurance functions. Financial reporting, internal control and assurance arrangements are sound."

The Council recognises that financial management across the organisation can be improved. The conclusions and recommendations from this assessment have been used to develop a plan for improvement across the organisation. The delivery and monitoring of the programme is governed through the Finance Transformation Board.

### **Powys Pension Fund**

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

[Link to Pension Fund Policy and Compliance Statement](#)

Powys is one of eight LGPS Administering Authorities in Wales who make up the Wales Pension Partnership. A Joint Governance Committee (JGC) for the Partnership was formally established in 2017/18 and comprises of one elected member from each of the Authorities. The JGC oversees the operations of the Partnership and is supported by an Officer Working Group.

### **Internal Audit (SWAP)**

The detailed review for SWAP is set out in Appendix 5.

### **Responding to external regulatory inspections**

The Council recognises the value of regulatory inspections in helping to drive improvement. Our core regulators are Care Inspectorate Wales, Wales Audit Office and Estyn, who carry out routine inspection on our services. All recommendations and proposals for improvement that we receive from our core regulators are recorded on a corporate Regulatory Signposting tracker, which shows which service is responsible for taking action to make improvements. Services are required to embed any recommendations they receive into their Service Improvement Plans to ensure that they are being addressed through appropriate improvement objectives. The objectives then get monitored quarterly to ensure the necessary improvement is being made. This information is also monitored as part of the Council's key Performance Indicators (Top 20 PI set), to determine whether our assessments from regulators are improving overall.

#### **Review of effectiveness:**

In the 2018-19 Annual Governance Statement the following areas for development during 2019-20 were identified:



- Develop, agree and implement an audit/improvement plan in high risk service areas
- Embed the Risk Management Toolkit to ensure effective risk management throughout the Council. Ensuring all decisions are underpinned by a well-managed risk management approach

## **Risk Management**

There have been significant improvements to the Council's risk management arrangements during 2019-20 in response to an internal audit report of risk management in March 2018. The Council now has a risk management system in place where all service and strategic risks are registered, mitigated actions are identified and risks monitored. Risk management reports are presented to Cabinet quarterly and are reviewed by the Audit Committee.

## **Performance Management and Quality Assurance**

See Core principal D for details.

Quarterly Performance Reports detailing progress against Vision 2025: Our Corporate Improvement Plan were presented to the Cabinet and can be found on the Council's website:

[Link to Cabinet meetings page](#)

A report on our performance against the national Public Accountability Measures was presented to Cabinet in November 2019 (Annual Performance Report 2018-19) and can be found [here](#) (See Item 5).

## **Budget Setting**

The Council's budget planning has traditionally been determined using an incremental budgeting approach and has tended to focus on one year with limited development over the longer term. This will not deliver a sustainable financial position for the Council going forward. The Council is therefore moving to an Outcome Based Budgeting approach, focused on the medium to long-term and aligned to service and workforce planning.

The strategy is based on an approach which brings together all elements of the Council activity to deliver Vision 2025, a programme of transformation, and one which encompasses service improvement and delivers appropriate levels of statutory service. It will better align revenue and capital to ensure that our limited resources are prioritised to achieve maximum effectiveness and based on securing outcomes that matter to our residents.

The strategy is supported by a detailed five year budget model, this has been strengthened in recent years with the development of service financial models which inform the corporate plan. The budget model has been improved with scenario planning across Best, Most Likely and Worse case scenarios.

Integrated Business Plans were introduced in 2019/20 and have been developed by each service building on previous Service Improvement Plans and capturing all service objectives, expenditure and workforce implications.

Service Evaluation is key to the process: performance, cost analysis, benchmarking, regulatory recommendations, proposals for improvement and Service User / Resident Feedback all feature. The objectives for the services which align to the 5 ways of working and the 7 Well-being goals of The Well-being of Future Generations (Wales) Act 2015) and meet statutory requirements and legislative changes are defined.

Building on the work we have already done the further development of Integrated Business Planning and Outcome Based Budgeting is captured in the Council Transformation Programme.

### Feedback from our regulators

Appendix 3, 4 and 5 detail the key feedback that we have received from our regulators during 2019-20 and the plans we have in place to address them to ensure continuous improvement.

### Conclusion:

The Council is able to offer reasonable assurance that the Council's arrangements adequately reflect the principles of good governance as set out in Core Principle F: *Managing risks and performance through robust internal control and strong public financial management*. Processes are in place and operating effectively and risks to effective governance are well managed.

### Recommendations for further development in 2020-21:

During 2020-21 the following developments will be undertaken:

Objective	Responsible Service
Transfer risk management to Financial Services	Jane Thomas 31 May 2020
Establish and maintain risk register for pandemic response and recovery	Jane Thomas 31 March 2021
Ensure reporting and analysis is made simple for the user, and integrated reporting links performance data to ease forecasting that they will deliver each month and measured through improving data (revenue & capital)	Jane Thomas 31 <sup>st</sup> March 2021
Ownership and accountability for financial performance developed. Budget holders complete revenue and capital budget forecasts, that include savings assumptions, which are challenged to ensure improvements as the budget holders get better at this role	Jane Thomas Wef 1 <sup>st</sup> April 2020 with ongoing development through the year
Delivery of the Finance Transformation Project (individual workstreams delivered throughout 2020/21).	Jane Thomas 31 <sup>st</sup> March 2021

Balance sheet management more effectively managed through the year and reported widely	Jane Thomas 30 <sup>th</sup> September 2020
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### 3.7 Core Principle G

*Implementing good practices in transparency, reporting, and audit to deliver effective accountability*

How we do this:

#### **Constitution**

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, Pensions and Investment Committee and the Employment and Appeals Committee.

#### **Meetings and Reporting Documents**

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 except where information is to be discussed which is classed as exempt.

The Council now webcasts all Council and Cabinet meetings and is considering whether other meetings could also be webcast in the future.

#### **Quarterly and Annual Performance Reporting**

As outlined in Core Principle F, the Council publishes its quarterly performance reports on its website as part of the Cabinet Meeting agendas. This ensures transparency and accountability.

In line with the requirements of the Local Government (Wales) Measure 2009 and Well-being of Future Generations Wales Act 2015, the Council also publishes an annual Performance Report (Well-being Report) which sets out an open and honest

assessment of performance against the Well-being objectives, activities and performance measures in its Corporate Improvement Plan. Powys County Council agreed its 2019 Annual Performance Report in October 2019 and this detailed performance against the Corporate Improvement Plan 2018-23 that was implemented during 2018-19.

The Council contributes to a set of Public Accountability Measures. Results of these are submitted to the Local Government Data Unit who in turn publish an annual performance bulletin, which compares performance of all 22 Welsh local councils in delivering key services. The Council's detailed position on the indicator set is published as part of its Annual Performance Report.

### **Scrutiny**

See Appendix 3.

### **Internal Audit**

From 1 April 2017 the Council's internal audit service was provided by South West Audit Partnership (SWAP). SWAP is a not for profit organisation that was originally set up in 2003 and the arrangement sees Powys County Council become a partner in the company that provides audit services to various public sector bodies including Somerset County Council and Herefordshire Council.

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.

### **Annual Report of the Director of Social Services / Annual Council Reporting Framework (ACRF)**

Under the Social Services and Well-being Act 2014 the Director of Social Services is required to produce and publish an annual report of the impact and performance of the work of social services and demonstrate how the Council has promoted well-being and accounted for the delivery of the well-being standards contained within the Social Services and Well-being Act

### **Review of Effectiveness**

In the 2018-19 Annual Governance Statement the following areas for development during 2019-20 were identified:

- Improve the effectiveness of scrutiny
- Improve the Cabinet Forward Work Programme
- Develop, agree and implement an audit/improvement plan in high risk service areas
- Review and embed a Performance Management and Quality Assurance Framework to ensure our decisions are underpinned by accurate information which are aligned to the Council's vision and priorities
- Strengthen Public Service Board, Regional Partnership Board, Powys County Council golden thread alignment of planning and reporting

- Improve decision making through the embedded use of analytics, research and horizon scanning
- Deliver Children's Service Improvement Plan Independent Reviewing, Quality Assurance and Complaints objectives
- Deliver Children's Service Improvement Plan Infrastructure and Support objectives

## Constitution

The Council is using the new model Constitution provided by Welsh Government with amendments to suit Powys County Council. The Constitution is kept under constant review by officers and the Democratic Services Committee and amended when required, in particular taking into account the learning from difficulties as experienced from time to time.

## Meetings and Reporting Documents

All agendas are issued within the required legal timescales. There are only a few committee reports which are deemed to be confidential during the year which have been assessed using the public interest test. Therefore, the majority of documents and meetings are open to the public. The Council is continuing to webcast Council and Cabinet meetings, but due to financial pressures have been unable to expand this further. However, this will be reviewed once Welsh Government enact the Local Government and Elections (Wales) Act which is expected to contain provisions relating to the webcasting of meetings.

## Quarterly and Annual Performance Reporting

During 2019-20 the Council has introduced a new method for reporting performance information with the use of Microsoft SharePoint Lists. Services take ownership to update the necessary performance information in a central SharePoint list, and then it is imported to Power BI to create interactive dashboards. The dashboards have been made accessible to all services, Members and the public using Microsoft SWAY, where filtering and drill-down capabilities allow the user to focus on specific issues and actions. Further improvements are underway to allow improved visualisation of trend data.

Based on an analysis of 24 of the Public Accountability Measures, Powys ranked 6<sup>th</sup> out of 22 in 2018/19, compared to 10<sup>th</sup> the previous year (3 of the PAM's relating to Social Care, have not been included in the analysis, as data is only available at an all Wales level and is not broken down to local authority level).

Some of the measures where Powys performed best, include:

- Number of visits to local authority sport and leisure facilities during the year where the visitor will be participating in physical activity per 1,000 population - **this has improved from last year and Powys is ranked 1st in Wales.**
- Number of working days/shifts per full-time equivalent (FTE) local authority employee lost due to sickness absence during the year – **this has improved from last year and Powys is ranked 3rd in Wales.**

- Kilograms of residual household waste generated during the year per person - **Powys is ranked 3rd in Wales.**
- Average number of calendar days taken to complete all repairs – **Powys is ranked 2nd in Wales.** It should be noted that not all authorities have housing stock.

Measures where Powys were ranked amongst the worst Councils are:

- Percentage of rent debit lost due to lettable units of permanent accommodation being empty during the year – **Powys are ranked 22/22.**
- Average number of working days taken to clear fly-tipping incidents reported to the authority during the year – **Powys are ranked 20/20.**
- Percentage of C roads that are in overall poor condition - **Powys are ranked 22/22.**
- Number of additional affordable housing units delivered during the year per 10,000 households - **Powys are ranked 19/22.**

## Scrutiny

The review of Scrutiny for 2019-20 is set out in Appendix 3.

## Internal Audit

The Head of Audit's opinion on internal control for 2019-20 is as follows (See Appendix 5 for the detailed opinion):

**REASONABLE ASSURANCE:** The control framework is adequate and controls to mitigate key risks are generally operating effectively, although a number of controls need to improve to ensure business objectives are met.

## Annual Report of the Director of Social Services / Annual Council Reporting Framework (ACRF)

The 2018-19 Annual Director's Report on Social Service in Powys (ACRF) was presented to Full Council in July 2019. It provided an objective assessment of the impact and performance of the work of social services and demonstrated how the Council has promoted well-being and accounted for the delivery of the well-being standards contained within the Social Services and Well-being Act.

## Conclusion:

The Council is able to offer reasonable assurance that the Council's arrangements adequately reflect the principles of good governance as set out in Core Principle G: *Implementing good practices in transparency, reporting, and audit to deliver effective accountability.* Processes are in place and operating effectively and risks to effective governance are well managed.

## Recommendations for further development in 2020-21:

During 2020-21 the following developments will be undertaken:

Objective	Responsible Service
Continue to improve the effectiveness of scrutiny	Clive Pinney 31 March 2021
Continue to improve the Cabinet Forward Work Programme and links to the Scrutiny Work Programme	Clive Pinney 31 March 2021
Continue to embed a Performance Management and Quality Assurance Framework to ensure our decisions are underpinned by accurate information which are aligned to the Council's vision and priorities	All Heads of Service 31 March 2021

## Section 4. Conclusions – Main Governance Issues Facing the Council and Requiring Action

The table below identifies the most significant governance issues (prioritised from the recommendations for development outlined in section 3 above) and how we will address them during 2020 / 21.

Governance Issue	How we are addressing the Issue
<p>Core Principle A: <i>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</i></p> <p><b>Councillor training, compliments and complaints policy and local resolution process need review to ensure they continue to be fit for purpose.</b></p>	<ul style="list-style-type: none"> <li>Review the arrangements for Members' Code of Conduct training for TCC Members</li> <li>Review Employees' Code of Conduct</li> <li>Refresh County Councillor training in 2020-21</li> <li>Compliments and Complaints Policy to be reviewed in the light of any updates in the PSOW guidance</li> <li>Local Resolution Process to be reviewed</li> </ul>
<p>Core principle B: <i>Ensuring openness and comprehensive stakeholder engagement</i></p> <p><b>Scrutiny arrangements introduced in 2019-20 need to be reviewed to ensure they are fit for purpose and forward work programming needs to be further improved.</b></p>	<ul style="list-style-type: none"> <li>Effectiveness of new scrutiny arrangements to be reviewed</li> <li>Further strengthen Cabinet and Committee Forward Work programmes</li> </ul>
<p>Core Principle C: <i>Defining outcomes in terms of sustainable economic, social, and environmental benefits</i></p> <p><b>Vision 2025 outcomes to be reviewed in the light of the pandemic and good practice and quality of impact assessments needs improvement.</b></p>	<ul style="list-style-type: none"> <li>Review Vision 2025 and the Council's operating model to embed recovery and good practice developed during the COVID19 pandemic</li> <li>Develop a quality assurance process for Integrated Impact Assessments</li> </ul>



Governance Issue	How we are addressing the Issue
<p>Core Principle D: <i>Determining the interventions necessary to optimise the achievement of the intended outcomes</i></p> <p><b>Council's internal improvement and assurance arrangements need to be reviewed in the context of the Council's improvement agenda and recommendations made by Sean Harriss</b></p>	<ul style="list-style-type: none"> <li>• Review and strengthen Improvement and Assurance arrangements to take account of recommendations from the Sean Harriss review</li> </ul>
<p>Core Principle E: <i>Developing the entity's capacity, including the capability of its leadership and the individuals within it</i></p> <p><b>Member and staff development need further attention and improvement during 2020-21</b></p>	<ul style="list-style-type: none"> <li>• To implement new Member Development strategy and programme</li> <li>• Deliver planned 2020-21 leadership development programme, using e-learning where possible</li> </ul>
<p>Core Principle F: <i>Managing risks and performance through robust internal control and strong public financial management</i></p> <p><b>Council's corporate planning, including MTFS and risk management need to be developed to take account of pandemic and continued delivery of Vision 2025</b></p>	<ul style="list-style-type: none"> <li>• Transfer risk management to Financial Services</li> <li>• Establish and maintain risk register for pandemic response and recovery</li> <li>• Ensure reporting and analysis is made simple for the user, and integrated reporting links performance data to ease forecasting that they will deliver each month and measured through improving data (revenue &amp; capital)</li> <li>• Ownership and accountability for financial performance developed. Budget holders complete revenue and capital budget forecasts, that include savings assumptions, which are challenged to ensure improvements as the budget holders get better at this role</li> <li>• Delivery of the Finance Transformation Project (individual workstreams delivered throughout 2020/21).</li> <li>• Balance sheet management more effectively managed through the year and reported widely</li> </ul>



Governance Issue	How we are addressing the Issue
<p>Core Principle G: <i>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</i></p>	<ul style="list-style-type: none"> <li>• Continue to improve the effectiveness of scrutiny</li> <li>• Continue to improve the Cabinet Forward Work Programme and links to the Scrutiny Work Programme</li> <li>• Continue to embed a Performance Management and Quality Assurance Framework to ensure our decisions are underpinned by accurate information which are aligned to the Council's vision and priorities</li> </ul>

## Section 5. Certification of the Annual Governance Statement 2019-2020

Signed on behalf of Powys County Council:

.....

Chief Executive

Date: 29 September 2020

.....

Leader of the Council

Date: 29 September 2020

## Section 6. Appendices

### Appendix 1: Engagement and Consultation Exercises 2019-20

#### **Economy:**

Lakeside Regeneration Surveys – Two surveys were conducted during the year to capture views following a successful bid from the Welsh Government’s Landfill Tax Community Scheme to enhance the environment and facilities for those who enjoy fishing or birdwatching at the lake in Llandrindod Wells. The £50k grant provided funding for new fishing platforms and a wheelchair/pushchair friendly bird-hide for users of all ages. The survey responses: The ‘before work started’ survey showed that 77 per cent of respondents thought that improvements were needed to the fishing and bird watching facilities, with 80 per cent of respondents feeling that the proposed work would improve the lake park. The follow-up survey closed with only 50 responses (Covid-19 impact). However, of these 18 respondents had used the new fishing platforms, 26 the boardwalk and 30 had visited the bird hide. Overall, over half rated the new facilities as either good or excellent.

Planning Agents and Planning Officers Workshops - A six-monthly workshop session to strengthen relationships between planning agents and planning officers was established during the year with a trained facilitator. The first session took place in October 2019 and the second in January 2020. The response: A clear set of priority areas (e.g. statutory consultees) and actions have been agreed for both parties to progress. The outcome will be improved understanding and processes that relate to the legislative framework that both work to.

#### **Health and Care:**

North Powys health and well-being - The Council is working together with Powys Teaching Health Board to identify a health and well-being model for the North of Powys. Two rounds of engagement and consultation took place during the year which has resulted in a draft model of care being developed and consulted upon. Over a thousand people took part in either workshops, meetings or drop in sessions in the communities of North Powys. Some in addition responded to the two online surveys that ran – the first captured what helped them to keep well at home, in their community and in the North Powys region. The second used that information to set out the draft model of care and sought views on the health and care services that may be available to people at home, in their community, in the region and also out of the region. The Welsh Government will now consider the findings and bid from the Regional Partnership Board to progress the project which supports both the Health and Care Strategy for Powys and Towards 2040 - the county’s Well-Being Plan.

#### **Learning and skills:**

Transforming education in Powys – During late 2019/early 2020 the Council organised a series of meetings with head teachers, school staff, governors and other education partners to consider the future of the education service and how to

transform it to meet the needs of all children in the county. Supporting this was an online survey which captured additional feedback from parents and pupils alongside professionals. Over 450 responses were received to the survey which asked people to give their views on the draft vision for education in Powys, leadership, retention of teaching staff, the Welsh language provision and education for pupils with additional learning needs. The feedback given has been fed into the next phase of the process and follow up consultation and engagement will take place once the Covid-19 restrictions are lifted.

Review of the school formula – An online survey was produced to comply with the requirement to review the funding formula for schools in Powys. The response: The feedback and analysis of the responses led to some minor changes to the formula creating a more equitable working model which has been implemented.

Llanerfyl and Banwy primary schools – The Council consulted on a proposal to close Llanerfyl Church in Wales School and Banw CP School and re-open a school on the site of one of the two establishments' sites. A consultation was carried out – a mixture of drop ins and an online survey, the latter of which received 250 responses. There was a mixed reaction to the proposal with arguments for and against both sites. The response: Cabinet discussed the findings in March 2019 but deferred the decision until a date in April to consider further information. Subsequently it was decided to close Ysgol Dyffryn Banw and Llanerfyl Church in Wales school on August 31<sup>st</sup> 2020. A new school will be opening on 1<sup>st</sup> September 2020.

### **Residents and communities:**

Town and Community Council Twice Yearly Meetings - Two meetings took place during the year initially at the request of the Association of Town Clerks to aid their understanding around the Council's budget position and laterally to build a better awareness and understanding of the two democratic roles that the councils play in relation to service delivery. The outcome: Useful conversations and presentations have taken place around the budget, the Council's highway maintenance programme and planning.

Electric Vehicle Charging Points Survey - To respond to the UK Government's 'Road to Zero' strategy which will see an increase in electric vehicles being used, the Council ran an online survey to capture views from residents about preferred location of and potential use of charging points so as to put a bid to the Office for Low Emission Vehicles to install fast electric charging points in Council long stay car parks. The response: With over 700 residents responding to the survey the Council was able to put forward a comprehensive and successful bid which resulted in a grant of £100k.

Active Travel Survey – This survey conducted in 2018 captured feedback on how frequently people walk or cycle short distances in the 11 designated Active Travel towns. 92 responses were received with residents in Brecon, Presteigne and Llandrindod giving compliments regarding the ethos of active travel and requests for more collaboration and partnership working with Town and Community Councils and

others (nature reserves) etc. The response: Views expressed around pavement conditions, cycle racks, safety for pedestrians have been used to inform successful bids and resulted in improvements for Powys communities. One such project looking at the redevelopment of a busy high street in Llandrindod Wells was about to commence just as the Covid lockdown occurred. The team is currently looking at ways to conduct online engagement on this topic with a view to doing wider public engagement post Covid.

Library Engagement Exercise – Following on from drop-in sessions in branch libraries held in Feb 2019, the Cabinet Member and Chief Librarian held meeting with town and community councils Friends and volunteers. Potential options to address challenging budget savings were discussed with views, concerns and solutions sought from the communities.

Library Childrens Satisfaction – this national survey ran across all libraries in Wales for one week seeking views on satisfaction with the core library service from children aged 7 – 11 years or age and 11 – 16 years of age. Library staff hand out a paper survey and ask children attending to complete. All responses are then input and analysed and fed back to the relevant Welsh Government division. The response: Around 60 responses were received from the 7-11 age group. They stated that their key reasons for visiting the library were to choose books to take home, to read books whilst in the library or to attend a club or a Storytime session. The older children (43 responded) replaced the club/Storytime session with use of the PC or to do homework as their joint third reason. All children agreed that the library was a safe and enjoyable place to be. The feedback was positive overall regarding services used.

Welshpool Library Co-location - A review of buildings in the north of the county led to a proposal to co-locate the current library with the museum in Welshpool. The decision was taken to consult residents in the town about the preferred proposal. An online survey was launched to capture views on how to make the best use of space if co-location were to go ahead. Alternative options were also listed, and residents asked to give their preferences. The response: There was opposition to the proposal to co-locate the library into the museum and some alternative options put forward. These options were given due regard and, following discussions with the town council about their proposal, it was deemed that the co-location was the best approach to enable staff to relocate into the library building and continue to provide services like housing advice, social care and trading standards to residents whilst also retaining a combined library and museum service – albeit in a smaller space. A legal challenge was then put forward by a group of residents opposed to the decision and dismissed twice – in the first instance and then again on appeal. Both judges were content that the Council had not made a decision in advance of the consultation exercise and had given feedback due regard before reaching its final decision.

Registrars Survey – the service hands out a survey to everyone who registers a birth, death or marriage along with a pre-paid envelope to capture feedback on the

service provided. The response: The findings are used to better understand customer needs and to enhance/improve the service given wherever possible.

Engineering customer satisfaction feedback surveys - contractors, and clients were asked to rate the quality of workmanship, regard to health and safety and overall satisfaction with works completed via an online survey. Overall ratings have consistently been above 5 where 0 = poor and 10 = high

## Appendix 2: Member Development

Core Principles to which this section relates:

- Core Principle E

A programme of Member Development Sessions / Seminars has been delivered for 2019 - 2020 which included:

### Mandatory development

- Corporate Safeguarding and Corporate Parenting
- Equality & Diversity training
- Treasury Management
- Cyber security and GDPR

### Finance

- Financial Planning x 2
- Budget seminars x 3
- Finance and budget training x 4 - facilitated by CIPFA

### Service and Service Improvement Plans

- Winter Maintenance - Highways, Transport and Recycling
- Adult Services
- Financial Services
- Workforce and Organisational Development
- Digital Services, Legal and Democratic Services
- Property, Planning and Public Protection
- Housing and Community Development
- Education – Strategic Review of schools and post inspection

### Briefings

- Estyn Inspection and Post Inspection Improvement Plan
- Budget Simulator Schools Transformation
- V2025 Transformation – updates x 2
- Housing update
- Education - Additional Learning Needs [ALN] and role of governors
- Mid Wales Growth Deal

### Other topics

- Children's Rights and the UNCRC

Following a review of the Council's Corporate Governance, the Member Development Strategy has been reviewed and revised. This document together with the Member Development Framework will be further reviewed during 2020-21 in preparation for the County Council elections due in May 2022.

## Appendix 3: Scrutiny

<p>Core Principles to which this section relates:</p> <ul style="list-style-type: none"> <li>• Core Principle C</li> <li>• Core Principle E</li> <li>• Core Principle G</li> </ul>
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Following the revision to the scrutiny committee structure in January 2019, the Co-ordinating Committee undertook a review of the operation of those committees in October 2019. The results were reported to the Co-ordinating Committee in December 2019.

Below is the analysis of the responses from the questionnaire sent to Members, Co-opted Members and the Council's Senior Leadership Team. The questions are drawn from the 'Characteristics of Good Scrutiny' developed by the Wales Scrutiny Officers' Network.

### Question 1 – Respondents.

47 responses out of a total of 92 (71 Members, 16 Officers and 5 Co-opted Members) = 51% response rate.

### Questions 2 to 18:

No.	Question	Strongly Agree / Agree (%)	Neither Agree nor Disagree (%)	Disagree / Strongly Disagree (%)
2	Scrutiny has a clearly defined and valued role in the Council's improvement arrangements	76.09	17.39	6.52
3	Scrutiny have the dedicated officer support it needs from officers	68.09	17.02	14.9
4	Scrutiny members have the training and development opportunities they need to undertake their role effectively	40.43	25.53	34.04
5	The scrutiny process receives effective support from the Council's Senior Leadership Team who ensures that information provided to scrutiny is of high quality and is provided in a timely and consistent manner	42.55	34.04	23.41
6	Scrutiny is recognised by the Senior Leadership Team as an important Council mechanism for community engagement	53.19	29.79	17.02



7	Scrutiny Task and Finish Groups are non-political, methodologically sound and incorporate a wide range of evidence and perspectives	53.19	29.79	17.02
8	Scrutiny is member-led and has ownership of its work programme taking into account the views of the public, partners and regulators, whilst balancing between prioritising community concerns against issues of strategic risk and importance	59.58	23.40	17.02
9	Stakeholders have the ability to contribute to the development and delivery of scrutiny forward work programmes	57.44	29.79	12.77
10	Scrutiny meetings and activities are well planned, chaired effectively and make best use of the resources available to it	42.55	42.55	14.9
11	Scrutiny is characterised by effective communication to raise awareness of, and encourage participation in democratic accountability	61.7	21.28	17.02
12	Scrutiny operates non-politically and deals effectively with sensitive political issues, tension and conflict	44.69	31.91	23.41
13	Scrutiny builds trust and good relationships with a wide variety of internal and external stakeholders	48.94	36.17	12.77
14	Scrutiny regularly engages in evidence based challenge of decision makers and service providers	52.18	32.61	15.22
15	Scrutiny provides viable and well evidenced solutions to recognised problems	38.29	42.55	19.15
16	Non-Cabinet members provide an evidence based check and balance to Cabinet decision making	51.07	29.79	19.15
17	Decision makers give public account for themselves at scrutiny committees for their portfolio responsibilities	53.19	25.53	21.28
18	Scrutiny enables the 'voice' of local people and communities across the area to be heard as part of decision and policy-making processes	40.43	31.91	27.66

A further review is to be undertaken once the new committees have been operating for 12 months, which will be in the 2020-21 financial year.

Reports from Scrutiny reviews containing the findings 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 respect of pre-decision Scrutiny the comments of the Scrutiny review

group are made to the Cabinet / Executive Management Team meetings to provide an opportunity for the final report to Cabinet to take account of Scrutiny's comments.

The following are examples of areas which were scrutinised / pre-scrutinised during 2019/20:

**Health and Care Scrutiny Committee:**

- Children's and Adults Performance Reports
- Children's and Adults Finance Reports
- Reports from the Children's and Adults Working Groups
- Workforce and Agency
- Supported Living Framework
- Extra Care Housing
- External Placements
- ACRF – Director of Social Services' Report
- Compliments, Complaints and Representations
- CIW Monitoring Visit (Adults)
- Discussion with Chief Executive of Powys Teaching Health Board
- Assist / Cymorth
- Day and Employment Services Options Appraisal
- Active Offer
- Carers' Steering Group Update
- Corporate Safeguarding Group
- Glan Irfon Update
- Children's Services Placements and Accommodation
- Early Help Hubs
- Child Exploitation
- Draft 2020-21 Budget
- North Powys Project – Model of Care
- Integrated Emotional Health and Well-being and South Support Update
- Children's First Project
- Quality Assurance

**Adult Services Working Group**

- Budget oversight
- Service Redesign and Efficiency
- Delayed Transfers of Care
- Home Support Evaluation
- North Powys Project
- Safeguarding
- Occupational Therapy Update
- Deprivation of Liberty
- Reablement
- Impact of Asset Based Collaborative Communication
- TEC
- Active Offer
- Carers and Respite
- Direct Payments

- Alternatives to Domiciliary Care
- Quality Assurance
- Care and Support in the Community:
  - TEC Cost Avoidance
  - Financial Assessment of Providers

#### Children's Services Working Group

- Member Development
  - The continuum of care
  - Children Who Are Looked After – including the role of the Court
  - Early Help and Eligibility Criteria
  - Children Subject to a Child Protection Plan
  - Children in Need of Care and Support
  - Children at the Edge of Care
  - Children Who Are Looked After – Placements
  
- Improvement Plan Scrutiny
  - Safeguarding and Good Social Work Practice
  - Independent Reviewing and Quality Assurance
  - Children Who Are Looked After – Placements
  - Eligibility Criteria (thresholds and early help)
  - Implementation of Signs of Safety
  - Children Accessing Support to Meet Identified Need
  - Commissioning and Placements

#### **Learning and Skills Scrutiny Committee:**

- School Categorisation
- Additional Learning Needs and Inclusion Transformation Programme
- Learning and Skills Scrutiny Committee Annual Report
- School Budgets 2019-20
- Review of Sixth Form Provision
- Schools Major Improvements (Welsh Government Grant Programme)
- ERW Joint Scrutiny Committee Group Update
- Responses to Scrutiny Recommendations to Cabinet
- Schools Service Finance
- Compliments, Complaints and Comments
- Schools Standards Report
- Estyn Inspection
- Amendments to the Schools Funding Formula and Scheme for Financing Schools
- Strategic Review of Schools
- Draft 2020-21 Budget
- ERW

#### **Economy, Residents, Communities and Governance Scrutiny Committee:**

- Housing Association Development
- Public Toilets Strategy
- Community Safety Partnership
- Police and Crime Commissioner

- HRA New Build Programme
- Tenant Satisfaction
- Powys County Council Brexit Preparedness
- Prosecution Enforcement Policy
- Revised Protocol for Authorising Motor Vehicle Events
- Welsh Library Standards
- Draft 2020-21 Budget
- Declaration of Revised Powys ECO Flex Statement of Intent

#### **ERCG Working Groups:**

- Vision 2025 Update and Annual Report
- Digital Strategy
- HAMP (Highways Asset Management Plan)
- Winter Maintenance

#### **Finance Panel:**

- Outturn 2018-19
- Capital Outturn 2018-19
- Savings Outturn 2018-19
- Capital Directive
- Forward Financial Planning
- CIPFA Financial Management Capability Review
- Transformation
- Budget Monitoring Report
- Children's Services – Savings Delivery
- Capital Monitoring Report
- Report of the Chair of the Improvement and Assurance Board
- Medium Term Financial Strategy including budget update
- Financial Overview and Forecast
- Capital Report
- CIPFA Review – Action Plan
- Efficiency Savings Report
- Budget 2020-21
- Stats Wales and Social Services Data
- Budget 2020-23
- Finance Panel Report to Council
- RA and RO Welsh Government Returns

#### **Public Service Board Scrutiny Committee:**

- Response from PSB on WCCIS
- Vision 2040 – Delivery Plans
- Vision 2040 – Steps
- PSB Annual Report / Scrutiny views on Annual Report
- Scrutiny Outcome letters and responses from the PSB
- Step 10 Update
- Governance Arrangements
- Step 6 Update / Response from PSB

- PSB Scrutiny Tracker
- Step 2 Update
- Minutes of the PSB
- WAO Review of Public Service Boards

**Audit Committee:**

- WAO Annual Audit Plans
- WAO Well-being of Future Generations – an Examination to Improve our School Infrastructure
- Annual Governance Statement
- Internal Audit Annual Plan
- Internal Audit Reports
- Treasury Management
- Closure of Accounts
- CIPFA Assessment
- Implementation of Finance System
- Risk Register
- Theatr Brycheiniog
- Procurement Processes
- Statement of Accounts and Annual Governance Statement
- Annual Audit Opinion
- Internal Audit – Performance Monitoring
- Risk Management
- Corporate Anti-Fraud and Error Team
- Jiscourt and Dawnus
- Combined Improvement Plan 2019-20 and Annual Performance Report 2018-19
- Review of Misstatements and Errors
- Economic and Financial Assessments – Review of Progress
- Transforming Contract Management
- Local Government and Elections (Wales) Bill – Governance and Audit Committees
- Internal Audit Work Plan
- Internal Audit Review
- WAO Annual Audit Summary
- Audit Committee Self Evaluation

## Appendix 4: Regulator Reports 2019-20

### 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.

Since their last Annual Improvement Report in October 2018, the Wales Audit Office has undertaken several examinations of the Council's processes and procedures, the outcomes of which are summarised in their Annual Audit Summary 2019. The WAO's key examinations and findings are outlined below:

#### Audit of Accounts 2018-19

*We gave an unqualified opinion on the Council's financial statements on 10 September 2019, five days ahead of the statutory deadline*

*The Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance.*

*The quality of the draft statements presented for audit on 3 June 2019 was generally good.*

#### Value for Money

*We are satisfied that the Council has put in place proper arrangements to secure value for money from the resources it uses. Significant challenges remain particularly in terms of delivering timely transformation against the backdrop of a challenging financial position. The recent senior management restructure is beginning to provide a more focused strategic input to support the transformation agenda. The Council recognises the extent of the continuing financial challenge and the transformation required to its service delivery over the immediate and longer term.*

#### Continuous Improvement

*We are satisfied the Council has met its legal duties for improvement planning and reporting and is likely to meet the requirements of the Local Government Measure (2009) during 2019-20.*

#### Well-being of Future Generations

*Our examination in 2019-20 considered the design of the North Powys Well-being Programme and the steps taken by both Powys County Council and Powys Teaching Health Board. Our report concluded that the Council and the Health Board have applied the sustainable development principle and its associated five ways of working in designing the step. However, there are opportunities to further embed the five ways of working into the next phases of the North Powys Well-being Programme.*

During 2019-20 the WAO has focussed its work on the following areas. However, the outcomes of these examinations are not available yet.

- Growing Mid Wales
- Delivering Vision 2025

- Assurance and risk assessment; and
- A review of the Council's financial sustainability

## Care Inspectorate Wales

Care Inspectorate Wales (CIW) encourages the improvement of social care, early years and social services by regulating, inspecting, reviewing and providing professional advice to ministers and policy makers.

Since 2017 the Council has been addressing the recommendations of highly critical CIW reports into both children's and adult's social services. These inspection reports highlighted failings, not only in these services, but also in the corporate leadership of the authority. In order to address the recommendations, the Council has been focussed on delivering its Childrens and Adults Improvement Plans, progress of which have been monitored closely by a dedicated Improvement and Assurance Board.

In June 2019, CIW published their Local Authority Annual Performance Review Letter 2018-19 for Powys County Council. A full copy can be accessed here

<https://careinspectorate.wales/sites/default/files/2019-06/190628-powys-en.pdf>

Key findings from the review are outlined below:

*Creating and maintaining a permanent workforce in children's services continues to be a major challenge. While recruitment and retention is not such a significant issue in adult services, difficulties in recruiting experienced by domiciliary care providers is having an impact on capacity within the sector.*

*On inspection, we found the strategic vision for children's services was poorly defined. A restructure of children's services is underway, the plan for which is well articulated by the Head of Service and is based on a coherent understanding of services and current legislative drivers.*

*Despite considerable focus on the importance of practitioners seeing looked after children and those on the child protection register at regular intervals, this remains an area for improvement.*

*Overall, the local authority has made significant improvements in the timeliness of its assessments of children.*

*We raised concerns with Powys County Council about how it engages with / protects children at risk of child sexual exploitation (CSE) in July and October 2018. In response, we are aware senior managers wish to bring in more expertise and capacity for staff development and operational management.*

*When we completed monitoring work in adult services in November 2018, we found assessments and care and support plans that we considered good and excellent because they were strengths based and outcome focused. However, we did not consistently identify improvement and so we could not be sure of the extent of change since the inspection in January 2018. We found delays and deficits in service provision seriously affecting people. The length of time for people to have an assessment was impacting on people, particularly those waiting to be discharged from hospital. Senior managers consider the number of people delayed in hospital for social care reasons unacceptable. A review of the reablement service has been initiated and the local authority and health board have developed a programme of work designed to bring improvement.*

*Powys County Council is completing almost all of its adult protection initial enquiries within the requisite timescale, an improvement across the year.*

*The Council have received the following CIW visits during 2019-20:*

#### Adult Services:

- Assist – Information, Advice and Assistance Service (April 2019 Monitoring visit) – CIW acknowledged that this was a new service with processes and practice continuing to evolve and be refined. The commitment of staff and the team management was acknowledged in this task. Areas of good practice were identified including the presence of community connector resource within the team. Areas for improvement included improved website access for professionals, consistency of recording practices and ongoing monitoring and gap analysis to inform future commissioning activity.
- Strengths based outcome focused care and support for adults (September 2019 Monitoring visit) - Assessment and care and support planning was noted to be an improving picture with practitioners noted to have a greater understanding of the strength-based, outcome-focused approach. Lack of sufficiency in domiciliary care was found to be preventing people from receiving the necessary support to realise their goals of maintaining levels of independence within their own homes. The renewed senior management team in adult services was acknowledged to be determined to work more collaboratively with the health board to improve discharge arrangements and the reablement service. Focus was found to have been maintained on quality assurance and a growing culture of reflective practice and peer mentoring support was found.
- Reablement (January 2020 Monitoring visit) – Overall, CIW found that the promotion of independence and personal outcomes were well considered in the assessment, planning and delivery of reablement services. The service was found to be responsive to peoples' circumstances and using a range of services in working with people and securing their well-being. Partnership working with PTHB and joint strategic planning of reablement services was an area that required further attention to enhance peoples' opportunities to meet personal outcomes.
- Mental Health (Joint inspection March 2020) – The inspection report can be read by clicking the following link: <https://hiw.org.uk/sites/default/files/2019-06/180131welshpoolcmhten.pdf>

#### Children's Services

- Care Leavers
- Children who had been subject to PLO – the following proposals for improvement were issued:
  - Achievement of a stable permanent social work complement in the care and support teams. Changes in social workers has contributed to drift and delays for children
  - Development of performance management information in relation to PLO timescales



- Further and continued improvement in individual relationships and communication between care and support social workers, IROs and Guardians (Cafcass Cymru), particularly in the north of the county
- Consistent decision-making with fully recorded rationale on child's file
- Standardised formats for all internal assessments and reports, including parenting assessment and chronologies
- Embedding of framework and culture of increased IRO scrutiny, monitoring and escalation of concerns, as part of QA framework
- Ensuring appropriate arrangements such that a dedicated QA officer is operational.
- Camlas - the Council is currently awaiting feedback on this visit

## Estyn

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

In July 2019, Estyn carried out an Inspection of Local Government Education Services at Powys County Council - July 2019. A copy of the full report can be accessed here: <https://www.estyn.gov.wales/sites/www.estyn.gov.wales/files/documents/Powys%20County%20Council.pdf>

Key findings from the report are outlined below:

*Overall, many pupils in Powys schools make sound progress. However, in many secondary schools, pupils do not sustain the good progress they achieve in early years settings and primary schools. In particular, the performance of more able pupils is too inconsistent across secondary schools. A few secondary schools perform strongly whilst performance in many others is weak.*

*Overall, the local authority knows its schools well and has generally strengthened how it challenges the performance of schools and supports them to improve. For example, the Team Around the School approach is a useful way for schools to gain suitable support and challenge from the local authority and its challenge advisers. There are recent worthwhile initiatives to improve the support for school leaders, such as through mentoring of new headteachers and the recent use of 'champion' governors.*

*However, there are many areas of the authority's work causing significant concern, such as those relating to school organisation, financial management, school governance, lack of action regarding schools causing concern and the co-ordination of provision for pupils with special educational needs or who may require extra support. These issues affect school leadership, staffing structures, curriculum planning and staff morale, which in turn limit the impact of challenge advisers and other school improvement staff.*

Estyn issued five recommendations to the Council; these were:

- R1 Improve standards in secondary schools, and especially the performance of more able learners
- R2 Improve the evaluation, planning and coordination of provision for learners with special educational needs and other pupils who may require extra support
- R3 Improve the consistency and impact of senior leaders in improving the quality of education services and continue to strengthen the rigour, scrutiny and challenge about performance of the authority's services
- R4 Ensure that the organisation of provision for non-maintained, post16; Welsh medium education and secondary education meets the needs of the children and young people of Powys
- R5 Continue to improve the quality of financial management in schools and take appropriate action to address schools with significant deficit budgets

In response to these recommendations, the Council developed a Post Inspection Action Plan (PIAP), with clear actions for delivery. A Post-inspection improvement conference was held on November 28, 2019, where Estyn approved the PIAP. Estyn will continue to review the Council's progress through progress conferences. A monitoring visit will also take place after the last progress conference to consider how well the local authority has addressed each of the recommendations and how much progress has been made overall.

## Appendix 5: Internal Audit

Internal Audit is subject to the requirements and principles of:

- Public Sector Internal Audit Standards in the UK - 2017
- CIPFA Local Government Application Note – 2019

### Reviews

An Internal Audit Charter was agreed by the Audit Committee in 2019/20 that defines the purpose, authority and responsibility in terms which are consistent with the professional standards.

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. Internal Audit undertake a programme 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 in a Police referral and/or disciplinary action.

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. This report is presented to the Audit Committee annually.

For the majority of the year there were no significant issues that Internal Audit were aware of that would require inclusion in the Council's Annual Governance Statement. However, Covid-19 has disrupted the delivery of the 2019/20 audit plan at the end of the financial year. An update has been presented to the Audit Committee identifying that SWAP were supporting the Council in prioritising essential services whilst providing assurance by working remotely and focusing on a more agile and data driven audit methodology. This approach remains under review into 20-21.

## Appendix 6: COVID19 Coronavirus pandemic

### **Council's response to the COVID19 Coronavirus pandemic**

The Council established an internal Strategic Coordination group (GOLD Command) on 13<sup>th</sup> March 2020 and a Tactical Coordination Group (SILVER Command) on 16<sup>th</sup> March 2020.

The Council invoked its Business Continuity Plan on 18<sup>th</sup> March 2020. From this point the Council focused on Business Critical Activities (BCA) as follows:

#### **Responding to Covid-19**

- Adult Services – Domiciliary Care and Residential Care, Safeguarding
- Childcare for Key Workers and Vulnerable Children
- Homelessness Service
- Public Protection (enforcement and public health)

#### **Keeping our communities safe and resilient**

- Support for Businesses
- Refuse Collection
- Emergency Housing repairs and maintenance
- Highways – (Winter Maintenance and emergency response)
- Children's Services – including Safeguarding

#### **Corporate – running the Council**

- Cash Management
- Customer Services and Communications (to staff, Members and public)
- Corporate Support Services (including Workforce and ICT)

The Council has kept its BCA activities under review and has updated these regularly since the Business Continuity Plan was invoked.

The Council has taken into account all advice and guidance from the Welsh and National Government and regulators during the pandemic, including those relating to:

Physical distancing in the workplace; Funerals; Holiday Accommodation; Public Rights of Way; Meetings; Planning; Education and Schools; Social Care; Elections; Waste; Grants and Financial Assistance; Courts, Registration of Births, Deaths and Marriages.

Cabinet and all Council committees were stood down between mid March and early May 2020. During that time Cabinet and the Executive Management Team met weekly using Microsoft Teams. These weekly meetings have continued during the pandemic. A public Cabinet meeting was held using Microsoft Teams on 5<sup>th</sup> May, 2020 and has met regularly since that date.

Scrutiny committees resumed from 13<sup>th</sup> May, 2020 and have been held remotely, in public, focusing only on activities relating to management of the pandemic.

All staff who can work remotely have been required to do so during the pandemic and internal control arrangements have continued to work effectively during this time although no new internal audit reviews have been undertaken to allow the organisation to focus on BCA.

The Council has developed a COVID19 risk register which is monitored weekly by GOLD and SILVER Command and has been reviewed by the Audit Committee and

The Council has continued to monitor and report on performance during the pandemic and has kept to the statutory deadlines for the publication of annual reports in relation to the Corporate Improvement Plan, the Strategic Equalities Plan, the Welsh Language Plan and the Public Service Board Well-being Plan.

The Council established a Recovery Coordination Group, chaired by the Chief Executive on 11th June 2020.

<b>Activity</b>	<b>COVID19 impact</b>	<b>Action Taken to mitigate</b>
Members' Code of Conduct / Standards Committee	No committee meetings since mid March. Code of Conduct refresher training for Members delayed. Members being unable to attend meetings due to shielding and other restrictions	Electronic meetings introduced for some meetings to enable Members to take part in meetings. Laptops provided to Co-opted Members to allow ability to take a full part in electronic meetings
Audit Committee	No committee meetings between mid March and early May	Electronic meetings started in May 2020.
Information Governance	Some delays in response to information requests due to staff shortages	Staff recruited and due to start in July / August
County Councillor Training programme	Formal programme suspended from March to August 2020	Some training undertaken electronically to assist Members with use of technology for electronic meetings and guides provided to them.
Engagement and Consultation	Consultation has not been possible during the period on the advice of Welsh Government	Public engagement on schools transformation, including a strategy for Additional Learning Needs has been undertaken.
Welsh Language Services	Simultaneous translation for meetings has not been	A temporary "work around" was devised

	possible due to a lack of capability within software packages.	whilst a more permanent solution was found in consultation with Welsh Government and Microsoft. If this is not forthcoming within a specific timescale alternative options to be pursued.
Cabinet Forward Work Programme	This has been amended to deal mainly with business critical activities and some other priorities such as Schools Transformation	Since the recovery phase started Cabinet is moving back to considering increasing numbers of business as usual items.
Committee Agendas and reports	Committees agendas have been published electronically as usual. However no new reports have been commissioned and any information for consideration by committees has been prepared as a requirement for the Council's Covid-19 business continuity plan.	Cabinet meetings have been broadcast live to the press and public as usual. In addition, some scrutiny meetings have been broadcast live to the public and the aim is to broadcast all where possible during this period as well as other meetings as they are held e.g. Planning.
Members Annual Reports	No impact and work on compiling the reports is continuing	
Public participation at meetings	No Full Council meetings held between March and July 2020.	
Scrutiny committees	No committees between mid March and early May	Remote meetings established on 13 <sup>th</sup> May and now fortnightly meetings of each committee focused on BCA
Corporate Planning Cycle	Focus on BCA has delayed the usual corporate planning timetable	The Recovery Coordination Group is overseeing the development of the 2021-24 integrated business planning process as part of recovery
Vision 2025, Our Corporate Improvement Plan	Some commitments in V2025 have been delayed	V2025 commitments are being reviewed as part of the Council's recovery work

Vision 2025 Transformation Programme	The Transformation Programme has been suspended to focus on BCA although elements of individual projects have continued, e.g. schools and digital	Transformation Delivery scheduled for July – remote meeting
Medium Term Financial Strategy	Significant impact due to income loss and additional costs	MTFS to be reviewed once Quarter 1 figures available
Strategic Equality Plan	None, all actions complete	Annual Report will be published before end of July
2020-12 Integrated Business Plans	Some actions delayed for 2020-21	Being reviewed as part of recovery work
Performance Management and Quality Assurance Framework	Staff appraisals delayed	To be restarted as part of recovery
Management Information and Business Intelligence	Work focused on COVID19 response	COVID19 dashboards produced to support GOLD and SILVER
Improvement and Assurance Board	No meetings between March and June.	Monthly phone calls between IAB Chair, Leader and CEO. Formal remote meeting scheduled for 29 July 2020
Partnership Working	PRB and PSB meetings not held between March - June	PSB met remotely at end of June. Joint Partnership Board met remotely in June.
Workforce Planning and Development	Leadership development programme suspended	
Digital Services	Work focused on COVID19 response	
Risk Management	Numerous risks to the Council due to COVID19	COVID19 risk register in place and regularly monitored
Financial Management	COVID19 pandemic requiring close continual financial monitoring and new returns to Welsh Government	Detailed review of quarter 1 to establish in-year and future years forecasts and actions required to mitigate
Powys Pension Fund	Impact on Fund value	Some equity protection has been put in place at the end of 2019-20
Internal Audit (SWAP)	New reviews delayed	SWAP 2020-21 programme to be

		reviewed as part of recovery
Responding to external regulatory inspections	No inspections undertaken during March to July	CIW monitoring visits planned for Summer and improvement conference for adults and Childrens scheduled for September 2020
Budget Setting	Slight delay to annual budget setting process	2020-21 budget review and 2021-24 budget setting to be worked through as part of recovery
Annual Report of the Director of Social Services / Annual Council Reporting Framework	Delay in reporting to Council which is usually scheduled for July each year	Report programmed for consideration by Cabinet and Council in September 2020.
Quarterly and Annual Performance Reporting	2019-20 reports unaffected. Impact in Quarter 1 – focus on COVID19 response performance	Restart reporting on CIP in Quarter 2 If possible



**Glossary:**

ACRF	Annual Council Reporting Framework
AGS	Annual Governance Statement
CIP	Corporate Improvement Plan
CIPFA	Chartered Institute of Public Finance and Accountancy
CIW	Care Inspectorate Wales
CLGP	Corporate Leadership and Governance Plan
CSE	Child Sexual Exploitation
EMT	Executive Management Team
ERW	Education through Regional Working
FSP	Finance Scrutiny Panel – now the Finance Panel from January 2019 (FP)
GDPR	General Data Protection Regulations
HMI	Her Majesty's Inspectorate
ILM	Institute of Leadership and Management
JCG	Joint Governance Committee (of the Wales Pension Partnership)
JMT	Joint Management Team (Powys County Council and Powys Teaching Local Health Board)
JPB	Joint Partnership Board
CLA	Children Looked After
LDP	Local Development Plan
LGPS	Local Government Pension Scheme
MTFS	Medium Term Financial Strategy
PDR	Personal Development Review
PMAQAF	Performance Management and Quality Assurance Framework
PSB	Public Service Board
SIRO	Senior Information Risk Owner
SOLACE	Society of Local Authority Chief Executives
SWAP	South West Audit Partnership
WAO	Wales Audit Office
WFG	Well-Being of Future Generations Act

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**CYNGOR SIR POWYS COUNTY COUNCIL.**  
**Audit Committee**  
**29<sup>th</sup> September 2020**

**REPORT AUTHOR:** Jane Thomas, Head of Financial Services

**REPORT TITLE:** Capitalisation Direction – Transformation Costs

**REPORT FOR:** Information

**1. Purpose**

1.1 This report provides an update on the use of the capitalisation direction used to fund a number of transformation projects across the council in 2019/20.

**2. Background**

2.1 Welsh Government recommend that a separate disclosure note listing the individual transformation projects that have been funded or part funded through the capital receipts flexibility. This report represents the disclosure note and as recommended it is an agenda item alongside the annual accounts seeking approval.

**3. Transformation Programme**

3.1 Transformation of the councils services is critical in providing an appropriate level of service to our residents at a much lower cost ensuring that the councils budget is maintained on a sustainable footing for the future. Transformation activities totalling £3.18 million were funded through Capital Receipts utilising the Welsh Government Capitalisation Directive a key part of the our financial strategy through to 2021/22.

3.2 The table below summarises the costs incurred against the agreed budgets. Some costs were unable to be capitalised as they did not meet the criteria set by the directive and these have been charged back to service budgets.

<b>Transformation Costs 2019-20</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Transformation Projects to be capitalised	1,640	2,000	360
Organisational Transformation	1,120	990	-130
School Redundancies plus Pension Strain	420	650	230
	<b>3,180</b>	<b>3,640</b>	<b>460</b>

3.3 The detailed list of the projects is shown at Appendix A with the actual savings delivered totalling £3.992 million.

3.4 Many of the projects are still progressing, being profiled over more than one year. It is likely that they may start to achieve savings at a later stage of the project cycle. Continued monitoring of the projects against savings delivery will take place in 2020/21.

**4. Resource Implications**

4.1 The capitalisation directive is in place until 2021/22 and is expected to be fully utilised each year. This year costs were £460,000 less than budget and this underspend has been rolled forward into 2020/21.

**5. Legal implications**

5.1 This approach complies with the Welsh Government directive.

**6. Data Protection**

Not relevant

**7. Comment from local member(s)**

Not relevant

**8. Integrated Impact Assessment**

9.1 Impact assessment not required

**9. Recommendation**

9.1 The contents of this report are noted

Contact Officer:	Jane Thomas
Tel:	
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Head of Service:	Head of Financial Services
Corporate Director:	Ness Young

## Appendix A

Name of Project	Total Capitalised 2019-20 £'000	Saving Achieved £'000
Support for the delivery HTR Transformation savings target	291	1,017
Implementation of Red Kite Agency	51	6
Development of an outline business case for a crematorium	7	0
Support for development and delivery of transformation projects including: Community Hubs, catering and cleaning transformation and library rationalisation	92	0
Support for development of the Mid Wales Growth Deal	45	0
Support the implementation of the Schools' Transformation Programme	363	0
ALN Transformation	171	46
HR support for the Education Service Transformation	30	0
Support to develop and implement web and service redesign elements of the digital transformation programme	134	45
Support for the development and implementation of the Workforce Futures Programme	66	0
Administrative estate review and implementation; development and implementation of corporate landlord model; commercial estate review and development	197	0
Accelerated surplus asset disposal programme; support for Schools Transformation Programme; and support for North Powys Wellbeing Programme; Hay Livestock Market	103	0
Development of plan and business case	43	0
Support for Children's Service Improvement Plan	19	0
Development of extra care and residential care business	34	0
Redundancies	1,537	2,878
<b>Total Expenditure</b>	<b>3,183</b>	<b>3,992</b>

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**CYNGOR SIR POWYS COUNTY COUNCIL**

**AUDIT COMMITTEE**

**29 SEPTEMBER 2020**

**REPORT AUTHOR: Ness Young**

**SUBJECT: SWAP report to consider the Council's process in relation to a one-off capital payment made to Theatr Brycheiniog in 2018**

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**REPORT FOR: DISCUSSION**

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**1. Purpose**

To provide a briefing for Audit Committee members on the SWAP report into the Council's process in relation to a one-off capital payment made to Theatr Brycheiniog in 2018.

To highlight the key issues from the report and suggest areas for the Committee's consideration.

**2. Background**

In November 2017 Theatr Brycheiniog asked the Council for a loan of £110,000. Following months of discussion and deliberations, due diligence suggested that granting a loan would represent high risk to the council and the council did not offer a loan. However, at a meeting on 16 August 2018 with the former Acting Chief Executive, the Leader of the Council, the Deputy Leader and Theatr Brycheiniog, it was suggested to the theatre that a one-off capital payment of £157,920 (excluding VAT) could be made to help address the theatre's significant financial difficulties, by funding repairs and maintenance costs associated with the building which is owned by the Council. On 28 August 2018 an urgent delegated decision report written by the then Chief Finance Officer (who was also the former Acting Deputy Chief Executive and Section 151 Officer) was published proposing that the Council make the one-off payment to Theatr Brycheiniog. An urgent portfolio holder's delegated decision to approve the payment was taken on 3 September 2018. Chairs of Scrutiny including the Audit Committee Chair were requested not to call in the decision. The Audit Chair was concerned about the lack of detail on the decision and after consulting with members of the committee who were equally

concerned it was agreed that the payment was made in two stages to allow the Audit Committee to consider the matter. On 12 September 2018, the Audit Committee expressed concern at the lack of background detail made available to support the urgent decision and a review was subsequently undertaken by the Chair and Vice Chair of the Audit Committee. This review culminated in the production of a report which was due to be considered by the Committee on 6 September 2019. However, the report was withdrawn before the meeting in favour of a fuller review being undertaken by SWAP Internal Audit Service. The Audit Committee agreed to defer consideration of the issue and asked SWAP to undertake a review.

The agreed objective of the SWAP review was to determine whether the Council applied effective governance in the decision-making process to grant the payment to Theatr Brycheiniog. The scope of the review considered the decision-making process, the decision, the payment and identified lessons to be learned.

### 3. Advice

The SWAP report identifies some issues associated with the process undertaken by the Council in making the payment to the theatre. Specifically:

- i) While the process followed by the Council to award a one-off capital payment to Theatr Brycheiniog was in accordance with agreed constitutional rules there was a lack of a lack of documented evidence and audit trail to demonstrate an effective decision-making process.
- ii) Despite having a full repairing lease agreement with the theatre, two Council service areas have dealt with property management at the theatre over many years and the Council had paid for some repairs prior to the August 2018 payment. These actions have led to confusion regarding which organisation has responsibility for property repairs and maintenance.
- iii) The Council's constitutional framework allows the use of urgent decisions subject certain qualifying conditions. However, a requirement that an urgent decision report author and an urgent report approver must not be the same officer is not currently part of the framework which could lead to conflict of interests or perceptions thereof.
- iv) While the Council undertook and recorded effective due diligence activities in respect of the request from the theatre for a loan (which was not supported), there was no documented evidence apart from contact with the theatre's auditors that separate due diligence was undertaken in respect of the proposal to make a capital payment. SWAP acknowledges that the risk to the Council of a one-off capital payment was much less than for a loan as it would not be repayable, but the Council should have recorded that due diligence was undertaken and provided reasonable assurance that public funds would not be invested in an unsustainable organisation.



v) The need for an urgent decision was a result of delays in reaching a decision about whether to provide financial support to the theatre (between January – August 2018). Evidence submitted to SWAP showed that in August 2018 the need for funding became critical to ensure the continued use of the theatre building and to avoid breaching Arts Council grant conditions. SWAP concluded that earlier action by the Council would have allowed the normal call-in process to be utilised.

vi) SWAP concluded that the urgent delegated decision report written by the then Acting Chief Executive did not contain enough detailed information on the reason for the payment to justify making such a decision. Specifically it failed to: explain why a capital payment rather than loan was being proposed; the rationale for paying for property repairs when a full repairing lease was in place; how the payment would be compliant with Council policy; or to include an Equality Impact Assessment.

vii) The 28 August report recommended a review of the impact of the payment would be presented to the Portfolio Holder / Cabinet for information by the 31 March 2019, but SWAP found no documented evidence that this review was ever carried out.

viii) SWAP found no documented evidence of a clear view from the Audit Committee on the need to make the payment (discussed on 12 September 2018) so was unable to conclude whether the scrutiny made by the Committee was considered by portfolio holder before the final payment was made.

vix) The delegated decision report indicates the payment was based on of costs of maintaining the asset incurred by the theatre between 2014-17, but the amount actually paid was £1,166 (net of VAT) more than the audited figures. SWAP was unable to find evidence of the reason for this difference. Nor did they find evidence that due diligence had been undertaken by the Council to establish whether the theatre had received any funding from other sources to support its maintenance costs during the same period (it was established through the review that the Arts Council for Wales had given the theatre £30,000). Finally, SWAP found insufficient documented evidence to justify the whole payment as being eligible capital expenditure under the Code of Practice in Local Authority Accounting in the UK.

#### **Possible areas of questioning:**

- What action has the Council taken to improve record keeping across the organisation?
- How can the Audit Committee be assured that the Council has a “One Council” approach to asset management to avoid confusion between services and leaseholders?
- How can the Audit Committee be assured that the Council has effective due diligence processes and procedures in place given the SWAP findings regarding this payment?

- What action has the Council taken to improve the quality of report writing and options appraisals?



# Capital Payment to Theatr Brycheiniog

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## Advisory Report – Final

Issue Date: 13<sup>th</sup> March 2020

# Executive Summary

## Objectives and Scope

The Audit Committee Chair requested that SWAP Internal Audit undertake a review of the decision by Powys County Council to make a one-off Capital Payment to Theatr Brycheiniog in August 2018. The Client agreed the scope and objectives of the review on the 31<sup>st</sup> October 2019. These are:

### Objectives

The objective of the audit is to determine whether the Council has applied effective governance in the decision-making process to grant the payment to Theatr Brycheiniog.

The governance principles adopted are from Powys' guide to good governance which are:

1. Open decision making
2. Effective engagement in the decision-making process
3. Managing public money responsibly
4. Accountability for decisions made

### Scope

The scope audit will review:

#### A – Decision Making Process

1. Compliance with the agreed constitutional rules, delegated powers, and locally agreed protocols
2. Decision makers have been appropriately advised, relevant information provided (including in relation to the lease) and sufficient time to allow effective challenge
3. Alternative options were reasonably considered together with appropriate risk awareness for each potential outcome.
4. Effective engagement with the relevant stakeholders in relation to agreeing to the funding.
5. Awareness of the risks associated with the decision
6. Formal recording of the decision

### B – The Decision – Lessons Learned

1. Financial information associated with the decision was accurate and reflective of the situation
2. Payment in line with Financial rules, in particular those on Capitalisation and State Aid
3. The value of the decision and the sustainability of the desired outcomes.

It should be noted that the review will be limited by the availability of information and actions undertaken by Officers that have now left the employment of the Council.

# Conclusion

## Key Areas

### Outcome

The Council made a one-off capital payment of £189,504 (including VAT) to Theatr Brycheiniog in August 2018. Whilst many of the issues outlined in the sections below identify some concerns with the process, it should be noted that Theatr Brycheiniog were not under scrutiny and were in fact willing contributors to the Internal Audit process.

At the time of the review, the Financial Accounts of Theatr Brycheiniog CYF for 2018/19 had not been agreed, but the Chair of the Theatr indicated that the financial standing was much more resilient. The Directors Report for the year ending 31<sup>st</sup> March 2018 stated that the one-off payment "...has returned the Theatr to financial stability and is allowing it to pay down creditors and build up some reserves for the future." The subsequent publication of the 18/19 accounts confirms the positive position expressed by the Theatr in the Chair's Report which states "The Theatr's finances are now in recovery with positive indicators for the future."

However, the financial sustainability is contradicted somewhat by the Independent Auditors Report who were unable to offer an opinion. The basis of disclaimer of the opinion stated that "...the charity is heavily reliant on support from its funders and the availability of future grants.". In addition, the report also states "The Charity has significant levels of indebtedness and has not been able to provide corroboratory evidence which would indicate that it has the ability to continue to operate as a going concern for the foreseeable future, although the financial projections that have been prepared by Management indicate that the deficit on the balance sheet will be significantly reduced, but not eradicated, in each of the next three financial years."

*Therefore, it is likely that Theatr Brycheiniog's ability to operate as a going concern has much to do with the Council's decision to make the one-off payment. However, its continuing financial sustainability is reliant on the delivery of financial recovery plans and funding from external sources.*

## Transparency

There has been a lack of documented evidence and audit trail throughout this decision process. Actions may have been undertaken, however without formal records it is hard to clarify if the process was undertaken or followed. The recording of actions helps to protect Officers and Members should questions be raised at a later date.

*Inadequate records were kept to support many aspects of the decision-making process.*

## Property

The Council entered into a full repairing lease that expressly required the responsibility for the repair and maintenance of the building to sit with the Theatr Brycheiniog CYF (tenant). The opinion of the Council's Property Team, as experts in the area, consider that the lease is the primary document and takes precedence. The responsibility for repairs and maintenance is also reiterated by a letter from the Council's Chief Executive in March 2016.

During the course of the lease, a separate Service Level Agreement (SLA) was created by Officers in the Arts, Leisure and Recreation Service. The SLA states that it is to sit parallel to the lease and makes the responsibility for repairs and maintenance less clear. In addition, repairs have been made to Theatr Brycheiniog at the Council's expense.

The Theatr over the years had entered into repeated dialogue requesting funding for property repairs and maintenance. In March 2017, a meeting was held between the Theatr and Council Officers, where the Theatr provided information to support their rebuttal of the Council's Chief Executive Letter in March 2016. Subsequent to this, the Theatre provided the Council with a package of documents for consideration.

The financial accounts indicate that expenditure was made on the property for repairs and maintenance, but the Internal Auditors have been unable to verify if the building remained in a suitable condition as periodic building inspections were not undertaken by the Council.

*The remit of this review did not cover the property maintenance concerns; however, it became apparent that two services of the Council had over the years been independently involved in dialogue about property management at the Theatre. This may have led to an uncoordinated approach and at times providing conflicting information. It is believed that the lines of responsibility are now clearer, but it should be emphasised that a more joined up approach needs to be considered in the future for all Council owned buildings.*

## Constitutional Framework

The Council has approved constitutional rules that outline the procedure when decisions are called in and when decisions are considered as urgent. These rules have been very rarely used by the Council.

The rules allowed certain Senior Executives to approve the use of an urgent decision subject to meeting certain qualifying conditions. In this case, the Executive that approved the use of this power also was the officer that authored the report. Therefore, segregation of duty did not exist between those officers considering whether the decision was urgent and those officers endorsing the decision. Whilst there was no conflict of interest, it could allow others to perceive that a potential conflict occurred. Although, it should be noted that the current Constitutional Framework does not specifically require segregation of duties when approving an urgent decision.

*The Council have an appropriate constitutional framework for making urgent decisions. However, some improvements in the segregation of duties could enhance open and transparent decision making even where there is no conflict of interest.*

## Due Diligence

The Council carried out diligence activities in the following areas during the decision-making process:

- Council Members were Theatr Brycheiniog Board Members and Council Officers attended the Board as observers. They were able to ensure the Council was briefed on the operational and financial position.
- The Council requested, received, and considered financial and business-related information from Theatr Brycheiniog.
- The Council commissioned a report to consider the financial risks associated with granting a loan to the Theatre.
- An officer working group assessed the risks and cost implications to the Council of the Theatre building being unoccupied.
- The Former Acting Deputy Chief Executive was in contact with the Auditors at Theatr Brycheiniog to have a detailed understanding of the financial position prior to proposing financial decisions.

Most of the diligence activities outlined above were carried out under the auspice of the consideration of a loan. This basis was first considered in January 2018 and continued up until the middle of August 2018. The diligence suggested that granting a loan would represent high risk to the Council. The Council did not offer a loan.

There is no visible evidence that the Council conducted any further due diligence in reaching the decision to grant a one-off capital payment other than the contact with the Theatre's auditors. However, the urgent nature of the decision may not have allowed much of an opportunity. It is acknowledged that some of the due diligence for the loan may have been relevant to the capital payment and it is highly likely that the diligence



involved in granting a loan would be more rigorous than making a one-off payment. However, the diligence process was not formalised and therefore it is difficult to link the outcome of the diligence for the loan to the outcome of the diligence for the one-off payment.

*Whether it be the award of a loan or a one-off payment, the Council has a responsibility to spend the public purse with due diligence to ensure that it is adequately protected and value for money is achieved. It is clear that effective diligence was undertaken for the loan and whilst there are some common areas it was less clear for the one - off payment. It is acknowledged that the risk to the Council of a one-off capital payment is much less as it is not required to be repaid, the Council should have recorded that due diligence was undertaken and to provide reasonable assurance that public funds would not be invested in an unsustainable organisation. The outcome of the diligence was not clear to the Auditors as the Council did not formally offer a loan to Theatr Brycheiniog.*

### **Urgency**

The issue of financial support (loan) for the Theatre is one that had been considered by the Executive Body of the Council since January 2018 on multiple occasions. By August 2018, the Council had not made a decision on the granting of a loan. During this time further requests had been made by the Theatre for financial support with the need becoming increasingly serious. No mention had previously been made in reports or correspondence to suggest that a one-off payment was an option.

It is clear from the evidence submitted that the matter suddenly became more critical to ensure the continued use of the theatre building. Failure to ensure the continuation of a theatre provision may have been in breach of the terms and conditions and may require the repayment of a £1.6m grant to the Arts Council for Wales. This factor was significant in forming the proposal.

The first evidence that an urgent one-off payment was being considered was the 16<sup>th</sup> August. This was in a meeting between the former Acting Deputy Chief Executive, Leader of the Council, Deputy Leader and Theatr Brycheiniog. It is in the notes of this meeting that the Council first suggest the one -off payment.

The Council published the notice of an Urgent Decision on the 24<sup>th</sup> August.

*The Council did not decide to award the funding until the matter became one of urgency. Earlier actions would have allowed the normal call-in process to be utilised and therefore the option of increased scrutiny.*

## Report

The former Acting Deputy Chief Executive authored a report titled “Capital Expenditure Contribution: Theatr Brycheiniog” that was dated and published on the 28<sup>th</sup> August 2018 (attached in Appendix E). The delegated decision report was sponsored by the Portfolio Holder for Finance, Countryside and Transport and the Portfolio Holder for Highways, Recycling and Assets.

The draft report was discussed verbally in outline detail with the chairs of scrutiny by the former Acting Deputy Chief Executive, but they did not have sight of the report until it was officially published. The report itself was subject to the statutory consultations as well as obtaining local member comments apart from the above.

The format of the report used a standard Powys template. The contents of the report included a brief summary recommending that a contribution was made in respect of expenditure incurred on protection of the Council’s asset.

Having considered the report, it was found to contain minimal information to support the requested decision. It did not justify the reason for taking a delegated urgent decision and did not effectively explain the reasoning behind the switch from a loan payment to a capital payment. In general, the content of the report did not provide a great deal of factual information to help support the outcome of the decision. Although the document clearly states the proposed figures.

The report indicates that the payment would be both within budget and in compliance with policy. Whilst not included in the capital programme, it is understood that the funds were available at the time of the decision. During interviews with Council Officers, a relevant policy or standard could not be established that specifically support the use of one-off capital payments for supporting repairs and maintenance for Council owned properties with full repairing leases. The Former Acting Deputy Chief Executive received assurances that funding was available under the capital programme from Finance and that the payment would not have proceeded if funding was not available.

Whilst the payment is clearly labelled as a one-off, it is likely that other bodies in a similar position either currently or in the future could claim that this sets a precedent. The Auditors could not find any background work to identify if such risks were considered and any potential impact. It is not in the Council’s usual course of business to fund such payments, but it is recognised that the Council would incur significant revenue costs if the theatre building was not occupied and may be required to repay the ACW grant of £1.6m.

The Council did not undertake an Equality Impact Assessment (EIA) for this decision. However, the report recommended that a review of the impact would be presented to the portfolio holder/ cabinet for information by the 31<sup>st</sup> March 2019. There is no evidence that this review was carried out.

Undertaking these actions would have allowed the Council to fully understand the impact of the decision it was making and review whether the desired outcome had been achieved and if any lessons had been learned.

*The Urgent Delegated Decision report did not contain enough detailed information to openly and transparently justify the reasoning and support for making such a decision. In addition, there was no reference made to a policy to support this option and that it appears to be a one-off decision that appears to diverge from the Councils normal course of business. However, it is recognised that the Council has the power to undertake such activities.*

*The need for urgency requires the consideration of more information to make a decision in an open and transparent way. It is acknowledged that the promptness of an urgent decision does not give much time to adequately prepare a detailed report. However, as the decision on funding options for the loan had been considered for some time and the regular contact with Theatr Brycheiniog over financial matters, the Council should have been more prepared so that the matter need not be dealt with such urgency.*

## **Decision**

The process followed by the Council to award a one-off capital payment to Theatr Brycheiniog was in accordance with agreed constitutional rules. Whilst the Chairs of the Scrutiny Committees expressed concerns, as they felt under pressure, they agreed to the urgent decision. The Chair of the Audit Committee agreed subject to specific conditions. This involved a two-stage payment of an initial 40% and the remainder being paid following a report to Audit Committee and the Portfolio Holders reflecting on the need to make the payment.

The Audit Committee meeting was held on the 12<sup>th</sup> September. There was no formal report submitted to the Audit Committee for the purpose of this reflection. Although this meeting fulfilled the requirement, it is unclear from the minutes what the purpose of the meeting was, what was presented and the desired outcome. Although, subsequent to the audit process, Auditors were informed by the Head of Finance of a series of documents that were presented during the meeting as evidence to support the decision.

There is no evidence to indicate that the Portfolio Holders considered their decision to make the payment prior to the final stage payment as requested by the Audit Committee. It is possible that this occurred, however there was no documented evidence of a review. Generally, there is an absence of an audit trail of documented evidence to support the decision-making process.

The decision itself was automatically approved because it was a delegated decision.

*The Council complied with its constitutional procedures, but there were issues expressed by Scrutiny Chairs surrounding the decision. However, there were underlying factors as the decision-making pathway was impacted by the urgency of the situation and therefore a form of challenge was agreed that allowed the initial payment to be made whilst allowing some form of scrutiny.*

*The matter was considered at a meeting of the Audit Committee on the 12<sup>th</sup> September 2018. There is little formal information available about the reports provided, the purpose of providing those reports and the desired outcome. Overall, it is unclear if the scrutiny made by the Audit Committee resulted in a meaningful and real challenge that was considered by the decision makers. The onus was on the Cabinet / Council Officers to ensure that information was effectively presented to enable that agreed additional level of scrutiny.*

## **Payment**

It should be made clear that Theatr Brycheiniog did not determine the amount to be paid, nor did it make a claim for this amount. The Theatr was asked to provide an invoice for the offered amount by the Council.

The Delegated Decision report indicates the foundation of the payment was based on the costs incurred in maintaining the asset by Theatr Brycheiniog and was stated to be the costs from the Audited Accounts incurred for the financial years 2014/15, 2015/16, 2016/17. The value of the published accounts adds up to £156,754 (net of VAT) whereas the invoice value is £157, 920 (net of VAT). The differential between the sums of £1,166 (VAT inclusive- £ 1399.20) is unexplained and cannot be corroborated by supporting records.

In addition, it has been established that another funding body (Arts Council for Wales) had contributed £33,000 towards the cost of maintaining the asset during that period. Given the lack of clarity over the way in which the one-off payment was formulated it difficult to determine whether expenditure has been reduced by this figure. This should have been part of the Council's diligence process and should not reflect adversely on Theatr Brycheiniog.

The Code of Practice in Local Authority Accounting in the UK indicates that the day to day servicing of an asset (e.g. labour and consumables), commonly referred to as 'repairs and maintenance' should not be considered as capital items as it does not add to the future economic benefits.

The invoice for £189,504 (including VAT) was paid from the Capital Budget Code for Arts.

*There is insufficient information to categorically determine whether expenditure included on the invoice constituted a legitimate capital payment for the Council. i.e. enhanced the asset. The Auditors do not question that the Theatre incurred such expenditure, but internal records inspected would indicate that some of these items may fall under the guidance of routine repair and maintenance rather than enhancing the asset. The Council*

*determined the basis of the payment, not Theatr Brycheiniog, and therefore should be certain that those items of expenditure constitute a capital payment.*

# Areas for Improvement

## 1. Property

1.1 Finding and Action		
Issue	Risk	
The Council have not undertaken periodic building surveys of the Theatre.	There is a risk that the property may not be looked after properly as per the lease agreement.	
Recommendation		
We recommend that the Council undertake periodic inspections.	Priority Score	3
Agreed Action		
The Council will undertake inspections in line with the terms of the lease agreement. The Council is also in the process of procuring a new asset management system which will provide a workflow system which will enhance the management and scheduling building inspections.	Timescale	As per the lease
	Responsible Officer	Gwilym Davies, Head of Property, Planning and Public Protection

1.2 Finding and Action		
Issue	Risk	
The Council had a conflicting and uncoordinated approach to building management	There is a risk that the responsibility for maintenance is unclear which may result in it not being addressed.	
Recommendation		
We recommend that the Council should have a coordinated approach to its buildings across all services.	Priority Score	3
Agreed Action		
The Council is in the process of establishing a Corporate Landlord function for all the buildings in its ownership to provide a coordinated approach to their management.	Timescale	31 March 2021
	Responsible Officer	Gwilym Davies, Head of Property, Planning and Public Protection

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## 2. Constitutional Framework

### 2.1 Finding and Action

Issue	Risk
The constitutional framework allows a single officer to authorise the use of an urgent decision and to author the report making the recommendation.	There is a risk that there could be a perceived conflict of interest.
Recommendation	
We recommend that there should be segregations of duties between decision authoriser and report author.	Priority Score
Agreed Action	Timescale
A report will be prepared for Council on 7 July 2020 to amend the Constitutional Framework to ensure a segregation of duty between the report author and the decision authoriser.	Responsible Officer
	30 July 2020
	Clive Pinney, Head of Legal and Democratic Services

## 3. Due Diligence

### 3.1 Finding and Action

Issue	Risk
Financial due diligence is less clear for the one-off capital payment	There is a risk that decisions are not supported, open and transparent.
Recommendation	
We recommend that robust financial diligence should be documented for urgent decisions. Consideration should be given to carrying out financial diligence checks before making payments to all outside bodies.	Priority Score
Agreed Action	Timescale
Financial due diligence will be documented for all urgent decisions.	Responsible Officer
	16 <sup>th</sup> March 2020
	Jane Thomas, Head of Finance

3.2 Finding and Action		
Issue	Risk	
Due diligence documentation and evidence was not easily accessible.	There is a risk that the decision cannot be supported.	
Recommendation		
We recommend that all information relevant to the decision that has been made is stored in one place to enable an effective audit trail.	Priority Score	2
Agreed Action	Timescale	16 <sup>th</sup> March 2020
All information relevant to urgent decisions will be stored electronically in one place to enable an effective audit trail.	Responsible Officer	Clive Pinney, Head of Legal and Democratic Services

## 4. Urgency

4.1 Finding and Action		
Issue	Risk	
Inactivity by the Council has contributed to the need for an urgent decision. An urgent decision bypassed the normal decision process.	There is a risk that urgent decisions are not subject to scrutiny which may make people question the decision.	
Recommendation		
We recommend that the council needs to closely monitor the position pending decisions to ensure that they don't become urgent, and to consider implementing an escalation process for decisions.	Priority Score	2
Agreed Action	Timescale	Complete (Client Self-assessment)
The Council has a robust risk management system in place to ensure risks are identified along with actions to mitigate them, with a clear escalation process.	Responsible Officer	Jane Thomas, Head of Finance
Recommendation		
Whilst the Council followed its constitutional rules, the principle of good scrutiny should be adopted wherever possible on urgent decision. We recommend that for any future urgent decisions that the Council involves scrutiny at the earliest possible time.	Priority Score	2



Agreed Action	Timescale	16 <sup>th</sup> March 2020
Relevant Scrutiny Chairs will be involved in future potential urgent decisions at the earliest possible time.	Responsible Officer	Clive Pinney, Head of Legal and Democratic Services

## 5. Report

5.1 Finding and Action		
Issue	Risk	
The delegated decision report did not contain enough information to adequately support the decision.	There is a risk that incorrect decisions could be made.	
Recommendation		
We recommend that all delegated decision reports should contain adequate information to support the decision. This is an even greater priority in the case of urgent decisions.	Priority Score	1
Agreed Action	Timescale	16 <sup>th</sup> March 2020
All future reports will have the appropriate level of information.	Responsible Officer	Senior Leadership Team

5.2 Finding and Action		
Issue	Risk	
The decision to award the payment was not clearly linked to an approved Council policy.	There is a risk that decisions are made that are outside the policy.	
Recommendation		
We recommend that all future reports for decision should specify a relevant policy/standard (where appropriate) and the rationale for the decision made.	Priority Score	2
Agreed Action	Timescale	16 <sup>th</sup> March 2020
All future reports for decision should specify a relevant policy/standard (where appropriate) and the rationale for the decision made.	Responsible Officer	Senior Leadership Team

5.3 Finding and Action		
Issue	Risk	
The Council did not adequately consider the risks and effects that approving this decision would have on other similar situations.	There is a risk that the decision may have wider financial and operational impacts that have not been considered.	
Recommendation		
We recommend that impact assessments should be undertaken where decisions have the potential to impact other organisations or similar situations.	Priority Score	1
Agreed Action	Timescale	16 <sup>th</sup> March 2020
Where a decision could amount to a precedent for future decisions impact assessments will be undertaken.	Responsible Officer	Senior Leadership Team

6. Decision		
6.1 Finding and Action		
Issue	Risk	
The Council did not formally provide the Audit committee with sufficient information to scrutinise the decision. There were no formal records showing which documents had been shared with the audit committee.	There is a risk that poor decisions are made.	
Recommendation		
We recommend that formal reports should be provided to scrutiny committees to allow affective challenge.	Priority Score	2
Agreed Action	Timescale	16 <sup>th</sup> March 2020
Formal reports will be provided to scrutiny committees.	Responsible Officer	Senior Leadership Team

6.2 Finding and Action		
Issue	Risk	
There is no evidence from the minutes of the Audit Committee meeting of 12 September that the Committee were satisfied with the decision to make the final payment.	There is a risk that decisions may be seen to be not effectively approved.	
Recommendation		
We recommend that the decision-making process is adequately recorded and that the pathway to agreeing the decision is understood and formalized prior to making the decision itself.	Priority Score	2
Agreed Action	Timescale	16 <sup>th</sup> March 2020
The decision-making process will be adequately recorded.	Responsible Officer	Clive Pinney, Head of Legal and Democratic Services

6.3 Finding and Action		
Issue	Risk	
The delegated decision report required an internal review of the decision to be undertaken by Council Officers by the 31 <sup>st</sup> March 2019, no evidence could be found of this.	There is a risk that desired outcomes may not be achieved.	
Recommendation		
We recommend that the Authority fulfills the requirement as stated on the delegated decision report to review the decision.	Priority Score	2
Agreed Action	Timescale	Complete (Client Self-Assessment)
This Internal Audit Review and Report fulfils the requirement and no further action is therefore proposed.	Responsible Officer	Ness Young, Corporate Director

## 7. Payment

### 7.1 Finding and Action

Issue	Risk	
There is insufficient evidence to conclude that the capital payment conforms with the definition in Local Authority guidance.	There is a risk part, or all of the payment should not have been made as an item of capital expenditure but should have been made from revenue funding.	
Recommendation		
We recommend that all capital payments should be in accordance with the rules on capital accounting and that sufficient information is held to support compliance.	Priority Score	2
Agreed Action	Timescale	16 <sup>th</sup> March 2020
All capital payments will be in accordance with the rules on capital accounting and that sufficient information is held to support compliance.	Responsible Officer	Jane Thomas, Head of Finance

# Detailed Findings and Outcomes

## 1. Background

### Relevant Background

The Auditors undertook fact-finding interviews with Officers and Members of the Council and an employee and Trustee of the Board of Theatr Brycheiniog (Full list contained in Appendix D). The following relevant background information was established during those interviews.

The Theatr Brycheiniog previously known as the Guild Hall Theatre Company took occupation of the Building in 1997, but did not sign the lease immediately. The Council required a full repairing lease with expressed responsibility for the repair and maintenance of the building, which was signed in 2004. It is believed that the details of this lease were managed by the Property /Legal Section of the Council. Correspondence provided by Theatr Brycheiniog highlighted that the cause of the delay was issues with the restraints within the lease as well concerns about the building's condition. Auditors did not see a copy of the lease that was signed by both parties; however, it was advised that this is a fully binding legal document by a member of the Legal team.

In addition to the full repairing lease, the Leisure, Arts and Recreation department developed a 5-year service level agreement (SLA) that initially ran from 1997 to 2002. Point 4 of the introduction within the agreement states

“It is agreed the Council will lease Theatr Brycheiniog to the company for a period of 28 years. In parallel to the lease there will be a service level/ Management agreement under which the Company will manage the facility for the Council”

Point 6 within the Financial Arrangements (h) states

“In respect of responsibilities for major capital repairs and maintenance of Theatr Brycheiniog this will as a result of the full repairing lease term be vested in the company. However, it is hereby recognised that the council as landlord does accept that with regard to major repairs to the fabric of the building that it will be required to assist with the funding of any works agreed as necessary. The company will therefore have full responsibility for all other repairs and maintenance matters and the supervisory role liaising with the council in respect of major repairs.”

This statement is in contradiction with Section 5.7 “Statutory Obligations” of the full repairing lease signed by the Theatre in 2004:

“ 5.7.1 At the Tenant’s own expense to execute all works and provide and maintain all arrangements upon or in respect of the Premises or the use to which the Premises are being put that are required to be carried out by an occupier of premises under any statute in order to comply with the requirements of any statute (already in the future to be passed) or any government departmental, local authority other public or competent authority or court of competent jurisdiction.”

In a letter on the 1<sup>st</sup> April 2008 to Andy Eagle (previous Director of the Theatr) from Louise Ingham, former Arts, Culture Manager for Powys County Council, grant support was offered subject to an SLA agreement. This letter highlighted the changes that had been made to the previous SLA agreement, although the majority of the clauses remained the same:

- Point 4 of the introduction was not amended
- Point 5 within the introduction of the original SLA was amended so that the new agreement ran from 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2011.
- Point 6 of the Financial Arrangement Section was amended slightly, “The Council will conduct a survey of the building as and when deemed necessary” was added.

Correspondence in February 2001 displays that the lease was being discussed at the same time as a draft SLA. The Theatr is seen to agree a version of a draft SLA, however it is unclear if they were referring to the final document as a letter from the Council suggests changes are still being made.

There were concerns raised in November 2000, January 2001 and July 2001 from the Theatre surrounding the conditions of the building and the lease. In 2014 the Theatre commissioned an extensive building survey by Mott MacDonald, which identified significant issues with the building. Following this, they sought meetings with the Council to discuss the issues, leading to a meeting in 2015 where the Mott MacDonald report was presented to the Council.

The previous Chief Executive responded to the Theatr’s approaches in a letter in March 2016. The letter confirms the view of the Council at this time:

“the Council has taken the view that subsequent issues that are now being complained of are the result of lack of repair and maintenance”

“ I should however be grateful however, given the issues complained about and my above response, that you arrange as soon as practical for the building to be put back into a good standard of repair and ensure that necessary maintenance is carried out to the building until the expiry of the lease term. Please note, that it is the Councils intention to carry out periodical checks of the building to ensure you are complying with the Theatre’s repair and maintenance obligations under the lease.”

In the notes of the meeting between the Chair and Vice Chair of the Audit Committee and the previous Professional Lead -Strategic Property on the 20<sup>th</sup> December 2018, it was indicated that the previous Professional Lead felt that “the SLA has no validity as a lease was entered into a later date.” The current Property Manager is of the opinion that the SLA ran before the lease was signed and once agreed the lease superseded the SLA. However, it is the Chair of the Theatr’s opinion that the SLA was heavily relied upon by the trustees as a parallel agreement to mitigate their concerns over the repair and maintenance burden of the lease.

Internal Auditors were given indications by the property team that only one inspection took place. It was also understood that after a request from the Art and Culture Managers the Property Service had previously undertaken maintenance on the building.

In March 2017, the Theatr Board met with officers of the Council to discuss the building. Subsequent to this meeting in June 2017, at the request of the Council, the Theatre submitted a letter and pack of evidence to the Council for consideration. This pack contained the first iteration of the Repairs and Maintenance document (1997-2017), as well as documents for Scheduled Work (2017/18) and Urgent repairs for 2017.

A timeline of events surrounding the property can be seen in Appendix C.

## Decision Making Timeline

The following timeline surrounding the decision has been created from official council documents that were located.

Date	Forum	Document	Author/Owner	Comments
9 <sup>th</sup> January 2018	Cabinet Management Team Report	Theatr Brycheiniog Report (Cashflow Funding	Jane Thomas	This document was never published however it was commented that it was used for part of a Cabinet Management Team discussion.
5 <sup>th</sup> June 2018	(Pre-Cabinet) Cabinet Management Team Report	Theatr Brycheiniog Update	Jane Thomas	
20 <sup>th</sup> August 2018		Invoice	Theatr Brycheiniog	Invoice submitted at the request of the Council as per the meeting on the 16 <sup>th</sup> August. Invoice for net value of £157,920. Description: Contribution to repairs to the Theatr Brycheiniog property costs in Financial years 2014/15,2015/16 and 2016/17
24 <sup>th</sup> August 2018	Portfolio Holders	Urgent Decision Notification	Steve Boyd	Provides supplementary information of urgent decision.
28 <sup>th</sup> August	Portfolio Holders	Delegated Decision Report, Capital expenditure Contribution: Theatr Brycheiniog	David Powell, Aled Davies & Phyl Davies	Delegated Decision approving a one-off capital payment to the Theatr Brycheiniog for £157,920
28 <sup>th</sup> August 2018	Portfolio Holders	Urgent Decision Notification	Steve Boyd	Notice that the call-in rule 7.37 of the constitution will not apply to the decision.
12 <sup>th</sup> September 2018	Audit Committee	Minutes		Acting Chief Executive presented information to support the payment to the theatr

Throughout the audit, more information surrounding this decision was provided. A more in-depth timeline was created from this information and can be found in Appendix B.



### Constitutional Framework

Scrutiny Committees are required by law to discharge certain overview and scrutiny functions. Scrutiny Committees are there to hold the Cabinet to account and should not shy away from the need to challenge and question decisions.

Version 5 of Powys County Council's Constitution, which became effective from the 12<sup>th</sup> July 2018, outlines the responsibilities and procedures of the Scrutiny Committee. Extracts of the relevant sections are contained in Appendix A. In summary, a "Call-in" is the vehicle by which Scrutiny Committees may challenge decisions made by the Council as long as they meet certain qualifying criteria. A call-in may occur provided that the Monitoring Officer/ and or the Chief Finance Officer are satisfied that the following conditions are met:

- The decision or action is contrary to the policy, or budget
- The decision maker had not followed procedures or consulted the appropriate people
- The Cabinet had failed to take legal obligations, or regulations into consideration

The potential outcomes of the "call-in" is that the decision will stand or that it will be referred back to the decision-making body for further consideration.

However, the rules of call-in summarised above will not apply where the decision taken is urgent. The Council have rarely used the procedure to suspend Call-in on the basis of urgency.

A decision will be considered as urgent if:

- Any delay likely to be caused by the Call-in process would seriously prejudice the Council or other Public Interests; and
- One of three nominated Senior Executives certifies the above in writing; and
- Chair of relevant Scrutiny Committee agrees in writing to the decision being treated as a matter of urgency; and
- The record of the decision, and notice by which it is made, shall state that the decision is an urgent one and that the matter of urgency has been approve as above.

Decisions approved as urgent can be implemented forthwith but must be reported at the next available meeting of the relevant scrutiny committee outlining the reasons for urgency

## Compliance with the Constitutional Framework

There are four conditions for the urgent decision process to be used:

*'7.37.1.1 -any delay likely to be caused by the call-in process would seriously prejudice the Council's or other public interests;'*

Evidence was provided that suggested, towards the end of the Powys decision-making process, the Theatre was under increasing cashflow pressure. There is both documentary and anecdotal evidence that the urgency of the situation was contributed too by the Council not making a definitive decision on the funding options.

After a decision is made, there is a 5 days grace period in which a call-in decision can be made if it meets the criteria. If a Call-in is requested, the relevant scrutiny committee has 10 days to review the decision and provide their scrutiny. However, the Monitoring Officer, or Chief Finance Officer can turn the request down. Had the Council gone through the normal process and called it in, it would have potentially taken up to 15 days for the decision to go through. (18<sup>th</sup> September 2018)

It is unclear from the evidence examined whether undertaking the normal decision process would have caused enough delay to damage the Council's Interest.

*'7.37.1.2 the Head of Paid Service and / or the Monitoring Officer and / or the Chief Finance Officer certifies in writing that any delay likely to be caused by the call-in process could seriously prejudice the Council, or the public interest;'*

Two notices were published at the authorisation of the Chief Finance Officer (also the former Acting Deputy Chief Executive and Section 151 Officer) on the 24<sup>th</sup> & 28<sup>th</sup> August (Appendix F&G). These notices confirm that an urgent decision has been made and approved by the Scrutiny Chairs. The Chief Finance Officer also wrote the delegated decision report, which was published on the 28<sup>th</sup> August. Although, these documents fulfil the constitutional requirement, they do not specifically explain why the call-in process was used nor the urgency of the situation.

There is a lack of segregation of duties within the constitutional framework which allowed an action that could be considered as a potential conflict of interest, in that the Chief Finance Officer is the author of the delegated decision report and approver of the urgent decision process. However, it is noted that in this case the rules within the framework were followed and that there was no conflict of interest.

*7.37.1.3 the chair of the relevant Scrutiny Committee agrees in writing to the decision being treated as a matter of urgency. In the absence of the Scrutiny chair then either the Scrutiny vice chair or the chair of Council may agree to the decision being treated as a matter of urgency;*

An email from the Scrutiny Chair for Culture to the former Acting Deputy Chief Executive, approves of the decision being treated as an urgent decision. A second email from the former Acting Deputy Chief Executive summarises a conversation that he had with the Chair of the Audit Committee, in which a 40% immediate payment proposed. It is believed that the response was verbal.

*7.37.1.4 the record of the decision, and notice by which it is made public, shall state that the decision is an urgent one, and that the urgency of the matter has been approved by the Head of Paid Service and / or the Monitoring Officer and / or the Chief Finance Officer and by the chair of the relevant Scrutiny Committee or Scrutiny vice-chair or the chair of Council*

The record of the decision was documented through the delegated decision report. The notification of an urgent decision was published by Cabinet Manager prior to the decision. However, this notification suggests that following an Audit Committee meeting the Portfolio Holders will reflect on whether the full amount will be paid. There was no evidence to support that the outcome of the reflection. The notice does not make it clear who out of the Head of Paid Service, the Monitoring Officer or the Chief Finance Officer approved the use of the urgent process, however the delegated report stated the Chief Finance Officers name.

#### Due Diligence

At the time of the payment, two nominee Council Members were Trustees of the Theatr, and two Council Officers attended the Theatr Board as observers on a regular basis. Occasionally an additional financial officer would also attend the board meetings, to provide the council with updated information and to protect the Council's asset.

In February 2018, Powys County Council commissioned a due diligence report by Link Asset Services to assess the financial risk associated with offering a funding package to Theatr Brycheiniog on a commercial basis. The assessment considered financial statements for 3 years from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2016 together with unpublished financial record for the year ending 31<sup>st</sup> March 2017. The report considered the following areas:

- Purpose of the funding
- Organisational and financial position of the Theatr and future projections
- Statutory Considerations to be considered by the Council
- State Aid
- Covenants (conditions)
- Funding options
- Summary

Given the commercial sensitivity of such information, the audit review has not contained any detailed outcomes of the diligence review. Whilst this report was originally intended to assess the viability of a commercial loan, the diligence information was equally as valuable and should have been considered as part of the due diligence process when assessing the financial viability of making the one-off capital payment i.e. Would the payment have a material and sustainable effect?

A group of operational officers carried out a due diligence exercise in August 2018 to determine the financial impact to the Council if the building were to be vacated. The exercise considered the likelihood of the property remaining vacant for some time and any costs that would be associated with that such as business rates, security, statutory testing, and maintenance requirements.

The former Acting Deputy Chief Executive spoke to the Auditors of the Theatr in August and received assurances about the status of 2017/18 financial statements and the on-going financial viability of the organisation. The letter dated 6<sup>th</sup> August 2018, that was marked “without responsibility” stated that;

“Based on our limited review of the information provided. Theatr Brycheiniog Cyf appears to be achieving its intended aims of:

- Bringing costs and revenue streams into balance....”

“Based on the above, we very much hope to be in a position to be able to provide and unqualified audit report for the Charity for the year ending 31<sup>st</sup> March 2019.”

This view does not align to the later opinion published by the Auditors in the Financial Accounts published in 2019.

In late August, a decision was made to offer a one-off capital payment to the Theatre. Internal Auditors were informed that this offer was presented to the Theatre during a meeting on the 16<sup>th</sup> August, which was evidenced by the meeting notes.

## 4. Urgency

### Urgency Timeline

The first documented evidence that the Theatre was under financial pressure was a letter from Mary Philips, former Chair of Theatr Brycheiniog to Councillor Rosemary Harris dated October 2017. The letter explains the situation that the Theatr was in and requests a meeting with the Leader and key Cabinet members to present their proposals on how to deal with the issues.

A meeting was held in November 2017, between Council Officers and the Theatr, however, no minutes or notes of this meeting could be located.

A Cabinet Report from 9<sup>th</sup> January 2018, which was never published but believed to be used as a discussion document for a pre cabinet meeting, highlighted the issues faced by the Theatr and actions undertaken by the Council. The report informs the Cabinet that the grant funding for 2018/19 had been brought forward as an intermediate measure of helping the Theatr with its cashflow issues, whilst the Council investigated providing the loan.

An Email on the 14<sup>th</sup> February 2018 from a Council’s finance officer explained the early release of the grant funding and also suggested that the loan be “put back on the table April/May”, whilst alluding that there was reluctance from some of the Cabinet to offer the loan.

A delegated decision took place on the 22<sup>nd</sup> March 2018 by the Portfolio Holder for Finance, and the Portfolio Holder for Children Youth, Libraries and Leisure Services, to approve bringing the grant payment for 2018/19 forward.

A Letter from Sally Jones, Chair of Theatr Brycheiniog to Rosemary Harris in May 2018, expresses concerns surrounding their request for a loan. The Theatr had been informed that the Cabinet was still considering providing them with a loan and therefore requested an urgent meeting.

“Before this week we understood the loan would be reconsidered in late May/early June. We now understand that Cabinet wishes to monitor the Theatre’s performance against budget for the next few months and are not currently minded to agree the loan”

On the 5<sup>th</sup> June 2018, a Cabinet meeting took place, where they discussed the request for the loan, and updated the Cabinet on the financial position of the Theatre. There is an option mentioned under the preferred choice section, however this was identified by the Head of Finance as an error on the report. It is unclear if a decision was made at this meeting or whether an outcome was determined.

On the 8<sup>th</sup> June 2018 the Leader of the Council sent a letter to the Chair of the Theatr asking for more financial information, stating that “Once we have this information we will consider whether a loan is appropriate and, if, so when it could be drawn down.”

On the 25<sup>th</sup> June 2018, the Chair of the Theatr responded to the Leader’s letter, expressing their concerns about the situation and delay of the decision to award the working capital loan.

“If you recall, we had hoped after our meeting last November for a decision early this year, and the delay in any clear indication from the Council makes the Theatr’s position increasingly precarious”

It is also mentioned within the letter about the Board meeting in July to consider whether they can “continue trading if the Council is not able to make the working capital loan” that was requested.

Internal Auditors were provided with informal notes by the Theatr for a meeting that was held on the 3<sup>rd</sup> August between themselves and Council Officers and the Leader of the Council. Within the notes, it is clear that the Council is still considering giving the Theatre a loan. The notes discuss both the Theatr and Council’s current positions on the situation. The interest rate of the loan is debated, as well as the options faced by the Theatr following the receipt of professional advice. The outcome of the meeting was for the former Acting Deputy Chief Executive to have a conversation with the Theatre’s Auditor.

A meeting was held on the 10<sup>th</sup> August between officers of the Council. It is believed that members of the Property, Leisure and Recreation, Legal and Finance teams attended this meeting, however no formal notes could be located. This meeting was held to discuss whether it was viable for

Powys to take on the theatre, and what costs would the authority incur if they did not offer the loan. Although no formal notes were located, auditors viewed an email from a member of the Legal team, providing comments on the discussion.

On the 13<sup>th</sup> August, the former Acting Deputy Chief Executive sent an email to the Cabinet explaining that a “paper providing additional information to enable Cabinet to make a decision” had been drafted and should be finalised by the 14<sup>th</sup>. No copies of this paper were seen; however, it is believed that this is not the delegated decision report and was probably a Cabinet report.

A meeting between the Council and the Theatr was held on the 16<sup>th</sup> August which was attended by the Leader of the Council, Deputy Leader and former Acting Deputy Chief Executive. It is during this meeting that the Theatr is offered a one-off capital payment of £157,920. One of the points from the notes of this meeting stated that:

“The Council will make a £157,920 contribution to the ‘repairs to the property’ costs. This will be payable on receipt of an invoice from the Theatr. The payment is for the total spent in financial years 2014/15, 2015/16 and 2016/17 as per the audited accounts. This represents a full and final contribution towards expenditure of £356,752 incurred since 1997/98”

Emails on the 24<sup>th</sup> & 28<sup>th</sup> August between the Chair of the Theatr and the former Acting Deputy Chief Executive highlight the financial position of the Theatr, and the need for rapid payment of the offered amount.

A notice of urgent decision was published on the 24<sup>th</sup> August.

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### Urgency of the Situation

The Theatr first approached the Council in October 2017, the process of agreeing to help them took 11 months. There was some stagnation in the decision-making process, although the Council ensured the appropriate due diligence was undertaken for a potential loan.

A letter from the Theatr on the 25<sup>th</sup> June 2018 highlighted the urgency of the situation that required immediate attention and the need for it to be resolved by the end of August 2018.

It was indicated by Council officers that the Authority looked into alternative delivery models for the use of the building which may have delayed the decision to offer the loan.

Emails between the two parties towards the end of August highlight the urgent need of funding for the Theatr due to increasing financial pressure. Whilst this supports the decision to use the urgent decision process, it could have been possible to avoid this had the Council acted sooner.

## 5. Delegated Decision Report

### The Report

The Delegated Portfolio Holder Report was published on the 28<sup>th</sup> August 2018, created by the former Acting Deputy Chief Executive. It was supported by the Portfolio Holders for Finance, Transport & Countryside Services alongside the Portfolio Holder for Highways, Recycling & Assets. The relevant Portfolio Holder for Leisure and Recreation did not sponsor the delegated decision report.

#### Section 1; The Summary

The Summary provides a brief overview. However, given the urgency of the decision, Auditors feel that there is not enough detail provided to give a reflective of the situation, nor the diligence officers had undertaken in order to get to this point.

Point 1.3 suggests that a joint review between the Council and the Theatr will be undertaken to look at:

- The current model of provision
- The budget going forward including the need to protect the asset
- The longer-term issues affecting the building including its condition and the concerns of the tenant

It is unclear whether this review has taken place. It was commented by the Chair of the Theatr that a review involving the Council, ACW and themselves was currently underway in which points 1 and 2 have been completed, with the third still outstanding. Due to an Officer's absence at the time of this audit, Internal Audit have been unable to confirm this from the Council.

#### Section 3; Options Considered

There are two options considered; the first to make a payment to the theatr, the second to consider granting the theatr a loan. Neither option was reported in any detail to allow reasonable alternative options. It is also noted that the 'do nothing' was not expressed as an option.

#### Section 4; Preferred Choice and Reasons



The option to make a payment to the Theatre has been recommended, but the reasoning displayed within the report lacks sufficient supporting information. It is possible that detailed discussion took place and additional information was shared but the auditor found no record to support this option.

### **Section 5; Impact Assessment**

The Council did not undertake an Equality Impact Assessment (EIA) for this decision. Auditors feel that an impact assessment would have been relevant due to this being an unplanned capital budget expenditure and the potential impact on other organisation in a similar position. An impact assessment would have allowed the Council to consider the wider impact of this decision. It would have also helped to explain the due diligence and consideration that had gone into making this decision.

At the end of the report it recommended that a review of the impact would be presented to the portfolio holder/ cabinet for information by the 31<sup>st</sup> March 2019. There is no evidence that this review was carried out.

### **Section 6; Corporate Improvement Plan**

There is a statement that the "Theatr make a £1.5million contribution to the local economy". The report does not provide any background for this statement, nor explains where the figure comes from. It was commented by the Chair of the Theatr that they provided this figure to the Council during the initial meeting for the request of the loan, and that this figure came from an internal review, undertaken by their treasurer at the time. Internal Auditors did not see this report and cannot comment on its credibility.

### **Section 11; Scrutiny**

The report was not subject to the normal scrutiny process because it was an urgent decision. The Council could have included an explanation of the reasoning for the urgent decision and the agreed steps that had been arranged with the Chair of the Audit Committee.

The report was shared with local members, and several different services within the Council before the decision was published. Given that the opportunity was found for these groups to contribute, it may have been advisable to consult with the Scrutiny Chairs at the earliest stage. Indications that the Council raised the idea of a one-off capital payment on the 16<sup>th</sup> August 2018.

The table at the end of the report suggests that the decision taken is within policy, and within budget. However, the report does not state which policy or budget is being used. Officers were unable to inform Auditors which policy this decision would fall under. It was commented by the former Acting Chief Executive that the policy for using capital funding to keep the council assets in appropriate condition.

### The Decision

A notice of urgent decision was published by the Council on 24<sup>th</sup> August 2018 on the authorisation of the former Acting Deputy Chief Executive.

The Delegated Portfolio Holder Report on the 28<sup>th</sup> August written by the former Acting Deputy Chief Executive and sponsored by the Cabinet Portfolio Holders for Finance, Countryside and Transport and the Cabinet Portfolio Holder for Highways, Recycling and Assets. Unless a delegated decision is called for scrutiny then it is automatically approved and officially published a week later.

As required for an urgent decision by the Constitution the former Acting Deputy Chief Executive contacted the appropriate Chairs of Scrutiny who agreed to by-pass their right to call in. However, the Scrutiny Chair of Learning and Skills indicated that he would only be happy if the Chair of Audit agreed with the proposal. The Chair of Audit specified an initial payment of 40% be paid and the rest should be considered following an Audit Committee meeting.

### Audit Committee

The Audit Committee met on the 12<sup>th</sup> September, in County Hall, minutes of this meeting are available on the Modern Gov website. The payment to Theatr Brycheiniog was discussed in a confidential session. The official minutes (Appendix H) provide a brief overview of what was discussed, though did not provide a clear picture of the purpose of the meeting or what the outcome should be. Auditors were provided with bullet pointed notes of the confidential discussion that took place taken by the Clerk. Although these notes provide a clearer picture of what was discussed, the outcome of the meeting is still not definitive.

There were no formal reports provided to the Audit Committee. The Head of Finance informed Internal Auditors that the following documents were presented to the Audit Committee:

- David Metcalfe follow on report in respect of a Financial Review of the Theatr Building Survey conclusions from a report the Theatr had commissioned
- A Creditors and Cashflow position as at 31/07/18
- Management Accounts July 2018
- Details of the Theatr Building spend for the period 1997 – 2015

These documents were not submitted to the clerk as part of the formal record.

The urgent decision notification that was issued on the 24<sup>th</sup> August stated that an Audit Committee has been called to understand the financial decision and process. It is also stated that:

“40% of the contribution be paid, and the Portfolio holders will reflect on the committee’s discussions following the meeting before payment of the balance.”

This statement is reflected within the confidential notes of the Audit Committee meeting. The Internal Auditors did not see any documents, or evidence to suggest that a reflection took place by Cabinet Portfolio Holders.

## 7. Finance

### The Payment

The Council made a one-off capital payment of £189,504.00 (net £157,920.00) to the Theatre in September 2018. This payment was made in two parts:

- 1<sup>st</sup> payment - gross payment of £75,801.60 (net £63,168.00) in the Council ledger as a journal entry on 3<sup>rd</sup> September 2018
- 2<sup>nd</sup> Payment – gross £ 113,702.40 (Net £94,752.00) in the Council ledger as a Journal entry on the 18<sup>th</sup> September 2018.

The second payment was paid after the Audit Committee meeting on the 12<sup>th</sup> September.

The payment was made from the Capital Expenditure code (9C210)- RSC Arts and Museums. Auditors were informed by the Head of Finance that this was paid through the Treasury Management System, and then journalled to the relevant account.

The invoice, amount and its contents were specified by the Council as per the meeting with the Theatr on the 16<sup>th</sup> August 2018. These notes suggest that the figure came from the 2014/15, 2015/16 and 2016/17 audit accounts. It was commented by Chair of the Theatr, that they were uninvolved in how the figure was calculated.

No documentation could be provided by Council Officers to explain how the figure of £157,920 was calculated. It was believed by some officers that a Maintenance & Repairs 1997-2018 Summary document that had previously been supplied by the Theatr could have been used to calculate this amount. Auditors have been unable to confirm this.

Auditors tried to calculate the figure using the audited accounts, from Companies House and the Charities Commission websites. This information was compared to the Maintenance and Repairs document (1997-2018) to see if the maintenance document had been used to create the payment figure. The table below displays the findings:

	Financial Statement	Maintenance & Repairs listing	Difference
2014/15	£ 27,819.00	£ 28,757.00	-£ 938.00
2015/16	£ 59,891.00	£ 59,891.00	£ -
2016/17	£ 69,044.00	£ 69,044.00	£ -
<b>Total</b>	<b>£ 156,754.00</b>	<b>£ 157,692.00</b>	<b>£ 938.00</b>

### Capital Expenditure

The payment made to the Theatr was made as a capital payment. Cabinet Portfolio Holders who agreed to this decision stated that they took the advice of Council Officers that this was a legitimate capital payment. The former Acting Deputy Chief Executive commented that he sought the advice of the Council’s capital accountant before making this decision, but he ultimately signed off the position.

It is unclear what figures were used to calculate the capital expenditure. The table in the previous section, displays that the costings on the financial statement are close to the figures on the Maintenance and Repairs summary.

The Code of Practice in Local Authority Accounting in the UK states:

*“4.1.2.18 Subsequent costs arising from day-to-day servicing of an asset (i.e. labour costs and consumables), commonly referred to as ‘repairs and maintenance’, should not be capitalised if they do not meet the recognition principle in paragraph 4.1.2.16 because the expenditure does not add to the future economic benefits or service potential of the asset. Rather the expenditure maintains the asset’s potential to deliver future economic benefits or service potential that it was expected to provide when originally acquired. These subsequent repair and maintenance costs do not, therefore, qualify for recognition as an asset in their own right.”*








If the Maintenance and Repairs document, was a reflection of the works undertaken, then Auditors have concerns whether some of the items on the list qualify as capital expenditure.

It has been raised that it is possible some of the capital expenditure for roof repairs had already been paid for by a grant from the Arts Council for Wales (ACW). The Financial Accounts ending in March 2016 show a grant of £33,832 from ACW, which was listed as “other grant income (restricted)” but does not mention the purpose of the grant. However, the Council determined the basis and amount of the one-off payment.

The Theatr commented that they were never asked for information on their capital spending in relation to the payment but were informed that it was based on audited accounts. Iterations of the Repairs and Maintenance documents had been submitted to the council for a different purpose. It was stressed that they were not asked about any grant funding, and if they had been asked about it, they would have been happy to provide the requested information.

# Appendix

## Documents

 <p><b>Extracts From Scrutiny Committee .</b></p>	A. Extracts from the Constitution for the Scrutiny Committee Rules
 <p><b>Decision Making Timeline .docx</b></p>	B. Decision Making Timeline
 <p><b>Property Timeline .docx</b></p>	C. Property Related Timeline
 <p><b>List of Interviewees.docx</b></p>	D. Contributors and Interviewees in the Audit Process
 <p><b>Portfolio Holder Delegated Decision</b></p>	E. Delegated Decision Report
 <p><b>Urgent Decision Notification 24th Au</b></p>	F. Notice of urgent decision 24 <sup>th</sup> August
 <p><b>Notice of Urgent Decision 28th Augu:</b></p>	G. Notice of urgent decision 28 <sup>th</sup> August

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minutes.pdf

H. Audit Committee Minutes from the 12<sup>th</sup> September

# Audit Framework and Definitions

## Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.



# Authors and Distribution

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.

## Report Authors

This report was produced and issued by:

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Kevin Price	Senior ICT Auditor
Kate Ryde	Auditor

## Distribution List

This report has also been distributed to the following individuals:

Caroline Turner	Chief Executive
Ness Young	Corporate Director for Resources and Transformation
Cllr Rosemary Harris	Leader of the Council
Cllr Aled Davies	Deputy Leader and Portfolio Holder for Finance, Countryside and Transport
Cllr Phyl Davies	Portfolio Holder for Education and Property
Cllr John Morris	Chair of the Audit Committee
Cllr John Brautigam	Deputy Chair of Audit Committee
Sally Jones	Chair of Theatr Brycheiniog
David Wilson	Director of Theatr Brycheiniog

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**Extract from Version 5 Section 7 on Scrutiny Committee**

The following are relevant extracts from the Constitution:

***“Scrutiny Committees***

*7.3 In order to achieve this, the Council will appoint three Scrutiny Committees (and in addition the Council will participate in a PSB Scrutiny Committee) which between them will: .....*”

*“7.3.4 exercise the right to call in for reconsideration decisions made, but not yet implemented, by the Cabinet and Officers.”*

***“General Functions***

*7.6 Within their terms of reference, Scrutiny Committees will: .....*”

*“7.6.4 exercise the right to call-in, for reconsideration, decisions made but not yet implemented, by the Cabinet, a committee of the Cabinet, a member of the Cabinet, an officer exercising functions delegated by the Cabinet. (See Call-In Procedure – Rule 7.37);”*

***“Call-in Procedure Rules***

*7.36.1 Where a decision is made by the Cabinet or an individual member of the Cabinet or a Committee of the Cabinet or under joint arrangements with other public bodies, the decision shall be published by the Monitoring Officer,.....”*

*“7.36.2 The communication to Councillors sending them the decision will (a) bear the date on which the decision is published and (b) will specify the date when the decision will come into force (subject to Rule 7.37.3) and may then be implemented, on the expiry of five clear days (the “Call-in Period”) after the date of publication of the decision, unless the appropriate Scrutiny Committee objects to it and calls it in for review within the Call-in Period.”*

*“7.36.3 During the Call-in Period the Monitoring Officer shall call-in a decision for scrutiny by the relevant Scrutiny Committee if so requested in the specified format (“the Call-In Request”<sup>5</sup>) by the chair or 4 members of a Scrutiny Committee PROVIDED THAT the Monitoring Officer and / or the Chief Finance Officer are satisfied that the following conditions are met:*

*7.36.3.1 the decision or action was contrary to the policy framework or budget, or fell outside the functions of the Cabinet; or*

*7.36.3.2 the Cabinet or decision maker had not followed agreed procedures or failed to consult (where required) before reaching its decision; or*

*7.36.3.3 the Cabinet had not followed, or had failed to take account of, any legal obligations, including regulations or statutory guidance governing the Council’s actions, or other guidance adopted by the Council.”*

*“7.36.4 Where the Monitoring Officer and / or the Chief Finance Officer are satisfied that one or more of the conditions set out in rule 7.36.3 above have been met, they shall produce a written report setting out the reasons for coming to this conclusion and the Monitoring Officer will then arrange for a “Call-In Notice”<sup>6</sup> to be issued in accordance with Rule 7.36.5 below. “*

*“7.36.5 A Call-In Notice must contain the following:*

*7.36.5.1 details of the condition set out in rule 7.36.3 above being relied upon;*

*7.36.5.2 the reasons why it is believed one or more of the conditions are satisfied;”*

*“7.36.6 The Monitoring Officer shall call a meeting of that Scrutiny Committee on such a date as s/he may determine, where possible after consultation with the chair or vice chair of that the appropriate Scrutiny Committee , and usually within 10 clear days of the receipt of the Call-In Request (the “Scrutiny Period”) (only in exceptional circumstances will the chair of the Scrutiny Committee consider extending this time limit and the period of extension cannot in any circumstances exceed a further 5 clear days).”*

*“7.36.7 If, having considered the decision, the Scrutiny Committee remains concerned about the decision, then the Committee may refer it back to the decision making body for reconsideration, setting out in writing the nature of its concerns or refer the matter to Full Council for review. If the decision is referred back to the decision maker, the decision maker shall then reconsider the decision within 10 clear days of the date of the reference. That decision making body or person shall choose whether to amend the decision or not before reaching a final decision and implementing it. The final decision cannot be the subject of a further call-in”*

***“ Call-In and Urgency***

*7.37.1 The call-in procedure set out in Rule 7.36 above shall not apply where the decision being taken is urgent. A decision will be urgent if:*

*7.37.1.1 any delay likely to be caused by the call-in process would seriously prejudice the Council’s or other public interests; and*

*7.37.1.2 the Head of Paid Service and / or the Monitoring Officer and / or the Chief Finance Officer certifies in writing that any delay likely to be caused by the call-in process could seriously prejudice the Council, or the public interest; and*

*7.37.1.3 the chair of the relevant Scrutiny Committee agrees in writing to the decision being treated as a matter of urgency. In the absence of the Scrutiny chair then either the Scrutiny vice chair or the chair of Council may agree to the decision being treated as a matter of urgency; and*

*7.37.1.4 the record of the decision, and notice by which it is made public, shall state that the decision is an urgent one, and that the urgency of the matter has been approved by the Head of Paid Service and / or the Monitoring Officer and / or the Chief Finance Officer and by the chair of the relevant Scrutiny Committee or Scrutiny vice-chair or the chair of Council.*

*7.37.2 Decisions taken as a matter of urgency can be implemented forthwith but must be reported at the next available meeting of the relevant Scrutiny Committee, together with the reasons for urgency.*

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Decision Making Timeline

Date	Forum	Document	Purpose	Author/Owner	Comments
October 2017		Letter	Request from theatr to meet with Cabinet members to discuss the current situation of the theatr.	Theatr Brycheiniog	
November 2017	Meeting between PCC and Theatr Brycheiniog	Presentation	Outline Financial situation and requesting a working capital loan on commercial terms of £110k	Theatr Brycheiniog	Requirement for funding first requested
9 <sup>th</sup> January 2018	PCC Cabinet Management Team	Theatre Brycheiniog Report	Financial Position Overview and option including do nothing, loan and grant advanced payment	Paul Griffiths – SD Place Jane Thomas-Head of Financial Services	First consideration by the Council of Financial position and funding options
22 <sup>nd</sup> March 2018	Council Members	Delegated Decision	Advanced Payment of 2018/19 grant	Aled Davies, Portfolio Holder for Finance, Countryside & Transport and Rachel Powell, Portfolio Holder for Children Youth, Libraries and Leisure Services	
29 <sup>th</sup> May 2018		Letter	Letter requesting update from Council regarding the loan request.	Theatr Brycheiniog	Council wishes to monitor the Theatr for a couple more months before agreeing to the loan.

5 <sup>th</sup> June 2018	PCC Cabinet /Management Team	Theatr Brycheiniog Update - Confidential	<p>Updated financial position. Loan decision deferred on ground of financial sustainability Cabinet looking for reliability of the budget figure. Assesses financial risk of removal of grant funding.</p> <p>Confirms occupation in 1997 and full repairing lease expiring in April 2015 Identifies property issues and risks around the potential return of the grant</p> <p>High TB position that £1.2 m to complete outstanding repairs TB spent over 500k on maintenance works over last five years of which 50 % was for landlord repairs.</p> <p>Recommendation – Updated financial position to be noted</p>	Jane Thomas- Head of Financial Services	<p>Loan deferred. Confirmed advance grant payment of £49.7K March 2018 but with stipulations</p> <p>Deteriorating financial health. Nil balance cashflow forecast for June with deficit highlighted from Jan 19 “...Council had to be mindful that offering a loan to TB does set a precedent as there are likely to be others requesting loans.” Small margin of Risk as trustee liable, Chair of TB “.... Need for an imminent decision regarding consideration of the loan request.”</p>
8 <sup>th</sup> June 2018		Letter	Letter from the leader of the Council asking for more financial information from the theatr	PCC	
25 <sup>th</sup> June 2018		Letter	<p>Letter to the Leader of the Council expressing concerns about the situation, and lack of decision on the loan. “If you recall, we had hoped after our meeting last November for a decision early this year, and the delay in any clear indication from the Council makes the theatr’s position increasingly precarious”</p>	Theatr Brycheiniog	Theatr was considering insolvency. Theatr board was meeting in July to discuss this.



			Theatr informs the Council that they may not be able to continue to trade without the loan.		
Prior to June 25 <sup>th</sup> 2018		Financial Information on Past Repairs and building issues	Discuss Building issues	Theatr Brycheiniog	
3 <sup>rd</sup> August 2018	Meeting in Brecon between PCC and TB	Internal Notes	Notes of a meeting held between PCC and TB. These were internal notes produced by the Theatr. Notes state that an update was provided, and the situation was considered from both sides. Outcome was that DP was to speak to the theatre auditors	Theatr Brycheiniog	PCC did not provide any notes of the meeting.
5 <sup>th</sup> August 2018	Internal Report Arts & Culture	Briefing Paper V02 Theatr Brycheiniog - Confidential	Notes for David Powell (Cabinet Consideration) that identifies key issues TB financial position, Building condition.  Asking for urgent consideration of £110k loan Contains ACW Commissioned Resilience Reports by David Metcalf dated March 2018 and July 2018.  Identifies loan options and shows advantages. Some reference to the risks of each option.  Recommends PCC agree a loan and exploring different operational models	Lucy Bevan-Commission Officer for Arts and Culture	

10 <sup>th</sup> August 2018	PCC	Email	A meeting was held by officers to discuss what would happen with the theatr, if PCC decided not to help. Costs were discussed.	PCC	Email from a member of the legal team, regarding the discussion they held on the previous day.
16 <sup>th</sup> August 2018	PCC and TB	Informal Meeting	Council raised the option of a one-off payment of £157,920 in recognition of the amount spent on last 3 years audited accounts. TB Board Accepted	David Powell, Acting Chief Executive Rosemary Harris, Leader Aled Davies, Portfolio Holder	
20 <sup>th</sup> August 2018	PCC Accounts	Invoice to PCC from TB for the value of £189,504.00 (157,920 + VAT)	Contribution to Repairs to the theatr Brycheiniog property costs in Financial years 2014/15, 2015/16 and 2016/17		
24 <sup>th</sup> August 2018	Portfolio Holders	Notice of Urgent Portfolios delegated Decision	Portfolio Holder for Finance, Countryside and Transport (AD) and portfolio holder for Highways, Recycling and Assets (PD) urgent decision under rule 7.38.1.4 on the constitution	Steven Boyd, Democratic Services	
28 <sup>th</sup> August 2018	Council Member	Email	Email to the Chief Finance Officer, from Pete Robert Scrutiny Chair, agreeing to not call in decision.	Pete Roberts, Scrutiny Chair	
28 <sup>th</sup> August 2018	Portfolio Holders	Delegated Decision Report	Report for a Portfolio Delegated Decision approving a one-off capital payment to Theatr Brycheiniog for £157,920.	Owners- Aled Davies, Portfolio Holder for Finance, Countryside & Transport and Phyl Davies, Portfolio Holder for Highways,	Proposed that contribution is made in respect of expenditure incurred on protection of the asset  “...., the Council will make a one-off payment of £157,920 to assist with the costs incurred in maintaining the asset. This

				Recycling and Assets. Author-David Powell, Acting Deputy Chief Executive	has been negotiated with the Theatr and is based on costs incurred for the financial years 2014/15, 2015/16, 2016/17.”  No Impact Assessment
30 <sup>th</sup> August	Discussion	Email	Email from the Chief Finance Officer to John Morris, Audit Committee Chair. Confirming the agreement not the call-in the decision. On the agreement to make 40% payment immediately and to review the rest following an audit committee meeting.	David Powell	JM’s response was not seen
1 <sup>st</sup> September 2018	PCC Accounts	Journal	1 <sup>st</sup> payment - gross payment of £75,801.60 (net £63,168.00) in the Council ledger	PCC	Only journals could be located.
12 <sup>th</sup> September 2018	Audit Committee	Minutes	Minutes confirming a meeting of the Audit Committee where the Acting Chief Executive presented information to support the payment		Unclear
18 <sup>th</sup> September 2018	PCC Accounts	Journal	2 <sup>nd</sup> Payment – gross £ 113,702.40 (Net £94,752.00) in the Council ledger	PCC	Only journals could be located.

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## Property Related Timeline

Date	Document	Purpose	Author/Owner	Comments
1997	Full Repairing Lease	PCC to lease the building to the Theatr Brycheiniog	PCC/Theatr	Original Lease cannot be located. Scans received from both the theatr an PCC. This was not signed straight away, although the theatr did begin to use the building.
1997	SLA (Service Level Agreement)	An agreement between the service and the theatr	PCC (leisure Services)	Original SLA was from 1997-2002 a 5-year agreement. Point 4: 'in parallel to the lease there will be a separate Service Level/Management Agreement under which the company will manage the facility for the Council'
November 2000	Letter to Graham Eales (PCC officer)	Raising concerns over the lease & its contents.	Theatr	Raising concerns about the maintenance burden of the lease and to specific sections of the lease. Briefly mentions the SLA: "I have not entered discussions with the community department regarding service level agreement and wonder whether this should be done before formally entering the lease agreement"
January 2001	Letter to A Eagle	Damage to roof	Theatr	Explains that the department cannot afford to pay for the damage to the roof and therefore will attempt to get this paid via insurance
January 2001	Letter to A Eagle (TB)	Update on circumstances	Theatr	Suggestion that the lease documents is made subject to PCC undertaking work on air chillers. Awaiting information for SLA Cannot guarantee 100% rate relief for all of lease period.

26 <sup>th</sup> February 2001	Letter to Andy Eagle (TB)	Letter covering a discussion held the previous day re lease.	Theatr	<p>Requests theatr to send information to be included in the draft SLA and attaches a copy of the current draft. Suggests that changes to the SLA are still ongoing.</p> <p>“In respect of the Service Level Agreement please could you let me have a copy of the Boards Constitution or articles of association. I can then insert these into the draft SLA (a copy of which is attached). I would be grateful if you would peruse the attached proposals and let me have your comments in due course”</p> <p>Accepts that difficulties with air conditioning need to be resolved by PCC. Mentions setting aside capital money to address the problem.</p>
28 <sup>th</sup> February 2001	Letter to Paul Griffiths from Andy Eagle	Response to previous letter.	Theatr	<p>States: “I have read through the draft SLA and can see no problem with it”</p> <p>It is unclear if this draft SLA was the final version. A Eagle suggests that he will recommend to the board that the lease is signed.</p>
July 2001	Letter to Andy Eagle	Explaining PCC position	Theatr	Explains that the undertaking of any work on the theatr will depend on the funding resources within community and leisure services.
January 2004	Paul Griffiths Letter	To get the Theatr to sign the lease.	Paul Griffiths	Letter stating that revenue funding will be withdrawn unless lease is signed.
2005	PCC Capita Building Survey		PCC	Do not have a copy of this document
2008	SLA (Service Level Agreement)	An agreement between the service and the theatr		SLA for 2008-2011

2014	Mott McDonald Survey	Extensive Building Survey, commissioned by the theatr	Theatr	Survey Identified a large number of issues with the building.
Feb 2015	Letter to Jeremy Paterson from Martyn Green	Request to discuss issues	Theatr	
Nov 2015		Mott Macdonald Survey was presented to the Council during a meeting with the Theatr		No minutes of this meeting.
March 2016	Letter from Jeremy Patterson to Martyn Green	Building issues at TB	PCC	The theatr signed a full repairing lease, PCC views that it is not responsible for maintenance issues.
14 <sup>th</sup> March 2017	Meeting notes	Brief notes on what happened at meeting	Theatr	Theatr spent £415K up to the end of 2015/16 of its revenue fund on the Theatr's repairs including 40K grant from ACW for roof. Discussions on what maintenance theatr had undertaken, and PCCs view on the situation. Theatr to create a bundle of information and send to PCC as soon as possible.
June 2017	Letter to Jeremy Patterson	Building Issues at Theatr Brycheiniog	Theatr	A rebuttal of his previous letter in March 2016, and submission of a "pack of evidence" for a review. Submitted documents: <ul style="list-style-type: none"> <li>• Theatr Brycheiniog 2017 – Urgent Repairs</li> <li>• Maintenance and Repairs 1997-March2017</li> <li>• Scheduled Work 2017/18</li> </ul>
June 2018	Letter to Stuart Mackintosh	To express concerns over a cancelled meeting the previous day	Theatr- Sally	Queries why the meeting was cancelled and requesting an alternative date. Submitted docs: <ul style="list-style-type: none"> <li>• Urgent repairs</li> <li>• Maintenance and repairs log 1997-2018</li> <li>• Scheduled work log</li> </ul>





**Contributors and Interviewees in the Audit Process**

- Cllr John Morris, Chair of the Audit Committee
- Cllr John Brautigam, Vice Chair of the Audit Committee
- Cllr Aled Davies, Cabinet Portfolio Holder for Finance
- Cllr Racheal Powell, Cabinet Portfolio Holder for Culture, Leisure and Recreation
- Cllr Phyl Davies, Cabinet Portfolio Holder for Property
- Cllr Pete Roberts, Chair of Scrutiny Committee for Culture
- Cllr Gwilym Williams, Chair of Scrutiny Committee for Adults and Children
- Cllr Rosemary Harris, Leader of the Council
- Wyn Richards, Democratic Services Manager
- Lisa Richards, Senior Clerk
- Lucy Bevan, Commissioning Officer for Arts and Culture and TB Board Observer
- Neil Clutton, Property Manager
- Ann Owen, Treasury Manger
- Debby Jones, Professional Lead – Legal
- Clive Pinney, Head of Legal and Democratic Services
- Jane Thomas, Head of Finance and Section 151 Officer
- Sally Jones, Chair of Trustees for Theatr Brycheiniog
- David Wilson, Theatre Director for Theatre Brycheiniog
- David Powell, Former Deputy Chief Executive and Section 151 Officer

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**CYNGOR SIR POWYS COUNTY COUNCIL**  
**PORTFOLIO HOLDER DELEGATED DECISION**  
by  
**COUNTY COUNCILLOR ALED DAVIES**  
**(PORTFOLIO HOLDER FOR FINANCE, COUNTRYSIDE & TRANSPORT)**  
&  
**COUNTY COUNCILLOR PHYL DAVIES**  
**(PORTFOLIO HOLDER FOR HIGHWAYS, RECYCLING & ASSETS)**

**28 August 2018**

**REPORT AUTHOR:** David Powell, Acting Deputy Chief Executive

**SUBJECT:** Capital Expenditure Contribution: Theatr Brycheiniog

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**REPORT FOR:** Decision

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### **1. Summary**

- 1.1. This report seeks approval for a contribution to the capital expenditure costs incurred at Theatr Brycheiniog.
- 1.2. Following discussions with the Theatr it is proposed that a contribution is made in respect of expenditure incurred on protection of the asset. This will also assist the asset going forward. The Theatr has incurred £356,752 of expenditure on the building since 1997/8 and following review of the audited accounts, the Council will make a one-off payment of £157,920 to assist with the costs incurred in maintaining the asset. This has been negotiated with the Theatr and is based on costs incurred for the financial years 2014/15, 2015/16 and 2016/17.
- 1.3. The Council and Theatr will work together to look at a sustainable solution for the building going forward as part of a joint review of the current model of provision and will seek to involve the Arts Council of Wales in the process. At the same time there will be a review of the budget going forward that will include the need to protect the asset. The review will also look at the longer term issues affecting the building given the tenant has raised concerns about the condition since their acquisition of the lease in 1997.

### **2. Proposal**

- 2.1. The proposed payment follows discussions with the Board's representatives since late 2017 about issues facing the Theatr that have affected cashflow. The payment and proposed review not only recognizes the need to secure the Theatr's position going forward but also the importance of securing the Council's asset.
- 2.2. It is clear that the future model of the agreement covering the building will also form part of the discussion whilst noting the lease has a number of years to run. The review will also look at the most appropriate way the Theatr can discharge its responsibility as

a tenant. The Tenant will hereinafter be required to evidence the ongoing obligation they have towards the property and compliance with the same.

### **3. Options Considered / Available**

3.1. The options available are as follows:

3.1.1. That Powys County Council agrees to make the payment to help secure the Theatr's future.

3.1.2. That the Council considers granting a loan at commercial rates to the Theatr. This would increase financial pressure.

### **4. Preferred Choice and Reasons**

The payment/grant (option 3.1.1.) provides security for the Theatr.

### **5. Impact Assessment**

5.1 Is an impact assessment required? No

5.2 If yes is it attached? N/A

### **6. Corporate Improvement Plan**

6.1 The proposal supports the Vision 2025 objective for the economy, noting that the Theatr makes a £1.5million contribution to the local economy.

### **7. Local Member(s)**

7.1 The proposal affects the Brecon area and Councillor David Meredith (St David Within) has indicated his support for the proposal noting that he wishes historic issues affecting the building's condition to be part of the review.

7.2 Cllr Iain Mackintosh (Yscir) comments 'It is highly important that Theatr Brycheiniog continues to contribute around £1.5m to the local economy in and around Brecon. I fully support Powys County Council's help in making sure we don't lose such an important facility in our town and look forward to Theatre Brycheiniog, The Arts Council of Wales and Powys County Council joining forces to make sure a sustainable solution is achieved going forward to keep the theatre open for all visitors and tourists, the residents of Brecon and Yscir, and all surrounding areas.'

7.3 Cllr Matthew Dorrance (St. John) has indicated support for the proposal and welcomes the joint review of provision going forward.

- 7.4 Cllr Sarah Lewis (St Mary) states: 'The Theatr makes a significant contribution to the Brecon area and I am pleased that Powys Council can support this key facility. The Arts need to be seen as important to the Brecon area as it makes a strong economic contribution to Brecon that including the tourist sector.'

**8. Other Front Line Services**

Does the recommendation impact on other services run by the Council or on behalf of the Council?                      No

**9. Communications**

Have Communications seen a copy of this report?                      Yes

**10. Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)**

10.1 Legal confirms that there is no legal obligation on the Authority to assist towards repairs/maintenance of the property, this rests with the tenant. Further, legal services will assist in ensuring compliance with the lease obligations when so advised and in line with the review identified above.

10.2 Finance state the payment contribution will be funded from the capital programme.

10.3 Corporate Property supports the proposal to help protect this important asset for the Council and the Community.

**11. Scrutiny**

Has this report been scrutinised?                      No

**12. Data Protection**

12.1 Not applicable.

**13. Statutory Officers**

13.1 The Section 151 Officer notes that the proposal can be funded from existing resources.

13.2 The Deputy Monitoring Officer acknowledges the legal comment and notes that Finance have considered this proposal as part of the Capital Funding Programme.

**14. Members' Interests**



14.1 The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
To approve the capital expenditure contribution to Theatr Brycheiniog.	To help secure the Theatr's financial position.

<b>Relevant Policy (ies):</b>			
<b>Within Policy:</b>	Y	<b>Within Budget:</b>	Y

<b>Relevant Local Member(s):</b>	Cllr. Matthew Dorrance, Cllr. David Meredith, Cllr Iain Mackintosh, Cllr Sarah Lewis
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<b>Person(s) To Implement Decision:</b>	Acting Deputy Chief Executive
<b>Date By When Decision To Be Implemented:</b>	

<b>Is a review of the impact of the decision required?</b>	Y
<b>If yes, date of review</b>	March 2019
<b>Person responsible for the review</b>	Stuart Mackintosh
<b>Date review to be presented to Portfolio Holder/ Cabinet for information or further action</b>	31 <sup>st</sup> March 2019

<b>Contact Officer:</b>	David Powell, Acting Deputy Chief Executive
<b>Tel:</b>	01597 826464
<b>Email:</b>	<a href="mailto:david.powell@powys.gov.uk">david.powell@powys.gov.uk</a>

**Background Papers used to prepare Report:**

DELEGATED DECISION REPORT TEMPLATE VERSION 6

# Public Document Pack



Neuadd y Sir / County Hall, Llandrindod, Powys, LD1 5LG

## LEADER AND / OR PORTFOLIO HOLDER(S) - URGENT DECISION Friday, 24th August, 2018

### Supplementary Information:

#### Capital Expenditure Contribution: Theatr Brycheiniog

The report of the Portfolio Holder for Finance, Countryside and Transport and the Portfolio Holder for Highways, Recycling and Assets was published on Tuesday 28<sup>th</sup> August 2018 and the decision notice was published on Monday 3<sup>rd</sup> September, 2018.

The Chair of the Learning, Skills and Economy Scrutiny Committee and the Chair of the Health Care and Housing Scrutiny Committee agreed not to call-in the decision on the grounds of urgency.

The Chair of the Audit Committee agreed not to call-in the decision but has called a meeting of the Audit Committee to understand the financial decision and process. As a result it was agreed by the Chair of Audit that 40% of the contribution be paid, and the Portfolio Holders will reflect on the committee's discussions following the meeting before payment of the balance.

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## Public Document Pack

### Leader and / or Portfolio Holder(s) - Urgent Decision



County Hall  
Llandrindod Wells  
Powys  
LD1 6LG  
28.08.18

For further information please contact

**Steve Boyd**  
Stephen Boyd  
[steve.boyd@powys.gov.uk](mailto:steve.boyd@powys.gov.uk)  
01597 826374

#### **NOTICE OF AN URGENT PORTFOLIO HOLDERS DELEGATED DECISION**

The Portfolio Holder for Finance, Countryside and Transport, the Portfolio Holder for Highways, Recycling and Assets and the Portfolio Holder for Young People and Culture have received the following report for a decision to be taken under delegated authority. The decision will be taken on **3<sup>rd</sup> September, 2018**

As set out in Rule 7.38.1.4 of the Constitution [Call in and Urgency] the decision is an urgent one, and the urgency of the matter will need to be approved by the Head of Paid Service and / or the Monitoring Officer and / or the Chief Finance Officer and by the Chairs of The Learning Skills and Economy Scrutiny Committee, the Health Care and Housing Scrutiny Committee and the Audit Committee, prior to the decision being taken.

Therefore the Call-In process as set out in Rule 7.37 of the Constitution will not apply in relation to this decision.

1.	<b>CAPITAL EXPENDITURE CONTRIBUTION: THEATR BRYCHEINIOW</b>
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(Pages 3 - 6)

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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON WEDNESDAY, 12 SEPTEMBER 2018**

**PRESENT**

County Councillors JG Morris (Chair), J Charlton, L V Corfield, M J Dorrance, D R Jones, K Lewis, WD Powell, E Vaughan, A Williams and J M Williams

Councillors in Attendance: County Councillors P Roberts, Chair, Learning, Skills and Economy Scrutiny Committee and G Williams, Chair, Health, Care and Housing Scrutiny Committee

Cabinet Portfolio Holders in Attendance; County Councillor A W Davies

Officers: David Powell, Deputy Chief Executive, Jane Thomas, Head of Financial Services, Stephen Caple, Deputy Head of Financial Services, Dan Paley, Financial Reporting and Policy Accountant and Ann Owen, Treasury Manager

Officers in Attendance: Messrs P Pugh, A Veale and J Evans, WAO and Ian Halstead, SWAP

<b>1.</b>	<b>APOLOGIES</b>
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Apologies for absence were received from County Councillors M Barnes, B Baynham, Mr J Brautigam (Vice-Chair), E Durrant, M J Jones, K Laurie-Parry, D A Thomas, R G Thomas and T J Van-Rees

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
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County Councillor M Dorrance declared a personal interest in item 18, Brecon Theatre as the Theatre was in his ward.

<b>3.</b>	<b>DISCLOSURE OF PARTY WHIPS</b>
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There were no disclosures of party whips.

<b>4.</b>	<b>MINUTES</b>
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The Chair was authorised to sign the minutes of the previous meeting, held on 6 July 2018 as a correct record.

**Items 13 and 14 were discussed at this point on the agenda.**

<b>5.</b>	<b>STATEMENT OF ACCOUNTS</b>
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5.1. Closure of Accounts

**Documents:**

- Report of the Head of Financial Services

**Discussion:**

- A workshop had been held recently to brief Members on the changes that had been made between their consideration of the draft Statement of Accounts and the final version
- A project management approach continues to be used
- The Committee have previously questioned the capacity within the Team, particularly in relation to earlier closing, and the Head of Financial Services reported that an ongoing training plan was in place which added to the resilience of the Team and allowed greater flexibility
- The Accounts were available for public inspection but this opportunity had not been taken up
- There were fewer amendments during the process than had previously been the case
- Challenges for the closure of the 2018/19 accounts will be earlier closure and the implementation of the new finance system – this will be carefully planned and managed

5.2. Audit of Financial Statements Reports

**Documents:**

- WAO Audit of Financial Statements Report – Powys County Council
- WAO Audit of Financial Statements Report – Powys Pension Fund

**Discussion:**

- It was noted that it was the Auditor General's intention to provide an unqualified opinion on both sets of Accounts
- The level of materiality had been set at £4.349M for the main accounts and £6.204M for the Pension Fund
- The audit procedures were almost complete but would be ongoing until 25 September 2018
- There were no uncorrected misstatements
- The draft accounts had been of good quality
- Earlier deadlines had been achieved but opportunities remain for further improvements
- A Statutory Recommendation had been made in the 2016 Audit Letter regarding the necessity to ensure savings plans were sufficiently well developed and that the MTFs should be reviewed. Given the level of savings that are not achieved the robustness of the initial plans must be questioned. The Head of Financial Services reported that processes have improved. Those savings that have not been achieved are being considered by Cabinet. Following initial discussions with Cabinet over future savings plans, full business cases and impact assessments are now being prepared.
- The WAO reserve the right to reconsider the Authority's decision regarding the Minimum Revenue Position
- There had been an imbalance on the trial balance and, whilst this was not a significant amount, this should not occur
- The WAO were discussing with officers the earlier closing of the 2018/19 accounts

- With reference to the Pension Fund, one recommendation has been made – to put in place a process which automatically updates changes in contribution rates due to a change in circumstances.
- The WAO thanked officers for their efforts during the auditing process. Early closure was still a challenge but improvements had been made and the WAO would work with officers to overcome these challenges
- The Chair reported that a useful joint meeting had been held between Audit Committee and the Pensions and Investment Committee to improve understanding of each other's roles.

**Outcome:**

- **The WAO Financial Statements Reports be noted**

5.3. Letters of Representation

**Documents:**

- Letter of Representation regarding the 2017-18 financial statements
- Letter of Representation regarding the 2017-18 Pension Fund financial statements

**Outcome:**

- The Letters of Representation were noted

5.4. Statement of Accounts

**Documents:**

- Statement of Accounts 2017/18 (including the Annual Governance Statement)

**Outcome:**

- **The Chair was authorised to sign the Statement of Accounts 2017/18 for both the Authority and Pension Fund**
- **The Statement of Accounts 2017/18 would be published by 30 September 2018**

<b>6. BUDGET MONITORING REPORT</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- Two forecasts are now included within the report – one is the expected position and one the position including those savings where there is a high expectation of achievement
- Officers were asked what was the current level of unachieved savings – there was £1.7M identified by the Income and Cost Improvement Board and £2.2M within Children's Services. These savings will be reassessed as part of the current budget process but could lead to additional pressures within the budget.
- Members were also concerned that a school's deficit is written off if the school closes – this has to be absorbed elsewhere
- The Section 151 Officer reminded the Committee that if a service agrees a saving, then this must be delivered or found from elsewhere

- The Committee were of the opinion that the Children's Services and Delegated Schools budgets were significant risks for the Authority
- The report had already been considered in greater detail in the Finance Scrutiny Panel

**Outcome:**

- **The report was noted**

<b>7. CAPITAL REPORT</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- Projects are on track
- 42% of the budget remains to be committed
- No major risks have been identified
- Two virements have been identified

**Outcome:**

- **The report was noted**

<b>8. INTERNAL AUDIT</b>
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**Documents:**

- SWAP Internal Audit Activity – 1 April to 31 July 2018

**Discussion:**

- 61% of projects have been completed or started in the first four months of the financial year
- Recommendations are prioritized as follows
  - Priority 1 – fundamental
  - Priority 2 - important
  - Priority 3 - merits attention
- Under the previous scrutiny structure, an Internal Audit Working Group had considered adverse reports – Members asked how this was to be addressed under the new structure. There were two options, firstly to bring those reports to Audit Committee for consideration or secondly to establish a working group arrangement which reports to the Committee. The Working Group had worked well and both the Chair and Portfolio Holder agreed that it allowed more in depth scrutiny of the issues. It was also noted that the structure of scrutiny was to be reviewed to ensure it was fit for purpose and that this matter should be considered as part of that process.

County Councillor K Lewis left the meeting at 3.50

- Members asked when audits of Freedom Leisure contract management and functionality of Heart of Wales Property Services would be available – the Freedom Leisure report was substantially complete and it was likely

that the final report would be released within the month. The audit brief was being developed for the HOWPS review and this would not be complete for three months.

**Outcome:**

- **The report was noted**

<b>9. WAO - TRANSFORMATION REVIEW</b>
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**Documents:**

- Project Brief – Review of Powys County Council's Organisational Transformation and Efficiency Savings Programmes

**Discussion:**

- The fieldwork has been completed for part one of the review which covers the planning and arrangements sitting behind transformation
- Conclusions are being formulated and will determine the way forward
- Phase two will consider progress made against the issues and results will be available during the fourth quarter of this financial year or the first of the next financial year
- The WAO will not involve scrutiny or Audit in the discussions as this will take place at a political and administrative level
- Audit Committee will monitor progress
- The Committee asked whether the Council had had any involvement in setting the questions and were advised that this was not appropriate. WAO are seeking assurance that the Authority is making the appropriate progress.

**Outcome:**

- **The Project Brief was noted**

<b>10. CIPFA FINANCIAL MANAGEMENT MODEL UPDATE</b>
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**Documents:**

- None

**Discussion:**

- Audit Committee had previously considered the brief for the CIPFA Financial Management Model

County Councillor J Charlton left the meeting at 4pm

- A survey had been rolled out for completion and interviews have taken place
- Initial feedback will be provided to Management Team

**Outcome:**

- **The report was noted**

<b>11.</b>	<b>NEW FINANCE SYSTEM - PROJECT IMPLEMENTATION</b>
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**Documents:**

- Report of the Deputy Head of Financial Services

**Discussion:**

- A project is ongoing to upgrade the finance system
- The implementation phase is commencing and workshops are underway
- Future Audit Committees will receive updates on the progress of the project
- Members noted that the data will be stored externally and asked whether there was any risk to this – security is in place and most of the data is outside of the GDPR regulations
- Internal Audit had previously considered a review into the safety of data but this had concentrated on the IT side. There had been some issues around rigour but these had been addressed and there were no concerns at present.
- The new system will replace e-financials but will not include council tax
- The system will improve interfaces and the movement of data will be more effective with much less manual intervention

**Outcome:**

- **The Committee will receive updates on the implementation of the new system**

<b>12.</b>	<b>WORK PROGRAMME</b>
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**Documents:**

- Scrutiny Work Programme

**Outcome:**

- **The Finance Scrutiny Panel be added to the work programme**

<b>13.</b>	<b>ACCESS TO INFORMATION</b>
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**RESOLVED to exclude the public for the following item of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).**

<b>14.</b>	<b>BRECON THEATRE</b>
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The Committee was briefed on the issues surrounding an urgent decision which needed to be taken and that the Chairs of Scrutiny Committees (including Audit) had waived their right to call in the decision.

Members debated the need for confidentiality but were advised that on this occasion, the information given outweighed the public interest.



### **The Committee returned to public session**

The Chair formally reported that he had been asked to waive the Committee's right to call in the decision of the Portfolio Holders given the urgency of the situation. However, he had been concerned at the lack of information available to him and that a press release had been issued confirming financial support to the Theatre prior to his having been asked.

The Portfolio Holder for Finance was asked if he and the Portfolio Holder for Highways, Recycling and Assets had had sufficient information to enable them to undertake due diligence in making their decision. The Portfolio Holder for Finance confirmed that they had.

The Theatre was thought to benefit the area by £1.5M per annum. However, the Audit Committee sought further information relating to the structural review, a valuation of the asset, the status of the lease and the level of risk of the Arts Council for Wales and EU Regional Fund requiring repayment of grants. They also questioned whether the funding would impact any other capital or revenue project of the Council.

#### **Outcome:**

- **The Committee was informed of the urgent request made of the Chair**
- **Further scrutiny may be appropriate and would be agreed and allocated by the Joint Chairs and Vice Chairs Steering Group in due course.**

**County Councillor JG Morris (Chair)**

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**CYNGOR SIR POWYS COUNTY COUNCIL**  
**PORTFOLIO HOLDER DELEGATED DECISION**  
 by  
**COUNTY COUNCILLOR ALED DAVIES**  
**(PORTFOLIO HOLDER FOR FINANCE, COUNTRYSIDE & TRANSPORT)**  
 &  
**COUNTY COUNCILLOR PHYL DAVIES**  
**(PORTFOLIO HOLDER FOR HIGHWAYS, RECYCLING & ASSETS)**

28 August 2018

**REPORT AUTHOR:** David Powell, Acting Deputy Chief Executive

**SUBJECT:** Capital Expenditure Contribution: Theatr Brycheiniog

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**REPORT FOR:** Decision

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**1. Summary**

- 1.1. This report seeks approval for a contribution to the capital expenditure costs incurred at Theatr Brycheiniog.
- 1.2. Following discussions with the Theatr it is proposed that a contribution is made in respect of expenditure incurred on protection of the asset. This will also assist the asset going forward. The Theatr has incurred £356,752 of expenditure on the building since 1997/8 and following review of the audited accounts, the Council will make a one-off payment of £157,920 to assist with the costs incurred in maintaining the asset. This has been negotiated with the Theatr and is based on costs incurred for the financial years 2014/15, 2015/16 and 2016/17.
- 1.3. The Council and Theatr will work together to look at a sustainable solution for the building going forward as part of a joint review of the current model of provision and will seek to involve the Arts Council of Wales in the process. At the same time there will be a review of the budget going forward that will include the need to protect the asset. The review will also look at the longer term issues affecting the building given the tenant has raised concerns about the condition since their acquisition of the lease in 1997.

**2. Proposal**

- 2.1. The proposed payment follows discussions with the Board's representatives since late 2017 about issues facing the Theatr that have affected cashflow. The payment and proposed review not only recognizes the need to secure the Theatr's position going forward but also the importance of securing the Council's asset.
- 2.2. It is clear that the future model of the agreement covering the building will also form part of the discussion whilst noting the lease has a number of years to run. The review will also look at the most appropriate way the Theatr can discharge its responsibility as

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a tenant. The Tenant will hereinafter be required to evidence the ongoing obligation they have towards the property and compliance with the same.

### **3. Options Considered / Available**

3.1. The options available are as follows:

3.1.1. That Powys County Council agrees to make the payment to help secure the Theatr's future.

3.1.2. That the Council considers granting a loan at commercial rates to the Theatr. This would increase financial pressure.

### **4. Preferred Choice and Reasons**

The payment/grant (option 3.1.1.) provides security for the Theatr.

### **5. Impact Assessment**

5.1 Is an impact assessment required? No

5.2 If yes is it attached? N/A

### **6. Corporate Improvement Plan**

6.1 The proposal supports the Vision 2025 objective for the economy, noting that the Theatr makes a £1.5million contribution to the local economy.

### **7. Local Member(s)**

7.1 The proposal affects the Brecon area and Councillor David Meredith (St David Within) has indicated his support for the proposal noting that he wishes historic issues affecting the building's condition to be part of the review.

7.2 Cllr Iain Mackintosh (Yscir) comments 'It is highly important that Theatr Brycheiniog continues to contribute around £1.5m to the local economy in and around Brecon. I fully support Powys County Council's help in making sure we don't lose such an important facility in our town and look forward to Theatre Brycheiniog, The Arts Council of Wales and Powys County Council joining forces to make sure a sustainable solution is achieved going forward to keep the theatre open for all visitors and tourists, the residents of Brecon and Yscir, and all surrounding areas.'

7.3 Cllr Matthew Dorrance (St. John) has indicated support for the proposal and welcomes the joint review of provision going forward.

7.4 Cllr Sarah Lewis (St Mary) states: 'The Theatr makes a significant contribution to the Brecon area and I am pleased that Powys Council can support this key facility. The Arts need to be seen as important to the Brecon area as it makes a strong economic contribution to Brecon that including the tourist sector.

8. **Other Front Line Services**

Does the recommendation impact on other services run by the Council or on behalf of the Council?                      No

9. **Communications**

Have Communications seen a copy of this report?      Yes

10. **Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)**

10.1 Legal confirms that there is no legal obligation on the Authority to assist towards repairs/maintenance of the property, this rests with the tenant. Further, legal services will assist in ensuring compliance with the lease obligations when so advised and in line with the review identified above.

10.2 Finance state the payment contribution will be funded from the capital programme.

10.3 Corporate Property supports the proposal to help protect this important asset for the Council and the Community.

11. **Scrutiny**

Has this report been scrutinised?                      No

12. **Data Protection**

12.1 Not applicable.

13. **Statutory Officers**

13.1 The Section 151 Officer notes that the proposal can be funded from existing resources.

13.2 The Deputy Monitoring Officer acknowledges the legal comment and notes that Finance have considered this proposal as part of the Capital Funding Programme.

14. **Members' Interests**

# Public Document Pack



*Neuadd y Sir / County Hall, Llandrindod, Powys, LD1 5LG*

## **LEADER AND / OR PORTFOLIO HOLDER(S) - URGENT DECISION Friday, 24th August, 2018**

### **Supplementary Information:**

#### **Capital Expenditure Contribution: Theatr Brycheiniog**

The report of the Portfolio Holder for Finance, Countryside and Transport and the Portfolio Holder for Highways, Recycling and Assets was published on Tuesday 28<sup>th</sup> August 2018 and the decision notice was published on Monday 3<sup>rd</sup> September, 2018.

The Chair of the Learning, Skills and Economy Scrutiny Committee and the Chair of the Health Care and Housing Scrutiny Committee agreed not to call-in the decision on the grounds of urgency.

The Chair of the Audit Committee agreed not to call-in the decision but has called a meeting of the Audit Committee to understand the financial decision and process. As a result it was agreed by the Chair of Audit that 40% of the contribution be paid, and the Portfolio Holders will reflect on the committee's discussions following the meeting before payment of the balance.

- 14.1 The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
To approve the capital expenditure contribution to Theatr Brycheiniog.	To help secure the Theatr's financial position.

<b>Relevant Policy (ies):</b>			
<b>Within Policy:</b>	Y	<b>Within Budget:</b>	Y

<b>Relevant Local Member(s):</b>	Cllr. Matthew Dorrance, Cllr. David Meredith, Cllr. Iain Mackintosh, Cllr Sarah Lewis
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<b>Person(s) To Implement Decision:</b>	Acting Deputy Chief Executive
<b>Date By When Decision To Be Implemented:</b>	

<b>Is a review of the impact of the decision required?</b>	Y
<b>If yes, date of review</b>	March 2019
<b>Person responsible for the review</b>	Stuart Mackintosh
<b>Date review to be presented to Portfolio Holder/ Cabinet for information or further action</b>	31 <sup>st</sup> March 2019

<b>Contact Officer:</b>	David Powell, Acting Deputy Chief Executive
<b>Tel:</b>	01597 826464
<b>Email:</b>	<a href="mailto:david.powell@powys.gov.uk">david.powell@powys.gov.uk</a>

**Background Papers used to prepare Report:**

DELEGATED DECISION REPORT TEMPLATE VERSION 6



# Public Document Pack

## Leader and / or Portfolio Holder(s) - Urgent Decision



County Hall  
Llandrindod Wells  
Powys  
LD1 6LG

28.08.18

For further information please contact

**Steve Boyd**  
Stephen Boyd  
[steve.boyd@powys.gov.uk](mailto:steve.boyd@powys.gov.uk)  
01597 826374

### **NOTICE OF AN URGENT PORTFOLIO HOLDERS DELEGATED DECISION**

The Portfolio Holder for Finance, Countryside and Transport, the Portfolio Holder for Highways, Recycling and Assets and the Portfolio Holder for Young People and Culture have received the following report for a decision to be taken under delegated authority. The decision will be taken on **3<sup>rd</sup> September, 2018**

As set out in Rule 7.38.1.4 of the Constitution [Call in and Urgency] the decision is an urgent one, and the urgency of the matter will need to be approved by the Head of Paid Service and / or the Monitoring Officer and / or the Chief Finance Officer and by the Chairs of The Learning Skills and Economy Scrutiny Committee, the Health Care and Housing Scrutiny Committee and the Audit Committee, prior to the decision being taken.

Therefore the Call-In process as set out in Rule 7.37 of the Constitution will not apply in relation to this decision.

1.	<b>CAPITAL EXPENDITURE CONTRIBUTION: THEATR BRYCHEINIOG</b>
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(Pages 3 - 6)





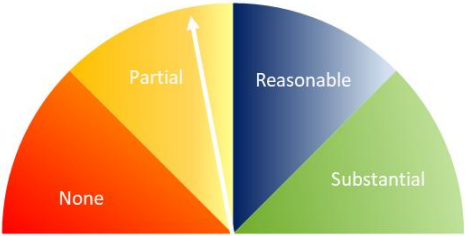
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# HOWPS Contract Management

Final Report

Issue Date: 4<sup>th</sup> March 2020

# Executive Summary

Audit Opinion		Recommendation Summary	
	<p>In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p>	Priority	Number
		Priority 1	2
		Priority 2	3
		Priority 3	0
		<b>Total</b>	<b>5</b>

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Background
<p>The Heart of Wales Property Services (HOWPS) is a joint venture set up between Powys County Council and the Keir Group to provide various property services to the Council. The contract is initially for a period of ten years, with a break clause at 5 years and an option to extend the contract for a further 5 years. The contract commenced in July 2017.</p> <p>The contract is to supply maintenance services for all properties owned, managed or leased in) by the Council, including its housing stock, and to provide a Consultancy Service.</p> <p>Management of the contract is carried out by representatives from the Housing Section, Property Section, Schools Services and Finance Sections) of the Council along with representatives from the joint venture company in a Contract Management Forum.</p> <p>The Forum meeting is held on a regular monthly basis.</p> <p>The aim of this review is to give assurance that the contract is being monitored and managed correctly for the protection of the council.</p>

Scope
<p>To review the systems in place for monitoring the HOWPS Services provided against the contract.</p> <p>To ensure performance indicators are based on accurate data.</p>

## Audit Conclusion

### Contract Management Framework

Overall, the management of the HOWPS Contract is controlled through the Contract Management Forum (CMF) that reports to the HOWPS Board. Representation on the governing forums as set in Schedule 11 of the contract are as follows:

Contract Management Forum – Operational Officers			HOWPS Board	
Housing Service, Client Services team leader	Council		Council Senior Managers x 2	JV Directors
Corporate Property Client Liaison officer	Council		Council Portfolio Holders x 2	JV Directors
Professional Lead Corporate Property	Council		Keir Representatives X 4	JV Directors
Service Manager Asset Management - Housing	Council		Other Attendees as required	Operation Managers/ HR
Senior Manager Central Support services – Schools	Council			
Head of Service	HOWPS			
Operational Lead Manager – Housing	HOWPS			
Operational Lead Manager – Corporate Property	HOWPS			
Lead Manager - Consultancy	HOWPS			
Customer Services Manager	HOWPS			
Other Attendees as required	Operational Managers/ HR			

Schedule 11 of the contract outlines the terms of reference for the CMF. The forum meets to discuss working arrangements in detail and has actions. The performance indicators are discussed in detail. There appears to be an appropriate representation on the forum that allows effective challenge by the client without potential conflict, but there does not appear to be an overall judgement about the performance of HOWPS other than in the KPI's.

A PCC representative and HOWPS head of service are guests in the HOWPS Board Meetings to escalate issues from the CMF to discuss in the Board and to also feed the information back down to CMF. There is an Agenda on the Board "Items escalated from CMF" and there is also an item on the Agenda of the CMF "Feedback on escalated items from Board".

The Board are represented by the partners in the Joint Venture (Powys CC and Kier) and the remit of Director is focused on the successful development of HOWPS. There is no doubt that the Council Directors on the Board review performance information and challenge the services that are delivered to the Council. However, those Directors are being expected to wear two hats with conflicting priorities i.e. both client and contractor.

There is no performance reporting going to Powys County Council Senior Management or the Cabinet to ensure that independent assessment of the contract takes place. Consideration of another governance model with clearer separation of duties and independence may allow for more effective challenge and review of performance.

The contract in place does not outline all the requirements of the Council, e.g. smoke alarm testing as part of the servicing of boilers within the Housing section. There are also no penalty clauses within the contract that can be applied for under achievement by HOWPS, e.g. re-charging of the lost rent for the overrun on void properties. Just withdrawing the facility penalises the Authority as it must find a provider and pay for it.

Actions agreed by the Contract Management Forum appear in the minutes and are carried forward if not completed and escalated to the Board if no progress is made.

Reliance is placed on KPIs as the main tool for managing contractor performance, but this review found that they may not be a true reflection of actual performance.

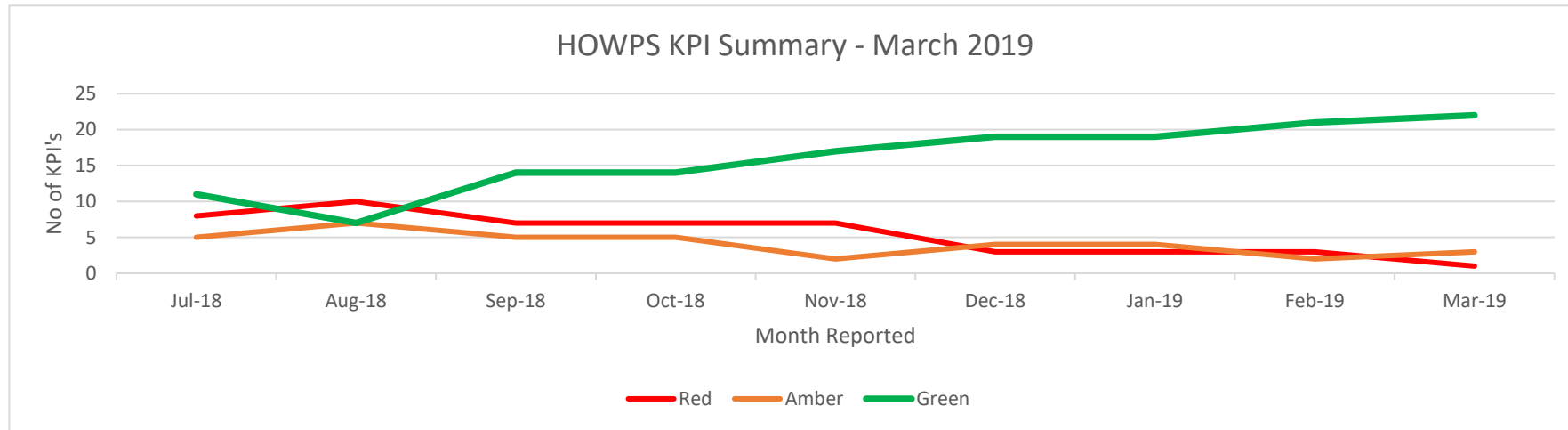
#### Service Continuity

Improvements need to be made in keeping important plans up to date, i.e. reviewing the Business Continuity Plan. There are plans within the contract for situations such as adverse weather conditions, but the Council has no plan in place should the Joint Venture fail with a sudden loss of the partner company the Keir Group. There is no regular monitoring of the Keir Group's performance in the marketplace to ensure they remain a viable company. Recent press reports are indicating that they may be experiencing financial difficulties in some sectors.

## Performance Monitoring

Reports show that improvements in performance against key indicators have been made throughout the year.

The graph below shows that the number of KPI's achieved (Green) throughout the year have continued to improve, whilst those not being achieved (Red) and those not quite achieving (Amber) have reduced.



The KPI figures show the performance for the measures identified but, in some cases, these are not fully reflective of the performance. From the KPI figures shown in the graph above indicate that the customer satisfaction, carried out by HOWPS, in both service delivery and quality of work are hitting the targets with scores of 94.6% and 99.56% respectively for the year to March 2019 but this is with only a 17.28% survey of the work carried out. This does not give an accurate picture with such a low sampling figure. A separate test carried out by the Housing Section indicated that this should be nearer 54% satisfaction rate for service delivery and quality of jobs completed.

Weaknesses are showing in the call handling, i.e. calls not answered in 40 seconds and the number of abandoned calls, the numbers of failed access by an operative following an arranged appointment are also high. These figures do not appear to have been improving across the year indicating that little has been done to rectify this.

Table showing the figures for 2018/19 for KPI's that are consistently failing.

Performance Indicator	Brief Description	Target KPI	Average result Yr1	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Average result Yr2
Call handling data	Percentage of calls answered within 40 seconds	90%	74.95%	70.96%	55.64%	66.68%	68.05%	53.94%	62.23%	61.70%	72.54%	85.44%	66.35%
Call handling data	Number of abandoned calls as a percentage of total calls received where waiting time >40 seconds	5.00%	4.76%	5.04%	13.27%	9.56%	3.44%	8.60%	5.45%	6.80%	3.40%	1.10%	6.30%
Number of failed access calls	Number of times where access has not been obtained where an appointment had been made as a percentage of all appointments	Year 2: 1.5%	7.47%	5.60%	9.56%	7.93%	7.38%	7.42%	6.10%	6.43%	6.75%	10.07%	7.47%
Length of time to complete work to empty property	Average time measured from date keys are received by the company to date PCC is notified work is completed	Year 2: 17 Days	34.40	27.04	50.97	43.87	49.06	44.84	37.41	44.52	23.28	17.59%	42.20

There is also a weakness showing in the handling of void properties. However, control has been shown by the Council with the suspension of part of the contract where HOWPS are underachieving in the completion of void works. The suspension will allow them to complete the work and give them space to get back on track. The decision for this action was taken by the Senior Housing Management with advice from the County Solicitor.

There are indications that a contract monitoring process that mainly relies on KPI's may not be fully effective. Whilst the performance of the KPI's continues to improve, consideration should be given to reviewing them and having additional measures to ensure they provide an accurate picture of all the activity HOWPS is undertaking. Anecdotal evidence arising from discussions from the Services indicated that there were significant areas where performance needed improving. However, it is clear that these issues are not being effectively collected and communicated to the board which suggests a potential disconnect. Having clearly defined but conjoining roles may resolve the escalation of concerns and issues.



### Finance

Payment to HOWPS is made in regular monthly payments for both Housing (approximately £427k) and Corporate Property (approximately £152k, for 2019/20). Adjustments are made for the Corporate element of the payment depending upon what work has been carried out and additional payment is made to the Housing element if work has been carried that is outside of the contract. The adjustments to the payments are agreed prior to the payments going through. It was stated that a reduction in the monthly payment for Housing is currently being made since the suspension of Housing void works but from the figures received this was unclear.

Any major works identified by HOWPS as being in excess of £10k are paid for by the Council. This has the potential to become an incentive for HOWPS to inflate the costs of major works over the £10k limit in order for the costs to be passed to the Council.

Assurance was given by the Portfolio Holder for Housing at a full council meeting on 24<sup>th</sup> January 2019, in response to a question raised by another Councillor, stating that HOWPS has secured savings for the Housing Service and therefore represents value for money for Powys council tenants. This statement also indicated that for 2019/20 there is a saving of £400k over the costs for 2014/15, when the works were carried out by the in-house workforce.

## Corporate Risk Assessment

### Objective

To ensure the Council is procuring and managing its key contracts in an efficient and effective manner, in compliance with relevant legislation.

Risk	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. Improper management of the Joint Venture Contract renders the Council unable to deliver this key service; resulting in financial loss and reputational damage.	High	Medium	Medium
2. The Council is not compliant with relevant legislation; resulting in financial and reputational damage being incurred through fines and public reporting.	High	Medium	Low

## Findings and Outcomes

### Summary of Control Framework

- A contract between the joint Venture Company and Powys County Council for the supply of Housing maintenance, Corporate property Maintenance and Consultancy Services is in place. The signed contract is held by the Legal Section.
- Regular monthly meetings of the Contract Monitoring Forum are held to monitor the progress of the contract. Results of these meetings are reported to the HOWPS Board.
- Exit arrangements are included in the contract should either party wish to cease the joint venture through mutual agreement.
- A full tendering process was followed for the issue of the contract.
- A code of conduct for all employees of PCC is in place to minimise the likelihood of fraud.
- Regular monitoring of the budgeting and payment processes are in place.

<b>1.</b>	<b>Improper management of the Joint Venture Contract renders the Council unable to deliver this key service; resulting in financial loss and reputational damage.</b>	<b>Medium</b>
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<b>1.1</b>	<b>Finding and Action</b>
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Issue	Risk
The Major Incident and Business Continuity Plan is overdue a review and does not take into consideration the possibility of a sudden failure of the partner company.	Failure of the partner company would result in suspension of the property maintenance service for an unknown period until a replacement service could commence. This would have potentially severe consequences for the Authority.

<b>Findings</b>
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There have been some concerning reports in the press lately regarding the Keir Group and there is nothing within the contract regarding catastrophic failure of the partner company without warning, thus placing Powys CC in a vulnerable position.

There is no regular monitoring by the Council of the Keir Group's performance in the marketplace to ensure they remain a viable company.

Whilst a Major Incident and Business Continuity Plan is in place and would be applicable in most incidents, it is overdue a review and this should be completed as soon as possible to include what would need to be done in the event of a sudden collapse by the Keir Group.

<b>Recommendation</b>
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We recommend that contingency plans are put in place as protection should the Keir Group fail suddenly without warning.	Priority Score	<b>1</b>
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<p>Agreed Action</p>	<p>Timescale</p>	<p>Business Continuity Plan – Complete</p> <p>Revised Exit Plan – Draft – beginning of April 2020</p>
<p>The Business Continuity Plan has been updated.</p> <p>An Exit Plan has been agreed, but it does not include contingency plans should Kier suddenly collapse.</p> <p>The Exit Plan is due a review, it can be reviewed to include details of a contingency plan should Kier suddenly collapse</p>	<p>Responsible Officer</p>	<p>Officers from the Housing section, Property section, Finance section and Head of HOWPS.</p>
<p>Recommendation</p>		
<p>We recommend that regular monitoring of the Keir Group’s performance in the marketplace is carried out to ensure they remain a viable company.</p>	<p>Priority Score</p>	<p><b>1</b></p>
<p>Agreed Action</p>	<p>Timescale</p>	<p>Ongoing</p>
<p>An agreement between departments to share information</p> <p>Urgent information - escalate directly to members of PCC who are on the HOWPS Board.</p> <p>General Information – Escalate to the CMF, which will then be escalated to the HOWPS Board.</p>	<p>Responsible Officer</p>	<p>All officers in PCC, HOWPS Board, Procurement.</p>

## 1.2 Finding and Action

Issue	Risk
KPI figures are not accurate, providing misleading results on the performance of HOWPS.	KPI's may not give a meaningful picture of the activity of the company, meaning poor performance is not recognised and corrective action not taken.

### Findings

Monitoring of the contract consists of regular monthly meetings of the Contract Monitoring Forum, that then report to the HOWPS Board later in the same month.

The forum meetings review all the 26 KPI figures that cover both the Housing and Corporate Sections and identify those that are under achieving.

Weaknesses are showing in the call handling, i.e. calls not answered in 40 seconds and the number of abandoned calls, the numbers of failed access by an operative following an arranged appointment are also high. These figures do not appear to have been improving across the year indicating that little has been done to rectify this. Reference is made in the minutes that some of these figures may have been affected by problems with the reporting system, however there may still be an issue here.

Poor performance results in improvement or rectification plans being produced to improve the performance and if this should fail then the service, or part of it, may be withdrawn from HOWPS. This has been actioned with regards to the Housing Void repairs where the service has been suspended and the Council has taken over the running of the service.

There are also no penalty clauses within the contract that can be applied for under achievement by HOWPS, e.g. re-charging of the lost rent for the overrun on void properties. Just withdrawing the facility penalises the Authority as it must find a provider and pay for it.

A review of the KPI's show that for customer satisfaction within the Housing Section, for 2018-19 they are receiving a 94.6% for service delivery and 99.59% for quality of work satisfaction rate, but this is only for 17.28% of the jobs carried out. These figures could well be misleading due to the low testing rate of 17.28% of the jobs carried out and method of testing, i.e. the questionnaire completed by the tenant in the presence of the operative immediately following the work completed. An independent survey carried out by the Housing Section found a 54% satisfaction on jobs completed.

A review and analysis of the KPI data by the Internal Audit Section revealed that the data had potential errors within it that casts doubt on the accuracy of all the figures contained in the reports.

<b>Recommendation</b>		
We recommend a review of the KPI's to ensure they provide the most accurate indication of the quality of work carried out by HOWPS.	<b>Priority Score</b>	<b>2</b>
<b>Agreed Action</b>	<b>Timescale</b>	Next Review May/June 2020
The PI's are reviewed every 12 months, and this is due to take place towards to end of the HOWPS financial year. The PI's will be reviewed to discuss their relevance and quality. The targets are also reviewed, discussed and agreed at CMF as necessary.	<b>Responsible Officer</b>	Officers from the Housing section, Property section, Finance section and officers within HOWPS.

1.3 Finding and Action		
Issue	Risk	
Powys County Council are unaware of the performance of the Joint Venture Company.	Poor performance by the Joint Venture Company may not be identified.	
Findings		
There is no performance reporting going to Powys County Council Senior Management or the Cabinet to ensure that independent assessment of the contract takes place. The Council are relying on the Contract Management Forum and HOWPS Board members to maintain the best interests for the council, whilst still ensuring the best interests for the JVC. There is no regular independent scrutiny on the Council's behalf.		
Recommendation		
We recommend that there some form of independent scrutiny of the JVC that report to Powys County Council on the performance of HOWPS, the Joint Venture Company.	Priority Score	2
	Timescale	TBA
A method of formally reporting the performance and activities of HOWPS to scrutiny.	Responsible Officer	Nigel Brinn

1.4 Finding and Action		
Issue	Risk	
The contract does not include all the services required by the client.	Regular servicing of equipment in tenant's property is not being carried out, leaving the tenant at risk.	
Findings		
Since commencement of the contract issues have identified that the contract in place does not outline all the requirements of the Council, e.g. smoke alarm testing to be included as part of the servicing of boilers within the Housing Section. This could have serious consequences in the event of a fire and the smoke alarm not working.		
Recommendation		
We recommend that the contract be revised and updated following the identification of areas/requirements not currently covered by the contract.	Priority Score	2
	Timescale	Ongoing
A review of services delivered by HOWPS as and when required.	Responsible Officer	Officers from the Housing section, Property section, Finance section and Head of HOWPS.



## Suggested Actions

Below are some suggested actions that we did not feel that they required a recommendation but would be an improvement in the processes if introduced.

1. In order for the KPI figures to have improved it has taken a lot of management time by both the HOWPS management and Powys County Council staff using limited resources. Consideration should be given to reviewing the resources available to manage this contract.
2. Concerns have been raised by both the Housing section and Corporate Section that communication from HOWPS is poor and they do not know when jobs are to be carried out until the operatives turn up on site. The Corporate section find it very difficult to plan and budget for this. There have also been delays in the completion of remedial works that have the potential for a Health & Safety issue, e.g. fire door remedial works in a high school not being completed for over six months. Consideration should be made to reviewing and improving the terms of reference to ensure there is clear and regular communication regarding the works on order and currently being actioned.

# Audit Framework and Definitions

## Assurance Definitions

<b>None</b>	The areas reviewed were found to be inadequately controlled. Risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Reasonable</b>	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Substantial</b>	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

## Definition of Corporate Risks

Risk	Reporting Implications
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.

## Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

<b>Priority 1</b>	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

# Authors and Distribution

*Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.*

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# CYNGOR SIR POWYS COUNTY COUNCIL

## AUDIT COMMITTEE

DATE: 29 September 2020

REPORT AUTHOR: Matt Wilding

SUBJECT: Council Update on response to SWAP Review of HOWPS Contract Management

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REPORT FOR: Discussion

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### Purpose

1. This report updates the Committee on actions taken by the Council in respect of HOWPS contract management over the last twelve months, including the actions it has taken in direct response to the SWAP review of HOWPS contract management dated 4 March 2020.

### Background

2. The scope of the SWAP review was to review the systems in place for monitoring the HOWPS Services provided against the contract and to ensure performance indicators are based on accurate data. The review covered the period between July 2018 and March 2019, but the report was not finalised until March 2020 due to changes in personnel.

### Advice

3. In Summer 2019, Council officers identified concerns regarding the HOWPS performance in respect of corporate and housing compliance. As a result, the Council established two specific boards to drive improvement in performance and provide assurance regarding progress. These boards continue to meet and a number of working groups have also been established to focus on specific issues as required. As a result, HOWPS' compliance performance showed significant improvement up to March 2020, but the current pandemic has had an understandable impact on housing compliance as HOWPS have been unable to access properties as easily.
4. In April 2020 an open book approach to HOWPS finances was agreed between JV partners and the Council has been working closely with HOWPS since then. This has enabled the impact of COVID-19 to be understood, working with suppliers to ensure they are paid where work is being delivered at a level to support their cashflow.
5. In May 2020, the Executive Management Team commissioned the Council's Change and Improvement Team to undertake a review of HOWPS' current provision using the Council's Transformation methodology to identify service improvement

opportunities, including an assessment of voids, housing and corporate repairs legal and financial issues and consultancy.

6. The first phase of the review will be complete by early November and will identify any processes and systems weaknesses (including value for money). The findings of the first phase will be shared with EMT, Cabinet and JV Board in November.
7. The second phase of the review will include developing service redesign proposals to address causes of any capacity losses identified and improve overall system performance. The findings will also contribute to an options' appraisal which will be undertaken to determine whether the Council should continue the HOWPS contract to 2027 or exercise the break clause in 2022. The second phase is expected to be completed by the end of the year.

### **Progress against specific SWAP recommendations:**

#### **Recommendation 1:**

*Contingency plans are put in place as protection should the Kier Group fail suddenly without warning.*

#### **Progress:**

The Business Continuity Plan is updated every September. An updated plan which will include plans for an unplanned exit by the joint venture partner will be complete by 31 October 2020. The plan will include actions for how systems or services provided by Kier would be provided if there was an unplanned exit.

The Exit Plan is a contractual document which sets out the criteria and actions for a planned exit by either party to the joint venture. The document is reviewed annually and this year's review is due to be completed by 30 September 2020.

The HOWPS contract runs from 2017 to 2027 and there is a break clause in the contract in July 2022. The Council has to give a minimum of six months' notice if it wishes to end the contract at that point (ie January 2022). An options' appraisal to inform the Council's decision is being undertaken and will be completed by the end of this year.

#### **Recommendation 2:**

*Regular monitoring of the Kier Group's performance in the marketplace is carried out to ensure they remain a viable company.*

#### **Progress:**

The Council's Commercial Services Team continually monitors the financial performance and general updates regarding Kier Group and Kier Facilities Services Limited performance in the market. Advice is escalated as appropriate to the CMF and PCC Senior Officers in line with the SWAP recommendations.

Senior Kier officers also keep senior PCC officers apprised of the financial performance of the Kier Group and Kier Facilities Limited through the HOWPS Board meetings and regular dialogue.

**Recommendation 3:**

*A review of the Key Performance Indicators (KPIs) to ensure they provide the most accurate indication of the quality of work carried out by HOWPS.*

KPIs are reviewed at the end of every financial year (ie 30 June). A review of the performance indicators for 2020-21 was undertaken in May and some new indicators were introduced and existing targets were altered, with effect from 1 July 2020. The changes related to corporate property and statutory compliance indicators, increasing targets in some cases and new indicators to address specific performance issues.

The ongoing JVC review is also expected to identify new indicators / targets / measures (quantitative and qualitative) focusing on customer satisfaction as well as KPIs to drive improved performance management. Subject to agreement by the Joint Venture any changes to indicators identified by the review could be introduced in-year and would not therefore need to wait until July 2021.

In the meantime, officers are meeting weekly to review performance data and specific workstreams have been introduced between PCC and HOWPS to ensure that data reported for KPIs are accurate.

**Recommendation 4:**

*That there is some form of independent scrutiny of the JVC that report to Powys County Council on the performance of HOWPS, the Joint Venture Company.*

**Progress:**

Annual Performance reports have always been reported to the Economy, Residents, Communities and Corporate Governance Scrutiny Committee.

In September 2020 a HOWPS Scrutiny Working Group was established and has held its first meeting.

**Recommendation 5:**

*That the contract be revised and updated following the identification of areas/requirements not currently covered by the contract.*

**Progress:**

Over the last six months monthly workshops have been held between senior HOWPS/Kier and Council officers each looking at specific contractual issues. EMT, Council finance, property, housing services are all represented at these meetings.

As areas are being identified that are not included within the contract, HOWPS are being given the opportunity to quote for the work alongside other companies. This will ensure that we are receiving value for money.

Recommendation	Reason for Recommendation
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That the above report is taken into consideration by Audit Committee	The report shows that the Council has responded to the audit and has a plan in place for improving the service going forward.

<b>Relevant Policy (ies) :</b>			
<b>Within Policy</b>	<b>Y/N</b>	<b>Within Budget</b>	<b>Y/N N/A</b>

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**CYNGOR SIR POWYS COUNTY COUNCIL**

**AUDIT COMMITTEE**

**DATE: 29 September 2020**

**REPORT BY: Internal Audit Working Group**

**SUBJECT: HOWPS Internal Audit Report**

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**REPORT FOR: Information**

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The Internal Audit Working Group met on Wednesday 23 September 2020 to consider the SWAP Internal Audit of HOWPS, which was published in March 2020, and made a number of recommendations. In addition, consideration was given to the Authority's response to the report which had been prepared for Audit Committee.

The Group wish to draw Audit Committee's attention to the following points:

- The Committee should be informed of the extent to which contractual issues are being addressed
- Clarity regarding the means by which the Council monitors the financial performance of the Kier Group and Kier Facilities Services Limited
- The Committee should consider whether the scrutiny function, including a newly established working group under the Economy, Residents and Governance Committee, is sufficient to alleviate any concerns regarding conflict of interests of Members or Senior Officers sitting on the Board of HOWPS
- Clarity regarding liability of Members and Officers sitting on the Board

**Members of the Internal Audit Working Group present at meeting of 23 September 2020: County Councillors J G Morris (Lead Member), R G Thomas and Mr J Brautigam. Officers present: N Young, Corporate Director, Resources and Transformation, I Halstead, Assistant Director and L Hosie, Auditor, SWAP**

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