



Statement of Accounts 2018/19



This page is intentionally blank.

Contents

Narrative Report	5
Statement of Responsibilities for the Statement of Accounts	15
Audit report of the Auditor General to the Members of Powys County Council	16
Movement in Reserves Statement	19
Expenditure and Funding Analysis	20
Comprehensive Income & Expenditure Statement (CIES)	21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Core Financial Statements	24
Note 1: Accounting Policies	24
Note 2: Accounting Standards that have been issued but have not yet been adopted	42
Note 3: Critical Judgements in Applying Accounting Policies	42
Note 4: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	43
Note 5: Material Items of Income and Expense.....	44
Note 6: Note to the Expenditure and Funding Analysis.....	45
Note 7: Adjustments between Accounting Basis and Funding Basis under Regulations	47
Note 8: Transfers To/(From) Earmarked Reserves	52
Note 9: Other Operating Expenditure	53
Note 10: Financing and Investment Income and Expenditure.....	53
Note 11: Taxation and Non-specific Grant Income/Expenditure	53
Note 12: Property, Plant and Equipment	54
Note 13: Investment Properties	59
Note 14: Capital Expenditure and Capital Financing.....	61
Note 15: Financial Instruments	62
Note 16: Short Term Debtors	65
Note 17: Cash and Bank Accounts.....	65
Note 18: Creditors.....	65
Note 19: Provisions.....	66
Note 20: Usable Reserves.....	66
Note 21: Unusable Reserves.....	66
Note 22: Expenditure and Income Analysed by Nature	72
Note 23: Cash Flow Statement – Investing Activities.....	73
Note 24: Cash Flow Statement – Financing Activities.....	73
Note 25: Cash Flow Statement – Analysis of Government Grants	73
Note 26: Trust Funds	74
Note 27: Agency Services	75
Note 28: Pooled Budgets and Joint Arrangements	76
Note 29: Joint Committees	80
Note 30: Members Allowances	80
Note 31: Senior Officers Emoluments	80
Note 32: Audit Costs.....	85
Note 33: Grant Income	86
Note 34: Council Tax	87
Note 35: Related Parties.....	88
Note 36: Leases.....	90
Note 37: Obligations under Long Term Contracts	92
Note 38: Termination Benefits	93
Note 39: Defined Benefit Pension Schemes	93
Note 40: Teacher Pension Costs.....	100
Note 41: Contingent Liabilities	100
Note 42: Nature and Extent of Risks Arising from Financial Instruments	102
Note 43: Capitalisation Direction	105

POWYS COUNTY COUNCIL

Note 44: Events after the Balance Sheet Date.....	106
Housing Revenue Accounts.....	107
Income and Expenditure Account.....	107
Movement on Housing Revenue Account Statement.....	108
Notes to the Housing Revenue Accounts.....	109
Note 1: Housing Stock.....	109
Note 2: Arrears and Provision for Housing Bad Debts at 31 March.....	109
Note 3: Housing Revenue Account Capital Expenditure.....	109
Note 4: Housing Revenue Account Capital Receipts.....	110
Note 5: Adjustments between Accounting Basis and Funding Basis under Statute.....	111
Note 6: Housing Revenue Account Contributions to the Pension Scheme.....	111
Glossary of Terms.....	112

Narrative Report

Introduction

The Statement of Accounts 2018/19 provide details of the Council's financial position for the year ended 31 March 2019. The information presented on pages 1 to 113 is in accordance with the requirements of the 2018/19 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 2019.
- 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;

POWYS COUNTY COUNCIL

Review of the Year

Facts/figures

During 2018/19 the Council:

- Supported over 240 looked after children
- Completed over 1,000 assessments of children's needs
- Supported over 1,900 adults in residential or domiciliary care or through direct payments
- Supported over approximately 2,000 adults through the information, advice and assistance service
- Provided education to approximately 16,600 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 5,300 homes
- 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 public and home to school transport to over 1 million passengers and 7,000 eligible learners
- Handled approximately 1,280 planning applications
- Supported leisure, learning, recreational and cultural activities that culminated in an estimated 1.7m visits to leisure establishments

Revenue Funding

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

The Welsh Government funded 70.5% of the Council's 2018/19 net revenue budget compared to 70.8% in 2017/18. The funding is provided in a settlement known as Aggregate External Finances (AEF).

As part of the UK Government's austerity measures for 2017/18 the AEF increased across Wales by an average of 0.2%. Powys received a 0.4% decrease, equivalent to a decrease in funding of £0.679m after adjusting for transfers.

Collection of Council Tax and Non Domestic Rates

Our Council Tax was set at £1,189.20 for properties in valuation Band D (£1,132.57 2017/18). We collected £76.899m with a collection rate of 97.5%, the collection rate for Non Domestic Rates was 98.2%.

Revenue Expenditure

The revenue financial performance of the Council is summarised below:

Service Area	Original Budget	Total Working budget	Net Expenditure before Reserve movement	Total Movement to/(from) Reserves	Approved use of Reserves	Service Variance from Budget Under/(Over) spend
	£'000	£'000	£'000	£'000	£'000	£'000
Social Services						
Adult & Commissioning	65,005	65,932	64,208	1,724	(219)	1,943
Children Services	18,580	18,590	24,276	(5,686)	(46)	(5,640)
Environment						
Regeneration	1,308	1,330	1,234	96	1	95
Property, Planning & Public Protection	7,121	7,470	7,040	430	(79)	509
Housing General Fund	953	831	655	176	(2)	178
Highways, Transport & Recycling	20,745	21,621	25,188	(3,567)	(2,658)	(909)
Schools & Leisure						
Schools Service	102,361	27,641	27,160	481	(416)	897
Leisure & Recreation	8,760	8,816	8,413	403	(38)	441
Resources						
Business Services	6,576	6,434	6,448	(14)	(19)	4
Information Services	4,124	4,391	4,144	247	154	92
Legal Services	3,098	3,196	3,059	137	45	91
Financial Services	1,823	1,843	1,725	118	(1)	119
Workforce, Organisational Development and Communications	2,337	2,303	2,517	(214)	(1)	(213)
Service Area Totals	242,791	170,398	176,067	(5,669)	(3,279)	(2,390)
Central Activities	4,212	1,283	5,341	(4,058)	(5,735)	1,677
Total	247,003	171,681	182,883	(11,202)	(9,014)	(713)
Schools Delegated	-	75,322	75,926	(604)	(1,711)	1,107
Housing Revenue Account (HRA)	-	-	2,156	(2,156)	(3,989)	1,833
Total including Schools & HRA	247,003	247,003	259,490	(12,487)	(14,714)	2,227

The Revenue Budget for the Council was approved by the Council on the 22 February 2018.

The Council's net expenditure for the year was £259.490m with £27.201m transferred from reserves. The total expenditure was supported by £7m of reserves as planned in the 2018/19 budget.

POWYS COUNTY COUNCIL

In order to balance the budget significant savings of £12.296m were required and £6.536m have been achieved leaving a shortfall of £5.760m. This shortfall has been included within the overall budget position reported and has been mitigated by underspends in other service areas following management action and other factors during the year to limit the overspend position.

Of the remaining £5.760m, £3.9m has been highlighted as unachievable and has been removed in the 2019/20 budget. Delivery of the remaining £1.860m savings is still required and is essential to the delivery of an ongoing balanced budget. Service managers continue to develop plans to make these permanent reductions and delivery will be monitored on a monthly basis throughout next year.

The outturn for the year, excluding the HRA and Schools delegated, is a net overspend of £713k which is equivalent to 0.4% of the working budget.

The baseline budget included significant investment in the Childrens service following the Care Inspectorate Wales (CIW) inspection in 2017. This area continues to face significant demand pressures. The total number of Children Looked After (CLA) placements at the end of the financial year stood at 246, a 22.7% increase versus March 2018. Furthermore, there are no plans to achieve £2.2m of savings that were included in the baseline budget. These savings have been removed in the 2019/20 budget.

A revenue cost of supporting the capital programme was lower than anticipated in the baseline budget due to slippage in the delivery of the capital programme and the receipt of £5.9m of additional capital grants over the original budget. The MRP cost in the revenue budget was offset by £4.5m from the release of some of the backdated adjustment to the Minimum Revenue Provision as planned in the 2018/19 budget.

Revenue expenditure was further supported by the use of the Capitalisation directive. Under this directive capital receipts were used to fund expenditure relating to 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 2018/19 grants totalling £788k were issued supporting 50 organisations.

Revenue Reserves

31 Mar 18 £'000	Revenue Reserves	31 Mar 19 £'000
	Ring Fenced or Restricted Use Reserves	
(878)	School Reserves	(293)
4,169	Other Specific Reserves	2,311
	Committee Specific Reserves	
24,118	Other Specific Reserves	15,675
27,409	Total Earmarked Reserves	17,693
	Central or General Reserves	
9,681	Council Fund	9,065
3,267	Housing Revenue Fund	1,111
40,357	Total	27,869

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

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

The HRA net contribution from reserve was £2,156k, due in large part to direct revenue funding towards capital expenditure, this decreases the reserve to £1.111m.

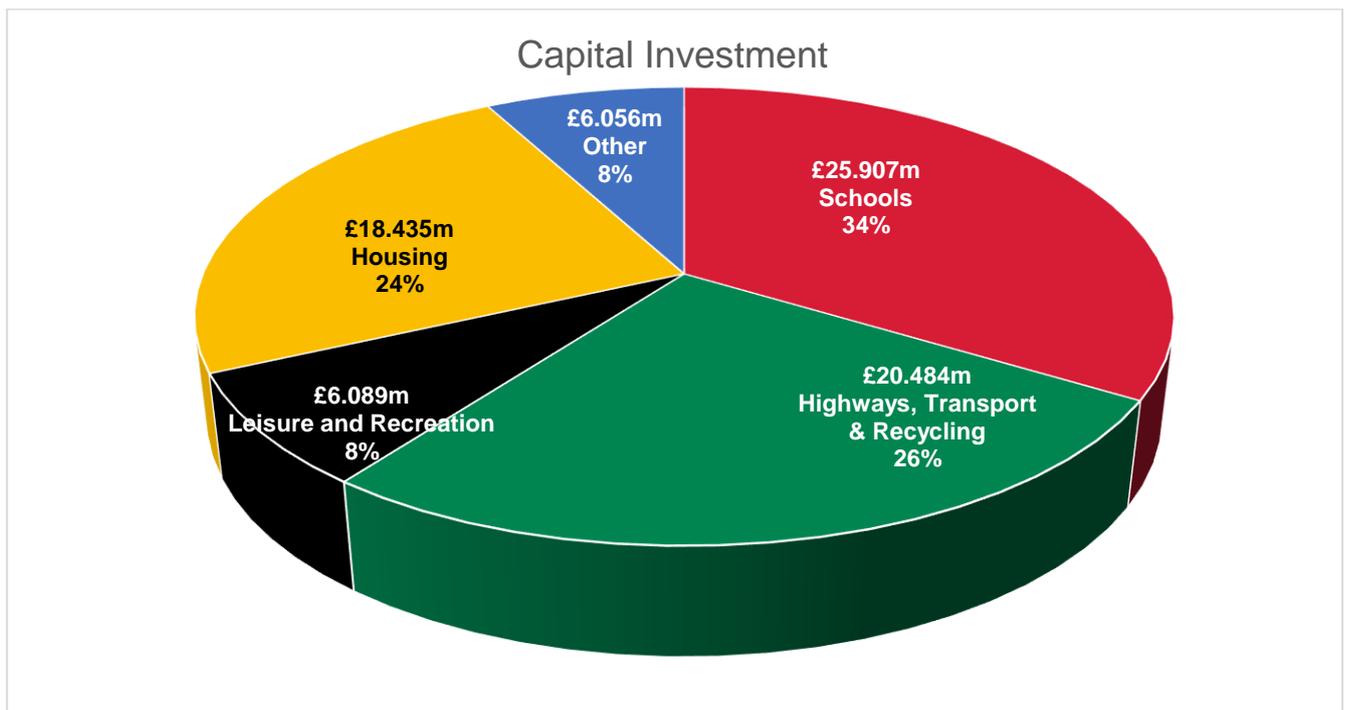
The level of Council Fund reserves at 31 March 2019 is 3.7% of net expenditure.

Capital Expenditure

The approved capital programme totalled £81.170m. Final expenditure in 2018/19 was lower than the approved programme at £76.971m. The variance is mainly due to a number of projects being delayed and re-profiled in the year.

The investment of £76.971m 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 2018/19 financial year.

Service Area	2018/19 £'000
Schools & Education	25,907
Roads, Transport & Highways	20,484
Leisure and Recreation	6,089
Housing	18,435
Other	6,056
Total	76,971



Housing (£18.435m)

About £13m 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 368 homes were fitted with new Kitchens, 303 homes were fitted with new Bathrooms, 51 homes were rewired, 570 homes were fitted with new double glazed Windows and 544 homes had their roofs replaced.

In addition £1m has been used to develop plans to build new dwellings in the county with the first development commencing shortly. £0.8m has been used to purchase 15 dwellings.

Schools and Education (£25.907m)

In 2018/19, the Gwernyfed school reorganisation was completed, with the opening of Clyro CiW Primary school – the last of five new school buildings in the catchment. This is the result of a major school rationalisation programme, which has reduced the number of schools in the catchment from 10 to 5.

The major project in the 18/19 Schools programme is the construction of the new Brecon High School building, to replace the current condition D school. The project is not yet complete but the new 750 place building is due to open in November 2019.

A new 60 place school has been opened at Ysgol Carno to replace the condition D mobiles that the school had used for a number of years. The new school is attached to the Carno Recreation Centre and there has been a contribution to the scheme from the Carno Recreation Association.

A refurbishment at Ysgol Glantwymyn has resulted in a small extension to ensure the school has appropriate areas for staff and DDA compliant toilet areas, plus improved parking and games areas.

Construction commenced on a new 360 place school building for Welshpool CiW Primary School following a reorganisation of primary education in the town which has resulted in reducing the number of schools from four to two – the school currently operates from three campuses which are in very poor condition.

In accordance with the criteria for 21st C Schools programme, it is intended that the condition of each new or remodelled school improves from the current C/D categorisation to an A/B categorisation.

Roads, Transport and Highways (£20.484m)

Through the Highway Major Strategic Schemes this investment has achieved improvements to highways and structures which will assist local residents in the area and improve safety. £4.5m has been invested in resurfacing highways and a further £1.5m on surface dressing treatments. The first phase of a refurbishment project of New Bridge, Vyrnwy and redecking of Felin Fach bridge were both completed at a total cost of £420k.

The Integrated Transport scheme funded improvements of over £900k including £492k for upgrading passenger transport connections in Llandrindod Wells.

Investment of £299k on the replacement of street lighting units to LEDs will reduce energy consumption and prolong lifespan.

POWYS COUNTY COUNCIL

Leisure and Recreation (£6.089m)

A total of £6.089m was spent on Museum and galleries, parks and open spaces and sports facilities. Part of this project will develop Brecknock Museum and Brecon Library as a valuable community resource for the people of Brecon and the surrounding area, provide opportunities for participation and volunteering and become a significant tourist attraction.

Other (Regeneration, Properties, ICT, etc.) £6.056m

The major ICT projects in 18/19 were the new Finance System, which will be operational next year, along with the new email system and introduction of Sharepoint across the authority to enable agile working to be implemented across the authority. The farms programme of improvements continued in 18/19 with a range of work from roofing to asbestos removal. The new industrial unit in Ffrwdgrech, purchased in 17/18 was refurbished during the year and will be completed shortly.

Capital Financing

The Council receives a core capital allocation from Welsh Government. In 2018/19 this allocation was £10.059m, an addition of £2.586m compared to the previous year. In addition to this the capital programme is also funded through a mixture of Prudential Borrowing, capital receipts, grants and revenue reserves as shown below:

Area	Capital Financing £'000
Supported Borrowing	4,898
Prudential Borrowing	21,984
Grants	35,040
Capital Receipts	3,005
Reserves	12,044
Total	76,971

Borrowing Arrangements

The Council operated within the requirements of its Treasury Management Policy which is set according to the Local Government Act 2003 and the CIPFA Prudential Code. Overall borrowing, excluding accrued interest, totalled £294.2m as at the 31 March 2019. This consisted of the below. Further information is disclosed in Note 15 on page 63.

Source	£ millions
Public Works Loan Board (PWLB)	229.2
Lenders Option, Borrowers Option (LOBOs)	25.0
Temporary borrowing [local authority]	0
Other long-term loans [local authority]	45.6
Total	299.8

Medium Term Financial Strategy

Our Medium Term Financial Strategy (MTFS) has been produced at a challenging time against the backdrop of continuing reductions in grant income from Welsh Government. In addition, the outcome of the Children's Services inspection during the Autumn of 2017 required a wholesale redrafting of the 2018/19 budget; this has inevitably impacted on our financial strategy for future years.

Whilst an increase in the funding to Wales from central government has meant that we have received an improved settlement from that originally projected, it is, however, still a reduction in the level of funding for services. This has created financial pressure particularly when our costs and investment requirements continue to rise.

The challenge of delivering services in rural areas has long been recognised in our County and this challenge is now acknowledged at a national level when the previous financial year saw the full implementation of the population sparsity allowance within the Social Services allocation of the funding formula. It's well known that this did not provide 'extra' funding but did see Powys removed from the need for 'Top Up' funding provided in previous years.

Even so, we continue to be affected by population changes and other factors that impact on the amount of money we receive to deliver services.

The 2019/20 budget proposal sees a significant level of budget reductions but the Cabinet has attempted to avoid reductions in front line services and the clear priority is to improve the provision of Social Services within our County. In 2018/19 we changed our budget plan at a late stage to include over £12m of investment that demonstrated our commitment to safeguarding children and vulnerable adults in Powys.

We have also continued to support investment in education at a time of reducing funding with a further £1m provided to schools. Over three years this means that an additional £1m has been provided each year.

The combination of these factors mean we face one of the most challenging periods in the history of Powys County Council. We must transform the way that we provide services using our 2025 programme as the basis for that change.

This revised MTFS continues to see closer alignment between the policy framework and the way we plan to use our finances. Our vision is a Council that is both open and enterprising. We want communities to feel supported so that they have a say in what is provided for them locally and the way those services are delivered.

We acknowledge that we need to increase the pace of change to meet the challenges we face. This will require some radical thinking, drawing on experience of other authorities and learning from others. We will have to reconsider the discretionary services we provide and review the levels of service we can afford to deliver for our statutory services. New ideas and new thinking that is flexible, innovative and designed to set the authority on course for a strong and vibrant future.

We welcome Welsh Government's commitment to seek greater collaboration across local government boundaries rather than changing local government structures. We were already fortunate to have a unique position in Wales with the same boundary as our single Local Health Board. The future will see integrated working develop further as we deliver the services that the people of Powys expect and deserve.

POWYS COUNTY COUNCIL

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.

Full details of the Vision 2025 can be found at:

<http://www.powys.gov.uk/en/democracy/plans-for-powys-county-council/vision-2025-our-corporate-improvement-plan-2018-2023/>

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. **LINK TO BE ADDED WHEN APPROVED.**

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 the 6 September 2019.

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 2018/19.

I certify that the accounts set out on pages 1 to 113 present a true and fair view of the financial position of Powys County Council as at 31 March 2019 and its income and expenditure for the year then ended.

Signature:

Date

J Thomas Head of Finance

Audit report of the Auditor General 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 2019 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 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Powys County Council as at 31 March 2019 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 2018-19.

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.

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 twelve 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 Statement of 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 2018-19;
- 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. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
10 September 2019

24 Cathedral Road
Cardiff
CF11 9LJ

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.

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
Balance at 31 March 2017	8,686	28,318	1,761	15,402	974	55,141	215,574	270,715
Movement In Reserves During 2017/18								
Total Comprehensive Income and Expenditure	(18,882)	-	6,251	-	-	(12,631)	(3,264)	(15,895)
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	18,982	-	(4,759)	(7,843)	525	6,905	(6,905)	-
Net Increase/(Decrease) Before Transfers To Earmarked Reserves	100	-	1,492	(7,843)	525	(5,726)	(10,169)	(15,895)
Transfers To/(From) Earmarked Reserves	895	(909)	14	-	-	-	-	-
Increase/(Decrease) Movement In Year	995	(909)	1,506	(7,843)	525	(5,726)	(10,169)	(15,895)
Transition IFRS 9 (Note 15)							(1,793)	(1,793)
Balance at 31 March 2018 Carried Forward	9,681	27,409	3,267	7,559	1,499	49,415	203,612	253,027
Movement In Reserves During 2018/19								
Total Comprehensive Income and Expenditure	(57,803)	-	7,761	-	-	(50,042)	24,681	(25,361)
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	47,471	-	(9,917)	(327)	(410)	36,817	(36,817)	-
Net Increase/(Decrease) Before Transfers To Earmarked Reserves	(10,332)	-	(2,156)	(327)	(410)	(13,225)	(12,136)	(25,361)
Transfers To/(From) Earmarked Reserves	9,716	(9,716)	-	-	-	-	-	-
Increase/(Decrease) Movement In Year	(616)	(9,716)	(2,156)	(327)	(410)	(13,225)	(12,136)	(25,361)
Balance at 31 March 2019 Carried Forward	9,065	17,693	1,111	7,232	1,089	36,190	191,476	227,666

Expenditure and Funding Analysis

Re-classified 2017/18			2018/19			
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
79,970	1,745	81,715	Social Services	97,385	1,722	99,107
22,742	4,382	27,124	Environment	29,663	12,871	42,534
16,867	2,330	19,197	Resources	15,336	13,787	29,123
103,889	12,838	116,727	Schools & Leisure	103,527	19,526	123,053
223,468	21,295	244,763	Net Cost of Services	245,911	47,906	293,817
23,546	2,724	26,270	Other Operating Expenditure	24,798	5,440	30,238
12,139	4,682	16,821	Financing and Investment Income and Expenditure	11,757	7,136	18,893
(260,745)	(14,478)	(275,223)	Taxation and Non Specific Grant Income Operations not Included in Net Cost Of Services	(269,979)	(22,927)	(292,906)
(1,592)	14,223	12,631	Surplus or Deficit	12,487	37,555	50,042
(38,765)			Opening Council Fund and HRA Balance at 31 March	(40,357)		
(1,592)			Add (Surplus)/Deficit on Council Fund and HRA Balance in Year	12,487		
-			Transfers between Reserves	-		
(40,357)			Closing Council Fund and HRA Balance at 31 March	(27,870)		

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 2017-18 has been re-classified to reflect changes in the reporting structure in 2018-19. In 2018-19 Housing was reported under Environment (Place in the 2017/18 accounts) rather than Social Services (2017/18 People), net expenditure - £4,619k. Leisure and Recreation, net expenditure - £8,672k is now reported under Schools and Leisure (schools 2017/18) rather than Environment.

Comprehensive Income & Expenditure Statement (CIES)

Reclassified 2017/18			2018/19			
Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000		Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000
111,048	(29,333)	81,715	Social Services	128,115	(29,008)	99,107
79,413	(52,289)	27,124	Environment	94,136	(51,602)	42,534
55,048	(35,851)	19,197	Resources	64,070	(34,947)	29,123
146,394	(29,667)	116,727	Schools & Leisure	153,599	(30,546)	123,053
391,903	(147,140)	244,763	Cost Of Services	439,920	(146,103)	293,817
		26,270	Other Operating Expenditure (Note 9)			30,238
		16,821	Financing and Investment Income and Expenditure (Note 10)			18,893
		(275,223)	Taxation and Non Specific Grant Income and Expenditure (Note 11)			(292,906)
		12,631	(Surplus)/Deficit On Provision Of Services			50,042
		(22,529)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets (Note 21)			(57,028)
		6,014	Impairment losses on non-current assets charged to the revaluation reserve (Note 21)			54,167
		(71)	(Surplus)/Deficit on Revaluation of Available For Sale Financial Assets (Note 21)			-
		19,850	Re-measurements of the net defined benefit (asset)/liability (Note 21)			(21,820)
		3,264	Other Comprehensive Income And Expenditure			(24,681)
		15,895	Total Comprehensive Income And Expenditure			25,361

For comparative purposes 2017-18 has been re-classified to reflect changes in the reporting structure in 2018-19. In 2018-19 Housing was reported under Environment (Place in the 2017/18 accounts) rather than Social Services (2017/18 People), expenditure - £20,704k, income - £25,323k. Leisure and Recreation, expenditure - £14,900k, income £6,228k is now reported under Schools and Leisure (schools 2017/18) rather than Environment.

Balance Sheet

Balance as at 31 Mar 18 £'000		Note	Balance as at 31 Mar 19 £'000
822,817	Property, Plant And Equipment	12	837,671
1,433	Heritage Assets		1,241
3,988	Investment Property	13	5,000
1,786	Intangible Assets		1,476
2,833	Long Term Investments	15	999
2,924	Long Term Debtors	15	3,160
835,781	LONG TERM ASSETS		849,547
-	Short Term Investments	15	7,307
1,378	Assets Held For Sale		1,152
813	Inventories		1,152
75	Intangible Asset – Carbon Reduction Commitment		-
36,171	Short Term Debtors	16	41,433
34	Cash And Cash Equivalents	17	(167)
38,471	CURRENT ASSETS		50,877
(12,949)	Short Term Borrowing	15	(14,267)
(36,987)	Short Term Creditors	18	(40,024)
(2,218)	Short Term Provision	19	(2,660)
(213)	Capital Grant Receipts In Advance	33	(790)
(52,367)	CURRENT LIABILITIES		(57,741)
(785)	Provisions	19	(665)
(241,715)	Long Term Borrowing	15	(289,157)
(20,555)	Long Term Creditors	18	(20,715)
(304,010)	Liability Related To Defined Benefit Pension	39	(304,480)
(567,065)	LONG TERM LIABILITIES		(615,017)
254,820	NET ASSETS		227,666
49,415	Usable Reserves		36,190
205,405	Unusable Reserves	21	191,476
254,820	TOTAL RESERVES		227,666

Cash Flow Statement

2017/18 £'000		Note	2018/19 £'000
	OPERATING ACTIVITIES		
	Cash Outflows		
158,739	Cash Paid to and on Behalf of Employees		167,092
13,371	Other Operating Cash Payments		14,904
171,194	Cash Paid to Suppliers of Good and Services		186,876
17,429	Housing Benefit Paid Out		16,946
23,552	Precepts and Levies Paid		24,754
10,399	Interest Paid		13,164
394,684	TOTAL OUTFLOWS		423,736
	Cash Inflows		
(11,279)	Rents (After Rebates)		(12,217)
(78,192)	Council Tax Income		(82,660)
(43,851)	National Non-Domestic Rate Receipts from Pool		(43,213)
(126,177)	Revenue Support Grant		(130,813)
(16,668)	DWP Grants for Benefits		(17,416)
(40,784)	Other Government Grants	25	(41,870)
(80,585)	Cash Received for Goods and Services		(93,456)
(157)	Interest Received		(27)
(397,693)	TOTAL INFLOWS		(421,672)
(3,009)	NET CASH OUTFLOW/(INFLOW) FROM OPERATING ACTIVITIES		2,064
	INVESTING ACTIVITIES	23	64,648
	FINANCING ACTIVITIES	24	(66,511)
16,309	DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS		201
16,343	Cash and Cash Equivalent Balance as at 1 April		34
34	Cash and Cash Equivalent Balance as at 31 March	17	(167)

Notes to the Core Financial Statements

Note 1: Accounting Policies

i. General principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019 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 2018/19, 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.

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.

POWYS COUNTY COUNCIL

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 the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructure.

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

Post-Employment Benefits

Employees of the Authority are members of two separate pension schemes:

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The 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 2.4% (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.

POWYS COUNTY COUNCIL

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

- Service cost compromising:
 - Current service cost - the increase in liabilities as a result of years of service earned this year- allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Non-Distributed Costs within Resources.
 - 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.

POWYS COUNTY COUNCIL

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 venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

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).

POWYS COUNTY COUNCIL

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:

Asset	Years
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	50, 18, 7
Surplus	Useful Life
Intangible	4, 7

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

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

The useful life is determined by the valuer.

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.

POWYS COUNTY COUNCIL

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.

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

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

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

Adopted roads

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

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 2019 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.

POWYS COUNTY COUNCIL

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.

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

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

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

xxvi. 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.

xxvii. 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 2019 for 2018/2019). None of the standards introduced in the 2019/20 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:

- There is a high degree of uncertainty about future levels of funding for local government. The effect of withdrawal from the European Union increases this uncertainty. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The 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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Property, Plant and Equipment
Uncertainty	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.
Effect if assumptions differ from actual	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 £676k for every year that useful lives had to be reduced.
Item	Pension Liability
Uncertainty	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.
Effect if assumptions differ from actual	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 £16.48m. However, the assumptions interact in complex ways. During 2018/19, the Authority's Actuaries advised that the net pension's liability had increased by £1.43m as a result of estimates being corrected as a result of experience and likewise by £36.22m attributable to updating of the demographic assumptions. There was a decrease of £47.80m attributable to financial assumptions.
Item	Arrears
Uncertainty	At 31 March 2019, the Authority had a balance of sundry debtors of £39.1m. A review of significant balances suggested that an impairment of doubtful debts of £3.0m was appropriate. Housing Rent arrears had a balance of £2.3m and Council Tax arrears £4.8m at 31 March 2019. A review of significant balances suggested that an impairment of doubtful debts of £1.0m for Housing Rent arrears and £0.7m 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.
Effect if assumptions differ from actual	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £4.8m to be set aside as an allowance. However, very little debt is historically written off as disclosed in Note 42.

POWYS COUNTY COUNCIL

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 overleaf.

Reclassified 2017/18				Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19			
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
990	835	(80)	1,745	Social Services	823	801	98	1,722
3,383	1,108	(109)	4,382	Environment	11,790	999	82	12,871
1,278	1,053	(1)	2,330	Resources	2,935	10,771	81	13,787
12,612	1,184	(958)	12,838	Schools & Leisure	17,822	1,119	585	19,526
18,263	4,180	(1,148)	21,295	Net Cost of Services	33,370	13,690	846	47,906
2,724	-	-	2,724	Other Operating Expenditure	5,440	-	-	5,440
(2,304)	6,870	117	4,683	Financing and Investment Income and Expenditure	(2,748)	8,600	1,284	7,136
(14,478)	-	-	(14,478)	Taxation and Non Specific Grant Income and Expenditure	(22,927)	-	-	(22,927)
4,205	11,050	(1,031)	14,224	Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	13,135	22,290	2,130	37,555

The comparator 2017-18 figures have been re-classified to reflect the move of Housing from Social Services to Environment and Leisure & Recreation from Environment to School & Leisure.

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	
2018/19 TRANSACTIONS					
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	(19,374)	-	-	-	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)

	Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2018/19 TRANSACTIONS					
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
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see Note 44)	(40,434)	(1,556)	-	-	41,990
Employer's pensions contributions and direct payments to pensioners payable in the year	18,993	707	-	-	(19,700)
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
Total adjustments	(47,471)	9,917	327	410	36,817

	Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2017/18 TRANSACTIONS					
Adjustments primarily involving the Capital Adjustment Account:					
Charges for depreciation	(19,278)	(6,919)	-	-	26,197
Amortisation of intangible assets	(630)	-	-	-	630
Capital grants and contributions applied	19,962	4,056	-	(541)	(23,477)
Revenue expenditure funded from capital under statute	(9,975)	-	-	-	9,975
Revaluation gain/loss on property plant and equipment	371	-	-	-	(371)
Movement in fair value of investment property	156	-	-	-	(156)
Loss on derecognition of assets	(1,998)	-	-	-	1,998
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(2,333)	(705)	-	-	3,038
Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:					
Statutory provision for the financing of capital investment	378	1,770	-	-	(2,148)
Capital expenditure charged against the council fund and HRA balances	3,027	5,619	-	-	(8,646)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	7	-	-	16	(23)
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	883	1,207	(2,090)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	10,377	-	(10,377)
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals	-	(24)	24	-	-
Available for sale asset capital receipt	125	-	(157)	-	32
Deferred capital receipts upon receipt of cash	-	-	(311)	-	311
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	151	-	-	-	(151)

	Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2017/18 TRANSACTIONS					
Adjustments primarily involving the Available for Sale Financial Instruments Reserve:					
Accumulated gains on assets sold and maturing assets written out of the comprehensive income and expenditure statement as part of other investment income	(54)	-	-	-	54
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	(287)	126	-	-	161
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see Note 44)	(27,660)	(1,040)	-	-	28,700
Employer's pensions contributions and direct payments to pensioners payable in the year	17,018	632	-	-	(17,650)
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	1,155	37	-	-	(1,192)
Total adjustments	(18,982)	4,759	7,843	(525)	6,905

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 Mar 17	Movement	As at 31 Mar 18	Movement	As at 31 Mar 19
Reserve Name	£'000	£'000	£'000	£'000	£'000
Restricted Use And Non Transferable					
Schools Reserve ¹	(8)	(870)	(878)	585	(293)
Insurance Reserve ²	2,395	(808)	1,587	(871)	716
Corporate Initiative Reserve ³	5,377	(2,795)	2,582	(987)	1,595
	7,764	(4,473)	3,291	(1,273)	2,018
Specific Reserves					
Service Specific Reserves ⁴	2,002	454	2,456	(1,040)	1,416
Revenue Grants Unapplied ⁵	1,206	48	1,254	(169)	1,085
21 Century Schools ⁶	6,297	(773)	5,524	(5,045)	479
Transport Reserve ⁷	6,199	(35)	6,164	329	6,493
Invest To Save ⁸	1,173	540	1,713	(229)	1,484
Other Reserves ⁹	192	480	672	(285)	387
Budget Management Reserve ¹⁰	3,485	2,850	6,335	(2,004)	4,331
	20,554	3,564	24,118	(8,443)	15,675
Total	28,318	(909)	27,409	(9,716)	17,693

¹ As at 31st March 2019 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.

² To mitigate the effect of large claims against the Authority

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

⁴ 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.

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

⁶ This reserve was initially set aside to finance the Schools Modernisation Programme but was redirected in 2018-19 to support the overall budget plan including the investment in social services.

⁷ The transport reserve is used to fund vehicle, plant and equipment replacements. Services are charged a real depreciation amount which is transferred to the reserve annually and new VPE is purchased when the assets are life expired.

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

⁹ A total of accumulated balance made up from smaller reserves.

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

Note 9: Other Operating Expenditure

2017/18 £'000		2018/19 £'000
	Precepts	
3,097	Community Council Precepts	3,509
13,209	Dyfed Powys Police Precept	13,871
	Levies	
6,648	Mid And West Wales Fire Authority	6,805
554	Brecon Beacons National Park	525
44	Powys Land Drainage Board	44
877	(Gain)/loss on the disposal of non-current assets	2,539
1,998	Non-enhancing expenditure	3,253
(157)	Transfer to deferred credits - landlord loans	(308)
26,270		30,238

Note 10: Financing and Investment Income and Expenditure

2017/18 £'000		2018/19 £'000
10,405	Interest Payable And Similar Charges	11,986
6,870	Net Interest on the defined liability (asset)	7,650
(92)	Interest Receivable And Similar Income	(139)
-	Impairment Of Financial Instruments	527
(362)	Income And Expenditure In Relation To Investment Properties And Changes In Their Fair Value (Note 13)	(1,087)
-	(Gains)/Losses arising from the de-recognition of financial assets measured at amortised cost.	(44)
16,821		18,893

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

2017/18 £'000		2018/19 £'000
86,661	Council Tax income (Note 34)	91,837
43,851	Non Domestic Rates	43,213
126,177	Non-ringfenced government grants	130,813
18,534	Capital grants and contributions	27,043
275,223		292,906

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 2018/19	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
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)
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
Accumulated Depreciation								
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
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)
Accumulated Impairment								
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
As at 31 March 19	-	(681)	(14)	(29)	-	-	(140)	(864)
Net Book Value								
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

Comparative Movements in 2017/18:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
Movement In 2017/18	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 17	268,831	435,960	68,260	138,811	1,095	3,292	13,221	929,470
Additions	11,145	3,177	4,481	8,859	171	-	23,162	50,995
Revaluation increases/(decreases) recognised in the revaluation reserve	-	9,926	-	-	(20)	103	-	10,009
Revaluation increases/(decreases) recognised in the surplus on the provision of services	-	(1,174)	-	-	(166)	8	-	(1,332)
Derecognition - disposals	(771)	(2,289)	(1,798)	-	(11)	(210)	-	(5,079)
Derecognition - other	-	(1,998)	-	-	-	-	-	(1,998)
Reclassification from/(to) Investment Properties	-	-	-	-	-	(1,000)	-	(1,000)
Other movements	-	2,937	-	1,366	-	657	(4,960)	-
As at 31 March 18	279,205	446,539	70,943	149,036	1,069	2,850	31,423	981,065

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
Movement In 2017/18	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation								
As at 1 April 17	(22,666)	(35,639)	(53,912)	(26,770)	-	(44)	(33)	(139,064)
Depreciation charge	(6,866)	(12,854)	(3,296)	(3,133)	-	(35)	(13)	(26,197)
Depreciation written out to the revaluation reserve	-	5,760	-	-	-	13	-	5,773
Depreciation written out to the deficit on the Provision of Services	-	1,269	-	-	-	1	-	1,270
Derecognition - disposals depreciation	74	558	1,610	-	-	17	-	2,259
Reclassified from/(to) Investment Properties	-	-	-	-	-	12	-	12
Other movements	-	(4)	-	-	-	(13)	17	-
As at 31 March 18	(29,458)	(40,910)	(55,598)	(29,903)	-	(49)	(29)	(155,947)
Accumulated Impairment								
At 1 April 17	(5)	(3,280)	(14)	(29)	-	-	(140)	(3,468)
Impairment (reversals)/losses recognised in the revaluation reserve	-	733	-	-	-	-	-	733
Impairment (reversals)/losses recognised in the surplus on the provision of services	-	433	-	-	-	-	-	433
Derecognition - disposals impairment	-	1	-	-	-	-	-	1
As at 31 March 18	(5)	(2,113)	(14)	(29)	-	-	(140)	(2,301)
Net Book Value								
As at 31 March 18	249,742	403,516	15,331	119,104	1,069	2,801	31,254	822,817
As at 31 March 17	246,160	397,041	14,334	112,012	1,095	3,248	13,048	786,938

POWYS COUNTY COUNCIL

Capital Commitments

At 31 March 2019, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years budgeted to cost £13,548k. Similar commitments at 31 March 2018 were £2,380k.

In addition, there was an outstanding Revenue Expenditure Funded from Capital Under Statute (Reffcus) commitment of £679k in respect of private sector housing at 31 March 2019 (£143k at 31 March 2018).

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 2018/19 were revalued at 1 April 2018.

The Council Dwellings were 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:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historical cost	3,386	27,861	70,496	165,519	1,070	-	37,279	305,611
Valued at fair value:								
31 Mar 19	198,561	130,609	-	-	-	23,124	-	352,294
31 Mar 18	-	88,961	-	-	-	183	-	89,144
31 Mar 17	-	34,484	-	-	-	165	-	34,649
31 Mar 16	-	55,309	-	-	-	1,577	70	56,956
31 Mar 15	-	134,959	-	-	-	-	-	134,959
	201,947	472,183	70,496	165,519	1,070	25,049	37,349	973,613

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:

2017/18 £'000		2018/19 £'000
(434)	Rental income	(448)
229	Direct operating expense	274
(205)		(174)

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

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

2017/18 £'000		2018/19 £'000
2,820	Balance as at 1 April	3,988
23	Additions	194
-	Disposal	(165)
157	Change in fair value	913
	Transfers:	
988	(To)/From property, plant & equipment	266
-	Other Changes	(196)
3,988	Balance as at 31 March	5,000

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.

2017/18				2018/19				
Level 1: Quoted Market Price	Level 2: Observable Inputs	Level 3: Unobservable Inputs	Total as at 31 March 2018		Level 1: Quoted Market Price	Level 2: Observable Inputs	Level 3: Unobservable Inputs	Total as at 31 March 2019
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Recurring fair value measurements:								
-	3,988	-	3,988	Investment property	-	3,603	1,397	5,000
Non-recurring fair value measurements:								
122	633	-	755	Assets held for sale	-	533	-	533
-	2,800	-	2,800	Surplus assets	-	3,661	20	3,681

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

2017/18			2018/19			
Fair Value £'000	Balance Sheet £'000	Variance £'000		Fair Value £'000	Balance Sheet £'000	Variance £'000
3,988	3,988	-	Investment Property	5,000	5,000	-
755	1,378	623	Assets held for sale	533	1,152	619
2,800	2,800	-	Surplus Assets	3,681	4,940	1,259

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.

2017/18 £'000		2018/19 £'000
307,523	Opening capital financing requirement	324,480
	Capital investment:	
50,995	Property, plant and equipment	65,531
23	Investment properties	194
635	Intangible assets	362
9,975	Revenue expenditure funded from capital under statute	10,086
	Less sources of finance:	
10,377	Capital receipts	3,004
23,500	Government grants and other contributions	34,242
	Sums set aside from revenue:	
8,646	Direct revenue contributions	12,044
2,148	Minimum revenue provision (MRP)	1,835
324,480	Closing capital financing requirement	349,528
	Explanation of movement in year:	
2,231	Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	3,063
14,726	Increase in underlying need to borrow (unsupported by government financial assistance)	21,985
16,957	Increase/(decrease) in capital financing requirement	25,048

Note 15: Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and measurement of financial assets, the earlier recognition of the impairment of financial assets and the remeasurement of modified loan liabilities.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown in the Movement in Reserves Statement.

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

Financial Assets

2018			2019	
Long-term £'000	Current £'000		Long-term £'000	Current £'000
2,833	-	Investments - Amortised cost	999	7,307
2,924	36,171	Debtors – Amortised cost	3,160	41,433

Financial Liabilities

2018			2019	
Long-term £'000	Current £'000		Long-term £'000	Current £'000
241,715	12,949	Borrowings – Amortised cost	289,157	14,267
20,555	39,205	Creditors – Amortised cost	20,715	42,684

Reclassification and re-measurement of financial assets at 1 April 2018

The table below shows the effect of reclassification of financial assets following adoption of IFRS 9 Financial Instruments.

	Carrying amount brought forward at 1 Apr 2018 £'000	New classification at 1 Apr 2018 Amortised Cost £'000
Previous classifications		
Debtors - Loans and Receivables	2,924	2,924
Debtors - Financial Assets Carried at Contract Amount	36,171	36,171
Available for Sale	2,833	1,041
Reclassified Amounts at 1 Apr 2018	41,928	40,135

Available for Sale (Low Cost Housing)

Under this scheme the Council bought properties and sold them at a discount to eligible purchasers. The debtor sums reflected the amounts repayable to the Council when those properties were sold and were measured at market value. As a result of the implementation of IFRS9, Available for Sale Assets have been reclassified to amortised cost. It is considered that in substance there are contractual payments comprising principal and interest. Transitional arrangements allow for the movement in market value, set in the Available for Sale reserve to be offset against the long term debtor.

Effect of Reclassification on the Balance Sheet

The table below shows how the adjusted brought forward balances at 1 April 2018 are incorporated into the balance sheet.

	Amortised Cost £'000	Total Balance Sheet Carrying Amount £'000
Long Term Investments	2,833	1,041
Long Term Debtors	2,924	2,924
Short Term Debtors	36,171	36,171

Income, Expense, Gains and Losses

2018				2019		
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
			Net Gains/Losses on:			
-	(71)	(71)	Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-
-	-	-	Impairment loss	527	-	527
-	(71)	(71)	Total Net Gains/Losses	527	-	527
			Interest Revenue:			
(92)	-	(92)	Financial Assets Measured at Amortised Cost	(139)	-	(139)
(92)	-	(92)	Total Interest Revenue	(139)	-	(139)
10,399	-	10,399	Interest Expense	11,030	-	11,030

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 2019 of 1.47% to 2.40% for loans from the PWLB and 2.28% to 2.71% for LOBO's and 0.5951% to 1.5656% 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 18			31 March 19	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
254,664	330,974	Financial liabilities	303,424	381,896
20,555	20,555	Long-term creditors	20,610	20,610

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 18			31 March 19	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
-	-	Loans and Receivables	7,307	7,307
2,924	2,924	Long-term debtors	3,160	3,160

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.

Reclassified 31 Mar 18 £'000		31 Mar 19 £'000
9,788	Trade debtors	11,148
23,643	Other debtors	27,375
2,740	Payments in advance	2,910
36,171		41,433

Note 17: Cash and Bank Accounts

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

31 Mar 18 £'000		31 Mar 19 £'000
3,636	Cash held by the Authority	2,082
(3,602)	Bank current accounts	(2,249)
34		(167)

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:

Reclassified 31 Mar 18 £'000		31 Mar 19 £'000
(19,143)	Trade payables	(21,931)
(7,614)	Other payables	(7,363)
(10,230)	Accruals and deferred income	(10,730)
(36,987)		(40,024)

Long Term Creditors

31 Mar 18 £'000		31 Mar 19 £'000
(20,555)	Receipts in advance	(20,715)
(20,555)		(20,715)

Note 19: Provisions

Short Term Provisions

	As at 1 Apr 18 £'000	Increase in Provision £'000	Reversal of Unused Provision £'000	Amounts Paid £'000	Movement to Long Term £'000	As at 31 Mar 19 £'000
Insurance ¹	(2,099)	(1,462)	-	1,019	-	(2,542)
Other ²	(119)	(60)	-	61	-	(118)
	(2,218)	(1,522)	-	1,080	-	(2,660)

Long Term Provisions

	As at 1 Apr 18 £'000	Increase in Provision £'000	Reversal of Unused Provision £'000	Amounts Paid £'000	Movement to Short Term £'000	As at 31 Mar 19 £'000
Long Term ³	(785)	-	17	103	-	(665)

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

2017/18 £'000		2018/19 £'000
15,402	Balance as at 1 April	7,559
2,558	Gross capital receipts	2,677
(6,939)	Financing fixed assets	(625)
(3,438)	Financing Refocus	(2,379)
(24)	Less Administration costs	-
7,559	Balance as at 31 March	7,232

Note 21: Unusable Reserves

31 Mar 18 £'000		31 Mar 19 £'000
316,911	Revaluation reserve	309,827
1,776	Available for sale financial instruments (note 15)	-
190,209	Capital adjustment account	187,314
72	Financial instruments adjustment account	(1,264)
(304,010)	Pensions reserve	(304,480)
2,897	Deferred capital receipts	3,321
(2,450)	Accumulated absences account	(3,242)
205,405		191,476

¹ 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.

² Included in Other are Equal Pay claims still to be settled.

³ Included in Long Term is an open book exercise which is being carried out to establish the cost of care home provision under/over paid by the Authority.

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.

2017/18 £'000			2018/19 £'000	
	309,837	Balance as at 1 April		316,911
22,529		Upwards revaluation of assets	57,028	
(6,014)		Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(54,167)	
	16,515	Surplus or deficit on the revaluation of non-current assets not posted to the surplus/deficit on the provision of services		2,861
(8,523)		Difference between fair value depreciation and historical cost depreciation	(8,007)	
(918)		Accumulated gains on assets sold or scrapped	(1,938)	
	(9,441)	Amount written off to the capital adjustment account		(9,945)
	316,911	Balance as at 31 March		309,827

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. The transition is reflected in the Movement in Reserves Statement rather than restating prior years.

2017/18 £'000			2018/19 £'000	
1,759		Balance as at 1 April		1,776
-		Transition IFRS9		(1,793)
71		Upward/(downward) revaluation of investments		-
(54)		Accumulated gains on assets sold and maturing assets written out the comprehensive income and expenditure statement as part of other investment income		17
1,776		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.

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.

STATEMENT OF ACCOUNTS

2017/18 £'000			2018/19 £'000	
	177,440	Balance as at 1 April		190,209
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income And Expenditure Statement:				
(26,197)		Charges for depreciation of non-current assets	(26,177)	
(630)		Amortisation of Intangible Assets	(672)	
371		Revaluation gain/(loss) on Property, Plant and Equipment	(19,374)	
(9,975)		Revenue expenditure funded from capital under statute	(10,086)	
(1,998)		Loss on derecognition of Assets	(3,253)	
(3,038)	(41,467)	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	(5,246)	(64,808)
	9,441	Adjusting amounts written out of the Revaluation Reserve		9,945
	(32,026)	Net written out of the cost of non-current assets consumed in the year		(54,863)
Capital Financing applied in the year				
10,377		Use of the Capital Receipts Reserve to finance new capital expenditure	3,004	
23,477		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	33,552	
23		Application of grants to capital financing from the Capital Grants Unapplied Account	679	
8,646		Capital expenditure charged against the Council Fund and HRA balances	12,044	
2,148	44,671	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	1,835	51,114
	156	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		913
	(32)	Financial Instruments		(59)
	190,209	Balance as at 31 March		187,314

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.

2017/18 £'000		2018/19 £'000
233	Balance as at 1 April	72
(111)	Discounts paid from rescheduling of debt	(80)
(44)	Soft loans adjustment	3
-	Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	16
-	Repayment of LOBO loan	(1,275)
(6)	Invest to save loans	-
72	Balance as at 31 March	(1,264)

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.

2017/18 £'000		2018/19 £'000
(273,110)	Balance as at 1 April	(304,010)
(19,850)	Actuarial gains or (losses) on pensions assets and liabilities	21,820
(28,700)	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	(41,990)
17,650	Employer's pensions contributions	19,700
(304,010)	Balance as at 31 March	(304,480)

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.

2017/18 £'000		2018/19 £'000
3,057	Balance as at 1 April	2,897
151	Landlord Loans	674
(311)	Transfer to the Capital Receipts Reserve upon receipt of cash	(250)
2,897	Balance as at 31 March	3,321

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.

2017/18 £'000		2018/19 £'000
(3,642)	Balance as at 1 April	(2,450)
3,642	Settlement or cancellation of accrual made at the end of the preceding year	2,450
(2,450)	Amounts accrued at the end of the current year	(3,242)
(2,450)	Balance as at 31 March	(3,242)

Note 22: Expenditure and Income Analysed by Nature

2017/18 £'000		2018/19 £'000
164,597	Employee Costs	172,546
19,495	Premises related expenditure	21,866
16,968	Transport related expenditure	17,556
25,133	Supplies and Services	26,751
26,300	Depreciation and Impairment losses	45,310
9,975	Reffcus	10,086
87,433	Third Party Payments	94,003
23,552	Precepts and Levies (see note 9)	24,754
47,367	Transfer Payments	48,518
10,447	Capital financing costs (Interest and Similar Charges)	12,050
6,870	Pension Interest Costs	7,650
300	IAS 19 Past Service Costs	11,080
1,998	Non-Enhancing Expenditure	3,253
877	Loss on Disposal of Asset	2,495
441,312	Total Expenditure	497,918
(99,708)	Grants, reimbursements and contributions (see note 33)	(104,505)
(66,544)	Customer and client income	(70,284)
(157)	Transfer to deferred credits - landlord loans (see note 9)	(308)
(92)	Interest received and similar income	(139)
(5,491)	Reffcus	(6,777)
(16,306)	Precepts	(17,386)
(70,355)	Council Tax	(74,451)
(43,851)	Non Domestic Rates	(43,213)
(126,177)	Revenue Support Grant	(130,813)
(428,681)	Total Income	(447,876)
12,631	Net Expenditure/(Income)	50,042

Reconciliation to the report to Cabinet (see Narrative Forward)

Restated 2017/18 £'000		2018/19 £'000
12,631	(Surplus)/Deficit on the Provision of Services (see CIES)	50,042
70,355	Council Tax	74,451
(402)	Council Tax Surplus	(1,475)
43,851	Non-Domestic Rates	43,213
126,177	Revenue Support Grant	130,813
	Items not reported to management	
(14,223)	Adjustments made between Accounting Basis and Funding Basis Under Regulations (see Expenditure and Funding Analysis)	(37,554)
(15)	Transfer from 21st Century Schools Reserve to Reffcus	-
675	Direct Revenue Funding Adjustments	-
(15)	Council Fund Movements after Outturn Reported to Cabinet	-
(4,694)	Budgeted Reserve Movements	-
234,340	Net Expenditure/(Income) as per Narrative Report	259,490

Note 23: Cash Flow Statement – Investing Activities

2017/18 £'000		2018/19 £'000
51,346	Purchase of property, plant and equipment, investment property and intangible assets	59,969
237,748	Purchase of short and long term investments	270,280
(2,256)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,612)
(249,709)	Proceeds from the sale of short and long term investments	(262,989)
(49)	Other Receipts from investing activities	-
37,080	Net cash flows from investing activities	64,648

Note 24: Cash Flow Statement – Financing Activities

2017/18 £'000		2018/19 £'000
(62,330)	Cash receipts of short and long term borrowing	(97,375)
(20,355)	Other receipts from financing activities	(22,515)
62,357	Repayments of short and long term borrowing	49,504
2,566	Other payments for financing activities	3,875
(17,762)	Net cash flows from financing activities	(66,511)

Note 25: Cash Flow Statement – Analysis of Government Grants

2017/18 £'000		2018/19 £'000
11,267	Housing Grants	11,328
21	Other Housing	13
3,847	Other Social Services (Primarily Mental Handicap Strategy)	5,172
6,391	Supporting People	4,379
1,956	Other Transport Grants	1,899
2,960	Waste Disposal And Recycling Grants	2,466
7,566	Education Grants	4,954
1,220	Concessionary Travel	1,103
793	Miscellaneous	3,775
153	Safer Communities Fund	153
128	Communities First	85
3,917	Reffcus	6,044
444	Sports Council	446
80	Animal Welfare	-
41	Arts Council of Wales	53
40,784		41,870

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.

2017/18 £'000	Revenue Account	2018/19 £'000
	Income	
(85)	Investment Income	(54)
-	Gains on Investment Assets	(130)
(85)	Total Income	(184)
	Expenditure	
34	Raising Funds	35
39	Charitable Activities	75
58	Losses on Investment Assets	-
131	Total Expenditure	110
46	Deficit/(Surplus) for the year	(74)
(2,618)	Fund Balance Brought Forward	(2,572)
(2,572)	Fund Balance Carried Forward	(2,646)

31 Mar 18 £'000	Balance Sheet	31 Mar 19 £'000
	Non-current Assets	
205	Land and Buildings	205
2,311	Investments	2,441
2,516	Total Non-current Assets	2,646
56	Net Current Assets	-
2,572	Net Assets	2,646
2,572	Fund Surplus	2,646

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.

2017/18 £'000	Revenue Account	2018/19 £'000
(401)	Income	(362)
401	Expenditure	362
-	Deficit/(Surplus) for the year	-
(4)	Fund Balance Brought Forward	(4)
(4)	Fund Balance Carried Forward	(4)

31 Mar 18 £'000	Balance Sheet	31 Mar 19 £'000
4	Net Current Assets	4
4	Net Assets	4
4	Fund Surplus	4

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:

2017/18 £'000	Agency	Description	2018/19 £'000
86	Welsh Government	Houses for Homes	138
350	Welsh Government	Home Improvement Loans	524
162	Welsh Government	Viable & Vibrant Places Scheme	685

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 2018/19 for Free Nursing care was £2,140k, which is now within the PTHB base allocation from WG.

2017/18 £'000		2018/19 £'000
	Gross Funding	
1,065	Powys County Council	1,065
1,075	Powys Teaching Health Board	1,075
-	Powys Teaching Health Board Arrears	867
2,140	Total funding	3,007
2,047	Total expenditure	3,014
93	Net under/(over) spend	(7)
	Net under/(over) spend held	
2	Powys County Council	-
91	Powys Teaching Health Board	(7)

Powys Carers Services Section 33 Pooled Budget

Powys County Council and Powys Teaching Health Board have entered into a partnership agreement in accordance with Section 33 of the NHS (Wales) Act 2006. Powys County Council is the lead commissioner and the host partner for the purposes of the Regulations. The agreement will not affect the liability of the parties from the exercise of their respective statutory functions and obligations. To ensure the integrated provision of high quality, cost effective services to Carers which meet local health and social care needs.

2017/18 £'000		2018/19 £'000
	Gross Funding	
269	Powys County Council	263
17	Powys Teaching Health Board	17
286	Total funding	280
286	Total expenditure	280
-	Net under/(over) spend	-

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

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

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

2017/18 £'000		2018/19 £'000
	Gross Funding	
521	Powys County Council	521
521	Powys Teaching Health Board	521
1	Insurance Claim	-
3	Other	(1)
1,046	Total funding	1,041
1,036	Total expenditure	1,059
10	Net under/(over) spend	(18)
	Net under/(over) spend held	
5	Powys County Council	(9)
5	Powys Teaching Health Board	(9)

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

2017/18 £'000		2018/19 £'000
	Gross funding	
177	Powys County Council	177
177	Powys Teaching Health Board	177
354	Total funding	354
354	Total expenditure	354
-	Net under/(over) spend	-

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.

2017/18 £'000		2018/19 £'000
	Gross funding	
413	Powys County Council	413
828	Powys Teaching Health Board	828
1,241	Total funding	1,241
	Expenditure	
732	Powys County Council	732
488	Powys Teaching Health Board	474
1,220	Total expenditure	1,206
22	Net under/(over) spend	35
	Net under/(over) spend held	
22	Powys Teaching Health Board	35

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

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

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

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

2017/18 £'000		2018/19 £'000
	Gross funding	
624	Powys County Council	624
122	Powys Teaching Health Board	122
746	Total funding	746
746	Total expenditure	748
-	Net under/(over) spend	(2)

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.

2017/18 £'000		2018/19 £'000
	Gross funding	
2,521	Powys County Council	2,973
1,013	Powys Teaching Health Board	1,016
212	Other income	684
3,746	Total funding	4,672
3,775	Total expenditure	4,491
(29)	Net under/(over) spend	181
	Net under/(over) spend held	
(29)	Powys County Council	185
-	Powys Teaching Health Board	(4)

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 Authorities for 2018/19 was £250k (£250k in 2017/18) of which Powys County Council contributed £35k (£35k in 2017/18). The reserve held specifically for Powys County Council by ERW is £15k in 2018/19 (£27k in 2017/18).

Note 30: Members Allowances

A total of £1,247k was paid to Councillors in basic and special responsibility allowances (£1,242k in 2017/18). Councillors were also reimbursed travel, working expenses and subsistence expenses in accordance with regulations amounting to £109k (£97k in 2017/18).

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 (£20,541 in 2018/19, £20,138 in 2017/18) of the Authorities employees was 6.30 (6.73 in 2017/18). 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 31st 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.

2017/18 Officers	Remuneration band	2018/19 Officers
22	£60,000 - £64,999	26
9	£65,000 - £69,999	8
6	£70,000 - £74,999	4
4	£75,000 - £79,999	5
4	£80,000 - £84,999	2
2	£85,000 - £89,999	2
1	£90,000 - £94,999	2
-	£95,000 - £99,999	-
-	£100,000 - £104,999	2
-	£105,000 - £109,999	-
1	£110,000 - £114,999	-
	...	
-	£150,000 - £154,999	1
	...	
-	£165,000 - £169,999	1
	...	
-	£235,000 - £239,999	1
	...	
-	£275,000 - £279,999	1

The increase in numbers can be attributed to increases to salary (2%) plus staff advancing through the scale at their respective grades. Additionally 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 2018/19 disclosure on the next page. In 2017/18, Heads of Service were also included in the disclosure, see page 94. This change of reporting is also reflected in the differences in the Remuneration bands above.

Note 38 details termination benefits.

Post Title	Salary (inc fees & allowances)	Benefits in kind	Termination Benefits	Total Remuneration Excluding Pension Contribution	Pension Contribution ¹	Total Remuneration including Pension Contribution
2018/19	£'000	£'000	£'000	£'000	£'000	£'000
<u>Pre 1 Mar 19 Reorganisation</u>						
Chief Executive ²	69	-	170	239	19	258
Acting Chief Executive ³	10	-	-	10	3	13
Acting Chief Executive ⁴	122	-	-	122	32	154
Deputy Chief Executive ⁵	95	3	119	217	25	242
Director of Education ⁶	104	2	-	106	28	134
Director of Environment ⁷	81	4	-	85	22	107
Director of Social Services ⁸	92	-	-	92	23	115
Head of Financial Services and Acting Section 151 Officer ⁹	6	-	-	6	2	8
Head of Strategic Policy and Performance ¹⁰	77	4	-	81	19	100
Head of Workforce and Organisation ¹¹	32	-	-	32	8	40
Senior Manager, Chief Executive and Member Services ¹²	57	-	-	57	15	72
Solicitor to the Council ¹³	76	2	-	78	20	98
Strategic Director – Place ¹⁴	8	-	3	11	2	13
Acting Director – Resources ¹⁵	87	3	58	148	19	167
<u>Post 1 Mar 19 Reorganisation</u>						
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) ¹⁶	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. This was misreported as Powys Teaching Health Board in the 2017/18 Accounts. No amounts were paid in relation to this in 2018/19.

STATEMENT OF ACCOUNTS

Post Title	Salary (inc fees & allowances)	Benefits in kind	Termination Benefits	Total Remuneration Excluding Pension Contribution	Pension Contribution¹	Total Remuneration including Pension Contribution
2017/18	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive ²	159	-	-	159	40	199
Acting Chief Executive ³	56	1	-	57	15	72
Strategic Director – Resources ³	60	1	-	61	15	76
Strategic Director – Place	105	-	-	105	27	132
Acting Head of Strategic Policy and Performance ⁴	18	1	-	19	4	23
Strategic Business Manager to the Chief Executive ⁴	38	3	-	41	9	50
Senior Manager, Chief Executive and Member Services	60	-	-	60	16	76
Acting Director – Resources ⁵	43	1	-	44	10	54
Solicitor to the Council	80	1	-	81	21	102
Head of Financial Services & Acting Section 151 Officer ⁶	33	-	-	33	8	41
Director of Education ⁷	75	1	-	76	19	95
Interim Head of Workforce and Organisational Development ⁸	27	-	-	27	7	34

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

Notes to the 2017/18 structure

1. Pension Contribution is 25.65% of pensionable pay, of which 18.70% relates to employer's future service costs while 6.95% is deficit funding relating to the shortfall concerning past service liabilities.
2. Currently absent due to sickness since 23 October 2017.
3. The role of Acting Chief Executive has been created with effect from 24 October 2017 in response to the Chief Executive's absence. The Strategic Director – Resources has been undertaking the role of Acting Chief Executive from 24 October 2017 to 31 March 2018.
4. The role of Acting Head of Strategic Policy and Performance was established with effect from 08 January 2018. The Strategic Business Manager to the Chief Executive (appointed on 06 June 2017) has been undertaking the role of Acting Head of Strategic Policy and Performance from 08 January to 31 March 2018. The role of Strategic Business Manager to the Chief Executive remained vacant following officer's move to Acting Head of Strategic Policy and Performance.
5. The role of Acting Director – Resources has been created (and filled by the Head of Business and Customer Services) with effect from 24 October 2017 in response to the Strategic Director – Resources undertaking the role of Acting Chief Executive.
6. The role of Head of Financial Services also assumed responsibility as Acting Section 151 Officer with effect from 24 October 2017 due to the secondment of the Strategic Director - Resources. Note that ordinarily this role has the title of Deputy Section 151 Officer.
7. The role of Director of Education was formerly undertaken by the Chief Executive but filled on 10 July 2017.
8. The role of Interim Head of Workforce and Organisational Development was formerly undertaken by an off contract worker from Powys Teaching Health Board where thereafter the role has been undertaken by an officer employed by Powys County Council. The Council's Professional Lead – Culture & Leadership Development has been undertaking the role since 01 November 2017.

In addition to the above the following senior manager positions existed at various points of time during the year as follows:

The statutory role of Interim Strategic Director – People has been held by staff employed by Powys Teaching Health Board. The amounts paid in respect of the role from 01 April 2017 to 31 October 2017 are £10k.

The statutory role of Interim Director of Social Services has been held by staff employed by the Welsh Local Government Association. The amounts paid in respect of the role from 9th October 2017 to 31st March 2018 are £55k.

The statutory role of Joint Director of Workforce Development has been held by staff employed by the Powys Teaching Health Board. The amounts paid in respect of the role from 01 April 2017 to 30 November 2017 are £33k

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.

2017/18 £'000		2018/19 £'000
208	Accounts	208
110	Performance audit	110
67	Grant claims	60
385		378

Note 33: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £'000	Grants, Reimbursements and Contributions	2018/19 £'000
256	Animal Health Welfare Grant	234
374	Benefit Administration Grant	346
566	Benefit Payments	558
570	Bus Revenue Support (Traws Cymru)	597
1,192	Bus Services Support Grant	1,054
121	Carers Respite Grant	-
1,140	Concessionary Travel	1,106
307	CSW Development	291
724	European Agricultural Fund for Rural Development	921
5,915	Education Improvement Grant	5,305
1,073	Families First	1,027
1,829	Flying Start	1,800
-	Home Grown Homes	208
11,266	Housing Benefit Subsidy	11,328
1,175	Independent Living Grant	-
1,196	Integrated Care Fund	1,133
4,814	Joint Finance – Area Health	5,453
18	Learning in Digital Wales	-
2,115	Local Health Boards	1,379
341	NNDR Collection Grant	489
8	Outcome Agreements	-
2,093	Pupil Deprivation Grant	2,175
16,668	Rent Allowance Grant	16,719
645	School Maintenance Grant	-
146	School Milk	87
3,502	Single Revenue Grant	1,183
4,911	Sixth Form Grant	4,622
769	Social Care Workforce Grant	-
398	Social Care Tasks in Nursing Homes	(26)
250	Small & Rural Schools Grant	247
455	Sports Council	433
964	Substance Abuse Action Plan	974
5,137	Supporting People	5,172
-	Supporting Social Services Grant	579
-	Teachers Pay Award Grant	946
1,000	Transformation Cost Grant	-
17,566	Capital Grants	27,042
3,732	Other Government Grants	3,944
1,023	Other Non-Government Grants	67
5,449	Other	7,112
99,708		104,505

STATEMENT OF ACCOUNTS

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:

2017/18 £'000	Capital grants received in advance	2018/19 £'000
262	Balance as at 1 April	213
-	Grants Received	644
-	Transfer To Capital Grants Unapplied	205
(49)	Transfer to Income and Expenditure Account	(272)
213	Balance as at 31 March	790

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 51.4p in 2018/19 (49.9p in 2017/18) 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 2019 was £83,021,234 (£82,739,657 at 31 March 2018). 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 2018/19 was £61,769 (£61,764 in 2017/18).

The basic charge of £1,189.20 (£1,132.57 in 2017/18), for a band D property in 2018/19 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	6	3,144	6,045	10,052	9,339	13,478	12,573	6,350	1,113	399

2017/18 £'000		2018/19 £'000
86,865	Council tax income	92,053
(204)	Miscellaneous write offs	(216)
86,661	Net proceeds from council tax	91,837

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 2018/19.

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 3rd 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 2018/19 was £13,937k (£6,572k in 2017/18). The Council has a prepayment of £488k and a creditor of £191k, which represents the Council's liability for the share of losses at 31 Mar 2019. A £99k in year profit was recorded in 2018-19, £56k apportioned to the Council Fund and £43k recognised in the Housing Revenue Account (HRA).

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.

Powys County Council also have a member of staff who is joint working with Powys Teaching Health Board. The below table shows the amounts exchanged in relation to the named positions.

Position	Purpose	Authority	Billed to/(from) £'000	Outstanding £'000
Integrated Older Team – Ystradgynlais (Ceased January 2019)	Joint Working	Powys Teaching Health Board	23	23

The Powys Pension Fund

As well as making employer contributions to the Fund the County Council also provides administrative services for the fund. In 2018/19 the Council was paid £916k for these services (£894k for 2017/18).

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
Silk, Kathryn Susan	Arts Alive	Trustee	115	3	1	-
Jones, Michael John	Brecon Beacons National Park	Member of Planning Committee	639	(2)	78	12
Williams, Gwilym Ioan Snead	Brecon Beacons National Park	Member of Planning Committee	639	(2)	78	12
Williams, Roger Hugh	Brecon Mind	Trustee and Treasurer	29	-	1	-
Jump, Francesca Helen	Canal & River Trust	Rep. for Montgomeryshire	410	4	-	-
Davies, Phyl	Celtic Travel (Llanidloes) Ltd	Director	1,543	197	-	-
Corfield, Linda Veronica	Community Foundation in Wales	LEA Representative	57	28	-	-
Baynham, Beverley Jane	East Radnor Day Centre	Chief Officer	190	-	1	-
Jones, Michael E.	East Radnor Day Centre	Director	190	-	1	-

POWYS COUNTY COUNCIL

Member	Body	Relationship	Expenditure		Income	
			In Year £'000	O/S £'000	In Year £'000	O/S £'000
Williams, Jon	Llandrindod Wells Town Council	Chair	24	-	1	1
Jones, Gareth David	Llanfair Caereinion Town Council	Member and Chairman	5	-	4	10
Jones, Joy Rachel	Maldwyn Leisure Centre	Board Member	2,472	-	239	12
Powell, William Denston	PAVO	Trustee	286	31	4	1
Harris, Rosemarie	Powys Community Health Council	Chair	-	-	32	-
Hulme, Heulwen Doreen	Powys Community Health Council	Committee Member	-	-	32	-
Charlton, Jackie	Powys Teaching Health Board	Mental Health Act Manager	1,797	260	10,968	8,306
Harris, Rosemarie	Royal Welsh Agricultural Show	Enterprise Director and Steward	38	-	39	(2)
Mackenzie, Maureen	Royal Welsh Agricultural Show	Committee Member for Llanelwedd	38	-	39	(2)
Weale, Martin Jonathan	Weales Wheels	Proprietor	365	-	-	-
Mackenzie, Maureen	Wyeside Arts Centre	Interim Chair	105	-	-	-
Price, David Rowland	Wyeside Arts Centre	Trustee	105	-	-	-
Thomas, David	Ystradgynlais Mind	Trustee	10	-	5	-
Williams, Huw	Ystradgynlais Mind	Trustee	10	-	5	-
Davies, Sandra Christine	Ystradgynlais Sports Centre, Management Committee	Member	2,472	-	239	12

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 £936k (£1,002k in 2017/18) and the total outstanding commitment on operating leases at the 31 March 2019 was £1,977k (£2,446k at 31 March 2018).

31 Mar 18 £'000	Minimum lease payments	31 Mar 19 £'000
1,067	No later than one year	903
1,068	Later than one but no later than five years	761
311	Later than five years	313
2,446		1,977

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:

31 Mar 18 £'000	Minimum lease payments	31 Mar 19 £'000
1,873	No later than one year	1,699
3,437	Later than one but no later than five years	2,949
4,118	Later than five years	3,774
9,428		8,423

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. This contract has been extended on multiple occasions but is expected to conclude in 2019 with no further extensions.

The below table shows the commitments under this agreement.

31 Mar 18 £'000	Commitment	31 Mar 19 £'000
4,861	No later than one year	809
809	Later than one but no later than five years	-
-	Later than five years	-
5,670		809

A contract replacing the above with Shaw has been signed which begin 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:

31 Mar 18 £'000	Commitment	31 Mar 19 £'000
-	No later than one year	4,929
-	Later than one but no later than five years	12,784
-	Later than five years	-
-		17,713

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.

31 Mar 18 £'000	Commitment	31 Mar 19 £'000
10,559	No later than one year	10,199
32,981	Later than one but no later than five years	22,781
-	Later than five years	-
43,540		32,980

Note 38: Termination Benefits

The Authority had the following termination costs.

2017/18			2018/19	
Staff	£'000		Staff	£'000
231	1,044	£0 - £20,000	107	608
33	918	£20,001 - £40,000	28	788
1	41	£40,001 - £60,000	8	400
1	62	£60,001 - £80,000	1	69
-	-	£80,001 - £100,000	-	-
-	-	£100,001 - £150,000	2	241
-	-	£150,001 - £200,000	3	517
-	-	£200,001 - £250,000	1	213
266	2,065		150	2,836

2017/18 £'000		2018/19 £'000
1,573	Redundancy	1,568
331	Pension strain	944
100	Loss of office	36
61	Payment in lieu of notice or holidays	288
2,065		2,836

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.

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.

2017/18 Funded £'000	2017/18 Total £'000	Comprehensive income and expenditure statement	2018/19 Funded £'000	2018/19 Total £'000
		Cost of services		
21,530	21,530	Current service cost	23,260	23,260
300	300	Past service costs	11,080	11,080
		Financing And Investment Income And Expenditure		
6,870	6,870	Interest on net defined benefit	7,650	7,650
28,700	28,700	Pension expense charged to the surplus/deficit on the provision of services	41,990	41,990
		Other post employment benefit charged to the Comprehensive Income And Expenditure Statement		
950	950	Return on plan assets (in excess of)/that recognised in net interest	(34,830)	(34,830)
14,360	14,360	Actuarial (gains)/losses due to change in financial assumptions	47,800	47,800
-	-	Actuarial (gains)/losses due to changes in demographic assumptions	(36,220)	(36,220)
4,540	4,540	Actuarial (gains)/losses due to liability experience	1,430	1,430
48,550	48,550	Total other post employment benefit charged to the Comprehensive Income And Expenditure Statement	20,170	20,170
		Movement In Reserves Statement		
(28,700)	(28,700)	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(41,990)	(41,990)
		Actual amount charged against the Council Fund balance during the year:		
(17,650)	(17,650)	Employers contributions payable to scheme	(19,700)	(19,700)

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.

31 Mar 2018 £'000		31 Mar 2019 £'000
561,200	Fair value of assets	609,560
865,210	Present value of funded defined benefit obligation	914,040
(304,010)	Funded Status	(304,480)
(304,010)	Asset/(Liability) recognised on the balance sheet	(304,480)

STATEMENT OF ACCOUNTS

Reconciliation of the Movements in the Fair Value of Scheme Assets

2017/18 £'000	Pension Scheme Assets	2018/19 £'000
550,690	Brought forward 1 April	561,200
14,290	Interest Income on Assets	14,590
(950)	Remeasurement gains/(losses) on assets	34,830
17,650	Contributions by the employer	19,700
4,230	Contributions by participants	4,520
(24,710)	Net benefits paid out	(25,280)
561,200	Carried Forward 31 March	609,560

2017/18 £'000	Actual Return on Assets	2018/19 £'000
14,290	Interest Income on Assets	14,590
(950)	Remeasurement gains/(losses) on assets	34,830
13,340	Actual Return On Assets	49,420

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

2018 Funded £'000	Pension Scheme Liabilities	2019 Funded £'000
823,800	Brought forward 1 April	865,210
21,530	Current service cost	23,260
21,160	Interest expense on defined benefit obligation	22,240
4,230	Contributions by participants	4,520
14,360	Actuarial (gains)/losses on liabilities – financial assumptions	47,800
-	Actuarial (gains)/losses on liabilities – demographic assumptions	(36,220)
4,540	Actuarial (gains)/losses on liabilities – experience	1,430
(24,710)	Net benefits paid out	(25,280)
300	Past service cost	11,080
865,210	Carried forward 31 March	914,040

Local Government Pension Scheme Assets Comprised

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

% of Assets 31 Mar 18		% of Assets (Quoted) 31 Mar 19	% of Assets (Unquoted) 31 Mar 19	Total Assets 31 Mar 19
52.0	Equity Investments	47.8	4.7	52.5
11.9	Property	9.7	-	9.7
14.3	Government Bonds	14.7	-	14.7
6.6	Corporate Bonds	6.0	-	6.0
1.1	Cash	2.1	-	2.1
14.1	Other	15.0	-	15.0
100.0		95.3	4.7	100.0

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

Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The valuations have been carried out as of 31 March 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:

2018 %		2019 %
3.2	Inflation – RPI	3.3
3.6	Rate of general increase in salaries	3.7
2.1	Rate of increase to pensions in payment	2.2
2.1	Rate of increase to deferred pensions	2.2
2.6	Discount rate	2.4

STATEMENT OF ACCOUNTS

The Principal Demographic Assumptions are:

31 Mar 18	Post Retirement Mortality	31 Mar 19
	Males	
Standard SAPS S2N tables	Year of Birth base table	Standard SAPS S2N tables
100.0% for current pensioners 105.0% for future pensioners	Scaling to the above table	100.0% for current pensioners 105.0% for future pensioners
CMI_2014	Cohort improvement factors to base table	CMI_2017
1.5%	Minimum underpin to improvement factors	1.5%
23.1	Future lifetime from age 65 (currently aged 65)	22.4
24.9	Future lifetime from age 65 (currently aged 45)	23.7
	Females	
Standard SAPS S2N tables	Year of Birth base table	Standard SAPS S2N tables
95.0% for current pensioners 100.0% for future pensioners	Scaling to the above table	95.0% for current pensioners 100.0% for future pensioners
CMI 2014	Cohort improvement factors to base table	CMI 2014
1.5%	Minimum underpin to improvement factors	1.5%
25.8	Future lifetime from age 65 (currently aged 65)	24.8
27.6	Future lifetime from age 65 (currently aged 45)	26.2

	31 Mar 18	31 Mar 19
Commutation	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analyses overleaf have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

Funded LGPS Benefits

Discount Rate Assumption		
Experience gains / (losses) on liabilities	+0.1% p.a.	-0.1% p.a.
Present value of total obligations (£'000s)	897,560	930,820
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£'000s)	24,010	25,440
Approximate % change in projected service cost	-2.9%	2.9%
Rate of general increase in salaries		
Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value to total obligation (£'000s)	917,500	910,610
% change in present value of total obligation	0.4%	-0.4%
Projected service cost (£'000s)	24,720	24,720
Approximate % change in projected service cost	0.0%	0.0%
Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption		
Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£'000s)	927,330	900,960
% change in present value of total obligation	1.40%	-1.40%
Projected service cost (£'000s)	25,440	24,010
Approximate % change in projected service cost	2.9%	-2.9%
Post Retirement Mortality Assumption		
Adjustment to mortality age rating assumptions ¹	-1 year	+1 year
Present value of total obligation (£'000s)	943,640	884,730
% change in present value of total obligation	3.2%	-3.2%
Projected service cost (£'000s)	25,680	23,770
Approximate % change in projected service cost	3.9%	-3.8%

Impact on the Authority's Cash Flows

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

The Council anticipates paying £20.01m regular contributions to the scheme in 2019/20.

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

Active members (35%)	Deferred pensioners (16%)	Pensioners (49%)
----------------------	---------------------------	------------------

The weighted average duration of the defined benefit obligation for scheme members is 18.2 years in 2018/19 (18.2 years 2017/18).

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

Cost Management Process and McCloud judgement

Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sergeant) were age discriminatory. On 27 June 2019 the Government applied to the Supreme Court for permission to appeal this judgement, however this was rejected. While the judgement was not in relation to members with LGPS benefits it is reasonable to assume the Government will now seek a remedy for all public sector schemes. The potential additional liability to reflect the potential uplift in benefits for those members who were discriminated against is reflected in this note.

*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 2018/19 the County Council paid £6.8m to the Department for Education in respect of teacher's pension costs which represents 16.48% of teacher's pensionable pay (£6.8m, 16.48% in 2017/18). 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 2018/19 payments made in relation to added years amounted to £1.6m, representing 3.76% of pensionable pay (£1.5m, 3.62% in 2017/18). Estimated employer contributions for 2019/20 are £8.8m.

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 £93k 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%.

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

STATEMENT OF ACCOUNTS

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 2018/19.

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. Celtic Energy have recommenced coaling and a new revised s106 Agreement is being prepared to ensure the site is appropriately restored. Proposals for the potential use of the site as a rail testing facility are currently being investigated by Welsh Government in conjunction with both Powys County Council and Neath Port Talbot Council. If these proposals are progressed then the S106 will require further revision to accommodate the revised restoration profiles and after use of the site. The contingent liability is noted to reflect the 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 £20m of its surplus balances to one institution at any one time.

Customers are not currently assessed for their creditworthiness or individual credit limits set. No financial assets have had their terms renegotiated that would otherwise have been past due or impaired. The analysis below summarises the Authority's potential maximum exposure to credit risk, based on experience of default and collectability over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 Mar 19 £'000	Actual provision for bad debts made £'000	Bad debt written off in year £'000
Deposits with banks and financial institutions			
Customers			
Council Tax	4,809	(718)	186
Housing rents	2,310	(1,025)	107
Sundry debtors	39,096	(3,039)	201
	46,215	(4,782)	494

STATEMENT OF ACCOUNTS

No collateral is held as security on Financial Assets.

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

	3 to 6 Months £'000	6 to 9 Months £'000	Over 9 Months £'000	Total £'000
Debtors Ledger Control	1,154	834	3,056	5,044

	1 to 2 Years £'000	2 to 5 Years £'000	Over 5 Years £'000	Total £'000
Council Tax	3,275	587	229	4,090

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 2018-19 is £527k, (£307k in 2017-18). 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:

2018 £'000		2019 £'000
10,029	Within a year	11,031
10,039	Between 1 to 2 years	23,033
22,128	Between 2 to 5 years	31,635
31,226	Between 5 to 10 years	40,751
177,962	Over 10 years	192,804
251,384		299,254

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.

STATEMENT OF ACCOUNTS

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	(109)
Increase In Surplus Of Income And Expenditure Account	141
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: Capitalisation Direction

Under sections 16(2)(b) and 20 of the Local Government Act 2003 the Council may treat as capital expenditure, expenditure which

- i. is incurred by the Authority that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs and demands for services in future years for any of the public sector delivery partners; and
- ii. is properly incurred by the authorities for the financial years beginning 1 April 2016, 1 April 2017, 1 April 2018, 1 April 2019, 1 April 2020 and 1 April 2021.

It is a condition of this direction that expenditure treated as capital expenditure in accordance with it, may only be met from capital receipts which have been received in the years to which the direction applies.

The below are projects that made use of this capital receipts flexibility. These projects were all funded from capital receipts.

	2018/19
	Total Capitalised £'000
Voluntary Redundancies across the Council	2,218
Total	2,218

Note 44: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance and Section 151 Officer on 6 September 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. However, no such events existed at the Balance Sheet date.

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

2017/18 £'000		2018/19 £'000
	Expenditure	
3,314	Supervision and management	3,772
7,217	Repairs and maintenance	8,105
75	Rents and rates	102
113	Movement in allowance for bad and doubtful debts	144
6,919	Depreciation, impairment and revaluation of noncurrent assets	5,283
18	Debt management expenses	16
17,656	Total service expenditure	17,422
	Income	
(22,067)	Dwelling rents	(23,139)
(556)	Non dwelling rents	(605)
(489)	Other charges for services and facilities	(442)
(17)	Contributions towards expenditure	(209)
(23,129)	Total service income	(24,395)
(5,473)	Net cost of services as included in the Comprehensive income and expenditure account	(6,973)
106	HRA services share of corporate and democratic core	506
(5,367)	Net cost of HRA services	(6,467)
	HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement	
(502)	(Gain)/loss on sale of HRA noncurrent assets	(353)
3,554	Interest payable and similar charges	3,657
(126)	Amortisation of premiums and discounts	(73)
246	Net interest on the net defined benefit liability	274
(4,056)	Capital grants and contributions applied	(4,799)
(6,251)	(Surplus)/deficit for the year on HRA services	(7,761)

Movement on Housing Revenue Account Statement

2017/18 £'000		2018/19 £'000
1,761	Balance as at 1 April	3,267
6,251	Surplus/(deficit) for the year on the HRA	7,761
(4,759)	Adjustments between accounting basis and funding basis under statute (Note 5)	(9,917)
1,492	Increase/(decrease) in the HRA balance Before transfers to or from reserves	(2,156)
14	Transfers to/(from) earmarked reserves	-
1,506	Increase/(decrease) in the HRA balance	(2,156)
3,267	Balance as at 31 March	1,111

Notes to the Housing Revenue Accounts

Note 1: Housing Stock

2017/18 Total	Property Type	Number of bedrooms						2018/19 Total
		1	2	3	4	5	6	
50	Detached house/bungalow	4	32	11	4	-	-	51
2,127	Semidetached house/bungalow	262	824	984	39	4	-	2,113
2,114	Terraced house	201	745	1,087	77	3	3	2,116
1,065	Flats	349	684	49	-	-	-	1,082
17	Bedsits	13	-	-	-	-	-	13
5,373	Total	829	2,285	2,131	120	7	3	5,375

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

2018 £'000		2019 £'000
448	Current tenant arrears	357
850	Former tenant arrears	928
1,298	Total arrears	1,285
70	Bad debts	107
986	Provision for bad debt	1,023

Note 3: Housing Revenue Account Capital Expenditure

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

2018/19 Capital expenditure	Total £'000	Dwellings £'000	Intangible £'000	Equipment £'000	Non operational £'000
Enhancing costs	16,499	16,189	-	-	310
Total expenditure	16,499	16,189	-	-	310
Depreciation	5,283	5,230	53	-	-

The capital expenditure was financed as follows:

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

POWYS COUNTY COUNCIL

2017/18	Total	Dwellings	Intangible	Equipment	Non
Capital expenditure	£'000	£'000	£'000	£'000	operational
					£'000
Enhancing costs	11,145	11,145	-	-	-
Total expenditure	11,145	11,145	-	-	-
Depreciation	6,919	6,866	53	-	-

The capital expenditure was financed as follows:

Financed by	2017/18
	£'000
Capital Grants and Contributions	4,056
Usable Capital Receipts	1,138
Direct Revenue Contributions and Reserves	5,652
Prudential Borrowing	299
	11,145

Note 4: Housing Revenue Account Capital Receipts

The following amounts were received during the year:

2017/18		2018/19
£'000		£'000
432	Disposal of land	73
775	Housing	724
1,207		797

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

2017/18 £'000		2018/19 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the HRA Balance for the year	
126	Difference between interest payable and similar charges including amortisation of premiums and discounts in accordance with statute	73
(408)	Net charges made for retirement benefits in accordance with IAS 19	(849)
502	(Gain)/loss on sale of HRA non-current assets	353
	Adjustments	
	Primarily involving the Capital Adjustment Account	
(6,919)	Depreciation and impairment	(5,283)
1,770	HRA Minimum Revenue Provision	1,745
4,056	Capital Grants and Contributions Applied	4,799
5,619	Capital Expenditure Funded by HRA	9,085
	Primarily involving the Capital Receipts Reserve	
(24)	Admin costs on council house sales	-
	Primarily involving the Accumulated Balances Account	
37	Holiday accrual	(6)
4,759	Net additional amount required by statute to be debited to the HRA Balance for the year	9,917
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:

2017/18 £'000		2018/19 £'000
632	Employer contributions actually paid	707
(11)	Past Service Costs	(398)
(783)	Current cost of employees	(884)
(246)	Net Interest on the net defined benefit/(liability)	(274)
(408)	Contribution to/(from) reserve	(849)

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.