

Pecyn Dogfennau Cyhoeddus

Pwyllgor Archwilio

Man Cyfarfod
**Ystafell Bwyllgor A - Neuadd y Sir,
Llandrindod, Powys**

Dyddiad y Cyfarfod
Dydd Mercher, 12 Medi 2018

Amser y Cyfarfod
1.00 pm



Neuadd Y Sir
Llandrindod
Powys
LD1 5LG

I gael rhagor o wybodaeth cysylltwch â
Lisa Richards
01597 826371
lisa.richards@powys.gov.uk

Mae croeso i'r rhai sy'n cymryd rhan ddefnyddio'r Gymraeg. Os hoffech chi siarad Cymraeg yn y cyfarfod, gofynnwn i chi roi gwybod i ni erbyn hanner dydd ddau ddiwrnod cyn y cyfarfod

AGENDA

1.	YMDDIHEURIADAU
-----------	-----------------------

To receive apologies for absence.

2.	DATGANIADAU O DDIDDORDEB
-----------	---------------------------------

Derbyn datganiadau o ddiddordeb gan Aelodau.

3.	DATGANIAD O CHWIPIAU PLAID
-----------	-----------------------------------

Derbyn datganiadau ynglyn â gwaharddiad chwip plaid a gyflwynwyd i Aelod mewn perthynas â'r cyfarfod yn unol ag Adran 78 (3) Mesur Llywodraeth Leol 2011.

(D.S: atgoffir yr Aelodau, dan Adran 78, na all Aelodau sydd wedi derbyn gwaharddiad chwip plaid bleidleisio ar fater gerbron y Pwyllgor.

4.	COFNODION
-----------	------------------

Awdurdodi'r Cadeirydd i lofnodi cofnodion y cyfarfod blaenorol.
(Tudalennau 1 - 10)

5.	DATGANIAD O'R CYFRIFON
-----------	-------------------------------

5.1. Cau'r Cyfrifon

Ystyried adroddiad y Pennaeth Gwasanaethau Ariannol.
(Tudalennau 11 - 12)

5.2. Archwiliad o Adroddiadau o Ddatganiadau Ariannol

Ystyried adroddiadau'r Swyddfa Archwilio Cymru.
(Tudalennau 13 - 52)

5.3. Llythyron Sylwadau

Ystyried Llythyron Sylwadau ar gyfer Datganiadau Ariannol Cyngor Sir Powys a'r Cronfa Bensiwn.
(Tudalennau 53 - 60)

5.4. Datganiad o'r Cyfrifon

Ystyried Datganiad o'r Cyfrifon a Datganiad Llywodraethu Blynyddol 2017/18.
(Tudalennau 61 - 256)

6.	ADRODDIAD MONITRO'R GYLLIDEB
-----------	-------------------------------------

Ystyried adroddiad yr Aelod Portffolio ar faterion Cyllid.
(Tudalennau 257 - 270)

7.	ADRODDIAD CYFALAF
-----------	--------------------------

Ystyried adroddiad yr Aelod Portffolio ar faterion Cyllid.
(Tudalennau 271 - 276)

8.	ARCHWILIO MEWNOL
-----------	-------------------------

Ystyried yr Adroddiad Gweithgareddau ar gyfer y chwarter cyntaf 2018/19.
(Tudalennau 277 - 296)

9.	SWYDDFA ARCHWILIO CYMRU - ADOLYGIAD TRAWSNEWID
-----------	---

Ystyried Briff Prosiect Swyddfa Archwilio Cymru – Adolygiad o Raglenni Trawsnewid Sefydliadol ac Arbedion Effeithlonrwydd Cyngor Sir Powys
(Tudalennau 297 - 306)

10.	DIWEDDARIAD MODEL RHEOLAETH ARIANNOL CIPFA
------------	---

Derbyn diweddariad llafar gan y Pennaeth Gwasanaethau Ariannol.

11.	SYSTEM CYLLID NEWYDD - PROSIECT GWEITHREDU
------------	---

Ystyried adroddiad y Dirprwy Bennaeth Gwasanaethau Ariannol.
(Tudalennau 307 - 310)

12.	RHAGLEN WAITH
------------	----------------------

Ystyried y blaenraglen waith ac os dylid cynnwys unrhyw eitemau ychwanegol.
(Tudalennau 311 - 318)

13.	MYNEDIAD AT WYBODAETH
------------	------------------------------

Mae'r Swyddog Monitro wedi penderfynu bod yr eitemau canlynol yn destun categori 3 y Rheolau Trefn Mynediad at Wybodaeth. Ei farn o ran prawf lles y cyhoedd (wedi ystyried darpariaethau Rheol 14.8, Rheolau Mynediad at Wybodaeth y Cyngor), oedd y byddai gwneud y wybodaeth hon yn gyhoeddus yn datgelu gwybodaeth ynglyn â materion ariannol neu fusnes unrhyw unigolyn penodol (gan gynnwys yr awdurdod yn cadw'r wybodaeth honno). Ar sail hynny, roedd o'r farn bod diddordeb y cyhoedd wrth gadw'r eithriad yn fwy pwysig na diddordeb y cyhoedd wrth ddatgelu'r wybodaeth.

Gofynnir i aelodau ystyried y ffactor hwn wrth benderfynu ar brawf lles y cyhoedd, a rhaid iddynt benderfynu ar hyn wrth ystyried eithrio'r cyhoedd o'r rhan hon o'r cyfarfod.

(To Follow)

14.	THEATR ABERHONDDU
------------	--------------------------

(To Follow)

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 6 JULY 2018

PRESENT

County Councillors JG Morris (Chair), M Barnes, J Charlton, L V Corfield, M J Dorrance, E Durrant, M J Jones, K Laurie-Parry, K Lewis, D A Thomas, R G Thomas, E Vaughan, T J Van-Rees, A Williams and J M Williams and Mr J Brautigam

Cabinet Portfolio Holders In Attendance: A W Davies, Portfolio Holder for Finance

Officers: Ann Owen, Treasury Manager, Jane Thomas, Head of Financial Services and Greg Thomas, Business Continuity and Risk Management Officer

Other Officers in Attendance: Ian Halstead, South West Audit Partnership, Phil Pugh and Jeremy Evans, WAO

1. APOLOGIES

Apologies for absence were received from County Councillors B Baynham, D R Jones, P E Lewis, N Morrison, WD Powell and GD Price

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. DISCLOSURE OF PARTY WHIPS

There were no disclosures of party whips.

4. MINUTES

The Chair was authorised to sign the minutes of previous meetings, held on 27 April and 17 May 2018, as correct records.

It was noted that the findings of the CIPFA Financial Management Assessment would have been reported to Committee. Unfortunately there had been a delay due to the low number of responses to a questionnaire sent to budget holders. This had been reissued and it was hoped that the report could be submitted to the next meeting of the Committee.

5. FINANCIAL OUTTURN REPORTS 2017/18

Documents:

- Report of the Portfolio Holder for Finance – Financial Outturn for the Year Ended 31 March 2018

Discussion:

- The Committee noted that financial monitoring reports were considered by Cabinet on a monthly basis which included a projected outturn of expenditure based on expenditure to date
- The monthly report is key in monitoring delivery of savings – these are only recorded once achieved. It is proposed that the report will show two figures – the actual savings achieved and those that can realistically be expected to be achieved.
- Within both the monthly and annual reports, each directorate is highlighted and whether they are expecting an over or under spend. Reporting is carried out on an exceptions basis. The impact on reserves is also reflected.
- A separate capital report is provided
- An underspend had been achieved at year end due to a number of late grants being received (including Welsh Government grants to assist with winter pressures and transformation). Some transformation costs have been capitalised.
- Work is ongoing with managers to ensure projections are more accurate
- One of the main areas for concern is that savings delivery is only 71%
- There had been an overspend in the People Directorate, mainly as a result of CIW Inspection Report. The Children's Services Budget has been increased by £6M for 2018/19 to meet some of the continuing cost pressures and to deliver the Improvement Plan.
- It was suggested that the process was reactive and should be more proactive. Further clarity was needed regarding underspends and savings as underspends could be considered as serious as an overspend.
- Members also challenged the statement that the decline in savings from 79% achieved to 71% was *slight* – this was considered to be a worrying decline
- The underspend at year end was of concern to the committee – if this position had been known earlier it could have impacted positively on budget decisions and the level of council tax. The Portfolio Holder for Finance informed the Committee that the underspend had been used to protect the level of reserves held and provide additional resilience future years' budgets.
- The Head of Finance stressed the need for confidence that resources were allocated where needed. Robust reporting was essential and variances should be identified early.
- The WAO reported that other authorities request reports from service areas where savings have not been achieved, detailing why these have not been delivered
- Members had concerns that debt was being rolled forward where savings had not been achieved. It was questionable whether some savings identified were achievable as it seemed that those identified as high risk in Impact assessments were frequently not achieved. The Portfolio Holder for Finance stated that unachieved savings were rolled forward as each area had to take responsibility for their budgets.
- The Head of Finance reported that savings plans for future years were already being considered by Cabinet to ensure they were deliverable and each proposal would require sign off by the S151 Officer. Savings not delivered were being reconsidered as part of this year's budget planning –

some will be removed including the £1.7M Income and Cost Improvement Board target which remains unachieved. It was noted that Powys has been reported as one of the worst performing authorities in terms of achieving savings.

- Further concerns were expressed that increasing debt or larger cuts to services would impact upon the duties placed on the Authority by the Future Generations Act
- It was essential that decisions were made in the full knowledge of the impact of any saving on services

Outcome:

- **Reports from services would be requested explaining why savings had not been achieved**
- **The outturn report would be given further consideration by the Finance Scrutiny Panel**

6.	MAKING IT HAPPEN
-----------	-------------------------

The Committee received a presentation on the Making It Happen Programme by the Acting Director of Resources. Audit Committee would be undertaking monitoring of the implementation of the Programme.

Discussion:

- The Programme would be the main enabler in delivering four key priorities which aim to transform the council
- Workforce
 - Reducing budgets
 - Changing demographics with the working population reducing
 - Recruitment and Retention
- The workforce needs to be aligned to the Vision
- A significant change in culture is required
- Communications and Engagement
 - interface with residents and how they can engage regarding their wishes. There is an acknowledgement that this area of work needs to improve.
- The Council needs to become more agile – it needs adaptability and flexibility
- Front line services will be transformed – there needs to be a greater emphasis on self-service and be more interactive
- It is envisaged that a hub and spoke model will be adopted
- Local Member intelligence will be key and there are already examples of where this works effectively. It may be that this happens in local areas or by themes.
- Members of the Committee suggested that the Audit Committee would need to break into smaller groups to enable effective monitoring of the Programme
- The work programme will be prioritized on the basis of benefits realisation
- The Making It Happen Programme Board and Committee will need to work together closely

- The ability to become agile was challenged – did the organisation fully understand the needs of agile working. Officers working alone must not become isolated or disengaged. There was also a need for Town and Community Councils to be fully engaged. Members also suggested that encouragement to work from home must not become compulsory.
- The Portfolio Holder for Finance was asked how far the Cabinet had progressed with the Programme - it was still in early stages and the Programme Board had only met once so far but the Portfolio Holder acknowledged that more momentum was needed. The challenges were being considered as part of the budget process and a longer term view was required.
- The management ethos must be to remove barriers. The political ethos should also be ascertained. It was suggested that the Finance Scrutiny Panel could provide this challenge. The Performance Auditor, WAO, cautioned that the suggestion was one for Scrutiny and not the Audit Committee. He hoped the Audit Committee would be clear as to why they were receiving information and what influence they could have. He did not believe this was an issue for an Audit Committee.
- The Portfolio Holder for Finance informed the Committee that there would be a meeting between Joint Chairs and Vice Chairs Steering Group and Cabinet to agree a way forward and to take scrutiny forward
- The Chair reminded the Committee that the Audit Committee could be considered a scrutiny committee under the Local Government Measure

7.	CLOSURE REPORT FOR THE ASC RECOVERY PLAN
-----------	---

Documents:

- Report of the Head of Finance

Discussion:

- A budget recovery plan had been put in place in 2016 following concerns of an increasing overspend in Adult Social Care
- A number of recommendations had been made, five have been completed in full, and one has been partially completed
- The remaining recommendations have now been incorporated into the Corporate, Leadership and governance Plan and ASC Improvement Plan and will be monitored through the Improvement and Assurance Board
- The Committee noted that an in depth report had been provided in relation to Learning Disabilities and reports relating to Physical Disability and Mental Health were nearing completion. These would be considered by the Finance Scrutiny Panel once all three were available.

Outcome:

- **It was noted that outstanding Budget Recovery recommendations were being monitored elsewhere**
- **The Finance Scrutiny Panel would be reconvened once all three topic reports were available for consideration**

8.	INTERNAL AUDIT ANNUAL OPINION REPORT 2017/18
-----------	---

+Documents:

- Internal Audit Opinion Report 2017/18

Discussion:

- The report is an annual requirement to report on the level of internal control
- The work was carried out based on a work plan agreed by Audit Committee at the start of the year
- Absolute assurance across all areas was impractical but key areas are assessed
- 64 assignments were undertaken and 28 opinions given – 5 were good, 16 reasonable and 7 could only be given partial assurance. There were no reviews where no assurance was given
- Risks were generally well managed and reasonable assurance overall could be given
- Audit Committee was key in the process in providing governance and scrutiny
- One area that had been given partial assurance was Risk Management – however the revised approach will be embedded and should influence key decisions. It was essential that this was embedded across the Authority.
- The Committee questioned whether there were links between partial assurance being given for Joint Venture Companies and Partnerships and whether this was because they were new ventures and not yet well developed. It was reported that there was improvement and that the Council was evolving. Delivery of projects is essential.
- A number of reviews had been deferred or cancelled by the client and Members had concerns that a service area had this authority. An annual plan had been agreed but some issues may change through the year, for example, if new legislation has been brought in. If it was thought that the service area was intentionally avoiding an audit, the matter would be escalated.
- One audit which had been deferred was in relation to Looked After Children – Members were concerned that this area should be subject to scrutiny. The Assistant Director had met with the service and agreed a scope. The focus of the service was taken away from audit work but it is hoped that this work will be delivered soon.
- Members asked for the criteria for selection of schools to be audited – previously there had been a rolling programme and schools were audited every four years. A selection criteria had been introduced whereby a school would be included for audit if there had been a change in the management structure, or by request of the school or if previous opinions had given cause for concern. The selection was based on cumulative evidence as sufficient resources were not in place to audit each school. Members noted that the only schools audited were in Montgomeryshire except one.
- The Brecon Hwb had not been subject to an internal audit as the project was under significant scrutiny elsewhere.

Outcome:

- **The Audit Opinion for 2017/18 was noted**

9.	INTERNAL AUDIT SCRUTINY GROUP
-----------	--------------------------------------

Documents:

- Scrutiny summary report

Discussion:

- It had been suggested that internal audit reports be tracked through the Corporate Tracker
- There had been a lack of engagement by some services with SWAP since the internal audit function had moved. This had been addressed by Head of Financial Services and Deputy Chief Executive and was improving.

Outcome:

- **The summary was noted**

10.	RISK MANAGEMENT
------------	------------------------

Documents:

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

Discussion:

- Risk management was a central discipline in decision making
- It covers planning and preparation for the unknown and should safeguard the organisation and increase resilience
- Additional training is to be provided for all Members
- A new system and approach has been developed, and was considered by the previous Audit Committee
- Future meetings will receive reports processed under the new system
- The new system had been introduced following an internal audit
- Two risks had been removed from the Corporate Risk Register since the last meeting – failure to adopt the LDP and legal challenge regarding landfill sites.
- A new risk, ASC28, relating to the payment for sleeping in has been added pending the outcome of a legal challenge. There was a significant financial risk to the Authority depending upon the outcome. It was not known how many workers this may affect in Powys but it has been suggested that the cost may be £1m in disability services alone.
- HS9, Heart Of Wales Property Services, had also been added as they have underperformed on their contract resulting in additional costs to the Authority
- Remaining risks are unchanged
- In future, Business Continuity is to be aligned with Emergency Planning
- Members were concerned that there were only two risks reported with regard to Children's Services – each service has its own risk register and the corporate register only includes those risks which have been elevated. Under the new system there was a formula for inclusion on the register, which should provide more clarity.

- ASC19, regarding demographics and staffing issues, remained as catastrophic – the Committee requested further information on what is happening. This was an issue for the service rather than the Risk Management Officer.
- The Committee questioned whether the Risk Register carried any authority or if it was provided just for information. The Register was provided for information and it was the Audit Committee's responsibility to ensure issues were investigated further or given greater priority.
- It was noted that some items had been included on the Register for a number of years – it was suggested that there should have been an impact or the risk removed from the Register. Risk is being cleansed as it is transferred to the new system.
- Members asked whether Brexit should be included – further information was awaited but it was confirmed that there were no contingency plans in place

- It was not clear what the Authority's risk appetite is and risk should not always be considered as being negative. The risk appetite has not been defined but it will be from August 2018 – each service has been asked to define their own risk appetite. An opportunity risk register is also an added benefit of the new system

County Councillor R G Thomas left at 12.25

Outcome:

- **The report was noted**

11. TREASURY MANAGEMENT ANNUAL REVIEW
--

Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- The report is a statutory annual review covering investments, borrowing and capital
- Longer term borrowing had increased to take away the risk of temporary borrowing
- In the longer term, borrowing would increase and this is being considered before interest rates start to rise. This has been built in to revenue budgets
- It was suggested that the need for short term loans showed poor financial management. The Treasury Manager explained that this was good practice to manage cash flow.
- The Treasury Manager was asked about the risk of Brexit and all authorities working towards the same date. There were no specific risks to Treasury Management as income was secured through the RSG.
- The Public Works Loans Board is part of the Government's treasury and funds are always available. These loans would be sought for terms of five or more years.

- The impact of the change in Minimum Revenue Position policy on long term borrowing was questioned. It would not have an impact as MRP is based on capital financing requirements.
- The Committee noted that the capital budget was usually underspent – this is common across other authorities and more work with project managers in ongoing. There is a major capital programme for the current year and there has been little spend in the first quarter. Members asked for a report on the issue to the next meeting.
- The submission of supporting documentation used for reclaiming VAT on purchases was still an issue. A significant number of recharges had been made to services where the appropriate documentation was not in place. The Head of Finance reported that a ‘Right First Time’ ethos was being promoted. It was essential that the root cause of issues was identified and resolved. More rigour was needed in the system to drive out errors.

Outcome:

- **A report on Capital expenditure would be submitted to the next meeting**

12.	CORPORATE TRACKER
------------	--------------------------

Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- Duplication of work had been identified
- There had been an increase in Action Plans in Social Care and under the Corporate Leadership Development and Governance Programme
- The Corporate Tracker would be removed and actions contained moved to other Action Plans

Outcomes:

- **Proposals for monitoring future recommendations were noted**

13.	FINANCE SCRUTINY PANEL
------------	-------------------------------

Documents:

- Scrutiny Observations to Cabinet on the Children’s Services Budget

Discussion:

- Following the CIW Inspection, the service had responded swiftly
- Additional funds had been added to the budget
- The FSP were concerned, and remain so, that there was no clarity in how additional funds would be spent
- The number of Looked After Children per 100,000 population ranked Powys as 19th out of 22 authorities. However the cost per LAC per 100,000 population ranked Powys 2nd out of 22 authorities.
- The report would be considered by Cabinet and the Portfolio Holder for Finance indicated that a written response would be forthcoming

- All information is considered by the Improvement and Assurance Board – Group Leaders attend the Board and provide challenge

Outcome:

- **The report would be forwarded to Cabinet for consideration**

14.	FSP MEMBERSHIP
------------	-----------------------

County Councillors D Thomas, R G Thomas, A Williams and M Barnes were appointed to the FSP.

15.	TIMING OF MEETINGS
------------	---------------------------

Documents:

- Report of the Scrutiny Manager

Discussion:

- All Committees were being asked to give consideration to the timing of meetings to assess ways in maximising attendance
- Evening meetings were not popular given the distances some Members had to travel
- A survey had been completed by Members and it was suggested that the results of that be used to determine the timings of meetings

Outcome:

- **Members preferred morning meetings with afternoons as a second option**

16.	WORK PROGRAMME
------------	-----------------------

Documents:

- Scrutiny work programme

Discussion:

- This was still being developed and would be added to once Joint chairs and Vice chairs Steering Group membership had been finalised

Outcome:

- **Noted**

17.	CORRESPONDENCE
------------	-----------------------

There were no items of correspondence.

This page is intentionally left blank

5.1

CYNGOR SIR POWYS COUNTY COUNCIL

AUDIT COMMITTEE

12th September 2018

REPORT AUTHOR: Jane Thomas, Head of Financial Services

SUBJECT: Statement of Accounts 2017/18

REPORT FOR: Information

- 1.1 The Statement of Accounts for 2017/18 were signed off by the Deputy Chief Executive (Section 151 Officer) on the 18th June 2018. This was 2 weeks ahead of the statutory deadline. The audit of the Accounts commenced by the Welsh Audit Office team on the 18th June 2018 and has now concluded.
- 1.2 The Auditor General has issued an unqualified opinion on the 2017/18 Accounts of the Authority at this meeting today, and following the Committees consideration and approval, The Deputy Chief Executive (Section 151 Officer) and the Chair of Audit Committee will sign the Statement of Accounts today and comply with meeting the 30th September deadline for publication.
- 1.3 A workshop for Committee members held on the 6th September 2018 reviewed the final draft of the Accounts and provided members of the Committee with an opportunity to review the amendments made since the draft set of accounts and to fully understand the reasons for them and any impact they have on the accounts.
- 1.4 The Closure of the Accounts for the financial year ending 31st March 2018 and the completion of the Statement of Accounts has once again been delivered under a project management approach which continues to build on the improvements in previous years. The improvements made are once again recognised by the Wales Audit Office in the reports presented to the Committee today.
- 1.5 The Auditor General's report details the amendments made to the accounts and also reports on both qualitative and quantitative matters arising from the audit. Whilst the Council has generally sound accounting and financial reporting practices continued improvements can be made to the quality and timeliness of some of the working papers. The points raised will be considered in detail and incorporated into our work and plans for the closure of next year's accounts.
- 1.6 Concerns have been raised in previous years around the capacity of the Finance Team to safely maintain and close the Accounts, restructuring of the team and opportunities to use staff flexibly across teams has ensured that we continue to deliver our statutory requirements. The shortened timescales for the 2018-19 accounts will provide an additional challenge but we have already

demonstrated this year that the earlier dates are achievable. The set up and implementation of the new financial system will also provide an additional challenge for the team over the next 12 months.

- 1.7 The Finance service has invested in existing staff with several now undertaking and completing various stages of professional accountancy qualifications. 5 staff have also completed and been accredited with the Chartered Institute of Public Finance and Accountancy (CIPFA) Business Partnering qualification.
- 1.8 The Accounts were made available for Public Inspection and the Auditors made themselves available for questions on the Accounts, the opportunity was not taken up by anyone this year.
- 1.9 The Project approach will continue in 2018/19, the project outline, timetable and actions will be put in place shortly and will incorporate any recommendations from the Auditor General's report and the forthcoming Welsh Audit Office accounts memorandum report which will provide a more detailed list of issues and recommendations.
- 1.10 A number of seminars/workshops are being held by CIPFA (Chartered Institute for Public Finance and Accountancy) and Wales Audit Office to assist in the preparation and planning for earlier closure and our officers are participating in these events. We are also sharing good practise with colleagues in other Authorities.

Recommendation:	Reason for Recommendation:
<p>That Audit Committee considers and approves the 2017-18 Statement of Accounts.</p> <p>The Statement of Accounts be published by the 30th September 2018.</p>	<p>To ensure compliance with the Statutory Requirements.</p>

Contact Officer Name:	Tel:	Email:
Jane Thomas	01597 826341	jane.thomas@powys.gov.uk



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Powys County Council**

Audit year: 2017-18

Date issued: August 2018

Document reference: 797A2018-19

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

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

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

infoofficer@audit.wales.

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

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval

Summary report

Introduction	4
Status of the audit	4
Proposed audit report	5
Significant issues arising from the audit	5
Amendments to the accounts and audit deadlines going forward	8
Independence and objectivity	9

Appendices

Appendix 1 – Final Letter of Representation	10
Appendix 2 – proposed audit report of the Auditor General to the members of Powys County Council	13
Appendix 3 – summary of corrections made to the draft financial statements which should be drawn to the attention of the members of Powys County Council	17

Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Powys County Council (the Authority) at 31 March 2018 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for the Authority are £4.349 million for income and expenditure items and working capital balances, and other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity, for example related parties and senior officers' remuneration.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for your consideration the matters arising from the audit of the financial statements of Powys County Council, for 2017-18, that require reporting under ISA 260.

Status of the audit

- 6 The draft financial statements for the year ended 31 March 2018 were signed by the Deputy Chief Executive and were provided to us by the agreed date of 18 June 2018. As planned their receipt was almost two weeks in advance of the statutory deadline of 30 June (see [Exhibit 1](#)).
- 7 We have now substantially completed the audit work subject to our final review and are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Deputy Head of Financial Services (Resources) and the Financial Reporting and Policy Accountant.

Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

- 10 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

- 11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

- 12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. We comment below on significant matters that arose, and also on matters that we are required to report to you:

- **The Council has generally sound accounting and financial reporting practices, although continued improvements can be made to the quality and timeliness of some of its working papers.** Overall, we found that the quality of the draft financial statements presented to us for audit has continued to improve, with officers having prepared them generally to a good standard. These ongoing improvements are particularly important given the challenges of 'earlier closure' that we cover at paragraphs 15 to 18. However, further improvements can be made to the quality and timeliness of some of the working papers compiled to support the financial statements. In April 2018, we agreed a 'Schedule of Deliverables' with the Finance team which provided a detailed list of the working papers that were required to be produced at the same time as the draft financial statements were made available for audit. Although many of the working papers detailed on the 'Schedule of Deliverables' were provided either with or before the draft financial statements on 18 June, and were to the required quality, there were a number of exceptions as follows: -
 - no documentary evidence outlining the quality assurance process that the draft financial statements had been subject to, including for example details of the issues that the process had identified and how these had been resolved prior to the draft statements being submitted for audit;
 - an analytical review of the financial statements with explanations for significant movements year-on-year was not received until 10 August;

- the Fixed Assets Register was not reconciled to the ledger until 16 July;
- the formal valuation reports for those fixed assets revalued in the year were not received until 9 July; and
- a completed CIPFA disclosure checklist was not completed until 3 July.

To ensure that the faster closing agenda is achieved going forward (see paragraphs 15–18 below), it is important that all documents detailed on the ‘Schedule of Deliverables’ are available when the draft financial statements are made available for audit.

- **We did not encounter any significant difficulties during the audit.** We are grateful for the help and assistance provided to us by the staff of the Finance and other departments throughout the audit and were not restricted in our work. However, despite improvements made to the content of income and expenditure transaction reports upon which our income and expenditure transaction testing is based, we continued to identify categories of transactions which should have been excluded (and were agreed to be excluded) from the transaction reports (e.g. payroll and internal recharge transactions). In addition, we continue to experience lengthy delays in obtaining appropriate evidence (e.g. invoices and other documents) to support the transactions selected for testing. For one transaction, we first requested information on 27 March to support a £140,000 payment but did not receive satisfactory evidence until 10 August. We also continue to experience difficulty in identifying individual debtor and creditor balances for testing due to the manner in which ongoing balances are accounted for annually.

We will continue to work with the Council to support how the Council compiles and provides sources of evidence to support the audit process.

- **Significant matters discussed and corresponded upon with the Council which we need to report to you.** Having carefully considered the improvements required to the Council’s governance arrangements and financial challenges facing the Council, our 2016-17 Annual Audit Letter issued on 25 January 2018 contained a Statutory Recommendation to the Council under section 25(2) of the Public Audit (Wales) Act 2004. The recommendation focused on the necessity for the Council to: (i) ensure that all savings plans are sufficiently well developed for inclusion in the annual budget; and (ii) update its Medium Term Financial Strategy to enable the Council to live within its means going forward, and design and implement actions to address the weaknesses identified and reported by me in respect of its corporate and financial arrangements. We intend to review the progress made by the Council in addressing these matters as part of our future audit work.

- Following the Council's decision to revise its Minimum Revenue Policy (MRP) policy in the financial year (via a 'retrospective' application to 2007-08), we considered these revisions in light of the existing regulations and statutory guidance. In our letter to the Council dated 23 April 2018, we outlined the statutory basis for the provision for the redemption of debt and our role as the external auditor. The letter stated that, whilst at that point in time, we were not minded to challenge the revised policy, we reserved the right to reconsider this position should further information be brought to our attention. The letter also included a number of observations, including our expectations in the event of revised Welsh Government guidance and/or any future amendments made by the Council to its MRP policy. We also included the need for the Council to clearly reference the MRP impact within the Council's medium term and longer term financial strategies, particularly in the context of additional budgetary pressures arising from years 2026-27 to 2058-59.
- There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- We did not identify any material weaknesses in your internal controls, however there is one matter which we wish to bring to your attention.** The opening and closing trial balances upon which the 2017-18 accounts were produced did not balance. The Council had identified this issue when preparing the draft financial statements in April and had ringfenced the issue to two specific areas (inventories and creditors). The matter arose as a result of software issues which the Council had sought to address with the software supplier throughout the period April to August 2018. We consider that the amounts involved were not material (i.e. the 2017-18 opening trial balance had an imbalance of £582.50 and the 31 March 2018 had an imbalance of £654.00) and did not impact on other areas of the accounts. The Council has confirmed that it is undertaking monthly checks of the 2018-19 ledger information to ensure that similar issues do not re-occur.
- There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Amendments to the accounts and audit deadlines going forward

- 13 Under the Accounts and Audit (Wales) (Amendments) Regulations 2018¹, in the future the Council and the Auditor General are required to meet earlier statutory deadlines. Under the amended regulations the new deadlines are due to change in stages, with the final change taking effect from 2020-21. **Exhibit 1** sets out the new deadlines.

Exhibit 1: changes in deadlines introduced by the amended regulations

Annual financial statements year	Financial statements signed by the responsible finance officer (Section 151 Officer)	Financial statements approved by the Council and published (with the signed audit certificate or an explanation for its absence)
2017-18	30 June 2018	30 September 2018
2018-19	15 June 2019	15 September 2019
2019-20	15 June 2020	15 September 2020
2020-21 and thereafter	31 May 2021	31 July 2021

- 14 In terms of the 2017-18 financial statements, the Council has made good progress in producing its draft financial statements almost two weeks earlier than the current statutory deadline without sacrificing the quality of the draft financial statements. In addition, this year's Audit Committee meeting, at which the audited financial statements are to be considered and approved, has also been brought forward to 12 September to work towards the earlier closing deadlines.
- 15 Given this year's successful outcome, discussions with officers have highlighted their intent to work towards producing the 2018-19 draft financial statements for audit before the revised 15 June deadline on 31 May 2019. We will then aim to have our audit substantially complete by 31 July 2019. To allow this to be achieved, we will continue to work closely with officers throughout the autumn to ensure that the further improvements required to the accounts production process are implemented. A key aspect of these improvements will be to continue to bring additional audit work forward to earlier in the year so that wherever possible it is completed prior to receiving the draft financial statements.
- 16 In addition, we plan to issue a separate Accounts Memorandum report in the autumn which will contain other recommendations arising from the results of our

¹ <http://www.legislation.gov.uk/wsi/2018/91/contents/made>

audit work for management to consider where further improvements could be made.

Independence and objectivity

- 17 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 18 We have complied with ethical standards and in our professional judgment, we are independent, and our objectivity is not compromised. As reported in our Audit Plan dated April 2018, there is one potential conflict of interest that was brought to your attention. This relates to a member of my financial audit team who holds a voluntary role as Treasurer of a charity which has a contract to provide a service within Adult Social Care. I can confirm that appropriate arrangements were introduced to ensure that this officer did not undertake any audit work in respect of this area of the Council's operations. With the exception of this, all other members of my team are independent of the Council and your officers and there are no relationships between the Wales Audit Office and Powys County Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

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

12 September 2018

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Powys County Council for the year ended 31 March 2018, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

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

Information provided

We have provided you with:

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

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

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions and there are no uncorrected misstatements.

Representations by those charged with governance

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

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Powys County Council on 12 September 2018.

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

Nant Helen Section106 - at this moment in time the Council will not seek to enforce the strict payment terms in the s106 Agreement with Celtic Energy, regarding the Nant Helen site. The company are considering applying to modify the works required under the agreement to provide for a reduced level of works which could be undertaken within the funds currently with PCC. Welsh Government are also promoting a scheme to turn the site into a Train Testing Track ('Project Hornby') which will require planning permission and a variation of the s106.

We are mindful of the significant financial challenges the Council faces. We continue to monitor the delivery of savings plans and have revised our medium term financial strategy and our five-year budget plan. These will be reviewed and updated in the context of our budgetary control arrangements and the projected financial outturn for 2018-19. We will review and consider the levels of general fund and specific reserves, local tax raising powers, income opportunities and our on-going transformation programme.

Signed by:

Section 151 Officer

Date: 12 September 2018

Signed by:

Chair of Audit Committee

Date: 12 September 2018

Appendix 2

Proposed audit report of the Auditor General to the members of Powys County Council

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Powys County Council for the year ended 31 March 2018 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 2017/18 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 2018 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 2017/18.

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 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 2017/18; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

- adequate 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

24 Cathedral Road
Cardiff
CF11 9LJ

25 September 2018

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the members of Powys County Council

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

Exhibit 2: summary of corrections made to the draft financial statements

Note Reference & Value of correction	Nature of correction	Reason for correction
Note 36 Senior Emoluments Various	The note disclosing details of the senior officers and their respective salary and remuneration information was revised to more clearly present the Authority's Executive Management Team structure and the positions occupied during the year. Therefore, several senior officers that were originally disclosed in the remuneration note were removed.	The original list of senior officers disclosed in Note 36 in the draft financial statements included details of senior officer posts that attracted salaries in excess of £60,000. The CIPFA Code of Practice only requires disclosure of the salary and other remuneration details of those officers in statutory roles and other directors who report directly to the Chief Executive.
Note 36 Senior Emoluments £0.024 million	Senior Officer Emoluments disclosed in Note 36 were reduced.	The disclosures of the emoluments of senior staff who received benefits in kind were overstated due to the value of these benefits being double counted within both the 'Salary' and 'Benefits in kind' amounts.

Note Reference & Value of correction	Nature of correction	Reason for correction
<p>Note 36 Senior Emoluments Various other amendments</p>	<p>The number of officers shown in Note 36 as being higher paid officers (excluding Executive Management Team members) receiving emoluments over £60,000 in the year (in bandings of £5,000) was increased by a total of 19.</p>	<p>To comply with the Code of Practice, added to this disclosure was: -</p> <ul style="list-style-type: none"> a) those officers who were removed from the original senior officers' remuneration note disclosure who were not part of the Council's Executive Management Team (see first correction above); b) officers who also received redundancy payments in year which were omitted from the draft financial statements in error; c) off-contract officers omitted in error from the draft financial statements; and d) an officer who was employed in two different roles during the year and the salaries for both roles had not been combined.

Note Reference & Value of correction	Nature of correction	Reason for correction
<p>Note 12 Plant Property & Equipment £1.818 million</p>	<p>Reduction in the value of Property, Plant and Equipment and the Revaluation Reserve (Unusable Reserves) on the Balance Sheet.</p> <p>This also increases the Deficit on Provision of Services within the Total Comprehensive Income and Expenditure Statement by £1.818 million.</p>	<p>As reported at the Audit Committee in September 2017, the 2016-17 financial statements contained one uncorrected misstatement which had been identified.</p> <p>This occurred as a result of a typographical error in the external valuer's valuation report relating to one specific asset within Note 12 Plant, Property & Equipment (PPE). As a result, the net book value of Other Land & Buildings was overstated by £1,818,000.</p> <p>At that time, the Council did not amend its financial statements as the amount involved was not material but confirmed its intention to correct this error when compiling its 2017-18 financial statements.</p> <p>However, our audit of the PPE balances and disclosures within the draft financial statements, identified that this correction had been overlooked.</p>
<p>Note 12 Plant Property & Equipment £2.679 million</p>	<p>Reclassification of assets from Assets Under Construction to Other Land and Buildings and Infrastructure Assets.</p>	<p>Nine assets, were incorrectly disclosed as assets under construction in the draft financial statements. The most significant of these is 'Rhayader Highways Depot 6' with a valuation of £1.523 million. All assets were found to have been brought into use in the 2017-18 or 2016-17 financial years and therefore have been reclassified as either 'Other Land and Buildings' or Infrastructure assets.</p>

Note Reference & Value of correction	Nature of correction	Reason for correction
<p>Note 20 Debtors analysis and Note 11 Taxation and Non-Specific Grant Income £6.444 million</p> <p>Note 16 Capital Expenditure and Capital Financing</p>	<p>‘Capital Grants’ disclosed in the Note 11 ‘Credited to Taxation and Non-Specific Grant Income’ analysis reduced by £6.444 million, with associated decrease in Note 20 ‘Welsh Government’ debtor of £6.444 million.</p> <p>The changes impact on a number of other disclosures - the most significant being:</p> <ul style="list-style-type: none"> • a decrease in ‘Government Grants and other Contributions’ affecting the Closing Capital Financing Requirement to reflect the £6.444 million increase in borrowing unsupported by government financial assistance; and • an increase in the Deficit on Provision of Services within the Total Comprehensive Income and Expenditure Statement of £6.444 million. 	<p>21st Century Schools Welsh Government grant debtor overstated by £6.444 million, as this amount is funded by the Local Government Borrowing Initiative and hence no capital funding is due from the Welsh Government for this amount.</p>
<p>Note 20 Short Term Debtors</p> <p>£0.395 million</p>	<p>Reclassification of debtors within Note 20 between Welsh Government Debtors and Sundry Debtors.</p>	<p>A debtor due from the Church in Wales was incorrectly disclosed as a debtor due from the Welsh Government.</p>
<p>Note 23 Creditors</p> <p>£0.398 million</p>	<p>Reclassification of creditors within Note 23 between Welsh Government Creditors and Sundry Creditors.</p>	<p>One transaction had been erroneously disclosed as a creditor due to the Welsh Government.</p>

Note Reference & Value of correction	Nature of correction	Reason for correction
Various	<p>Narrative and presentational changes to a number of notes, eg:</p> <ul style="list-style-type: none"> • Note 8: additional footnote to explain the schools reserve deficit; • Note 16: removal of the Capital Investment Outcomes section; • Note 37: audit Costs amended to only disclose audit costs relating to the 2017-18 year as required by the Code; • Note 40: Related Parties additional information added in respect of outstanding creditor balances with the Heart of Wales Property Services Limited; and • Note 41: Leases note updated due to calculation errors. 	<p>Several other changes have been made to narrative disclosures to provide clarification or to ensure compliance with the requirements of the Code of Practice.</p>

Note Reference & Value of correction	Nature of correction	Reason for correction
Annual Governance Statement (AGS)	<p>Additional information has been included in the revised Annual Governance Statement highlighting:</p> <ul style="list-style-type: none"> • the Council's opinion on the level of assurance that the governance arrangements provide; • the key issues/risks referred to in the 2016-17 AGS and action taken to address those matters; • the current significant governance issues facing the Council, an action plan to address these and confirmation as how these actions will be monitored; and • the key matters summarised in the Head of Internal Audit's annual opinion which was not available prior to the completion of the draft financial statements. 	To ensure compliance with guidance

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Powys Pension Fund**

Audit year: 2017-2018

Date issued: August 2018

Document reference: 798A2018-19

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

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

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

infoofficer@audit.wales.

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

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

Summary report

Introduction	4
Status of the audit	4
Proposed audit report	5
Significant issues arising from the audit	5
Recommendations arising from our 2017-18 financial audit work	6
Independence and objectivity	6

Appendices

Appendix 1 – Final Letter of Representation	7
Appendix 2 – proposed audit report of the Auditor General to the Members of Powys County Council as administering authority for the Powys Pension Fund	10
Appendix 3 – recommendations arising from our 2017-2018 audit work	14

Summary report

Introduction

- 1 The purpose of this report is twofold:
 - to set out for consideration the matters arising from the audit of the financial statements of Powys Pension Fund, for 2017-2018, that require reporting to those charged with governance, in time to enable appropriate action; and
 - to formally communicate the completion of our audit and capture the recommendations arising from our audit work for the year.
- 2 The Auditor General's responsibilities were set out in our Audit Plan along with your responsibilities as those charged with governance; we do not repeat them in detail again here.
- 3 We confirm we have undertaken the audit as planned and our performance against the agreed measures and actual fee compared to planned fee are reported in [Appendix 4](#). We have no other issues to report to you other than in this report.
- 4 We are grateful to Powys County Council and its staff for their assistance, good quality working papers and high-quality draft accounts provided during the course of our audit.
- 5 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Powys Pension Fund at 31 March 2018 and its Fund Account for the year then ended.
- 6 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 7 The quantitative levels at which we judge such misstatements to be material for Powys Pension Fund are £6.204 million for income and expenditure items, working capital balances, and other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

Status of the audit

- 8 We received the draft financial statements for the year ended 31 March 2018 on 18 June 2018 in line with the agreed deadline, and have now substantially completed the audit work.
- 9 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to the approval of the financial statements.

Proposed audit report

- 10 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 11 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

- 12 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

- 13 There are no corrected misstatements which we consider should be drawn to your attention but there are narrative changes that have been corrected by management.

Other significant issues arising from the audit

- 14 In the course of the audit we consider a number of matters, both qualitative and quantitative, relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:
 - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.**

We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.

Overall, we found that the quality of the draft financial statements presented to us for audit was again of a generally high standard and the working papers were of a good quality.
 - **We did not encounter any significant difficulties during the audit.**
 - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
 - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
 - **We did not identify any material weaknesses in your internal controls**
 - **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendations arising from our 2017-18 financial audit work

- 15 There is one recommendation arising from our financial audit work as set out in [Appendix 3](#). Management has responded to this recommendation and we will follow up progress on it during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

- 16 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 17 As reported in our Audit Plan dated March 2018, there was one specific matter regarding our independence which we reported to you. This related to a member of my financial audit team who holds a voluntary role as Treasurer of a charity which is an admitted body within the Pension Fund. I can confirm that appropriate arrangements were introduced to ensure that this officer did not undertake any audit work in respect of contributions received from or benefits payable to any member of this charity. With the exception of this, all other members of my team are independent of the Pension Fund and your officers and there are no relationships between the Wales Audit Office and Powys County Council that we consider to bear on our objectivity and independence.

Appendix 1

Final letter of representation

[Audited body's letterhead]

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

12 September 2018

Representations regarding the 2017-2018 financial statements

This letter is provided in connection with your audit of the financial statements of Powys Pension Fund for the year ended 31 March 2018, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

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

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions. There are no misstatements identified in the financial statement that remain uncorrected

Representations by those charged with governance

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

We acknowledge our responsibility for ensuring that Powys Pension Fund maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 12 September 2018.

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

Signed by:

Signed by:

Section 151 Officer

Chair of the Audit Committee

Date: 12 September 2018

Date: 12 September 2018

Appendix 2

Proposed audit report of the Auditor General to the members of Powys County Council as administering authority for Powys Pension Fund

The independent auditor's report of the Auditor General for Wales to the members of Powys County Council as administering authority for Powys Pension Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Powys Pension Fund (the Pension Fund) for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004. The Pension Fund's financial statements comprise the fund account, the net assets 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 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31st March 2018, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

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 pension fund 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 pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual 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 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 Fund Administration Report and Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Fund Administration Report and the Annual Governance Statement have been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Fund Administration Report.

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

- adequate 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 Pension Fund 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 financial statements, the responsible financial officer is responsible for the preparation of the financial statements, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund'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

24 Cathedral Road
Cardiff
CF11 9LJ

25 September 2018

Appendix 3

Recommendations arising from our 2017-2018 audit work

We set out the recommendation arising from our audit with management's response to them. We will follow up this next year and include in next year's audit report if still outstanding:

Exhibit 1: matter arising 1

Matter arising 1 – automatic updates of contributions for change of circumstances	
Findings	Currently, the 'Employee' pension contribution rates within the Altair Pension System are checked annually to ensure that the correct contribution rates are being applied. These checks are undertaken manually by staff within the Pension Fund team. Although this process identifies a significant number of corrections are required as a result of changes in the employees' circumstances during the year, as is the case with all manual processes it is possible that not all of the required changes are correctly identified.
Priority	Low
Recommendation	Management should discuss with the software supplier the possibility of the system being updated to enable contribution rates to change automatically whenever a change to a salary level (due to change of position, working hours, etc) takes place. We understand that this is already in place for teachers' pensions and therefore it should also be possible to implement this automatic process for employees within the local government pension scheme.
Benefits of implementing the recommendation	A system control, properly programmed and maintained, would ensure that contribution rates are updated automatically and would save a significant amount of staff time for the pension team who currently have to undertake the checks manually every year.
Accepted in full by management	Agreed
Management response	We will discuss with the software supplier the possibility of automatically updating contribution rates.
Implementation date	To be confirmed.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

David Powell
Deputy Chief Executive
Dirprwy Brif Weithredwr

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

County Hall / Neuadd y Sir
Llandrindod Wells
Powys
LD1 5LG

If calling please ask for / Os yn galw gofynnwch am

David Powell

Tel / Ffôn: **01597 826464**

Fax / Ffacs:

Mobile / Ffon symudol:

Email / Ebst: david.powell@powys.gov.uk

Your ref / Eich cyf:

Our ref / Ein cyf: **CEO00DP**

Date / Dyddiad: **12 September 2018**

Representations regarding the 2017-2018 financial statements

This letter is provided in connection with your audit of the financial statements of Powys Pension Fund for the year ended 31 March 2018, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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



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

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions. There are no misstatements identified in the financial statement that remain uncorrected



Representations by those charged with governance

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

We acknowledge our responsibility for ensuring that Powys Pension Fund maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 12 September 2018.

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

Nant Helen Section 106 - at this moment in time the Council will not seek to enforce the strict payment terms in the s106 Agreement with Celtic Energy, regarding the Nant Helen site. The company are considering applying to modify the works required under the agreement to provide for a reduced level of works which could be undertaken within the funds currently with PCC. Welsh Government are also promoting a scheme to turn the site into a Train Testing Track ("Project Hornby") which will require planning permission and a variation of the s 106.

We are mindful of the significant financial challenges the Council faces. We continue to monitor the delivery of savings plans and have revised our medium term financial strategy and our five year budget plan. These will be reviewed and updated in the context of our budgetary control arrangements and the projected financial outturn for 2018-19. We will review and consider the levels of general fund and specific reserves, local tax raising powers, income opportunities and our on-going transformation programme.

Signed by:

Section 151 Officer
Date: 12 September 2018

Signed by:

Chair of Audit Committee
Date: 12 September 2018

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol



David Powell
Deputy Chief Executive
Dirprwy Brif Weithredwr

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

County Hall / Neuadd y Sir
Llandrindod Wells
Powys
LD1 5LG

If calling please ask for / Os yn galw gofynnwch am

David Powell

Tel / Ffôn: **01597 826464**

Fax / Ffacs:

Mobile / Ffon symudol:

Email / Ebost: david.powell@powys.gov.uk

Your ref / Eich cyf:

Our ref / Ein cyf: **CEO00DP**

Date / Dyddiad: **12 September 2018**

Representations regarding the 2017-2018 financial statements

This letter is provided in connection with your audit of the financial statements of Powys Pension Fund for the year ended 31 March 2018, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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



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

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions. There are no misstatements identified in the financial statement that remain uncorrected.



Representations by those charged with governance

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

We acknowledge our responsibility for ensuring that Powys Pension Fund maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 12 September 2018.

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

Signed by:

Section 151 Officer
Date: 12 September 2018

Signed by:

Chair of Audit Committee
Date: 12 September 2018

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol



Statement of Accounts 2017/18



This page is intentionally blank.

Contents

Narrative Report	7
Statement of Responsibilities for the Statement of Accounts	16
Audit report of the Auditor General to the Members of Powys County Council	17
Movement in Reserves Statement	20
Expenditure and Funding Analysis	21
Comprehensive Income & Expenditure Statement (CIES)	22
Balance Sheet	23
Cash Flow Statement	24
Notes to the Core Financial Statements	25
Note 1: Accounting Policies	25
Note 2: Accounting Standards that have been issued but have not yet been adopted	46
Note 3: Critical Judgements in Applying Accounting Policies	47
Note 4: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.....	48
Note 5: Material Items of Income and Expense	49
Note 6: Note to the Expenditure and Funding Analysis	50
Note 7: Adjustments between Accounting Basis and Funding Basis under Regulations	52
Note 8: Transfers To/(From) Earmarked Reserves	57
Note 9: Other Operating Expenditure	58
Note 10: Financing and Investment Income and Expenditure	58
Note 11: Taxation and Non-specific Grant Income/Expenditure.....	58
Note 12: Property, Plant and Equipment	59
Note 13: Heritage Assets – Tangible	64
Note 14: Investment Properties	65
Note 15: Intangible Assets.....	67
Note 16: Capital Expenditure and Capital Financing	68
Note 17: Impairment Losses and Derecognition of Non-Enhancing Expenditure.....	68
Note 18: Financial Instruments	69
Note 19: Inventories.....	71
Note 20: Short Term Debtors.....	71
Note 21: Cash and Bank Accounts.....	72
Note 22: Assets Held for Sale.....	72
Note 23: Creditors.....	72
Note 24: Provisions.....	73
Note 25: Usable Reserves.....	73
Note 26: Unusable Reserves.....	74
Note 27: Expenditure and Income Analysed by Nature.....	79
Note 28: Cash Flow Statement – Investing Activities	80
Note 29: Cash Flow Statement – Financing Activities	80
Note 30: Cash Flow Statement – Analysis of Government Grants.....	80
Note 31: Trust Funds	81
Note 32: Agency Services	82
Note 33: Pooled Budgets and Joint Arrangements.....	83
Note 34: Joint Committees	87
Note 35: Members Allowances	87
Note 36: Senior Officers Emoluments	88
Note 37: Audit Costs	92
Note 38: Grant Income	93
Note 39: Council Tax	94
Note 40: Related Parties.....	95
Note 41: Leases.....	98
Note 42: Obligations under Long Term Contracts	99
Note 43: Termination Benefits	99

POWYS COUNTY COUNCIL

Note 44: Defined Benefit Pension Schemes.....	100
Note 45: Teacher Pension Costs.....	107
Note 46: Contingent Liabilities.....	108
Note 47: Contingent Assets.....	109
Note 48: Nature and Extent of Risks Arising from Financial Instruments.....	109
Note 49: Capitalisation Direction.....	113
Note 50: Events after the Balance Sheet Date.....	113
Housing Revenue Accounts.....	114
Income and Expenditure Account.....	114
Movement on Housing Revenue Account Statement.....	115
Notes to the Housing Revenue Accounts.....	116
Note 1: Housing Stock.....	116
Note 2: Arrears and Provision for Housing Bad Debts at 31 March.....	116
Note 3: Housing Revenue Account Capital Expenditure.....	117
Note 4: Housing Revenue Account Capital Receipts.....	117
Note 5: Adjustments between Accounting Basis and Funding Basis under Statute.....	118
Note 6: Housing Revenue Account Contributions to the Pension Scheme.....	118
Statement of Responsibilities for the Pension Fund Accounts.....	121
Audit report of the Auditor General to the Members of Powys County Council.....	122
Fund Administration Report.....	125
Net Assets Statement.....	127
Pension Fund Account.....	127
Notes to the Pension Fund Accounts.....	128
Note 1: Basis of Preparation.....	128
Note 2: Accounting Policies.....	128
Note 3: Critical Judgements in Applying Accounting Policies.....	130
Note 4: Contributions Receivable.....	130
Note 5: Transfers In.....	131
Note 6: Other Income.....	131
Note 7: Benefit Payable.....	131
Note 8: Payments to and on Account of Leavers.....	131
Note 9: Management Expenses.....	132
Note 9a: Investment Management Expenses.....	132
Note 10: Investment Income.....	132
Note 11: Taxes on Income.....	132
Note 12: Investments.....	133
Note 13: Current Assets and Liabilities.....	135
Note 14: Related Party Transactions.....	135
Note 15: Additional Voluntary Contributions (AVC).....	136
Note 16: Contingent Liabilities.....	136
Note 17: Post Balance Sheet Events.....	136
Note 18: Capital Commitments.....	136
Note 19: Stock Lending.....	137
Note 20: Financial Instruments.....	137
Note 21: Actuarial Present Value of Promised Retirement Benefits.....	138
Note 22: Nature and Extent of Risks Arising from Financial Instruments.....	139
Note 23: Accounting Standards That Have Been Issued but Have Not Yet Been Adopted.....	144
Note 24: Annual Report.....	144
Statement of the Actuary for the Year Ended 31 March.....	145
Appendix 1: Pension and Investment Committee.....	147
Appendix 2: Fund Employers.....	148

STATEMENT OF ACCOUNTS

Glossary of Terms	149
Annual Governance Statement	151
Section 1. Executive Summary.....	151
Section 2. Introduction.....	152
2.1 Ensuring Good Governance	152
2.2 The Governance Framework	153
Section 3. The Core Principles	154
3.1 Core Principle A.....	154
3.2 Core Principle B.....	158
3.3 Core Principle C.....	161
3.4 Core Principle D.....	166
3.5 Core Principle E.....	168
3.6 Core Principle F.....	175
3.7 Core Principle G	179
Section 4. Conclusions – Main Governance Issues Facing the Council and Requiring Action	183
Section 5. Certification of the Annual Governance Statement 2017-18	184
Section 6. Appendices	185
Appendix 1: Areas for improvement identified in the Annual Governance Statement 2016/17	185
Appendix 2: Member Development	187
Appendix 3: Examples of Scrutiny Reviews undertaken in 2017/18.....	188
Appendix 4: Wales Audit Office	191
Appendix 5: Care Inspectorate Wales	192
Appendix 6: Estyn.....	194
Appendix 7: Internal Audit.....	195
Appendix 8: Vision 2025 Programme Boards Governance Structure.....	197

This page is intentionally blank.

Narrative Report

Introduction

The Statement of Accounts 2017/18 provide details of the Council's financial position for the year ended 31 March 2018. The information presented on pages 1 to 197 is in accordance with the requirements of the 2017/18 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 2018.
- The **Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the financial year;
- The **Notes to the Core Financial Statements** which provide further information to the Core Financial Statements;
- The **Housing Revenue Account (HRA)** and notes which show in more detail the income and expenditure on HRA services included in the Comprehensive Income and Expenditure Account;
- The **Pension Fund Accounts**. The financial data has been extracted from the 2017/18 Powys County Council Pension Fund annual report and included in these statements. They are independent of the statements above. Powys County Council is the Administering Authority of the Pension Fund. The fund has to be completely separate from Powys County Council's own finances;
- The **Annual Governance Statement** which sets out the governance arrangements in place, annual review and recommended improvements.

POWYS COUNTY COUNCIL

Review of the Year

Facts/ figures

During 2017/18 the Council:

- Supported over 200 looked after children
- Completed over 800 assessments of children's needs
- Supported over 1,900 adults in residential or domiciliary care or through direct payments
- Supported over 1,300 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 1,250 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 70.8% of the Council's 2017/18 net revenue budget compared to 71.9% in 2016/17. 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 the lowest settlement in Wales with a 0.5% decrease, equivalent to a decrease in funding of £0.384m after adjusting for transfers.

Collection of Council Tax and Non Domestic Rates

Our Council Tax was set at £1,132.57 for properties in valuation Band D (£1,090.06, 2016/17). 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
People						
Adult & Commissioning	56,165	57,335	56,206	1,149	20	1,129
Children Services	13,028	13,153	18,689	(5,536)	-	(5,536)
Housing General Fund	800	733	683	50	-	50
Place						
Leisure & Recreation	9,256	9,217	8,893	293	(31)	324
Regeneration, Property & Commissioning	8,440	8,828	8,127	328	(373)	701
Highways, Transport & Recycling	19,695	20,144	19,125	(2,006)	(3,025)	1,019
Schools						
Schools Service	30,873	24,961	24,863	(535)	(633)	98
Resources						
Business Services	6,394	6,265	6,218	(61)	(108)	47
Information Services	3,595	3,431	3,385	(379)	(425)	46
Legal Services	3,025	3,033	3,008	(194)	(219)	25
Financial Services	1,797	1,877	1,666	211	-	211
Workforce, Organisational Development and Communications	2,193	2,485	2,478	7	-	7
Service Area Totals	155,261	151,462	153,341	(6,673)	(4,794)	(1,879)
Central Activities	15,815	13,070	7,911	6,535	1,376	5,159
Total	171,076	164,532	161,252	(138)	(3,418)	3,280
Schools Delegated	68,905	75,446	74,397	(813)	(1,862)	1,049
Housing Revenue Account (HRA)	-	-	(907)	1,493	586	907
Council Tax Surplus	-	-	-	402	-	402
Total including Schools & HRA	239,981	239,978	234,742	944	(4,694)	5,638

The Revenue Budget for the Council was approved by the Council on the 23 February 2017 at £239.978m.

POWYS COUNTY COUNCIL

The Council's net expenditure for the year was £234.742m with £0.944m transferred to reserves. We used some reserves to support capital projects, such as new schools and the replacement of vehicles, and also to meet Voluntary Severance costs as we reduced staff. In order to balance the budget significant savings of £11.780m were required and £8.327m have been achieved leaving a shortfall of £3.453m. 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.

Delivery of the remaining £3.453m 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 underspend of £3,675k which was 2.23% of the working budget. The Council fully accepted the findings in the Care and Social Services Inspectorate Wales (CSSIW) Inspection report published on the 17th October and the subsequent warning notice issued by Welsh Government. It quickly acknowledged the need for urgent and sustained change to safeguard children in Powys. Over £5m was provided to fund the additional demand in the service and to support improvement.

The Place Directorate received more income than anticipated during the year which contributed to the underspend. Additional capital funding from Welsh Government and delays in some capital projects has reduced the need to borrow this year, this has meant an underspend in borrowing costs and capital charges. The backdating of an adjustment to the Minimum Revenue Provision also led to a reduced commitment on the General Fund of £2.2m.

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 2017/18 grants totalling £3.38m were issued supporting 60 organisations.

Revenue Reserves

31 Mar 17 £'000	Revenue Reserves	31 Mar 18 £'000
	Ring Fenced or Restricted Use Reserves	
(8)	School Reserves	(878)
7,772	Other Specific Reserves	4,169
	Committee Specific Reserves	
20,554	Other Specific Reserves	24,118
28,318	Total Earmarked Reserves	27,409
	Central or General Reserves	
8,686	Council Fund	9,681
1,761	Housing Revenue Fund	3,267
38,765	Total	40,357

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 to reserve was £1,506k, due to an under spend on its core budget, this increases the reserve to £3.267m. Under Financial Regulations this balance should not be less than £1m.

Schools delegated budgets were heavily supported from their reserves in this financial year. Schools experienced reductions to their funding as pupil numbers continued to fall. Decisive action needs to be taken by schools to address the individual financial positions. During 2017/18 the net transfer from reserves was £1.862m.

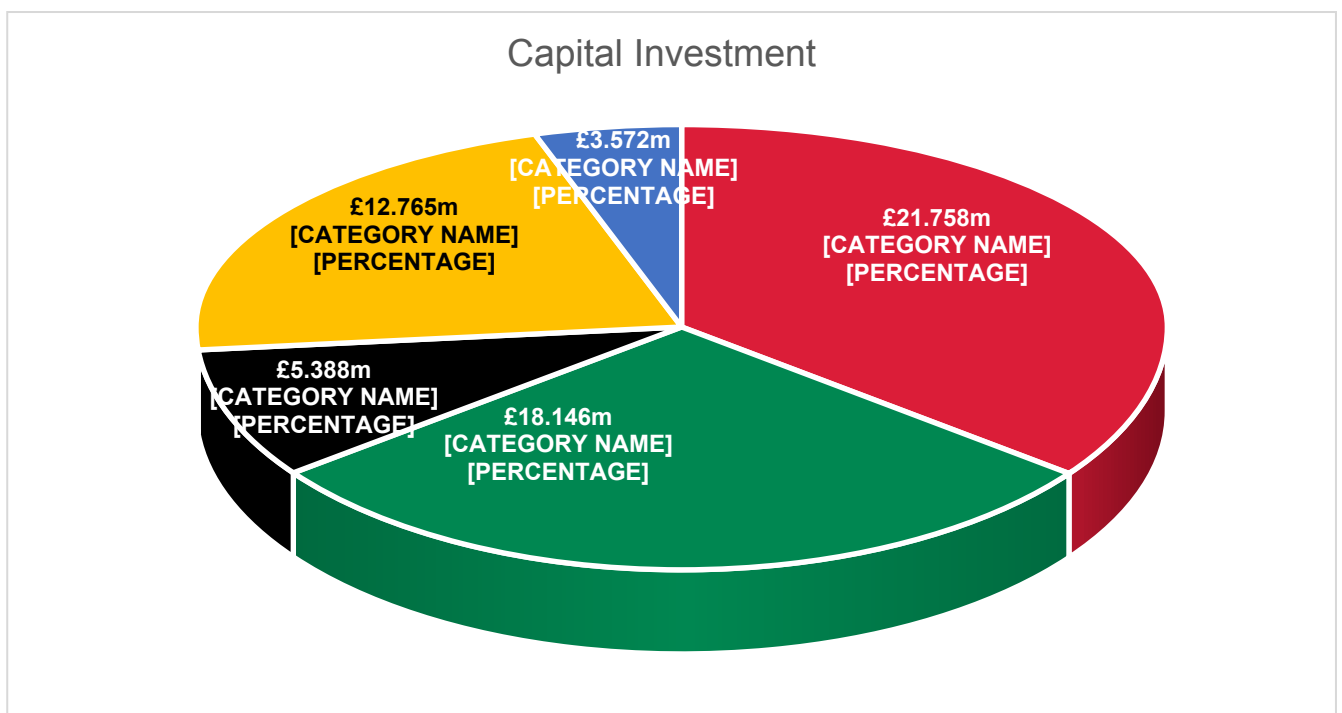
The level of General Fund reserves at 31 March 2018 is 4.12% of net expenditure.

Capital Expenditure

The approved capital programme totalled £86.360m. Final expenditure in 2017/18 was significantly lower than the approved programme at £61.628m. The variance is mainly due to a number of projects being delayed and re-profiled in the year.

The investment of £61.628m has been necessitated by the need to acquire 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 2017/18 financial year.

Service Area	2017/18 £'000
Schools & Education	21,758
Roads, Transport & Highways	18,145
Leisure and Recreation	5,388
Housing	12,765
Other	3,572
Total	61,628



POWYS COUNTY COUNCIL

Housing (£12.765m)

About £12m has been spent on major refurbishment and general repairs of Council Dwellings. Renewal of Kitchens, Bathrooms, Heating, and replacement of Roofs have started 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 411 homes were fitted with new Kitchens, 142 homes were fitted with new Bathrooms, 73 homes were rewired, 22 homes were fitted with new double glazed Windows and 23 homes had their roofs replaced.

The sum also includes the commissioning of services and acquisition of resources which will deliver 33 units of accommodation in 2019/20.

Schools and Education (£21.757m)

Gwernyfed Primary School Programme saw the construction of five new primary schools within the Gwernyfed catchment area as part of the 21st Century Schools Programme.

The new primary school infrastructure in Archdeacon Griffiths, Clyro, Hay on Wye, Llangors and Ysgol y Mynydd Du will accommodate up to 810 pupils from Reception class to Year 6. Each school has provision for early years and nursery aged children, meeting parental demand for early years education and childcare.

Every school is a community focussed school and although they have been designed based on a standardised approach, each school retains their identity and individuality. The local libraries have relocated to the school buildings at Hay on Wye and Mynydd Du, which is a valuable and enriching resource for the pupils and the wider community.

Following positive feedback from the staff, governors and pupils, one major success factor within the new schools is the fact that they have gained a 'street area', which is an open plan learning resource area available for all pupils. This is an especially important tool to enable schools to prepare for the new curriculum which has an emphasis on shared project learning, and will be adopted by 2021.

The condition, suitability and sustainability of each school accommodation has been improved from a mixture of C's and D's to A grades, and it is anticipated that the Surplus Capacity bench mark for the area will drop from 19% to 10%, following recent school reorganisation and adoption of the new Local Development Plan.

Roads, Transport and Highways (£18.146m)

Through the Highway Major Strategic Schemes this investment achieved 2km of new Highways and two road-over-rail bridges which will assist local residents in the area and improve rail safety. £2.5m has been invested in resurfacing highways, approximately 86,000sqm (scale = 12 football pitches) and approximately 1500sqm of footways has been improved. Preventative treatment such as binder / chippings of carriageways led to surface road dressing of approximately 725,000sqm.

The Integrated Transport scheme also upgraded the out of date car park machines within the authority. The old machines were over 30 years old and not fit for purpose. Approx. £500k was used for Transport Connections.

Approximately £1m has been invested on the replacement of all street lighting units (15,000) to LEDs to reduce energy consumption and prolong maintenance.

Structures Strengthening – Construction of Bron y Efail bridge replacement and planned major maintenance (such as scour protection) to other structures.

Leisure and Recreation (£5.388m)

A total of £4.963m 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.) £3.572m

The Council purchased Ladywell House for £1.1m in 2016/17 and renovated it in 2017/18. It is already generating approximately £200k per year income and we hope to increase this to approximately £400k per year once the refurbishment project is complete. The refurbishment will provide modern offices and in the heart of Newtown for business to enable them to establish and grow in Powys.

The Abermule Business Park site was purchased for £500k in 2017/18. Highways, Transport & Recycling (HTR) are working together with the Strategic Property Team to deliver a new business park and recycling bulking facility for the council. The business park will deliver much needed space for businesses to establish and grow in Powys and one company in Powys is already working with us to design their unit. The recycling bulking facility will be a key strategic location for supporting kerbside collections in the north of the county and will help to support Powys in achieving Welsh Government statutory targets.

Capital Financing

The Council receives a core capital allocation from Welsh Government. In 2017/18 this allocation was £7.473m, a reduction of £0.018m compared to the previous year. In addition to this the capital programme is also funded through a mixture of Supported and Prudential Borrowing, capital receipts, grants and revenue reserves as shown below:

Area	Capital Financing £'000
Supported Borrowing	4,379
Prudential Borrowing	14,726
Grants	23,500
Capital Receipts	10,377
Reserves	8,646
Total	61,628

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 £251.4m as at the 31 March 2018. This consisted of the below. Further information is disclosed in Note 18 on page 69.

Source	£ millions
Public Works Loan Board (PWLB)	181.4
Lenders Option, Borrowers Option (LOBOs)	40.0
Temporary borrowing [local authority]	5.0
Other long-term loans [local authority]	25.0

Medium Term Financial Strategy

The UK central government remains committed to eliminating the budget deficit. This will affect the level of funding received by Welsh Government, which in turns impacts on the funding levels for Local Government in Wales.

Welsh Government state that in order to put us in the best place to prepare for more challenging times ahead, it is vital that they press ahead with their plans for local government reform, to provide the mechanisms to deliver systematic and mandatory regional working. This, along with greater freedoms, such as making available to authorities the general power of competence, is essential for ensuring that local authorities continue to be financially sustainable and deliver effective and resilient services.

Working with wider public sector partners is also important. Local authorities have shown their ability to work with Local Health Boards through the Integrated Care Fund. Now authorities need to meet their statutory obligations in terms of pooling budgets for key services.

Our Medium Term Financial Strategy has been reviewed and updated on the 31st May 2018 to reflect the latest assumptions around funding and identifies the key drivers of cost affecting the council. The revised strategy continues to see closer alignment between the policy framework and the way we plan to use our finances. Investment priorities and savings required have been costed and are included within our financial plans.

The financial pressure is compounded by the environment in which the council is providing services. A sparsely populated and wide geographical area, a higher than average and increasingly elderly population, an outward migration of young people and declining birth rate means that the cost of providing services within Powys is generally more expensive relative to other local authorities.

The scale of the budget reduction estimated at £40m over the next four years will drive huge changes across the Council. This will necessitate some innovative thinking, drawing on, and learning from, the experience of other authorities. 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 in order to maintain the financial viability of the Council.

It is evident that we are entering a new era for Local Government and the response is a new vision that emphasises a shift in the Council's approach. This is a longer term commitment to reshaping service provision working with communities as our approach to commissioning evolves. This will seek to support and sustain communities for the future by designing and delivering services with the community.

The remodelling of Council services to respond to reduced funding will also have to place developing the local economy at the heart of our strategy. This will play a role in our financial planning. By doing this we can seek to shift the balance of funding towards areas that we control so that we have some resilience to be able to absorb some of the estimated future reduction in Welsh Government funding.

This will necessitate some innovative thinking, drawing on, and learning from, the experience of other authorities. 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 in order to maintain the financial sustainability of the Council.

Vision 2025

The 2017 local government elections led to the formation of a new cabinet which, in turn, set a new direction for the Council. Powys 2025 represents the new administration's 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/>

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 Deputy Chief Executive.
- 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 12th September 2018.

Signature:

Date

Audit Committee Chairman

Deputy Chief Executive Responsibilities

The Deputy Chief Executive 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 Deputy Chief Executive 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 Deputy Chief Executive 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 Deputy Chief Executive on the Accounts of Powys County Council for 2017/18.

I certify that the accounts set out on pages 1 to 118 present a true and fair view of the financial position of Powys County Council as at 31 March 2018 and its income and expenditure for the year then ended.

Signature:

Date 12th September 2018

D Powell Deputy Chief Executive

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

Opinion

I have audited the financial statements of Powys County Council for the year ended 31 March 2018 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 2017/18 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 2018 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 2017/18.

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 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 2017/18; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

- adequate 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

24 Cathedral Road
Cardiff
CF11 9LJ

25 September 2018

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.

20 Movement in Reserves Statement

Tudalen 80

	Council Fund £'000	Earmarked Reserves (Note 8) £'000	HRA £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (Note 26) £'000	Total Authority Reserves £'000
Balance at 31 March 2016	14,269	26,699	1,386	14,544	1,131	58,029	265,754	323,783
Movement In Reserves During 2016/17								
Total Comprehensive Income and Expenditure	(22,324)	-	5,651	-	-	(16,673)	(36,395)	(53,068)
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	18,313	-	(5,262)	858	(124)	13,785	(13,785)	-
Net Increase/(Decrease) Before Transfers To Earmarked Reserves	(4,011)	-	389	858	(124)	(2,888)	(50,180)	(53,068)
Transfers To/(From) Earmarked Reserves	(1,572)	1,619	(14)	-	(33)	-	-	-
Increase/(Decrease) Movement In Year	(5,583)	1,619	375	858	(157)	(2,888)	(50,180)	(53,068)
Balance at 31 March 2017 Carried Forward	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)
Balance at 31 March 2018 Carried Forward	9,681	27,409	3,267	7,559	1,499	49,415	205,405	254,820

Expenditure and Funding Analysis

Tudalen 81	2016/17 Reclassified			2017/18			
	Net Expenditure Chargeable to the General 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 General 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
	73,379	(1,978)	71,401	People	78,076	(981)	77,095
	34,395	9,754	44,149	Place	33,104	7,312	40,416
	19,773	1,865	21,638	Resources ¹	16,867	2,330	19,197
	94,483	7,822	102,305	Schools	95,421	12,634	108,055
	222,030	17,463	239,493	Net Cost of Services	223,468	21,295	244,763
	22,092	2,486	24,578	Other Operating Expenditure	23,546	2,724	26,270
	15,658	1,143	16,801	Financing and Investment Income and Expenditure	12,139	4,682	16,821
	(256,158)	(8,041)	(264,199)	Taxation and Non Specific Grant Income Operations not Included in Net Cost Of Services	(260,745)	(14,478)	(275,223)
	3,622	13,051	16,673	Surplus or Deficit	(1,592)	14,223	12,631
	(42,354)			Opening General Fund and HRA Balance at 31 March	(38,765)		
	3,622			Add (Surplus)/Deficit on General Fund and HRA Balance in Year	(1,592)		
	(33)			Transfers between Reserves	-		
	(38,765)			Closing General Fund and HRA Balance at 31 March	(40,357)		

A split of the General 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.

- In 2017/18 the Chief Executives service was combined with Resources, as such £3,919k net expenditure chargeable to the general fund and HRA balance and £20k adjustments between the funding and accounting Basis reported to Chief Executives in 2016-17 is included within Resources for comparative purposes.

Comprehensive Income & Expenditure Statement (CIES)

2016/17 Reclassified			2017/18			
Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000		Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000
124,661	(53,260)	71,401	People	131,751	(54,656)	77,095
74,850	(30,701)	44,149	Place	73,610	(33,194)	40,416
56,389	(34,751)	21,638	Resources ¹	55,048	(35,851)	19,197
121,315	(19,010)	102,305	Schools	131,493	(23,438)	108,055
377,215	(137,722)	239,493	Cost Of Services	391,902	(147,139)	244,763
		24,578	Other Operating Expenditure (Note 9)			26,270
		16,801	Financing and Investment Income and Expenditure (Note 10)			16,821
		(264,199)	Taxation and Non Specific Grant Income and Expenditure (Note 11)			(275,223)
		16,673	(Surplus)/Deficit On Provision Of Services			12,631
		(11,607)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets (Note 26)			(22,529)
		905	Impairment losses on non-current assets charged to the revaluation reserve (Note 26)			6,014
		(133)	(Surplus)/Deficit on Revaluation of Available For Sale Financial Assets (Note 26)			(71)
		47,230	Re-measurements of the net defined benefit (asset)/liability (Note 26)			19,850
		36,395	Other Comprehensive Income And Expenditure			3,264
		53,068	Total Comprehensive Income And Expenditure			15,895

1. In 2017/18 the Chief Executives service was combined with Resources, as such £1,803k of income and £5,742k of expenditure reported to Chief Executives in 2016-17 is included within Resources for comparative purposes.

Balance Sheet

Balance as at 31 Mar 17 £'000		Note	Balance as at 31 Mar 18 £'000
786,938	Property, Plant And Equipment	12	822,817
1,433	Heritage Assets	13	1,433
2,822	Investment Property	14	3,988
1,781	Intangible Assets	15	1,786
2,848	Long Term Investments	18	2,833
3,110	Long Term Debtors	18	2,924
798,932	LONG TERM ASSETS		835,781
12,050	Short Term Investments	18	-
1,598	Assets Held For Sale	22	1,378
961	Inventories	19	813
273	Intangible Asset – Carbon Reduction Commitment		75
27,785	Short Term Debtors	20	36,171
16,343	Cash And Cash Equivalents	21	34
59,010	CURRENT ASSETS		38,471
(28,276)	Short Term Borrowing	18	(12,949)
(35,848)	Short Term Creditors	23	(36,987)
(1,969)	Short Term Provision	24	(2,218)
(262)	Capital Grant Receipts In Advance	38	(213)
(66,355)	CURRENT LIABILITIES		(52,367)
(774)	Provisions	24	(785)
(226,749)	Long Term Borrowing	18	(241,715)
(20,239)	Long Term Creditors	23	(20,555)
(273,110)	Liability Related To Defined Benefit Pension	44	(304,010)
(520,872)	LONG TERM LIABILITIES		(567,065)
270,715	NET ASSETS		254,820
55,141	Usable Reserves		49,415
215,574	Unusable Reserves	26	205,405
270,715	TOTAL RESERVES		254,820

Cash Flow Statement

2016/17 £'000		Note	2017/18 £'000
	OPERATING ACTIVITIES		
	Cash Outflows		
158,844	Cash Paid to and on Behalf of Employees		158,739
13,454	Other Operating Cash Payments		13,371
158,664	Cash Paid to Suppliers of Good and Services		171,194
17,343	Housing Benefit Paid Out		17,429
22,091	Precepts and Levies Paid		23,552
9,925	Interest Paid		10,399
380,321	TOTAL OUTFLOWS		394,684
	Cash Inflows		
(11,066)	Rents (After Rebates)		(11,279)
(73,517)	Council Tax Income		(78,192)
(40,525)	National Non-Domestic Rate Receipts from Pool		(43,851)
(129,896)	Revenue Support Grant		(126,177)
(17,429)	DWP Grants for Benefits		(16,668)
(37,865)	Other Government Grants	30	(40,784)
(85,854)	Cash Received for Goods and Services		(80,585)
(156)	Interest Received		(157)
(396,308)	TOTAL INFLOWS		(397,693)
(15,987)	NET CASH OUTFLOW/(INFLOW) FROM OPERATING ACTIVITIES		(3,009)
	INVESTING ACTIVITIES	28	37,080
28,422			
(28,428)	FINANCING ACTIVITIES	29	(17,762)
(15,993)	DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS		16,309
350	Cash and Cash Equivalent Balance as at 1 April		16,343
16,343	Cash and Cash Equivalent Balance as at 31 March	21	34

Notes to the Core Financial Statements

Note 1: Accounting Policies

i. General principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018 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 2017/18, supported by International Financial Reporting Standards (IFRS).

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when the cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

iii. Acquisitions and discontinued operations

No such transactions took place.

iv. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management. No loans, long term deposits or investments have been included in the opening or closing cash balances. These are separately disclosed.

Powys 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.

v. Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

vi. Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vii. Charges to revenue for Non-Current Assets

Services 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.

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

viii. Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave 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 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 2.6% (based on the indicative rate of return on high quality corporate bond (Aon Hewitt GBP Select AA Curve)).
- The assets of Powys C.C. pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value.

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

- Service cost compromising:
 - Current service cost - the increase in liabilities as a result of years of service earned this year- allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Non-Distributed Costs 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 C.C. pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

ix. Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

x. Foreign currency translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi. Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Council Fund balance. The gains and losses are therefore reversed out of the Council Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

xii. Interests in companies and other entities

The authority has 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.

xiii. Inventories and long term contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First in First Out costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiv. Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Properties under operating lease will not be held for investment.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in The Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund balance. The gains and losses are therefore reversed out of the Council Fund balance in the Movement in Reserves Statement and posted to

the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv. Jointly controlled operations and jointly controlled assets

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

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

xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as lessee:

Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution, the minimum revenue provision, is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Council Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as lessor:

Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out to the Council Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount is due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the Council Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. (When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the Deferred Capital Receipts are transferred to the Capital Receipts Reserve).

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Council Fund balance in the Movement in Reserves Statement.

Operating leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii. Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Capitalisation

All assets falling into the following categories are capitalised:

Intangible assets which can be valued, are capable of being used in the Council's activities for more than one year and have a cost equal to or greater than £10,000.

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

Purchased computer licences are capitalised as intangible non-current assets where expenditure of at least £10,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic life.

Tangible assets which are capable of being used for a period which exceeds one year and which:

- Individually have a cost equal or greater than £10,000
- Collectively have a cost equal or greater than £10,000 and individually have a cost more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates and are anticipated to have simultaneous disposal dates; and are under single managerial control; or
- Form part of the initial equipping and setting up cost for a new building irrespective of their individual or collective cost; or
- Form part of an IT network which collectively has a cost of more than £10,000 and individually have a cost of more than £250.
- All vehicles with a registration number, irrespective of value.
- Are part of external financing or contribution.

Depreciation & Amortisation

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

Asset	Years
Operational buildings	Useful life
Garages	20
Mobile offices/portacabins	20
Council dwellings	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, and with the change in 2013/14 to the District Valuation Service the lives of some assets have been amended in particular the Council Dwellings, garages and some operational assets.

Valuation

Intangible non-current assets held for operational use are valued at historical cost. Infrastructure, community assets and assets under construction are measured at historic cost. Assets under construction include any existing land and buildings under the control of a contractor. All other tangible operational non-current assets are measured at current value. If there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, the depreciated replacement cost approach is used to estimate the fair value, on a modern equivalent basis.

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

Impairment

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

- Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset, the impairment loss is charged against that balance until it is used up. The loss debited to the Revaluation Reserve is recognised in Other Comprehensive Income and Expenditure as a reduction in the net worth of the Authority, and is presented in the Comprehensive Income and Expenditure Statement.
- Thereafter, or if there is no balance of revaluation gain (i.e. the asset is being carried at depreciated historical cost), the impairment loss is charged against the relevant service line(s) in the Surplus or Deficit on the provision of Services in the Comprehensive Income and Expenditure Statement.

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

Heritage Assets

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

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

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

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

- Ancient monuments 7
- War memorials 11
- Clock towers 3

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

Componentisation

Land and building are separate assets and will always be accounted for separately, even when they are acquired together. Three factors will be taken into account to determine whether a separate valuation of components is to be recognised in the accounts.

1. Materiality with regards to the Council's financial statements.
Componentisation will only be considered for individual non-land assets that represent more than 1% of the opening gross book value of total non-current assets.
2. Significance of component:
For individual assets meeting the above threshold, where services within a building (boilers / heating / lighting / ventilation etc.) or items of fixed equipment (kitchens / cupboards) is a material component of the cost of that asset (greater than 50%) then those services / equipment will be valued separately on a component basis.
3. Difference in rate or method of depreciation compared to the overall asset:
Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Assets that fall below the de-minimis levels and tests above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material mis-statement in the accounts.

Where assets are material and to be reviewed for significant components, it is recommended that the minimum level of apportionment for the non-land element of assets (that are not classified as social housing) is:

- Plant and equipment and engineering services.
- Structure.

Professional judgement will be used in establishing materiality levels; the significance of components, useful lives, depreciation methods and apportioning asset values over recognised components.

Revaluations of the Council's property assets will continue to be undertaken on a 5 yearly rolling programme basis, at which point the revaluation takes into account the value and condition of the assets, relevant components and also de-recognition where relevant. Where there is a major refurbishment of an asset, a new valuation will be sought in the year of completion and a revision to the useful life. Where it is not current practice, individual buildings and material facilities on a site will be valued separately and depreciated based on their advised useful average life, rather than aggregating values for properties on a single site. Such a useful life will need to take into account the estimated life and condition of major components based on professional judgement. These actions will assist in providing an accurate depreciation charge.

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

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

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

Adopted roads

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

xviii. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent liabilities

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

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

Contingent assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xx. Overhead and support services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice. The total absorption costing principle is used and the full cost of overheads and support services are shared between users in proportion to the benefits received.

xxi. Reserves

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

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

xxii. Financial assets

Financial assets are classified into two types:

- | | |
|-----------------------------------|---|
| Loans & Receivables: | Assets that have fixed or determinable payments but are not quoted in an active market. |
| Available-for-sale Assets: | Assets that have a quoted market price and/or do not have fixed or determinable payments. |

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the Council Fund balance is included in the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the Council Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the Council Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Available-for-sale assets

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

Assets would be maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value would be balanced by an entry in the Available-For-Sale Reserve and the gain/loss is recognised in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred - these would be debited to

the Comprehensive Income and Expenditure Statement along with any net gain/loss for the asset accumulated in the reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the surplus or deficit on the provision of services along with any accumulated gains/losses previously recognised in the Movement in Reserves statement. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

xxiii. Provision for repayment of external loans

The Council is not required to raise Council Tax or housing rents to cover depreciation, impairment losses or amortisations but it is required to make provision from revenue for the repayment of debt as measured by the Capital Financing Requirement. The only requirement of the regulations is that the provision is prudent. There is a required minimum of 2% of outstanding debt in respect of council housing and 2% in respect of other debt (the minimum revenue provision). The Authority met this requirement.

xxiv. Financial liabilities

Examples of Liabilities are payables and borrowings from third parties.

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchases or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premia and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund balance to be spread over future years. The following rules apply in respect of this:

- Premia is spread over the longer of the outstanding term of the replaced loan or the term of the replacement loan, although authorities are able to choose a shorter period.
- Discounts are spread over a minimum period equal to the outstanding term on the replaced loan or 10 years if shorter.

POWYS COUNTY COUNCIL

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement In Reserves Statement.

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

xxv. Calculating fair value for financial instruments

The fair value of an instrument is determined by calculating the net present value (NPV) of future cash flows which provides an estimate of the value of payments in the future in today's terms. This is the widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, the prevailing rate of a similar instrument with a published market rate would be used as the discount factor.

Complexities of the NPV calculation

It is unlikely that the future cash instalments of an instrument will fall in equal time periods from the date of valuation, and there is likely to be a "broken" period from the valuation date to the next instalment. This means that an adjustment needs to be made to each discount factor in order to take account of the timing inequality.

Evaluation of PWLB debt

We have used the new borrowing rate, as opposed to the premature repayment rate, as the discount factor for all PWLB borrowing. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored. LAAP 73 states that PWLB will be using the premature repayment rate in their calculations. It is at the Authority's own discretion which set of values it chooses to disclose.

Inclusion of accrued interest

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, we have also included accrued interest in the fair value calculation. This figure will be calculated up to and including the valuation date.

Discount rates used in NPV calculation

The rates used were obtained by our advisors, Capita, from the market on 31 March 2018 using bid prices where applicable.

Assumptions

The following assumptions are made but do not have a material effect on the fair value of the instrument:

- Interest is calculated using the most common market convention, ACT/365.
- For fixed term deposits it is assumed that interest is received annually or on maturity if duration is less than one year.

xxvi. Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

xxvii. Grants, contributions and donated assets

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

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

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

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

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

xxviii. Non-Current assets held for sale

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

xxix. Schools

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.

xxxi. 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.

xxxii. 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 2018 for 2017/18). None of the following standards introduced in the 2018/19 code are expected to have a material impact on the financial statements.

IFRS 9 Financial Instruments – introduces a single classification approach for financial assets, and a forward looking ‘expected credit loss’ model for impairment.

IFRS 15 Revenue from Contracts with Customers – introduces a new requirement for the recognition of revenue, based on a control-based revenue recognition model.

IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value.

Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The IAS 19 pension cost calculations in Note 44 involve placing present values on future benefit payments to individuals many years into the future. These benefits will be linked to pay increases whilst individuals are active members of the Fund and will be linked to statutory pension increase orders (inflation) in deferment and in retirement. Assumptions are made for the rates at which the benefits will increase in the future (inflation and salary increases) and the rate at which these future cashflows will be discounted to a present value at the accounting date to arrive at the present value of the defined benefit obligation. The resulting position will therefore be sensitive to the assumptions used. The present value of defined benefit obligations is linked to yields of high quality corporate bonds whereas, for the LGPS funded arrangements, the majority of the assets of the fund are usually invested in equities or other real assets. Fluctuations in investment markets in conjunction with discount rate volatility will lead to volatility in the funded status of the fund and thus to volatility in the net pension asset on the Balance Sheet and in other Comprehensive Income and Expenditure. To a lesser extent this will also lead to volatility in the pension expense in the surplus or deficit on the provision of services.
- Provisions are made when clear and accurate information is available to do so. In the absence of this, creating a provision may be misleading and could have significant financial implications. This is particularly the case in respect of the Council's future obligations in respect of landfill sites. In this case there is uncertainty regarding a professional assessment in relation to the quantum of such costs and their timing, as well as the implications of accounting approach and their related financial impact. These are therefore classed as a contingent liability. Further information is contained in the relevant section of the accounts.

Note 4: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2018 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 £569k for every year that useful lives had to be reduced.

Item	Provisions
Uncertainty	The Authority has made a provision (included in Note 24) for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable.
Effect if assumptions differ from actual	An increase over the forthcoming year, in either the total number of claims, or the estimated average settlement would each have the effect of adding to the provision needed.

Item	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 £15.60m. However, the assumptions interact in complex ways. During 2017/18, the Authority's Actuaries advised that the net pension's liability had increased by £4.54m as a result of estimates being corrected as a result of experience and likewise by £14.36m attributable to financial assumptions. There were no changes resulting from the updating of demographic assumptions.

Item	Arrears
Uncertainty	At 31 March 2018, the Authority had a balance of sundry debtors of £35.8m. A review of significant balances suggested that an impairment of doubtful debts of £2.9m was appropriate. Housing Rent arrears had a balance of £1.3m and Council Tax arrears £3.7m at 31 March 2018. A review of significant balances suggested that an impairment of doubtful debts of £1.0m for Housing Rent arrears and £0.7m 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 £4.6m to be set aside as an allowance. However, very little debt is historically written off as disclosed in Note 48.

Note 5: Material Items of Income and Expense

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.

2016/17 Reclassified				Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2017/18			
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
(2,085)	(70)	177	(1,978)	People	(1,733)	835	(83)	(981)
9,677	(104)	181	9,754	Place	6,022	1,472	(182)	7,312
1,721	(38)	182	1,865	Resources ¹	1,278	1,053	(1)	2,330
6,225	(128)	1,725	7,822	Schools	12,696	820	(882)	12,634
15,538	(340)	2,265	17,463	Net Cost of Services	18,263	4,180	(1,148)	21,295
2,486	-	-	2,486	Other Operating Expenditure	2,724	-	-	2,724
(6,260)	7,160	243	1,143	Financing and Investment Income and Expenditure	(2,304)	6,870	117	4,683
(8,041)	-	-	(8,041)	Taxation and Non Specific Grant Income and Expenditure	(14,478)	-	-	(14,478)
3,723	6,820	2,508	13,051	Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	4,205	11,050	(1,031)	14,224

1. In 2017/18 the Chief Executives service was combined with Resources, as such 2016/17 has been reclassified for comparative purposes.

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 General 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	
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

	Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2017/18 TRANSACTIONS					
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)
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

Usable Reserves

Unusable Reserves
£'000

	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2016/17 TRANSACTIONS					
Adjustments primarily involving the Capital Adjustment Account:					
Charges for depreciation	(18,321)	(6,445)	-	-	24,766
Amortisation of intangible assets	(615)	-	-	-	615
Capital grants and contributions applied	10,774	4,032	-	(5)	(14,801)
Revenue expenditure funded from capital under statute	(4,780)	-	-	-	4,780
Revaluation gain/loss on property plant and equipment	32	-	-	-	(32)
Movement in fair value of investment property	28	-	-	-	(28)
Loss on derecognition of assets	(2,557)	-	-	-	2,557
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(3,028)	(1,529)	-	-	4,557
Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:					
Statutory provision for the financing of capital investment	4,471	1,789	-	-	(6,260)
Capital expenditure charged against the council fund and HRA balances	1,742	6,088	-	-	(7,830)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	26	-	-	129	(155)
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	3,088	1,641	(4,729)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	4,197	-	(4,197)
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals	(12)	(47)	59	-	-
Available for sale asset capital receipt	(10)	-	-	-	10
Deferred capital receipts upon receipt of cash	-	-	(358)	-	358
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(99)	-	-	-	99
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	11	-	(27)	-	16
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	(303)	30	-	-	273
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see Note 44)	(23,379)	(811)	-	-	24,190
Employer's pensions contributions and direct payments to pensioners payable in the year	16,805	565	-	-	(17,370)
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,186)	(51)	-	-	2,237
Total adjustments	(18,313)	5,262	(858)	124	13,785

POWYS COUNTY COUNCIL

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 16	Movement	As at 31 Mar 17	Movement	As at 31 Mar 18
Reserve Name	£'000	£'000	£'000	£'000	£'000
Restricted Use And Non Transferable					
Schools Reserve ¹	2,393	(2,401)	(8)	(870)	(878)
Insurance Reserve ²	1,965	430	2,395	(808)	1,587
Corporate Initiative Reserve ³	6,042	(665)	5,377	(2,795)	2,582
	10,400	(2,636)	7,764	(4,473)	3,291
Committee Specific Reserves					
Carried Forward Reserves ⁴	1,981	21	2,002	454	2,456
Revenue Grants Unapplied ⁵	1,118	88	1,206	48	1,254
21 Century Schools ⁶	6,734	(437)	6,297	(773)	5,524
Transport Reserve ⁷	5,053	1,146	6,199	(35)	6,164
Invest To Save ⁸	1,250	(77)	1,173	540	1,713
Other Reserves ⁹	163	29	192	480	672
Budget Management Reserve ¹⁰	-	3,485	3,485	2,850	6,335
	16,299	4,255	20,554	3,564	24,118
Total	26,699	1,619	28,318	(909)	27,409

¹ As at 31st March 2018 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 Committee specific and not available for general purposes. These reserves finance variances in annual spending patterns from the Council's target. Conversely any over spends are carried forward for recoupment in future years. Each reserve must have a business case with a timetable of planned use that justifies its inclusion as a carry forward.

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

⁶ Specifically to help finance the Schools Modernisation Programme.

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

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

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

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

Note 9: Other Operating Expenditure

2016/17 £'000		2017/18 £'000
	Precepts	
2,715	Community Council Precepts	3,097
12,241	Dyfed Powys Police Precept	13,209
	Levies	
6,537	Mid And West Wales Fire Authority	6,648
556	Brecon Beacons National Park	554
42	Powys Land Drainage Board	44
(171)	(Gain)/loss on the disposal of non-current assets	877
2,558	Non-enhancing expenditure	1,998
100	Transfer to deferred credits - landlord loans	(157)
24,578		26,270

Note 10: Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
9,926	Interest Payable And Similar Charges	10,405
7,160	Net Interest on the defined liability (asset)	6,870
(169)	Interest Receivable And Similar Income	(92)
(113)	Income And Expenditure In Relation To Investment Properties And Changes In Their Fair Value (Note 14)	(362)
(3)	Other investment income	-
16,801		16,821

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

2016/17 £'000		2017/18 £'000
81,707	Council Tax income (Note 39)	86,661
40,525	Non Domestic Rates	43,851
129,896	Non-ringfenced government grants	126,177
12,071	Capital grants and contributions	18,534
264,199		275,223

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 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

Comparative Movements in 2016/17:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
Movement In 2016/17	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 16	257,065	431,836	67,478	133,704	1,100	4,305	5,252	900,740
Additions	12,502	6,267	3,005	3,592	-	-	6,813	32,179
Revaluation increases/(decreases) recognised in the revaluation reserve	-	8,443	-	-	-	(229)	-	8,214
Revaluation increases/(decreases) recognised in the surplus on the provision of services	-	(1,641)	-	-	-	(726)	-	(2,367)
Derecognition - disposals	(857)	(1,771)	(2,223)	(425)	(5)	(800)	-	(6,081)
Derecognition - other	-	(2,557)	-	-	-	-	-	(2,557)
Reclassification from/(to) held for sale	-	65	-	8	-	(642)	-	(569)
Reclassification from/(to) Investment Properties	-	-	-	-	-	-	(89)	(89)
Other movements	121	(4,682)	-	1,932	-	1,384	1,245	-
As at 31 March 17	268,831	435,960	68,260	138,811	1,095	3,292	13,221	929,470

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
Movement In 2016/17	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation								
As at 1 April 16	(16,317)	(26,976)	(52,236)	(23,705)	-	(33)	(17)	(119,284)
Depreciation charge	(6,392)	(11,769)	(3,450)	(3,131)	-	(24)	-	(24,766)
Depreciation written out to the revaluation reserve	-	1,845	-	-	-	23	-	1,868
Depreciation written out to the deficit on the Provision of Services	-	986	-	-	-	97	-	1,083
Derecognition - disposals depreciation	55	118	1,774	82	-	-	-	2,029
Reclassified from/(to) held for sale	-	-	-	-	-	6	-	6
Other movements	(12)	157	-	(16)	-	(113)	(16)	-
As at 31 March 17	(22,666)	(35,639)	(53,912)	(26,770)	-	(44)	(33)	(139,064)
Accumulated Impairment								
At 1 April 16	(4)	(5,268)	(14)	(29)	-	-	(140)	(5,455)
Impairment (reversals)/losses recognised in the revaluation reserve	-	620	-	-	-	-	-	620
Impairment (reversals)/losses recognised in the surplus on the provision of services	-	1,316	-	-	-	-	-	1,316
Reclassified from/(to) Held for Sale	-	52	-	-	-	-	-	52
Other movements	(1)	-	-	-	-	-	-	(1)
As at 31 March 17	(5)	(3,280)	(14)	(29)	-	-	(140)	(3,468)
Net Book Value								
As at 31 March 17	246,160	397,041	14,334	112,012	1,095	3,248	13,048	786,938
As at 31 March 16	240,744	399,592	15,228	109,970	1,100	4,272	5,095	776,001

Capital Commitments

At 31 March 2018, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2018/19 and future years budgeted to cost £2,380k. Similar commitments at 31 March 2017 were £7,589k.

In addition, there was an outstanding Revenue Expenditure Funded from Capital Under Statute (Reffcus) commitment of £143k in respect of private sector housing at 31 March 2018 (£128k at 31 March 2017).

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 from the District Valuers Services; the specialist property arm of the Valuation Office Agency (VOA).

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 2017/18 were revalued at 1 April 2017.

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

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The fair values of Property, Plant and Equipment:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historical cost	2,434	4,522	74,922	148,171	898	-	32,035	262,982
Valued at fair value:								
31 Mar 18	-	90,065	-	-	-	1,268	-	91,333
31 Mar 17	-	34,926	-	-	-	342	-	35,268
31 Mar 16	-	56,530	-	-	-	1,239	70	57,839
31 Mar 15	-	141,793	-	-	-	-	96	141,889
31 Mar 14	265,625	120,183	3,307	136	171	-	1,902	391,324
	268,059	448,019	78,229	148,307	1,069	2,849	34,103	980,635

Note 13: Heritage Assets – Tangible

Cost or Valuation	Art Collection £'000	Statues £'000	Museum Artefacts £'000	Civic Regalia £'000	Total £'000
As at 1 April 17	565	119	809	93	1,586
Additions	-	-	-	-	-
As at 31 March 18	565	119	809	93	1,586

Impairments	Art Collection £'000	Statues £'000	Museum Artefacts £'000	Civic Regalia £'000	Total £'000
As at 1 April 17	(73)	-	(80)	-	(153)
As at 31 March 18	(73)	-	(80)	-	(153)

Net Book Value	Art Collection £'000	Statues £'000	Museum Artefacts £'000	Civic Regalia £'000	Total £'000
As at 31 March 18	492	119	729	93	1,433
As at 31 March 17	492	119	729	93	1,433

Comparative Movements in 2016/17

Cost or Valuation	Art Collection £'000	Statues £'000	Museum Artefacts £'000	Civic Regalia £'000	Total £'000
As at 1 April 16	565	117	798	93	1,573
Additions	-	2	11	-	13
As at 31 March 17	565	119	809	93	1,586

Impairments	Art Collection £'000	Statues £'000	Museum Artefacts £'000	Civic Regalia £'000	Total £'000
As at 1 April 16	(73)	-	(80)	-	(153)
As at 31 March 17	(73)	-	(80)	-	(153)

Net Book Value	Art Collection £'000	Statues £'000	Museum Artefacts £'000	Civic Regalia £'000	Total £'000
As at 31 March 17	492	119	729	93	1,433
As at 31 March 16	492	117	718	93	1,420

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

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

STATEMENT OF ACCOUNTS

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

There are a number of assets which have not been included in the Statement of Accounts as the ownership is uncertain, however, they are on the Authority's land and should be disclosed. These include:

- Ancient monuments 7
- War memorials 11
- Clock towers 3

Note 14: Investment Properties

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

2016/17 £'000		2017/18 £'000
(98)	Rental income	(434)
13	Direct operating expense	229
(85)		(205)

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:

2016/17 £'000		2017/18 £'000
1,814	Balance as at 1 April	2,820
1,150	Additions	23
(170)	Disposal	-
28	Change in fair value	157
	Transfers:	
-	(To)/From property, plant & equipment	988
2,822	Balance as at 31 March	3,988

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.

2016/17				2017/18				
Level 1: Quoted Market Price	Level 2: Observable Inputs	Level 3: Unobservable Inputs	Total as at 31 March 2017		Level 1: Quoted Market Price	Level 2: Observable Inputs	Level 3: Unobservable Inputs	Total as at 31 March 2017
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Recurring fair value measurements:								
1,150	1,672	-	2,822	Investment property	-	3,988	-	3,988
Non-recurring fair value measurements:								
122	852	-	974	Assets held for sale	122	633	-	755
-	3,248	-	3,248	Surplus assets	-	2,800	-	2,800

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

2016/17			2017/18			
Fair Value £'000	Balance Sheet £'000	Variance £'000		Fair Value £'000	Balance Sheet £'000	Variance £'000
2,822	2,822	-	Investment Property (Note 14)	3,988	3,988	-
974	1,598	624	Assets held for sale (Note 22)	755	1,378	623
3,248	3,248	-	Surplus Assets	2,800	2,800	-

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 15: Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. All software is given a finite useful life of 7 years, based on assessments of the period that the software is expected to be of use to the Authority.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £630k charged to revenue in 2017/18 was mostly charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the net expenditure of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movements on intangible assets are below.

2016/17			2017/18	
Other £'000	Total £'000		Other £'000	Total £'000
6,320	6,320	Cost at 1 April	6,691	6,691
(4,273)	(4,273)	Accumulated amortisation 1 April	(4,888)	(4,888)
(22)	(22)	Accumulated impairment 1 April	(22)	(22)
2,025	2,025	Net carrying amount at 1 April	1,781	1,781
		Additions:		
283	283	Purchase	635	635
88	88	Other Adjustments	-	-
(615)	(615)	Amortisation for the period	(630)	(630)
1,781	1,781	Net carrying amount at 31 March	1,786	1,786
		Comprising		
6,691	6,691	Cost at 31 March	7,326	7,326
(4,888)	(4,888)	Accumulated amortisation 31 March	(5,518)	(5,518)
(22)	(22)	Accumulated impairment 31 March	(22)	(22)

Note 16: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2016/17 £'000		2017/18 £'000
302,362	Opening capital financing requirement	307,523
	Capital investment:	
32,179	Property, plant and equipment	50,995
1,150	Investment properties	23
13	Heritage assets	-
283	Intangible assets	635
4,780	Revenue expenditure funded from capital under statute	9,975
	Less sources of finance:	
4,197	Capital receipts	10,377
14,957	Government grants and other contributions	23,500
	Sums set aside from revenue:	
7,830	Direct revenue contributions	8,646
6,260	Minimum revenue provision (MRP)	2,148
307,523	Closing capital financing requirement	324,480
	Explanation of movement in year:	
(1,881)	Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	2,231
7,042	Increase in underlying need to borrow (unsupported by government financial assistance)	14,726
5,161	Increase/(decrease) in capital financing requirement	16,957

Note 17: Impairment Losses and Derecognition of Non-Enhancing Expenditure

During 2017/18 the Authority has recognised no impairment losses (£nil in 2016/17) and £1,998k (£2,557k in 2016/17) relating to the derecognition of assets in relation to capital expenditure on other land and buildings, which does not change the value of the asset as it is considered non-enhancing.

Note 18: Financial Instruments

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

2017			2018	
Long-term £'000	Current £'000		Long-term £'000	Current £'000
2,848	12,050	Investments	2,833	-
-	12,050	Loans And Receivables	-	-
2,848	-	Available For Sale Financial Assets	2,833	-
3,110	27,785	Debtors	2,924	36,171
3,110	-	Loans And Receivables	2,924	-
-	27,785	Financial Assets Carried At Contract Amount	-	36,171
226,749	28,276	Borrowings	241,715	12,949
226,749	28,276	Financial Liabilities At Amortised Cost	241,715	12,949
20,239	37,817	Creditors	19,815	39,205
20,239	37,817	Financial Liabilities Carried At Contract Amount	20,555	39,205

2017					2018			
Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivable	Financial Assets: Available for Sale	Total		Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivable	Financial Assets: Available for Sale	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
9,918	-	-	9,918	Interest expense	10,399	-	-	10,399
9,918	-	-	9,918	Total expense in deficit on the provision of services	10,399	-	-	10,399
-	(169)	-	(169)	Interest income	-	(92)	-	(92)
-	(169)	-	(169)	Total income in deficit on the provision of services	-	(92)	-	(92)
-	-	(133)	(133)	(Gains)/loss on revaluation	-	-	(71)	(71)
-	-	(133)	(133)	(Surplus)/deficit arising on revaluation of financial assets in other comprehensive income and expenditure	-	-	(71)	(71)
9,918	(169)	(133)	9,616	Net (gain)/loss for the year	10,399	(92)	(71)	10,236

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 2018 of 1.47% to 2.29% for loans from the PWLB and 2.34% to 2.77% 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 17			31 March 18	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
255,024	336,418	Financial liabilities	254,664	330,974
20,239	20,239	Long-term creditors	20,555	20,555

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 17			31 March 18	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
12,050	12,050	Loans and receivables	-	-
3,110	3,110	Long-term debtors	2,924	2,924

Low Cost Housing (available for sale assets)

Under this scheme the Council bought properties and sold them at a discount to eligible purchasers. The debtor sums reflect the amounts repayable to the Council when those properties are sold and are measured at market value.

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

Note 19: Inventories

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

31 Mar 17 £'000		31 Mar 18 £'000
477	Building materials, vehicle parts etc	382
465	Road salt	424
19	Other	7
961		813

Note 20: Short Term Debtors

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

31 Mar 17 £'000		31 Mar 18 £'000
	Central Government	
7,380	Welsh Government	9,753
376	European Community	821
1,905	HMRC (Value Added Tax)	4,918
-	Department for Work and Pensions	715
104	Food Standards Agency	-
122	Home Office	14
832	National Lottery	374
-	Sports Council	11
	Trunk Road Agencies	
2,677	North Wales Trunk Road Agency	2,928
	Local Authorities	
87	Ceredigion C.C	107
1,900	Other local and education authorities	1,881
	NHS Bodies	
4,005	Powys Teaching Health Board	2,340
52	Other NHS bodies	91
	Other entities and individuals	
2,849	Council tax	2,963
269	Housing rents	311
70	Employees	80
4,036	Other short-term debtors	6,391
	Payments in Advance	
-	Heart of Wales Property Service	708
1,121	Other payments in advance	1,765
27,785		36,171

Note 21: Cash and Bank Accounts

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

31 Mar 17 £'000		31 Mar 18 £'000
21,329	Cash held by the Authority	3,636
(4,986)	Bank current accounts	(3,602)
16,343		34

Note 22: Assets Held for Sale

2017 £'000		2018 £'000
1,423	Opening balance	1,598
	Assets newly classified as held for sale:	
636	Property, plant and equipment	-
	Assets declassified as held for sale:	
(73)	Property, plant and equipment	-
(388)	Assets sold	(220)
1,598	Closing balance	1,378

Note 23: Creditors**Short Term Creditors**

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

31 Mar 17 £'000		31 Mar 18 £'000
	Central Government	
(4,322)	Welsh Government	(4,774)
(3,106)	HM Revenues and Customs	(2,976)
(273)	Department of Energy And Climate Change	(222)
(371)	Department for Work and Pensions	-
	Local Authorities	
(105)	Ceredigion County Council	(90)
(635)	Other local and education authorities	(378)
	NHS Bodies	
(543)	Powys Teaching Health Board	(668)
(23)	Other NHS	3
	Other entities and individuals	
(16,286)	Sundry Creditors	(18,255)
(3,642)	Holiday Accrual	(2,450)
(1,858)	Wages And Salaries	(1,840)
(1,669)	Payments Received In Advance	(1,966)
(1,246)	Deposits – Section 40 Advance	(876)
(520)	Commuted Sums – Land Drainage	(535)
-	Heart of Wales Property Service	(593)
(1,249)	Council Tax Credits	(1,368)
(35,848)		(36,987)

Long Term Creditors

31 Mar 17 £'000		31 Mar 18 £'000
(20,239)	Deposits – Section 106 deposit	(20,555)
(20,239)		(20,555)

Note 24: Provisions

Short Term Provisions

	As at 1 April 17 £'000	Increase in Provision £'000	Reversal of Unused Provision £'000	Amounts Paid £'000	Movement to Long Term £'000	As at 31 March 18 £'000
Insurance ¹	(1,363)	(1,266)	-	530	-	(2,099)
Other ²	(606)	(4)	-	491	-	(119)
	(1,969)	(1,270)	-	1,021	-	(2,218)

Long Term Provisions

	As at 1 April 17 £'000	Increase in Provision £'000	Reversal of Unused Provision £'000	Amounts Paid £'000	Movement to Short Term £'000	As at 31 March 18 £'000
Long Term ³	(774)	(153)	2	140	-	(785)

Note 25: Usable Reserves

Movements in the Authority's usable reserves are detailed in the movement in reserves statement, including the Council Fund and HRA. The usable capital receipts table which follows provides further information of movement on that reserve.

Usable Capital Receipts

2016/17 £'000		2017/18 £'000
14,544	Balance as at 1 April	15,402
5,114	Gross capital receipts	2,558
(2,924)	Financing fixed assets	(6,939)
(1,273)	Financing Reffcus	(3,438)
(59)	Less Administration costs	(24)
15,402	Balance as at 31 March	7,559

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.

Note 26: Unusable Reserves

31 Mar 17 £'000		31 Mar 18 £'000
309,837	Revaluation reserve	316,911
1,759	Available for sale financial instruments	1,776
177,440	Capital adjustment account	190,209
233	Financial instruments adjustment account	72
(273,110)	Pensions reserve	(304,010)
3,057	Deferred capital receipts	2,897
(3,642)	Accumulated absences account	(2,450)
215,574		205,405

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.

2016/17 £'000		2017/18 £'000		
	309,232	Balance as at 1 April		309,837
(39)		In year prior period adjustments		
11,607		Upwards revaluation of assets	22,529	
(905)		Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(6,014)	
	10,663	Surplus or deficit on the revaluation of non-current assets not posted to the surplus/deficit on the provision of services		16,515
(7,768)		Difference between fair value depreciation and historical cost depreciation	(8,523)	
(2,290)		Accumulated gains on assets sold or scrapped	(918)	
	(10,058)	Amount written off to the capital adjustment account		(9,441)
	309,837	Balance as at 31 March		316,911

Available For Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

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

2016/17 £'000		2017/18 £'000
1,642	Balance as at 1 April	1,759
133	Upward/(downward) revaluation of investments	71
(16)	Accumulated gains on assets sold and maturing assets written out the comprehensive income and expenditure statement as part of other investment income	(54)
1,759	Balance as at 31 March	1,776

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.

POWYS COUNTY COUNCIL

2016/17 £'000			2017/18 £'000	
	171,325	Balance as at 1 April		177,440
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income And Expenditure Statement:				
39		In year prior year adjustment	-	
(24,766)		Charges for depreciation of non-current assets	(26,197)	
(615)		Amortisation of Intangible Assets	(630)	
32		Revaluation gain/(loss) on Property, Plant And Equipment	371	
(4,780)		Revenue expenditure funded from capital under statute	(9,975)	
(2,557)		Loss on derecognition of Assets	(1,998)	
(4,557)	(37,204)	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	(3,038)	(41,467)
	10,058	Adjusting amounts written out of the Revaluation Reserve		9,441
	(27,146)	Net written out of the cost of non-current assets consumed in the year		(32,026)
Capital Financing applied in the year				
4,197		Use of the Capital Receipts Reserve to finance new capital expenditure	10,377	
14,801		Capital grants and contributions credited to the Comprehensive Income And Expenditure Statement that have been applied to capital financing	23,477	
155		Application of grants to capital financing from the Capital Grants Unapplied Account	23	
7,830		Capital expenditure charged against the Council Fund and HRA balances	8,646	
6,260	33,243	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	2,148	44,671
	28	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income And Expenditure Statement		156
	(10)	Available for Sale Assets		(32)
	177,440	Balance as at 31 March		190,209

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 2018 will be charged to the Council Fund over the remaining life of repaid loans.

2016/17 £'000		2017/18 £'000
505	Balance as at 1 April	233
(273)	Discounts paid from rescheduling of debt	(111)
7	Soft loans adjustment	(44)
(6)	Invest to save loans	(6)
233	Balance as at 31 March	72

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.

2016/17 £'000		2017/18 £'000
(219,060)	Balance as at 1 April	(273,110)
(47,230)	Actuarial gains or (losses) on pensions assets and liabilities	(19,850)
(24,190)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income And Expenditure Statement	(28,700)
17,370	Employer's pensions contributions	17,650
(273,110)	Balance as at 31 March	(304,010)

POWYS COUNTY COUNCIL

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.

2016/17 £'000		2017/18 £'000
3,514	Balance as at 1 April	3,057
(99)	Landlord Loans	151
(358)	Transfer to the Capital Receipts Reserve upon receipt of cash	(311)
3,057	Balance as at 31 March	2,897

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.

2016/17 £'000		2017/18 £'000
(1,405)	Balance as at 1 April	(3,642)
1,405	Settlement or cancellation of accrual made at the end of the preceding year	3,642
(3,642)	Amounts accrued at the end of the current year	(2,450)
(3,642)	Balance as at 31 March	(2,450)

Note 27: Expenditure and Income Analysed by Nature

2016/17 £'000		2017/18 £'000
164,838	Employee Costs	164,597
15,602	Premises related expenditure	19,495
16,054	Transport related expenditure	16,968
25,434	Supplies and Services	25,133
25,364	Depreciation and Impairment losses	26,300
4,780	Reffcus	9,975
81,247	Third Party Payments	87,433
22,091	Precepts and Levies (see note 9)	23,552
46,208	Transfer Payments	47,367
9,926	Capital financing costs (Interest and Similar Charges)	10,447
7,160	Pension Interest Costs	6,870
520	IAS 19 Past Service Costs	300
2,557	Non-Enhancing Expenditure	1,998
-	Loss on Disposal of Asset	877
307	Transfer to deferred credits – landlord loans (see note 9)	-
422,088	Total Expenditure	441,312
(89,013)	Grants, reimbursements and contributions (see note 38)	(99,708)
(60,944)	Customer and client income	(66,544)
(171)	Profit on Disposal of Assets	-
(207)	Transfer to deferred credits - landlord loans (see note 9)	(157)
(170)	Interest received and similar income	(92)
(2,782)	Reffcus	(5,491)
(14,956)	Precepts	(16,306)
(66,751)	Council Tax	(70,355)
(40,525)	Non Domestic Rates	(43,851)
(129,896)	Revenue Support Grant	(126,177)
(405,415)	Total Income	(428,681)
16,673	Net Expenditure/(Income)	12,631

Reconciliation to the report to Cabinet (see Narrative Forward)

2016/17 £'000		2017/18 £'000
16,673	(Surplus)/Deficit on the Provision of Services (see CIES)	6,187
66,751	Council Tax	70,355
40,525	Non-Domestic Rates	43,851
129,896	Revenue Support Grant	126,177
	Items not reported to management	
(13,051)	Adjustments made between Accounting Basis and Funding Basis Under Regulations (see Expenditure and Funding Analysis)	(14,223)
(82)	Transfer from 21st Century Schools Reserve to Reffcus	(15)
-	Direct Revenue Funding Adjustments	675
-	General Fund Movements after Outturn Reported to Cabinet	(15)
(3,575)	Budgeted Reserve Movements	(4,694)
(237,137)	Net Expenditure/(Income) as per Narrative Report	234,742

Note 28: Cash Flow Statement – Investing Activities

2016/17 £'000		2017/18 £'000
27,850	Purchase of property, plant and equipment, investment property and intangible assets	51,346
275,131	Purchase of short and long term investments	237,748
(4,600)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,256)
(269,959)	Proceeds from the sale of short and long term investments	(249,709)
-	Other Receipts from investing activities	(49)
28,422	Net cash flows from investing activities	37,080

Note 29: Cash Flow Statement – Financing Activities

2016/17 £'000		2017/18 £'000
(24,964)	Cash receipts of short and long term borrowing	(62,330)
(7,613)	Other receipts from financing activities	(20,355)
25	Repayments of short and long term borrowing	62,357
4,124	Other payments for financing activities	2,566
(28,428)	Net cash flows from financing activities	(17,762)

Note 30: Cash Flow Statement – Analysis of Government Grants

2016/17 £'000		2017/18 £'000
11,125	Housing Grants	11,267
420	Other Housing	21
3,006	Other Social Services (Primarily Mental Handicap Strategy)	3,847
6,351	Supporting People	6,391
1,431	Other Transport Grants	1,956
2,629	Waste Disposal And Recycling Grants	2,960
7,057	Education Grants	7,566
29	Welsh Language Grant	-
1,316	Concessionary Travel	1,220
2,428	Miscellaneous	793
163	Safer Communities Fund	153
113	Communities First	128
1,243	Reffcus	3,917
442	Sports Council	444
68	Animal Welfare	80
44	Arts Council of Wales	41
37,865		40,784

Note 31: Trust Funds

The Authority remains sole trustee for the Welsh Church Acts Fund and Rhayader Leisure Centre. Their unaudited accounts are summarised over the next two pages and do not form part of the Authority's accounts.

The Charities Act 1993 requires there to be an independent audit of the Statement of Accounts of the following two trust funds. The 2017/18 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.

2016/17 £'000	Revenue Account	2017/18 £'000
	Income	
(86)	Investment Income	(85)
(294)	Gains on Investment Assets	-
(380)	Total Income	(85)
	Expenditure	
31	Raising Funds	34
85	Charitable Activities	39
-	Losses on Investment Assets	58
116	Total Expenditure	131
(264)	Deficit/(Surplus) for the year	46
(2,354)	Fund Balance Brought Forward	(2,618)
(2,618)	Fund Balance Carried Forward	(2,572)

31 Mar 17 £'000	Balance Sheet	31 Mar 18 £'000
	Non-current Assets	
205	Land and Buildings	205
2,369	Investments	2,311
2,574	Total Non-current Assets	2,516
42	Net Current Assets	56
2,616	Net Assets	2,572
2,616	Fund Surplus	2,572

POWYS COUNTY COUNCIL

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.

2016/17 £'000	Revenue Account	2017/18 £'000
(404)	Income	(401)
404	Expenditure	401
-	Deficit/(Surplus) for the year	-
(4)	Fund Balance Brought Forward	(4)
(4)	Fund Balance Carried Forward	(4)

31 Mar 17 £'000	Balance Sheet	31 Mar 18 £'000
4	Net Current Assets	4
4	Net Assets	4
4	Fund Surplus	4

Note 32: Agency Services

The Council carries out work on an agency basis for other organisations for which it is fully reimbursed. These amounts are excluded from the Authority's results. The significant agency services provided were:

2016/17 £'000	Agency	Description	2017/18 £'000
112	Welsh Government	Houses for Homes	86
193	Welsh Government	Home Improvement Loans	350
346	Welsh Government	Viable & Vibrant Places Scheme	162

Note 33: Pooled Budgets and Joint Arrangements**Funded Nursing Care Pooled Budget (Section 31 Health Act 1999)**

Powys Teaching Health Board (PTHB) and Powys County Council have entered into a partnership agreement in accordance with Section 31 of the Health Act 1999. The health related function which is subject to these arrangements is the provision of care by a registered nurse in care homes, which is a service provided by the NHS Body under Section 2 of the National Health Service Act 1977. In accordance with the Social Care Act 2001 Section 49 care from a registered nurse is funded by the NHS regardless of the setting in which it is delivered. (Circular 12/2003).

The agreement will not affect the liability of the parties for the exercise of their respective statutory functions and obligations. The partnership agreement operates in accordance with the Welsh Assembly Government Guidance NHS Funded Nursing Care 2004. The allocation received for 2017/18 for Free Nursing care was £2,140k which is now within the PTHB base allocation from WG.

2016/17 £'000		2017/18 £'000
	Gross Funding	
1,064	Powys County Council	1,065
1,044	Powys Teaching Health Board	1,075
2,108	Total funding	2,140
	Expenditure	
*2,212	Monies spend in accordance with pooled budget arrangement	*2,047
2,212	Total expenditure	2,047
(104)	Net under/(over) spend	93
	Net under/(over) spend held	
-	Powys County Council	2
(104)	Powys Teaching Health Board	91

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

Powys Carers Services Section 33 Pooled Budget

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

2016/17 £'000		2017/18 £'000
	Gross Funding	
237	Powys County Council	269
16	Powys Teaching Health Board	17
253	Total funding	286
	Expenditure	
251	Powys Carers	286
251	Total expenditure	286
2	Net under/(over) spend	-

POWYS COUNTY COUNCIL

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.

2016/17 £'000		2017/18 £'000
	Gross Funding	
521	Powys County Council	521
521	Powys Teaching Health Board	521
-	Insurance Claim	1
3	Other	3
1,045	Total funding	1,046
	Expenditure	
56	Management costs	56
2	Audit	2
301	Equipment purchase	306
326	Maintenance and inspection	342
335	Delivery, cleaning and collection charges	327
4	Property Caersws	3
1,024	Total expenditure	1,036
21	Net under/(over) spend	10
	Net under/(over) spend held	
11	Powys County Council	5
10	Powys Teaching Health Board	5

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).

2016/17 £'000		2017/18 £'000
	Gross funding	
177	Powys County Council	177
177	Powys Teaching Health Board	177
354	Total funding	354
	Expenditure	
354	Twelve beds	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.

2016/17 £'000		2017/18 £'000
	Gross funding	
413	Powys County Council	413
828	Powys Teaching Health Board	828
1,241	Total funding	1,241
	Expenditure	
725	Powys County Council	732
445	Powys Teaching Health Board	488
1,170	Total expenditure	1,220
71	Net under/(over) spend	22
	Net under/(over) spend held	
7	Powys County Council	-
64	Powys Teaching Health Board	22

POWYS COUNTY COUNCIL

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.

2016/17 £'000		2017/18 £'000
	Gross funding	
624	Powys County Council	624
122	Powys Teaching Health Board	122
746	Total funding	746
	Expenditure	
746	In accordance with joint arrangement	746
746	Total expenditure	746
-	Net under/(over) spend	-

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.

2016/17 £'000		2017/18 £'000
	Gross funding	
2,340	Powys County Council	2,521
838	Powys Teaching Health Board	1,013
152	Other income	212
3,330	Total funding	3,746
	Expenditure	
3,366	In accordance with joint arrangement	3,775
3,366	Total expenditure	3,775
(36)	Net under/(over) spend	(29)
	Net under/(over) spend held	
136	Powys County Council	(29)
(172)	Powys Teaching Health Board	-

Integrated Care Team for Older People 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 Teaching Health Board will be 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 ensure the delivery of integrated health and social care via an integrated Care Team for Older people in Ystradgynlais area.

2016/17 £'000		2017/18 £'000
	Gross funding	
1,460	Powys County Council	1,460
2,124	Powys Teaching Health Board	2,124
3,584	Total funding	3,584
	Expenditure	
1,302	Powys County Council	1,522
2,005	Powys Teaching Health Board	2,069
3,307	Total expenditure	3,591
277	Net under/(over) spend	(7)
	Net under/(over) spend held	
158	Powys County Council	(62)
119	Powys Teaching Health Board	55

Note 34: Joint Committees

Education through Regional Working ERW is a Joint Committee consisting of six local authorities in South West and Mid-Wales. Pembrokeshire is the lead Authority. The total annual contribution from participating Authorities for 2017/18 was £250k (£250k in 2016/17) of which Powys County Council contributed £35k (£36k in 2016/17). The reserve held specifically for Powys County Council by ERW is £27k in 2017/18 (£58k in 2016/17).

Note 35: Members Allowances

A total of £1,242k was paid to Councillors in basic and special responsibility allowances (£1,222k in 2016/17). Councillors were also reimbursed travel, working expenses and subsistence expenses in accordance with regulations amounting to £97k (£109k in 2016/17).

Note 36: Senior Officers Emoluments

The remuneration ratio of the Chief Executive during the year of the accounts to the amount of the median remuneration (£20,138 in 2017/18, £19,238 in 2016/17) of the Authorities employees was 6.73 (6.97 in 2016/17). 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 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.

2016/17 Officers	Remuneration Band	2017/18 Officers
13	£60,000 - £64,999	22
6	£65,000 - £69,999	9
3	£70,000 - £74,999	6
4	£75,000 - £79,999	4
1	£80,000 - £84,999	4
-	£85,000 - £89,999	2
1	£90,000 - £94,999	1
-	£95,000 - £99,999	-
1	£100,000 - £104,999	-
-	£105,000 - £109,999	-
-	£110,000 - £114,999	1

The increase in numbers can be attributed to increases to salary (1%) plus staff advancing through the scale at their respective grades.

Those officers in statutory roles or reporting directly to the Chief Executive who attracted remuneration of at least £60k are shown in the 2017-18 disclosure on the next page. In 2016-17, Heads of Service were also included in the disclosure, see page 90. This change of reporting is also reflected in the differences in the Remuneration bands above.

Note 43 details termination benefits.

STATEMENT OF ACCOUNTS

Post Title	Salary (inc fees & allowances)	Benefits in kind	Termination Benefits	Total Remuneration Excluding Pension Contribution	Pension Contribution ¹	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 Powys Teaching Health Board. 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

STATEMENT OF ACCOUNTS

Post Title	Salary (inc fees & allowances)	Benefits in kind	Termination Benefits	Total Remuneration Excluding Pension Contribution	Pension Contribution ¹	Total Remuneration including Pension Contribution
2016/17	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive ²	154	-	-	154	35	189
Solicitor to the Council	76	1	-	77	18	95
Strategic Director – Resources	104	1	-	105	24	129
Strategic Director – People ³	77	-	83	160	19	179
Strategic Director – Place	103	1	-	104	24	128
Interim Director – PCC/PTHB Integration ⁴	41	-	139	180	10	190
Head of Highways, Transport & Recycling	80	3	-	83	19	102
Head of Schools Service	80	3	-	83	18	101
Head of Professional Services & Commissioning ⁵	60	1	79	140	14	154
Head of Financial Services ⁶	5	-	-	5	2	7
Head of Childrens Services ⁷						
Up to 31 Aug 2016	33	4	-	37	8	45
From 12 Sep 2016	41	-	-	41	9	50
Head of Adult Services ⁸	1	-	-	1	-	1
– Operations ⁹	75	-	-	75	17	92
– Transformation ⁵	77	-	-	77	18	95
Head of Housing	72	3	-	75	17	92
Head of Business Services	76	2	-	78	17	95
Head of Regeneration, Property & Commissioning ¹⁰	65	-	-	65	15	80
Head of Regeneration & Regulatory Services ¹⁰	4	-	-	4	1	5
Head of ICT & Programme Office	68	3	-	71	16	87

¹ Pension Contribution is 23.2% of pensionable pay, of which 15.2% relates to Employers future service cost while 8% is deficit funding relating to the shortfall concerning past service liabilities.

² Salary includes £20k relating to election fees which are a separate employment and payment is made by the election bodies, not the council. The fees are set by regulation.

³ The position of Strategic Director - People was vacated in December 2016 and immediately replaced by a seconded employee from Powys Teaching Health Board on an interim basis. Please refer to note 40 to see the accrual entered in respect of the unbilled period covering January to March 2017.

⁴ The position of Interim Director – PCC/PTHB Integration was made vacant in August 2016.

⁵ The role of Head of Professional Service & Commissioning was removed at the end of December 2016 and replaced by the new role of Head of Financial Services.

⁶ The role of Head of Financial Services was filled in March 2017 with a salary of £65k per annum.

⁷ The post holder vacated this position on 31 August 2016 and was replaced on 12 September 2016. The new post holder started at the bottom of the pay scale for this role (£74k) as per standard procedure, whereas the outgoing post holder was at the top (£80k) before departing.

⁸ The role of Head of Adult Services was vacated in April 2016.

⁹ The role of Head of Adult Services has been split between Operations and Transformation, both appointed in March 2016.

¹⁰ The role of Head of Regeneration Property & Commissioning has been replaced with the role of Head of Regeneration and Regulatory Services in late March 2017.

Note 37: Audit Costs

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

2016/17 £'000		2017/18 £'000
208	Accounts	208
110	Performance audit	110
71	Grant claims	67
389		385

Note 38: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

2016/17 £'000	Grants, Reimbursements and Contributions	2017/18 £'000
203	Animal Health Welfare Grant	256
404	Benefit Administration Grant	374
568	Benefit Payments	566
459	Bus Revenue Support (Traws Cymru)	570
-	Bus Services Support Grant ¹	1,192
-	Carers Respite Grant	121
936	Concessionary Travel	1,140
528	Contribution From TEC	-
289	CSW Development	307
285	European Agricultural Fund for Rural Development	724
5,589	Education Improvement Grant	5,915
1,043	Families First	1,073
1,853	Flying Start	1,829
11,125	Housing Benefit Subsidy	11,266
1,169	Independent Living Grant	1,175
1,492	Integrated Care Fund	1,196
5,415	Joint Finance – Area Health	4,814
-	Learning in Digital Wales	18
2,110	Local Health Boards	2,115
333	NNDR Collection Grant	341
10	Outcome Agreements	8
2,051	Pupil Deprivation Grant	2,093
1,280	Regional Transport Service Grant ¹	-
16,692	Rent Allowance Grant	16,668
-	School Maintenance Grant	645
151	School Milk	146
67	Single Revenue Grant ²	3,502
5,098	Sixth Form Grant	4,911
-	Social Care Workforce Grant	769
-	Social Care Tasks in Nursing Homes	398
-	Small & Rural Schools Grant	250
431	Sports Council	455
933	Substance Abuse Action Plan	964
5,138	Supporting People	5,137
3,618	Sustainable Waste Management Grant ²	-
-	Transformation Cost Grant	1,000
12,015	Capital Grants	17,566
2,724	Other Government Grants	3,732
201	Other Non-Government Grants	1,023
4,803	Other	5,449
89,013		99,708

¹ Bus Services Support Grant replaces the Regional Transport Service Grant

² Single Revenue Grant replaces the Sustainable Waste Management Grant.

POWYS COUNTY COUNCIL

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the grantor. The balances at the year-end are as follows:

2016/17 £'000	Capital grants received in advance	2017/18 £'000
207	Balance as at 1 April	262
82	Grants Received	-
(27)	Transfer To Capital Grants Unapplied	-
-	Transfer to Income and Expenditure Account	(49)
262	Balance as at 31 March	213

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 49.9p in 2017/18 (48.6p in 2016/17) 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 2018 was £82,739,657 (£75,824,688 at 31 March 2017). The Council pays the rates it collects to a pool administered by WG. WG redistributes the sums payable back to Local Authorities on the basis of a fixed amount per head of population.

Note 39: Council Tax

Council Tax income derives from charges raised according to the value of residential properties which have been classified into ten valuation bands based on the draft valuation list prepared by the Valuation Office that came into effect 1 April 2006. Charges are calculated by taking the amount of Council Tax income required by the County Council, Dyfed Powys Police and Community Councils for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The tax base used for the calculation of Council Tax in 2017/18 was 61,764 (61,186 in 2016/17).

The basic charge of £1,132.57 (£1,090.06 in 2016/17), for a band D property in 2017/18 for County Council purposes is multiplied by the proportion specified for the particular band to give the amount due for each individual property. A similar exercise is done for Dyfed Powys Police Authority and Community Council purposes to arrive at the total Council Tax charge per property.

Council Tax bills were based on the following multipliers for bands A to I.

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Properties	5	3,161	6,084	10,027	9,240	13,500	12,587	6,377	1,110	392

2016/17 £'000		2017/18 £'000
81,830	Council tax income	86,865
(123)	Miscellaneous write offs	(204)
81,707	Net proceeds from council tax	86,661

Note 40: Related Parties

The Authority is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

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 27 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 2017/18.

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 will deliver 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 and have yet to be audited. Profits and losses are shared equally between the shareholders.

The Council expenditure with the Company in 2017-18 was £6,572k. The Council has a prepayment of £708k and a creditor of £593k. Included in the creditor balance is the Council's liability for the share of £290k losses at 31 Mar 2018, £133k of this was recognised in the Council general fund with the remaining £157k in the Housing Revenue Accounts (HRA).

POWYS COUNTY COUNCIL

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

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

Powys County Council also have three members of staff who are joint working with Ceredigion County Council and 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
Streetworks Manager (until November 2017)	Joint Working CWIC	Ceredigion County Council	8	-
Workforce Director (until November 2017)	Joint Working	Powys Teaching Health Board	(33)	-
Interim Strategic Director – People (until October 2017)	Joint Working	Powys Teaching Health Board	-	14

Please note that at the time of closing Powys County Council has yet to have been invoiced for the Interim Strategic Director – People, as such a £14k accrual has been entered in to the accounts for the period covering 1 January 2017 to 31 October 2017.

The Powys Pension Fund

As well as making employer contributions to the Fund the County Council also provides administrative services for the fund. In 2017/18 the Council was paid £894k for these services (£887k for 2016/2017).

Members

As required by law the Authority holds a Register of Members' Interests which Members are required to maintain. In addition, Members declare interests where they are involved in Authority decisions affecting that interest. Note 35 shows the allowances paid to members.

The following table is a summary of all transactions recorded in relation to declared relationships which were either controlled by a member or otherwise considered material. As all amounts have been rounded to the nearest thousand, any transactions between nil and £499.99 are represented as a zero (0).

Member	Body	Relationship	Expenditure		Income	
			In Year £'000	O/S £'000	In Year £'000	O/S £'000
Silk, Kathryn Susan	Arts Alive	Trustee	39	(8)	1	0
Jones, Michael John	Brecon Beacons National Park	Member of Planning Committee	702	0	38	2
Williams, Gwilym Ioan Snead	Brecon Beacons National Park	Member of Planning Committee	702	0	38	2
Williams, Roger Hugh	Brecon Mind	Trustee and Treasurer	17	1	-	-

STATEMENT OF ACCOUNTS

Member	Body	Relationship	Expenditure		Income	
			In Year £'000	O/S £'000	In Year £'000	O/S £'000
Jump, Francesca Helen	Canal & River Trust	Rep. for Montgomeryshire	19	366	-	-
Davies, Phyl	Celtic Travel (Llanidloes) Ltd	Director	1,496	(29)	1	-
Powell, John	Church in Wales, Diocese of Swansea & Brecon	Member of Finance Board	-	-	81	-
Corfield, Linda Veronica	Community Foundation in Wales	LEA Representative	45	(28)	-	-
Baynham, Beverley Jane	East Radnor Day Centre	Chief Officer	117	-	2	0
Jones, Michael E.	East Radnor Day Centre	Director	117	-	2	0
Williams, Jon	Llandrindod Wells Town Council	Chair	16	-	3	1
Jones, Joy Rachel	Maldwyn Leisure Centre	Board Member	2,671	34	541	284
Brunt, John Harold	Mid Wales Manufacturing Group	Project Manager	46	-	-	-
Brunt, John Harold	Neath Port Talbot College	Corporation Board Member	455	143	56	(4)
Powell, William Denston	PAVO	Trustee	356	49	-	-
Harris, Rosemarie	Powys Community Health Council	Chair	-	-	34	-
Hulme, Heulwen Doreen	Powys Community Health Council	Committee Member	-	-	34	-
Charlton, Jackie	Powys Teaching Health Board	Mental Health Act Manager	1,424	41	9,483	1037
Harris, Rosemarie	Royal Welsh Agricultural Show	Enterprise Director and Steward	42	0	39	(2)
Meredith, David William	Theatr Brycheiniog	Board Member	107	1	0	0
Roderick, Edwin	Theatr Brycheiniog	Board Member	107	1	0	0
Weale, Martin Jonathan	Weales Wheels	Proprietor	411	(0)	-	-
Mackenzie, Maureen	Wyeside Arts Centre	Interim Chair	45	0	1	-
Price, David Rowland	Wyeside Arts Centre	Trustee	45	0	1	-
Davies, Sandra Christine	Ystradgynlais Sports Centre	Member of Management Committee	2,671	34	541	284

Note 41: Leases

Authority as a Lessee

Operating Leases

Various services use assets financed by operating lease. The lease costs form part of each service's revenue expenditure. Total operating lease rentals paid in the year were £1,002k (£1,081k in 2016/17) and the total outstanding commitment on operating leases at the 31 March 2018 was £2,446k (£2,593k at 31 March 2017).

31 Mar 17 £'000	Minimum lease payments	31 Mar 18 £'000
1,143	No later than one year	1,067
1,142	Later than one but no later than five years	1,068
308	Later than five years	311
2,593		2,446

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 17 £'000	Minimum lease payments	31 Mar 18 £'000
1,552	No later than one year	1,873
3,898	Later than one but no later than five years	3,437
6,025	Later than five years	4,118
11,475		9,428

Finance Leases

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

Note 42: 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 17 £'000	Commitment	31 Mar 18 £'000
4,929	No later than one year	4,861
5,670	Later than one but no later than five years	809
-	Later than five years	-
10,599		5,670

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 17 £'000	Commitment	31 Mar 18 £'000
n/a	No later than one year	10,559
n/a	Later than one but no later than five years	32,981
n/a	Later than five years	-
n/a		43,540

Note 43: Termination Benefits

The Authority had the following termination costs.

2016/17			2017/18	
Staff	£'000		Staff	£'000
241	946	£0 - £20,000	231	1,044
27	812	£20,001 - £40,000	33	918
4	204	£40,001 - £60,000	1	41
3	208	£60,001 - £80,000	1	62
1	83	£80,001 - £100,000	-	-
1	139	£100,001 - £150,000	-	-
277	2,392		266	2,065

2016/17 £'000		2017/18 £'000
1,641	Redundancy	1,573
539	Pension strain	331
84	Loss of office	100
128	Payment in lieu of notice or holidays	61
2,392		2,065

Note 44: Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority participates in the Local Government Pension Scheme administered by Powys County Council, who are responsible for the governance of the Fund. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets. Benefits earned up to 31 March 2014 are linked to final salary, benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in the 'Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The 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 General Fund (and Housing Revenue Account) via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves during the year.

STATEMENT OF ACCOUNTS

2016/17 Funded £'000	2016/17 Total £'000	Comprehensive income and expenditure statement	2017/18 Funded £'000	2017/18 Total £'000
		Cost of services		
16,510	16,510	Current service cost	21,530	21,530
520	520	Past service costs	300	300
		Financing And Investment Income And Expenditure		
7,160	7,160	Interest on net defined benefit	6,870	6,870
24,190	24,190	Pension expense charged to the surplus/deficit on the provision of services	28,700	28,700
		Other post employment benefit charged to the Comprehensive Income And Expenditure Statement		
(71,740)	(71,740)	Return on plan assets (in excess of)/that recognised in net interest	950	950
141,410	141,410	Actuarial (gains)/losses due to change in financial assumptions	14,360	14,360
(12,380)	(12,380)	Actuarial (gains)/losses due to changes in demographic assumptions	-	-
(10,060)	(10,060)	Actuarial (gains)/losses due to liability experience	4,540	4,540
71,420	71,420	Total other post employment benefit charged to the Comprehensive Income And Expenditure Statement	48,550	48,550
		Movement In Reserves Statement		
(24,190)	(24,190)	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(28,700)	(28,700)
		Actual amount charged against the Council Fund balance during the year:		
(17,370)	(17,370)	Employers contributions payable to scheme	(17,650)	(17,650)

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.

2017 £'000		2018 £'000
550,690	Fair value of assets	561,200
823,800	Present value of funded defined benefit obligation	865,210
(273,110)	Funded Status	(304,010)
(273,110)	Asset/(Liability) recognised on the balance sheet	(304,010)

Reconciliation of the Movements in the Fair Value of Scheme Assets

2016/17 £'000	Pension Scheme Assets	2017/18 £'000
465,810	Brought forward 1 April	550,690
15,800	Interest Income on Assets	14,290
71,740	Remeasurement gains/(losses) on assets	(950)
17,370	Contributions by the employer	17,650
4,290	Contributions by participants	4,230
(24,320)	Net benefits paid out	(24,710)
550,690	Carried Forward 31 March	561,200

2016/17 £'000	Actual Return on Assets	2017/18 £'000
15,800	Interest Income on Assets	14,290
71,740	Remeasurement gains/(losses) on assets	(950)
87,540	Actual Return On Assets	13,340

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

2017 Funded £'000	Pension Scheme Liabilities	2018 Funded £'000
684,870	Brought forward 1 April	823,800
16,510	Current service cost	21,530
22,960	Interest expense on defined benefit obligation	21,160
4,290	Contributions by participants	4,230
141,410	Actuarial (gains)/losses on liabilities – financial assumptions	14,360
(12,380)	Actuarial (gains)/losses on liabilities – demographic assumptions	-
(10,060)	Actuarial (gains)/losses on liabilities – experience	4,540
(24,320)	Net benefits paid out	(24,710)
520	Past service cost	300
823,800	Carried forward 31 March	865,210

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 17		% of Assets (Quoted) 31 Mar 18	% of Assets (Unquoted) 31 Mar 18	Total Assets 31 Mar 18
51.8	Equity Investments	47.8	4.2	52.0
11.9	Property	11.9	-	11.9
14.8	Government Bonds	14.3	-	14.3
6.9	Corporate Bonds	6.6	-	6.6
1.5	Cash	1.1	-	1.1
13.1	Other	14.1	-	14.1
100.0		95.8	4.2	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:

2017 %		2018 %
3.1	Inflation – RPI	3.2
3.5	Rate of general increase in salaries	3.6
2.0	Rate of increase to pensions in payment	2.1
2.0	Rate of increase to deferred pensions	2.1
2.6	Discount rate	2.6

POWYS COUNTY COUNCIL

The Principal Demographic Assumptions are:

31 Mar 17	Post Retirement Mortality	31 Mar 18
	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_2014
1.5%	Minimum underpin to improvement factors	1.5%
23.0	Future lifetime from age 65 (currently aged 65)	23.1
24.8	Future lifetime from age 65 (currently aged 45)	24.9
	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%
25.7	Future lifetime from age 65 (currently aged 65)	25.8
27.5	Future lifetime from age 65 (currently aged 45)	27.6

	31 Mar 17	31 Mar 18
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)	849,610	881,090
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£'000s)	22,270	23,610
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)	868,640	861,810
% change in present value of total obligation	0.4%	-0.4%
Projected service cost (£'000s)	22,930	22,930
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)	877,630	852,980
% change in present value of total obligation	1.40%	-1.40%
Projected service cost (£'000s)	23,610	22,270
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)	891,260	839,340
% change in present value of total obligation	3.0%	-3.0%
Projected service cost (£'000s)	23,760	22,110
Approximate % change in projected service cost	3.60%	-3.60%

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 £18.53m regular contributions to the scheme in 2018/19.

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 2017/18 (18.2 years 2016/17).

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

Risks Associated with the Fund in Relation to Accounting

Asset Volatility

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

Changes in Bond Yield

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

Inflation Risk

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

Life Expectancy

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

Exiting Employers

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

Note 45: Teacher Pension Costs

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 2017/18 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 (£6.9m, 16.48% in 2016/17). 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 2017/18 payments made in relation to added years amounted to £1.5m, representing 3.62% of pensionable pay (£1.4m, 3.41% in 2016/17). Estimated employer contributions for 2018/19 are £6.8m.

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 44.

Note 46: Contingent Liabilities

The Authority had up to 2005/06, a contractual arrangement with the local water supplier. This arrangement was understood to be one by which the council was to provide billing and collection services, in return for a void allowance for empty properties and a commission to reflect both the administrative costs attached and the transfer of risk and bad debt associated with these accounts. The treatment of this arrangement has been called in to question due to a Court ruling during 2015/16 (Kim Jones versus London Borough of Southwark) which ruled that Local Authorities collecting water rates via the HRA were doing so as a water supplier and not as an agent of the water supplier. Traditionally this has been viewed as an agency arrangement, but the Court ruling concludes that the Authority concerned was acting as a water supplier, which has significant financial implications for those affected, both in terms of the agency fee and where action has been taken against rent arrears that could be deemed to include water rates. The potential liability exposure of the Authority cannot be estimated and maybe subject to a time limitation.

Under the Equal Pay Act (Amendment) Regulations 2003 the Council must complete and implement a local pay review. As a result there is a possibility that compensation claims could be raised in relation to equal pay for work of equal value. Any settlement is uncertain at this stage so the provision set aside is the best estimate based on the latest negotiations and legal advice.

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

On 13 November 2012 the directors of MMI "triggered" MMI's Scheme of Arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). The Scheme administrator set an initial Levy rate of 15% on claims paid by MMI exceeding in aggregate £50k. The initial Levy payment was made in 2013-14. In March 2016 the Scheme administrator applied a Second Levy increasing the initial levy to 25%. A provision of £196k is included in Note 24 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.

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 2017/18.

Note 47: Contingent Assets

No such assets were known to exist at 31 March 2018.

Note 48: Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Re-financing and maturity risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in measures such as interest rates and stock market movements.

The Authority's overall risk management procedures focus on the unpredictability of financial markets and are structured to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a treasury team under policies approved by Full Council in the Treasury Management Policy Statement, the annual Treasury Management Strategy Statement and Annual Investment Strategy.

The Policy and Strategy provide written principles for areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The Authority has an investment list of banks and other financial institutions which is based on current credit ratings, credit default swap data and other relevant financial information. The ratings determine the maximum amount that can be invested with a particular institution and the length of time for which it may be invested. The Authority has a policy of not lending more than £20m of its surplus balances to one institution at any one time.

POWYS COUNTY COUNCIL

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 18 £'000	Actual provision for bad debts made £'000	Bad debt written off in year £'000
Deposits with banks and financial institutions	-	-	-
Customers			
Council Tax	3,651	(688)	185
Housing rents	1,298	(987)	71
Sundry debtors	35,865	(2,968)	123
	40,814	(4,643)	379

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	845	280	2,239	3,364

	1 to 2 Years £'000	2 to 5 Years £'000	Over 5 Years £'000	Total £'000
Council Tax	2,478	430	250	3,158

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:

2017 £'000		2018 £'000
25,391	Within a year	10,029
5,029	Between 1 to 2 years	10,039
11,613	Between 2 to 5 years	22,128
29,729	Between 5 to 10 years	31,226
180,012	Over 10 years	177,962
251,774		251,384

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

POWYS COUNTY COUNCIL

Borrowings are not carried at fair value so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the Council Fund balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the other comprehensive income and expenditure.

The Authority has a number of strategies for managing interest rate risk. As stated in the prudential indicators report, it is policy to aim to keep a maximum of 60% of net outstanding principals in variable rate exposures. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The Treasury Management Team actively assesses interest rate exposure and feeds the projected figures for interest payable and receivable into the annual and quarterly budgets. This allows variances to be accommodated. The team also advises whether new borrowing is taken out and whether it should be fixed or variable.

To highlight the sensitivity of rises, if interest rates had been 1% higher during 2017/18 with all other variables constant, the financial effect would be:

	£'000
Increase In Interest Payable On Variable Rate Borrowings	300
Increase In Interest Receivable On Variable Rate Investments	(101)
Increase In Surplus Of Income And Expenditure Account	(199)
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 49: 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.

The expected savings in 2017-18 are shown on a project-by-project basis.

	2017/18	
	Total Capitalised £'000	Estimated Savings Made £'000
Schools Change of Admissions Policy	605	873
	605	873

Note 50: Events after the Balance Sheet Date

The Draft Statement of Accounts was authorised for issue by the Deputy Chief Executive and Section 151 Officer on 18 June 2018. 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 2018, 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

2016/17 £'000		2017/18 £'000
	Expenditure	
3,306	Supervision and management	3,314
6,950	Repairs and maintenance	7,217
55	Rents and rates	75
142	Movement in allowance for bad and doubtful debts	113
6,445	Depreciation, impairment and revaluation of noncurrent assets	6,919
13	Debt management expenses	18
16,911	Total service expenditure	17,656
	Income	
(21,380)	Dwelling rents	(22,067)
(535)	Non dwelling rents	(556)
(402)	Other charges for services and facilities	(489)
(2)	Contributions towards expenditure	(17)
(22,319)	Total service income	(23,129)
(5,408)	Net cost of services as included in the Comprehensive income and expenditure account	(5,473)
125	HRA services share of corporate and democratic core	106
(5,283)	Net cost of HRA services	(5,367)
	HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement	
(112)	(Gain)/loss on sale of HRA noncurrent assets	(502)
3,572	Interest payable and similar charges	3,554
(30)	Amortisation of premiums and discounts	(126)
234	Net interest on the net defined benefit liability	246
(4,032)	Capital grants and contributions applied	(4,056)
(5,651)	(Surplus)/deficit for the year on HRA services	(6,251)

Movement on Housing Revenue Account Statement

2016/17 £'000		Note	2017/18 £'000
1,386	Balance as at 1 April		1,761
5,651	Surplus/(deficit) for the year on the HRA		6,251
(5,262)	Adjustments between accounting basis and funding basis under statute	5	(4,759)
389	Increase/(decrease) in the HRA balance Before transfers to or from reserves		1,492
(14)	Transfers to/(from) earmarked reserves		14
375	Increase/(decrease) in the HRA balance		1,506
1,761	Balance as at 31 March		3,267

Notes to the Housing Revenue Accounts

Note 1: Housing Stock

2016/17 Total		Number of bedrooms						2017/18 Total
		1	2	3	4	5	6	
48	Detached house/bungalow	4	33	9	4	0	0	50
2,131	Semi-detached house/bungalow	271	806	1,009	38	3	0	2,127
2,120	Terraced house	208	712	1,121	67	5	1	2,114
1,058	Flats	329	687	49	0	0	0	1,065
17	Bedsits	17	0	0	0	0	0	17
5,374		829	2,238	2,188	109	8	1	5,373

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

2017 £'000		2018 £'000
379	Current tenant arrears	448
833	Former tenant arrears	850
1,212	Total arrears	1,298
134	Bad debts	70
943	Provision for bad debt	986

Note 3: Housing Revenue Account Capital Expenditure

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

2017/18					
Capital expenditure	Total £'000	Dwellings £'000	Intangible £'000	Equipment £'000	Non 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

2016/17					
Capital expenditure	Total £'000	Dwellings £'000	Intangible £'000	Equipment £'000	Non operational £'000
Enhancing costs	12,502	12,502	-	-	-
Total expenditure	12,502	12,502	-	-	-
Depreciation	6,445	6,392	53	-	-

The capital expenditure was financed as follows:

Financed by	2016/17 £'000
Capital Grants and Contributions	4,029
Usable Capital Receipts	997
Direct Revenue Contributions and Reserves	6,089
Prudential Borrowing	1,387
	12,502

Note 4: Housing Revenue Account Capital Receipts

The following amounts were received during the year:

2016/17 £'000		2017/18 £'000
90	Disposal of land	432
1,551	Housing	775
1,641		1,207

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

2016/17 £'000		2017/18 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the HRA Balance for the year	
30	Difference between interest payable and similar charges including amortisation of premiums and discounts in accordance with statute	126
(246)	Net charges made for retirement benefits in accordance with IAS 19	(408)
112	(Gain)/loss on sale of HRA non-current assets	502
	Adjustments	
	Primarily involving the Capital Adjustment Account	
(6,445)	Depreciation and impairment	(6,919)
1,789	HRA Minimum Revenue Provision	1,770
4,032	Capital Grants and Contributions Applied	4,056
6,088	Capital Expenditure Funded by HRA	5,619
	Primarily involving the Capital Receipts Reserve	
(47)	Admin costs on council house sales	(24)
	Primarily involving the Accumulated Balances Account	
(51)	Holiday accrual	37
5,262	Net additional amount required by statute to be debited to the HRA Balance for the year	4,759
(14)	To other committees/reserves	14

Note 6: Housing Revenue Account Contributions to the Pension Scheme

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

2016/17 £'000		2017/18 £'000
565	Employer contributions actually paid	632
(17)	Past Service Costs	(11)
(561)	Current cost of employees	(783)
(233)	Net Interest on the net defined benefit/(liability)	(246)
(246)	Contribution to/(from) reserve	(408)



Pension Fund Accounts 2017/18



This page is intentionally blank.

Statement of Responsibilities for the Pension Fund Accounts

The Authority's Responsibilities as the Administering Authority

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 Deputy Chief Executive.
- 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 12th September 2018.

Signature: _____ Date _____

Audit Committee Chairman

Deputy Chief Executive Responsibilities

The Deputy Chief Executive is responsible for the preparation of the Pension Fund Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"). These accounts are required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year.

In preparing this Statement of Accounts, the Deputy Chief Executive 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 Deputy Chief Executive 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 Deputy Chief Executive on the Powys County Council Pension Fund for 2017/18.

I certify that the accounts set out on pages 119 to 148 present a true and fair view of the financial position of Powys County Council Pension Fund as at 31 March 2018 and its income and expenditure for the year then ended.

Signature: _____ Date 18th June 2018

D Powell Deputy Chief Executive

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

Opinion

I have audited the financial statements of Powys Pension Fund (the Pension Fund) for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004. The Pension Fund's financial statements comprise the fund account, the net assets 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 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31st March 2018, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

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 pension fund 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 pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual 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 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 Fund Administration Report and Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Fund Administration Report and the Annual Governance Statement have been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Fund Administration Report.

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

- adequate 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 Pension Fund 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 financial statements, the responsible financial officer is responsible for the preparation of the financial statements, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund'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

24 Cathedral Road
Cardiff
CF11 9LJ

25 September 2018

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.

Fund Administration Report

Scheme Details

Powys County Council is the Administering Authority for the Powys Pension Fund. The Pension Fund provides pension entitlements under the Local Government Pension Scheme (“LGPS”) to all eligible employees of Powys County Council and other participating bodies. Membership of the LGPS is not mandatory and excludes teachers, police officers and fire fighters, for whom specific separate pension schemes are available. The LGPS is a statutory public service defined benefit pension scheme based on final salary for benefits accrued up to 31 March 2014 and Career Average Revalued Earnings (“CARE”) for benefits accrued from 1 April 2014. Contributions payable by employees and the benefits due to them are prescribed by the Local Government Pension Scheme Regulations.

Scheme Statistics and Performance

Membership Trends

The graph below shows the membership of the Fund as at 31 March. Deferred members are former employees of the contributing authorities who have yet to draw their pensions.

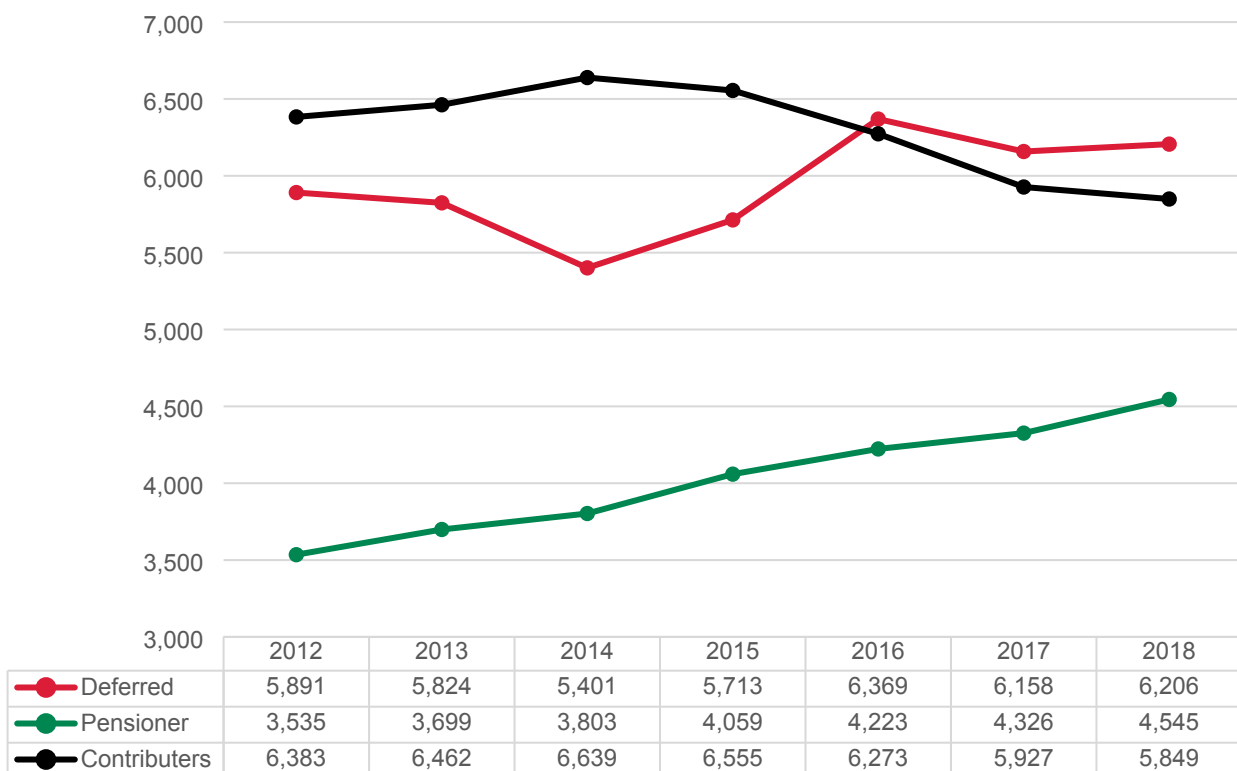


Figure 1 Chart showing the membership of the Fund as at 31 March between 2012 and 2018

Funding Level

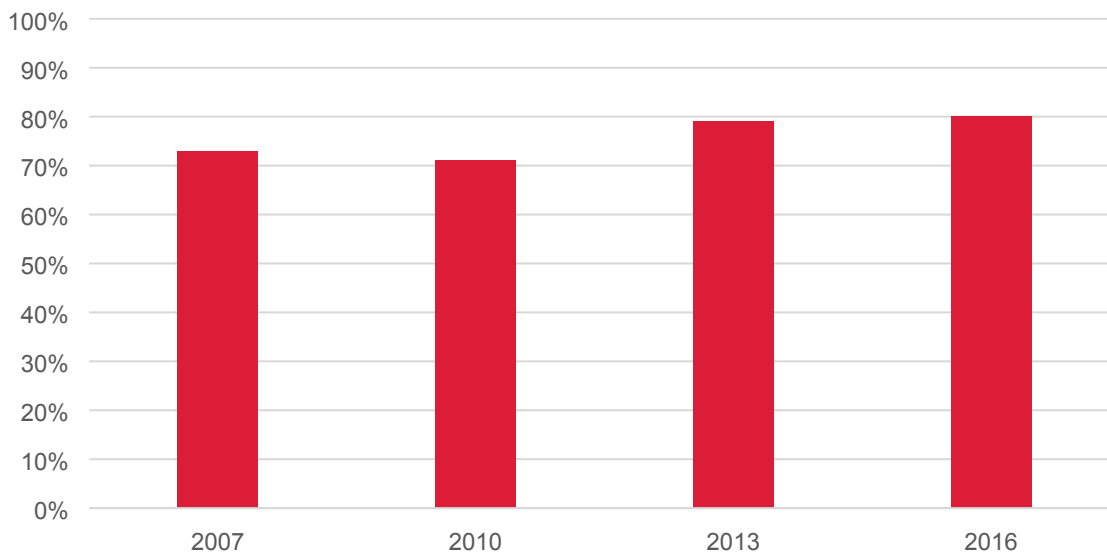


Figure 2 Bar chart showing the pension funding levels as a percentage of accrued liabilities

The aim of the funding is to accumulate current contributions at a level sufficient to provide known benefits at some time in the future. In short therefore, the scheme benefits are financed by contributions from employees and employers together with income from investments. Both the employees’ contributions and the benefits to be provided by the scheme are fixed by the Government as set out in the Local Government Pension Scheme Regulations, leaving the employers’ rate of contribution as the only element which can be deliberately adjusted.

The employers’ rate of contribution is assessed by the Actuary to the Fund who reviews the future income and liabilities of the Fund. These reviews, or actuarial valuations, are required by law with a major review being undertaken every third year.

The actuarial valuation as at 31 March 2016 showed the assets held at the valuation date were sufficient to cover 80% of the accrued liabilities assessed on an ongoing basis. While this is a slight improvement on the 79% achieved as at 31 March 2013, it is the long-term goal to achieve 100% funding and efforts continue to be made to address this. The level of funding has no impact on members’ benefits which are guaranteed by law.

Net Assets Statement

As at 31 March

2017 £'000		Note	2018 £'000
594,163	Investments	12	618,327
4,308	Current Assets	13	2,081
(329)	Current Liabilities	13	(1,471)
598,142	Net Asset as at 31 Mar		618,937

The accounts show cash held with the Investment Managers as investments as recommended in the Statement of Recommended Practice, Financial Reports for Pension Schemes.

Pension Fund Account

2016/17 £'000		Note	2017/18 £'000
	Contributions and benefits		
(23,516)	Contributions receivable	4	(24,248)
(1,055)	Transfers in	5	(1,905)
(427)	Other income	6	(37)
(24,998)	Total income		(26,190)
24,951	Benefits payable	7	26,380
3,273	Payments on account of leavers	8	2,512
3,691	Administrative expenses	9	3,424
31,915	Total expenditure		32,316
6,917	Net additions from dealing with members		6,126
	Returns on investments		
(4,993)	Investment income	10	(5,888)
12	Taxes on Income	11	3
(98,300)	Changes in the market value of investments	12	(21,036)
(103,281)	Net profit on investments		(26,921)
(96,364)	Net (increase)/decrease in the fund		(20,795)
501,778	Opening net assets		598,142
598,142	Closing net assets		618,937

Notes to the Pension Fund Accounts

Note 1: Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2017/18 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

Note 2: Accounting Policies

Contributions and Benefits

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

Transfers to other Schemes

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

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

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

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

Refunds to Leavers

These are accounted for when due.

Investment Management Expenses

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

Investment Income

Interest income

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

Distributions from pooled funds

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

Change in Market Value

Changes in market value of investments comprise reinvested investment income and all realised and unrealised profits/losses during the year.

Foreign Currency Transactions

Assets and liabilities held in a foreign currency are translated at the rate of sterling quoted at year-end. Income and expenditure arising during the year is translated into sterling at the rate quoted on the date of receipt or payment. Resulting exchange gains or losses are recognised through the revenue account.

Valuation of Assets

No property is directly held by the fund. The market value used for quoted investments is the bid market price ruling on the final day of the accounting period. Fund Managers value unquoted securities at the year-end in line with generally accepted guidelines to ascertain the fair value of the investment. Change in Market value also includes income which is reinvested in the fund, net of applicable tax. Fixed interest securities are recorded at net market value based on their current yields. Fair value for limited partnerships is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership. It is not the intention of the fund to dispose of unquoted investments before maturity.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash and that are subject to minimal risk of changes in value.

Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Financial Liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial value of promised retirement benefits by way of a note to the net assets statement (note 21).

Administrative expenses

All staff costs of the pension administration team and other overheads are apportioned to the fund in accordance with Council policy.

Contingent Liabilities

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

Additional Voluntary Contributions (AVC's)

Members of the Pension Fund may make additional voluntary contributions (AVCs) in order to obtain improved benefits on retirement. The AVC investments are excluded from the Financial Statements of the Powys Pension Fund, in accordance with section 4(2)b of the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note 15).

Note 3: Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equity investments are valued by the investment managers using acceptable guidelines. The value of these investments at 31 March 2018 was £28.5m (31 March 2017: £27.4m).

An analysis of investments can be found later in Note 12a.

Pension Fund liability

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

Note 4: Contributions Receivable

2016/17 £'000	By Category	2017/18 £'000
18,798	Employers	19,505
4,718	Employees	4,743
23,516		24,248

2016/17 £'000	By Authority	2017/18 £'000
21,686	Powys County Council (administering body)	21,946
866	Scheduled bodies	875
964	Admitted bodies	1,427
23,516		24,248

2016/17 £'000	By Type	2017/18 £'000
11,698	Employers normal contributions	14,244
4,718	Employees normal contributions	4,743
545	Employers additional contributions	406
6,555	Employers deficit reduction contributions	4,855
23,516		24,248

Note 5: Transfers In

2016/17 £'000		2017/18 £'000
1,055	Individual transfers from other schemes	1,905

Note 6: Other Income

2016/17 £'000		2017/18 £'000
394	Other contributions	-
12	Administrative fees received	17
21	Additional allowances recovered	20
427		37

Other contributions include a one off unplanned transaction of £394k funded by the Powys County Council general fund. See note 9 'Management Expenses'.

Note 7: Benefit Payable

2016/17 £'000		2017/18 £'000
20,359	Pensions	21,000
4,090	Commutations and lump sum retirement benefits	4,898
502	Lump sum death benefits	482
24,951		26,380

Benefits can be further analysed:

2016/17 £'000		2017/18 £'000
21,149	Powys County Council (administering authority)	22,366
2,586	Scheduled bodies	2,580
1,216	Admitted bodies	1,434
24,951		26,380

Note 8: Payments to and on Account of Leavers

2016/17 £'000		2017/18 £'000
61	Refunds to members leaving service	47
13	Payments to members joining state scheme	4
3,199	Individual transfers to other schemes	2,461
3,273		2,512

Note 9: Management Expenses

2016/17 £'000		2017/18 £'000
1,413	Administration expenses	1,002
2,152	Investment management expenses (see Note 9a)	2,330
126	Oversight and governance costs	92
3,691		3,424

2016/17 Administration expenses include an exchange rate loss totalling £394k incurred during an investment transaction. This has been funded by Powys County Council general fund as shown within 'Other Contributions' in Note 6 'Other Income'.

Note 9a: Investment Management Expenses

2016/17 £'000		2017/18 £'000
1,874	Management fees	2,075
250	Investment advice	223
28	Custody fees	32
2,152		2,330

2016/17 Management fees includes a one off fee rebate of £547k

Note 10: Investment Income

2016/17 £'000		2017/18 £'000
(3)	Interest on cash deposits	(2)
(889)	Income from bonds	(783)
(1,554)	Pooled property investments	(1,691)
(2,546)	Private equity income	(3,407)
(1)	Other investment income	(5)
(4,993)		(5,888)

Note 11: Taxes on Income

2016/17 £'000		2017/18 £'000
10	Withholding tax - Private equity	-
2	Foreign tax on investment	3
12		3

Note 12: Investments

	Value as at 1 Apr 17	Purchases at Cost	Sales Proceeds	Fees included in NAV	Cash Movement	Change in Market Value	Value as at 31 Mar 18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	87,810	11,300	(783)	(81)	783	265	99,294
Index linked Securities	81,265	-	-	-	-	694	81,959
Equities (pooled funds)	285,268	52,498	(58,298)	(454)	-	12,708	291,722
Property (pooled funds)	69,856	1,184	(2,582)	(459)	507	6,036	74,542
Private Equity	27,361	5,107	(6,578)	(313)	3,407	(519)	28,465
Hedge Fund of Funds	38,162	12,328	(12,335)	(403)	-	1,847	39,599
Cash & Short Term Investments	4,441	5,800	(7,500)	-	-	5	2,746
	594,163	88,217	(88,076)	(1,710)	4,697	21,036	618,327

	Value as at 1 Apr 16	Purchases at Cost	Sales Proceeds	Fees included in NAV	Cash Movement	Change in Market Value	Value as at 31 Mar 17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	65,551	35,500	(24,413)	(79)	-	11,251	87,810
Index linked Securities	65,863	83,907	(75,008)	-	(1,207)	7,710	81,265
Equities (pooled funds)	234,875	69,955	(91,915)	(504)	(19)	72,876	285,268
Property (pooled funds)	69,774	1,075	(2,172)	(439)	-	1,618	69,856
Private Equity	22,509	3,980	(4,374)	(498)	2,545	3,199	27,361
Hedge Fund of Funds	36,934	10,988	(10,988)	(415)	-	1,643	38,162
Cash & Short Term Investments	3,826	26,212	(25,600)	-	-	3	4,441
	499,332	231,617	(234,470)	(1,935)	1,319	98,300	594,163

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Some transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees.

These transaction costs incurred in the year are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme. All equity investments held by the fund are in unitised funds.

POWYS COUNTY COUNCIL

Note 12a: Analysis of Investments

2016/17 £'000		2017/18 £'000
	Fixed interest securities	
87,810	Pooled funds	99,294
87,810		99,294
	Index linked securities	
81,265	UK quoted	81,959
285,268	Equities – Pooled	291,722
38,162	Hedge Fund of Funds	39,599
27,361	Private Equity	28,465
69,856	Property	74,542
124	Cash	120
4,317	Liquidity Funds	2,626
594,163		618,327

Note 12b: Investments Analysed by Fund Manager

31 Mar 17			31 Mar 18	
Market Value £'000	%		Market Value £'000	%
20,919	3.5	Aviva Investors Pensions Ltd	23,350	3.8
250,745	42.2	BlackRock Global Investors Ltd	293,733	47.3
25,404	4.3	Carnegie	26,477	4.3
3,321	0.6	CBRE Ltd	1,060	0.2
12,411	2.1	GAM Fund Management Ltd	-	-
25,751	4.3	Goldman Sachs Asset Management Ltd	39,600	6.4
25,941	4.4	HarbourVest Partners LLC	27,558	4.5
12,396	2.1	Hermes Fund Managers Ltd	13,335	2.2
34,731	5.8	Hosking	36,165	5.9
67,383	11.3	Insight Investment Ltd	75,815	12.3
43,132	7.3	MFS International Ltd	43,531	7.0
70,610	11.9	Schroders Investment Management Ltd	36,797	6.0
1,419	0.2	Standard Life Investments Ltd	906	0.1
594,163			618,327	

STATEMENT OF ACCOUNTS

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

31 Mar 17			31 Mar 18	
Market Value £'000	%	Security	Market Value £'000	%
-	-	Blackrock Aquila Life Currency Hedged US Equity Index Fund	61,763	10.0
81,265	13.7	Blackrock Aquila Life Over 5Yr Uk Idx Lkd	81,960	13.3
-	-	Blackrock Aquila Life Currency Hedged MSCI World Index Fund	38,697	6.3
25,751	4.3	Goldman Sachs Hedge Fund Opportunities Ltd	39,600	6.4
34,731	5.8	Hosking Partners	36,165	5.9
39,620	6.7	Insight Bonds Plus fund	48,205	7.8
43,132	7.3	MFS Global Equity Fund	43,531	7.0
33,220	5.6	Schroder UK Real Estate Fund	36,797	6.0

Note 13: Current Assets and Liabilities

2016/17 £'000		2017/18 £'000
	Current Assets	
138	Contributions due from employers and members	179
2,634	Cash balances	1,375
1,536	Sundry debtors	527
4,308		2,081
	Current Liabilities	
(36)	Benefits payable	(437)
(293)	Sundry creditors	(1,034)
(329)		(1,471)

Amounts unpaid at the year end are subsequently paid within a reasonable time frame, i.e. the majority of the balances are paid within a 3 month period.

Note 14: Related Party Transactions

Details of Members and officers of the Council represented on the Pensions and Investment Committee are shown in Appendix 1. Their combined contributions into the scheme totalled £18k in 2017/18 (£22k in 2016/17). The Vice Chairman of the Committee is in receipt of a pension from the Fund.

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

The Authority incurred costs of £894k in 2017/18 (2016/17: £887k) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £17,388k to the Fund in 2017/18 (2016/17: £16,855k) in employers contributions and deficit recovery payments.

Governance

The role of Section 151 Officer for the Authority plays a key role in the financial management of the Fund and is also an active member of the Fund.

Councillors are required to declare their interest at each meeting.

The Committee members and Section 151 Officer accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

For the full Governance Statement please see the Pension Fund Annual Report.

Note 15: Additional Voluntary Contributions (AVC)

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

2017/18	Standard Life	Prudential	Equitable Life	Total
Contributions received	£'000	£'000	£'000	£'000
Powys County Council	46	275	2	323
BBNP	-	19	-	19

Fund Value	Standard Life	Prudential	Equitable Life	Total
	£'000	£'000	£'000	£'000
As at 31 Mar 18	1,155	992	81	2,228

Note 16: Contingent Liabilities

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

Note 17. Post Balance Sheet Events

The accounts outlined in these financial statements represent the financial position of the Fund as at 31 March 2018. Since this date, the performance of the global markets may have affected the financial value of Pension Fund investments.

Note 18: Capital Commitments

2016/17	Private Equity and Property	2017/18
£'000	mandate	£'000
934	Standard Life (Private Equity)	904
25,686	Harbourvest (Private Equity)	17,990
26,620		18,894

The Pension Fund has committed to guaranteed investments in private equity that the asset managers can draw down upon as and when required. The Capital Commitments figure above, represents the level of investment guaranteed but not yet drawn down at the year end.

Note 19: Stock Lending

Section 12.1 of the Investment Strategy Statement sets out the fund's policy on stock lending.

Note 20: Financial Instruments**Note 20A: Fair value of financial instruments & liabilities**

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

31-Mar-17			31-Mar-18	
Cost £'000	Fair value through profit and loss £'000		Cost £'000	Fair value through profit and loss £'000
		Financial Assets		
81,353	87,810	Fixed interest securities	92,653	99,293
81,800	81,265	Index linked securities	81,800	81,960
162,476	285,268	Equities (pooled funds)	230,796	291,722
61,094	69,856	Property (pooled funds)	57,948	74,543
20,852	27,361	Private equity	22,885	28,465
34,825	38,162	Hedge fund of funds	36,114	39,600
4,317	4,441	Cash & short term investments	2,626	2,746
4,308	4,308	Current assets	2,081	2,081
451,025	598,471	Total financial assets	526,903	620,410
		Financial Liabilities		
(329)	(329)	Current liabilities	(1,471)	(1,471)
(329)	(329)		(1,471)	(1,471)

Note 20B: Valuation of financial instruments carried at fair value

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

Level 1

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

Level 2

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

Level 3

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

POWYS COUNTY COUNCIL

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

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

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

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

Value as at 31 Mar 18	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	475,721	74,543	68,063	618,327
Current assets	2,081	-	-	2,081
Current liabilities	(1,470)	-	-	(1,470)
Net financial assets	476,332	74,543	68,063	618,938

Value as at 31 Mar 17	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	458,784	69,856	65,523	594,163
Current assets	4,308	-	-	4,308
Current liabilities	(329)	-	-	(329)
Net financial assets	462,763	69,856	65,523	598,142

Note 21: Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2016 of the actuarial valuation of promised retirement benefits as set out in IAS 26. The actuarial present value should be calculated on an IAS 19 basis. IAS 26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the IFRS.

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

31 March 2013 £'000	31 March 2016 £'000
632,400	724,600

Assumptions used

	31 March 2013 %	31 March 2016 %
Discount rate	4.4	3.4
Inflation (CPI)	2.4	1.8
Salary increase rate	3.9	3.3

Note 22: Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

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

Market Risk

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

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

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

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

Other Price Risk

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

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

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

Other Price Risk – Sensitivity Analysis

The following movements in market price risk are considered reasonably possible for 2018/19. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain unchanged.

Asset Type	Value as at 31 Mar 18	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Active Equity	106,173	10.03	116,822	95,524
Passive Equity	185,549	8.70	201,692	169,406
UK Corporate Bonds	41,063	5.96	43,510	38,616
Absolute Bonds	48,205	1.91	49,126	47,284
Index Linked	81,959	12.09	91,868	72,050
Government Bonds	10,026	6.75	10,703	9,349
Property	74,542	2.67	76,533	72,553
Private Equity	28,465	9.31	31,114	25,814
Hedge Funds	39,599	8.05	42,787	36,411
Cash & short term investments	2,746	0.13	2,750	2,742
Total Assets	618,327	7.90	666,904	569,750

Interest Rate Risk

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

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

A 0.5% volatility associated with interest rates is considered likely, based on the Authorities Treasury Management advisors latest advice. The Fund's exposure to interest rate movements as at 31 March 2017 and 31 March 2018 is set out below.

As at 31 Mar 17 £'000	Asset Type	As at 31 Mar 18 £'000
4,441	Cash Instruments	2,746
2,634	Cash balances	1,374
87,810	Bonds	99,294
94,885	Total	103,414

Currency Risk

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

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

The fund's currency exposure as at 31 March 2017 and 31 March 2018 is set out below.

As at 31 Mar 17 £'000		As at 31 Mar 18 £'000
27,360	Private equity	28,465
34,731	Equities (Pooled Funds)	36,165
62,091	Total	64,630

POWYS COUNTY COUNCIL

A 10% volatility associated with exchange rates is considered likely, based on analysis of historical movements.

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

A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Value as at 31 Mar 18	Value on Increase	Value on Decrease
	£'000	£'000	£'000
Private equity	28,465	31,312	25,619
Equities (Pooled Funds)	36,165	39,782	32,549
Total	64,630	71,093	58,167

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

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

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The table below shows the funds cash holding as at 31 March 2017 and 31 March 2018.

	Rating	As at 31 Mar 17 £'000	As at 31 Mar 18 £'000
Bank Current Account			
HSBC	AA	2,288	3
Bank Deposit Account			
HSBC	AA	346	1,372

Liquidity risk

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

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

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2018 the value of illiquid assets was £142.6m, which represented 23.1% of the total fund assets - (31 March 2017 - £135.6m, which represented 22.7% of the total fund assets).

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

All financial liabilities at 31 March 2018 are due within one year.

Refinancing risk

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

Note 23: Accounting Standards That Have Been Issued but Have Not Yet Been Adopted.

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 2018 for 2018/19). None of the standards introduced in the 2018/19 code are expected to have a material impact on the financial statements.

Note 24: Annual Report

The full annual report for the Powys Pension Fund can be obtained from:

Head of Financial Services,
County Hall,
Llandrindod Wells,
Powys,
LD1 5LG

This report will also be made available under the Annual Reports and Accounts heading at <http://powyspensionfund.org/powys-pension-fund/about-us/forms-and-publications/>

The report includes

- The Investment Strategy Statement
- Governance Statement
- Funding Strategy Statement
- Communications Policy

Statement of the Actuary for the Year Ended 31 March

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Powys County Council Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review Employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme (Administration) Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £501.8M) covering 80% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating Employers with effect from 1 April 2017 is:
 - 18.6% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

Plus

 - Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2017, amounting to £6.6M in 2017/18, and increasing by 3.5% p.a. thereafter.
3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the Employers.
4. The funding plan adopted in assessing the contributions for each individual employer or group is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual Employers' recovery periods are set out in the actuarial valuation report.
5. The valuation was carried out using the projected unit actuarial method for most Employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate	4.4% p.a.
Rate of pay increases:	3.5% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.0% p.a.

POWYS COUNTY COUNCIL

In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the Employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Other than as permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. Since the date the valuation report was signed, HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, has made an announcement to extend the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off before the announcement, but the increase in liability is not expected to be material. In addition, amendment Regulations have been laid which provide for exit credits to be repaid to employers on exit, effective from 14 May 2018. It is anticipated that the Administering Authority will consider whether its Funding Strategy Statement should be revised on account of these changes but it is not expected that any surplus repayable to employers will be material.
9. This Statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, Powys County Council, the Administering Authority of the Fund, in respect of this Statement.

10. The report on the actuarial valuation as at 31 March 2016 is available on the Fund's website at <http://www.powyspensionfund.org/media/2717/powys-pension-fund-valuation-report-31-march-2016.pdf>

Aon Hewitt Limited
May 2018

Appendix 1: Pension and Investment Committee

The Pensions & Investment Committee is the principal decision-making body for the Pension Fund responsible for management, investment and administration issues. The Committee is governed by its constitution which sets out the Committee's authority, its membership and its overall mode of operation.

Members of the Committee are drawn from Powys County Council as the administering authority with the addition of two further (non-voting) members representing Fund Employers and Scheme Members. The Committee receives advice and guidance from both Officers of Powys County Council and external professional advisers. From 5 May 2017 the membership of the Committee was as follows:

- County Councillor P Lewis (Chair)
- County Councillor T Van-Rees (Vice Chair)
- County Councillor J Morris
- County Councillor E A Jones
- County Councillor D Meredith
- County Councillor A Davies
- Mr A M C Weale (Fund Employers)
- Vacant (Scheme Members)

Officers and Advisors:

- Mr D Powell (s.151 Officer and Deputy Chief Executive)
- Mr C Hurst (Pension Fund Manager)
- Mrs R Pinder / Mr S Mayne – Aon (Investment Consultants)
- Mr C Archer – Aon (Actuary)
- Burges Salmon (Legal Advisers)

Appendix 2: Fund Employers

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

Scheduled Bodies	Admitted Bodies
Brecon Beacons National Park Authority, Brecon Town Council, Knighton Town Council, Llandrindod Wells Town Council, Llanidloes Burial Joint Committee, Llanidloes Town Council, Machynlleth Town Council, Newtown and Llanllwchaiarn Town Council, Powys County Council, Powys Magistrates Courts' Committee, Welshpool Town Council, Ystradfellte Community Council, Ystradgynlais Town Council	Agoriad Aramark Ltd BUPA Care Homes, Camping & Caravanning Club, Careers Wales Powys, Development Board for Rural Wales, Elite Supported employment Agency, Freedom Leisure, Heart of Wales Property Services Ltd Kier Facilities Services Ltd. MENCAP, Menter Maldwyn, Mirus Wales, Powys Association of Voluntary Organisations, Powys Dance, Powys Valuation Panel, Presteigne Shire Hall Museum Trust, Solo Service Group, Theatr Brycheiniog, Wales European Centre, Ystradgynlais Miners Welfare & Community Hall Trust Ltd

Community Councils and various other statutory bodies have the right to be included in the Fund. Other bodies can be admitted at the discretion of the County Council.

Contact List and Communications

A copy of this report is available to anyone on demand, subject to a small administration charge. A full copy of the report can be viewed at www.powyspensionfund.org. Should you have any comments on the financial statement or any other pension matter please contact the appropriate officer in the following list:

Pension Scheme, Fund Governance & Other Matters

Pension Fund Manager Mr C Hurst 01597 827640

Accounts & Investment

Pension Fund Accounts Mr D Paley 01597 826042

Glossary of Terms

Accrual

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

Actuary

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

Actuarial Valuation

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

Additional Voluntary Contributions

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

Admitted Bodies

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

Audit

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

Balance Sheet

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

Contingent Liabilities

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

Creditor

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

Current Asset

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

Current Liabilities

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

Current Service Costs (Pension)

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

Debtor

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

POWYS COUNTY COUNCIL

Equities - Pooled

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

Financial Reporting Standards (FRS's)

Financial regulations to be followed as set by the Accounting Standards Board.

Financial Year

This is the accounting period. For local authorities it starts on 01 April and ends on the 31 March in the following year.

Gilt Edged Stocks

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

IAS

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

IFRS

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

Liability

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

Past Service Costs (Pension)

For a defined benefit pension scheme, this is the extra cost resulting from changes or improvements to the proportion of retirement benefit that relates to an employees past service.

Post Balance Sheet Events

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

Securities

These are investments such as stocks and bonds.

Annual Governance Statement

Section 1. Executive Summary

This Annual Governance Statement (AGS) provides an account of the processes, systems and records the council has in place to demonstrate effectiveness of its governance arrangements. It principally covers the period April 2017 to March 2018, as well as covering the period to September 2018, when the accounts are signed.

Powys County Council adopted a system of corporate governance in June 2008, which is consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government (2016 Edition). This statement is structured around the seven core principles, which are set out in Section 3, and gives an account of how the council has discharged its responsibilities during 2017-18 as well recommendations for development.

On the basis of the evidence set out in this annual governance statement, we consider the level of assurance to be Partial.

Assurance levels for annual opinion

Substantial	▲ ★ ★ ★	We are able to offer substantial assurance that the council's arrangements adequately reflect the principles of good governance as indicated in the CIPFA Governance Framework. Processes are in place and operating effectively and risks to effective governance are well managed.
Reasonable	▲ ★ ★ ★	We are able to offer reasonable assurance that the council's arrangements adequately reflect the principles of good governance as indicated in the CIPFA Governance Framework. Generally, risks are well managed but some processes could be improved.
Partial	▲ ★ ★ ★	We are able to offer partial assurance that the council's arrangements adequately reflect the principles of good governance. Some key risks are not well managed and processes require the introduction or improvement of internal controls to ensure effective governance.
None	▲ ★ ★ ★	We are not able to offer any assurance. The council's arrangements were found to be inadequately controlled. Risks are not well managed and processes require the introduction or improvement of internal controls to ensure effective governance.

Section 2. Introduction

2.1 Ensuring Good Governance

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

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

Powys County Council adopted a system of corporate governance in June 2008, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government (2016 Edition). This Annual Governance Statement will explain how Powys County Council has complied with the code.

Powys County Council is the Administering Authority for the Powys Pension Fund (the Pension Fund). The governance arrangements detailed in this Annual Governance Statement apply to the council's responsibilities to the Pension Fund. There are further specific requirements for the Pension Fund which are:

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

2.2 The Governance Framework

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

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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

The following sections summarise the governance framework and the system of internal control which has been in place in Powys County Council for the year ended 31 March 2018. In addition the council's constitution can be found at: <http://powys.moderngov.co.uk/ieListMeetings.aspx?CommitteeId=668>

Section 3. The Core Principles

3.1 Core Principle A

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

How we do this:

✓ **Our Values**

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

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

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

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

These values are detailed in Vision 2025 – the Corporate Improvement Plan (CIP) 2018/2023. Which can be found at

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

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

For elected Members, the council has adopted the Model Code of Conduct for County Councils in Wales, which came into force on 1st April, 2016. Conduct of Members is monitored by the Public Services Ombudsman and the council's Standards Committee. The council has adopted other protocols for elected Members such as one relating to gifts and hospitality and in respect of Planning Applications / Matters. Mandatory training for Members in relation to the Code of Conduct was undertaken following the election in 2017. The council, following the recommendation of the Public Services Ombudsman for Wales, has adopted a Local Resolution Process whereby low level complaints between Members (or between officers and Members) can be resolved locally rather than being referred to the Public Services Ombudsman for Wales.

The Standards Committee is active in trying to assist Members, either individually or collectively, in taking part in discussions where they might otherwise be debarred from

taking part by the Code of Conduct by the granting of individual or general dispensations. By this means, the Standards Committee seeks to ensure that the representative role of Members is protected as well as protecting the council's decision making processes from being brought into disrepute.

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

The Standards Committee monitors the attendances of Members at committees. Failure to comply with the 60% attendance requirement will lead to the Member having to account for their absences to the Committee.

✓ **Officers' Code of Conduct**

For officers, the council follows the statutory Code of Conduct. Conduct and behaviour is the responsibility of the individual officer and a breach may constitute a disciplinary matter. In addition the council has within its Constitution a protocol for Member and Officers relations as well as relationships between officers and political groups.

✓ **Fraud / Corruption and Whistleblowing**

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

✓ **Audit Committee**

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

✓ **Complaints and Compliments**

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

✓ **Information Governance**

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

The council has robust information security incident reporting and management processes in place, which enables swift corrective action, Information Commissioner' Office (ICO) notification where necessary, and allows informed identification of information risks and mitigation.

The council continues to provide those who exercise their right of access to information held by the council with an effective and professional service.

The training of staff in the basics of data protection and information handling continues to be an important reported measure in the council's information assurance design. There is also a programme of refresher training available to staff.

Powys County Council continues to progress its information management, assurance and governance policies, procedures, and practices. In addition the Corporate Governance Information Group comprising of the Senior Information Risk Owner (SIRO) and Directors have been preparing for the implementation of the General Data Protection Regulations in May 2018 and an action plan has been developed and is being implemented. The SIRO receives an annual Information Governance Report.

Review of effectiveness:

• **Standards Committee**

The Standards Committee undertakes monitoring of attendances of Members at mandatory training. Member's mandatory development sessions commenced in February 2018, and monitoring will be reported in October, 2018. In relation to the monitoring of attendances at committees, there are few Members who fall beneath the 60% requirement, and those that do have valid reasons such as a period of illness. In 2017/18 no Members were reported to the Standards Committee for a failure to achieve the minimum level of attendance. However as there was the election in May 2017 no statistics for new Council have been collected as yet. Mandatory Code of Conduct training for Members – all Members received training on the Code of Conduct including any new Members elected or appointed following the election in 2017.

The Standards Committee is informed at meetings of the numbers of referrals to the Ombudsman. There were nine complaints against Members referred to the Public Services Ombudsman for Wales in 2017 (April to December) of which one is being investigated. Eight of the complaints in 2017 were on the same issue, but were not investigated. In 2018 (January to April) there have been seven complaints. Of these, only two are being investigated. A decision as to whether an investigation is to take place is awaited on three complaints. The number of complaints reported against Powys Members by comparison to other authorities is the highest in Wales i.e. 19 in 2017-18 (Public Services Ombudsman's Annual Report 2017-18). However, of those 19 complaints 13 were closed following receipt by the Ombudsman's Office (i.e. no evidence that there was a suggested breach of the Code of Conduct). Of the remaining 6 complaints, 5 showed no evidence of a breach following investigation and for the other complaint there may have been a breach but it required no further action.

The Committee has considered one appeal against a suspension determined in 2016-17, referred by the Adjudication Panel for Wales. That Member was suspended for three months in 2017-18. In addition two suspensions decided by the Committee during 2016-17 were not appealed and took effect during 2017-18. The suspensions were two weeks and four weeks respectively.

• **Local Resolution Process**

There has been one complaint dealt with under this process in 2017/18. The issue was resolved.

• **Whistleblowing Policy**

There have been eight referrals in the year under the Whistle Blowing Policy. All 8 matters were resolved. Whilst this year's total is a significant increase on the single referral in 2016/17 it does demonstrate that those wishing to make a referral are confident in coming forwards and utilising the policy.

- **Information Governance**

There have been 128 information security incidents reported throughout the year, with three being of such seriousness to warrant notification to the Information Commissioner. No further regulatory action was appropriate in these cases.

The General Data Protection Regulations come into place in May 2018. The council has identified those components which will be implemented following the commencement of the regulations together with a timescale for implementation of the remainder of the council's plan. The council's plan has also been the subject of scrutiny by a Scrutiny Committee working group, as well as an internal audit examination.

- **Our Values**

The Council needs to ask itself that if the organisation had followed its own values and been more "open" and "collaborative", would it have been the subject of a serious inspection report from Care Inspectorate Wales.

Recommendations for development:

- To review the council's implementation plan following the commencement of the General Data Protection Regulations in May 2018.
- To produce statistics for Members' attendances at mandatory sessions and attendances at committees during 2018/19.
- The issue regarding Our Values and organisational learning needs to be incorporated within the Corporate Governance and Leadership Improvement Plan.

3.2 Core Principle B

Ensuring openness and comprehensive stakeholder engagement

How we do this:

✓ **Engagement**

Powys County Council and a number of its PSB partners strive to work to the National Principles for Public Engagement in Wales to ensure conversations are meaningful, timely and resourced. Both the Public Service Board (PSB) and the council have also signed up to these principles. In addition the Joint Chairs and Vice-Chairs of the Scrutiny and Democratic Services Committees have formally signed up to the national principles for any scrutiny consultations undertaken in future.

We believe all our citizens, partners and businesses should be engaged and consulted so their voice influences future decisions and service provision. We continue to engage citizens in a number of ways using both traditional methods like surveys, focus groups and meetings and have developed the use of digital tools such as online platforms, surveys and social media channels. The council has a corporate Facebook, Twitter, Instagram and Flickr account and its own You-tube channel where films are posted. LinkedIn and Facebook is used to advertise job vacancies. The Cabinet, and Acting Chief Executive has recently launched their own Twitter account, as well as a number of senior managers to engage and inform residents about the work we do and engage in conversations directly with our citizens.

✓ **Legislative Consultations**

In terms of legislative consultations, over the past year, the council has engaged residents on the duties set out under the Social Services and Well-being Act and the Well-being of Future Generations Act. The former comprised of organising and distributing postal surveys to a prescribed sample of residents using our Adults and Children's Services. The latter consisted of two engagement and consultation phases on our local well-being objectives and plan. Phase III involved consulting face to face across all the county at drop in library sessions, supermarkets and at community type meetings to gather views on the draft Well-being Plan and how residents well-being could be improved. Over 500 views were received on Phase III.

The council also consulted on the draft Rights of Way Improvement Plan and the Local Development Plan.

✓ **Service Consultations**

A number of very specific service consultations were also carried out to ensure residents had their say on:

- Youth Service provision for the future
- Enhancements to the T4 bus route from Newtown to Cardiff
- A new cemetery for Machynlleth
- Substance Misuse support for Newtown residents

A corporate engagement framework is utilised to ensure a consistent approach is adopted by all services.

The research and consultation exercises conducted during the year provided a number of insights into service decisions and were fed into decision making processes. In day to day engagement terms we will continue to ensure that residents are given the opportunity to 'have their say' through a variety of means and channels including the following:

- Powys youth forum
- Disabilities forum
- Older people's forum
- Housing 100 panel
- Public meetings
- Social media
- Online surveys
- Face to face meetings
- Focus groups

✓ **Committee Agendas and Reports**

The council publishes its agendas, reports and minutes of the council, the Cabinet and committees on its public website. In addition the increasing use of webcasting ensures that the public have a greater ability to access meetings. The council will also continue to respond to requests for factual information regarding services through a mix of channels including our website, local media and social media.

✓ **Members' Annual Reports**

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

✓ **Public Participation at Council Meetings**

The council has implemented a Public Participation Process where Members of the public can submit a written question to a Cabinet Member or Chairs of Committees (excluding regulatory committees) which are considered at meetings of the council. The questioner is also allowed to attend the council meeting and ask one supplementary question following the response, or submit a supplementary question in writing. This was piloted at a meeting in January 2017 and then implemented in July 2017 to be reviewed the following year.

Review of effectiveness:

- **Public Participation Process**

The council had one question asked during the pilot in January 2017, two questions at the meeting in October 2017 and four questions at the meeting in January 2018. All the questions to date were to Cabinet Members.

- **Engagement and Consultation**

An independent review of the effectiveness of the communications function in the council which included engagement and consultation work was commissioned during autumn 2017.

The review found that *“Powys overall compares very well against other UK local authorities in its approach to communications.”* and *“Powys is getting an awful lot right in its communication approach, with some genuine highlights of best practice evident, and little of significance badly wrong.”*

In terms of openness and stakeholder engagement the review concluded that *“There is a particular appetite amongst senior Members and officers interviewed to consider a fresh approach to engaging residents and other stakeholders in the development of a shared understanding of and approach to the challenges of reduced funding and increased demand over coming years.”* [Independent report on the Communications Service by Peter Holt]

Recommendations for development:

- **Engagement and Consultation**

The recommendations around stakeholder voice and involvement will be implemented during this financial year to help support the values and the CIP to help residents understanding of and ability to influence decisions being made around budgetary pressures and customer expectations. The review highlighted that *“There’s a clear opportunity to improve the clarity of corporate priorities and consequential matching of communication resources and focus accordingly, leading to a clearer and consistent narrative for the council.”* [Independent report on the Communications Service by Peter Holt]

3.3 Core Principle C

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

How we do this:

✓ **Corporate Improvement Plan (CIP)**

The Well-being of Future Generations (Wales) Act 2015 required the council to set and publish well-being objectives by 31st March 2017, to show how it will contribute to improving the economic, social, environmental and cultural well-being of Wales. The council published its first set of well-being objectives in its 2017 update of the CIP 2016-2020. The 2017 update of the CIP was approved by Full Council on 7 March 2017. The council's Well-being objectives were:

- Services delivered for less: Remodelling council services to respond to reduced funding
- Supporting people in the community to live fulfilled lives
- Developing the economy
- Learning: Improving learner outcomes for all, minimising disadvantage

The CIP 2016-20 was also updated for 2017-18 to take account of changes in the Medium Term Financial Strategy and Service Improvement Plans. The One Powys Plan (the PSB partnership plan) came to an end in March 2017, therefore the council took the decision to integrate the outstanding improvement objectives of the One Powys Plan into its CIP for 2017-18.

The council also has a statutory duty under the Local Government (Wales) Measure 2009 to set annual improvement objectives to secure continuous improvement. Our well-being objectives (outlined above) were also our improvement objectives. For each of our well-being/improvement objectives, the CIP 2016/19 (2017 update) set out the steps we will take to meet them and the differences people can expect to see if we achieve them (measures and targets).

As well as the CIP, three other key improvement plans were developed during 2017/18 in response to a programme of inspections/ audit. The Council requested support from Welsh Government under the Local Government Measure 2009, which resulted in the establishment of an independent Improvement Board and the provision of additional external support. These improvement plans were reported to the established independent Improvement Board during 2017/18:

- **Children's Services Improvement Plan**

This plan was produced in response to the Care Inspectorate Wales (CIW) inspection of Children's Services which took place during July 2017. CIW raised serious concerns about how we provide Children's Services for the most vulnerable in Powys. In order to deliver improvements, our three year improvement plan sets out a comprehensive programme of deep and sustainable change and improvement to services for children and families. We have established an independently chaired Improvement Board and put in place an action plan to rectify the shortcomings of the

service. We have also worked with the Welsh Local Government Association (WLGA) to put in place an expert team which will support the council and work with Children’s Services to bring about lasting change and improvement.

- **Corporate Leadership and Governance Improvement Plan**

This plan was developed in response to the CIW inspection of Childrens’ services to address the regulatory recommendations concerning corporate governance and leadership. This plan supports the Children’s and Adults Improvement Plans.

In addition the following plan was reported to the new Improvement and Assurance Board which commenced in April 2018:

- **Adult Services Improvement Plan 2017-23**

This plan was developed in readiness for the CIW inspection of our Adult Services in January 2018. The inspection took place in January 2018, and the report was published in May 2018.

Following the Local Government Elections in May 2017, the new Cabinet issued a ‘Vision 2025’ document for the council, which introduced a new Vision and set of priorities for the council, replacing the current vision (Strong Communities for the Green Heart of Wales): The new priorities are:

The Economy	We will develop a vibrant economy
Health and Care	We will lead the way in effective, integrated rural health and care
Learning and Skills	We will strengthen learning and skills
Residents and Communities	We will support our residents and communities

To successfully deliver the four priorities above we also have another priority dedicated to improving our internal services and processes:

- Making it happen:
 - Engagement and communication
 - Leadership and governance
 - Changing how we work

‘Vision 2025’ focuses on the relationship between the council and its communities. The council is seeking partnership from communities to work together to deliver services in the future and in turn this will help keep communities resilient. During 2017-18, the council has been reviewing its 2017-18 CIP commitments and developing a new CIP ready for implementation from April 2018. The plan will cover the term of the new Cabinet and set out how the council will deliver its new Vision 2025 priorities and outcomes.

In parallel, the Powys Public Service Board (of which the council is a statutory partner) also developed a new vision to guide its work over the short, medium and long term. The PSB’s vision ‘Towards 2040 – The Powys we want’ includes four priorities, which define the social, economic, environmental and cultural outcomes that partners will work together to achieve.

The council has ensured that its priorities in Vision 2025 CIP are aligned to achieving this shared vision. For the council this means:

- A shared understanding and shared ‘buy-in’ to the vision, well-being objectives and values and embedding them in our strategies, policies and plans for delivery
- What we **think** and what we **say** and what we **do** all line up.

The council is also a key partner of the Powys Regional Partnership Board and has been working closely with the Powys Teaching Health Board to develop the Area Plan in line with the Social Services and Well-being Act. This too will align with Vision 2025 and Towards 2040.

✓ Budget Principles

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

Budget Principle	Definition
Valued Services	<ul style="list-style-type: none"> • Focusing on our Vision 2025 priorities and what matters to people, stopping things we do not need to do.
Supporting the Vulnerable	<ul style="list-style-type: none"> • Targeting resources on individuals, families, communities at risk or disadvantaged; early intervention and prevention; a shift in social care provision.
Local Delivery	<ul style="list-style-type: none"> • Devolution to Community Councils, the Voluntary Sector; and Communities local decision making; working through area based provision; developing Social enterprise models.
Personal Responsibility	<ul style="list-style-type: none"> • Self-resilience, people and communities helping themselves, behavioural change; increase in personalisation.
Value for Money	<ul style="list-style-type: none"> • Reducing the pay bill; third party spend savings; smarter delivery, cutting costs. • Full cost recovery for services where appropriate. • Redefine property portfolio and release surplus assets. • Collaboration with appropriate councils and LHB. • Longer term financial planning within an agreed envelope. • Reducing bureaucracy; less regulation and red tape, smaller government; right first time delivery.
Improving Productivity	<ul style="list-style-type: none"> • Process challenge and redesign. • Reducing sickness absence. • Management delayering.

✓ **Scrutiny**

The council's Joint Chairs and Vice-Chairs Steering Group (Scrutiny and Democratic Services Committees) undertake a challenge of the Draft CIP and any updates as well as the Annual Performance Evaluation, the Well-Being Assessment and the Draft Well-Being Plan.

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

Review of effectiveness:

- **Annual Performance Evaluation**

To monitor progress of the CIP and ensure effective delivery of outcomes, the council published its Annual Performance Evaluation (APE) in October 2017, which reported 2016-17 performance. In 2016-17 the Council was ranked 6th out of 22 on the national performance measures. The next APE is due in October 2018 and will be the first report detailing the council's progress against its Well-being objectives and their contribution to the seven national well-being goals.

- **Impact Assessments**

As part of the corporate planning cycle, Impact Assessments are undertaken for budget proposals and significant service and policy changes to support effective decision making and ensuring compliance with respective legislation. A new Impact Assessment, which considers the requirements of the Well-being of Future Generations Act, the Equalities legislation and the Welsh Language Standards as well as the corporate objectives and risk has been implemented.

- **Annual Report of the Director of Social Services / Annual Council Reporting Framework (ACRF)**

The Annual Director's Report on Social Service in Powys (ACRF) was approved by Full Council on 13th July 2017. It provided an objective assessment of the impact and performance of the work of social services and demonstrated how the council has promoted wellbeing and accounted for the delivery of the well-being standards contained within the Social Services and Well-being Act. However the CIW report in 2018 criticised the Council on its adoption of the Social Services and Well-Being Act.

Recommendations for development:

- To undertake an annual review of our corporate priorities (well-being objectives) to ensure they are the most relevant for delivering social, economic, cultural and environmental benefits in line with the national well-being goals.
- Continue to strengthen alignment between our strategic, workforce and financial planning to ensure the council has the resources to deliver transformational change.
- Ensure our dedicated Improvement Plans (for Children's and Adults services and Corporate Leadership and Governance) are delivered.
- Continue to ensure we respond to regulators recommendations and incorporate these into our planning arrangements where applicable

3.4 Core Principle D

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

How we do this:

✓ Programme and Project Management

The council continued to implement a programme management approach and operated programme boards to manage delivery of key transformational change (One Powys Plan objectives) identified in the CIP 2016-2019 (2017 Update)

Integrated Health and Adult Social Care
Children and Young People
Transforming Learning and Skills
Stronger Communities) Regional Partnership Board

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

Each programme reports on at least a quarterly basis to their respective programme boards and an overview of the reports are presented to the council's Executive Management Team and Strategic Overview Board for information and challenge.

Following introduction of the council's new Vision 2025, the former programme boards were de-commissioned during quarters three/four and a new governance structure has been developed to align with the new Well-being objectives (priorities) (See Appendix 7).

✓ Service Improvement Plans

Objectives for service improvement were developed in Service Improvement Plans. Objectives which contributed directly to the council's four priorities were included within the CIP. In agreeing the budget for 2017/18, a number of budget savings were identified and the majority of these initiatives were also incorporated into the CIP to provide a single coherent plan for the council.

✓ Improvement Board

A multi-agency improvement board (whose membership is independent of the council) was established to manage implementation of the two key Improvement Plans for Childrens Services and Corporate Leadership and Governance. The independent board meets monthly and reports to the independent chair. From April 2018 this has become the Improvement and Assurance Board and also considers the Adults Services Improvement Plan.

Review of effectiveness:

- **Corporate Improvement Plan**

All commitments in the CIP 2016 – 2019 (2017 update) were built into a comprehensive performance tracker that was considered by Executive Management Team and Strategic Overview Board (SOB) on a quarterly basis. An overview report also accompanies the CIP tracker which includes key challenge questions for Executive Management Team regarding areas of under-performance. Where necessary corrective actions are proposed by Executive Management Team for SOB approval and implementation. This approach provided both challenge and accountability, ensuring the Cabinet Members retained focus on its key priorities.

From the third quarter of 2017-18, the CIP Performance Tracker was updated to include reporting against the Adults and Children's Improvement Plans replacing the priority for 'Supporting People to live fulfilled lives'. The Corporate Leadership and Governance Improvement Plan key improvement areas were also added to the CIP tracker.

- **Performance Management Framework**

In January 2018, the council approved a new Performance Management Framework to ensure a consistent approach and clear accountability for performance improvement. Our organisation is large, complex and needs to work with multiple external partners to deliver overall results for our residents. A performance management framework is therefore essential as it lays out the common system and methods needed to perform and improve, helping us to work as one 'joined up' community rather than separate services. The framework ensures that staff can clearly understand their responsibilities regarding performance management on which the council's governance arrangements will hold them to account.

Recommendations for development:

- Merging the Performance Management Framework with a robust Quality Assurance Framework to ensure we implement a culture of continuous evaluation, challenge and improvement to meet expected standards.
- Continue to implement a programme management approach to delivering and monitoring the council's CIP
- Implementation of a new independent Improvement and Assurance Board to oversee progress against the Children and Adults Improvement Plans and Corporate Leadership and Governance Plan
- Implement a robust quarterly monitoring process for monitoring the CIP and service performance
- Continue to strengthen our data reporting capabilities by automating processes.

3.5 Core Principle E

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

How we do this:

✓ **Constitution**

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

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

There are clear schemes of delegation to officers as well as limits to such delegation set out within the Constitution. The council implemented a new Constitution (using a new model format) as from 1 September 2015 which is published on the council's website. Revisions of the Constitution are ongoing and future changes are incorporated in a new full version being published each time which will make easier the identification of versions in force at a particular point in time, which was not the case previously. The third version of the council's constitution was approved by full council on the 7 March 2017 and reflected changes in response to proposals for improvement identified by Welsh Audit Office (WAO) in their "Good Governance when delivering significant service changes".

The fourth version has been approved by Council and came into force on 25 Jan 2018.

✓ **Cabinet**

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

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

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

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

✓ **Scrutiny**

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

In 2017/18, the council operated 3 Scrutiny Committees:

- Scrutiny Committee A
- Scrutiny Committee B
- Audit (designated in the Constitution as a scrutiny committee)

Scrutiny Committees undertake reviews and inquiries, either within the Committee as a whole by means of a spotlight or light touch review, or in greater depth by delegation to Working Groups (See Appendix 2). The findings of Scrutiny reviews and inquiries are presented to Cabinet with recommendations for action. A number of Working Groups which have been established work over a longer period rather than being “task and finish” such as those relating to Education, Children’s Services and Adult Social Care where the work of the groups has been mainly to monitor the delivery of the council’s recovery plans following adverse external regulator reports. Since December 2016, greater emphasis is now placed on pre-decision scrutiny of significant strategic policy issues and service changes.

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

The Scrutiny Committees are independent of the Cabinet, but the Audit Committee does undertake a ‘Scrutiny’ function as allowed by the Local Government (Wales) Measure 2011, as audit and financial scrutiny is an integral part of any scrutiny process. It oversees the work of Internal Audit, Risk Management and receives the reports of the Wales Audit Office. It has responsibility for approving the council’s Accounts. It did monitor the council’s performance in relation to its budget and achievement of performance targets, but this function has now been taken over by the Cabinet’s Strategic Overview Board.

The council’s committees also include some representatives who are not County Councillors. The Audit Committee has an independent “lay” member, the Scrutiny Committee B has co-opted Members in respect of education scrutiny. Scrutiny Committee A has a co-opted member in respect of crime and disorder matters, although this role is currently vacant.

The council also operates a Joint Chairs and Vice Chairs Steering Group whose main focus is to co-ordinate the work programmes of the Scrutiny Committees, decide if joint working needs to be undertaken between committees and to ensure resources are available to undertake reviews or pre-decision Scrutiny.

✓ **Public Service Board Scrutiny**

The council has approved the arrangements for a PSB Scrutiny Committee and is in the process of establishing a PSB Scrutiny Committee comprising those agencies who

currently make up the PSB. In the interim the Joint Chairs and Vice-Chairs Steering Group has scrutinised the draft Well-Being Plan.

✓ **Integration with Powys Teaching Health Board**

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

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

In order for the council and local health board to respond to these changes, a Joint Partnership Board (JPB) will govern and oversee our ambitious change agenda set out in the Area Plan and CIP.

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

The key responsibilities of the JPB are to:

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

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

✓ **Officer roles and responsibilities**

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

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

During 2017/18, the following officers held statutory roles:

- The Solicitor to the council was designated as Monitoring Officer and carried overall responsibility for legal compliance
- The Strategic Director – Resource was the Section 151 Officer appointed under the Local Government Act 1972 who was responsible for the proper administration of the financial affairs of the council. From October 2017 the Section 151 role was undertaken by the Head of Finance as the Strategic Director was undertaking the role of Acting Chief Executive
- The Interim Director of Social Services was the Statutory Director for Social Services
- The Director of Education was the Chief Education Officer and the Lead Director for Children and Young People
- The Scrutiny Manager was the Head of Democratic Services
- The Interim Strategic Director - People was appointed as the Senior Information Risk Owner (SIRO). However this transferred to the Strategic Director – Place as from November 2017.

✓ **Member Development**

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

All newly elected Members receive induction training. There is also specific training relating to whichever committees they are appointed. Powys County Council was re-awarded the Wales Charter for Member Support and Development in March 2018 (having first gained the award in 2011 and then re-awarded in 2015). An annual Member Development Programme is in place and the council has identified mandatory and discretionary training as well as possible sanctions which can be utilised by the Standards Committees for Members failing to achieve Mandatory training set by the council. Members in receipt of Senior Salaries (e.g. Cabinet Members and Committee Chairs) have undertaken personal development reviews (PDRs) to assess their individual training needs. This is undertaken on a two yearly basis or within three months of their appointment.

In light of the CIW Report into Children's Services, the Improvement Board required the undertaking of additional training by Members. These included modules for Cabinet, Scrutiny and all Members as set out in Appendix 1. The Council approved these as Mandatory sessions.

A Member Development Working Group consisting of Councillors and Officers develops and monitors the implementation of the Member training programme. In preparation for the council elections in May 2017 the Working Group developed an Induction Programme to be implemented following the election which included training for all

members, as well as individual committees, together with information packs for Cabinet Members and Group Leaders. The induction programme was delivered following the election. In addition work is ongoing on the Member Development Programme for 2017/18 and onwards.

Members received a number of seminars between April 2017 /March 18. These help to build background knowledge and help Members in fulfilling their Scrutiny and Audit roles. In addition other development was undertaken as a result of membership of committees. Details of both are included at Appendix 1.

✓ **Officer Development**

All new Officers receive induction training, are required to complete corporate mandatory training and any other related to their role. A range of role based training is available across the council, in particular to ensure staff operate in a safe manner to protect themselves, the public and their colleagues. The council offers specific training based around staff reviews to provide the opportunity to develop existing skills or learn new skills.

The council implemented a process for Individual Performance Review (IPR). All employees should have an IPR, and this is monitored by the council's Executive Management Team.

The IPR process helps managers and staff have a greater focus on performance management to ensure work is directed towards achieving the goals of the individual services and the organisation as a whole. Therefore, the golden thread linking the council's strategic plans to the work of individual officers and operational staff is ensured.

The council has continued to implement the Develop and Discover Leadership Programmes.

✓ **Corporate Leadership and Governance Improvement Plan**

The council's Corporate Leadership and Governance Improvement Plan includes Improvement work-streams on both political and officer leadership. Key outcomes being delivered as part of this plan include; effective political leaders and elected members; effective elected member-officer relationships; a clear vision and strategic direction; effective and professional strategic operational senior management; and decision making process which give due weight to the views of all stakeholders.

Review of effectiveness:

- **Constitution**

In response to proposals for improvement identified by WAO in their "Good Governance when delivering significant service changes " review, the third version of the council's constitution, approved by full council on the 7 March 2017 reflected changes identified by WAO.

- **Scrutiny**

The Finance Scrutiny Panel's (FSP) comment on the council's budget preparation for the 2018-19 budget has been limited due to the information required for Scrutiny being distributed late in the day to the Panel. A review of the council's Scrutiny committee structure has also been undertaken and whilst the way forward in relation to committees is clear, a review of the role and functions of the FSP still needs to be undertaken to determine whether the Panel will continue or if its role will be subsumed into the terms of reference of the Audit Committee.

Arising from the criticism in the CIW report on Children's Services, the Joint Chairs and Vice-Chairs Steering Group has reviewed the current structure of the committees. It was recommended that the council should move to four scrutiny committees (including audit) whose terms of reference will reflect the priority areas within the council's Vision 2025. The Council on 17 May 2018 decided to retain the 3 scrutiny committee structure (including audit), to expand the membership and to reflect the council's Vision 2025 in the revised terms of reference. In addition it was decided to move away from using Member and Officer Working Groups, to have meetings in public (excluding where confidential items are discussed) and to consider webcasting scrutiny meetings.

- **Scrutiny and Audit Committees**

During 2016/17 the council in preparation for a corporate assessment by the WAO reviewed its Scrutiny function and the primary focus was on the Scrutiny Committees' work programme. This identified that there was far too much activity being undertaken and not necessarily focussed on priority areas. The demands on Scrutiny have also increased due to Regulators stressing that the council needs to undertake scrutiny of specific areas of work e.g. schools where there are issues relating to their performance or finance. The Scrutiny service with three staff means that there is a finite resource which impacts on the amount of work which can be undertaken.

During 2017/18 a review of the Scrutiny service was initiated by the Strategic Director – Resources which concluded that to improve its effectiveness and to allow the service to undertake additional functions such as Scrutiny of the Powys PSB, integration with health an additional Scrutiny Officer is required as well as increasing the hours of the current staff. Whilst the increase in hours of existing staff has been undertaken, the position of an additional member of staff is unclear due to the budgetary position for the council in 2019-20 and alternative options are being considered.

As a consequence a revised Scrutiny work programme was developed by the Joint Chairs and Vice-Chairs Steering Group which prioritised the areas of work which would be undertaken. Any requests for additional items to be scrutinised are included in this prioritised work programme. The Steering Group reviews the work programme at each of its meetings. In addition Scrutiny is placing a greater focus on pre-decision Scrutiny and a methodology has been developed which has been built into a revised timetable for the preparation of Cabinet reports. Examples of areas which were scrutinised / pre-scrutinised during 2017/18 are detailed at Appendix 2.

There is also a focus on developing the Cabinet Work Programme in line with a recommendation from the Wales Audit Office, who have suggested that the council should have an 18 month Cabinet Work Programme. This would assist in the development of the Scrutiny Work Programme. Progress in achieving an 18 month

Cabinet Work programme whilst slow is improving with continued action being taken to remind services of the need to populate this Work programme.

- **Officer Development**

The table below outlines the number of council staff who completed Institute of Leadership and Management (ILM) programmes, to date, to strengthen leadership skills across the council.

Programme	Completed course
ILM Coaching and Mentoring	3
ILM Level 3 in Leadership & Management	26
ILM Level 5 in Leadership & Management	23
Powys Executive Programme	22
Total	74

- **Statutory Officers**

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

- The Chief Executive is signatory to the council's Annual Governance Statement;
- The Chief Finance Officer is responsible for certifying that the council's Accounts present a true and fair view of its financial position and income and expenditure;
- The council's statutory Director of Social Services is responsible for an annual review of the council's social services under the ACRF.

Recommendations for development:

- The council is continuing its ILM programme, and is also introducing an induction training process for managers
- The effectiveness of the restructure of scrutiny once completed can be tested and reviewed during 2018/19
- The role of the FSP will need to be reviewed to determine its future role.
- Implement the Corporate Governance and Leadership Improvement Plan.

3.6 Core Principle F

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

How we do this:

✓ Risk Management

We are continuously improving and updating our approach to risk management to help better understand and manage the risks the council faces, prepare for future challenges and to increase the likelihood of achieving objectives. Risk management is a core management discipline that supports organisational delivery. The risks that the organisation faces are changing all the time, so the art of good risk management is to combine planning for what we know might happen with preparation for unknown situations, to safeguard the organisation and in turn make it more resilient.

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

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

✓ Integrated Impact Assessments

Impact assessments (IA) were further developed during 2017/18 with the provision of extensive training to support managers in the completion of effective assessments. For the budget setting process an IA was completed for each of the savings proposals identified. The IAs were included in the budget pack distributed to Members as part of the sign-off process and subject to scrutiny from the Finance Scrutiny Panel.

✓ Powys Pension Fund

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

www.powypensionfund.org/media/2345/x-pensions-staff-policy-governance-governance-policy-compliance-statement-revised-feb-2017.pdf

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

✓ Performance Management

As per the council's Corporate Performance Framework Monitoring Cycle, performance data, financial data, regulatory recommendations and corporate risk status were presented to Executive Management Team and Strategic Overview Board on a quarterly basis.

✓ Financial Management

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

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

Review of effectiveness:

• Risk Management

An audit into risk management in Powys County Council was published in March 2018. It concluded that partial assurance can be given, that is, in relation to the areas reviewed and the controls found to be in place, some key risks are not well managed. Systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

• Budget Setting

The final 2017/18 budget settlement for the council was announced by Welsh Government on 21st December 2016. The settlement awarded the council a 0.5% budget reduction for the financial year against a Welsh average increase of 0.2%. This amounts to a reduction in cash terms of £0.384m compared with the settlement for 2016/17. The council received the benefit of the floor mechanism in the sum of £1.2m.

Importantly this means that the per capita funding for Powys is £1,287 compared with a Welsh average of £1,320. Many of the council's current services and facilities were developed when the County received one of the highest per capita allocations within Wales. The council's future service provision needs to reflect this shift of funding away from rural areas which is likely to continue and the Cabinet's budget proposals acknowledge this requirement.

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

The council's budget strategy centres on the council's Vision 2025 and the four organisational priorities that aim to meet the challenges presented by the combination of reduced funding and service pressures.

A shift in cost of this magnitude, estimated at £40m over the next four years, cannot be achieved through an annual budget process of targeting services with savings. This requires a comprehensive understanding of each services cost base and the application of a model of key cost cutting themes which require consistent and coherent cross council action.

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

- **Regulator Comments**

The council recognises the value of regulatory reviews in helping to drive improvement. Appendix 3, 4 and 5 detail the key feedback that we have received from our regulators during 2017-18.

We have in place a Corporate Regulatory Tracker which records the recommendations received from our key regulators. The tracker shows the action that is planned in response to each recommendation and progress against the action is monitored on a quarterly basis by Executive Management Team, Strategic Overview Board and Audit Committee.

During 2017-18, CIW undertook an inspection of Children's Services and issued a report with a number of short, medium and long term recommendations for improvement. The council was required to produce an improvement plan in response to the recommendations within 20 working days of publication of the CIW report. In response to the recommendations the council developed a Corporate Leadership and Governance Plan and established an independently chaired improvement board to support delivery of the required improvements. Mandatory member development sessions were also carried out.

The Council supported the development of an Adults Improvement Plan in readiness for the CIW inspection of adults which took place in January 2018.

In 2017-18 the council received a Statutory Recommendation from the WAO, in accordance with sections 25 and 26 of the Public Audit (Wales) Act 2004:

"In setting a balanced budget, the council must ensure that all savings plans are sufficiently well developed for inclusion in the annual budget. The council must also act immediately to update its Medium Term Financial Strategy to enable the council to live within its means going forward, and design and implement actions to address the weaknesses identified and reported by me in respect of its corporate and financial arrangements."

In accordance with the statutory recommendation above, the council has already recognised the need to review and develop a revised Medium Term Financial Strategy by the end of May 2018. Improvements in our strategic and financial planning are also being delivered and monitored through the new Corporate Leadership and Governance Plan, which clearly defines the need for an improved and more robust approach.

Recommendations for development:

- **Risk Management**

In the period April to August 2018 risk management in Powys County Council will be significantly transformed, an action plan has been developed, and will take into account the following main recommendations from the audit:

- An action plan will be put in place to ensure any recommendations made after an audit are put in place.
- Training will be provided to both members of the council and staff regarding risk management.
- There will be more linkage between the projects and partnerships risk registers alongside the corporate and service risk registers. All risk registers will be kept in one area to ensure they are accessible to the Business Continuity and Risk Management Officer.
- An action plan will be created that includes horizon scanning and which can be used by all sections of the council to identify new and emerging risks.
- A risk appetite will be set for the council.
- A process will be established to determine what actions can be taken regarding a particular risk e.g. When to Tolerate, Treat, Transfer or Terminate a risk.
- A target maturity level will be agreed with Cabinet and an action plan implemented to reach target level.
- An opportunity risk register will be created for the council or opportunity risks included within the current risk registers.

- **Regulator Comments**

In order to remove duplication in terms of reporting against regulatory recommendations, the council will integrate the regulatory recommendations it received from its key regulators into its existing Improvement Plan action plans (Children's, Adults and Corporate Leadership and Governance Improvement Plan). These action plans are being monitored by the independent Improvement board, and going forward will be monitored monthly at the newly formed Improvement and Assurance Board (May 2018)

- **Performance Management**

Implement Performance Management Quality Assurance Framework.

3.7 Core Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

How we do this:

✓ **Constitution**

The council's Constitution sets out how the council operates and the process for policy and decision making. Within this framework, decisions are taken by Council, Cabinet, individual Cabinet Members and Officers. Certain specific decisions are taken by the Planning, Taxi Licensing and Rights of Way Committee, The Licensing Act 2003 Committee, Shire Committees, Pensions and Investment Committee and the Employment and Appeals Committee. However the council has decided to cease the operation of the Shire Committees as from May 2018.

✓ **Publication Scheme**

The council's Publication Scheme commits Powys County Council to make information available to the public as part of its normal business activities. The scheme can be found at www.powys.gov.uk/index.php?id=1935

✓ **Meetings and Reporting Documents**

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

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

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

Agendas, reports and minutes of the council's committees are published online and are accessible to the public unless an item contains information which is classed as exempt.

There is a presumption that most meetings will be open to the public, again except where information is to be discussed which is classed as exempt.

The council now webcasts all Council and Cabinet meetings and is considering whether other meetings could also be webcast in the future.

✓ **Annual Performance Report**

In line with the requirements of the Local Government (Wales) Measure 2009 and the statutory guidance on Shared Purpose: Shared Delivery, an integrated Annual Performance Summary and Evaluation 2016 – 2017 was produced and approved by full council on 19 October 2017. The evaluation gave a balanced account of what the Powys Public Services Board (PSB) partners achieved during the final year of delivering the One Powys Plan. It also included Powys County Council's evaluation of performance against the priorities and objectives in its CIP 2016-2020. The council's CIP was aligned closely to the priorities and outcomes of the One Powys Plan and so it

made sense to report our progress in one document. The evaluation documents can be found at www.powys.gov.uk/index.php?id=296

The council contributes to a set of Public Accountability Measures. Results of these are submitted to the Local Government Data Unit who in turn publish an annual performance bulletin, which considers performance across all 22 Welsh local authorities. The council's position on the indicator sets is published as part of the council's annual performance summary and evaluation. In 2016/17 the Council ranked 6th out of 22.

✓ **Scrutiny**

The areas which were scrutinised during 2017/18 are set out in Appendix 2. This included pre-decision scrutiny, monitoring of improvement plans, scrutinising corporate plans, and forward looking Scrutiny e.g. the council preparedness for the new General Data Protection regulations.

Review of effectiveness:

• **Scrutiny**

Reports from Scrutiny reviews containing the findings together with any recommendations are presented to Cabinet for their consideration. The Cabinet is expected to produce an action plan to respond to any recommendations made by Scrutiny. In respect of pre-decision Scrutiny the comments of the Scrutiny review group are made to the Cabinet / Executive Management Team meetings. A final report will be included with the Cabinet papers setting out the original recommendations to the Cabinet / Executive Management Team together with an update regarding amendments to the final Cabinet report as a result of those initial Scrutiny recommendations.

Following criticism of the effectiveness of Scrutiny in the Care Inspectorate Wales report on Children's Services, a review of Scrutiny Committee structure has been undertaken and proposals for a new structure will be considered by the council at its Annual Meeting in May 2018. A programme of development has also been developed and delivered to Members which will continue into 2018/19.

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

The role of the Panel is not only to undertake the Scrutiny of the draft budget from Cabinet prior to its consideration by the council, but in addition to scrutinise elements underlying the budget process to assess whether base assumptions being used by the council were sound. The Panel will also look at the Medium Term Financial Strategy and the deliverability of financial targets in forthcoming years. During 2017/18 the Panel's effectiveness has been questioned by the Panel itself particularly due to the late provision of information in preparation for the 2017/18 budget which it was felt limited the comment which the Panel could provide to the Cabinet. As part of the restructuring of the Scrutiny Committee structure, a review of the Panel and its terms of reference will be undertaken in 2018/19.

The Audit Committee meets on a regular basis. The Committee receives reports from Internal Audit and the Wales Audit Office and can make recommendations to both the Cabinet and Scrutiny Committees. In 2016/17 alternative proposals for the Scrutiny of finance and performance reports were discussed and it was decided that the Cabinet's Strategic Overview Board would undertake this role.

- **Internal Audit**

From 1st April 2017 the council's internal audit service was provided by South West Audit Partnership (SWAP). SWAP is a not for profit organisation that was originally set up in 2003 and the arrangement sees Powys County Council become a partner in the company that provides audit services to various public sector bodies including Somerset County Council and Herefordshire Council.

In accordance with the recognised standards, the Head of Audit is required to give an opinion on the overall internal control environment based on the work undertaken throughout the year. The Head of Audit's opinion on internal control for 2017/18 will be presented to the Audit Committee in June / July 2018.

- **Regulator Comments**

WAO (Appendix 3)

The WAO have made a Recommendation in relation to the Medium Term Financial Strategy (MTFS). Actions are being taken forward as part of the MTFS and in the Corporate Leadership and Governance Improvement Plan to address the letter.

CIW – Children's Services (Appendix 4)

Arising from the CIW report on Children's Services the council developed an improvement plan which is being delivered. Full details and an update can be found in the appendix, and the CIW and the Assurance and Improvement Board has acknowledged the progress made.

CIW – Adults Services (Appendix 4)

The report on Adult's Services was published in May 2018. However in advance of that report an improvement plan was developed by the council which is being implemented, in line with the recommendations made in the report. The appendix provides further information.

Estyn (Appendix 5)

Following the Estyn Improvement Conference in March 2017 an Action Plan was developed to address all of the recommendations. In April 2018 a further improvement conference was undertaken to monitor progress, impact and learning. The outcome letter was received in May 2018, and it has been confirmed that this will be the last Improvement Conference as the inspectorate now enters a new cycle of regular inspections. Estyn does not require any specific action from the local authority following this conference, other than it delivers on its revised improvement plans. Estyn's link inspectors will continue to monitor the local authority's progress through their usual work.

Recommendations for development:

- **Scrutiny**

- Review of the role and terms of reference of the Finance Scrutiny Panel to be undertaken to determine whether the Panel continues to function as currently or whether its roles and terms of reference are amended or the Panel's functions are subsumed into the Audit Committee's functions.
- There will be a need to review the effectiveness of Scrutiny once the new Scrutiny Committees have been in operation for 12 months.

Section 4. Conclusions – Main Governance Issues Facing the Council and Requiring Action

The table below identifies the most significant governance issues (prioritised from the recommendations for development outlined in section 3 above) and how we will address them during 2018/19.

Governance Issue	How we are addressing the Issue
<ul style="list-style-type: none"> • Ensure our dedicated Improvement Plans (for Children’s and Adults services and Corporate Leadership and Governance) are delivered. 	<ul style="list-style-type: none"> • Dedicated and improved Performance reports developed • Monitoring of Action Plans / Performance reports by <ul style="list-style-type: none"> ○ Executive Management Team; ○ Cabinet ○ Health, Care and Housing Scrutiny Committee ○ Improvement and Assurance Board • Portfolio Holder meetings with officers • Regular reporting to Welsh Government Ministers
<ul style="list-style-type: none"> • To review the council’s implementation plan following the commencement of the General Data Protection Regulations in May 2018. 	<ul style="list-style-type: none"> • Implement the GDPR Implementation Plan in line with the Information Management Assurance Governance Plan • Monitoring by the Corporate Information Operational Governance Group chaired by the Data Protection Officer • Reporting to the Corporate Information Governance Group chaired by the Senior Information Risk Officer • Scrutiny Review of implementation of GDPR
<ul style="list-style-type: none"> • Continue to ensure we respond to regulators recommendations and incorporate these into our planning arrangements where applicable 	<ul style="list-style-type: none"> • Strategic and financial planning is included as a priority within the Corporate Leadership and Governance Plan • The implementation of the CLGP is scrutinised monthly by the Improvement and Assurance Board • Budget planning commenced in March 2018 recognising the need to develop the plan earlier. This will ensure that all aspects of the plan are robust and deliverable and that all savings plans are sufficiently well developed for inclusion in the annual budget • The Council recognised that it needed to update its Medium Term Financial Strategy to enable the council to live within its means going forward, and design and implement actions to address the weaknesses identified in respect of its corporate and financial arrangements
<ul style="list-style-type: none"> • Risk management 	<ul style="list-style-type: none"> • Risk register monitoring by Executive Management Team and the Audit Committee • Risk Toolkit which incorporates risk appetite agreed by Cabinet and to be implemented across the Council • Electronic risk management software to be implemented which will enable greater linkage between all of the risk registers across the organisation

Governance Issue	How we are addressing the Issue
<ul style="list-style-type: none"> • Continue to strengthen alignment between our strategic, workforce and financial planning to ensure the council has the resources to deliver transformational change • Implement Performance Management Quality Assurance Framework 	<ul style="list-style-type: none"> • Implementation of Vision 2025 and achievement of Year 1 targets • The revised Medium Term Financial Plan will ensure that there is strengthened alignment between our strategic, workforce and financial planning alongside its capital strategy, and reserves policy • Implementation of the Corporate Leadership and Governance Plan • The implementation of the CLGP is scrutinised monthly by the Improvement and Assurance Board • Manage performance effectively through quarterly programme boards, review meetings, improvement and assurance board, management team and Cabinet • Deliver bi-monthly workshops with Managers to raise awareness of their role in effectively implementing the framework

Section 5. Certification of the Annual Governance Statement 2017-18

Signed on behalf of Powys County Council:

.....
Chief Executive

Date: xxth June 2018

.....
Leader of the council

Date: xxth June 2018

Section 6. Appendices

Appendix 1: Areas for improvement identified in the Annual Governance Statement 2016/17

Areas for Improvement	Our progress in 2017/18
<p>The Cabinet’s approach</p> <ul style="list-style-type: none"> • Services delivered for less: Remodelling council services to respond to reduced funding • Supporting people within the community to live fulfilled lives • Developing the economy • Improving learner outcomes for all, minimising disadvantage <p>Cross Cutting Themes</p> <ul style="list-style-type: none"> • Commissioning Appropriate, Viable, Equitable and Affordable Services • Rationalise our Property Estate • Regeneration as a Cross Service Principle • Public Sector Collaboration • Working with the Third Sector including the PAVO Partnership Agreement • Community Delivery and Neighbourhood Management • Resourcing Appropriately 	<p>A detailed ‘Annual Performance Report’ will be published at the end of October 2018 describing the progress the council has made towards delivering the priorities agreed in its Corporate Improvement Plan to deliver its long term vision. This will be available on our website. However a summary of our assessment is outlined below:</p> <ul style="list-style-type: none"> • Services delivered for less Overall performance for this priority was adequate. In total, there were 72 commitments/ activities supporting delivery of this priority and at the end of the year 57 (79%) were either complete or on target. • Supporting people in the community to live fulfilled lives Overall, performance for this priority has been below expected levels and improvements in our social care services will continue to be a priority for 2018-2023. In total, there were 113 commitments/ activities supporting delivery of this priority. 84 (74%) of the commitments/ activities were either complete or on target by the end of 2017-18, leaving 29 (26%) off-track. Only 3 out of the 10 measures being monitored met their target while three showed improvement compared to 2016-17 performance. • Developing the economy Overall performance has been good with 27 (84%) out of the 32 commitments/activities in place to support this priority either completed or on target. The remaining 5 were marked as amber. Eight out of the 10 measures used to monitor performance met their target and six also showed improvement, compared to performance in 2016-17. • Improving learner outcomes for all, minimising disadvantage Overall performance has been adequate with 23 (62%) out of the 37 commitments/activities in place to support this priority either completed or on target. 13 were marked as amber and only 1 red. Only one measure used to monitor success met its target, eight were within 10% of meeting their target and 4 were 10% or more from reaching their target. Only three measures showed improvement, compared to performance in 2016-17.

Areas for Improvement	Our progress in 2017/18
<p>The 2016/17 Budget and Prioritising our Service Spend</p>	<p>A budget plan and medium term financial strategy were agreed for 2017-18, however it was recognised the Council needed to strengthen the links between the strategies, policy changes and plans for services, with the medium and long-term financial plan, showing what we want to achieve and how we intend to achieve it, alongside affordability and sustainable benefits. Strategic and financial planning was therefore included as a priority within the Corporate Leadership and Governance Plan, which is scrutinised monthly by the Improvement and Assurance Board. Delivery of key actions for improvement commenced from October 2017, and significant progress had been made by March 2018 towards a number of deliverables, including:</p> <ul style="list-style-type: none"> • A comprehensive Medium Term Financial Strategy and 5 year Financial Plan which considers all of the financial requirements of the Council • Strengthened financial-planning arrangements which align key strategies such as ICT, workforce and asset management plans with the MTFS for both Revenue and Capital expenditure • Comprehensive multi-year fully-costed plans which underpin and cover the 5 year period of the MTFS • Savings proposals that shift from traditional type savings to transformational savings ensuring that the timescales for the delivery of specific savings proposals are realistic and accountability for delivery is properly assigned • Funding deficits are accurately projected and fully reconciled to detailed savings plans for each year over the life of the medium term financial plan • Appropriate and efficient systems and procedures to facilitate robust and effective financial management and decision making
<p>Delivering in Partnership - One Powys Plan 2014-17</p>	<p>The Powys Public Service Board partnership plan (One Powys Plan) came to an end in March 2017. Key achievements against the plan were published in our 2016-17 Annual Report which is available on our website http://www.powys.gov.uk/en/democracy/plans-for-powys-county-council/performance/</p> <p>During 2017-18, the Powys Public Service Board developed and consulted upon a set of new Well-being objectives and Well-being steps to show how it will contribute to the delivery of the seven national well-being goals. These objectives and steps were published in a new partnership plan (Towards 2040) in May 2018. Detailed action plans are now being developed by the PSB partners to deliver their shared ambitions for Powys.</p>

Areas for Improvement	Our progress in 2017/18
Realising the potential for further integrated working with PTHB	Joint Health and Care Strategy – With our partner, the Powys Teaching Health Board we launched the Health and Care Strategy for Powys. This is the first integrated health and care strategy in Wales, demonstrating our commitment to lead the way on truly integrated care for the people of Powys. The strategy is the result of thousands of conversations between the people of Powys, Powys Teaching Health Board, Powys County Council and key partners.
Responding to Regulatory Recommendations	The council recognises the value of regulatory reviews in helping to drive improvement. A process for tracking the council’s response to recommendations and proposals for improvement has been re-established to ensure corporate visibility. The tracker and progress on agreed actions was considered by Management Team, Strategic Overview Board and Audit on a quarterly basis.

Appendix 2: Member Development

Following the council elections in May 2017 an induction programme was delivered to Members which included:

- Orientation for New Members and Introduction to the council
- Members’ Code of Conduct
- Data Protection Act
- Planning Protocol for non Planning Committee Members

In addition there was committee specific training:

- Planning, Taxi-Licensing and Rights of Way Committee
- Pensions and Investments Committee
- Licensing Act 2003 Committee
- Scrutiny Committees
- Employment and Appeals Committees
- Chairs and Vice-Chairs training.

Following the delivery of the induction programme to July 2017, a programme of Member Development Sessions / Seminars have been delivered from September 2017 onwards which included:

- Treasury Management
- Corporate Parenting
- Safeguarding for Adults and Children
- Vision 2025
- Local Development Plan
- Education and ERW

- Equalities

The council has also as a result of the inspection of Children's Services by CIW identified and delivered additional Member Development Sessions including:

- Roles and Responsibilities of Councillors in Council Improvement
- Opposition Group Leaders and Deputies
- Cabinet
- Scrutiny
- Chairs and Vice-Chairs of Committees
- Corporate Parenting

Some of these modules could not be completed due to the cancellation of sessions, but they were delivered in April, 2018.

Appendix 3: Examples of Scrutiny Reviews undertaken in 2017/18

The following are examples of areas which were scrutinised / Pre-scrutinised during 2017/18:

Scrutiny Committee A

- **Commissioning of the Highways, Transport and Recycling Service (Pre-scrutiny)**

A full business case for future options for delivery of the HTR Service was considered in association with representatives of Scrutiny Committee B and Audit Committee. However, following a change in political leadership, it was agreed that a modified in-house option would be pursued and Scrutiny will now take place on a regular basis as proposals develop.

- **Adult Social Care Scrutiny Group**

A number of briefing sessions have been held to ensure that new Members are fully informed. Pre decision scrutiny has been undertaken on Residential Care Pooled Budgets (Joint with Audit Committee representatives), Fee Setting in Residential Care and Charging for Community Based Services. The Group scrutinized the draft Adult Services Improvement Plan and contributed to the pre inspection Self-Assessment. Ongoing exception monitoring of the Action Plan is underway and this will be revised once the CIW Inspection Report is received. The Group considers financial details on a quarterly basis and monitors the service Risk Register at every meeting.

- **Household Waste Recycling Centres**

Members reviewed the changes to reduce days of operation implemented in April 2017 and supported a change to increased opening hours bearing in mind the additional costs to the service and the requirement for savings under the Medium Term Financial Strategy.

- **North Powys Office Accommodation Review**

Reviews of office accommodation are to be undertaken across the County and the first area considered was in the North. Members were briefed on a number of options together with costs.

POWYS COUNTY COUNCIL

- **Crime and Disorder**

The Committee continues to monitor performance reports of the Community Safety Partnership biannually.

- **General Data Protection Regulations (GDPR)**

A review was undertaken of the council's preparedness for the implementation of GDPR in May 2018. The review considered the action plan as well as its progress. A further review will consider the position once the regulations have been implemented.

Finance Scrutiny Panel

The Finance Scrutiny Panel has reviewed proposals for the 2018/19 and 19/20 budgets. However the Panel were frustrated by the lack of information on the budget until late in January which compromised their ability to provide effective scrutiny. The Panel continues to support the development of 5 year budget plans but the lack of detail going forward poses a substantial risk to the delivery of savings. The Panel are pleased that there will be a thorough review of the Medium Term Financial Strategy but remain concerned that the 2018/19 budget has been balanced by use of one off inputs and technical accounting practices.

Audit Committee

In addition to its regulatory requirements, the Committee reviews the Corporate Risk Register, Regulatory Tracker and Treasury Management on a quarterly basis. Summary reports relating to the work of the Finance Scrutiny Panel and Internal Audit Working Group are also considered.

- **Internal Audit Working Group**

The Group reviews action plans arising from Internal Audit reports which have limited or low assurance. Consideration is also given to reports relating to internal fraud.

- **Joint Audit / Education Scrutiny Group**

The group has been asked to undertake work on the financial viability of Schools following receipt of a WAO report.

Joint Adult and Children's Services Scrutiny Group

- **Powys People Direct**

The joint Group met to consider concerns relating to Powys People Direct following the CIW Inspection of Children's Services. The service is to be reviewed by Children's and Adults' Services, and the Joint Scrutiny Group will monitor progress of that review.

- **Health and Care Strategy**

The joint Group considered 'A Healthy Caring Powys – Discharging our Duties in Relation to the Area Plan which considers delivery of the first five year's of the Health and Care Strategy. Comments were made to Cabinet and were submitted to the Welsh Government by 1st April 2018.

Scrutiny Committee B

- Annual Report of Director of Social Care
- Pre-Cabinet scrutiny of the new Schools Policy promoting collaborative working
- Welsh in Education Strategic Plan

Children's Scrutiny Group

- Members undertook pre-Cabinet scrutiny of the redesign of Youth Services

- Members received the CIW Inspection report on Children's Services. The initial Improvement Plan was considered along with further iterations of the Plan. The group have received performance monitoring reports, the Member Tracker and have undertaken specific work on the following areas:
 - Safeguarding
 - Governance
 - Looked After Children, Fostering and Out of County Placements
 - Assessment compliance and quality assurance

Education Scrutiny Group

- Ongoing education scrutiny:
 - Standards (provisional and verified)
 - Attendance and exclusions
 - Inspection outcomes
- Annual scrutiny of the regional consortia for education improvement (ERW)
- Pre-Cabinet Scrutiny of the Education Self Evaluation Report
- Pre-Cabinet Scrutiny of Home to School/College Transport Policy
- Scrutiny of proposals regarding implementation of 30 hours free child care
- Scrutiny of Transformation of Additional Learning Needs and Inclusion Service
- Scrutiny of Governor Training programme

Two representatives of the Education Scrutiny Group also attend twice yearly meetings of the Joint ERW Scrutiny Group.

Schools Scrutiny Panel

- Monitoring progress of schools who have attended School Scrutiny Panel
- School categorisation

Leisure/Culture Scrutiny Group

- Members undertook pre-Cabinet Scrutiny of proposals regarding changes to the Leisure provision (closure of the Staylittle Outdoor Pursuits Centre)

Joint Chairs and Vice-Chairs Steering Group

The Steering Group scrutinised the following:

- Draft CIP
- Draft Annual Performance Statement 2016-17
- PSB: Vision 2040
- Draft Well-Being Plan
- Corporate Leadership, Governance Improvement Plan.

The Steering Group also reviewed:

- Work Programmes for all scrutiny committees (each meeting)
- The Scrutiny Service.
- The Scrutiny Committee Structure

- Arrangements for the Scrutiny of the PSB in Powys

Appendix 4: Wales Audit Office

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

During the course of the 2017-18 financial year, the Auditor General made one statutory recommendation and a number of proposals for improvement. Their Annual Improvement Report 2017-18 states:

“The Council is not meeting its statutory requirements in relation to continuous improvement”.

“Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is not complying with the requirements of the Local Government Measure (2009) and in his Annual Audit Letter issued in November 2017 he issued a statutory recommendation to the Council”.

Statutory Recommendation

In setting a balanced budget, the Council must ensure that all savings plans are sufficiently well developed for inclusion in the annual budget. The Council must also act immediately to update its Medium Term Financial Strategy to enable the Council to live within its means going forward, and design and implement actions to address the weaknesses identified and reports by me in respect of its corporate and financial arrangements.

The Council accepted the Statutory Recommendation at a meeting on 22nd February 2018 and agreed an Action Plan for improving Strategic and Financial Planning. This action plan forms part of the council’s wider Corporate Leadership and Governance Plan that is monitored monthly at the Improvement and Assurance Board.

Each year, Wales Audit Office reviews the position of local authorities in Wales in accordance with their statutory responsibilities. Their audit, regulatory and inspection work during 2017-18, included the following:

Brief Description	Key Conclusions	Proposal for improvement
Service User Perspective Review In Powys County Council, we reviewed the Housing service.	The Council is making progress towards achieving the Welsh Housing Quality Standard for many components and most Council tenants are satisfied with the quality of the service and their homes, but it needs to accelerate its approach to ensuring tenants homes are warm.	Three proposals for improvement were issued by WAO.
‘Scrutiny: Fit for the Future?’ Review Review of how well placed Councils’ overview and scrutiny functions are to respond to current and future challenges.	The Council has been slow to develop its scrutiny arrangements and there are fundamental areas it needs to address if scrutiny is to operate effectively and have impact in the face of future challenges.	Six proposals for improvement were issued by WAO.

Brief Description	Key Conclusions	Proposal for improvement
<p>Annual audit letter 2016-17 Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice.</p>	<p>The Council complied with its responsibilities relating to financial reporting but did not have sufficient appropriate arrangements in place to secure economy, efficient and effectiveness in its use of resources. I issued a certificate confirming that the audit of the accounts has been completed on 22 November 2017.</p> <p>My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2017-18 accounts or key financial systems.</p> <p>The Council did not have sufficient appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, and the current and future financial position represents a significant challenge.</p>	<p>WAO issued a statutory recommendation.</p>

The WAO also undertook a number of national reviews, which included proposals for improvement, these include:

- Savings Planning in Councils in Wales
- Public Procurement in Wales
- Good governance when determining significant service changes – National Summary
- How Local Government manages demand – Homelessness
- Housing Adaptations
- Speak my language: Overcoming language and communication barriers in public services
- Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities

Appendix 5: Care Inspectorate Wales

Care Inspectorate Wales (CIW) (formerly known as Care and Social Services Inspectorate Wales) encourages the improvement of social care, early years and social services by regulating, inspecting, reviewing and providing professional advice to ministers and policy makers. During 2017-18, the council received the following key inspections:

Inspection of Children's Services:

CIW inspected the quality and effectiveness of children's services during July 2017 and published their findings in October 2017. Their report states:

Children and young people do not appear to be well served by the current arrangements for accessing support services in Powys. A lack of assessment, care and support planning combined with an inconsistent approach to working in line with the child sexual exploitation guidance and the management of sexual

exploitation and risk assessment framework process placed children at risk of harm. In addition, child protection processes did not always comply with statutory guidance with delays in investigations and assessments being undertaken and completion of statutory visits.

There is evidence of missed opportunities to safeguard children, despite requests for support. Risks were not being appropriately and robustly assessed and there is no effective system to identify and manage risks.

The vision and strategic direction for Children's Services has been set out by the interim leadership team, together with Members of the operational management team. However, this vision requires significant corporate and political support for it to be delivered. There is a lack of awareness of its content outside of Children's Services and considering its reliance on the full support of council this is of concern.

There are serious performance issues with front line services, however these arose because of instability in management, poor and confused direction and weak governance. Without effective support and capacity to undertake the work frontline staff cannot be expected to undertake the complex work required in Children's Social Services.

Inspectors noted the commitment of the staff, who have shown resilience and professionalism whilst coping with significant changes, and depletion in support services and leadership capacity. We have seen real commitment to protect and respond to safeguarding children in very difficult circumstances. Staff have been mutually supportive through challenging and difficult times and have shown us their real desire to move on.

The council has developed a Children's Services Improvement Plan in response to CIW recommendations, which has been approved by CIW. Our three year improvement plan sets out a comprehensive programme of deep and sustainable change and improvement to services for children and families. We have established an Improvement Board and put in place an action plan to rectify the shortcomings of the service. We have also worked with the Welsh Local Government Association (WLGA) to put in place an expert team which will support the council and work with Children's Services to bring about lasting change and improvement.

The Board have reported in April 2018 that whilst there is still much to do, there are areas of significant improvement.

Inspection of Adult Services:

CIW inspected our Adult Services during January 2018 and their findings were published in May 2018. Their report states:

We undertook our inspection in January this year. We saw evidence that some people received good care and support but this was not consistent. Some people faced significant delays in being assessed for care and support and in receiving a service. Significant improvement is required.

There was good co-operation between frontline health and social care staff and a range of voluntary sector and community groups.

Urgent safeguarding referrals were dealt with swiftly and effectively but there was an unacceptable backlog of safeguarding work at screening and enquiry stages.

Our inspectors noted the commitment of staff who have shown professionalism whilst coping with many changes and depleted resources.

Our recommendations

As a priority,

- *Senior leaders must continue to provide strong political and corporate support for adult services to ensure service improvements.*
- *Ensure all safeguarding enquiries are undertaken within statutory timescales.*
- *Ensure clear management oversight and understanding of demand, capacity and prioritisation of workflow within adult safeguarding.*
- *Strengthen the existing adult services improvement plan.*
- *Produce a robust workforce strategy including short, medium and long term plans for recruitment and retention of the adult services workforce.*

We developed an Adults Services three year Improvement Plan in readiness for the inspection. We are already reviewing the service with improvement through urgent action to reduce waiting lists for assessments and domiciliary care by increasing capacity in reablement and fieldwork services. The council fully accepted the CIW report, and the recommendations will be implemented as soon as possible.

Individual thematic inspections:

During 2017-18 the council received routine inspections on the following services:

- Services for carers (including young carers)
- Reablement
- Adult safeguarding

For more information please visit the CIW website careinspectorate.wales

Appendix 6: Estyn

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

On 8th February 2017, Estyn conducted an improvement conference focused on the local authority's education services for children and young people.

Estyn is assured that the local authority understands:

- *the reasons behind the relatively weak performance of pupils in around half of its secondary schools in recent years; and*
- *the need to improve its monitoring and oversight of school budgets and that plans are being developed or are at the early stages of implementation to address the issues.*

In order to further strengthen ongoing work, Estyn recommends that the local authority:

- *refines its use of data to monitor schools*
- *ensures that Officers, elected Members and governors understand how well schools are performing compared to similar schools*
- *ensures that actions in improvement plans are supported by appropriate success targets, and that progress is monitored vigorously*
- *ensures that performance management for head teachers is a rigorous process that takes appropriate account of standards that pupils achieve and inspection outcomes*
- *agrees a plan for the future organisation of secondary schools*
- *develops further its work to recruit strong senior and middle leaders and provide leadership training for suitable teachers within the authority*
- *ensures that the full range of financial information is taken into account when budgets are agreed and monitored*
- *ensures that school governors are fully aware of their school's financial position; and*
- *uses its powers of intervention effectively to address performance or budget issues in schools and follows up any prior warning letters appropriately (WAO Annual Improvement Report (June 2017))*

Following the Estyn Improvement Conference in March 2017 an Action Plan focused on securing increased resilience, sustainability and consistent quality in our secondary education provision is being developed. In April 2018 a further Improvement Conference was undertaken to monitor progress, impact and learning. The outcome letter was received in May 2018, and it has been confirmed that this will be the last Improvement Conference as the inspectorate now enters a new cycle of regular inspections. Estyn does not require any specific action from the local authority following this conference, other than it delivers on its revised improvement plans. Estyn's link inspectors will continue to monitor the local authority's progress through their usual work.

Appendix 7: Internal Audit

During 2017/18, Internal Audit was subject to the requirements and principles of:

- Public Sector Internal Audit Standards in the UK - 2017
- CIPFA Local Government Application Note – 2013

Reviews

An Internal Audit Charter was agreed by the Audit Committee in 2017/18 that defines the purpose, authority and responsibility in terms which are consistent with the professional standards.

Internal Audit undertook a programme of risk-based work, formulated using an approved planning strategy, to review the council's internal control environment.

Each audit undertaken contained an opinion on the control framework and agreed actions by Management to correct the areas of risk identified. Those that had an adverse opinion (Low or Partial Assurance) reported to the Internal Audit Working Group where

accountable officers were required to attend to update the Members on progress against their action plans. In addition, the Internal Audit Team undertake a programme of follow-up reviews on high risk areas.

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

In accordance with the recognised standards, the Head of Audit is required to give an opinion on the overall internal control environment based on the work undertaken throughout the year. This report is presented to the Audit Committee annually in July.

At the meeting of the Audit Committee on 6th July, 2018 the SWAP Director provided the following overall opinion of assurance:

“Therefore, I have considered the balance of 2017/18 audit work and outcomes against this environment and am able to offer reasonable assurance in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.”

The Annual Report also highlighted that the significant corporate risks were as follows:

“The following areas were given partial assurance:

- *Risk Management*
- *Voluntary Severance*
- *Control of JVC Legal Cost*
- *Income Generation*
- *Partnership and collaborations*
- *Housing Service Charges*
- *Mount Street Infant CP School*

Financial pressures continue to be a very serious concern. The audit plan has included work that focuses directly on this areas: a review of a commissioning process and the Council’s response to medium term financial strategies (MTFS), partnerships, procurement and Income Generation. Concerns also exist in the Council’s ability to manage external and partnership contracts and so this is an area of focus for the 2018/19 internal audit programme.

SWAP identified significant shortcomings in the framework, awareness and delivery of an integrated and embedded risk management approach. However, a refreshed approach and detailed plans give cause for optimism that this can help inform the decision-making process in the future so long as there is effective “buy-in” at all levels of the Council.

The Council responded proactively to the introduction of the General Data Protection Regulation (GDPR) which came into effect in May 2018. Further work will be undertaken to assess compliance.”

In 2017/18 the following reports were considered by the Scrutiny Internal Audit working group:

Voluntary Severance

Had raised serious concerns in the last Council as not all areas had applied the correct procedures and there had been a lack of supporting documentation. The working group was advised of the findings and that a repeat audit would take place, the results of which would be reported to them.

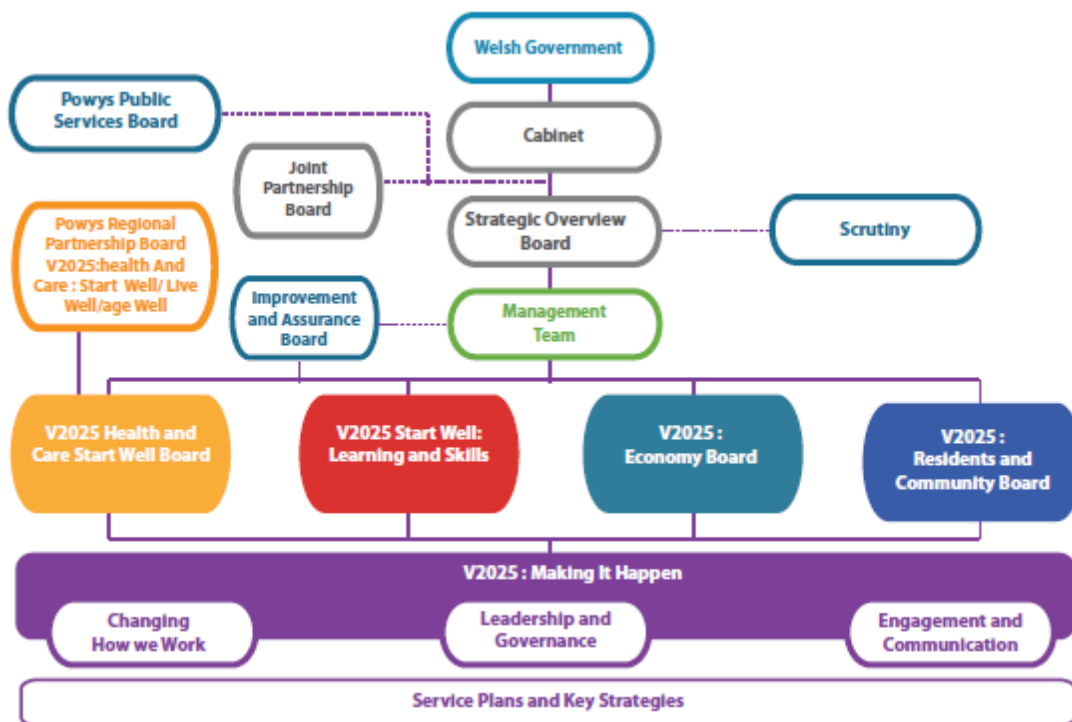
Direct Payments

This too had received an adverse report in the last Council. However an Action Plan had been prepared and the working group were satisfied that appropriate measures had been implemented to ensure that the backlog of audits would be dealt with and would not reoccur.

Medium Term Financial Strategy (MTFS)

Financial planning in some areas had not been as robust as it could have been. The new administration had developed their Vision 2025 and the MTFS would be reviewed in light of this. A completely revised MTFS is to be available by the end of May 2018 and ongoing monitoring would take place

Appendix 8: Vision 2025 Programme Boards Governance Structure



CYNGOR SIR POWYS COUNTY COUNCIL**CABINET EXECUTIVE****18th September 2018****REPORT AUTHOR: County Councillor Aled Davies****Portfolio Holder for Finance****SUBJECT: Financial Overview and Forecast as at 31st July 2018**

REPORT FOR: Decision / Discussion / Information

1. Summary

- 1.1 This report provides an update on the projected revenue spend against budget for the 2018/19 financial year and reflects the position as at 31st July 2018, it provides an early indication of the 2018/19 full year financial forecast.
- 1.2 The revenue expenditure outturn against budget is projected to be £4.9m over budget, this is based on savings achieved to date but also reflects assurance that further savings will be achieved in year.
- 1.3 This position is not dissimilar to that reported at the same point last financial year. However, the outturn position improved significantly by year end, and was finally reported as an underspend. A number of factors contributed to the improved position including the receipt of additional unexpected funding from Welsh Government, improved income collection, previously unreported underspending in some budgets and capitalisation of transformation costs, all of which eased the pressure on the revenue budget.
- 1.4 Although not yet known some of these factors may again impact on the final outturn position.
- 1.5 Savings of £4.588m (£4.327m June) have been delivered to date, 37% (35% June) of the total £12.296m required, with £7.708m yet to be achieved.
- 1.6 The report has been prepared on an exceptions basis, using actual variance against budget to define the RAG (Red, Amber, Green and Blue) status of the services' financial position. The report only highlights those service areas where projections are forecast to exceed the budget provided, or services that have a significant degree of financial risk on the Council, and where corrective action must be taken to ensure a balanced year end budget, and mitigate any risk for future years.

2 Revenue Position

- 2.1 The revenue forecast is summarised in the table below, expenditure is projected to exceed the budget by £7.504m (June £6.142m), excluding Housing Revenue Account (HRA) and Delegated Schools. It is important to note that efficiency savings will be accounted for when they have been delivered, and we maintain this approach to ensure a prudent position. This is reflected in the figures as the majority of savings have not yet

been achieved at this early point in the year and is therefore likely to improve as the year progresses.

- 2.2 To counter this prudent approach and better predict the year end position, this year's reporting also provides a forecast based on the expected delivery of savings. This is only included following assurance from Directors that savings will be achieved or that alternative means of delivery are identified and realistic.
- 2.3 On this basis the projected position will be an overspend of £4.917m against the approved budget.
- 2.4 Both projections are included in the table below.

Summary Forecast by Directorate	Total Working Budget	Forecast Spend	Variance (Over) / Under Spend		Variance including expected savings delivery	
	£'000	£'000	£'000	%	£'000	%
Social Services	84,327	88,547	(4,220)	(5)	(3,298)	(3.9)
Environment	30,648	32,567	(1,919)	(6)	(408)	(1.3)
Schools	36,021	36,142	(121)	(0)	25	(0.1)
Resources	18,137	18,073	64	0	72	(0.4)
Central Activities	2,584	3,892	(1,308)	(51)	(1,308)	(51)
Total	171,717	179,221	(7,504)	(4)	(4,917)	(2.9)
Housing Revenue Account (HRA)	0	(2)	2		2	0
Schools Delegated	75,287	75,418	(131)	(0)	(19)	(0)
Total including HRA and Delegated Schools	247,004	254,637	(7,633)	(3)	(4,934)	(2)

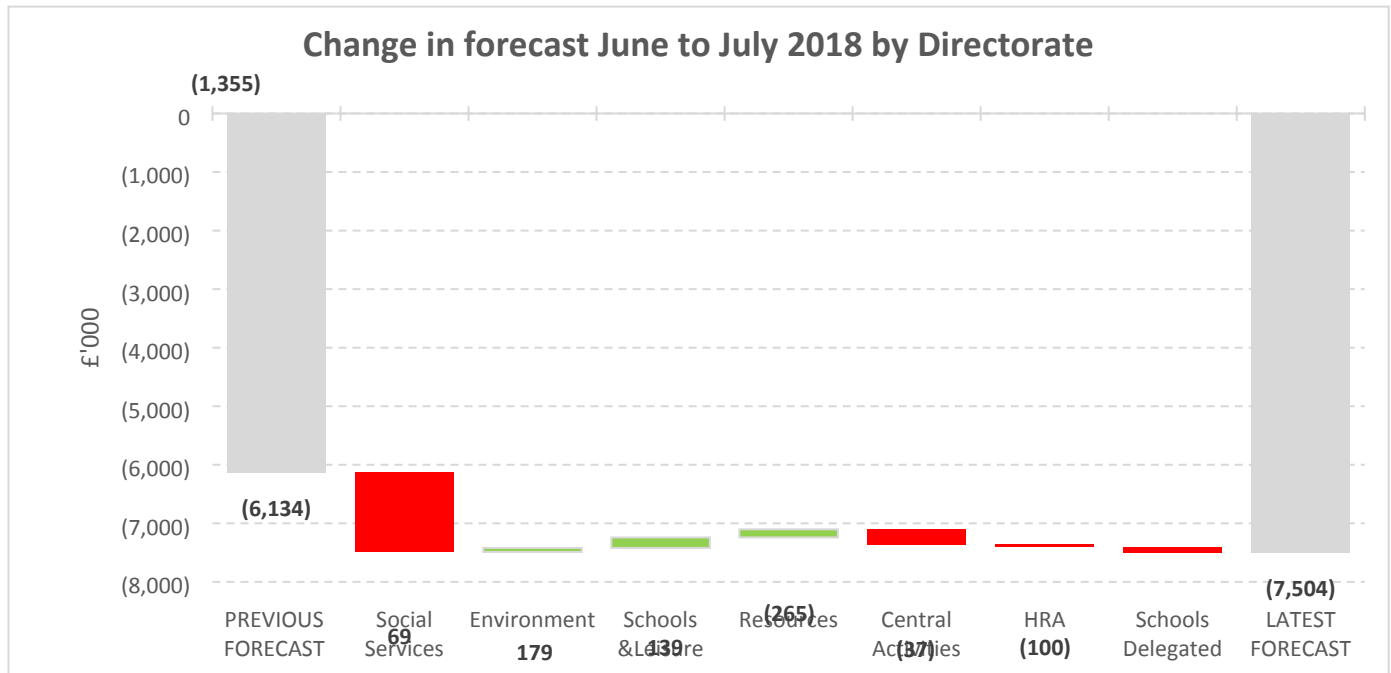
- 2.5 The table in Appendix A details the forecast spend by Service, against approved working budget and shows the projected position on both savings delivery and service performance.

3 Reserves

- 3.1 The total revenue reserves held at 1 April 2018, together with the forecast addition/(use) of reserves during the year and the projected year end balances, as at 31st July, are set out in the table in Appendix C. The revenue reserves held at the beginning of the year totalled £40.3m, with £9.7m held in the General Reserve and Specific and Ring fenced reserves of £27.4m. The planned use of reserves to support the overall revenue budget during the year (excluding Schools and HRA) is £9.9m.
- 3.2 Based on the projections included in this report the overspend position would be financed from the General Fund Reserve. With the assurance around the delivery of savings the impact on the General fund would be £4.860m, reducing the balance to £4.820m this would then represent 2.8% of the total net revenue budget (excluding Schools and HRA) or 4.9% when including the budget management reserve. This revised position would be in line with the policy set.

4 Revenue Forecast

4.1 The graph below shows the change in forecast, from that reported at the end of June to the projected forecast position as at 31st July by Directorate, including HRA and Delegated Schools:



4.2 RAG status has been applied to service variance based on the categories below, and those with a variance calculated as “red” have been explained in more detail below.

- **Red** Overspend above 2%
- **Amber** Overspend of 1-2%
- **Green** +/- 1%
- **Blue** Underspend above 1%

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance RAGB status
	£'000	£'000	£'000	%	
Children Services	18,503	23,779	(5,276)	(28.5)	R

There has been a further increase in the projected spend for the service with the outturn position now projected to exceed the budget by £5.276m a further £1.375m since that reported in June.

The appropriate workforce establishment has now been agreed and although funding for this is accommodated within the service budget, following the investment provided, many posts are being covered by agency staff at a higher cost per post. The projected position includes the

continuation of agency staff through this financial year and this adds an additional pressure of £964k on the budget.

The predicted spend on Looked after Children (LAC) continues to be higher than the budget allocated due to the increased number of placements currently 229, this represents an additional pressure of £2.774m. Fluctuations in demand and levels of complexity make it a very high risk area which is difficult to forecast, and we must assure that the appropriate level of support is in place and reviewed regularly.

The forecast position also reflects £2.208m of undelivered efficiencies which remain in the base budget.

There are a number of risks that may further impact the financial position, these include:-

- Additional costs backdated in respect of 'Sleepins' following the outcome of a judicial review
- Holiday pay liability for relief staff at Golwg y Bannau/Camlas
- Legal costs – baseline budget has already been utilised

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Highways, Transport & Recycling (HTR)	21,246	23,310	(2,064)	(10)	R

The overspend in this area has reduced slightly to that reported in June due to the achievement of savings of £107k in relation to the commissioning project. Unachieved savings at this point in the year total £1.4m and are the main reason for the projected position.

The service is also forecasting overspends against some areas of budget:-

- Training cost spend is currently projected to exceed budget by £85k, this is now being reviewed to re-align costs back to the budget.
- Trade Waste collection and Domestic Waste are forecast to overspend by £220k and £150k respectively, due to a forecast reduction in income from Trade Waste and continuing increased fuel costs for domestic waste vehicles.
- An increase in the usage of materials within the fleet workshops and a shortfall in income due to the transfer of vehicles to HOWPS no longer maintained in-house, resulting in a forecast overspend at year end of £300k.

The revised forecast based on the expected delivery of savings and other service factors shows that the position will be improved by year end with a forecast overspend reduced to approximately £400k.

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Workforce, OD and Comms	2,432	2,571	(139)	(5.7)	R

The position within Workforce, OD and Comms remains the same, with unachieved savings of £144k being the main reason for the overspend in this area. The saving is to be found from a new service delivery model and a review of all corporate budget headings. However, no plans are currently in place to deliver this.

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Central Activities	2,584	3,892	(1,308)	(51)	R

The forecast overspend for this area has increased by £265k from that projected at the end of June, the Council Tax surplus previously projected at £1m, is revised to £700k. The surplus is as a result of the change in Council policy whereby a premium of 50% has been charged in respect of properties that are periodically occupied, i.e.: holiday homes/second homes and long term empty properties.

Savings of £1.7m for third party and additional income will not be achieved and remain a pressure on the budget.

4.3 Other Service areas which are not RAG status RED but due to a high level of scrutiny further information is also provided below.

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Adult Social Care	65,824	64,639	1,056	1.6	B

The underspend position within Adult Social Care has reduced by £109k from June with a forecast year end position as at the end of July of £1.056m. £1.963m of the original £2.2m investment still remains to be allocated to Service budget headings, this will only be released on presentation of business cases which satisfy criteria set out by full council. The Service continue to deliver on their savings programme with an additional £100k achieved during the month. Savings of £509k or 36% have been achieved to date.

The forecast does not account for future demography, learning disability transitions, contractual agreements including uplifts or winter pressures. In addition, the liability associated with the recent judicial review relating to the payment of the National Living Wage in respect of "Sleep-ins" is still being calculated for the in-house service and legal direction has been sought re external providers.

Schools Delegated	75,287	75,418	(131)	(0.17)	G
<p>The BRAG rating of Green reflects the projected outturn against budget plans submitted by the Schools. These plans include a significant draw on their delegated reserves.</p> <p>Budget plans across the primary sector expect to draw a net £338k from reserves, a slight reduction on that previously reported, £61k in the Special sector. This will be updated monthly going forward.</p> <p>Budget Plans and forecasts received for Secondary schools are projecting a net £1.2m in year draw from reserves.</p> <p>In line with the Scheme for Financing schools, Secondary Schools are required to submit monthly forecast end of year projections. Of the 12 secondary schools 5 schools failed to submit the forecast by the agreed deadline and will be notified of the failure to comply with the scheme, 2 of which have failed 2 months in a row and it is proposed that they now receive a notice of concern.</p>					
Schools Services	27,235	27,448	(213)	(0.78)	G
<p>The significant variances within the Schools Service are detailed below:</p> <p>Schools Improvement – the position has improved by £90k since last month but a forecast overspend of £86k is still expected, this is mainly due to unachieved savings in respect of the change in admission age and the transformation of the 3 year plus provision. Alternative delivery options are being considered by the Service.</p> <p>Home to School Transport – the forecast position is an overspend of £147k including an unachieved saving of £81k and a projected overspend of £80k in respect of 14-19 provision.</p> <p>The centrally retained provision for supply costs has a projected overspend of £105k, in line with last month’s projection, this is due to ongoing supply commitments, further work is required to determine when the projected costs will cease.</p> <p>Schools delegated central – expenditure is projected to exceed budget by £193k and is due to an over commitment on the contingency for class size protection provided to schools and £120k unachieved saving relating to small school closures.</p> <p>These overspends are being offset by an underspend of £408k within the Special other budget this is mainly due to increased income for inter-authority recoupment.</p>					

5 Savings

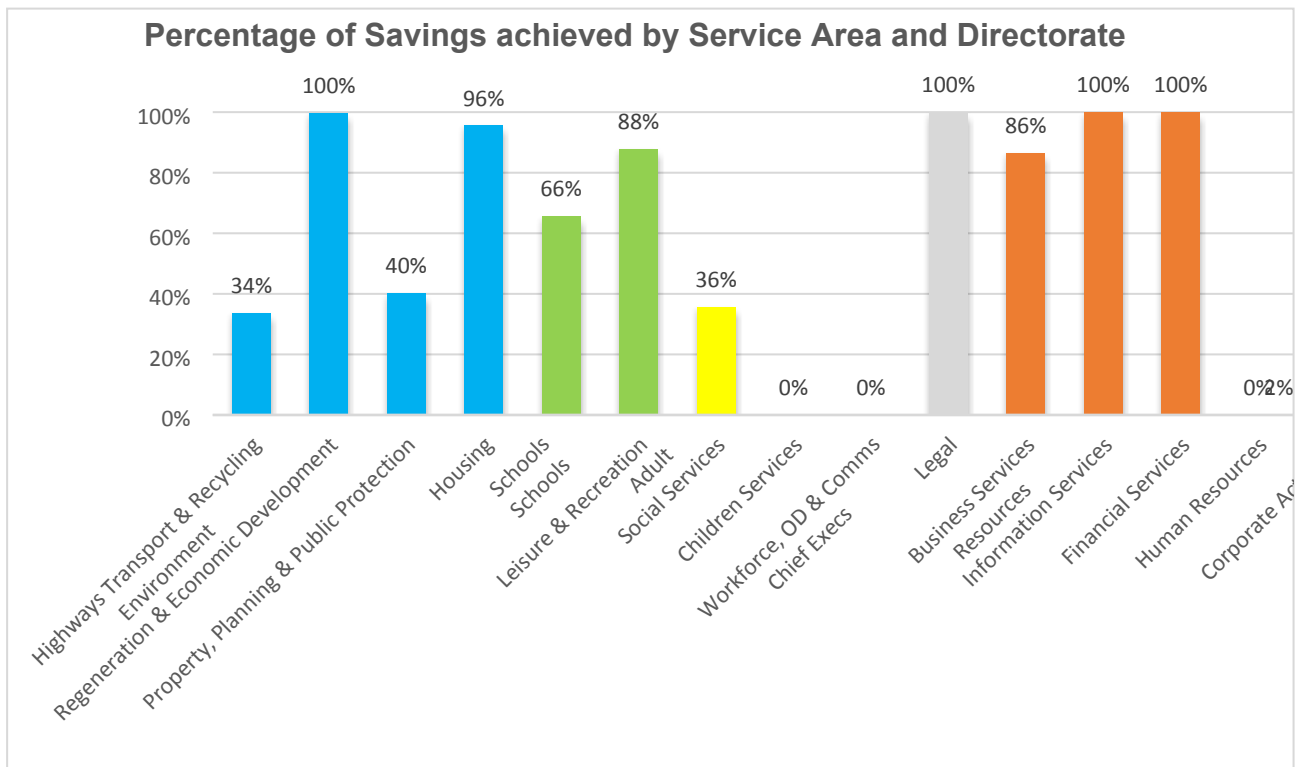
5.1 The table below summarises the delivery of the savings including those that remained undelivered in prior years; £4.6m or 37% has been delivered. For prudence the forecast includes savings that have been achieved or have progressed to a point where there is confidence in final delivery taking place. It does not reflect expectations that are not currently being realised.

	Target £'000	Delivered £'000	Variance £'000
2015/16	1,157	77	1,080
2016/17	321	0	321
2017/18	1,975	351	1,624
2018/19	8,843	4,160	4,683
Total	12,296	4,588	7,708

5.2 Further analysis of the savings showing the RAG status by Directorate is provided in the table below. Further detail by Service area can be found in Appendix B.

UPDATE ON DELIVERY OF SAVINGS PROPOSALS BY RAG				
Directorate	RED	AMBER	GREEN	TOTAL UNACHIEVED SAVINGS AS AT 31ST JULY 2018
	£'000	£'000	£'000	£'000
Social Services	2,298	911	11	3,220
Environment	131	1,509	0	1,641
Schools	543	87	0	630
Resources	2,013	97	0	2,110
Chief Executives	107	0	0	107
Total	5,092	2,605	11	7,708

5.3 The graph below shows the percentage of savings achieved to date by Service Area and Directorate.



6 Virements and Grants for Approval

The following are virements for approval and grants to be accepted:-

Grants to be accepted

- 6.1 Regional Tourism Engagement Fund 2018-19 – Three Sisters Digital Discoveries, £95,275 funded by Visit Wales, £10,000 match funded by Powys County Council. The project title, the Three Sisters of Plynlimon, is an old Welsh legend that follows three sisters as they travel along the rivers Wye, Severn and Ystwyth and this project will bring alive the legend and market the Mid Wales area to new visitors. Through a range of product development and event based activity the project will enhance awareness and engagement within the uplands of mid Wales and see year around use of our tourism assets.

7 Options Considered/Available

No alternative options are considered appropriate as a result of this report.

8 Preferred Choice and Reasons

None to consider.

9 Impact Assessment

Is an impact assessment required? Yes/No

10 Corporate Improvement Plan

To achieve the Corporate Improvement Plan (CIP) objectives the Council undertakes forward planning with its medium term financial strategy (MTFS) - this sets out the financial requirements to deliver the short and longer term council vision. These capital and revenue monitoring reports are used to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

11 Local Member(s)

This report relates to all service areas across the whole County.

12 Other Front Line Services

This report relates to all service areas across the whole County.

13 Communications

Budget information is of interest to internal and external audiences and regular updates are provided by the Portfolio Holder for Finance. Detailed finance reports are presented to Heads of Service, Cabinet and the Audit Committee. These reports are public and are part of a range of statutory and non-statutory financial information documents including the Statement of Accounts.

14 Support Services (Legal, Finance, HR, ICT, BPU)

This report has no specific impact on support services other than reporting on those service areas financial outturns. Financial Services work closely with all service areas in monitoring financial performance against budgets.

15 Scrutiny

Has this report been scrutinised? Yes / No

16 Data Protection

If the proposal involves the processing of personal data then the Data Protection Officer must be consulted and their comments set out below.

17 Statutory Officers

The Head of Financial Services (Deputy Section 151 Officer) has provided the following comment:

The position projected at the end of July reports a higher level of projected expenditure than that reported for June and although some assurance has been provided that savings for some Directorates will be delivered the overall position remains in an overspend position.

The Council has made a significant level of investment into social care services in Powys. The additional funding provided budget to support the increased level of demand experienced in both service areas and also funded the detailed plans for improvement. Demand within Children's services continues and placement costs are already exceeding the increased level of budget. This continues to be an area of financial risk for the Council.

Assurance received that further savings will be delivered is reassuring, however the outstanding savings removed from the base budget within children's services remain an issue, further consideration of these will to be taken through the budget process, any change in this requirement will add to the savings gap for 2019/20.

Some of the factors which led to an improved outturn position last year arose from within the organisation, it is crucial that the forecasting of income and potential underspends are reported more readily as the year progresses to avoid significant fluctuations at year end.

The use of reserves to fund the projected overspend is significant and although the projected year end balance for general fund reserves is in line with policy it would be at the lower level of acceptability.

School budgets particularly those within the secondary sector, remain a risk that needs to be addressed, compliance work and action is crucial to ensure that this is managed effectively.

The Monitoring Officer has no specific concerns with this report.

17 Members' Interests

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:		Reason for Recommendation:	
a. The contents of this report are noted b. The virements and grants are approved and accepted in para 6.1		To monitor the council's financial performance and ensure that spending remains within approved limits and that the 3% minimum general fund reserve is maintained.	
Relevant Policy (ies):		Financial Regulations	
Within policy:	Yes	Within Budget:	n/a
Relevant Local Member(s):			
Person(s) To Implement Decision:		Jane Thomas	
Date By When Decision To Be Implemented:		Ongoing	
Contact Officer	Tel	E mail	
Jane Thomas	01597 827789	jane.thomas@powys.gov.uk	

APPENDIX A

Forecast Outturn and Undelivered Savings as at 31st July 2018

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 31st July 2018	Service Under/(Over) spend excl. unachieved savings	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
		£'000	£'000	£'000	£'000	%	
Social Services							
Adult & Commissioning	65,824	64,768	1,056	(922)	1,978	1.6	B
Children Services	18,503	23,779	(5,276)	(2,298)	(2,978)	(28.5)	R
Environment							
Regeneration	1,327	1,311	16	0	16	1.2	B
Property Planning and Public Protection	7,129	7,001	128	(182)	310	1.8	B
Housing General Fund	946	945	1	(4)	5	0.1	G
Highways, Transport & Recycling	21,246	23,310	(2,064)	(1,455)	(609)	(9.7)	R
Schools							
Schools Service	27,235	27,448	(213)	(543)	330	(0.8)	G
Leisure & Recreation	8,786	8,694	92	(87)	179	1.0	B
Resources							
Business Services	6,622	6,540	82	(97)	179	1.2	B
Information Services	4,125	4,058	67	0	67	1.6	B
Legal Services	3,066	3,035	31	0	31	1.0	B
Financial Services	1,892	1,869	23	0	23	1.2	B
Workforce, OD and Comms	2,432	2,571	(139)	(157)	18	(5.7)	R
Service Area Totals	169,133	175,329	(6,196)	(5,745)	(451)	(3.7)	
Central Activities	2,584	3,892	(1,308)	(1,963)	655	(50.6)	R
Total	171,717	179,221	(7,504)	(7,708)	204	(4.4)	
Housing Revenue Account (HRA)	0	(2)	2	0	2	0.0	G
Schools Delegated	75,287	75,418	(131)	0	(131)	(0.2)	G
Total including HRA	247,004	254,637	(7,633)	(7,708)	75	(7,708)	

EFFICIENCY TRACKER AS AT 31st JULY 2018

APPENDIX B

Efficiency / Saving	2015/16	2016/17	2017/18	2018/19	Total to be Achieved 18/19	Total Achieved to Date	Remainder to find	Achieved
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	%
Environment								
Highways Transport & Recycling	0	0	270	1,923	2,194	739	1,455	34%
Regeneration & Economic Development	0	0	0	100	100	100	0	100%
Property, Planning & Public Protection	0	0	31	272	303	122	182	40%
Housing	0	0	0	86	86	82	4	96%
Environment	0	0	302	2,381	2,683	1,042	1,641	39%
Schools								
Schools	158	0	49	1,376	1,583	1,040	543	66%
Leisure & Recreation	0	0	0	709	709	623	87	88%
Schools	158	0	49	2,085	2,292	1,662	630	73%
Social Services								
Adult	0	0	0	1,432	1,432	509	922	36%
Children Services	0	1	1,101	1,197	2,298	0	2,298	0%
Social Services	0	1	1,101	2,629	3,730	509	3,221	14%
Chief Executives								
Workforce, OD & Comms	0	0	0	107	107	0	107	0%
Legal	0	0	0	61	61	61	0	100%
Chief Executives	0	0	0	168	168	61	107	37%
Resources								
Business Services	0	0	92	623	715	618	97	86%
Information Services	0	0	32	323	354	354	0	100%
Financial Services	0	0	0	303	303	303	0	100%
Human Resources	0	0	0	50	50	0	50	0%
Corporate Activities	999	320	400	281	2,001	38	1,963	2%
Resources	999	320	524	1,580	3,424	1,313	2,111	38%
Grand Total	1,157	321	1,975	8,843	12,296	4,588	7,708	37%

RESERVES BALANCES AS AT 31ST JULY

APPENDIX C

Summary	Opening Balance (1st April 18) Surplus / (Deficit)	Forecast Addition / (Use) of Reserves	Forecast (Over) / Under Spend	Projected Balance (31st March 19) Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
General Fund	9,680	57	(4,917)	4,820
	9,680	57	(4,917)	4,820
Ringfenced & Specific Reserves				
Budget Management Reserve	3,584	0		3,584
Specific Reserves	2,356	50		2,406
21st Century Schools Reserve	5,524	(5,000)		524
Adult Services Reserve	2,750	(2,000)		750
Regeneration Reserve	100	0		100
HOWPS	185	0		185
Mid Wales Growth Fund	150	0		150
Highways Reserve	57	(57)		0
Invest to Save & Corporate Initiatives (inc J	5,830	(858)		4,972
Insurance Reserve	1,587	0		1,587
Transport & Equipment Funding Reserve	6,163	(2,082)		4,081
Sub-Total	28,286	(9,947)	0	18,339
Schools Delegated Reserves	(693)	(1,651)	(131)	(2,475)
School Loans & Other Items	(185)	7		(178)
Net School Delegated Reserves	(878)	(1,644)	(131)	(2,653)
Total Ringfenced & Specific Reserves	27,408	(11,591)	(131)	15,686
Housing Revenue Account	3,267	212	2	3,481
	3,267	212	2	3,481
Total Revenue Reserves	40,355	(11,322)	(5,046)	23,987

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

CYNGOR SIR POWYS COUNTY COUNCIL.**CABINET EXECUTIVE
Date 18th September 2018****REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance****SUBJECT: Capital Programme Update for the period to 31st July 2018**

REPORT FOR: Decision / Discussion / Information

1. Summary

- 1.1 The Capital Governance Framework identifies multiple points within a project's life cycle where decisions have to be made to progress. These decisions vary from approval of options for further analysis, to final investment decisions and change control.

This monthly Capital report on the status of all projects within the Capital strategy is an integral part of the Governance Framework for Capital development works. It ensures that stakeholders are engaged in evaluation and decision making and encourages a disciplined governance that includes approval gateways at which prudence, affordability and sustainability are reviewed.

- 1.2 The Revised working budget for the 2018/19 Capital Programme, after accounting for approved virements, is £123.396m (The Original budget was £87.703m). The Increase in budget is largely due to virements from previous year's programme that have lapsed into 2018/19.
- 1.3 The actual spend to the end of July is £12.758m and a further £36.210m has been committed.
- 1.4 Table 1 below summarises the position for each portfolio and service.

Table 1 Capital Table as at 31st July 2018

Service	Original Budget	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2018/19 as at 31st July 2018 after virements	Actuals	Commitments	Actuals & Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
People										
Adult Services & Commissioning	819	502	0	0	1,321	53	210	263	1,058	80.1%
Childrens Services	0	61	0	0	61	-211	216	5	56	91.8%
Schools and Inclusion	39,367	5,780	0	0	45,147	3,022	23,038	26,060	19,087	42.3%
Leisure & Recreation	3,357	5,783	0	0	9,140	1,971	1,549	3,520	5,620	61.5%
Workforce, OD and Comms	0	0	0	0	0	0	0	0	0	
Resources										
Business Services	0	298	0	0	298	18	53	71	227	76.2%
Information Services	1,610	947	0	0	2,557	63	199	262	2,295	89.8%
Legal Services	0	19	0	0	19	0	0	0	19	100.0%
Financial Services	578	-378	0	0	200	0	0	0	200	100.0%
Corporate Activities	0	0	0	0	0	0	0	0	0	
Place										
Highways, Transport & Recycling	16,380	7,771	278	0	24,429	3,932	1,301	5,233	19,196	78.6%
Regeneration	380	286	0	0	666	14	59	73	593	89.0%
Housing	1,825	1,029	0	0	2,854	485	773	1,258	1,596	55.9%
Property, Planning And Public Protection	3,248	2,077	-278	0	5,047	174	748	922	4,125	81.7%
Total Capital	67,564	24,175	0	0	91,739	9,521	28,146	37,667	54,072	58.9%
Housing Revenue Account	20,139	13,308	0	-1,790	31,657	3,237	8,064	11,301	20,356	64.3%
TOTAL	87,703	37,483	0	-1,790	123,396	12,758	36,210	48,968	74,428	60.3%

1.5 The funding of the capital programme is shown in Table 2. It has been revised from the original budget of £87.703m to £123.396m as at 31st July 2018 to reflect virements and re-profiling of the capital programme. This matches the projected expenditure to ensure a balanced budget

1.6 Table 2 Funding of the Capital Budget as at 31st July 2018

Revised Working Budget 2018/19 as at 31st May 2018 (after virements approved and required)						
Funding Source	Supported Borrowing £'000	Prudential Borrowing £'000	Grants £'000	Revenue Contributions To Capital £'000	Capital Receipts £'000	Total £'000
Council Fund	-16,731	-34,126	-24,039	-12,037	-4,806	-91,739
HRA	0	-19,847	-6,191	-5,085	-534	-31,657
Total	-16,401	-53,973	-30,230	-17,122	-5,340	-123,396

2. Proposal

- 2.1 That Cabinet will note the contents of this report and approve all virements and request for new funding herein.
- 2.2 A virement is requested to allocate the sum of £278k from the Property, Planning And Public Protection programme to the Highways, Transport and

Recycling programme. This is a contribution from Property Services to Waste Services in respect of Abermule Business Park.

- 2.3 A new virement is requested to transfer £1,790k from 2018/19 to 2019/20. This relates to the Welsh Housing Quality Standards (WHQS) review within HRA, and is no longer required in the current financial year. This virement therefore seeks to reprofile the spending plan within the 5 year strategy. It has no effect on the WHQS review.

3. Options Considered / Available

- 3.1 N/A

4. Preferred Choice and Reasons

- 4.1 N/A

5. Impact Assessment

- 5.1 Is an impact assessment required? Yes/No

6. Corporate Improvement Plan

- 6.1 To achieve the Corporate Improvement Plan (CIP) objectives the Council undertakes forward planning with its medium term financial strategy (MTFS) - this sets out the financial requirements to deliver the short and longer term council vision. These capital and revenue monitoring reports, are used to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

7. Local Member(s)

- 7.1 This report relates to all service areas across the whole County.

8. Other Front Line Services

- 8.1 This report relates to all service areas across the whole County

9. Communications

Have Communications seen a copy of this report? Yes/No

Have they made a comment? If Yes insert here.

10. Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)

- 10.1 This report has no specific impact on support services other than reporting on those service areas with capital programmes. Financial

Services work closely with all service areas in monitoring financial performance on capital programmes against budgets.

10.2 **Finance**

This monthly Capital report on the status of all projects within the Capital strategy is an integral part of the Governance Framework for Capital development works.

The virements requested are to align the actual works expected to be done in the current financial year to the funding required to finance such Capital works. This is a prudent approach to ensure that the Council only makes available what is required to finance the Capital expenditure. There are no exceptional financial implications to be reported at this time.

11. **Scrutiny**

11.1 Has this report been scrutinised? Yes / No?

12. **Data Protection**

N/A

13. **Statutory Officers**

The Head of Financial Services & Deputy Section 151 Officer notes the contents in the report.

The Deputy Monitoring Officer notes the content of the report and makes no specific comment upon the same.

14. **Members' Interests**

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest, they should declare it at the start of the meeting and complete the relevant notification form.

15. **Future Status of the Report**

Members are invited to consider the future status of this report and whether it can be made available to the press and public either immediately following the meeting or at some specified point in the future.

Recommendation:	Reason for Recommendation:
a. The contents of this report	To outline the capital budget position as

<p>are noted by Cabinet.</p> <p>b. That Cabinet approves the virements proposed in section 2.2 of this report.</p> <p>c. That Cabinet approves the virement in section 2.3 and recommends it to Council for approval.</p>	<p>at 31st July 2018.</p> <p>To ensure appropriate virements, if any, are carried out to align budgets with spending plans.</p>
---	---

Relevant Policy (ies):			
Within Policy:	Y / N	Within Budget:	Y / N

Relevant Local Member(s):	
----------------------------------	--

Person(s) To Implement Decision:	
Date By When Decision To Be Implemented:	

Is a review of the impact of the decision required?	Y / N
If yes, date of review	
Person responsible for the review	
Date review to be presented to Portfolio Holder/ Cabinet for information or further action	

<p>Contact Officer: Jane Thomas Tel: 01597-826290 Email: jane.thomas@powyscc.gov.uk</p>

Background Papers used to prepare Report:

CABINET REPORT TEMPLATE VERSION 6

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol



Powys County Council

Internal Audit Activity 2018/19

1st April 2018 to 31st July 2018

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox

Chief Executive - SWAP

Tel: 01935 462371

gerry.cox@swapaudit.co.uk

Ian Baker

Director of Quality

Tel: 07917 628774

ian.baker@swapaudit.co.uk

Ian Halstead

Assistant Director

Tel: 01597 826821

ian.halstead@swapaudit.co.uk

Summary

Role of Internal Audit	Page 1
Overview of Internal Audit Activity	Page 2

Internal Audit Work Plan 2018-19

Summary Audit Plan progress	Pages 3 - 6
Conclusion	Page 7

Appendices

Appendix A - Audit Plan Progress 2017-18	Pages 8 – 17
Assurance Definitions	Page 17

Our audit activity is split between:

- **Corporate Priorities**
- **Healthy Organisation Principles**

See appendix A for individual audits.

Role of Internal Audit

The Internal Audit service for Powys County Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and is also guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The work of the Partnership is also guided by the 'Internal Audit Charter' that was approved in April 2018.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work is categorised as:

- Services Deliver for Less
- Supporting People in the Community
- Developing the Economy
- Improving Learner outcomes for all

Alongside audit work specifically designed to support the delivery of these outcomes, we have also developed our audit plan to provide assurance that the council operates as a 'Healthy Organisation'. The eight key areas are:

- Corporate Governance
- Financial Management
- Risk Management
- Performance Management
- Commissioning and Procurement
- Information Management
- Programme & Project Management
- People and Asset Management

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. The audit reviews included within the plan relate to those areas highlighted as key corporate risks, reviews specifically requested by Senior Management, or areas that SWAP has identified as potential emerging risks for the Authority.

This is approved by the Section 151 Officer following consultation with Members of the Executive Management Team. This year's (2018/19) Plan was presented to this Committee on 27th April 2018.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk. It is important that Members are aware of the status of audits as this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

The summary of the Annual Plan for 2018/19 given overleaf highlights progress to date. Based on the findings of each review, an overall control assurance is offered.

The detailed progress of each audit is attached in appendix A.

Summary of Audit Assignments
by Delivery Status

Audit Plan Progress

1. Corporate Plan- Delivering Services for Less	
▪ Completed	0
▪ Draft / Discussion	0
▪ In Progress	1
▪ Audit Initiation	0
▪ Not Started	2
2. Corporate Plan – Supporting People in the Community	
▪ Completed	2
▪ Draft / Discussion	1
▪ In Progress	5
▪ Audit Initiation	2
▪ Not Started	1
3. Corporate Plan – Developing the Economy	
▪ Completed	0
▪ Draft / Discussion	0
▪ In Progress	0
▪ Audit Initiation	0
▪ Not Started	2

Tudalen 281

Tudalen 282

Summary of Audit Assignments by Delivery Status

Audit Plan Progress - Continued

4. Corporate Plan – Improved Learner Outcomes	
▪ Completed	8
▪ Draft / Discussion	0
▪ In Progress	4
▪ Audit Initiation	2
▪ Not Started	5
5. Healthy Organisation - Corporate Governance	
▪ Completed	1
▪ Draft / Discussion	1
▪ In Progress	0
▪ Audit Initiation	0
▪ Not Started	2
6. Healthy Organisation - Financial Management	
▪ Completed	1
▪ Draft / Discussion	1
▪ In Progress	4
▪ Audit Initiation	0
▪ Not started	5

Tudalen 283

Summary of Audit Assignments by Delivery Status

Audit Plan Progress - Continued

7. Healthy Organisation – Risk Management	
▪ Completed	0
▪ Draft / Discussion	0
▪ In Progress	0
▪ Audit Initiation	0
▪ Not Started	1
8. Healthy Organisation – Performance Management	
▪ Completed	0
▪ Draft / Discussion	1
▪ In Progress	0
▪ Audit Initiation	0
▪ Not Started	0
9. Healthy Organisation – Commissioning & Procurement	
▪ Completed	0
▪ Draft / Discussion	2
▪ In Progress	0
▪ Audit Initiation	0
▪ Not Started	3

Tudalen 284

Summary of Audit Assignments by Delivery Status

Audit Plan Progress - Continued

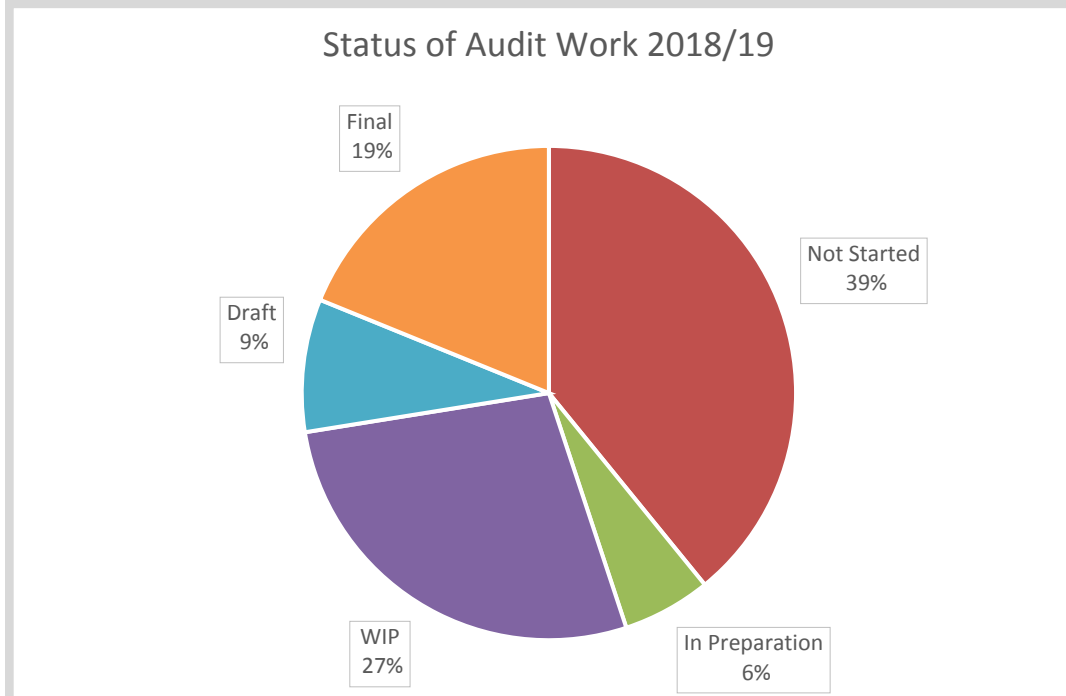
10. Healthy Organisation – Information Management	
▪ Completed	0
▪ Draft / Discussion	0
▪ In Progress	3
▪ Audit Initiation	0
▪ Not Started	2
11. Healthy Organisation – Programme and Project Management	
▪ Completed	0
▪ Draft / Discussion	0
▪ In Progress	0
▪ Audit Initiation	0
▪ Not Started	1
12. Healthy Organisation – People and Asset Management	
▪ Completed	1
▪ Draft / Discussion	0
▪ In Progress	2
▪ Audit Initiation	0
▪ Not Started	3

Summary of plan delivery position

Conclusion

The report be noted.

The pie Chart below illustrates the position in terms of the overall status of assignments:



The Internal audit plan for 2018/19 is on track for delivery.

Tudalen 285

AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED START	STATUS	OPINION	RECOMMENDATIONS		
							Pr 1	Pr 2	Pr 3

SERVICES DELIVERED FOR LESS

*Management	Project management	Governance, Fraud & Corruption	Projects Benefits Realisation	April 2018	Not Started				
*Adult care services	Supporting adults	Operational	Social Care Financial Recovery Plan	July 2018	Not Started				
*Finance	Financial transactions management	Governance, Fraud & Corruption	National Anti-Fraud Initiative	April 2018	WIP				

SUPPORTING PEOPLE IN THE COMMUNITY

*Adult care services	Supporting adults	Operational	Contractor Payment Monitoring	April 2018	Draft				
*Children and families services	Supporting children	Operational	Children Services-Agency Payments	Jul-18	In Preparation				
*Adult care services	Supporting adults	Grant Certification	Supporting People Grant 18/19 PCC	January 2019	WIP				
*Finance	Accounts and audit	Grant Certification	Grant Certification - Travellers Grant	April 2018	WIP				

Tudalen 286

AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED	STATUS	OPINION	RECOMMENDATIONS		
							Pr 1	Pr 2	Pr 3
*Housing	Managing tenancies	Operational	Housing Rent System - PCC	October 2018	WIP				
*Housing	Housing stock	Operational	Housing Repairs and Maintenance	October 2018	WIP				
*Children and families services	Supporting children	Grant Certification	Grant Certification - NTSB Grant 2017/8	April 2018	Final				
*Adult care services	Supporting adults	Operational	Brokerage	July 2018	WIP				
*Adult care services	Supporting disabilities	Operational	Direct Payments	July 2018	In Preparation				
*Adult care services	Carers	Operational	Safer Recruitment	October 2018	Not Started				
*Housing	Managing tenancies	Grant Certification	Enable Grant 17/18	June 2018	Final				

DEVELOPING THE ECONOMY

*Management	Preparing business	Operational	Partnership and Collaboration - Follow up	October 2018	Not Started				
-------------	--------------------	-------------	---	--------------	-------------	--	--	--	--

AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED	STATUS	OPINION	RECOMMENDATIONS		
							Pr 1	Pr 2	Pr 3
*Procurement	Contracting	Operational	Supply Chains DO NOT USE	September 2018	Not started				

IMPROVING LEARNER OUTCOMES

*Education and skills	Management of schools	School	Llanfyllin High School 18/19	October 2018	WIP				
*Education and skills	Management of schools	School	Crickhowell High School	January 2019	Final	Partial	3	3	0
*Education and skills	Management of schools	School	Llandrindod High School	July 2018	Final		No Opinion		
*Education and skills	Management of schools	School	Ysgol Llanerfyl 18/19	July 2018	In Preparation				
*Education and skills	Management of schools	School	Ysgol Pontrobert 18/19	July 2018	Final	Reasonable	0	1	4
*Education and skills	Management of schools	Special Investigation	Llanfyllin Primary School 18/19	November 2018	WIP				
*Education and skills	Management of schools	School	Leighton C.P 18/19	July 2018	Final	Reasonable	0	0	1

Tudalen 288

AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED	STATUS	OPINION	RECOMMENDATIONS		
							Pr 1	Pr 2	Pr 3
*Education and skills	Management of schools	School	Ysgol Cedewain	October 2018	In Preparation				
*Education and skills	Management of schools	School	Guilsfield CP	Apr-18	Final	Reasonable	0	1	3
*Education and skills	Management of schools	School	Mount Street CP	Apr-18	Final	Reasonable	0	1	5
*Education and skills	Management of schools	School	Llanfaes CP	Apr-18	Final	Reasonable	0	2	0
*Education and skills	Management of schools	School	Primary School (TBA)x 2	Jan-19	Not Started				
*Education and skills	Management of schools	School	School Theme - Property and Health and Safety PCC	January 2019	Not Started				
*Education and skills	Management of schools	School	School Theme - Financial Administration PCC	July 2018	Preparation				
*Education and skills	Management of schools	School	School Funding Formula	Oct-18	Not Started				
*Children and families services	Supporting children	Grant Certification	Welsh Gov -18/19 - EIG & PDG Q1	April 2018	WIP				

AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED	STATUS	OPINION	RECOMMENDATIONS		
							Pr 1	Pr 2	Pr 3
*Children and families services	Supporting children	Grant Certification	Welsh Gov - 18/19 - EIG & PDG Q2	July 2018	WIP				
*Children and families services	Supporting children	Grant Certification	Welsh Gov - Schools - EIG & PDG Q4	January 2019	Not Started				
*Children and families services	Supporting children	Grant Certification	Welsh Gov - Schools - EIG & PDG Q3	October 2018	Not Started				

CORPORATE GOVERNANCE

* Healthy Organisation	Governance Framework	Governance, Fraud & Corruption	Healthy Organisation Review 18/19 PCC	April 2018	Not Started				
*Client Support	Follow Up Contingency	Follow Up	Follow Up Audits	April 2018	Not Started				
*Information	Information Security Management	Follow Up	General Data Protection Regulations Follow Up - PCC	April 2018	Final				
*Finance	Accounts and audit	Governance, Fraud & Corruption	Serious and Organised Crime Audit	January 2019	Draft				

AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED	STATUS	OPINION	RECOMMENDATIONS		
							Pr 1	Pr 2	Pr 3

FINANCIAL MANAGEMENT

*Finance	Capital Accounting / Asset Management	Governance, Fraud & Corruption	Capital Accounting	October 2018	Not Started				
*Finance	Payroll and pensions	Governance, Fraud & Corruption	Payroll	October 2018	Not Started				
*Finance	General Ledger / Main Accounting	Governance, Fraud & Corruption	Main Accounting - PCC	July 2018	Not Started				
*Finance	Accounts Receivable	Key Control	Debtors- Credit Notes 18/19- PCC	April 2018	WIP				
*Finance	Financial provisions management	Governance, Fraud & Corruption	PCC - Budgeting 18/19	October 2018	WIP				
*Education and skills	Management of schools	School	Schools - Cashless Systems	July 2018	Not started				
*Finance	Financial transactions management	Operational	Income Generation	July 2018	Not Started				
*Management	Project management	Operational	Members Expenses	April 2018	Draft				
*Finance	Payroll and pensions	Key Control	Travel Allowances	October 2018	WIP				

Tudalen 291



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED	STATUS	OPINION	RECOMMENDATIONS		
							Pr 1	Pr 2	Pr 3

FINANCIAL MANAGEMENT

*Finance	Accounts Receivable	Operational	Debtors System	May 2018	Final	Reasonable	0	2	6
*Finance	Payroll and pensions	Special Investigation	Travel Expenses Follow Up Investigation	September 2018	WIP				

RISK and PERFORMANCE MANAGEMENT

*Risk management	Risk Management	Governance, Fraud & Corruption	Risk Management 18/19 - Follow Up PCC	January 2019	Not Started				
*Management	Quality and performance	Governance, Fraud & Corruption	Performance Management 18/19 - PCC	January 2019	Draft				

AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED	STATUS	OPINION	RECOMMENDATIONS		
							Pr 1	Pr 2	Pr 3

COMMISSIONING and PROCUREMENT

*Procurement	Tendering	Operational	Commissioning - Options Appraisal / Decommissioning	April 2018	Not started				
*Procurement	Contracting	Operational	Commercial Services - Follow up	July 2018	Not Started				
*Procurement	Contracting	Operational	Section 33	Apr-18	Draft				
*Procurement	Contracting	Operational	HOWPS Contract Management	October 2018	Not Started				
*Procurement	Contracting	Operational	Freedom Leisure Contract Management	October 2018	Draft				

Tudalen 293

INFORMATION MANAGEMENT

*Information	Information Security Management	ICT	Software Licensing - 18/19 PCC	July 2018	WIP				
*Information	Information Security Management	ICT	End Point Security - 18/19 PCC		WIP				

AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED	STATUS	OPINION	RECOMMENDATIONS		
							Pr 1	Pr 2	Pr 3
*Information	System support	ICT	Change Control	April 2018	Not started				
*Information	Asset and Configuration Management	ICT	ICT Procurement	July 2018	WIP				
*Information	Strategy and Governance	ICT	Crisis Management	April 2018	Not started				

PROGRAMME and PROJECT MANAGEMENT

*Management	Project Management	Governance, Fraud & Corruption	Project Governance Arrangements	October 2018	Not started				
-------------	--------------------	--------------------------------	---------------------------------	--------------	-------------	--	--	--	--

PEOPLE and ASSET MANAGEMENT

*Human resources	Administering employees	Operational	Sickness Management 2018	April 2018	WIP				
*Human resources	Workforce planning		Workforce Planning 18/19 PCC	July 2018	Not Started				
*Human resources	Training	Operational	Role of the Powys Manager	April 2018	WIP				
*Human resources	Administering employees	Operational	Voluntary Severance	October 2018	Not Started				

*Health and safety	Monitoring	Operational	Corporate Health and Safety	July 2018	Not Started				
*Finance	Financial transactions management	Special Investigation	Highways Transaction Investigation	May 2018	Final				

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Mae'r dudalen hon wedi'i gadael yn wag yn fwiadol



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Project Brief – Review of **Powys County Council's** Organisational Transformation and Efficiency Savings Programmes

Audit year: 2018-19

Date issued: June 2018

Document reference: 628A2018-19

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

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

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

infoofficer@audit.wales.

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

This document was produced by Jeremy Evans, Adam Marshall, Alison Lewis and Gareth W. Lewis.

Contents

Project brief

Background	4
Legislative basis for the review	4
Purpose of the review	5
Focus of the review	5
Method	5
Main review questions	6
Output	6
Timetable	6
Wales Audit Office contacts	7

Appendices

Appendix 1 – fieldwork schedule	8
Appendix 2 – document requests	9

Project brief

Background

- 1 As part of our 2016-17 performance audit programme, we included a project entitled 'Aligning the Levers of Change'. The purpose of this project was to find out how well councils were addressing current challenges and managing change. The review helped councils promote what was working well, identify barriers and develop local improvement opportunities.
- 2 In Powys County Council (the Council), we looked at the governance of the Council's transformation programme by holding facilitated discussions with the Cabinet; the Chairs and Vice Chairs of the Council's scrutiny committees; and the Chair and Vice Chair of the Council's Audit Committee.
- 3 In November 2017, we presented our findings from the facilitated discussions to the Cabinet and the Council. We found that the Council had a clear and ambitious vision and framework for significant change. However, given the ambition and pace of the Council's service change programme, there was significant scope for the Council to strengthen its governance arrangements.
- 4 We asked the Council to consider how to respond to the key observations that we made in order to drive change, with pace, to achieve common goals. The Council has incorporated its response to our observations into its wider Corporate Leadership and Governance Plan 2017-2020 (Vision 2025: Making It Happen).
- 5 Since our work in November 2017, the Council has further recognised the need for transformative organisational change at pace. A report to the Council's Improvement Assurance Board¹ stated that the Council had approved a balanced budget for 2018-19, using one-off funding sources and technical financial adjustments. The Council are aware that the use of one-off funding sources is not sustainable and that 'the Council in its current form is no longer sustainable'.
- 6 The Council needs to identify savings to address a significant financial gap for its 2019-20 budget and deliver them by the end of March 2020. The Council will be required to identify further substantial reductions in the following years to 2022-23. The report goes on to say, 'the seriousness and scale of the challenge [for the Council] is unprecedented and significant transformational change is required to be delivered at pace'.

Legislative basis for the review

- 7 This project is designed to help discharge the Auditor General's duties under section 18 of the Local Government (Wales) Measure 2009 and section 17 of the Public Audit (Wales) Act 2004. It will also inform the examination undertaken by the

¹ Powys County Council, 25 April 2018, [Overview of the Council's Financial Position Report for the Council's Improvement Assurance Board, updated 14th June 2018, authored by the Head of Financial Services.](#)

Auditor General under section 15 of the Wellbeing of Future Generations Act (Wales) 2015.

Purpose of the review

- 8 The purpose of this review is to provide insight into how effectively the Council is managing its organisational transformation and efficiency savings programme to deliver the Council's vision and generate savings, and gain assurance that the Council is taking action on the observations from the earlier review of 'Aligning the Levers of Change'.

Focus of the review

- 9 The review will focus on the Council's approach to its organisational transformation programme and the delivery of the associated efficiency savings identified in its medium term financial plan. We will seek assurance that the approach and the Council's actions support the five ways of working set out in the Well-being of Future Generations (Wales) Act 2015. We will also seek to understand what action the Council has taken in response to the earlier work on 'Aligning the Levers of Change' and answer the question 'Is the Council effectively planning its approach to its transformation programme and the delivery of associated savings?'

Method

- 10 By reviewing relevant documentation and holding workshops and interviews with key staff and councillors, we will review the governance and delivery arrangements for the transformation programme and its associated savings. We will also assess what progress the Council has made in moving towards its Powys 2025 vision since our last review.

Main review questions

Exhibit 1: main review questions

The table below sets out the main questions we will seek to answer in undertaking this review.

Level 1
Is the Council effectively planning its approach to its organisational transformation programme and the delivery of associated savings?
Level 2
Has the Council outlined a strategic vision of where it wants to be?
Has the Council effectively identified the scale of transformation required?
Has the Council determined how it will achieve its organisational transformation and efficiency savings programme?
Has the Council identified how it will engage people in the transformation and efficiency savings programme?
Has the Council established how it will monitor and evaluate the transformation and efficiency savings programme?

Output

- 11 The format of the output from the review will be agreed with the Council as the project progresses. Any output will set out our findings, identifying areas for action and, where applicable, proposals for improvement.

Timetable

Exhibit 2: timetable

The table below sets out a proposed timetable for the review at Powys County Council.

Proposed timetable	
Project brief issued	June 2018
Fieldwork: document review, interviews and workshops with officers and councillors	July – September 2018
Report issued	December 2018

Wales Audit Office contacts

Exhibit 3: Wales Audit Office contacts

The table below sets out the Wales Audit Office team that will be working on this review at Powys County Council.

Name	Contact details
Performance Audit Director	Huw Rees Huw.Rees@audit.wales 02920 320599
Performance Audit Manager	Jeremy Evans Jeremy.Evans@audit.wales 07825 052861
Performance Audit Lead	Adam Marshall Adam.Marshall@audit.wales 02920 320623 or 07989 449661
Performance Audit Lead	Alison Lewis Alison.Lewis@audit.wales 02920 829314 or 07773 193217
Performance Auditor	Gareth Lewis Gareth.Lewis2@audit.wales 02920 829325 or 07710 063730

Appendix 1

Fieldwork schedule

Interviews

Exhibit 4: interviewees

The table below sets out the initial list of people we would like to interview as part of this review.

Name	Title
Cllr Rosemary Harries	Leader
Cllr Aled Davies	Cabinet Member for Finance
Mohammed Mehmet	Acting Chief Executive
David Powell / Jane Thomas	Financial Services
Mark Evans	Lead officer for transformation
Emma Palmer	Head of Performance

Workshops

Exhibit 5: workshops

The table below sets out the initial list of workshops we would like to run with officers and councillors as part of this review.

Workshops
Cabinet
Senior Leadership Team
Making it Happen Board Members
Officers leading on transformation projects
Heads of Service

Appendix 2

Document Request

Prior to on-site interviews and observations, we will undertake a review of transformation and budget related documents. These are identified below. However, we would be grateful if you could supply us with any additional documents, which you feel may be relevant to our work in this area. The list is not exhaustive and requests for additional documents may be made during the course of the review. Where documents in the list below are publicly available on the Council's website, please direct us to where we can find them.

Exhibit 6: the table below sets out the documents we would like to request initially as part of this review

Document title
<ul style="list-style-type: none">• Documents relating to establishing the future vision for Powys County Council (when available)• Council's Improvement Plan/Corporate Plan 2018-19• Council's Medium Term Financial Plan (when available – due end May 2018)• The governance/organisational structure for delivery of the transformation programme• Up to date documentation related to the transformation programme including a communications plan (if available)• Agenda, minutes and reports to Improvement Assurance Board• Agenda and minutes of the Making it Happen Board• Project initiation documents/project plans for transformation projects• Any evaluation reports on the delivery of the transformation programme• Any internal audit reviews/outputs into the transformation programme or individual work streams/projects• Performance information in respect of the transformation programme• Any action plans developed in response to the earlier 'Aligning the Levers of Change' work• Budget monitoring reports• Corporate Risk Register

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

CYNGOR SIR POWYS COUNTY COUNCIL**AUDIT COMMITTEE**12th September 2018**REPORT AUTHOR:** Stephen Caple, Deputy Head of Financial Services**SUBJECT:** Update on New Finance System

REPORT FOR: Information

- 1.1. This report briefly outlines the rationale for the new finance system project, the progress made to date, and the key next steps.

2. Background

- 2.1. Powys County Council are required to make significant savings whilst maintaining and improving the services provided. In order to achieve this overarching objective the supporting ICT systems we are using must be both fit for purpose and cost effective.
- 2.2. Timely and insightful financial information is critical in supporting decision making and monitoring the financial position of the authority. Moreover, an efficient financial system should require minimal manual intervention in producing the required information and reports.
- 2.3. The finance system is fundamental to the central hub of systems with integrations with other key services such as HR, Payroll and Revenues & Benefits. Historically integration of these systems, and the efficient transfer of data, has been problematic. As a result, a lot of officer time is taken reconciling data between systems and correcting errors. In many cases significant manual intervention and manipulation is required to produce insightful and useable financial information and reports.
- 2.4. Finance systems in local authorities are under pressure to constantly adapt and evolve to meet the increasing requirements of stakeholders and to keep pace with technological advancements. Improved budget management and process streamlining are two fundamental requirements in the current financial climate. Additionally, statutory reporting requirements, such as HMRC's 'making tax digital' initiative, are adding to the demands placed on financial systems.
- 2.5. As the organisation transforms the way it delivers services the new finance systems need to have the functionality and flexibility to meet the changing needs of the end user.

- 2.6. Powys County Council's current Finance solution consists of two core systems E-financials and E-procurement, both products of Advanced Business Solutions (ABS). Support for the current version (version 4.1) of the software has been negotiated and extended until March 2019. This version will no longer be supported after this date.
- 2.7. Procurement rules state that when a contract end date approaches, the market place must be tested to ensure best quality and value.
- 2.8. The key principles driving the implementation of the new finance system are to:
 - Increase the efficiency of producing accurate and timely financial information by eliminating manual workarounds and automating tasks and transactions where appropriate
 - Enable staff to undertake routine processes in a joined up, simplified manner, without the need for expert financial knowledge.
 - Develop seamless integrations to enable data to be transferred with fluidity allowing business processes to run smoothly
 - Encompass current core financial requirements whilst building a specification to meet future business needs
- 2.9. The new system is fully aligned with the 'Making it happen' objectives as described in the Vision 2025 document.

3. Progress to Date

- 3.1. Following a rigorous procurement exercise, in conjunction with other local authorities, Advanced Business Solutions (ABS) have been awarded the contract to implement, host and support the new financial system for Powys County Council for the next 5 years.
- 3.2. The new finance system will no longer be provided 'in-house' but instead will be hosted externally by the supplier. This is aligned with the ICT 'Cloud First' strategy. Investment in the current IT infrastructure, and expertise, would be required by Powys County Council to enable us to host the updated version of the software 'in-house'.
- 3.3. The project board has been meeting on a monthly basis and includes representatives from all directorates. Whilst this project is to replace the financial system it is not an independent finance project and needs to be driven by the service area leads.
- 3.4. The implementation phase of the process is underway and a go-live date of April 2019 is being targeted. An indication of the work that has been completed to date is outlined below:
 - Tender process and evaluation completed and contract awarded

- Work streams and work stream leads agreed and initiation meetings held
- Stakeholder feedback event and online surveys conducted and responses reviewed
- Initiation meeting held with ABS project team
- Integration/ interface workshop held with ABS
- Data purge workshop held with ABS – the decision on what data to retain and where it will be retained is still to be decided
- Review of chart of accounts underway

4. **Next Steps**

- 4.1. A more detailed project plan and scope document is currently being developed with the ABS project team.
- 4.2. Further workshops are scheduled with ABS over the next few weeks including:
- Procure to Pay
 - Accounts Receivable
 - General Ledger reporting
- 4.3. As the tender process is now complete it is appropriate to begin communication with the wider organisation. A communications strategy is being developed. We will use a number of channels, and existing forums (e.g. Schools Forum), to ensure that all stakeholders are aware of the progress of the project.
- 4.4. The new system will look and feel very different and the way that the user interacts with the system will be more modern, via web based platforms. The financial processes that underpin the ledger are also being reviewed and these will also change. A full training programme will be developed and implemented to support all users to access and work with the new system; this will take place prior to go-live and support will also be available in the hyper-care period immediately after go-live.
- 4.5. Further updates will be provided to the Audit Committee as the project progresses.

Recommendation:	Reason for Recommendation:
That Audit Committee receives updates on the delivery of the project.	

Contact Officer Name:	Tel:	Email:
Stephen Caple	01597 826397	stephen.caple@powys.gov.uk

Scrutiny date	Scrutiny Committee	Item	Cab/Mgmt Team Date	Cab Date
03/09/18	Joint Chairs and Vice-Chairs	Ian Bottrill & Rebecca David Knight - Scrutiny Devt		
05/09/18	Finance Scrutiny Panel	Children's Services Budget update		
Thurs 06/09/2018 (pm)	Audit (Seminar)	Final SOA and AGS		
Tue 11/09/2018	Joint Chairs and Vice-Chairs	CIP Performance Reports		18/09/18
Wed 12/09/18 am	HCH	Social Care Perf Report (July 2018) Notes of Imp and Assurance Board	25/09/18	09/10/18
Wed 12/09/2018 pm	Audit	Final SOA and AGS, WAO Scrutiny Review		
Fri 14/09/18	LSE (invite Audit reps)	School budgets Ed update - School AMP inclu Admissions	25/09/18 25/09/18	09/10/18 09/10/18
20/09/18	PSB	Steps towards 2040 Well-being Plan Review effectiveness of WCCIS		
Wed 26/09/18	HCH	LAC strategy and Education of LAC Update on Bannau Camlas		
Mon 01/10/18	LSE (Estyn attending to observe)	Standards incl LAC, attendance, exclusions, use of PDG Annual Estyn Inspection outcomes Youth Service restructure review	13/11/18	28/11/18
	LSE briefing pm	Green Waste - date tbc		
Wed 03/10/18	HCH	Homelessness Strategy Love where You Live Strategy (Housing)	23/10/18 13/11/18	06/11/18 28/11/18
Tue 9/10/18	Joint Chairs and Vice-Chairs			

Tudalen 311

Mon 15/10/18	HCH	BUPA Care Homes (b/f from Dec 2018) Social Care Perf Report (August 2018) Notes - Improvement and Assurance Board		
Wed 17/10/18	LSE	Post 16 review Review of Pre-School provision	23/10/18	06/11/18
Wed 24/10/18	FSP	HTR Transformation HOWPS Annual Report Budget		
Thur 01/11/18	HCH	Improvement Plans (3) - Topic TBA		
Fri 02/11/18	LSE (invite Audit reps)	Fair Funding Review HAMP (deferred from Aug) ALN review	14/11/18 11/12/18	28/11/18 15/01/19
Thur 08/11/18	HCH	Social Care Perf Report (Sept 2018) WHQS WAO Housing Inspection (confirmed)	04/12/18	18/12/18
Fri 09/11/18 (possibly won't run)	LSE			
Tue 13/11/18	Joint Chairs and Vice-Chairs	CIP Performance Reports		28/11/18
Fri 16/11/2018	Audit	Corp Tracker, Risk Register, AGS		
November	FSP	Budget		
Wed 21/11/18	LSE	HTR Transformation - Green Waste		
Thur 22/11/18	HCH	Review of Daytime Activites OP Improvement Plans (2) - Topic TBA	04/12/18	18/12/18
	Audit	Improvement Plans (1) - Topic TBA		
Mon 10/12/18	HCH	Crime and Disorder		

		Social Care Perf Report (April 2018)		
Tues 11/12/18	Joint Chairs and Vice-Chairs			
Thur 13/12/18	LSE	ALN Review	11/12/18	15/01/19
Wed 19/12/18	FSP	Budget		
2019				
Thur 03/01/19	HCH			
Fri 04/01/19	LSE			
Wed 09/01/19	Audit	Workforce Strategy and Plan		
Tue 15/01/19	Joint Chairs			
Wed 16/01/19	HCH	Update on Virtual Ward and Integrated Team CIW update on Inspection		
Fri 18/01/19	LSE	Categorisation of schools (increase in green/yellow)		
Thur 31/01/19	PSB	Update on integrated social and health care staffing increase Update on Integrated disability service		
Wed 06/02/19	HCH	Progress of 16+ support service Review of progress on foster carers strategy		
Fri 08/02/19	LSE	ERW		
Thurs 14/02/19	Audit	Corporate Support Services remodel Workforce Strategy and Plan		
Mon 18/02/19	Joint Chairs			

Wed 27/02/19	HCH			
Fri 01/03/19	LSE	Youth Structure Review		
Tue 19/03/19	Joint Chairs			
Mon 25/03/19	Audit			
Wed 03/04/19	HCH			
Fri 05/04/19	LSE	Support for children and families - early years		
Fri 12/04/19	Audit	Engagement and Communications Strategy TM Q4		
Mon 15/04/19	Joint Chairs			
Wed 24/04/19	HCH	Improve housing choice availability incl extra care supported housing update		
Fri 26/04/19	LSE	Proportion of revenue spend increase 2% 18/19 Review marketing opportunities and programme Check progress against removing barriers to employment		
Mon 29/04/19	PSB	Developing integrated commissioning with PTHB - care homes Annual Report Wellbeing Plan		
9/05/19	Audit			
14/05/19	Joint Chairs	Annual Governance Statement		
22/05/19	HCH	Community Hubs		

24/05/19	LSE			
10/06/19	Audit (seminar)	Draft Statement of Accounts Annual Governance Statement		
12/06/19	HCH			
14/06/19	LSE			
17/06/19	Joint Chairs			
03/07/19	HCH	Community Transport service - progress		
05/07/19	LSE			
08/07/19	Joint Chairs			
15/07/19	Audit	TM Review and Q1		
18/07/19	PSB			
21/08/19	HCH			
23/08/19	LSE			
06/09/19	Audit (Seminar)	Final Statement of Accounts Annual Governance Statement		
10/09/19	Joint Chairs			
11/09/2019 (am)	HCH			

11/09/2019 (pm)	LSE			
13/09/19	Audit	Final Statement of Accounts		
		Annual Governance Statement		
01/10/19	PSB			
09/10/19	HCH			
11/10/19	LSE			
14/10/19	Joint chairs			
15/10/19	Audit			
30/10/19	HCH			
01/11/19	LSE			
11/11/19	Audit			
18/11/19	Joint Chairs			
20/11/19	HCH			
22/11/19	LSE			
11/12/19	HCH			
13/12/19	LSE			
16/12/19	Joint Chairs			
19/12/19	Audit			

2020				
Q1 2020				
	LSE	Proportion of revenue spend increase 2% 19/20 Assess effectiveness of marketing programme Check inward investment strategy and action plan		
	HCH			
	Audit			
	Joint Chairs			
Q2 2020				
	LSE	Increase % of pupils assessed in Welsh in Year 2		
	HCH			
	Audit			
	Joint Chairs			

Mae'r dudalen hon wedi'i gadael yn wag yn fwiadol