Statement of Accounts 2014/15

CYNGOR SIR POWYS
POWYS COUNTY COUNCIL

County Hall
Llandrindod Wells
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Powys

EXPLANATORY FOREWORD

Introduction

The format and content of these accounts are dictated by the 2014 Code of Practice (the Code). The purpose of the Code is to give a reporting framework so that information will appear in the same format to assist users compare between different Local Authorities. The objective of the accounts is to provide information about the financial position, performance and cash flows in a way that meets the 'common needs of most users'. It will explain the financial facts rather than comment on the policies of the Authority and also has the aim of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them.

This **Statement of Accounts** comprises various sections:

- **Explanatory Foreword** - provides information on the format of this Statement of Accounts together with a review of the financial out turn. The foreword will set out:

    - The financial out turn both for Revenue and Capital.
    - Change in Accounting Policies.
    - Matters of significance.
    - Trust Fund Accounts.
    - Future developments including the 15/16 budget.

- **The Statement of Responsibilities** – this sets out the responsibilities of the Authority and the Chief Finance Officer concerning the Authority's financial affairs.

- **The Audit Opinion and Certificate** – as provided by and reflecting the view of the appointed auditor following the audit of these Statement of Accounts.

- **The Core Financial Statements** – the format and contents of these are prescribed in detail by the Code with little or no allowance for Authorities to steer away from the presentation requirements. The statements required are:

    <u>The Movement In Reserves Statement</u> - This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The net increase / decrease before the transfers to earmarked reserves line shows the statutory Council Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
    <u>Comprehensive Income and Expenditure Statement</u> -This statement shows the accounting cost in the year of providing services in accordance with generally

accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet - This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund Capital Expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement In Reserves Statement line 'Adjustments Between Accounting Basis and Funding Basis Under Regulations'.

The Cash Flow Statement - The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

The Notes to the Core Financial Statements - These provide further and supporting information to the other Core Financial Statements.

The Pension Fund Accounts - The financial data has been extracted from the 2014/15 Powys County Council Pension Fund annual report and included in these statements. They are independent of the statements above. Powys County Council is the Administering Authority of the Pension Fund. The fund has to be completely separate from Powys County Council's own finances.

The Annual Governance Statement - The Authority is required to carry out an Annual Review of the effectiveness of Corporate Governance and Internal Control. This statement sets out the arrangements in place, the details of the annual review and recommended improvements.

The Housing Revenue Account (HRA) - The HRA shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the movement on the HRA statement.

A glossary of terms is included to aid the user as this is primarily a technical document though effort is made to use plain English.

Should you have any queries or comments on these accounts please contact the Professional Lead for Finance, County Hall, Llandrindod Wells, LD1 5LG.

Revenue Funding and Revenue Expenditure in 2014/15

The Council has faced an unprecedented financial challenge in this Financial year. The settlement from the Welsh Government saw a decrease of 4.6% meaning a reduction in funding of £8.712m. In addition service and other pressures added to the overall level of savings.

Revenue Funding

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

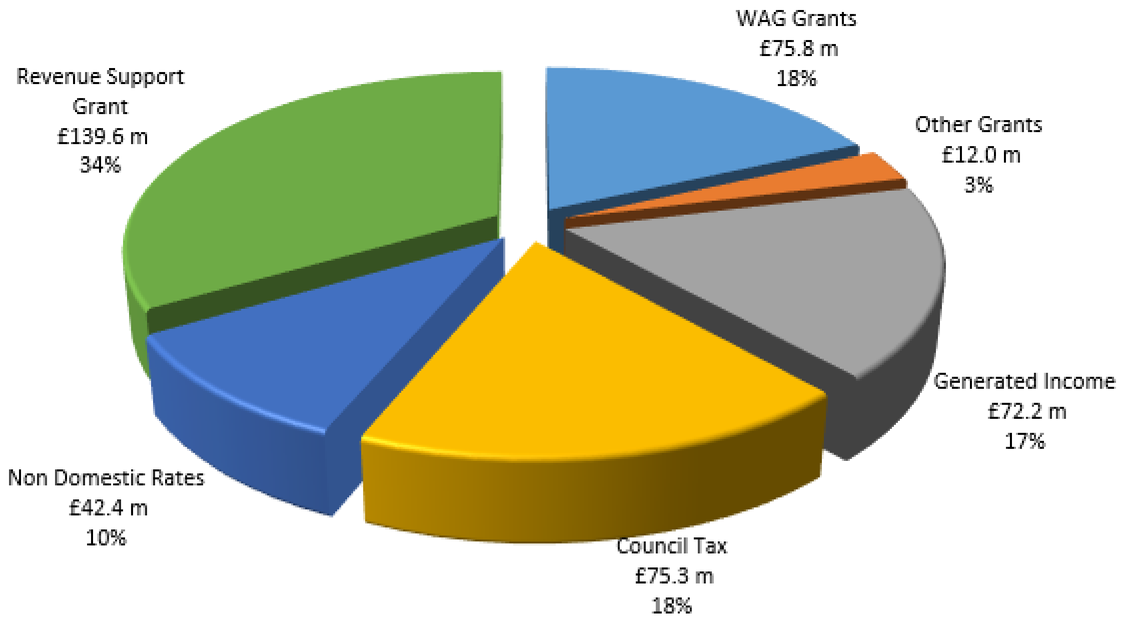
The Welsh Government funded 75.2% of the Council's 2014/15 net revenue budget, compared to 76.6% in 2013/14. The funding is provided in a settlement known as Aggregate External Finance (AEF).

2013/14 %		2014/15 %
77	Central Government (revenue support grant and non domestic rates)	75
23	Council Tax	25

As part of the UK Government's austerity measures the AEF has decreased across Wales by an average of 3.4%. As in previous years Powys received one of the lowest settlements in Wales with a 4.6% decrease, equivalent to a decrease in funding of £8.712m after adjusting for transfers.

To mitigate the year-on-year impact on any Authority a damping mechanism or 'floor' - has been applied within the settlement, this means that no Authority experienced a reduction in funding of more than 4.6%. Powys benefits from this discretionary informal arrangement entered into by all 22 welsh local authorities and without this safety net would be £1.5m worse off.

The budget is made up of the following funding sources:-



Revenue Expenditure

The Revenue Budget for the Council was approved by the Council on the 5th March 2014 at £242.430m.

The council's net expenditure for the year was £249.704m, with £7.273m funded from reserves. A number of reserve movements were included in the approved budget or made by virements during the year this includes Capital and Voluntary severance.

After excluding approved reserve transfers the Service performance against budget reported an overall underspend of £3.393m, or £2.019m after excluding Schools Delegated and the Housing Revenue Account.

The opportunity to capitalise revenue expenditure held within Highways, Transport and Waste was taken and this has reduced the impact on revenue as a one-off saving.

In order to balance the budget significant savings were required and £14.016m have been achieved leaving a shortfall of £3.5m. This shortfall has been included within the overall budget position reported. Other mitigation has delivered the overall underspend. Delivery of the remaining £3.5m savings is still required and is essential to the delivery of an ongoing balanced budget.

The scale of funding reduction required a Voluntary Severance scheme and costs totalled £3.564m, of this £1.77m was funded from the Management of Change budget, with the remaining £1.794m funded from the specific reserve.

The revenue outturn performance indicator target is to be within 0.5% of net budget. The forecast outturn for the year excluding the HRA and Schools Delegated is a net under spend of £2.091m or 1.2% of the working budget.

The table on the next page summarises the revenue budget position for each Directorate and Service area of the Council. It provides the approved budget at the beginning of the year, the final working budget after adjustments made during the year, actual expenditure against the budget together with the variance against budget and the movement to or from reserves.

Service Area	Original Budget £'000	Total Working budget £'000	Net Expenditure before Reserve movement £000	Total Movement to/from(-) Reserves £'000	Approved use of Reserves £000	Service Variance from Budget Over(-) / Under spend £'000
People						
Adult & Commissioning	51,535	54,775	54,833	-59		-59
Children Services	15,886	15,773	15,862	-89	-92	2
Housing General Fund	744	881	944	-63	-73	10
Place						
Leisure & Recreation	14,128	14,769	14,896	-127	-122	-5
Regeneration, Property & Commissioning	6,611	8,612	8,808	-196	-432	236
Highways, Transport & Recycling	27,000	27,473	30,467	-2,994	-4,210	1,216
Schools						
Schools Service	26,121	31,211	32,230	-1,019	-631	-389
Change and Governance						
Access to Services	55	193	125	67	0	67
Organisational Development	1,367	923	1,017	-94	-108	14
Corporate, Legal & Democratic Services	3,265	3,232	3,119	113	50	63
ICT	-401	293	124	169	64	105
Resources						
Professional Services	-120	886	1,117	-231	-470	240
Business Services	-921	115	51	64	0	64
Communications	27	100	61	39	-21	60
Service Area Totals	**145,298**	**159,236**	**163,654**	**-4,418**	**-6,044**	**1,625**
Central Activities	25,049	11,724	11,666	58	-336	394
Council Tax Surplus						
Total	**170,346**	**170,960**	**175,320**	**-4,360**	**-6,379**	**2,019**
Schools Delegated	72,084	71,471	71,201	270	-51	321
Housing Revenue Account (HRA)	**0**	**0**	**3,183**	-3,183	-4,236	1,053

Total including Schools & HRA	**242,430**	**242,430**	**249,704**	**-7,273**	**-10,666**	**3,392**

People Directorate

Adult Social Care ended the year with a small over spend of £59k, this is a significant achievement given the challenge faced.

Some savings totalling £243k were delayed including the Fairer Care Policy which was delayed pending the outcome of a judicial review of a policy in another council. Delays have also occurred in the delivery of projects such as Eligibility Criteria and Learning Disability Respite Services, these have now been progressed from April 2015. Over achievement of some efficiencies has reduced the impact of these in the 2014/15 financial year.

Older People Services have overspent by £99k, Home Care Costs have reduced due to the tendering exercise, reablement intervention and as more provision is delivered through Direct Payments. Learning Disabilities services have overspent by £419k due to a one-off ordinary residency cost backdated to 2001. These overspends have been offset by underspends on Mental Health and Support Services due to staff vacancies and maximisation of grants.

Childrens Services under spent by £2k. There were small underspends on various service areas for example Preventative work and Leaving Care. There was an overspend on the Residential Children with Disabilities service area of £84k, due to utilisation of agency staff to cover sickness, vacancies.

The Housing General Fund outturn position is an under spend of £10k.

Place Directorate

Leisure and Recreation were £5k overspent. Underspends across areas such as Libraries, Archives, the Youth Service, Outdoor Recreation, Countryside Access, Arts Theatres and Museums totalled £184k. This is offset by general underspends on goods and services, and additional funding received from external parties.

Recreation and Countryside Policy were £19k overspent, and Sports development was £52k overspent due to delays in the delivery of savings.

There was an overspend of £255k for the year in respect of Leisure Centres where income was under achieved. A provision was also made in the accounts for £48k in respect of unclaimed holiday pay.

Catering and Cleaning under spent at year end by £137k mainly due to the catering service performing better than expected.

Regeneration Property and Commissioning was underspent by £236k. This was partly due to delayed repair and maintenance expenditure in order to ensure an underspend position.

Corporate Property was overspent by £94k and the net position includes unachieved design fee income of £304k due to project work not progressing, an overspend of

£139k on Building Maintenance and a £78k overspend on County Farms. These have been offset by underspends within office accommodation of £138k, depots of £101k and Statutory Testing of £201k.

Other areas of underspend within the Directorate include Regulatory Services (£292k), Development Management (£86k), Statutory Nuisance controls (£175k) and Regeneration (£120k). These underspends partly relate to vacant posts that have now been filled.

Highways, Transport and Recycling overspent by £321k, this has risen to £521k following a provision for bad debt made at year end. However an opportunity arose to capitalise surface dressing and structural maintenance costs and revenue costs of £1.7m have now been supported from the capital budget. This impacts on the revenue outturn figure which is subsequently reported as an underspend of £1.216m

Local Environment – Operations were overspent by £665k. The first year of operating under Schedule of Rates with the North and Mid Wales Trunk Road agency has seen continual scrutiny of the charges raised for the work provided. This challenge has reduced the level of income contributing to the overheads of the service and has resulted in an overspend of £491k. Waste Collection overspent by £783k due to expenditure on Contractors in respect of both trade and domestic waste collections. Spend on the County Highways was underspent by £857k due to vacant posts. Street and toilet cleaning were also underspent by £260k. The budgets for 2015/16 for these areas have been reviewed as part of the Highways restructure.

Fleet Management and Vehicle Maintenance were overspent by £240k the overspend relates to contractor and material costs.

Engineering and Transportation was underspent by £621k. There were significant underspends on waste disposal contracts in respect of food waste and trade and domestic residual waste. The budget for CA sites was also underspent.

Schools (Central)

The Schools central service overspent by £389k. Included in the total is a Schools central costs overspend of £310k. This includes a recharge from HR of £184k for which there was no budget and savings to be identified of £117k which were not achieved.

School Improvement has underspent by £151k, primarily due to a £118k of growth monies not utilised, the appointment in Challenge advisors and the Additional Learning Needs Team have been delayed.

Schools Operational costs are overspent by £668k, this is largely due to an overspend on transport of £627k, caused by new contracts being put in place in February 2015. Severance pay is £156k over. The overspends are offset by underspends on centrally held budgets for premises of £305k.

The overspend on the Home to School and College Transport budget consists of changes to contracts in both February and March and this has had an impact on the payment patterns to contractors which has resulted in additional one off payments in

2014-15 of approximately £250k. The change in the contracts will generate a recurring annual saving of approximately £600k. The remaining overspend is due to provision changes, with additional routes and changes to routes to accommodate additional pupils, particularly those relating to Additional Learning Needs and pupils accessing complementary education.

Pupil inclusion has underspent by £194k, this is due to a £200k underspend on inter authority recoupment, an underspend of £64k on education psychology and an overspend of £89k on Pupil Referral Unit.

Change and Governance

Change and Governance underspent by £249k. All areas of the service have undergone restructuring and now report underspends due to overachievement of savings or staff vacancies.

The Members budget showed an under spend of £59k by year end. As last year, a number of members were not claiming their full entitlement which partly accounts for the underspend together with the fact that the spending freeze implemented resulted in a saving on Supplies and Services of £40k.

Resources

Business Services are reporting an end of year under spend of £64K. Significant improvement has been made within the Business Support budget as the service has reviewed the budget position and taken remedial action to resolve the overspends previously reported. An underspend in Income and Awards due to additional grants for new welfare reform work required has also improved the position.

Professional Services were underspent by £240k. Some areas of the service have carried staff vacancies during the year and the position improved following review of provisions. Human Resources were over budget by £42k in the main due to income levels reducing within Learning and Development. As a result the charge out rates will be reviewed in 2015-16.

Corporate Activities

Corporate Activities was under spent by £394k at year end. The position reflects a significant underspend of £1m on Capital charges mainly due to the increase in the value of assets under construction, this is offsetting savings held corporately that have not been achieved of £1.8m, these include transport transformation, third party spend and staffing savings.

The Insurance budget remains under pressure and an overspend occurred due to an increase in premiums and the number of claims settled. This reflects the additional and increasing number of claims being made against the Authority.

A change in the funding of the Pension funding deficit requires a fixed sum element which is no longer based on current employees, as staff numbers reduce the gap between the on-costs being recovered and the lump sum required will increase. This resulted in a £130k requirement for additional funding.

Communications

The Communciations budget reported a £60k underspend at year end this is due mainly to staff vacancies and underspends across other headings.

General

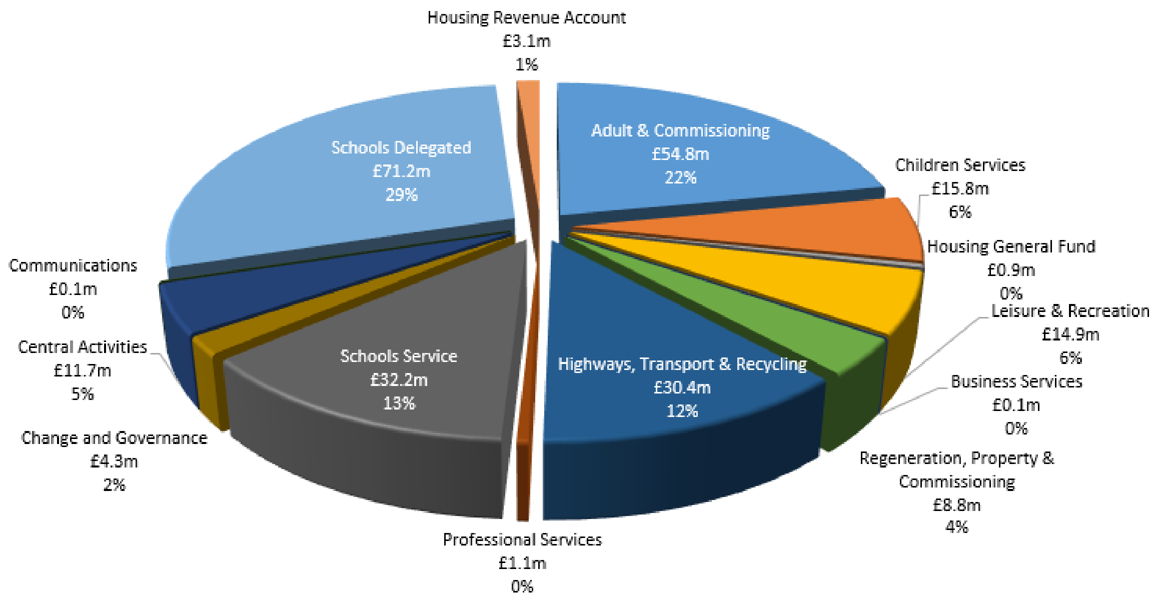
The Council implemented a “spend freeze” and this has also impacted on the level of spend and does in part contribute to the overall position.

Schools (Delegated)

Schools Delegated budgets ended the year with a transfer to their ringfenced reserve of £321k, this is a much improved position than was projected by schools, with schools budgets expecting to be supported by £1m from their reserves.

Housing Revenue Account

The Housing Revenue Account outturn position is an under spend of £1.053m. The underspend relates to the responsive maintenance budget (£464k), some expenditure has been capitalised through the Welsh Housing Quality Standard project and £65k has been utilised under the Integrated Care Fund grant. Further underspends include reduced capital charges of £236k and a reduction in the bad debt provision of £177k. This surplus is not for general council use and is transferred into the specific HRA reserve.



Revenue Reserves

Revenue Reserves represent an accumulation of revenue over and underspends and sums set aside specifically to meet future expenditure, e.g. replacement of vehicles, funding of capital projects, and other one-off items.

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

Last year the Council reviewed its reserve position and centralised all service reserves, this provides a more consistent corporate approach to their use and also provides transparency of service spend. Both aspects are crucial given the ongoing financial challenge facing the Authority.

31.03.14 £`000	Revenue reserves	31.03.15 £`000
	Ring Fenced Or Restricted Use Reserves	
2,795	Schools Reserves	3,082
10,892	Other Specific Reserves	8,691
	Committee Specific Reserves	
17,414	Other Specific Reserves	14,312
31,101	**TOTAL EARMARKED RESERVES (Note 8)**	26,085
	Central Or General Reserves	
9,957	Council Fund	11,121
7,056	Housing Revenue Account	3,833
48,114		41,039

The improved revenue position particularly the additional capitalisation has increased the ability to transfer to reserves. School reserves have been maintained as schools did not require the levels anticipated to balance their budgets.

In order to deliver the on-going revenue savings a significant number of staff left the Council under a Voluntary Severance Scheme, in addition to the use of a revenue funding, one off severance costs of £1.794m were funded from the specific reserve set aside for this purpose.

Due to continuing pressure on services and the scale of budget saving, because of funding reductions, it is prudent that some funding be transferred into a specific reserve to mitigate potential pressures during the next financial year.

The level of General Fund reserves at 31st March 2015 is 3.81% of net expenditure. This excludes all ringfenced and specific reserves.

Capital Expenditure

Capital Expenditure is the money spent on major assets needed to provide services such as Buildings, vehicles and Computer systems. It is in addition to the revenue spending.

The Council receives a core capital allocation from Welsh Government, in 2014/15 this allocation was slightly reduced by £0.027m to £7.567m, in addition to this the capital programme is funded through borrowing money and repaying this over a number of years.

The main areas of capital spend are Highways Transport and Recycling and the Housing Revenue Account.

Highways Transport and Recycling can be split into the three main areas. Highways £9.8m which relates mainly to strengthening and rebuilding bridges (£1.25m), resurfacing and structural maintenance of roads (£5.9m) and completing the roll out of the change to LED lanterns in the Street Lights (0.25m). Transport £5.3m relating to the purchase of vehicles and Recycling £1.7m which includes expenditure on Caddies and bins for the new recycling collections (£0.46m) but is mainly the redevelopment of the existing Transfer Station at Brecon (£1.16m).

The main Leisure and Recreation projects were, Llandrindod Library, Maldwyn All Terrain pitch and Brecknock Museum.

The main spend in Schools was the start of the new Welsh Medium School in Newtown

The capital was financed by a mixture of Supported and Prudential Borrowing, capital receipts, grants and revenue reserves. The breakdown is shown overleaf.

The final spend in 2014/15 was significantly lower than the original budget. The variance is mainly due to a number of projects being delayed and re-profiled in the 2015/16 financial year, the main projects are as follows:-

•Brecknock Museum - Planning permission and listed building consent by CADW have now been granted.

•The Archive project funding is being sought from the Heritage Lottery fund which is a lengthy process.

•Vehicle purchases have been delayed for Fleet until the service have established the actual vehicles required.

•Waste Bulking Stations – options reports, design, and planning permissions have been addressed during 2014/15, however, much of the work will be carried out in 2015/16.

•Flood alleviation schemes have been delayed due to site issues and the receipt of an objection, this has resulted in a loss of the European funding, a further report on alternative funding options will be submitted when the full impact is known.

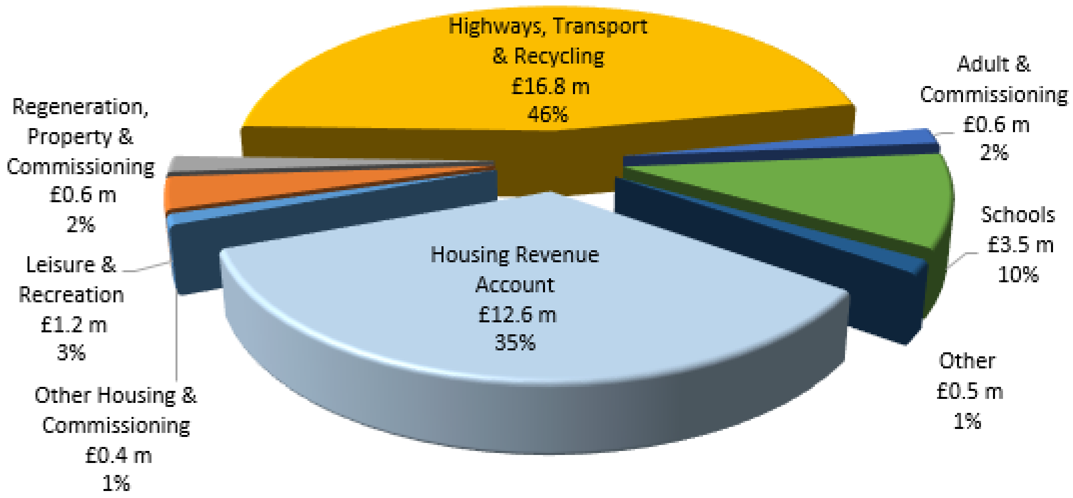
•21st Century Schools - the development of the business cases for funding has delayed funding being approved.

•The development of the new Social Services IT system (Draig replacement) is being procured by a regional consortium causing some delay.

•The new congress system work was amended and the option delivered was significantly lower in costs than originally planned.

•The PC refresh programme was put on hold to tender for a fully managed solution for refresh and delivery to desktop.

Capital Expenditure in 2014/15 was as follows:-



Capital Reserves

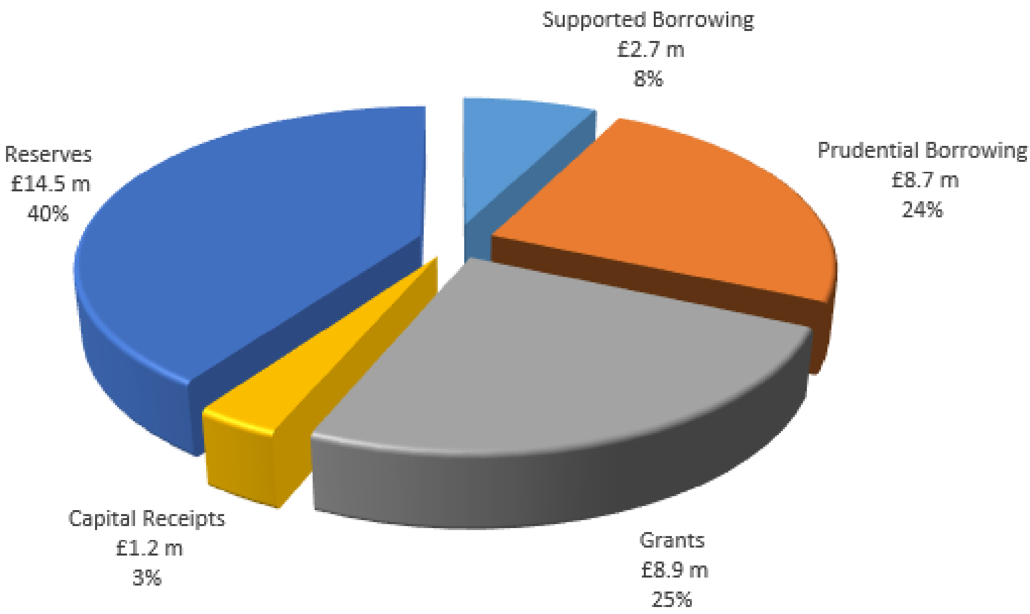
At 31st March 2015 the Authority had Usable Capital Reserves of:

	£'000
Capital Grants Unapplied	1,337
Capital Receipts	13,804
	15,141

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

Capital Financing

The graph on the next page details how the 2014/15 Capital programme was financed:



Borrowing Arrangements

Borrowing is the main source of finance for the Authority's Capital spend. The overall borrowing at 31 March 2015 totalled:

	£`000
Short Term Borrowing	23,669
Long Term Borrowing	151,458
Total Borrowing	**175,127**

Since 2004/05 the Authority has implemented the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code which allows greater freedom for borrowing decisions. The amount of borrowing will not be restricted as long as it can be demonstrated that it is prudent and affordable.

The prudential framework for Local Authority capital investment was introduced through the Local Government Act 2003. This Prudential Code is designed to ensure that the capital investment plans of Local Authorities are affordable, prudent and sustainable. It ensures treasury management decisions are taken in accordance with good professional practice.

All strategic and asset management planning require proper option appraisal and this allows greater alignment with corporate objectives. It allows a greater freedom for decision making on a local level, structured within a professional code, that the Authority believes will benefit future budget decisions by allowing it greater co-ordination between the Revenue and Capital Budget setting processes.

The Authority can spend what is affordable in the current and future years. Each year the Authority is required to produce a set of prudential indicators showing the impact on future years of decisions taken in the current year. One such indicator is the forward projections of the incremental impact of new capital decisions on Council Tax and

Housing Rents. Such indicators are designed to support and record all the decisions taken by the Authority.

Other Significant Matters

Icelandic Banks

In common with many other Authorities, Powys County Council continues to have some money deposited in Iceland in respect of the original investments as follows:

Institution	Original Principal Amount Invested £'000	Payments Received to 31 March 2015 (including interest) £'000
Glitnir Bank HF	2,000	1,633

Glitnir's Winding-up Board made a 100% distribution in March 2012 in a basket of currencies. The GBP equivalent of this is shown above. A further element of the distribution was made in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest. This element has been retained in Iceland due to currency controls currently operating in Iceland.

Further details regarding Icelandic Banks are available in note 49.

Pension Fund Liability/Deficit

Note 44 details the pension liability of the Authority, the note shows the extent that Pension Fund Actuaries estimate the future liabilities that are unfunded, as calculated under the requirements of IAS 19. Benefits payable from the Pension Fund are in no way affected by this liability. The Authority is committed to the long-term goal of eliminating the Pension Fund deficit through contributions rather than accepting risky alternative investment strategies.

Powys County Council is responsible for producing the accounts for the Powys County Council Pension Fund. The pension accounts detailing the financial information are reproduced in pages 107 to 159.The Pension Fund is valued by its Actuaries every three years. This valuation determines the contributions that must be paid by the employing members of the fund. The most recent valuation was calculated as at 31 March 2013. It concluded that the funding level has risen from 71% to 79%.

Impact of the Current Economic Climate

The economic climate has had a significant impact on all aspects of the national and local economy.

Inflationary pressures, interest rates, reductions in funding and demographic changes all influence the costs incurred and income raised by the Council, these together with new legislative and policy pressures, and tougher regulatory and inspection regimes imposed by the Government have to be considered alongside the Councils own local priorities.

These factors will continue to impose significant budgetary pressure on the Council. The development of Powys' financial strategy will identify further service efficiencies, some of which are transformational, however it will become increasingly difficult to avoid some impact on front line service delivery as the Council prepares for further testing challenges ahead.

The Commentaries on our Revenue and Capital Budgets within this Foreword provides more detailed information on our spending and funding plans.

Group Accounts

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

Format of Accounts

The Comprehensive Income and Expenditure Account is fully compliant with the Service Reporting Code of Practice (SeRCOP), which is a standard way of showing financial information across Local Authorities and does not necessarily reflect Powys County Council's own internal management arrangements.

Trust Fund Accounts

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

Welsh Church Acts Fund

The Welsh Church Acts Fund was established under the Welsh Church Act of 1914 and is administered by the County Council. Grants are made from the Fund to individuals and organisations with charitable status. The unaudited accounts of the Welsh Church Acts Fund are set out below. These accounts do not form part of the Authority's consolidated accounts.

2013/14 £`000	**REVENUE ACCOUNT**	**2014/15 £`000**
0	Income from Sale of Land	0
-85	Investment Income	-76
-4	Rents	-3
-57	Unrealised Profit (-) / Loss on Investments	-101
119	Increase (-) / Decrease in Value Of Land	0
-27	**TOTAL INCOME**	-180
25	Grants	0
30	Administration	29
55	**TOTAL EXPENDITURE**	29
28	Surplus (-) / Deficit for the Year	-151

-2,446	Fund Balance Brought Forward	-2,418
-2,418	**FUND BALANCE CARRIED FORWARD**	-2,569

2013/14 £`000	**BALANCE SHEET**	**2014/15 £`000**
205	Land and Buildings	205
2,107	Investments	2,208
2,312	**TOTAL FIXED ASSETS**	2,413
28	Debtors	18
-29	Creditors	-2
107	Bank	139
2,418	**NET ASSETS**	2,568
2,418	**FUND SURPLUS**	2,568

Rhayader Leisure Centre Trust Fund

Rhayader Leisure and Community Centre was established as a charitable trust on 1st March, 1994. The full annual report and accounts are published separately and copies are available from the Professional Lead for Finance. These draft accounts do not form part of the Authority's consolidated accounts.

2013/14 £`000	**REVENUE ACCOUNT**	**2014/15 £`000**
-400	Income	-416
402	Expenditure	402
2	Surplus (-) /Deficit For The Year	14
-14	Fund Brought Forward	-12
-12	Fund Carried Forward	-2

2013/14 £`000	**BALANCE SHEET**	**2014/15 £`000**
3	Stock	1
14	Bank	27
-5	Creditors	-2
12	**NET ASSETS**	26
12	**FUND SURPLUS**	26

The Charities Act 1993 requires there to be an independent audit of the Statement of Accounts of the above two trust funds. The 2014/15 results above had not been audited by the time Powys County Council's audit was complete and the Audit Report at the rear of this Statement of Accounts does not relate to these Trust Funds.

Medium Term financial Strategy

Setting the budget and medium term financial strategy in the face of unprecedented reductions in grant income from Government remains the most critical challenge facing Powys County Council.

The Strategy lays out a realistic position for our funding levels going forward. The UK Government remains committed to its deficit reduction programme. As a result we have factored in reducing funding for the next 4 years.

It is essential that we prepare for the long-term. Whilst we cannot be precise about how we will respond by the end of the decade, we can set out our vision for the direction of travel. In addition we must also prepare for the significant changes to services that will be brought forward by Welsh Government.

To meet the long-term financial challenge will require a new approach. We must look out how we manage demand through forward funding preventative activities and also reconsider how we deliver our services. We will always seek efficiency savings as far as we can but we know that efficiency savings on their own will not close the financial gap we face over the long-term.

That is why in 2014 we took a number of significant steps to prepare for the challenge we face. We have revised our vision as a Council to signal our shift in emphasis towards greater working with our communities. The new vision 'Stronger Communities in the Green Heart of Wales' will underpin this approach. We have also established clear priorities to deliver our Powys 2020 programme and this is based on our guiding principles of Valued Services; Supporting the Vulnerable; Local Delivery; Personal Responsibility; Value for Money and Improving Productivity. Together these form a clear basis for the future.

Stronger Communities in the Green Heart of Wales is not our only response to this significant challenge. We have already reshaped the organisation and have a strong integrated Joint Strategic Plan with our key partners. The 'One Powys Plan' was revised this year and is at the heart of our response to the financial challenges.

We are rolling out a Community Delivery Project so that there is greater community involvement in service delivery. This is because it will not be possible to deliver services in the way that our previous funding levels allowed. Furthermore as a Commissioning Council, we will explore different options for services from in-house provision, to utilising the commercial sector, to extending our joint working with our key partner Powys Teaching Health Board. Working in partnership with our Community and Town Councils as well as the voluntary and community sector will be an increasing part of our response to the challenge we face.

Having taken this approach we will be able to identify savings, reduce demand and increase efficiencies. These changes will need to be at a pace and of sufficient scale and impact to meet the funding changes outlined in the Medium Term Financial Strategy.

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

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

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

2020 Vision

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities
The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Strategic Director - Finance and Infrastructure.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

[redacted]

Signature: Date 30th September 2015

Audit Committee Chairman

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

In preparing this Statement of Accounts, the Strategic Director - Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and consistent.
- Complied with the Code of Practice.

The Strategic Director - Resources has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Strategic Director - Resources on the Accounts of Powys County Council and Powys County Council Pension Fund for 2014/15 .
I certify that the accounts set out on pages 1 to 159 present a true and fair view of the financial position of Powys County Council and the Powys County Council Pension Fund as at 31st March 2015 and its income and expenditure for the year then ended.

Signature: Date 30th June 2015

D Powell Strategic Director – Resources

MOVEMENT IN RESERVES STATEMENT

	Council Fund	Earmarked Reserves (Note 8)	HRA	Capital Receipts	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 26)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013	**13,144**	**27,846**	**8,023**	**11,451**	**1,756**	**62,220**	**110,176**	**172,396**
Movement In Reserves During 2013/14	**13,144**	**27,846**	**8,023**	**11,451**	**1,756**	**62,220**	**110,176**	**172,396**
Surplus Or (Deficit) On Provision Of Services	-10,897	0	1,723	0	0	-9,174	0	-9,174
Other Comprehensive Expenditure And Income	0	0	0	0	0	0	176,293	176,293
Total Comprehensive Expenditure And Income	-10,897	0	1,723	0	0	-9,174	176,293	167,119
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	11,086	0	-2,690	1,075	-855	8,616	-8,616	0
Net Increase/Decrease Before Transfers To Earmarked Reserves	189	0	-967	1,075	-855	-558	167,677	167,119
Transfers To/From Earmarked Reserves	-3,376	3,255	0	123	-2	0	0	0
Increase/Decrease (Movement) In Year	-3,187	3,255	-967	1,198	-857	-558	167,677	167,119
Balance At 31 March 2014 Carried Forward	**9,957**	**31,101**	**7,056**	**12,649**	**899**	**61,662**	**277,853**	**339,515**
Movement In Reserves During 2014/15	**9,957**	**31,101**	**7,056**	**12,649**	**899**	**61,662**	**277,853**	**339,515**
Surplus Or (Deficit) On Provision Of Services	-11,658	0	3,844	0	0	-7,814	0	-7,814
Other Comprehensive Expenditure And Income	0	0	0	0	0	0	35,414	35,414
Total Comprehensive Expenditure And Income	-11,658	0	3,844	0	0	-7,814	35,414	27,600
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	7,806	0	-7,067	1,155	438	2,332	-2,332	0
Net Increase/Decrease Before Transfers To Earmarked Reserves	-3,852	0	-3,223	1,155	438	-5,482	33,082	27,600
Transfers To/From Earmarked Reserves	5,016	-5,016	0	0	0	0	0	0
Increase/Decrease (Movement) In Year	1,164	-5,016	-3,223	1,155	438	-5,482	33,082	27,600
Balance At 31 March 2015 Carried Forward	**11,121**	**26,085**	**3,833**	**13,804**	**1,337**	**56,180**	**310,935**	**367,113**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2014/15

2013/14				2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£`000	£`000	£`000		£`000	£`000	£`000
81,287	-24,083	57,205	Adult Social Services	80,585	-26,013	54,572
12,887	-1,778	11,109	Central Services To The Public	11,822	-1,567	10,254
161,139	-33,672	127,467	Children's and Education Services	151,608	-32,125	119,483
14,560	-6,282	8,278	Cultural, Related Services	18,692	-5,755	12,936
23,657	-7,784	15,873	Environmental and Regulatory Services	24,146	-8,818	15,329
32,790	-16,393	16,397	Highways Roads And Transport	40,549	-27,439	13,110
			Housing Services:			
33,765	-31,639	2,126	- General	33,018	-31,724	1,294
21,632	-20,786	846	- Housing Revenue Account	20,740	-21,668	-928
10,805	-5,560	5,246	Planning Services	6,802	-3,068	3,734
11,062	-12,178	-1,116	Corporate And Democratic Core	6,626	-2,534	4,092
4,629	-1,039	3,590	Non Distributed Costs	2,404	-248	2,156
408,213	-161,193	247,021	**Cost Of Services**	396,992	-160,960	236,032
		20,836	Other Operating Expenditure (Note 9)			22,761
		16,945	Financing and Investment Income and Expenditure (Note 10)			15,859
		-275,628	Taxation and Non Specific Grant Income Operations Not Included in Net Cost Of Services (Note 11)			-266,838
		9,174	**(Surplus)/Deficit On Provision Of Services**			7,814
		-135,724	Surplus(-)/Deficit on Revaluation of Property, Plant And Equipment Assets (Note 26)			-49,501
		-1,406	Impairment losses on non-current assets charged to the revaluation reserve			
		87	Surplus(-)/Deficit on Revaluation of Available For Sale Financial Assets			-123
		-40,250	Re-measurements of the net defined benefit liability/ asset(-) (Note 26)			14,210
		-176,293	**Other Comprehensive Income And Expenditure**			-35,414
		-167,121	**Total Comprehensive Income And Expenditure**			-27,600

BALANCE SHEET

31 March 2014 £`000		Note	31 March 2015 £`000
701,350	Property, Plant And Equipment	12	757,780
1,348	Heritage Assets	13	1,356
482	Investment Property	14	1,763
2,801	Intangible Assets	15	2,458
3,871	Long Term Investments	18	3,823
2,942	Long Term Debtors	18	3,086
712,794	**LONG TERM ASSETS**		770,267
6,108	Short Term Investments	18	474
794	Assets Held For Sale	22	1,598
1,198	Inventories	19	1,281
30,165	Short Term Debtors	20	31,467
3,587	Cash And Cash Equivalents	21	11,254
41,852	**CURRENT ASSETS**		46,074
-1,815	Short Term Borrowing	18	-16,537
-34,193	Short Term Creditors	23	-30,189
-5,652	Short Term Provision	24	-1,910
-131	Capital Grant Receipts In Advance	38	-174
-41,791	**CURRENT LIABILITIES**		-48,810
-1,600	Provisions	24	-1,341
-151,086	Long Term Borrowing	18	-151,458
-9,734	Long Term Creditors	23	-15,718
-210,920	Liability Related To Defined Benefit Pension	44	-231,900
-373,340	**LONG TERM LIABILITIES**		-400,417
339,515	**NET ASSETS**		367,113
-61,662	Usable Reserves	25	-56,180
-277,853	Unusable Reserves	26	-310,933
-339,515	**TOTAL RESERVES**		-367,113

CASH FLOW STATEMENT

2013/14 £`000		Note	2014/15 £`000
	OPERATING ACTIVITIES		
	Cash Outflows		
173,261	Cash Paid To And On Behalf Of Employees		170,015
133,329	Other Operating Cash Payments		128,815
16,458	Housing Benefit Paid Out		16,906
21,479	Precepts And Levies Paid		21,982
6,858	Interest Paid		6,974
351,385			344,692
	Cash Inflows		
-9,903	Rents (After Rebates)		-9,835
-64,573	Council Tax Income		-67,320
-41,732	National Non-Domestic Rate Receipts From Pool		-42,469
-149,658	Revenue Support Grant		-139,609
-17,247	DWP Grants For Benefits		-17,696
-46,794	Other Government Grants	30	-50,490
-44,970	Cash Received For Goods And Services		-32,744
-357	Interest Received		-57
-375,233			-360,220
-23,849	**NET CASH (INFLOW) FROM OPERATING ACTIVITIES**		-15,528
33,688	**INVESTING ACTIVITIES**	28	33,421
-13,274	**FINANCING ACTIVITIES**	29	-25,561
-3,435	**DECREASE/ INCREASE(-) IN CASH**		-7,667
152	**Cash at 01 April**		3,587
3,587	**Cash Balance at 31 March**	21	11,254

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i. General principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015 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 2014/15 and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS).

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

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

ii. Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

iii. Acquisitions and discontinued operations

No such transactions took place.

iv. Cash and cash equivalents

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

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

Powys, under its Treasury Management Strategy, can hold fairly substantial amounts in call accounts and Money Market Funds at any one time but not all of this would be to meet short term cash flow requirements. As such, an appropriate split between cash/cash equivalents and investments is made based on short term needs.

v. Exceptional items

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

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

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

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

comparative amounts for the prior period as if the new policy had always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vii. Charges to revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible non-current assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the Council Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement In Reserves Statement for the difference between the two.

viii. Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of the holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement In Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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

- Service cost compromising:
  - Current service cost - the increase in liabilities as a result of years of service earned this year- allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Non Distributed Costs.
  - Net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement- this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period- taking into account and changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions- charged to the Pensions as Other Comprehensive Income and Expenditure
  - Contributions paid to Powys 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 re-valued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xii. Interests in Companies and Other Entities

The Authority has no material interests in companies and no other entities that have the nature of subsidiaries, associates and jointly controlled entities.

xiii. Inventories and Long Term Contracts

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

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

xiv. Investment property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in The Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund balance. The gains and losses are therefore reversed out of the Council Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv. Jointly controlled operations and jointly controlled assets

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

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

xvi. Leases

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

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

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

The Authority as lessee:

Finance leases

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

Lease payments are apportioned between:

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

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

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

Operating leases

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

The Authority as lessor:

Finance leases

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases

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

xvii. Property, plant and equipment

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

Capitalisation

All assets falling into the following categories are capitalised:

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

Intangible non-current assets held for operational use are valued at historical cost and are amortised over the estimated life of the asset on a straight line basis. The carrying value of the intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

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

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

Depreciation & Amortisation

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

	Years
Operational Buildings	Useful Life
Garages	20
Mobile Offices/Portacabins	20
Council Dwellings	20, 30
Vehicles, plant, equipment and fittings	5,7,10
Infrastructure	50, 18, 7
Surplus	50
Intangible	7

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

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

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

Valuation

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

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.

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:

(i) Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset, the impairment loss is charged against that balance until it is used up. The loss debited to the Revaluation Reserve is recognised in Other Comprehensive Income and Expenditure as a reduction in the net worth of the Authority, and is presented in the Comprehensive Income and Expenditure Statement.

(ii) Thereafter, or if there is no balance of revaluation gain (ie the asset is being carried at depreciated historical cost), the impairment loss is charged against the relevant service line(s) in the Surplus or Deficit on the provision of Services in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is charged to the 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 (> 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.

The highways asset is not going to be treated as a single asset. Instead the three layers of the highway is going to be recognised as work is undertaken on these layers. This has resulted in two additional areas of work on highways assets. These are:

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 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. Private finance initiative (PFI) and similar contacts

The Authority has no such arrangements.

xix. Provisions, contingent liabilities and contingent assets provisions

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

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

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

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

Provision for back pay arising from unequal pay claims

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy.

Contingent Liabilities

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

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

Contingent assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xx. VAT

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

xxi. Overhead and support services

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

- Corporate And Democratic Core – costs relating to the council's status as a multi functional democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Account as part of the Net Cost of Services.

xxii. Reserves

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

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

xxiii. Financial assets

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.

- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.
For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

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

Available-for-sale assets

These are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the 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).

xxiv. Provision for repayment of external loans

The Council is not required to raise Council Tax or housing rents to cover depreciation, impairment losses or amortisations but it is required to make provision from revenue for the repayment of debt as measured by the Capital Financing Requirement. The only requirement of the regulations is that the provision is prudent. There is a required minimum of 2% of outstanding debt in respect of council housing and 4% in respect of other debt (the minimum revenue provision). The Authority met this requirement.

xxv. Financial liabilities

Examples of Liabilities are payables and borrowings from third parties.

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

Gains and losses on the repurchases or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
Where premia and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund balance to be spread over future years. The following rules apply in respect of this:-

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

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

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

xxvi. Calculating fair value for financial instruments

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

<u>Complexities of the NPV calculation</u>

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.

<u>Evaluation of PWLB debt</u>

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.

<u>Inclusion of accrued interest</u>

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.

<u>Discount rates used in NPV calculation</u>

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

<u>Assumptions</u>

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

- Interest is calculated using the most common market convention, ACT/365.

- For fixed term deposits it is assumed that interest is received annually or on maturity if duration is less than one year.

xxvii. Revenue expenditure funded from capital under statute

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

xxviii. Grants, contributions and donated assets

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

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

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

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

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

xxix. Non Current assets held for sale

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

xxx. Schools

In accordance with the code local authority maintained schools are considered to be controlled by the Authority. As such, income, expenditure, assets and liabilities are consolidated into the accounts of the Authority.

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

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 2015 for 2014/15).

IFRS 13 Fair Value Measurement (May 2011) applies to IFRSs that require or permit fair value measurements to disclosures and provides a single IFRS framework measuring fair value and requires disclosures about fair value measurement. The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present.

Annual Improvements to IFRSs (2011 – 2013 Cycle). The improvements provide clarification and will not have a material impact on the Statement of Accounts.

IFRIC 21 Levies provides guidance on when to recognise a liability for a levy imposed by government. It identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy. This is not expected to have a material effect on the accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The IAS19 pension cost calculations in note 44 involve placing present values on future benefit payments to individuals many years into the future. These benefits will be linked to pay increases whilst individuals are active members of the Fund and will be linked to statutory pension increase orders (inflation) in deferment and in retirement. Assumptions are made for the rates at which the benefits will increase in the future (inflation and salary increases) and the rate at which these future cashflows will be discounted to a present value at the accounting date to arrive at the present value of the defined benefit obligation. The resulting position will therefore be sensitive to the assumptions used. The present value of defined benefit obligations is linked to yields of high quality corporate bonds whereas, for the LGPS funded arrangements, the majority of the assets of the fund are usually invested in equities or other real assets. Fluctuations in investment markets in conjunction with discount rate volatility will lead to volatility in the funded status of the fund and thus to volatility in the net pension asset on the Balance Sheet and in other Comprehensive Income and Expenditure. To a lesser extent this will also lead to volatility in the pension expense in the surplus or deficit on the provision of services.

- Provisions are made when clear and accurate information is available to do so. In the absence of this, creating a provision may be misleading and could have significant financial implications. This is particularly the case in respect of the Councils future obligations in respect of landfill sites. In this case there is uncertainty regarding a professional assessment in relation to the quantum of such costs and their timing, as well as the implications of accounting approach and their related financial impact. Further information is contained in the relevant section of the accounts.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if assumptions differ from actual
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings within Land and Buildings would increase by £315k for every year that useful lives had to be reduced.

Item	Uncertainty	Effect if assumptions differ from actual
Provisions	The Authority has made a provision for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year, in either the total number of claims, or the estimated average settlement would each have the effect of adding to the provision needed.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting Actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £12.63m. However, the assumptions interact in complex ways. During 2014/15, the Authority's Actuaries advised that the net pension's liability had decreased by £3.73m as a result of estimates being corrected as a result of experience and increased by £61.27m attributable to updating of the financial assumptions with no movement attributable to demographic assumptions.
Arrears	At 31 March 2015, the Authority had a balance of sundry debtors invoiced of £10.5m A review of significant balances suggested that an impairment of doubtful debts of £1.8m was appropriate. Council Tax arrears stand at £3.5m. A review of significant balances suggested that an impairment of doubtful debts of £0.7m was appropriate based on the stage the arrears are within the recovery process. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £2.5m to be set aside as an allowance. However, very little debt is historically written off as disclosed in note 48.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

6. EVENTS AFTER THE BALANCE SHEET DATE

The Draft Statement of Accounts was authorised for issue by the Strategic Director - Resources on 30th June 2015. 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 2015, 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.

Non adjusting event - Housing Revenue Account (HRA) Self Financing

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

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.

2014/15 Transactions	Usable Reserves				
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:					
Charges for depreciation	-16,895	-5,395			22,290
Amortisation of Intangible Assets	-636				636
Impairment	-556				556
Capital grants and contributions applied	7,214	3,715			-10,929
Revenue expenditure funded from capital under statute	-2,452				2,452
Revaluation losses on Property Plant and Equipment	632	-58			-574
Revaluation Loss on Assets Held for Sale	-770				770
Change in Market Value Investment Property	-92				92
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	-3,172	-560			3,732
Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:					

Statutory provision for the financing of capital investment	6,909	295			-7,204
Capital expenditure charged against the Council Fund and HRA balances	5,790	8,735			-14,525
Adjustments primarily involving the capital grants unapplied account:					
Capital grants and contributions unapplied credited to the Comprehensive Income And Expenditure Statement	473			-438	-35

2014/15 Transactions	Usable Reserves				
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income And Expenditure Statement	1,737	857	-2,025		-569
Use of the capital receipts reserve to finance new capital expenditure			1,267		-1,267
Contribution from the capital receipts reserve towards administrative costs of non current asset disposals		-29	29		
Available for Sale Asset capital receipt	-71				71
Deferred Capital Receipts upon receipt of cash			-426		426
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to The Comprehensive Income And Expenditure Statement	531				-531
Adjustments primarily involving the capital receipts reserve:					
Accumulated gains on assets sold and maturing assets written out of the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-100				100
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the Comprehensive Income And Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	51	-289			238
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited	-23,252	-598			23,850

to the Comprehensive Income And Expenditure Statement (see note 44)					
Employer's pensions contributions and direct payments to pensioners payable in the year	16,663	417			-17,080
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income And Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	190	-22			-168
Total Adjustments	**-7,806**	**7,068**	**-1,155**	**-438**	**2,331**

2013/14 Transactions	**Usable Reserves**				
	Council Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Adjustment Account:					
Charges for depreciation	-13,257	-5,173			18,430
Amortisation of Intangible Assets	-557				557
Impairment	-734				734
Capital grants and contributions applied	12,613	3,818			-16,431
Revenue expenditure funded from capital under statute	-4,732				4,732
Revaluation losses on Property Plant and Equipment	-3,793	-908			4,701
Revaluation Loss on Assets Held for Sale	-1,089				1,089
Change in Market Value Investment Property	98				-98
Loss on derecognition of Assets	-1,458				1,458
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income And Expenditure Statement	-1,391	-442			1,834
Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:					0
Statutory provision for the financing of capital investment	6,652	312			-6,964
Capital expenditure charged against the Council Fund and HRA balances	2,799	5,275			-8,074

Adjustments primarily involving the capital grants unapplied account:					
Capital grants and contributions unapplied credited to the Comprehensive Income And Expenditure Statement Transferred from Capital Grants in advance	159			855	-1,014

2013/14 Transactions	**Usable Reserves**				
	Council Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income And Expenditure Statement	1,781	803	-2,061		-523
Use of the capital receipts reserve to finance new capital expenditure			1,247		-1,247
Contribution from the capital receipts reserve towards administrative costs of non current asset disposals		-33	33		
Available for Sale Capital Receipt	-50				50
Deferred Capital Receipts upon receipt of cash			-294		294
Adjustments primarily involving the Available for Sale Instruments Reserve:					
Accumulated gains on assets sold and maturing assets written out of the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-74				74
Adjustments primarily involving the capital receipts reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to The Comprehensive Income And Expenditure Statement	1,350				-1,350
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	367	-695			328
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 43)	-28,443	-697			29,140
Employer's pensions contributions and direct payments to pensioners payable in the year	18,497	423			-18,920
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	176	8			-184
Total Adjustments	**-11,086**	**2,690**	**-1,075**	**855**	**8,615**

8. TRANSFERS TO/FROM EARMARKED RESERVES

Reserve Name	At 31.03.13	Movement	At 31.03.14	Movement	At 31.03.15
	£`000	£`000	£`000	£`000	£`000
Restricted Use And Non Transferable					
Schools Reserve	2,601	194	2,795	287	3,082
Insurance Reserve	2,528	-175	2,353	-165	2,188
Corporate Initiative Reserve	6,000	2,539	8,539	-2,036	6,503
	11,129	**2,558**	**13,687**	**-1,914**	**11,773**
Committee Specific Reserves					
Carried Forward Reserves	3,164	18	3,182	-1,566	1,616
Repairs And Renewals Revenues	9	-9	0	0	0
Revenue Grants Unapplied	637	-129	508	571	1,079
21st Century Schools	7,090	313	7,403	-487	6,916
Transport Reserve	3,681	747	4,428	-1,400	3,028
Economic Development Fund	112	-112	0	0	0
Invest To Save	611	1,005	1,616	-72	1,544
Other Reserves	649	-372	277	-149	128
Business Rates Revaluation	764	-764	0	0	0
	16,717	**697**	**17,414**	**-3,102**	**14,311**
	27,846	**3,255**	**31,101**	**-5,016**	**26,085**

Business Rates Revaluation Reserve
Monies built up from appeals made and then refunded against rates paid on our corporate buildings.

Carried Forward Reserves
Accumulated balances that are Committee specific and not available for general purposes. These reserves finance variances in annual spending patterns from the Councils target. Conversely any over spends are carried forward for recoupment in future years. Each reserve must have a business case with a timetable of planned use that justifies its inclusion as a carry forward.

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

Economic Development Fund
Specifically to fund economic development within Powys.

Insurance Reserve
To mitigate the effect of large claims against the Authority

Invest To Save
Funds can be borrowed by departments to fund money saving schemes.

Other Reserves
A total of accumulated balance made up from smaller reserves.

Repairs and Renewals
Reserves set up by Directorates to fund future repairs expenditure.

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

School Reserves
Total representing the funds available and ringfenced to specific schools.

21st Century Schools
Specifically to help finance the Schools Modernisation Programme.

Transport Reserve
Specifically to fund vehicle replacement.

9. OTHER OPERATING EXPENDITURE

2013/14 £`000		2014/15 £`000
	Precepts	
2,027	Community Council Precepts	2,327
12,188	Dyfed Powys Police Precept	12,642
	Levies	
6,560	Mid And West Wales Fire Authority	6,367
664	Brecon Beacons National Park	606
39	Powysland Internal Drainage Board	41
708	Gains(-)/Losses On The Disposal Of Non-Current Assets	1,310
-1,349	Transfer To Deferred Credits - Landlord Loans	-531
20,837		22,761

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £`000		2014/15 £`000
6,932	Interest Payable And Similar Charges	7,032
10,190	Net Interest on the defined liability (asset)	8,700
-626	Interest Receivable And Similar Income	-496
-57	Impairment Of Financial Instruments	23
-102	Income And Expenditure In Relation To Investment Properties And Changes In Their Fair Value (Note 14)	-29
608	Surplus Or Deficit On Trading Accounts (Note 31)	628
16,945		15,859

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2013/14 £`000		2014/15 £`000
71,840	Council Tax Income	75,334
41,732	Non Domestic Rates	42,469
149,658	Non-Ringfenced Government Grants	139,609
12,398	Capital Grants And Contributions	9,426
275,628		266,838

12. PROPERTY, PLANT AND EQUIPMENT

Movement In 2014/15	**Council Dwellings**	**Other Land and Buildings**	**Vehicles Plant and Equipment**	**Infrastructure**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation								
At 01 April 2014	**230,616**	**375,406**	**64,796**	**117,006**	**1,218**	**5,751**	**6,447**	**801,237**
Additions	12,892	3,055	6,067	8,676	35		5,150	**35,830**
Donations								**0**
Revaluation increases/-decreases recognised in the revaluation reserve	-167	41,579				-366		**41,046**
Revaluation increases/-decreases recognised in the surplus on the provision of services	-63	-2,532				-77		**-2,671**
Derecognition - disposals	-577	-2,434	-1,557					**-4,567**
Derecognition - other		-1	-19			-152		**-172**
Reclassification (to)/from held for sale						-2,383		**-2,383**
Reclassification (to)/from Investment Properties		-1,462						**-1,462**
Other movements		-1,452	219	830	10	1,086	-693	**0**

Movement In 2014/15	**Council Dwellings**	**Other Land and Buildings**	**Vehicles Plant and Equipment**	**Infrastructure**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 31 March 2015	**242,702**	**412,158**	**69,507**	**126,512**	**1,262**	**3,859**	**10,903**	**866,858**
Accumulated Depreciation								
At 01 April 2014	**-5,155**	**-19,475**	**-49,010**	**-17,992**	**0**	**-284**	**-17**	**-91,934**
Depreciation charge	-5,381	-10,797	-3,351	-2,621		-141		**-22,290**
Depreciation written out to the revaluation reserve	1	8,322				39		**8,362**
Depreciation written out to the deficit on the Provision of Services	4	1,736				24		**1,764**
Derecognition – disposals depreciation	17	62	1,524			37		**1,640**
Reclassified (to)/from held for sale						56		**56**
Reclassified (to)/from Investment Properties		45						**45**
Other movements		-27				29	2	**0**
At 31 March 2015	**-10,514**	**-20,133**	**-50,837**	**-20,613**	**0**	**-241**	**-19**	**-102,356**
Accumulated Impairment								
At 01 April 2014	**-7**	**-7,750**	**-14**	**-29**	**0**	**-13**	**-140**	**-7,952**
Impairment (losses)/reversals recognised in the revaluation reserve		93						**93**
Impairment (losses)/reversals recognised in the surplus on the provision of services		914				11		**926**
Reclassified (to)/from Held for Sale						46		**46**
Reclassified (to)/from Investment Properties		44						**44**
Derecognition – disposals Impairment		79						**79**
Other movements		46				-46		**0**
At 31 March 2015	**-7**	**-6,574**	**-14**	**-29**	**0**	**-2**	**-140**	**-6,766**
Net Book Value								
At 31 March 2015	**232,182**	**385,452**	**18,656**	**105,870**	**1,262**	**3,616**	**10,744**	**757,783**
At 31 March 2014	**225,454**	**348,181**	**15,772**	**98,984**	**1,218**	**5,454**	**6,290**	**701,352**

Comparative Movements in 2013/14:

Movement In 2013/14	**Council Dwellings**	**Other Land and Buildings**	**Vehicles Plant and Equipment**	**Infrastructure**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation								
At 01 April 2013	**167,858**	**332,915**	**64,616**	**106,701**	**1,347**	**5,041**	**9,530**	**688,008**
Additions	9,023	6,760	3,068	8,494	60		3,881	31,288
Donations								0
Accumulated Dep'n & Impairments Written Off to GCA	-35,822	-6,622				-96		-42,540
Revaluation increases recognised in the revaluation reserve	91,778	50,042			24	1,262		143,107
Revaluation decreases recognised in the revaluation reserve	-1,313	-3,922			-38	-298		-5,571
Revaluation increases recognised in the surplus/deficit on the provision of services	423	7,699				112		8,234
Revaluation decreases recognised in the surplus/deficit on the provision of services	-1,257	-11,456			-45	-178		-12,936
Derecognition – disposals	-425	-226	-3,001		-29	-221		-3,902
Derecognition – other		-1,706						-1,706
Reclassification (to)/from held for sale		-315				-2430		-2,745
Other movements	351	2,235	112	1,810	-101	2,558	-6,965	**0**
At 31 March 2014	**230,616**	**375,406**	**64,796**	**117,006**	**1,218**	**5,751**	**6,447**	**801,237**
Accumulated Depreciation								
At 01 April 2013	**-11,392**	**-16,857**	**-48,500**	**-15,693**	**0**	**-208**	**-17**	**-92,667**
Depreciation charge	-5,164	-7,459	-3,378	-2,299		-129		-18,429
Depreciation written through revaluation reserve	10,148	2,835				80		13,063
Depreciation written through surplus/deficit on the Provision of Services	1,247	1,575				15		2,838
Derecognition – disposals depreciation	6	10	2,869			5		2,890
Derecognition – other depreciation		234						234
Reclassified (to)/from held for sale						137		137
Other movements		185				-185		0
At 31 March 2014	**-5,155**	**-19,475**	**-49,010**	**-17,992**	**0**	**-284**	**-17**	**-91,934**

Movement In 2013/14	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Impairment								
At 01 April 2013	**-24,433**	**-7,876**	**-14**	**-29**	**0**	**2**	**-140**	**-32,490**
Impairment charge (revaluations) recognised in the revaluation reserve	19,203	1,461						20,665
Impairment charge (revaluations) recognised in the surplus/deficit on the provision of services	5,224	750				-6		5974
Impairment losses (reversals) recognised in the Revaluation Reserve		-1,406						-1,406
Impairment losses (reversals) recognised in the surplus/deficit on the provision of services		-734						-734
Reclassified (to)/from Held for Sale						9		9
Reclassified (to)/from Investment Properties								0
Derecognition – disposals impairment		16						16
Derecognition – other Impairment		13						13
Other movements		24				-24		0
At 31 March 2014	**-7**	**-7,750**	**-14**	**-29**	**0**	**-13**	**-140**	**-7,952**
Net Book Value								
At 31 March 2014	**225,454**	**348,181**	**15,772**	**98,984**	**1,218**	**5,454**	**6,290**	**701,352**
At 31 March 2013	**132,033**	**308,182**	**16,102**	**90,979**	**1,347**	**4,835**	**9,373**	**562,851**

The non-current assets above do not include the 16 controlled faith schools or the 9 aided faith schools.

Depreciation

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

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

Capital Commitments

At 31st March 2015, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2015/16 and future years budgeted to cost £9,416k. Similar commitments at 31st March 2014 were £9,926k. The major commitments are:

In addition, there was an outstanding REFFCUS commitment of £422k in respect of private sector housing at 31st March 2015 (£219k at 31st March 2014).

Revaluations

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

This year the majority of the revaluation, including the entire Housing stock, was undertaken by external valuers from DVS, the Property Services arm of the Valuation Office Agency. The County Council's in-house valuers completed the task in respect of any additional revaluations required as a consequence of property recategorisation throughout the year. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

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

The fair values of Property, Plant and Equipment:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure	Community	Surplus Assets	Assets Under Construc-tion	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historical cost	197	15,742	57,073	126,512	747	0	10,166	210,437
Valued at fair value:								
31-Mar-15	0	145,328	0	0	0	462	96	145,886
31-Mar-14	242,517	122,087	3,734	0	171	2,302	325	371,136
31-Mar-13	0	68,007	821	0	124	49	3	69,004
31-Mar-12	0	24,237	7,103	0	38	547	0	31,925
31-Mar-11	0	36,711	776	0	181	498	313	38,479
	242,714	412,112	69,507	126,512	1,261	3,858	10,903	866,867

13. HERITAGE ASSETS – Tangible

	Art Collection	Statues	Museum Artefacts	Civic Regalia	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 01 Apr 2014	550	59	798	93	1,500
Additions		7			
Revaluations – Revaluation Reserve					
Reclassified					
At 31 March 2015	550	66	93	66	1,508
Impairments					
At 01 Apr 2014	-73	0	-80	0	-153
Reclassified					
At 31 March 2015	-73	0	-80	0	-153
Net Book Value					
At 31 March 2015					
At 31 March 2014	**477**	**59**	**718**	**93**	**1,347**

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

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

- they are held for perpetuity to further knowledge;
- the most recent valuation was for insurance purposes though is based on market value;

- there may not be a market for many of the assets held.

A number of Memorials are also recorded in the Asset Register and are valued on a 5 year rolling cycle. Heritage Assets are not depreciated because the assets do not wear out over time. The assets will be considered for any economic impairment from deterioration as part of the impairment review.
There has been no spend for the previous 5 years.
There are a number of assets which have not been included in the Statement of Accounts as the ownership is uncertain, however they are on the Authority's land and should be disclosed. These include:

Ancient Monuments	7
War Memorials	11
Clock Towers	3

14. INVESTMENT PROPERTIES

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

2013/14 £'000		2014/15 £'000
-5	Rental Income	-140
0	Direct Operating Expense	19
-5		-121

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:

2013/14 £'000		2014/15 £'000
385	Balance At Start Of Year	482
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent Expenditure	0
0	Disposals	0
97	Changes In Fair Value	-92
	Transfers	
0	to/from Inventories	0
0	To/from from Property, Plant and Equipment	1,373
0	Other Changes	0
482	Balance At End Of Year	1,763

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 £636k charged to revenue in 2014/15 was mostly charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the net expenditure of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. There are no Contractual commitments.

The movement on intangible assets is as follows:

			2013/14			2014/15
	Internally Generated	Other	Total	Internally Generated	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost At 1st April		5,140	5,140		5,797	5,797
Accumulated Amortisation 1st April		-2,416	-2,416		-2,973	-2,973
Accumulated Impairment 1st April		-22	-22		-22	-22
Net Carrying Amount At 1st April		2,703	2,703		2,803	2,803
Additions:						
- Internally Developed						
- Purchase		657	657		293	293
Other Disposals						
Impairment Losses Recognised In The Surplus/Deficit On The Provision Of Services						
Amortisation For The Period		-557	-557		-636	-636
Other Changes						
Net Carrying Amount At 31st March		2,803	2,803		2,459	2,459
Comprising						
Cost At 31st March		5,797	5,797		6,090	6,090
Accumulated Amortisation 31st March		-2,973	-2,973		-3,609	-3,609
Accumulated Impairment 31st March		-22	-22		-22	-22

16. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2013/14 £`000		2014/15 £`000
215,918	**Opening Capital Financing Requirement**	220,383
	Capital Investment:	
31,286	Property, Plant And Equipment	35,876
0	Assets Held for Sale	5
0	Investment Properties	0
20	Heritage Assets	8
657	Intangible Assets	293
5,338	Revenue Expenditure Funded From Capital Under Statute	2,452
	Less Sources Of Finance:	
1,247	Capital Receipts	1,267
17,442	Government Grants And Other Contributions	10,964
	Sums Set Aside From Revenue:	
8,074	Direct Revenue Contributions	14,525
-1,421	In year non-material prior year adjustment	0
530	Capital Receipts Set Aside	574
6,964	Minimum Revenue Provision (MRP)	7,204
220,383	**Closing Capital Financing Requirement**	224,482
	Explanation Of Movement In Year	
-3,574	Increase In Underlying Need To Borrow (Supported By Government Financial Assistance)	-4,682
8,039	Increase In Underlying Need To Borrow (Unsupported By Government Financial Assistance)	8,781
0	Assets Acquired Under Finance Leases	0
4,465	**Increase/Decrease(-) In Capital Financing Requirement**	4,099

17. IMPAIRMENT LOSSES

During 2014/15 the Authority has recognised an impairment loss of £2.384m (£2.140m in 2013/14) in relation to Capital expenditure spent on council dwellings and other land and buildings, which does not change the value of the asset as it is considered non-enhancing.

18. FINANCIAL INSTRUMENTS

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

2014	Long-term	2015
£'000		£'000
	Investments	
1,020	Loans And Receivables	1,020
2,850	Available For Sale Financial Assets	2,803
3,870	Total Investments	3,823
	Debtors	
2,942	Loans And Receivables	3,087
0	Financial Assets Carried At Contract Amount	0
2,942	Total Debtors	3,087
	Borrowings	
151,086	Financial Liabilities At Amortised Cost	151,458
0	Finance Leases	0
151,086	Total Borrowings	151,458
	Creditors	
0	Financial Liabilities At Amortised Cost	0
9,734	Financial Liabilities Carried At Contract Amount	15,718
9,734	Total Creditors	15,718

2014	Current	2015
£'000		£'000
	Investments	
6,108	Loans And Receivables	0
0	Available For Sale Financial Assets	0
6,108	Total Investments	0
	Debtors	
0	Loans And Receivables	0
30,165	Financial Assets Carried At Contract Amount	31,467
30,165	Total Debtors	31,467
	Borrowings	
1,815	Financial Liabilities At Amortised Cost	23,669
0	Finance Leases	0
1,815	Total Borrowings	23,669
	Creditors	
0	Financial Liabilities At Amortised Cost	0
39,845	Financial Liabilities Carried At Contract Amount	32,099
39,845	Total Creditors	32,099

2014	2014	2014	2014		2015	2015	2015	2015
Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivable	Financial Assets: Available for Sale Assets	Total		Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivable	Financial Assets: Available for Sale Assets	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
6,931			6,931	Interest Expense	7,032			7,032
				Reductions In Fair Values				
	-57		-57	Impairment Loss		23		23
				Fee Expense				
6,931	**-57**	**0**	**6,874**	**Total Expense In Deficit On The Provision Of Services**	**7,032**	**23**	**0**	**7,055**
	-626		-626	Interest Income		-496		-496
				Gains On Derecognition				
	-18		-18	Fee Income				
				Interest Income Accrued On Impaired Financial Assets		-31		-31
0	**-644**	**0**	**-644**	**Total Income In Deficit On The Provision Of Services**	**0**	**-527**	**0**	**-527**
		87	87	Gains On Revaluation				
0	**0**	**87**	**87**	**Surplus/Deficit Arising On Revaluation Of Financial Assets In Other Comprehensive Income And Expenditure**			**123**	**123**
6,931	**-701**	**87**	**6,317**	**Net Gain(-)/Loss For The Year**	**7,032**	**-504**	**123**	**6,651**

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 2015 of 1.11% to 3.08% for loans from the PWLB and 3.23% to 3.61% 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 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	152,902	158,348	175,128	205,939
Long-Term Creditors	9,734	9,734	15,718	15,718

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 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans And Receivables	7,128	7,128	1,020	1,020
Long-Term Debtors	2,942	2,942	3,087	3,087

Low Cost Housing (available for sale assets)
Under this scheme the Council bought properties and sold them at a discount to eligible purchasers. The debtor sums reflect the amounts repayable to the Council when those properties are sold and are measured at market value.

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

19. INVENTORIES

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

2014 £`000		2015 £`000
572	Building Materials, Vehicle Parts Etc	525
532	Road Salt	704
94	Other	52
1,198		1,281

20. SHORT TERM DEBTORS

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

2014 £`000		2015 £`000
	Central government	
6,493	Welsh Government	8,512
1,548	European Community	445
1,464	VAT – HMRC	2,237
53	Countryside Commission for Wales	87
0	CADW	0
48	National Lottery	38
12	Sports Council	11
4,247	**North Wales Trunk Road Agency**	6,908
	Local authorities	
2,743	Other local and education authorities	2,773
	NHS bodies	
1,985	Powys Teaching Health Board	888
63	Other NHS Bodies	192
	Debts other than government	
2,602	Council Tax	2,731
172	Housing tenants	272
75	Employees	72
6,545	Other short term debtors	4,569
2,115	Payments in advance	1,733
30,165		31,467

21. CASH AND BANK ACCOUNTS

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

2014 £`000		2015 £`000
6,906	Cash Held By The Authority	14,788
-3,319	Bank Current Accounts	-3,533
3,587		11,255

22. ASSETS HELD FOR SALE

2014 £'000		2015 £'000
98	Balance At Start Of Year	793
-1,089	Revaluation Loss	-770
	Assets Newly Classified As Held For Sale:	
2,599	- Property, Plant And Equipment	2,281
0	Additions	5
-815	Assets Sold	-713
793	Balance At End Of Year	1,597

23. CREDITORS

Short Term Creditors

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

2014 £`000		2015 £`000
	Central Government Bodies	
903	Welsh Government	1,979
3,028	HM Revenues And Customs	2,739
1,033	Department for Works and Pensions	0
	Local Authorities	
67	Ceredigion C.C	144
77	Other Local Authorities	1,181
	NHS Bodies	
575	Powys Teaching Health Board	716
	Non Government Creditors	
16,024	Sundry Creditors	15,382
3,692	Holiday Accrual	3,524
5,143	Wages And Salaries	1,124
1,269	Payments Received In Advance	797
700	Deposits – Section 40 Advance	791
457	Commuted Sums – Land Drainage	472
1,225	Council Tax Credits	1,341
34,193		30,189

Long Term Creditors

2014 £`000		2015 £`000
9,734	Deposits – Section 106 Deposit	15,718
9,734		15,718

24. PROVISIONS
Long Term Provision

At 01.04.14 £`000	Increase in Provision £'000	Reversal of Unused Provision £'000	Amounts Paid £`000	Movement to Short Term £`000	At 31.03.15 £`000
1,600	28	-206	-81		1,341
1,600	**28**	**-206**	**-81**		**1,341**

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

Short Term Provision

	2014 £`000	Increase in Provision	Reversal of Unused Provision	Amounts Paid	Movement from Long Term	2015 £`000
Other Short Term Provisions	3,983	58	-298	-3,438		305
Insurance Provision	1,669	630		-693		1,605
Short Term Provisions	5,652	688	-298	-4,131		1,910

Powys County Council owned landfill sites were all closed before 1994, the date financial provision was introduced as a requirement by the Environmental Protection Act 1990. Due to the time elapsed since closure there is some uncertainty in relation to the extent of Council obligations and also relevant sites and accounting treatment, the Council has not made provision for these as without this the Council deems that it cannot meet all the three tests required by International Accounting Standard 37 for the creation of a provision.

25. USABLE RESERVES

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

Usable Capital Receipts

	£'000
Balance at 1st April 2014	12,649
Gross Capital Receipts	3,022
Reserved Receipts	-571
Financing Fixed Assets	-1,252
Financing Reffcus	-15
Less Administration Costs	-29
Balance as at 31st March 2015	13,804

26. UNUSABLE RESERVES

31 March 2014		31 March 2015
£'000		£'000
256,628	Revaluation Reserve	297,104
1,661	Available For Sale Financial Instruments	1,684
230,097	Capital Adjustment Account	243,627
1,000	Financial Instruments Adjustment Account	762
-210,920	Pensions Reserve	-231,900
3,079	Deferred Capital Receipts	3,181
-3,692	Accumulated Absences Account	-3,524
277,853		310,934

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

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

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

2013/14 £`000	2013/14 £`000		2014/15 £`000	2014/15 £`000
	126,978	Balance as at 01 April		256,628
143,107		Upward revaluation of assets	56,129	
-6,977		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit On The Provision of Services	-6,628	
	136,130	Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		49,501
-5,029		Difference between fair value depreciation and historical cost deprecation	-6,843	
-1,451		Accumulated gains on assets sold or scrapped	-2,182	
	-6,480	Amount written off to the Capital Adjustment Account		-9,025
	256,628	Balance at 31 March		297,104

Available for Sale Financial Instruments Reserve

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

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

2013/14		2014/15
£'000		£'000
1,822	Balance at 1 April	1,661
-87	Downward(-)/Upward revaluation of investments	123
-74	Downward revaluation of investments not charged to the Surplus/Deficit On The Provision Of Services	-100
1,661	Balance at 31 March	1,684

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.

2013/14	2013/14		2014/15	2014/15
£'000	£'000		£'000	£'000
	222,844	Balance at 1 April		230,097
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income And Expenditure Statement:		
-18,430		Charges for depreciation of non current assets	-22,290	
-557		Amortisation of Intangible Assets	-636	
-4,701		Revaluation losses on Property, Plant And Equipment	574	

2013/14	2013/14		2014/15	2014/15
£'000	£'000		£'000	£'000
-734		Impairment due to economic consumption	-556	
-4,732		Revenue expenditure funded from capital under statute	-2,452	
-1,126		Loss on Recognition of Assets		
-715	-30,995	Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income And Expenditure Statement	-1,550	-26,910
	5,029	Depreciation transfer to Revaluation Reserve		6,843
	-25,966	**Net written out of the cost of non current assets consumed in the year**		-20,067
		Capital financing applied in the year		
1,247		Use of the Capital Receipts Reserve to finance new capital expenditure	1,267	
16,431		Capital grants and contributions credited to the Comprehensive Income And Expenditure Statement that have been applied to capital financing	10,929	
1,014		Application of grants to capital financing from the Capital Grants Unapplied Account	35	
8,074		Capital expenditure charged against the Council Fund and HRA balances	14,525	
6,964	33,730	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	7,204	33,961
	98	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income And Expenditure Statement		-92
	-1,089	Movement in the market value of Assets Held for Sale debited or credited to the Comprehensive Income And Expenditure Statement		-771
	-50	Available for Sale Assets		-71
	530	Reserved capital receipts		570
	230,097	Balance at 31 March		243,627

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses, relating to certain financial instruments and for bearing losses, or benefiting from gains, per statutory provisions. The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the account in the movement in reserves statement. Over time, the expense is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2014 will be charged to the Council Fund over the remaining life of repaid loans.

2013/14 £'000		2014/15 £'000
1,328	Balance at 1 April	1,000
-291	Discounts paid from rescheduling of debt	-291
-35	Soft loans adjustment	49
2	Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	2
-4	Invest to save loans	2
1,000	Balance at 31 March	762

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed, as the Authority makes employer's contributions to Pension Funds or eventually pay any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2013/14 £'000		2014/15 £'000
-240,950	Balance at 1 April	-210,920
40,250	Actuarial gains or losses on pensions assets and liabilities	-14,210
-29,140	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	-23,850
18,920	Employer's pensions contributions	17,080
-210,920	Balance at 31 March	-231,900

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.

2013/14		2014/15
£'000		£'000
2,029	Balance at 1 April	3,079
-6	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-3
1,350	Landlord Loans	531
-294	Transfer to the Capital Receipts Reserve upon receipt of cash	-426
3,079	Balance at 31 March	3,181

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.

2013/14		2014/15
£'000		£'000
-3,876	Balance at 1 April	-3,692
3,876	Settlement or cancellation of accrual made at the end of the preceding year	3,692
-3,692	Amounts accrued at the end of the current year	-3,524
-3,692	Balance at 31 March	-3,524

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Services Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Board on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (where as depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income And Expenditure Statement).

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

2014/15 Net expenditure by directorate	**Total £'000**
People:	
Adult Services And Commissioning	54,833
Children's Services	15,862
Housing	944
Housing Revenue Account	-5,552
Place:	
Leisure And Recreation	14,896
Regeneration, Property and Commissioning	8,762
Highways, Transport and Recycling	25,517
Schools	102,893
Change and Governance	4,169
Resources	
Professional Services	1,117
Business Services	51
Communications	61
SERVICE AREA TOTALS	**223,553**
Corporate Activities	11,423
Total	**234,976**
Council Tax	-60,150
Revenue Support Grant	-139,609
Non Domestic Rates	-42,845
Net Expenditure In The Directorate Analysis	**-7,628**
Net expenditure not included in the analysis	476
Amounts in the Comprehensive Income And Expenditure Statement not reported to management in the analysis	14,967
Surplus(-)/Deficit on Services In Comprehensive Income And Expenditure Statement	**7,815**

2013/14 Net expenditure by directorate	**Total £'000**
People:	
Adult Services And Commissioning	57,209
Children's Services	15,288
Housing	1,013
Housing Revenue Account	-4,252
Place:	
Director and Heads of Service	12
Leisure And Recreation	15,171
Regeneration And Development	9,610
Highways, Transport and Recycling	27,643
Schools	101,044
Change and Governance	6,190
Resources	
Professional Services	1,896

2013/14 Net expenditure by directorate	**Total £'000**
Business Services	1,767
Communications	246
SERVICE AREA TOTALS	**232,838**
Corporate Activities	16,996
Total	**249,834**
Council Tax	-57,624
Revenue Support Grant	-149,658
Non Domestic Rates	-41,732
Net Expenditure In The Directorate Analysis	**820**
Net expenditure not included in the analysis	507
Amounts in the Comprehensive Income And Expenditure Statement not reported to management in the analysis	7,847
Surplus(-)/Deficit on Services In Comprehensive Income And Expenditure Statement	**9,174**

Reconciliation to subjective analysis

The reconciliation below shows how the figures in the analysis of directorate net expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2014/15	**Per Directorates analysis**	**Amounts not reported to management for decision making**	**Amounts not included in income and expenditure**	**Per the (surplus)/deficit from the provision of services**
	£'000	**£'000**	**£'000**	**£'000**
Grants see note 30	-66,400	-9,351		-75,751
Other grants, reimbursements and contributions see note 30	-12,221	214		-12,007
Customer and client income	-75,156	-68		-72,224
Internal Recharges	-64,827	-2,283		-67,110
Transfer to deferred credits - landlord loans see note 9		-531		-531
Surplus on Sale of Assets	0			0
Council Tax	-75,119	-215		-75,334
Non Domestic Rates	-42,845			-42,469
Revenue Support Grant	-139,609			-139,609
Total Income	**-473,177**	**-11,859**		**-485,035**
Employee Costs	166,306	-2,740		163,565
Premises related expenditure	15,649	0		15,649

2014/15	**Per Directorates analysis**	**Amounts not reported to management for decision making**	**Amounts not included in income and expenditure**	**Per the (surplus)/deficit from the provision of services**
	£'000	**£'000**	**£'000**	**£'000**
Transport related expenditure	15,668	-1		15,667
Supplies And Services	27,796	95		27,891
Depreciation And Impairment losses		23,621		23,770
Reffcus		476		476
Third Party Payments	93,081	1		93,082
Precepts And Levies see note 9	21,982	0		21,982
Transfer Payments	45,516	-14		45,501
Support services, and other internal recharges	62,796	2,145		64,941
Capital financing costs (Interest And Similar Charges)	15,069	-7,204		7,865
Pension Interest Costs		8,700		8,700
IAS19 Past Service Costs		630		630
Insurance	1,686	135		1,821
Loss on Disposal of Assets		1,310		1,301
Total Expenditure	**465,548**	**27,302**		**492,851**
Net Expenditure/ Income(-)	**-7,628**	**15,444**		**7,851**

2013/14	**Per Directorates analysis**	**Amounts not reported to management for decision making**	**Amounts not included in income and expenditure**	**Per the (surplus)/deficit from the provision of services**
	£'000	**£'000**	**£'000**	**£'000**
Grants	-53,894	-16,581		-70,475
Other grants, reimbursements and contributions	-24,872			-24,872
Customer and client income	-59,151	-2,065		-61,216
Internal Recharges	-84,597	0		-84,597
Credits resulting from soft loans		-1,350		-1,350

2013/14	Per Directorates analysis	Amounts not reported to management for decision making	Amounts not included in income and expenditure	Per the (surplus)/deficit from the provision of services
	£'000	£'000	£'000	£'000
Surplus on Sale of Assets	-2,707			-2,707
Council Tax	-71,840			-71,840
Non Domestic Rates	-41,732			-41,732
Revenue Support Grant	-149,658			-149,658
Total Income	**-488,451**	**-19,996**		**-508,447**
Employee Costs	173,976	-7,467		166,509
Premises related expenditure	18,677	167		18,844
Transport related expenditure	15,446	-1		15,445
Supplies And Services	30,883	-408		30,475
Depreciation And Impairment losses		25,414		25,414
Reffcus		4,732		4,732
Third Party Payments	84,758	0		84,758
Precepts And Levies	21,479	0		21,479
Transfer Payments	45,483	0		45,483
Support services, and other internal recharges	82,629	0		82,629
Capital financing costs (Interest And Similar Charges)	13,973	-7,067		6,906
Pension Interest Costs		10,190		10,190
IAS19 Past Service Costs		2,080		2,080
Insurance	1,968			1,968
Loss on Disposal of Assets		709		709
Total Expenditure	**489,272**	**28,349**		**517,621**
Net Expenditure/ Income(-)	**820**	**8,354**		**9,174**

28. CASHFLOW STATEMENT – INVESTING ACTIVITIES

2013/14 £`000		2014/15 £`000
32,742	Purchase of property, plant and equipment, investment property and intangible assets	32,654
284,320	Purchase of short and long term investments	288,569
-2,469	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-2,738

-280,905	Proceeds from the sale of short and long term investments	-285,064
33,688	**Net Cash Flows From Investing Activities**	33,421

29. CASHFLOW STATEMENT – FINANCING ACTIVITIES

2013/14 £`000		**2014/15 £`000**
-16,200	Cash receipts of short and long term borrowing	-28,186
-8,914	Other receipts from investing activities	-8,491
1	Cash payments relating to the reduction of the outstanding liabilities on finance leases	0
7,714	Repayments of short and long term borrowing	7,155
4,125	Other payments for financing activities	3,961
-13,274	**Net Cash Flows From Financing Activities**	-25,561

30. ANALYSIS OF GOVERNMENT GRANTS

2013/14 £`000		**2014/15 £`000**
11,547	Housing Grants	10,478
36	Other Housing	0
3,143	Other Social Services (Primarily Mental Handicap Strategy)	2,552
6,038	Supporting People	4,291
143	Other Transport Grants	1,220
4,782	Waste Disposal And Recycling Grants	3,713
14,589	Education Grants	13,890
15	Welsh Language Grant	38
1,393	PIG Policy Agreements	1,357
164	Concessionary Travel	778
396	Regeneration and Development	58
134	Built Heritage ReFCUS	347
150	CESF Grant	14
531	Miscellaneous	1,606
322	Safer Communities Fund	173
0	Communities First	136
0	Work Based Learning	0
2,336	ReFCUS	1,708
26	Public Protection	6
468	Sports Council	508
165	Animal Welfare	145
156	Leisure & Recreation	117
198	Welsh Arts Council	83
61	Nutrition In Schools/Appetite For Life	0
46,794		43,218

31. TRADING OPERATIONS

The SeRCOP defines trading operations as services provided for users on a basis other than a straight forward recharge of cost. Services can be provided for external and internal users, but the vast majority of activity is internal. Significant areas of trading activities during 2014/15 were:

2013/14 (Surplus)/Deficit £`000		2014/15 Expenditure £`000	2014/15 Income £`000	2014/15 (Surplus)/Deficit £`000
219	Building Cleaning	3,338	-3,276	62
31	Catering	5,429	-5,393	36
300	Central Administration	21,547	-21,113	434
-33	Engineering And Building Design	5,615	-5,408	207
211	Highways Maintenance	1,564	-869	695
278	Information Technology Dept	7,584	-7,604	-20
208	Internal Insurance	1,944	-1,912	33
63	Vehicle Maintenance And Transport	9,191	-9,327	-136
-837	Pension Deficit Funding On Trading Accounts	-673	0	-673
168	Performance And Communications	127	-136	-9
608		55,665	-55,037	628

All internal trading activities of the Council continue to be reviewed to establish if an internal market is still an appropriate method of accounting for costs.

32. AGENCY SERVICES

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

2013/14 £`000	Agency	Description	2014/15 £`000
331	Welsh Government	Houses for Homes	528

33. POOLED BUDGETS AND JOINT ARRANGEMENTS

(Section 31 Health Act 1999)

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

The agreement will not affect the liability of the parties for the exercise of their respective statutory functions and obligations. The partnership agreement operates in accordance with the Welsh Assembly Government Guidance NHS Funded

Nursing Care 2004. The allocation received for 2014/15 for Free Nursing care was £2,147,087 which is now within the PtHB base allocation from WG.

Powys County Council paid to Care Homes:

2013/14 £'000 Total	Gross Funding	2014/15 £'000 Staff	2014/15 £'000 Other	2014/15 £'000 Total
1,065	Powys County Council	0	1,065	1,065
798	Powys Teaching Health Board	0	1,083	1,083
1,863	**Total Funding**	0	2,147	2,147
	Expenditure			
1,925	Monies spent in accordance with pooled budget arrangement	0	2,033	2,033
1,925	**Total Expenditure**	0	2,033	2,033
-62	**Net Over(-)/ Under spend**	**0**	**114**	**114**

2013/14 £'000 Total	Net Over(-)/ Under spend	2014/15 £'000 Total
0	Powys County Council	-33
-62	Powys Teaching Health Board	147
-62		**114**

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

Pooled Budgets

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

The gross funding agreed by both parties is as follows:-

Joint Equipment Store:

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.

2013/14 £'000		2014/15 £'000
	Gross Funding	
458	Powys County Council	458
584	Powys Teaching Health Board	584
15	Other	15
1,057	**Total Funding**	**1,057**
	Expenditure	

37	Management costs	54
515	Equipment purchase	403
252	Maintenance and Inspection	250
445	Delivery, Cleaning and Collection Charges	438
1,249	**Total Expenditure**	**1,146**
-192	**Net Over(-)/ Under spend**	**-89**

2013/14 £'000	**Net overspend funded by**	**2014/15 £'000**
	Powys County Council	-39
	Powys Teaching Health Board	-50
0	**Net Over(-)/ Under spend**	**-89**

Integrated Health and Social Care Centre:

Powys County Council is the lead commissioner and the host partner for the purposes of the Regulations.
The purpose of the agreement is to facilitate the provision of person centred care at Glan Irfon, for 12 residents within the short stay shared care reablement unit with in-reach clinical, nursing and reablement support (registered under CSSIW for Residential Care).

2013/14 £'000		**2014/15 £'000**
	Gross Funding	
	Powys County Council	177
	Powys Teaching Health Board	177
0	**Total Funding**	**354**
	Expenditure	
	12 Beds	277
0	**Total Expenditure**	**277**
0	**Net Over(-)/ Under spend**	**77**

2013/14 £'000	**Net underspend held by**	**2014/15 £'000**
	Powys County Council	38.5
	Powys Teaching Health Board	38.5
0	**Net Over(-)/ Under spend**	**77**

Reablement Service:

2013/14 £'000		**2014/15 £'000**
	Gross Funding	
	Powys County Council	413
	Powys Teaching Health Board	828
0	**Total Funding**	**1,241**
	Expenditure	
	Powys County Council	700
	Powys Teaching Health Board	329
0	**Total Expenditure**	**1,029**
0	**Net Over(-)/ Under spend**	**212**

2013/14 £'000	Net underspend held by	2014/15 £'000
	Powys County Council	16
	Powys Teaching Health Board	196
0	**Net Over(-)/ Under spend**	**212**

Kaleidoscope Tier 2/3 Psycho-social Treatment Services:

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

2013/14 £'000		2014/15 £'000
	Gross Funding	
	Powys County Council	670
	Powys Teaching Health Board	122
0	**Total Funding**	**792**
	Expenditure	
	In accordance with Joint Arrangement	792
0	**Total Expenditure**	**792**
0	**Net Over(-)/ Under spend**	**0**

2013/14 £'000	Net underspend held by	2014/15 £'000
	Powys County Council	0
	Powys Teaching Health Board	0
0	**Net Over(-)/ Under spend**	**0**

ICT Service:

2013/14 £'000		2014/15 £'000
	Gross Funding	
908	Powys County Council	1,407
426	Powys Teaching Health Board	682
45	Other Funding	0
287	Other Income	2
1,666	**Total Funding**	**2,091**
	Expenditure	
164	Management costs	207
1,187	Staffing costs	1,232
293	Other expenditure	555
1,644	**Total Expenditure**	**1,994**
22	**Net Over(-)/ Under spend**	**97**

34. JOINT COMMITTEES

Education through Regional Working ERW is a Joint Committee consisting of six local authorities in South West and Mid-Wales. Pembrokeshire is the lead Authority. The total annual contribution from participating Authority's for 2014/15 was £250k (£156k in 2013/14) of which Powys contributed £40k (£23k in 2013/14). The reserve held specifically for Powys by ERW is £66k in 2014-15 (£54K in 2013-14).

35. MEMBERS ALLOWANCES

A total of £1,210 k was paid to Councillors in basic and special responsibility allowances (£1,180k in 2013/14). Councillors were also reimbursed travel, working expenses and subsistence expenses in accordance with regulations amounting to £114k (£118k in 2013/14).

36. SENIOR OFFICERS EMOLUMENTS

The remuneration ratio of the chief executive during the year of the accounts to the amount of the median remuneration (£13,496) of all the Authorities employees during the year was 10.26:1. This ratio includes leavers, employees who started part way through the year, temporary and part time employees.

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

2014/15	Note	Salary (inc fees & allowances)	Benefits in kind	Compensation for loss of office	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total Remuneration including Pension Contribution
Post Title		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive		138			138	32	171
Strategic Director – Resources		101			101	23	124
Strategic Director – Place		99	1		100	23	123
Director - Change & Governance		92	1		93	21	114
Strategic Director - People		99			99	23	122
Head of Schools Service	1	56	4		60	13	73
Interim Head of Schools Service	1	17			17	4	21
Head of Operations	2	35	1	12	48	11	58
Head of Highways, Transport & Recycling	3	31			31	11	42
Head of Business Services		68	1		70	16	86
Head of Professional Services & Commissioning		74	1		75	17	92
Head of Childrens Services		74	3		77	17	94
Head of Adult Services		73			73	17	90

Head of Regeneration Property & Commissioning		68			68	16	83
Head of Housing & Commissioning	4	32		40	72	8	80
Head of Housing	5	6			6	1	7

2013/14	Note	Salary (inc fees & allowances)	Benefits in kind	Compensation for loss of office	Total Remuneration Excluding Pension Contribution	Pension Contribution	Total Remuneration including Pension Contribution
Post Title		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive		133			133	31	164
Strategic Director – Resources		87			87	20	107
Strategic Director – Place		96	1		97	22	119
Strategic Director – Law and Governance	6	9		154	163	2	165
Director – Change & Governance		89	1		90	21	111
Strategic Director - People		92			92	21	113
Head of Local & Environmental Services	6	44		40	84	9	93
Head of Business & Performance Unit	6	20	3	40	63	2	65
Head of Human Resources	6	25		82	107	0	107
Head of Leisure & Recreation	6	26		73	99	2	101
Head of Legal, Scrutiny & Democratic Services	6	24		47	71	0	71
Head of Housing & Commissioning		67	2		69	16	85
Interim Head of Schools Service		69	3		72	16	88
Head of Operations		75	2		77	17	94
Head of Business Services		59	2		61	14	75
Head of Professional Services & Commissioning		68			68	16	84
Head of Children's Services		67	3		70	16	86
Head of Adult Services		31			31	7	38
Head of Regeneration Property & Commissioning		41			41	10	51

Note 1 – The post holder in the role of Interim Head of Schools Service was transferred into the role of Head of Schools Service in June 2014.
Note 2 – The role of Head of Operations was deleted in May 2014.
Note 3 – From November 2014 the role of Highways, Transport & Recycling was filled permanently.
Note 4 – The role of Head of Housing and Commissioning was vacated in October 2014.
Note 5 – The Head of Housing costs were charged to consultancy. From March 2015 the post was filled permanently.
Note 6 – These roles were deleted during 2013-14.

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:

2013/14 No	Remuneration Band	2014/15 No
16	£60,000 - £64,999	8
8	£65,000 - £69,999	8
3	£70,000 - £74,999	3
0	£75,000 - £79,999	0
1	£80,000 - £84,999	1
1	£85,000 - £89,999	1
1	£90,000 - £94,999	1

Note 43 details termination benefits

37. AUDIT COSTS

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

2013/14 £`000		2014/15 £`000
202	Accounts	224
100	Performance audit	100
105	Grant claims	84
49	Other	50
456		458

38. TAXATION AND NON SPECIFIC GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14 £`000	Credited to Taxation and Non Specific Grant Income	2014/15 £`000
72,055	Council Tax	75,334
149,658	Revenue Support Grant	139,609
41,732	Non Domestic Rates Redistribution	42,469
0	Other Non Specific Grants	0
263,445		257,412

NNDR is organised on a national basis. The Welsh Government (WG) specifies an amount for the rate 47.3p in 2014/15 and 46.4p in 2013/14) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by this amount. The Council pays the rates it collects to a pool administered by WG. WG redistributes the sums payable back to Local Authorities on the basis of a fixed amount per head of population.

The Authority also receives specific grants to be credited directly to services:

2013/14 £'000	Government Grants	2014/15 £'000
823	14-19 Revenue Grant	565
775	Benefit Administration Grant	532
	Benefit Payments	561
1,036	Concessionary Travel	1,017
1,318	Contribution From TEC	1,117
2,336	European Agricultural Fund for Rural Development	728
1,184	Families First	1,140
1,459	Flying Start	1,638
3,920	Foundation Phase	4,213
11,838	HRA Subsidy	10,479
0	Integrated Care Fund	1,498
325	NNDR Collection Grant	325
1,423	PIG Policy Agreements	1,352
63	Pupil Deprivation Grant	1,557
734	Regional Transport Service Grant	957
15,321	Rent Allowance Grant	17,164
99	Road Safety	70
1,245	School Effectiveness Grant	1,109
6,470	Sixth Form Grant	5,882
498	Sports Council	523
838	Substance Abuse Action Plan	845
6,038	Supporting People	5,721
3,394	Sustainable Waste Management Grant	3,836
846	Trunk Road Improvements	0
544	Welsh Development Agency Grants	274
4,148	REFFCUS	1,975
11,704	Capital Grants	8,906
6,725	Other Government Grants	2,920
85,104		78,167

2013/14 £'000	Other Grants, Contributions & Donations	2014/15 £'000
4,729	Joint Finance – Area Health	4,960
346	LHB	665
5,168	Other	5,941
10,243		11,565

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

2013/14 £'000	Capital grants received in advance	2014/15 £'000
2,253	Balance at 01 April	131
122	Grants Received	93
-2,085	Grants not received at 31st March	0
-159	Transfer to Capital Grants Unapplied	-49
0	To Income & Expenditure Account	0
131		175

39. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties which have been classified into ten valuation bands based on the draft valuation list prepared by the Valuation Office that came into effect 1st April 2006. Charges are calculated by taking the amount of Council Tax income required by the County Council, Dyfed Powys Police and Community Councils for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The tax base used for the calculation of Council Tax in 2014/15 was 60,029. (59,087 in 2013/14).

The basic charge of £1,005.40 (£962.11 in 2013/14), for a band D property in 2014/15 for County Council purposes is multiplied by the proportion specified for the particular band to give the amount due for each individual property. A similar exercise is done for Dyfed Powys Police Authority and Community Council purposes to arrive at the total Council Tax charge per property.

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

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Number of properties in band	3	2,925	5,899	9,682	8,793	12,945	12,071	6,209	1,108	394

2013/14 £`000		2014/15 £`000
72,243	Council tax income	75,501
-188	Miscellaneous write offs	-167
72,055	Net Proceeds From Council Tax	75,334

40. RELATED PARTIES

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

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in Note 38. Revenue grants outstanding are within the short term creditors note balances, Note 23.

Members

As required by law the Authority holds a Register of Members` Interests which Members are required to maintain. In addition Members declare interests where they are involved in Authority decisions affecting that interest. Note 35 shows the allowances paid to members. The only significant transactions with companies in which members had an interest were:

		£,000
Mid Wales Manufacturing	Cllr J H Brunt	109
RWAS – Enterprises	Cllr R Harris	5
G & T Evans	Cllr D Jones	2
Wynnstay & Clwyd Farmers	Cllr Mrs E M Jones	2
Dilwyns Solicitors	Cllr T J Van Rees	1
Banwy Fuels	Cllr W.B Thomas	57
School Transport	Cllr G P Vaughan	15

Chief and Senior Officers and their Close Families
Senior Officers of the Council maintain a register of gifts received and are asked annually to declare any relevant interests. No material transactions took place in 2014/15.

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

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

The following officers are joint working:

Position	Purpose	Authority	Billed to or from Ceredigion	Unpaid at 31 March 2014
			£'000	£'000
Streetworks Manager	Joint Working-CWIC	Ceredigion	22	22

The Powys Pension Fund
As well as making employer contributions to the Fund the County Council also provides administrative services for the fund. In 2014/15 the Council was paid £763k for these services (£766k for 2013/2014). Any amounts outstanding to or from related parties are disclosed in notes 20 and 23.

41. LEASES

Authority as Lessee
Operating Leases

Various services use assets financed by operating lease. The lease costs form part of each service's revenue expenditure. Total operating lease rentals paid in the year were £1,348k (£1,351k in 2013/14) and the total outstanding commitment on operating leases at the 31st March 2015 was £2,296k (£1,535k at 31st March 2014).

	£'000
Leases expiring in 2015-2016	199
Leases expiring between 2016/17 and 2020/21	2,097

Finance Leases

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

2013/14 £`000		2014/15 £`000
1	Property, Plant And Equipment	0

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2013/14 £`000		2014/15 £`000
	Finance lease liabilities	
0	- current	0
0	- non current	0
0	Finance costs payable in future years	0
0	Minimum lease payments	0

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£'000	£'000	£'000	£'000
Not later than one year	0	0	0	0
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
	0	0	0	0

Authority as Lessor

Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The increase in the minimum lease payments receivable under non-cancellable leases in future years below is because of the inclusion of more arrangements in the calculation, not because new ones have been signed:

Minimum Lease Payments		
	31 March 2014	31 March 2015
	£'000	£'000
Not later than one year	706	879
Later than one year and not later than five years	2,069	2,542
Later than five years	2,734	2,734
	5,509	6,694

42. OBLIGATIONS UNDER LONG TERM CONTRACTS

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

43. TERMINATION BENEFITS

The Authority had the following Termination Costs:

2013/14 £`000	Range	2014/15 £`000
2,690	£0 - £20,000	1,830
2,058	£20,001 - £40,000	2,058
835	£40,001 - £60,000	895
405	£60,001 - £80,000	0
258	£80,001 - £100,000	0
801	£100,001 - £160,000	358
202	£160,001 - £210,000	0
7,249		5,168

2013/14 £`000		2014/15 £`000
4,419	Redundancy	3,285
2,038	Pension Strain	1,204
38	Loss of Office	158
754	Pay in Lieu of Notice/Holidays	521
7,249		5,168

44. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Authority participates in the Local Government Pension Scheme administered by Powys County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a Fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment /retirement benefits is reversed out of the General Fund (and Housing Revenue Account) via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves during the year.

2013/14 Funded	**2013/14 Total**	Comprehensive Income And Expenditure Statement	**2014/15 Funded**	**2014/15 Total**
£m	**£m**		**£m**	**£m**
		Cost of services		
16.87	16.87	Current service cost	14.52	14.52
2.08	2.08	Past service costs	0.63	0.63
		Financing And Investment Income And Expenditure		
10.19	10.19	Interest on net defined benefit	8.70	8.70
29.14	29.14	Pension expense charged to the surplus/ deficit on the provision of services	23.85	23.85
		Other post employment benefit charged to the Comprehensive Income And Expenditure Statement		
4.25	4.25	Return on plan assets (in excess of)/ that recognised in net interest	-43.33	-43.33
-34.10	-34.10	Actuarial gains (-)/losses due to change in financial assumptions	61.27	61.27
3.53	3.53	Actuarial gains (-)/losses due to changes in demographic assumptions	0	0
-13.93	-13.93	Actuarial gains(-)/losses due to liability experience	-3.73	-3.73
-11.11	-11.11	Total post employment benefit charged to the Comprehensive Income And Expenditure Statement	38.06	38.06

		Movement In Reserves Statement		
-29.14	-29.14	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	-23.85	-23.85
		Actual amount charged against the Council Fund balance during the year:		
-18.92	-18.92	Employers contributions payable to scheme	-17.08	-17.08

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31st March 2015 is a loss of £14.21m.

Pensions Assets and Liabilities recognised in the Balance Sheet

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

	2014	**2015**
	£m	**£m**
Fair value of assets	403.65	463.58
Present value of funded defined benefit obligation	614.57	695.48
Funded Status	-210.92	-231.90
Impact of minimum funding requirement/asset ceiling	0	0
Asset/Liability (-) recognised on the balance sheet	-210.92	-231.90

Reconciliation of the Movements in the Fair Value of Scheme Assets

2013/14 £m	**Pension Scheme Assets**	**2014/15 £m**
388.16	Brought forward 01 April	403.65
17.15	Interest Income on Assets	17.36
-4.25	Remeasurement gains/losses(-) on assets	43.33
18.92	Contributions by the employer	17.08
4.57	Contributions by participants	4.44
-20.90	Net benefits paid out	-22.28
403.65	Carried Forward 31 March	463.58

2013/14 £m	**Actual Return on Assets**	**2014/15 £m**
17.15	Interest Income on Assets	17.36
-4.25	Remeasurement gains/losses (-) on assets	43.33
12.90	Actual Return On Assets	60.69

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

2014 Funded £m	Pension Scheme Liabilities	2015 Funded £m
629.11	Brought forward 01 April	614.57
16.87	Current service cost	14.42
27.34	Interest cost	26.06
4.57	Contributions by participants	4.44
-34.10	Actuarial gains(-)/losses on liabilities – financial assumptions	61.27
3.53	Actuarial gains(-)/losses on liabilities – demographic assumptions	0
-13.93	Actuarial gains(-)/losses on liabilities - experience	-3.73
-20.90	Net benefits paid out	-22.28
2.08	Past service cost	0.63
614.57	Carried Forward 31 March	695.48

Local Government Pension Scheme Assets Comprised

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

	% Of Assets (Quoted) 31.03.15	% Of Assets (Unquoted) 31.03.15	Total Assets 31.03.15	% Of Assets 31.03.14
Equity Investments	49.3	3.7	53.0	52.3
Property	7.4	0	7.4	6.1
Government Bonds	16.3	0	16.3	16.1
Corporate Bonds	8.6	0	8.6	13.0
Cash	5.2	0	5.2	2.5
Other	9.5	0	9.5	10
	96.3	3.7	100.0	100

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

Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The valuations have been carried out as of 31st March 2013 and updated for following years by AON Hewitt Limited the independent Actuaries to the fund. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement (for schemes where the age profile of the active membership is significantly rising).

The following are the main assumptions used by the Actuaries in their calculations to 31st March:

	2014 %	2015 %
Inflation – RPI	3.4	2.9
Rate of general increase in salaries	3.9	3.3
Rate of increase to pensions in payment	2.4	1.8
Rate of increase to deferred pensions	2.4	1.8
Discount rate	4.3	3.2

The Principal Demographic Assumptions are:

Post Retirement Mortality	**31.03.14**	**31.03.15**
Males		
Base table (in 2007)	Standard SAPS Normal Health All Amounts	Standard SAPS Normal Health All Amounts
Scaling to above base table rates	100%	100%
Cohort improvement factors (from 2007)	CMI_2012	CMI_2012
Minimum underpin to improvement factors	1.5%	1.5%
Future lifetime from age 65 (currently aged 65)	22.9	23.0
Future lifetime from age 65 (currently aged 45)	25.1	25.2
Females		
Base table (in 2007)	Standard SAPS Normal Health All Amounts	Standard SAPS Normal Health All Amounts
Scaling to above base table rates	100%	100%
Cohort improvement factors (from 2007)	CMI_2012	CMI_2012
Minimum underpin to improvement factors	1.5%	1.5%
Future lifetime from age 65 (currently aged 65)	25.4	25.5
Future lifetime from age 65 (currently aged 45)	27.7	27.8

	31 March 2014	31 March 2015
Commutation	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum.

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

Funded LGPS Benefits

Discount Rate Assumption		
Experience gains / (losses) on liabilities	**+0.1% p.a.**	**-0.1% p.a.**
Present value of total obligations (£M's)	682.85	708.35
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£M's)	16.67	17.76
Approximate % change in projected service cost	-3.1%	3.2%

Rate of general increase in salaries		
Adjustment to salary increase rate	**+0.1% p.a.**	**-0.1% p.a.**
Present value to total obligation (£M's)	698.85	692.15
% change in present value of total obligation	0.5%	-0.5%
Projected service cost (£M's)	17.21	17.21
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 (£M's)	705.31	685.79
% change in present value of total obligation	1.4%	-1.4%
Projected service cost (£M's)	17.76	16.67
Approximate % change in projected service cost	3.2%	-3.1%

Post Retirement Mortality Assumption		
Adjustment to mortality age rating assumptions*	**-1 year**	**+1 year**
Present value of total obligation (£M's)	713.86	677.10
% change in present value of total obligation	2.6%	-2.6%
Projected service cost (£M's)	17.79	16.63
Approximate % change in projected service cost	3.4%	-3.4%

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

Impact on the Authority's Cash Flows

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

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

The Council anticipates paying £17.14m regular contributions to the scheme in 2015/16.

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

Active members	40%
Deferred Pensioners	13%
Pensioners	47%

The weighted average duration of the defined benefit obligation for scheme members is 18.3 years in 2014/15 (18.3 years 2013/14).

45. TEACHER PENSION COSTS

In 2014/15 the County Council paid £6.1m to the Department for Education and Skills in respect of teacher's pension costs which represents 14.1% of teacher's pensionable pay, (£6.3m, 14.1% in 2013/14). These contributions are set in relation to the current period only. In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with an actuarially calculated percentage of any early retirements awarded after 1st September 1998. It is also responsible for any related increases on these awards. In 2014/15 payments made in relation to added years amounted to £1.6m, representing 3.61% of pensionable pay, (£1.4m, 3.18% in 2013/14).

46. CONTINGENT LIABILITIES

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

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

On 13 November 2012 the directors of MMI "triggered" MMI's Scheme of Arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). The Scheme administrator advised that a Levy of between 9.5% and 28% is required to achieve a projected solvent "run-off". The initial Levy rate of 15% (£156k) was settled in 2013-14.

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

47. CONTINGENT ASSETS

No such assets were known to exist at 31 March 2015.

48. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority.

- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.

- Re-financing and maturity risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management procedures focus on the unpredictability of financial markets and are structured to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a treasury team under policies approved by Full Council in the Treasury Management Policy Statement, the annual Treasury Management Strategy Statement and Annual Investment Strategy. The Policy and Strategy provide written principles for areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

Customers are not currently assessed for their creditworthiness or individual credit limits set. No financial assets have had their terms renegotiated that would otherwise have been past due or impaired. The analysis overleaf 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 March 2015 £000's	Actual Provision For Bad Debts Made £000's	Bad Debt Written Off In Year £000's	Other Impairments In Year £000's
Deposits With Banks And Financial Institutions	0	0	0	0
Customers				
Council Tax	2,731	-719	167	0
Housing Rents	272	-144	29	0
Sundry Debtors	28,464	-1,841	32	0
	31,467	-2,704	228	0

No collateral is held as security on Financial Assets.

The Authority does not generally allow credit for Customers. The past due date can be analysed by age as follows:

	3 to 6 Months £000's	6 to 9 Months £000's	Over 9 Months £000's	Total £000's
Debtors Ledger Control	864	664	2,417	3,945

	1 –2 Years £'000	2- 5 Years £'000	Over 5 Years £'000	Total £'000
Council Tax	2,230	515	215	2,961

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:

2014 £'000		2015 £'000
15	Within a year	16
16	Between 1-2 years	18
58	Between 2-5 years	63
19,659	Between 5-10 years	25,930
86,056	Over 10 years	79,763
105,804	**Total**	105,790

Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures mentioned above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The following approved treasury indicators are the key parameters used to address this risk.

- The upper and lower limits for the maturity structure of borrowings are:

	Upper Limit	Lower Limit
Under 12 months	40%	0%
1 - 2 years	40%	0%
2 - 5 years	40%	0%
5 - 10 years	40%	0%
10 - 20 years	40%	0%
20 - 30 years	40%	0%
30 - 40 years	40%	0%
40 - 50 years	40%	0%

- The maximum principal sum invested for periods longer than 364 days is £10m.

Market Risk

Interest Rate Risk
The Authority is exposed to significant risk in terms of exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure account will rise

- Borrowings at fixed rates – the fair value of the liabilities will fall

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise

- Investments at fixed rates – the fair value of the assets will fall

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

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

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

To highlight the sensitivity of rises, if interest rates had been 1% higher during 2014/15 with all other variables constant, the financial effect would be:

	£000's
Increase In Interest Payable On Variable Rate Borrowings	141
Increase In Interest Receivable On Variable Rate Investments	-491
Increase In Surplus Of Income And Expenditure Account	-350
Share Of Overall Impact Debited To The HRA	0

The impact of a 1% fall in interest rates would be as above but with the movements reversed.

Price Risk

The Authority only holds equity instruments in respect of the Pension Fund. It is therefore exposed to an element of risk in relation to movements in the price of equities. This is mitigated by investing in a diverse portfolio.

Foreign Exchange Risk

The Authority's has no financial assets or liabilities denominated in foreign currencies (apart from in respect of the Pension Fund).

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

49. ICELANDIC BANKS

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Authority had £4m deposited across 2 of these institutions, with varying maturity dates and interest rates as follows:

Institution	Amount Invested £'000	Type	Rate
Landsbanki Islands	1,000	Fixed 05/03/09	6.01
Landsbanki Islands	1,000	Fixed 25/06/09	6.41
Glitnir Bank HF	2,000	Fixed 25/06/09	6.36

Landsbanki

The Landsbanki situation was concluded in 2013/14.

Glitnir Bank HF

Glitnir Bank HF is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012.

An element of the distribution was in Icelandic Kroner which is in an escrow account in Iceland and was earning interest of 3.11% as at 31/03/15. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk over which the Authority has no control.

The distribution has been made in full settlement, representing 100% of the claim.

HOUSING REVENUE ACCOUNT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Income and Expenditure Account

2013/14 £`000		2014/15 £`000
	Expenditure	
2,961	Supervision And Management	2,860
6,824	Repairs And Maintenance	6,352
5,709	Subsidy Payable	5,866
33	Rents And Rates	33
21	Movement In Allowance For Bad And Doubtful Debts	172
6,081	Depreciation, Impairment and Revaluation Of Non Current Assets	5,453
3	Debt Management Expenses	3
21,632	**TOTAL SERVICE EXPENDITURE**	20,740
	Income	
-20,078	Dwelling Rents	-20,996
-507	Non Dwelling Rents	-509
-179	Other Charges For Services And Facilities	-157
-22	Contributions Towards Expenditure	-6
-20,786	**TOTAL SERVICE INCOME**	-21,668
846	**Net Cost Of Services as Included in the Comprehensive Income and Expenditure Account**	-928
155	HRA Services Share Of Corporate And Democratic Core	124
1,001	**Net Cost Of HRA Services**	-804
	HRA Share Of The Operating Income And Expenditure Included In The Comprehensive Income And Expenditure Statement	
-361	Gain(-)/loss On Sale Of HRA Non Current Assets	-291
568	Interest Payable And Similar Charges	494
695	Amortisation Of Premiums And Discounts	289
228	Net Interest on the net defined benefit liability	212
-37	HRA Investment Income	-23
-3,817	Capital Grants and Contributions applied	-3,715
-1,723	**SURPLUS(-)/DEFICIT FOR THE YEAR ON HRA SERVICES**	-3,838

HOUSING REVENUE ACCOUNT

Movement on Housing Revenue Account Statement

	Note	HRA
2013/14		**£`000**
Balance At 01 April		-8,023
Surplus(-)/Deficit For The Year On The HRA		-1,723
Adjustments Between Accounting Basis And Funding Basis Under Statute	5	2,690
Decrease/Increase(-) In The HRA Balance Before Transfers To Or From Reserves		967
Transfer To Reserves		0
Decrease/Increase(-) In The HRA Balance		967
Balance At 31 March		-7,056
2014/15		
Surplus(-)/Deficit For The Year On The HRA		-3,838
Adjustments Between Accounting Basis And Funding Basis Under Statute	5	7,062
Decrease/Increase(-) In The HRA Balance Before Transfers To Or From Reserves		3,224
Transfer To Reserves		
Decrease/Increase(-) In The HRA Balance		3,224
Balance At 31 March		-3,832

NOTES TO THE HOUSING REVENUE ACCOUNTS

1. Housing Stock

	Number Of Bedrooms 2013/14 Total	1	2	3	4	5	6	2014/15 Total
Detached house/bungalow	49	4	33	8	3	0	0	48
Semi detached house/ Bungalow	2,152	271	810	1,025	38	3	0	2,147
Terraced house	2,133	208	714	1,135	67	5	1	2,130
Flats	1,060	322	687	49	0	0	0	1,058
Bedsits	21	17	0	0	0	0	0	17
	5,415	822	2,244	2,217	108	8	1	5,400

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

2014 £`000		2015 £`000
230	Current tenant arrears	389
685	Former tenant arrears	770
915	Total arrears	1,159
21	Bad debts	29
743	Provision for bad debt	887

3. Housing Revenue Account Capital Expenditure

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

Capital Expenditure	Total £`000	Dwellings £`000	Other Land and Buildings £`000	Equipment £`000	Non Operational £`000
Enhancing costs	13,059	12,892	0	167	0
Total expenditure	13,059	12,892	0	167	0
Impairment/Revaluation	58	58	0	0	0
Depreciation	5,395	5,381	0	14	0

The impairment charge of £58k relates to the revaluation of the dwellings. The capital expenditure was financed as follows:

	£`000
Capital Grants and Contributions	4,204
Usable capital receipts	120
Direct Revenue Contributions and Reserves	8,735
Prudential Borrowing	0
	13,059

4. Housing Revenue Account Capital Receipts

The following amounts were received during 2014/15:

	£`000
Disposal of land	0
Housing	850
Other property	10
	860

5. Adjustments between Accounting Basis and Funding Basis Under Statute

2013/14 £`000		2014/15 £`000
	Items included in the HRA Income and Expenditure Account but excluded from the HRA Balance for the year	
-695	Difference between interest payable and similar charges including amortisation of premiums and discounts in accordance with statute	-289
-274	Net charges made for retirement benefits in accordance with IAS19	-181
361	Gain(-)/loss on sale of HRA non current assets	291
	Transfer to reserves	
	Transfers to or from the Capital Adjustment Account	
-6,084	Depreciation and impairment	-5,453
312	HRA Minimum Revenue Provision	295
3,817	Capital Grants and Contributions Applied	3,715
5,275	Capital Expenditure Funded by HRA	8,735
	Transfers from the Capital Receipts Reserve	
-33	Admin costs on council house sales	-29
	Transfer to Accumulated Balances Account	
8	Holiday accrual	-22
	To other committees/reserves	
2,687	**Net additional amount required by statute to be debited to the HRA Balance for the year**	7,062

6. Housing Revenue Account Contributions to the Pension Reserves

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

2013/14 £`000		2014/15 £`000
423	Employer contributions actually paid	417
-46	Past Service Costs	-15
-423	Current cost of employees	-370
-228	Net Interest on the net defined benefit/(liability)	-212
-274	Contribution to/from(-) reserve	-181

Pension Fund Accounts 2014/15

CYNGOR SIR POWYS
POWYS COUNTY COUNCIL
County Hall
Llandrindod Wells
Powys
LD1 5LG

Pension Fund Account

Contents

Chairman's Statement

The Pension Fund aims to deliver pensions effectively and efficiently at the lowest cost to the contributing employers. This requires a balance be struck between the risk and return of the investments held and to consider the future liabilities of the fund. We are committed to a long-term goal of stabilising the future pension costs to employers.

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

It is worth noting that regardless of how the investments of the Fund perform the pensions of existing pensioners and the future pensions of employees are guaranteed. The Fund cannot be "wound up" like private sector schemes.

In order to maintain strategic asset allocations determined by the Statement of Investment Principles, the fund this year invested in a pooled property fund with Schroders. This was funded by a disinvestment from liquidity funds with Blackrock and Pension Fund cash.
Also, commitment to a new private equity fund with Harbourvest was entered into. Overall, the Fund returned 14.7% for the year ended 31st March 2015. However, actuarial data shows that liabilities have grown, due mainly to the long term expectation of returns on bonds, resulting in an estimated funding ratio of 78% as at 31st March 2015.

I trust that you find this years report interesting and informative. Should you have any comments on this report or any aspect regarding the administration of the scheme, see Appendix 2 for details of how to contact us. As a reminder, the Members of Powys County Council are the Trustees of the Fund and as such are responsible for the administration.

Cllr Tony Thomas
Chair of the Pensions and Investment Committee

Fund Administration

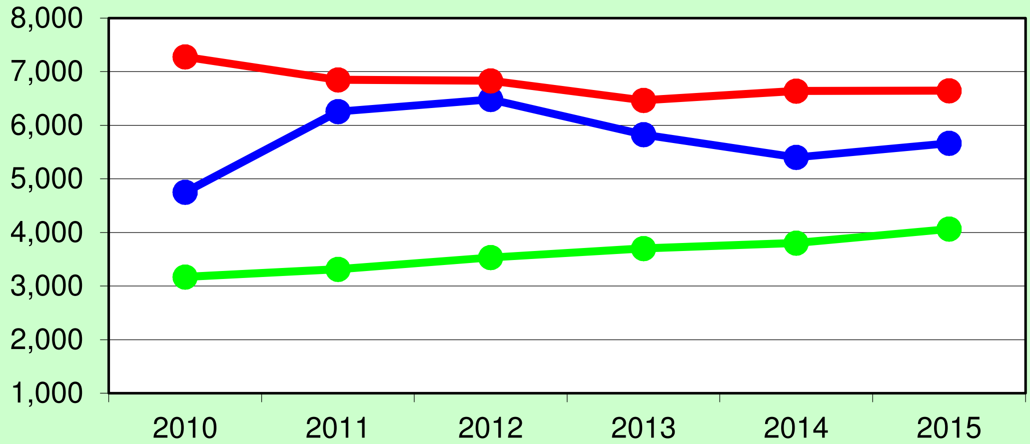
Scheme Details

Powys County Council is the administering Authority for the Powys Pension Fund. The Pension Fund provides future pension entitlement to all eligible employees of Powys County Council and the other participating bodies (Appendix 2). Membership of the scheme is not mandatory. It is a defined benefit pension scheme based on final salary up to March 31st 2014 and career average earnings from 1st April 2014. The contributions payable by employees and the benefits due to them are prescribed by the Local Government Pension Scheme Regulations. With effect from 01 April 2013 all members have been allocated a contribution rate based on the following:

Band	Range	Contribution Rate
1	Up to £13,500	5.50%
2	£13,501 to £21,000	5.80%
3	£21,001 to £34,000	6.50%
4	£34,001 to £43,000	6.80%
5	£43,001 to £60,000	8.50%
6	£60,001 to £85,000	9.90%
7	£85,001 to £100,000	10.50%
8	£100,001 to £150,000	11.40%
9	More than £150,000	12.50%

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

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



	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014	31 March 2015
Deferred	4,750	6,253	6,480	5824	5401	5661
Pensioner	3,169	3,310	3,535	3699	3803	4,062
Contributors	7,275	6,845	6,826	6462	6639	6642

Pension Increases

Pensions paid to retired members are increased each year in line with the cost of living, which is measured by the Consumer Price Index (CPI). Increases are payable from the first Monday of each tax year. The table below shows the pension increases of the last 5 years:

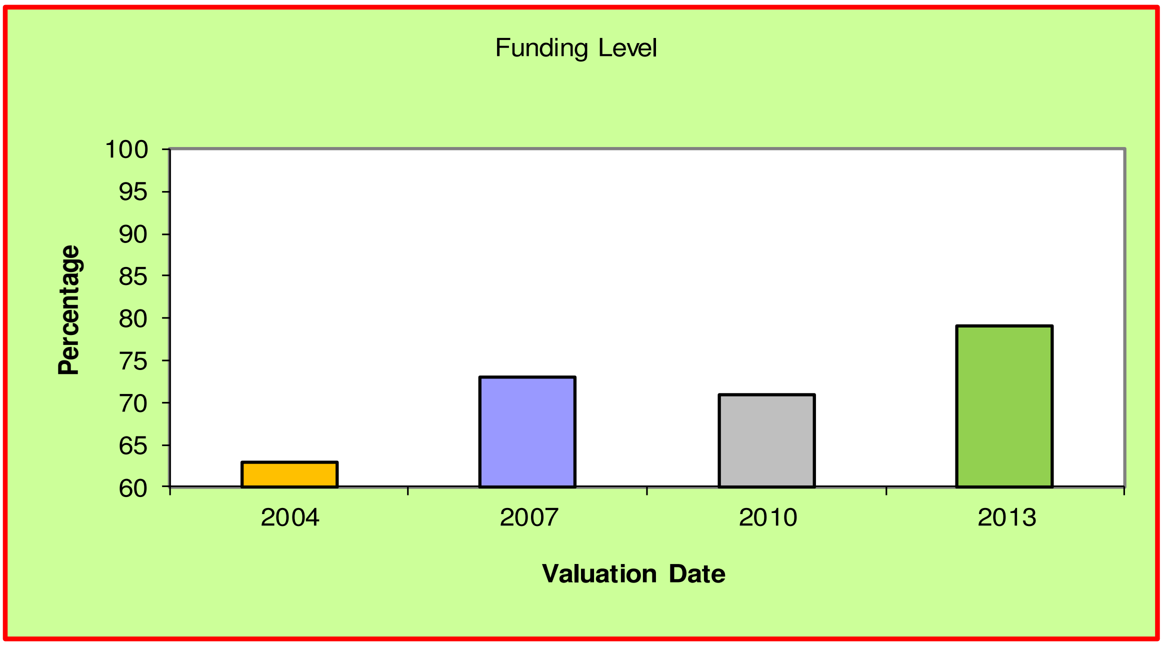
Effective Date	Increase %
11th April 2011	3.1
9th April 2012	5.2
8th April 2013	2.2
7th April 2014	2.7
6th April 2015	1.2

Management of the Fund

The County Council is the designated statutory body responsible for administering the Powys Pension Fund of its constituent scheduled and admitted bodies. The County Council has delegated the decision-making responsibilities to the Pensions and Investment Committee, which meets at least quarterly. The Committee has co-opted two non-voting members, one staff representative nominated by the Trade Unions and one representative nominated by the Outside Bodies Employers. The Committee will review market conditions and economic trends with the aim of forming a view on the prospects for each of the world markets over the short, medium and long term. The Pensions and Investment Committee, alongside the Chief Financial Officer and the external experts it employs, provided the general direction and advice by which the Fund is managed. It also monitors the performance of the Fund and the investments for which the administering Authority is responsible.

Day to day administration of the scheme is provided by the Pensions Section of Powys County Council. A list of the bodies that have been admitted to the scheme can be found in Appendix 2.

Funding and Valuation



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

The employers' rate of contribution is assessed by the Actuary to the Fund who reviews the future income and liabilities of the Fund. These reviews, or actuarial valuations, are required by law with a major review being undertaken every third year. The next valuation of the Fund will be completed in autumn 2016.

The actuarial valuation as at 31 March 2013 showed the assets held at the valuation date were sufficient to cover only 79% of the accrued liabilities assessed on an ongoing basis. Efforts continue to be made to address this deficit. It is the long-term goal to achieve 100% funding. The level of funding has no impact on members' benefits which are guaranteed by law.

Additional Voluntary Contribution (AVC) Scheme

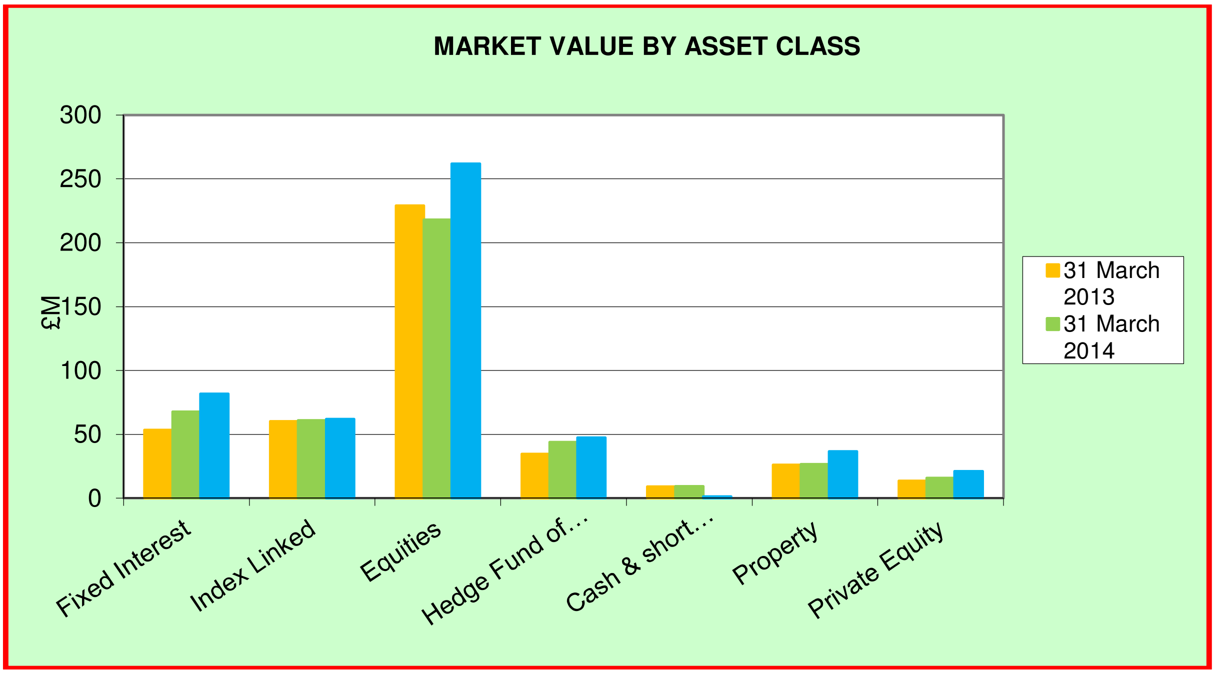
Since 06 April 1988, it has been a legal requirement for all Pension Schemes to provide members with access to an in-house AVC Scheme. The Authority's appointed providers are the Equitable Life Assurance Society, the Standard Life Assurance Company and Prudential plc. Members are able to pay contributions into a variety of AVC arrangements offered by the providers, in order to secure additional pension benefits. The AVC investments are excluded from the Pension Fund Accounts.

Statement of Investment Principles

As required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No.3093) the Pensions and Investment Committee have produced a Statement of Investment Principles – Appendix 5 - which complies with the six investment principles set out by the Chartered Institute of Public Finance Accountants (CIPFA) Pensions Panel.

Investment Report

The prime requirement in managing the Fund is to ensure adequate diversification of its assets over different asset classes and different geographical areas. The right balance must be struck between the desire for enhanced returns and potential ‘risk’ of volatility in those returns i.e. the investment policy of the Fund is aimed at maximising returns within the acceptable limits of risk. There is no ideal split for any fund, so the portfolio balance needs to be regularly monitored and adjusted in line with the economic, financial and market indicators.



The investment style of the Fund is to appoint external expert fund managers with clear performance benchmarks and place accountability for performance against those benchmarks on the fund managers. The Chief Financial Officer must ensure that the management of the Fund falls within the requirements of the Local Government Pension Scheme Regulations.

Performance Review

	1 Year %	3 Years %	5 Years %
Powys Overall Return Annualised Rolling Return pa	14.7	11.0	9.2
Inflation CPI	1.5	2.3	2.9
Average Earnings Index	1.5	1.5	1.7

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

The performance of each of the current Fund Managers for 2014/15 is shown in the table on the next page. The Fund Managers have been given a rolling 3-year specific performance target measured against the benchmark return in the relevant asset class. The targets include a minimum acceptable performance level.

Mandate	Fund Performance (%)	Performance Benchmark (%)
Aberdeen Asset Management (Global Equity)	10.7	19.7
Aviva Investors (UK Property)	13.7	16.9
BlackRock Global Investors (Balanced)	20.1	19.2
BlackRock Global Investors (Index-Linked Funds)	21.0	21.0
CBRE Investors (European Property)	-2.5	0.9
GAM (Hedge Fund of Funds)	8.5	4.2
Goldman Sachs (Hedge Fund of Funds)	3.7	0.6
HarbourVest Partners VII Buyout (Private Equity)	23.2	20.2
HarbourVest Partners VIII - Buyout (Private Equity)	27.6	20.2
HarbourVest Partners VIII -Venture (Private Equity)	30.3	20.2
HarbourVest Partners IX - Buyout (Private Equity)	24.2	20.2
HarbourVest Partners IX -Venture (Private Equity)	38.2	20.2
HarbourVest Partners HIPEP VII (Private Equity)	*	*
MFS (Global Equity)	19.6	19.1
Permal (Hedge Fund of Funds)	6.3	0.6
Schroders (Global Equity)	13.9	19.1
Schroders (Property)	*	*
Standard Life Investments (Private Equity)	-17.8	20.2
Overall Fund	**14.7**	

* Denotes full year figure not available

During 2014/15 the fund invested £10m in a pooled property fund with Schroders funded by a £6m disinvestment from Blackrock and £4m of cash. The fund also committed $20.7m to the HIPEP VII private equity fund with Harbourvest. Of the £13.676m capital commitment (Note 19) outstanding as at 31 March 2014, £3.9m was drawn down.

Investment manager structure as a percentage of fund total, as at 31st March 2015

	Manager						
	Blackrock	Aberdeen Schroders MFS	Insight Investments	Permal GAM Goldman Sachs	Aviva CBRE Schroders	Std Life Harbourvest	
Asset Class	Passive %	Active %	Active %	Active %	Active %	Active %	Total %
Equities	29.4	21.9					**51.3**
Fixed Interest	3.6		12.3				**15.9**
Index Linked	12.1						**12.1**
Property					7.1		**7.1**

Private Equity						4.1	4.1
Hedge Fund				9.3			9.3
Cash/ Other	0.2						0.2
TOTAL	**45.3**	**21.9**	**12.3**	**9.3**	**7.1**	**4.1**	**100.0**

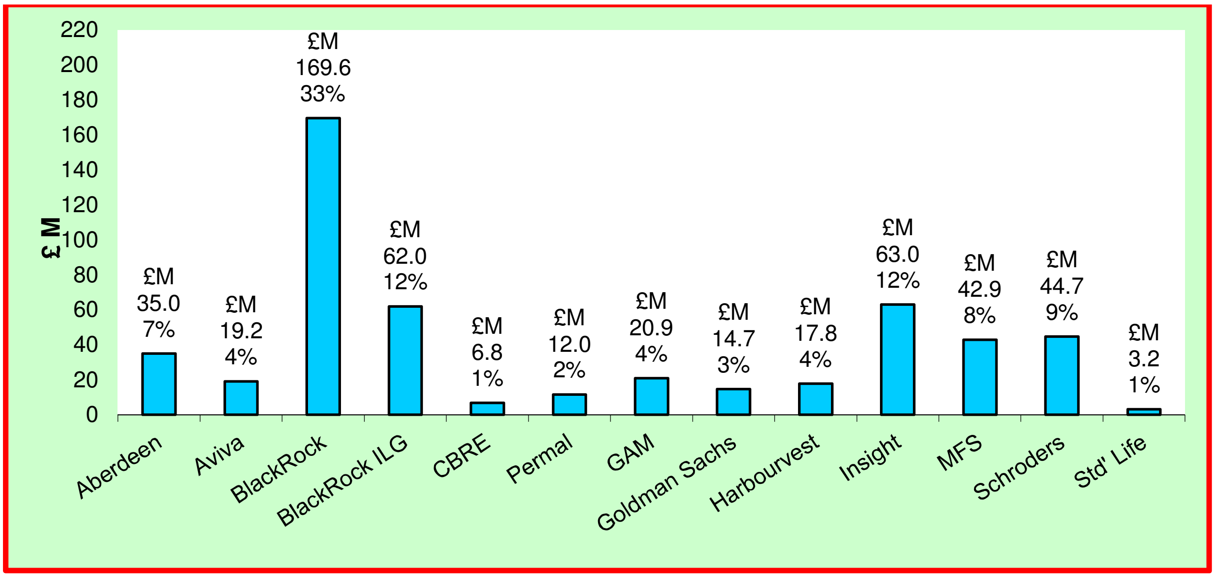
The strategic asset allocation is as follows:

	2013/14	2014/15
Equities	47%	47%
Fixed Interest and Index Linked Securities	30%	30%
Property	10%	10%
Private Equity	5%	5%
Hedge Fund of Funds	8%	8%

The current strategic asset allocation is 70% return seeking and 30% risk reducing (matching assets). This strategy was determined with the aid of the funds Investment Advisors.

The strategic asset allocation is the ideal target and cannot be achieved until the scheme is fully funded in all areas. It does not reflect the actual investments held at the year-end. The current structure aims to have a 70:30 split between return seeking and liability matching assets.

AON Hewitt Limited currently operates a Medium Term Asset Allocation (MTAA) project for the Fund. It utilises all of the Fund's assets excluding Private Equity. The MTAA service has the target of increasing the return achieved by these assets by 0.5% per annum by deliberately allocating assets away from the strategic allocation to take advantage of market over/under valuations during the medium term. The MTAA service has an artificial benchmark of 52% equity, 33% bonds, 15% alternatives. The market value of assets spread between the fund managers as at 31 March 2015 is shown below:



Net Assets Statement

As at 31 March

	Note	2014 £`000	2015 £`000
Investments	11	442,753	511,707
Current Assets	14	4,156	1,898
Current Liabilities	14	-10,227	-10,707
NET ASSETS AS AT 31 MARCH		**436,682**	**502,898**

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

Pension Fund Account

	Note	2013/14 £'000	2014/15 £'000
Contributions and Benefits			
Contributions Receivable	4	24,911	22,730
Transfers In	5	899	1,162
Other Income	6	75	60
TOTAL INCOME		25,885	23,952
Benefits Payable	7	22,859	24,746
Payments on Account of Leavers	8	9,976	1,377
Administrative Expenses	9	3,160	3,258
TOTAL EXPENDITURE		35,995	29,381
NET ADDITIONS FROM DEALING WITH MEMBERS		-10,110	-5,429
Returns on Investments			
Investment Income	10	3,687	1,143
Change in Market Value of Investments	11	17,741	70,502
NET PROFIT ON INVESTMENTS		21,428	71,645
NET INCREASE IN THE FUND		11,318	66,216
OPENING NET ASSETS		425,364	436,682
CLOSING NET ASSETS		**436,682**	**502,898**

Notes to the Pension Accounts

1. Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2014/15 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

2. Accounting Policies

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

- Transfers to other Schemes
  Transfer payments made to other schemes are as a result of early leavers and are accounted for when paid.

- Transfers from other Schemes
  Transfers received from other schemes are for new members and are accounted for when received. No liability to the scheme accrues until all monies have been received from the transferor's scheme.

- Refunds to Leavers
  These are accounted for when due.

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

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

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

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

- <u>Foreign Currency Transactions</u>
  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.

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

- <u>Cash and cash equivalents</u>
  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.

- <u>Taxation</u>
  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.

- <u>Financial liabilities</u>
  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.

- <u>Actuarial present value of promised retirement benefits</u>
  The actuarial value of promised retirement benefits is assed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial value of promised retirement benefits by way of a note to the net assets statement (note 22).

- <u>Administrative expenses</u>
  All staff costs of the pension administration team and other overheads are apportioned to the fund in accordance with Council policy.

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

3. Critical Judgements in Applying Accounting Policies

Unquoted private equity investments
It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equity investments are valued by the investment managers using acceptable guidelines. The value of these investments at 31 March 2015 was £21m (31 March 2014: £15.8m).

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

4. Contributions Receivable

By Category	2013/14 £'000	2014/15 £'000
Employers	20,009	18,000
Employees	4,902	4,730
	24,911	**22,730**

By Authority	2013/14 £'000	2014/15 £'000
Powys County Council (Administering Authority)	23,387	21,586
Scheduled Bodies (Appendix 3)	924	765
Admitted Bodies (Appendix 3)	600	379
	24,911	**22,730**

By Type	2013/14 £'000	2014/15 £'000
Employers Normal Contributions	17,831	11,374
Employees Normal Contributions	4,902	4,730
Employers Additional Contributions	1,950	616
Employers Deficit Reduction Contributions	228	5,980
Employers Augmentation	-	30
	24,911	**22,730**

In 2013/14, Powys CC paid deficit reduction payments as a percentage of total payroll and were included in normal contributions. For 2014/15, the actuary determined that Powys CC should pay a cash sum for deficit reduction. For 2014/15 all deficit reduction payments have been recorded separately.

5. Transfers In

	2013/14 £`000	2014/15 £`000
Individual Transfers From Other Schemes	899	1,162

6. Other Income

	2013/14 £`000	2014/15 £`000
Administrative Fees Received	12	14
Additional Allowances Recovered	63	46
	75	**60**

7. Benefit Payable

	2013/14 £'000	2014/15 £'000
Pensions	18,158	19,716
Commutations and Lump Sum Retirement Benefits	4,261	4,447
Lump Sum Death Benefits	440	583
	22,859	24,746

Benefits can be further analysed:	2013/14 £'000	2014/15 £'000
Powys County Council (Administering Authority)	13,950	16,059
Scheduled Bodies (Appendix 4)	8,013	7,868
Admitted Bodies (Appendix 4)	896	819
	22,859	24,746

8. Payments to and on Account of Leavers

	2013/14 £'000	2014/15 £'000
Refunds to Members Leaving Service	7	35
Payments to Members Joining State Scheme	1	1
Individual Transfers to Other Schemes	9,968	1,341
	9,976	1,377

9. Management Expenses

	2013/14 £'000	2014/15 £'000
Administration	799	777
Investment Management	2,216	2,368
Audit Fees	29	35
Actuarial Fees	93	54
Performance Measurement	23	24
	3,160	3,258

10. Investment Income

	2013/14 £'000	2014/15 £'000
Income From Fixed Interest Securities	1,682	935
Income From Indexed Securities	1,624	-
Interest on Cash Deposits	4	5
Other Investment Income	377	203
	3,687	1,143

11. Investments

	Value at 01.04.14 £`000	Purchases at Cost £`000	Sale Proceeds £`000	Fees included in Nav £`000	Change in Market Value £`000	Value at 31.03.15 £`000
Fixed Interest Securities	67,800	18,300	8,420	-73	4,099	81,706
Index linked Securities	60,977	5,135	15,325	-	11,248	62,035
Equities (pooled funds)	218,146	36,480	34,880	-252	42,343	261,837
Property (pooled funds)	26,593	10,187	3,293	-224	3,308	36,571
Private Equity	15,845	4,824	4,816	-438	5,635	21,050
Hedge Fund of Funds	43,977	-	-	-463	3,843	47,357
Cash & Short Term Investments	9,415	-	8,290	-	26	1,151
	442,753	74,926	75,024	-1,450	70,502	511,707

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

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

12. Breakdown of Investments

	2013/14 £'000	2014/15 £'000
Fixed Interest Securities		
UK Quoted	11,750	-
Pooled Funds	56,050	81,706
	67,800	81,706
Index Linked Securities		
UK Quoted	60,977	62,035
Equities – Pooled	218,146	261,837
Hedge Fund of Funds	43,977	47,357
Private Equity	15,845	21,050
Property	26,593	36,571
Cash	116	130
Liquidity Funds	9,299	1,021
	442,753	**511,707**

13. Investment Expenses

	2013/14 £'000	2014/15 £'000
Management Fees	1,845	2,102
Investment Advice	249	266
Interest Charges	104	-
Custody fees	18	-
	2,216	**2,368**

14. Current Assets and Liabilities

	2013/14 £'000	2014/15 £'000
Current Assets		
Contributions due from Employers and Members	665	88
Cash Balances	2,808	1,341
Sundry Debtors	683	469
	4,156	**1,898**
Current Liabilities		
Benefits Payable	-9,177	-10,432
Sundry Creditors	-1,050	-275
	-10,227	**-10,707**

Amounts unpaid at the year end are subsequently paid within a reasonable time frame, i.e. the majority of the balances are paid within a 3 month period. Current liabilities includes a provision of £9.96m for the bulk transfer of Coleg Powys to the Swansea fund.

15. Related Party Transactions

Details of Members and officers of the Council represented on the Pensions and Investment Committee are shown in Appendix 1. Their combined contributions into the scheme were £26k in 2014/15.

The Fund is administered by Powys County Council. Consequently there is a relationship between the Authority and the Fund.
The Authority incurred costs of £763,000 (2013-2014: £766,000) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.
The Authority is also the single largest employer of members in the Fund and contributed £16,527,624 to the Fund in 2014-2015 (2013-2014: £16,885,880) in employers contributions and deficit recovery payments.

<u>Governance</u>
There are five councillor members of the Pensions & Investment Committee. In 2014-15 these were Councillor T Thomas, Councillor P Ashton, Councillor G Vaughan, Councillor A Jones, & Councillor T Turner.
The Director of Resources, Mr David Powell, who has the role of Section 151 Officer for the Authority, plays a key role in the financial management of the Fund and is also an active member of the Fund.
Councillors are required to declare their interest at each meeting.
The Committee members and Director of Resources accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.
The full Governance Policy of the Powys Pension Fund is available on the Powys County Council website.

16. Additional Voluntary Contributions (AVC)

Although not included in these accounts the Authority has three AVC providers – Standard Life, Equitable Life and Prudential. The amounts below represent monthly contributions from employees and do not include any transfers from private pension schemes. The employing Authorities make no contribution.

	2013/14 £`000	2014/15 £`000
Powys County Council	254	255
Other Bodies	6	10
	260	**265**

17. Contingent Liabilities

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

18. Post Balance Sheet Events

The accounts outlined in these financial statements represent the financial position of the Fund as at 31 March 2015. Since this date, the performance of the global markets may have affected the financial value of pension fund investments.

19. Capital Commitments

Private Equity and Property mandate	2013/14 £'000	2014/15 £'000
Standard Life (Private Equity)	1,049	1,019
Harbourvest (Private Equity)	12,252	23,870
CBRE (Property)	375	0
	13,676	**24,889**

20. Stock Lending

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

21. Financial Instruments

21a. Fair value of financial instruments & liabilities

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

31 Mar 2014			31 Mar 2015	
Cost £'000	Fair Value £'000		Cost £'000	Fair Value £'000
		Financial assets		
361,696	442,753	Fair value through profit & loss	374,362	511,707
4,156	4,156	Current assets	1,898	1,898
365,852	**446,909**	**Total financial assets**	**376,260**	**513,605**
		Financial liabilities		
-10,227	-10,227	Current liabilities	-10,707	-10,707
-10,227	**-10,227**	**Total financial liabilities**	**-10,707**	**-10,707**

21b. Valuation of financial instruments carried at fair value

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

Level 1

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

Level 2

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

Level 3

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

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

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

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

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

Values as at 31 March 2015	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Investments	417,276	26,024	68,407	511,707
Current assets	1,898			1,898
Current liabilities	-10,707			-10,707
Net financial assets	**408,467**	**26,024**	**68,407**	**502,898**

Values as at 31 March 2014	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Investments	356,338	26,594	59,821	442,753
Current assets	4,156			4,156
Current liabilities	-10,227			-10,227
Net financial assets	**350,267**	**26,594**	**59,821**	**436,682**

22. Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2015 of the actuarial valuation of promised retirement benefits as set out in IAS26. The actuarial present value should be calculated on an IAS 19 basis. IAS26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the IFRS.

Actuarial present value of the promised retirement benefits as at 31 March 2013 is £632.4M

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

23. Nature and Extent of Risks Arising from Financial Instruments
Risk and risk management

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

Market risk

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

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

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

The following movements in market price risk are reasonably possible for 2015/16 as determined by WM. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain unchanged.

Asset Type	Potential Market Movement (+ / -)
Overseas Equities	8.8%
Global Pooled Equities	9.2%
Total Bonds inc' Index Linked	6.1%
Cash	0.0%
Property	5.5%
Alternatives	3.3%

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

Asset Type	Value at 31.03.15	Percentage change	Value on increase	Value on decrease
	£`000	%	£`000	£`000
Fixed Interest Securities	81,704	6.1%	86,688	76,720
Index Linked Securities	62,035	6.1%	65,819	58,251
Equities - Pooled	261,839	9.2%	285,928	237,750
Hedge Fund of Funds	47,357	3.3%	48,920	45,794
Private Equity	21,049	3.3%	21,744	20,354
Property	36,572	5.5%	38,583	34,561
Cash	1,151	0.0%	1,151	1,151
Total Assets	**511,707**		**548,833**	**474,581**

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 2014 and 31 March 2015 is set out below.

Asset Type	As at 31.03.14 £`000	As at 31.03.15 £`000
Cash instruments	9,415	1,151
Cash balances	2,808	1,341
Fixed interest securities	67,800	81,706
Total	**80,023**	**84,198**

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 0.5% change in interest rates.

Change to net assets available to pay benefits			
Asset Type	Value at 31.03.15 £'000	+0.5% £'000	-0.5% £'000
Cash instruments	1,151	1,157	1,145
Cash balances	1,341	1,348	1,334
Fixed interest securities	81,706	82,115	81,297
Total Assets	**84,198**	**84,620**	**83,776**

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 2014 and 31 March 2015 is set out below.

Asset Type	As at 31.03.14 £`000	As at 31.03.15 £`000
Private equity	15,845	21,049
Total	**15,845**	**21,049**

An 8.6% volatility associated with exchange rates is considered likely, based on the fund advisor's analysis of historical movements in the month end exchange rates over a 3 year period.

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

A 8.6% 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:

Change to net assets available to pay benefits			
Asset Type	**Value at 31.03.15 £`000**	**+8.6% £`000**	**-8.6% £`000**
Private equity	21,049	22,859	19,239
Total	**21,049**	**22,859**	**19,239**

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.
In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

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

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The table overleaf shows the funds cash holding as at 31 March 2014 and 31 March 2015.

Summary	Rating	As at 31.03.14 £`000	As at 31.03.15 £`000
Bank Current account			
HSBC	AA-	5	45
Bank deposit account			
HSBC	AA-	2,803	1,296

Liquidity risk

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

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

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2015 the value of illiquid assets was £94.4m, which represented 18.5% of the total fund assets - (31 March 2014 - £75.4m, which represented 17% of the total fund assets).

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

All financial liabilities at 31 March 2015 are due within one year.

Refinancing risk

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

24. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted.

There are no accounting standards that have been issued but have yet to be adopted.

25. Future Liabilities

There are no future liabilities unaccounted for as at 31st March 2015.

Powys County Council Pension Fund
Statement of the Actuary for the year ended 31 March 2015

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Powys County Council Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £425M) covering 79% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 is:

- 15.3% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 25 years from 1 April 2014, amounting to £5.6M in 2014/15, and increasing by 3.9% p.a. thereafter.

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement in force at that time. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.

5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	5.3% p.a.
Discount rate for periods after leaving service	5.3% p.a.
Rate of pay increases:	3.9% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.4% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

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

Aon Hewitt Limited

18 June 2015

APPENDIX 1 – PENSIONS AND INVESTMENT COMMITTEE

The Pensions and Investment Committee meet on a quarterly basis. During 2014/15 it consisted of the following:-

County Councillors:

Mr T. Thomas (Chairman)
Mr P. Ashton (Vice Chair)
Mr A. Jones
Mr G. Vaughan
Mr T Turner

Members Representative:

Mr G. Jones

Outside Bodies Employers Representative:

Mr M. Weale

County Council Officers in Attendance:

Mr D. Powell (Director Resources)
Mr J. Rollin (Pensions Manager)
Mr S. Offa (Pensions Accounts)
Mr M. Evans (Head of Business Services)

Fund Managers:

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

Independent Advisor to the Fund	Mr S. Cole (Aon Hewitt Limited)
Actuary	Aon Hewitt Limited
Performance Measurement	WM Performance Services

APPENDIX 2 – OTHER BODIES

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

Scheduled Bodies	**Admitted Bodies**
Brecon Beacons National Park	BUPA Care Homes
Brecon Town Council	Careers Wales Powys
Knighton Town Council	Celtica
Llandrindod Wells Town Council	Development Board for Rural Wales
Llanidloes Burial Joint Committee	MENCAP
Llanidloes Town council	Menter Maldwyn
Magistrates Court	Mirus Wales
Newtown and Llanllwchaiarn Town Council	Powys Association of Voluntary Organisations
Powys County Council	Powys Valuation Panel
Probation Committee	Presteigne Shire Hall Museum Trust
Welshpool Town Council	Theatr Brycheiniog
Ystradfellte Community Council	Wales European Centre
Ystradgynlais Town Council	

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:

Pensions Administration		
Pensions Manager:	Joe Rollin	01597 827641
Accounts and Investments		
Professional Lead for Finance	Jane Thomas	01597 826341
Pensions Accounts	Stephen Offa	01597 826727

APPENDIX 3 – CONTRIBUTIONS BY SCHEDULED AND ADMITTED BODIES

2014/15	No of Contributors	Employers Normal £	Employers Additional £	Members Normal £	Total £
Scheduled Bodies					
Brecon Beacons National Park	131	357,609	-	171,408	529,017
Brecon Town Council	4	10,781	-	3,354	14,135
Llandrindod Wells Town Council	1	5,019	-	1,699	6,718
Llanidloes Burial Joint Committee	1	2,324	-	621	2,945
Llanidloes Town Council	1	3,417	-	1,088	4,505
Newtown Town Council	4	11,633	-	3,497	15,130
Powys County Council	6,362	10,713,334	616,780	4,440,600	15,770,714
Welshpool Town Council	2	4,572	-	1,233	5,805
Ystradfellte Community Council	1	428	-	122	550
Ystradgynlais Town Council	3	12,509	-	3,944	16,453
Total	**6,510**	**11,121,626**	**616,780**	**4,627,566**	**16,365,972**
Admitted Bodies					
BUPA	44	94,559	-	42,093	136,652
Mencap	1	-	-	-	-
Menter Maldwyn	3	10,473	-	3,811	14,284
Mirus-Wales Ltd	7	23,946	-	9,033	32,979
P.A.V.O. (Former P.R.C.)	6	16,273	-	6,153	22,426
Careers Wales	23	98,394	-	38,212	136,606
Presteigne Shirehall	-	772	-	165	937
Theatr Brcheiniog	3	7,495	-	3,112	10,607
Total	**87**	**251,912**	**-**	**102,579**	**354,491**
2013/14					
Scheduled Bodies					
Brecon Beacons National Park	134	511,158	-	175,098	686,256
Brecon Town Council	4	12,905	-	3,382	16,287
Coleg Powys	-	115,649	10,788	40,765	167,202
Llandrindod Wells Town Council	1	4,316	-	1,569	5,885
Llanidloes Burial Joint Committee	1	3,002	-	654	3,656
Newtown Town Council	3	11,213	-	3,158	14,371
Powys County Council	6,394	16,882,660	1,939,096	4,565,817	23,387,573
Welshpool Town Council	2	11,427	-	1,196	12,623
Ystradfellte Community Council	1	501	-	117	618
Ystradgynlais Town Council	3	13,468	-	3,918	17,386
Total	**6,543**	**17,566,299**	**1,949,884**	**4,795,674**	**24,311,857**
Admitted Bodies					
BUPA	51	266,506	-	44,772	311,278
Mencap	1	-	-	-	-
Menter Maldwyn	3	11,180	-	4,178	15,358
Mirus-Wales Ltd	7	23,160	-	7,467	30,627
P.A.V.O. (Former P.R.C.)	6	26,750	-	6,917	33,667
Careers Wales	24	155,121	-	39,263	194,384
Presteigne Shirehall	1	3,114	-	736	3,850
Theatr Brcheiniog	3	7,446	-	3,030	10,476
Total	**96**	**493,277**	**-**	**106,363**	**599,640**

APPENDIX 4 – BENEFITS PAID TO SCHEDULED & ADMITTED BODIES

2014/15	Retirement Pensions £	Commutation & Lump Sums £	Death Benefits £	Total £
Scheduled Bodies				
Brecknock Borough Council	729,213	14,619	-	743,832
Brecon Beacons National Park	351,173	68,553	61,390	481,116
Brecon Town Council	6,233	48,125	-	54,358
Coleg Powys	7,339	7	160	7,506
Knighton Town Council	7,938	-	-	7,938
Llandrindod Wells Town Council	1,899	-	-	1,899
Llanidloes Burial Joint Committee	551	-	-	551
Magistrates Courts Committee	19,662	52,586	-	72,248
Montgomeryshire District Council	996,700	15,536	-	1,012,236
Newtown Town Council	7,996	4,204	-	12,200
Powys County Council	16,223,013	4,194,549	521,148	20,938,710
Probation Committee	72,728	-	-	72,728
Radnorshire District Council	478,869	41	-	478,910
Welshpool Town Council	25,809	-	-	25,809
Ystradgynlais Town Council	43	-	-	43
Total	18,929,166	4,398,220	582,698	23,910,084
Admitted Bodies				
BUPA	287,707	31,132	-	318,839
Careers Wales	161,551	2,255	-	163,806
D.B.R.W.	252,091	508	-	252,599
Menter Maldwyn	3,853	-	-	3,853
P.A.V.O. (Former P.R.C.)	45,274	117	-	45,391
Powys Valuation Panel (Vcct)	26,032	-	-	26,032
Presteigne Shirehall	1,663	14,514	-	16,177
Theatr Brycheiniog	2,610	-	-	2,610
Wales European Centre (Wec) Lt	6,382	-	-	6,382
Total	787,163	48,526	0	835,689

2013/14	Retirement Pensions £	Commutation & Lump Sums £	Death Benefits £	Total £
Scheduled Bodies				
Brecknock Borough Council	738,438	-	-	738,438
Brecon Beacons National Park	308,331	139,626	-	447,957
Brecon Town Council	218	-	-	218
Coleg Powys	126,982	37,544	8,864	173,390
Knighton Town Council	7,729	-	-	7,729
Llandrindod Wells Town Council	1,849	-	-	1,849
Llanidloes Burial Joint Committee	539	-	-	539
Magistrates Courts Committee	13,104	17,725	-	30,829
Montgomeryshire District Council	991,879	28,029	-	1,019,908
Newtown Town Council	7,300	-	-	7,300
Powys County Council	14,618,346	3,900,644	430,982	18,949,972
Probation Committee	71,003	-	-	71,003
Radnorshire District Council	488,163	-	-	488,163
Welshpool Town Council	25,362	62	-	25,424
Ystradgynlais Town Council	42	-	-	42
Total	17,399,285	4,123,630	439,846	21,962,761
Admitted Bodies				
BUPA	275,025	60,936	-	335,961
Celtica	178	-	-	178
Careers Wales	151,570	11,575	-	163,145
D.B.R.W.	251,677	32,126	-	283,803
Menter Maldwyn	2,472	23,221	-	25,693
P.A.V.O (Former P.R.C)	44,675	5,194	-	49,869
Powys Valuation Panel (Vcct)	25,197	-	-	25,197
Theatr Brycheiniog	2,353	3,457	-	5,810
Wales European Centre (Wec) Ltd	6,032	411	-	6,443
Total	759,179	136,920	0	896,099

APPENDIX 5 - STATEMENT OF INVESTMENT PRINCIPLES

1. Introduction

1.1 Local Government Pension Scheme (LGPS) Funds are required to publish a Statement of Investment Principles (SIP)[1] which must include the Fund's policy on the following:

- The types of investment to be held;
- The balance between different types of investment;
- Risk, including the ways in which risks are to be measured and managed;
- The expected return on investments;
- The realisation of investments;
- The extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
- The exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy: and
- Stock lending.

1.2 In response to the Treasury report Updating the Myners Principles: A Response to Consultation (October 2008), LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These principles have been adopted by CLG (the central government department with responsibility for oversight of the LGPS) and replace the ten Myners principles published in 2001 (see Appendix A).

1.3 The SIP will be regularly reviewed and updated as necessary.

1.4 A copy of the SIP will be made available on request to any interested party.

[1] Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No.3093)

2. Overall Responsibility

2.1 The County Council is the designated statutory body responsible for administering the Powys Pension Fund on behalf of its constituent scheduled and admitted bodies.

2.2 Elected members have a fiduciary duty to the Fund, scheme members and local council taxpayers in relation to the LGPS. Functions may be delegated to Officers but they retain overall responsibility for the management of the Fund and it's investment strategy and individual decisions about investments. The County Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out monitoring and reviews of investment and performance. The County Councils Constitution delegates these functions to the Pensions & Investment Committee.

2.3 The Investment Regulations permit the appointment of one or more investment managers to manage the fund on their behalf, provided that the investment managers are suitably qualified by their ability and practical experience of financial matters to make investment decisions for them, and to their compliance with other specific requirements of the regulations.

2.4 Administering Authorities are required to take proper advice to enable them to fulfil their obligations, "Proper advice" is defined in the regulations as "the advice of a person who is reasonably believed to be qualified by his ability and practical experience of financial matters".

2.5 The County Council has delegated the decision-making responsibilities to the Pensions and Investment Committee. The Section 151 Officer and external fund advisors offer advisory support. The Committee has co-opted two non-voting members, one staff representative nominated by the Trade Unions and one representative nominated by the Outside Bodies Employers.

2.6 Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's advisers. Only persons or organisations with the necessary skills, information and resources take decisions affecting the Fund. The members of the Pension and Investment Committee will ensure they receive training as and when deemed appropriate, to enable them to evaluate critically any advice they receive.

2.7 The County Council has in place arrangements for the provision of specialist advice relating to actuarial matters (including the triennial valuation) and investment matters (including asset allocation and manager appointment).

2.8 The County Council has appointed independent specialists to provide actuarial and investment advice and is prepared to pay sufficient fees to attract a broad range of both kinds of providers when tendering.

2.9 The County Council will use suitable means to assess the advice received from its advisers in terms of its contribution to the decision making process.

2.10 Investment Committee

2.10.1 Powys County Council delegates responsibility for the Administrating Authority role to the Pensions & Investment Committee. This includes investing the Funds assets. The Committee is supported by the Fund Administrator and Investment Advisors.

2.10.2 The Committee is responsible in respect of investment matters:

a. To determine the overall strategy relating to the investment of the Pension Fund's assets and to meeting the Fund's liabilities.
b. To keep under review the performance of the Pension Fund and the Fund's managers.
c. To approve the appointment of advisers and fund managers.
d. To publicise its stewardship role to all Scheduled and Admitted Bodies of the Powys Pension Fund and to all contributors and beneficiaries in accordance with the Fund's Communication Strategy.

2.11 Investment Managers

2.11.1 Each Investment Manager will be responsible for:

a. Discretionary management of their portfolio, in accordance with the terms of their management agreement, having regard to the need for diversification of investments so far as appropriate and the suitability of investments.

b. Providing the Committee with quarterly statements of the assets together with a quarterly report on their actions and future intentions, and any changes to the processes applied to their portfolio.

c. Providing the designated provider with the information necessary to calculate performance statistics.

2.12 Investment Consultant

2.12.1 The Investment Consultant will be responsible for providing prompt, consistent and competent advice and support through one or two named representatives, in respect of investment matters when so requested by the Committee. Advice and support is likely to be sought in regard of:

a. Reviews of the Statement of Investment Principles.
b. Presentation and interpretation of investment performance measurement results.
c. The Potential impact of:
   - any changes in the investment managers' organisations that could affect the interests of the Fund
   - any changes in the investment environment that could present either opportunities or problems for the Fund.

d. Investment manager selection, retention and termination;

e. Benchmark adjustments;

f. The appropriate content of investment management and other related Agreements;

g. Appropriate investment structures for the Fund in the light of the Fund’s liability profile. This will involve working with the Fund’s Actuary.

h. Ad-hoc project work as required including research reviews of Investment managers.

3. Investment Objectives

3.1 The long term investment objectives of the fund are to:

- Maximise investment returns over the long term within an acceptable level of risk.
- Ensure that sufficient assets are readily available to meet liabilities as they fall due.
- Aim for long-term stability in the employers' contribution rates.
- Achieve and maintain funding levels at, or close to, 100% of the Fund's liabilities.

3.2 Risk is mainly concerned with the possibility of a deficiency in the Fund or a substantial increase, or volatility, in future employer contribution rates.

3.3 Whilst stability of the employers' rate has a high priority, absolute cost to the employer is also important. This implies that:

- The cost of administering the Fund will be constrained by the adoption of best management practice
- Employers will adopt appropriate policies in those areas where they have discretion and where costs of their actions fall on the Fund;
- The Fund will, as far as is practicable, and through the Fund's Actuary, avoid cross subsidisation between the Fund's individual employers;
- The Fund's overall investment policy will be aimed at superior investment returns relative to the growth of liabilities. This implies that the Fund will take a controlled active risk relative to its liability profile.

4. The Types of Investment to be held

4.1 The County Council seeks to achieve its investment objectives through investing in a suitable mixture of real and monetary assets. A mixture across the asset classes should provide the level of returns required by the fund to meet its liabilities at an acceptable level of risk and at an acceptable level of cost.

4.2 In making asset allocation decisions the County Council will consider the following asset classes:

- UK Equities
- Overseas Equities
- Private Equity
- Property
- Fixed Interest Securities
- Index Linked Securities
- Cash and Currency
- Other Assets, such as hedge funds.

4.3 In reaching its decisions on asset allocation the County Council will:

- Take proper advice from specialist, independent advisers and give consideration to the desirability of receiving advice based on an asset / liability study.

- Consider the extent to which the assets should match the liabilities.

- Consider the volatility of returns which it is prepared to accept.

- Determine the split between matching and returning seeking assets before it gives consideration to any other asset class.

- Have due regard to the diversification and suitability of investments.

5. The Balance Between Different Types of Investments

5.1 The current strategic asset allocation is 70% return seeking and 30% risk reducing (matching assets). This strategy was determined with the aid of our Investment Advisors.

5.2 The current Medium Term Asset Allocation (MTAA) project utilises all of the Fund's assets excluding Private Equity. The MTAA service has the target of increasing the return achieved by these assets by 0.5% p.a. by deliberately allocating assets away from the strategic allocation to take advantage of market over/under valuations during the medium term. This service has run from 2009. The Pensions & Investment Committee has recently decided to extend the project period, with regular reviews as they see fit. The MTAA service has an artificial benchmark of 52% equity / 33% bond / 15% alternatives. It operates within tolerance bands so the difference between the actual allocation and the strategic allocation will not deviate beyond these set limits. For further information on the MTAA project, please see Appendix B.

5.3 The current strategic benchmark is as follows:

Asset Allocation

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

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

6. Risk

6.1 The Committee recognises that risk is inherent in any investment activity and it seeks to manage the level of risk that it takes in an appropriate manner.

6.2 The operational risk to the Fund is minimised by:

- The use of a regulated, external, third party, professional custodian for custody of assets.
- Having formal contractual arrangements with investment managers.
- Having access to the internal audit service of Powys County Council.
- The activities of the Investment Managers being governed by detailed Investment Management Agreements. Investment Managers are expected to have regards to these principles and legislative requirements, in particular the LGPS (Management and Investment of Funds) Regulations 2009 (SI 2009 No.3093).
- Having formal agreements in place with admitted bodies.

6.3 The investment risks to the Fund are managed by:

- Diversification of types of investment.
- Diversification of Investment Managers.
- The setting of a Fund-specific benchmark informed by Asset-Liability modelling of liabilities.
- The appointment of independent professional advisors.
- The appointed expert Investment Managers being given clear performance benchmarks and maximum accountability for performance against those benchmarks over appropriate time-scales.
- Investment Managers being required to implement appropriate risk management measures and to operate in such a manner that will ensure the likelihood of not achieving the performance target is kept within defined acceptable limits.

6.3.1 Investment Managers are permitted to use authorised financial instruments in appropriate circumstances following prior discussion and approval. Approval will not be withheld without clear justification.

6.4 Statistics for measuring the performance of the Fund are provided by the WM Company on a quarterly, annual and 3, 5 and 10-year basis to allow regular monitoring against the prescribed benchmarks and against peer groups.

6.5 The Investment Managers are required to produce a quarterly investment report and to attend Pension and Investment Committee meetings as appropriate.

6.6 The independent investment adviser who attends each Pensions and Investment Committee meeting produces a separate report on investment performance quarterly, based on performance calculated by WM Performance Services. WM provide a performance measurement service of the Fund.

6.7 The Pensions and Investment Committee regularly monitors the investment performance of the Fund in both absolute terms and against the specific benchmarks set. A review of overall, or asset class specific benchmarks will be undertaken if the Pensions and Investment Committee considers it appropriate.

6.9 The County Council requires the Investment Managers to provide details of the commission payments they receive on asset transactions (including soft commissions if applicable) and how they assess their overall trading efficiency. By discussing these matters with the Investment Managers, the County Council seeks to gain a full understanding of the transaction-related costs that the Fund incurs, and to understand the options open to the County Council in relation to those costs.

6.10 Appropriate performance data will be included in the annual report and statement of accounts for the Pension Fund and in the annual members' newsletter.

7. The expected return on investments

7.1 The Investment Managers have been given specific performance targets measured against the index return in the relevant asset class. The County Council recognises that these targets will not be met in all periods under consideration, but expects that the Managers will meet them in the vast majority of periods under consideration.

7.2 The performance targets for the Investment Managers are shown in the table below:

Investment Manager	Mandate	Benchmark	Objective
Aberdeen	Global Equity	MSCI World	To outperform the benchmark by 3% p.a. (gross of fees) over rolling 3 year periods
MFS	Global Equity	MSCI World (NDR)	To outperform the MSCI World Index over full market cycles while maintaining a consistent style discipline
Schroders	Global Equity	MSCI World (NDR)	To outperform the MSCI World Index by 3-4% p.a. over a market cycle
BlackRock	Balanced	Composite benchmark	To track the benchmark
Aviva Investors	UK Property	IPD/PPFI All Balanced Funds Medium Index	To outperform the benchmark by 1% p.a. over rolling 3 year periods.
Hermes Fund Managers	UK Property	IPD Other Balanced Funds Index	To outperform the benchmark by 0.5% p.a. on a rolling three year basis
Schroders	UK Property	IPD UK All Balanced Funds Index	To outperform the benchmark by 0.5% p.a. on a rolling three year basis
CB Richard Ellis	European Property	UK Retails Price Index (The IPD UK Pooled Property Index will also be used for comparison purposes)	Provide investors with a return of 8-10% p.a., net of fees and expenses.

Investment Manager	Mandate	Benchmark	Objective
Insight Asset Management	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Maturities Index	To outperform the benchmark by 0.75% p.a., net of fees
Insight Asset Management	Absolute Return Bonds	3 month GBP LIBOR	To outperform the benchmark by 2% gross of fees
Standard Life Investment	Private Equity (European)	MSCI World	To outperform the benchmark by 5% pa over a rolling three year period.
HarbourVest Partners	Private Equity (US)	MSCI World	No stated objective, just to produce returns which place HarbourVest in the top quartile in the industry
Goldman Sachs	Hedge Fund of Funds	3 month USD LIBOR	To outperform the benchmark by 4 – 9% p.a. net of fees
Fauchier Partners	Hedge Fund of Funds	3 month GBP LIBOR	To outperform the benchmark by 5% p.a. over a rolling five year period by investing in a diversified portfolio of hedge funds.
GAM	Hedge Fund of Funds	3 month GBP LIBOR	To achieve an absolute return of 8-13% p.a. over the long term.

7.3 The managers' benchmarks are based on market indices. The indices used were considered in consultation with the investment adviser and Investment Managers and carefully chosen with regard to their strategic suitability. The limits on the levels of divergence from these indices set out in the investment mandates were chosen with regard to the Investment Managers' overall performance objectives.

8. The realisation of investments

8.1 General investment principles require that issues of liquidity and marketability be considered in making any investment decision. Current employer and employee contributions are expected to broadly match or exceed pension income. Thus it is not expected that there will be any need to realise investments in the near future other than to seek higher returns.

8.2 The vast majority of the Pension Fund's assets are readily marketable. However some investments, such as property and private equity, are less easy to realise in a timely manner. This relative illiquidity is not considered to have any significant adverse consequences for the fund.

8.2.1 The Council would inform the Investment Managers of any projected need to withdraw funds in order to enable the fund managers to plan an orderly realisation of assets if this proves necessary.

9. Socially Responsible Investment

9.1 The County Council has delegated responsibility for the selection, retention and realisation of investments to the investment managers.

9.2 The County Council's policy is to invest part of the Fund's assets on a passive basis. The County Council does not consider it appropriate for a passive investment manager to take account of social, environmental or ethical considerations in the selection, retention and realisation of investments.

9.3 The County Council's policy in respect of the actively managed portion of the Fund's assets is that the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the active investment managers. However the County Council expects that the active investment managers in the exercise of their delegated duties will take the extent to which social, environmental or ethical issues may have a financial impact on the portfolio into account.

10. The exercise of the rights attaching to investments

10.1 The County Council supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its Investment Managers who exercise its voting rights. Votes are cast by proxy. Managers provide reports when any voting rights are exercised. Only direct investments in traded equity shares carry such voting rights.

11. Corporate Governance

11.1 The County Council supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its Fund Managers who exercise its voting rights. Votes are cast by proxy. Each Fund Manager is required to report its actions on a quarterly basis.

12. Stock lending

12.1 The Fund, custodian or investment managers do not engage in stock lending on behalf of the Fund.

13. Monitoring and Implementing of Investment Policy

13.1 Monitoring and Review

13.1.1 The Committee will meet on a quarterly basis with the Investment Advisors to review and discuss the operation of each investment manager’s portfolio, including past and future policy decisions. The performance of the investment managers will be monitored by the Committee on a quarterly basis at the Investment Committee meetings.

13.1.2 The Committee, in conjunction with the Investment Consultant, will review the allocation of assets between the passive and specialist portfolios, property and other asset classes.

13.1.3 The appointments of the investment managers will be subject to review at the meeting held to consider the performance results from the designated provider. The review will be based on the monitoring of the Investment managers’ processes as well as their performance.

13.1.4 The investment managers’ appointments, whilst subject to annual monitoring, would generally be reviewed over rolling 3 year periods, in line with their performance benchmarks.

13.1.5 If an investment manager performance prompts concerns then the Committee may ask the manager to come to a meeting for a special review meeting.

Appendix A

Principles for Institutional Investment Decision Making

Compliance with CIPFA Principles for Investment Decision Making in LGPS

Compliance with CIPFA Principles for Investment Decision Making in LGPS

Principle	Compliance
Effective Decision Making	The Fund considers that its practices are compliant with the CIPFA principles
Clear objectives	The Fund considers that its practices are compliant with the CIPFA principles
Risk and Liabilities	The Fund considers that its practices are compliant with the CIPFA principles
Performance Assessment	The Fund considers that its practices are compliant with the CIPFA principles
Responsible Ownership	The Fund considers that its practices are compliant with the CIPFA principles
Transparency and Reporting	The Fund considers that its practices are compliant with the CIPFA principles

Appendix B

Background to Medium Term Asset Allocation

Philosophy

The Committee recognises that it is possible to take advantage of excessive over/under valuations of markets in order to target additional returns. The Committee in conjunction with the Investment Consultants seek to identify opportunities to allocate investments away from the strategic benchmark that are designed to add additional return relative to the benchmark return over the medium term (around 1 to 3 years).

Process

A thorough fundamental analysis of economics and financial markets is carried out to identify and incorporate general investor expectations into views of the different markets. In particular, attention is paid to establishing consensus views and profit is taken from positions which differ from the consensus. A range of appropriate timing indicators are utilised in order to achieve the best entry and exit levels to and from asset classes.

In terms of the practical application, once an opportunity has been identified the Fund's Investment Consultant will notify the Pensions & Investment Committee. The Committee decides whether to pursue the opportunity and if so will work with the Investment Consultant to complete any necessary asset transitions. The Investment Consultants liaise with the investment managers and follow each transaction as it happens to make sure each trade goes through smoothly.

Risk management

Considerable lengths are taken to assess what correlations are likely to be in the future so as to ensure asset allocation views are truly diversified. The style of the MTAA project is to have a limited number of meaningful positions rather than either a small number of large positions or a large number of small positions. The overall objective is to achieve an additional return of 0.5% p.a. of assets involved in the MTAA project. The Investment Consultant will provide regular reporting to the Pensions & Investment Committee.

APPENDIX 6 - GOVERNANCE STATEMENT

Pension and Investment Committee

1. Composition.

1.1 The Council will appoint 5 Members of the Council to the Pension and Investment Committee to achieve as far as reasonably practicable a political balance on the committee. The Committee will then co-opt two non-voting members, one staff representative nominated by the Trades Unions and one representative nominated by the Outside Bodies Employers.

1.2 The Council shall appoint the Chair of the Committee at the Annual Meeting, and shall fill any vacancy between Annual Meetings at an ordinary meeting. The Chair of the Committee is entitled to a special responsibility allowance.

SECTION 1.

The Governance Policy Statement for the Powys County Council Pension Fund

1. **Overall Constitutional Arrangements.**

1.1 The Powys County Council Pension Fund is a local government pension fund. The prime legislation governing the fund is the Superannuation Act 1972 and regulations made there-under.

1.2 Powys County Council is the administering authority for the Powys County Council Pension Fund. The governance arrangements of the County Council (including the Constitution, Financial Regulations and Contract Standing Orders) apply to the management of the Pension Fund.

2. **Scheme of Delegation.**

2.1 The County Council will appoint the members of the Pension and Investment Committee. The Committee will consist of 7 members.

2.2 The Pension and Investment Committee will meet once every 3 months with special meetings and training workshops as necessary.

2.3 The Pension and Investment Committee will be advised by the Council's Investment Adviser (currently Aon Hewitt) and the Council's Actuary (currently Aon Hewitt).

2.4 Members of the Pension and Investment Committee will be required to undertake at least 10 hours training and demonstrate competency in accordance with Section 4 of this Appendix.

3. **Consultation**

3.1 The Pension and Investment Committee will engage with stakeholders through the following:

- At least annually the committee will invite outside bodies to a meeting.

- A triennial meeting between contributing employers and the actuary to discuss the results of the actuarial valuation.

- Annual benefit statements are sent to all members annually.

4. Review of the Governance Policy Statement

4.1 In line with the Regulations, this Statement will be revised and published by the Administering Authority following any material change in the governance policy.

5. Contacts

5.1 Any questions, queries or observations on this Statement should be addressed to:

David Powell,
Strategic Director – Resources,
Powys County Council,
County Hall,
Llandrindod Wells,
Powys
LD1 5LG

SECTION 2.

Terms of Reference

Pension Administration Functions

- To appoint the Fund's Actuary;
- To receive the triennial actuarial valuation and such other valuations that may arise from time to time and set employers' contribution rates arising there-from.
- To manage, monitor and review the overall arrangements for the administration of the Local Government Pension Scheme (LGPS).
- To respond to consultations in respect of the LGPS.
- To undertake the following functions of the LGPS:

  - To act as Scheme Trustees in relation to the Powys County Council Additional Voluntary Contributions (AVC) Scheme

  - To exercise the discretionary powers available to an administering authority under the provisions of the LGPS regulations

  - To develop, publish and review policies as required by the LGPS regulations.

Investment Functions

- To determine long-term investment policy.
- To approve the Council's Funding Strategy Statement and Statement of Investment Principles.
- To review the fund's investment structure at least triennially, having regard to the Fund's liabilities and the advice of the Fund's Investment Adviser and the Section 151 Officer.
- To appoint and dismiss investment managers, consultants and advisers.
- To review investment performance at least once every 3 months.
- To appoint the Fund's custodian for its assets and to periodically review custody arrangements.
- To appoint the Performance Measurement Service for the fund.

General

- To approve the annual business plan, Statement of Investment Principles and Governance Compliance Statement.
- Assess and approve the annual pension fund accounts, external audit opinion and management representation in relation to annual audit findings.
- To receive internal audit reports on Pension Fund matters.
- Meetings are open to the public except for exempt and confidential items as defined by the Local Government Act 1972. Copies of reports and minutes are available on the Council's website.

SECTION 3.

Functions Delegated to the Section 151 Officer

Pension Administration Functions

- To manage the administration of LGPS.
- To undertake the following functions of the LGPS:
    - Award of Death Grants in accordance with the Council's agreed policy.
    - Ensure compliance with the Pensions Act 1995
    - Ensure compliance with the Finance Acts 2004 and 2005, in particular the meeting of HMRC Reporting Requirements
    - Provide active and deferred members of the Scheme with Annual benefit Statements;
    - Manage, monitor and review arrangements in respect of the scheme's internal dispute resolution procedure.

Investment Functions

- To undertake regular monitoring and reconciliation of investments and to report matters of significance to the Pensions and Investment Committee.
- To undertake tendering exercises for Fund services and Investment Managers in accordance with the Council's overall governance arrangements and the Pension and Investment Committee's instructions and to present the Committee with shortlists for appointment.

General

- To produce the Fund's Annual Accounts in accordance with proper practice.
- To authorise, within limits, expenditure from the Fund.
- To authorise cash or asset movements between the Council, the Fund, custodian and investment managers.
- When necessary, the exercise of the Fund's voting rights by instruction to the investment managers and custodian, after consultation with the Chairman and Vice-Chairman of the Pension and Investment Committee.
- The Pension and Investment Committee has delegated the use of the voting rights attached to its shareholdings to the investment managers but retains a right to exercise those rights on its own account in exceptional circumstances.
- The Section 151 officer may authorise officers in his / her service to exercise, on his / her behalf, functions delegated to him / her. Any decisions taken under this authority shall remain the responsibility of the Section 151 Officer and must be taken in his / her name and he / she shall remain accountable and responsible for such decisions.

SECTION 4.

Trustee Training Plan

Members of the Pension and Investment Committee will be expected to develop the following proficiencies.

To be achieved within 12 months of appointment to the Committee:

- Understanding of the role of the Committee and the quasi-trustee role of its Members.
- A basic understanding of the Local Government Pension Scheme (LGPS), to include;
    - the scheme's benefits;
    - the discretionary powers available to an administering authority
    - the scheme's funding, including the Actuarial valuation;
    - the roles of the administering authority, scheduled and admitted employers.
- A basic understanding of the roles of the following:
    - The Section 151 Officer;
    - The Investment Adviser;
    - The Actuary;
    - The Investment Managers;
    - The Custodian;
    - The Investment Measurement Service.
- A basic understanding of the relationship between the Fund's assets and liabilities, including the Funding Strategy Statement.
- A basic understanding of the investments of the Fund and the use of benchmarks to measure performance, including the Statement of Investment Principles.

Thereafter, Committee Members will be expected to undertake training to develop their competencies in the above areas and to remain abreast of relevant developments in the LGPS and investment opportunities. Members will need to demonstrate that they have completed at least 10 hours training and development per annum and a record will be kept for this purpose. A budget will be available to facilitate training.

Training may take the following forms:

- External courses, conferences and seminars;
- Internal courses and sessions facilitated by Council officers, advisers to the Fund and Investment Managers;
- Reading relevant literature.

If Members do not meet the training requirements, this will be referred to the County Council.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

Current Service Costs (Pension)
The increase in the liability of a defined benefit pensions scheme as a result of employee's service in the current period.

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

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

Financial Reporting Standards (FRS`s)
Financial regulations to be followed as set by the Accounting Standards Board.

Financial Year
This is the accounting period. For local authorities it starts on 01 April and ends on the 31 March in the following year.

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

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

GLOSSARY OF TERMS

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.

Appointed Auditor's report to the Members of Powys County Council

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POWYS COUNTY COUNCIL

ANNUAL GOVERNANCE STATEMENT 2014/15

1. Scope of Responsibility

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

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

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

1.4 Powys County Council is the Administering Authority for the Powys Pension Fund (the Pension Fund). The governance arrangements detailed in this Annual Governance Statement apply to the Council's responsibilities to the Pension Fund. There are further specific requirements for the Pension Fund which are:

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

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems, processes, cultures and values, by which the Authority is directed and controlled and through which it engages and leads the community, and accounts to the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of outcome-focused, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

2.3 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Powys County Council's policies, aims and objectives, to evaluate the likelihood of those risks being

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

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

2.4 The following sections summarise the governance framework and the system of internal control which has been in place in Powys County Council for the year ended 31st March, 2015. The Council's Corporate Governance Manual can be found at:

http://www.powys.gov.uk/index.php?id=3361&L=0

The structure of this Statement is based on the CIPFA/SOLACE Framework.

3. The Governance Framework

3.1 Principle 1 – Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

The Council and its partners, through the Powys Local Service Board (LSB), agreed to focus on collectively delivering eleven citizen centred outcomes detailed in the One Powys Plan 2014-17. These shared priorities define the conditions of well-being that we aim to create for the people of Powys and the environment in which they live through working in partnership with other key public agencies in Powys. This is the second One Powys Plan following on from the initial plan which ran from 2011-14.

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

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

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

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

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

The One Powys Plan 2014-17 was agreed by Full Council on the 30th April 2014 and the update for 2015 was approved on the 23rd April 2015. Both documents can be found at:

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

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

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

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

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

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

In order to deliver on our priorities and achieve our efficiency targets the Council introduced a set of budget principles (Table 1) to shape decisions to allocate resources. These play a key part in shaping the overall budget and the approach seeks consistency and the best outcomes for communities in Powys.

Table 1: The Council's budget principles

Budget Principle	Definition	Outcome
Valued Services	• Focusing on our priorities & what matters to people, stopping things we don't need to do.	• Delivering new leisure model. • More strategic partnering.
Supporting the Vulnerable	• Targeting resources on individuals, families, communities at risk or disadvantaged; early intervention & prevention; a shift in social care provision.	• Reviewing eligibility criteria. • Deeper integration between Adult Social Care and Health. • Doing with not doing for. • Improved independence.
Local Delivery	• Devolution to Community Councils and the Voluntary Sector; local decision making; working through area based provision; developing Social enterprise models.	• Target local schemes for delivery by Community Councils by 2015. • Library services delivered by communities.
Personal Responsibility	• Self-resilience, people and communities helping themselves, behavioural change; increase in personalisation.	• Good information and advice for improved choice. • Self-direction to services via technology. • Direct payments.
Value for Money	• Reducing the pay bill; third party spend savings; smarter delivery, cutting costs. • Full cost recovery for services where appropriate. • Redefine property portfolio and release surplus assets. • Collaboration with appropriate councils and LHB. • Longer term financial planning within an agreed envelope. • Reducing bureaucracy; less regulation and red tape, smaller government; right first time delivery.	• Balance of spending shifted. • £4m less supplier spend by 2016. • £500k increase in income by 2016. • Increase shared services for key areas. • Increased level of our services to be traded. • Plan for £70m savings up to 2020. • Fit for purpose enforcement. • Abolishing old by-laws. • Better customer contact.
Improving Productivity	• Process challenge and redesign. • Reducing sickness absence. • Management delayering.	• Processes and systems will enable more efficient working. • Team structure will be simplified and accountability and decision making improved.

The Council's scrutiny committees undertake a challenge of the Draft One Powys Plan and any updates which are based on documents such as the Cabinet's Statement of Intent and the Joint Strategic Needs Assessment. They have also undertaken for the first time this year a review of Service Improvement Plans. These challenges focus on whether the needs assessment is reflected in the Council's One Powys Plan and whether the outcomes are appropriate and can be realised.

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

3.2 Principle 2 – Members and officers working together to achieve a common purpose with clearly defined functions.

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

There are clear schemes of delegation to officers as well as limits to such delegation set out within the Constitution. The Constitution is reviewed on an ongoing basis to ensure that it meets the needs of the Council. The Council is currently in the process of migrating its current Constitution to the new Model Constitution for Welsh Authorities and it is anticipated that this work will be completed in the 2015-16 financial year.

The Council operates a Leader and Cabinet model of governance. The Council is responsible for appointing the Leader. The Leader appoints the remainder of the Cabinet. The Council retains responsibility for approving the Council's Change Plan and the annual budget.

The Cabinet has delegated responsibility for a number of functions, including:

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

The Constitution sets out clear terms of reference for all Committees of the Council. The Cabinet, and the Scrutiny and Audit Committees have rolling work programmes.

In 2014/15, the Council operated 2 Scrutiny Committees:

- People
- Environment, Infrastructure and Crime and Disorder

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

The Audit Committee Scrutiny Committees are independent of the Cabinet, but the Audit Committee does undertake a 'Scrutiny' function. It oversees the work of Internal Audit, Risk Management and receives the reports of the Wales Audit Office. It has responsibility for approving the Council's Accounts. It also monitors the Council's performance in relation to its budget and achievement of performance targets.

The Council's committees also include some representatives who are not County Councillors. The Audit Committee has an independent "lay" member, the People Scrutiny Committee has co-opted members in respect of education scrutiny. The Environment, Infrastructure and Crime and Disorder Scrutiny Committee has a co-opted member in respect of crime and disorder matters.

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

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

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

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

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

Each programme reports on an at least a quarterly basis LSB Transformation Board and LSB Board together with the Council's Management Team and Portfolio Holders.

The Chief Executive is the Head of Paid Service. He leads the Council's officers and chairs the Management Team and Heads of Service Group.

All staff have clear conditions of employment and job descriptions which highlight their roles and responsibilities. This is supported by a range of Human Resources policies.

During 2014/15, the following officers held statutory roles:

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

The Strategic Director – Resource was the Section 151 Officer appointed under the Local Government Act 1972. He was responsible for the proper administration of the financial affairs of the Authority.

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

The Chief Executive was the Interim Chief Education Officer.

3.3 Principle 3 – Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council places a high value on upholding the highest standards in public office for both Members and Officers.

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

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

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

For elected Members, the Council has adopted the Model Code of Conduct for County Councils in Wales. Conduct of Members is monitored by the Public Services Ombudsman and the Council's Standards Committee. The Council has adopted other protocols for elected members such as one relating to gifts and hospitality and in respect of Planning Applications / Matters. A mandatory refresher training for Members in relation to the Code of Conduct has been held. In view of the number of webcasts being undertaken training has been provided for Members.

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

For officers, the Council follows the statutory Code of Conduct. Conduct and behaviour is the responsibility of the individual officer and a breach may constitute a disciplinary matter. In addition the Council has within its Constitution a protocol for Member and Officers Relations as well as Relationships between Officers and Political Groups.

The Council has followed guidance issued by the Public Services Ombudsman and established a Local Resolution Protocol for minor disputes either between Members or between Members and Officers.

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

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

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

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

As part of this IG framework plan the Council has instigated a programme of identifying and training Information Asset Owners (IAOs) across Service Areas; in line with the HMG Security Policy Framework.

Also the senior management team received training on the responsibilities on the Council's Senior Information Risk Owner (SIRO) who is accountable and responsible for information risk across the organisation.

In following up the ICO Audit, conducted November 2013, details of progress into the implementation of the recommendations made were provided in June

2014. The ICO noted that progress had been made, and there was no change to the ICO's initial assurance rating, of reasonable assurance.

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

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

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

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

The Council's Information Governance Report 2014-15 is available from the Information Governance Manager on request.

3.4 Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council's Constitution sets out how the Council operates and the process for policy and decision making. Within this framework, decisions are taken by Council, Cabinet, individual Cabinet Members and officers. Certain specific decisions are taken by the Planning, Taxi Licensing and Rights of Way Committee, The Licensing Act 2003 Committee, Shire Committees, Pensions and Investment Committee and the Employment and Appeals Committee.

The Council's Publication Scheme commits Powys County Council to make information available to the public as part of its normal business activities. The scheme can be found at:

http://www.powys.gov.uk/index.php?id=1935&L=0

The Council presumes that reports will be publicly available unless certain, specific tests are met. There are seven categories of exempt information and these include:

- Information relating to a particular individual
- Information relating to legal matters

For information to be treated as exempt, an assessment of public interest has to be made, to ensure proper balance is achieved between the right to know, the right to personal privacy and the delivery of efficient government.

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

For issues attracting high public interest e.g. renewable energy applications, the Council's budget, the Council has webcast meetings in order that interested stakeholders can view proceedings in real time and through an archive facility. The facility has been valued by stakeholders with both live debates and archived debates having high levels of discrete viewings. The Council as part of a pilot project, which ended at the end of March, 2015, undertook the webcasting of other Council meetings as well, such as meetings of the Cabinet, the Planning, Taxi-Licensing and Rights of Way Committee and the People Scrutiny Committee. As a result the Council has decided to undertake further webcasts on an ongoing basis which will be implemented commencing in the 2015-16 financial year.

The Cabinet works to a Risk Management Strategy agreed in November 2011. This sets out how the Council identifies and manages risk although the strategy is currently under review. 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.

3.5 Principle 5 – Developing the capacity and capability of members and officers to be effective

The Council aims to provide a wide range of opportunities for Members and Officers to be more effective.

All newly elected Members receive an induction programme. There is also specific training relating to whichever committees they are appointed. Powys County Council has been re-awarded the Wales Charter for Member Support and Development in January 2015 (having first gained the award in 2011). An annual Member Development Programme is in place and the Council is in the process of identifying mandatory and discretionary training as well as possible sanctions which can be utilised by the Standards Committees for Members failing to achieve the level of training set by the Council. Members in receipt of Senior Salaries (e.g. Cabinet Members and Committee Chairs) have undertaken personal development reviews (PDRs) to assess their individual training needs. This is undertaken on a 2 yearly basis or within 3 months of their appointment. PDRs have been offered to all other Members of the Council or they will be asked to undertake a training needs analysis which will assist in the development of the Member Development Programme.

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

Council received a number of seminars in 2014/15. These help to build background knowledge and help Members in fulfilling their scrutiny and audit roles. These seminars included:

- Safeguarding Vulnerable People including Adults and Child Protection
- 3 Future Service Delivery seminars
- Code of Conduct Refresher training
- Adult Social Care – changing practice and good practice
- Post 16 Education
- Local Development Plan
- Children's Services
- Sustainable Standards Day
- Powys Youth Forum and developing links with the Forum
- Education through Regional Working (ERW)

Members also meet their development needs through attending staff training. Through the PDR process 'speed reading' was identified as a training need and this was provided to 12 Members.

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

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

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

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

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

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

What did we do at a strategic level?

- During September and October 2014 the Council, in partnership with Powys teaching Health Board and PAVO, ran a series of community events across eight towns in Powys. The events were held with a mix of invited stakeholder workshops and public drop in sessions designed to capture views from citizens on our shared budgetary pressures and engage on the vision and barriers facing our town and community councils as we move towards more community delivery and co-production of services.
  A follow up on-line survey looking at the final budget proposals was then launched in January 2015 with results being fed into the budget setting process,
  Five pilot towns were agreed to lead the discussions on community delivery and work has progressed with some other key towns too where communities were keen to embrace community asset transfer options or the running of community based services.
- The Consultation and Engagement Framework and database introduced last year has allowed for more scrutiny of engagement activities and has meant all officers looking to run engagement activities can access and seek expert advice before launching consultations. This ensures residents have their say in accordance with key national principles.
- The residents' survey was put on hold for 2014/15 to allow for the community budgetary/community delivery events to take place, but preparation work to reassess the research brief and identify data gaps has been completed. The survey is being commissioned for 2015/16 to help in preparing for the next iteration of the One Powys Plan through informing our statutory Joint Strategic Needs Assessment work. This will align with the duties articulated in the emerging Well-being of Future Generations (Wales) Bill.

The Council has a Citizens' Panel of about 1,000 residents, which enables the Council to consult quickly and directly on a range of proposals. An omnibus survey was sent out during the year asking panel members to comment on issues such as dog fouling, domestic abuse, e-books and recycling alongside members also receiving invites to take part in various online consultations during the year.

The Council, via the Children's and Young People's Partnership has an active Youth Forum, which is made up of young people from across the county. They are regularly consulted on a wide variety of strategic and operational issues from health to housing, transport to travellers. Some forum members are also young inspectors who scrutinise and review partner organisation's progress to meet the National Participation Standards.

In addition, the Eat Carrots, Be Safe from Elephants, Powys' Junior Safeguarding Children's Board has continued in its role to feed in the views of some of our more vulnerable young people to ensure services hear more from and understand how it feels to be a key stakeholder in safeguarding and child protection issues.

The Council also holds an annual meeting with business ratepayers to discuss the budget proposals.

During the year there were a mix of different engagement and consultation activities that took place, detailed in Table 2.

Table 2: External Consultation Activity for 2014/15.

Project	Key stakeholders	Outcome
Common Housing Register consultation	Housing tenants – both PCC and social	Register revised and new process launched
Noise Nuisance Satisfaction Survey for complainants	Sample of complainants	Ongoing analysis
Welsh Education Strategic plan		
Web testing usability project	Testing new website for usability	New website launched
Review of Library Services	Library users in Powys	All libraries remain open but with reduced opening times.
Eligibility Criteria consultation – changes to current criteria	Residents who meet the criteria now and future clients.	Eligibility criteria revised
ALN consultation	Parents/carers of pupils with ALN + staff working in this area.	Review extended to consider all views given in consultation.
Year 11 Pathways Survey		
Sundry Debtors Survey		
JAFF/TAFF Review Survey		
Newtown Pilot project community champions survey work (joint project with Public Health Wales as lead)	Residents of Newtown	Feedback evaluated as part of evidence re- Neighbour Management approach to community delivery.
Brecon Hub Consultation	Residents and visitors interested in art, culture and heritage issues in Brecon. Library users.	Feedback used to inform business case for Lottery bid.
Machynlleth Household Waste and Recycling Site Consultation on closure	Users of the CA site in the town.	Site closed but mitigations provided re- Saturday skip service.
Pontneddfechan Parking Consultation	Residents in the area	Traffic calming measures introduced
Citizens Panel omnibus survey	Questions on domestic abuse, e-books, dog fouling, web usage and recycling leaflet.	Views fed back to services to allow for improvements.
Communications Hub Survey		
Business Friendliness Survey	All businesses in Powys who contact us.	Feedback report fed into Regeneration strategy.
Local Development Plan Consultation	All residents interested in the use of land in Powys over the next 15 years.	Consultation extended based on WG views. To run Summer 2015.

Project	Key stakeholders	Outcome
E-books Research Project for Scrutiny.	Users and non-users of the service to seek improvement ideas	Feedback given resulted in report to Cabinet and full set of recommendations approved.

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

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

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

4. Review of Effectiveness

There is an ongoing review of the effectiveness of the Council's Governance Arrangements. The review is informed by the work of:

- The Council's Cabinet
- The Council's Scrutiny and Audit Committees
- The Council's statutory Chief Officers
- The Authority's regulators, including Wales Audit Office, Estyn and CSSIW
- Internal Audit
- External requirements / legislation e.g. Public Services Ombudsman for Wales, all Wales review of Constitutions.

4.1 Cabinet Executive Programme Board

Throughout 2014/15, the Council's Cabinet and Management Team has received quarterly reports to review both the Council's performance and the progress of the key improvement programmes delivering the One Powys Plan. The Cabinet also receives reports on the Council's financial performance on a regular basis.

Each year, the Council is required to produce an overview of its performance for the year just past. The Council's performance review for 2013/14 was published in October 2014 and is also available at:

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

The review of performance for 2014/15 will be available from November 2015.

4.2 Scrutiny and Audit Committees

Decisions and their implementation can be scrutinised by the Scrutiny Committees. The following are examples of areas which were scrutinised during 2014/15:

- Enforcement of Dog Fouling – 5 recommendations made to the Cabinet. Cabinet is considering progressing 2 of the recommendations;
- Civil Parking Enforcement – 11 recommendations made to the Cabinet which will be considered in April 2015;
- Finance Scrutiny Panel – 8 recommendations to the Cabinet which will be considered in April 2015;
- Youth Justice – monitoring against action plan following the inspection in 2013;
- Waste Strategy – scrutiny review completed in 2012 but quarterly monitoring of the roll out of the strategy;
- Energy efficiency in New Build – scrutiny completed which has been overtaken by new legislation and Cabinet agreed to take forward energy efficiency measures;
- Second interim Education scrutiny report to Cabinet with 11 recommendations which were all accepted;
- Ongoing Education scrutiny – performance, finance, school organisation and arrangements for Additional Learning Needs;
- E-books scrutiny review – 5 recommendations to Cabinet and 6 to Welsh Consortium – response due in June 2015;
- Theatres Pre-Scrutiny – 6 observations to the Cabinet which were accepted;
- Spotlight Reviews on Customer Services (June 2014); Substance Misuse (October 2014); Tourism (December 2014);
- Scrutiny of Inspection reports e.g. Bannau / Camlas Residential Unit; Powys Fostering Service; Safeguarding and Care Planning for Looked After Children with the CSSIW (Care and Social Services Inspectorate Wales) in attendance;
- Adult Social Care Scrutiny - Monitoring the action plan is response to the scrutiny review of Adult Social Care 2013; Quality Assurance; Independent Review of Domiciliary Care;
- Involvement in the Challenge Day for the Director of Social Services' Annual Report, scrutinising the draft report and the CSSIW performance and evaluation report;

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

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

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

The role of the Panel is not only to undertake the scrutiny of the draft budget from Cabinet prior to its consideration by the Council, but in addition to scrutinise elements underlying the budget process to assess whether base assumptions being used by the Council were sound. The Panel will also look at the Medium Term Financial Plan and the deliverability of financial targets in forthcoming years. The Panel expressed concern regarding the forward vision of the Cabinet. Following scrutiny of the 2015-16 budget, the Panel presented a report of its findings to the Cabinet on 3rd March, 2015. It is expected that the Panel will commence its work in relation to the 2016-17 budget early in the next financial year.

The Audit Committee meets on a regular basis. The Committee receives reports from Internal Audit and the Wales Audit Office and can make recommendations to both the Cabinet and Scrutiny Committees. The Committee has a Finance and Performance Sub Group that receives regular financial and performance reports and makes recommendations arising from review of these reports. The Committee receives a quarterly report on the Council's risk management arrangements.

The Committee also has an Internal Audit Sub Group that meets regularly to receive all adverse opinion reports i.e. those rated Limited or Low assurance. Its main purpose is to track action plans to ensure that effective and timely corrective measures have been implemented. In addition, the group receive regular updates on cases of internal and external fraud.

Key areas of focus were:

- Statutory Testing
- Civil Parking enforcement
- Energy Procurement
- ICT Business Continuity
- Housing Support Systems
- Internet Usage
- Debt Management

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

The Joint Chairs and Vice-Chairs Steering Group (Chairs and Vice-Chairs of the Scrutiny, Audit and Democratic Services Committees) have reviewed the roles and responsibilities of the two scrutiny committees and are recommending moving a number of responsibilities from the People Scrutiny Committee to the Environment, Infrastructure and Crime and Disorder Scrutiny Committee. This was recommended as it was felt that the People

Scrutiny Committee was overloaded in terms of responsibilities as it deals with a number of large service areas and the balance of responsibilities between the two scrutiny committees needed re-alignment.

An all Wales review of scrutiny by the Wales Audit Office in 2012-13 has led to the need for all Councils to produce an action plan as to how (based on the individual assessment undertaken and the characteristics of good scrutiny as developed by the All Wales Scrutiny Officers' Network) the Council will address the issues identified. An initial draft plan was developed and considered by the Joint Chairs and Vice-Chairs Steering Group, but it was suggested that the plan required refinement. Since then the Welsh Government has issued its Consultation White Paper "Reforming Local Government" which has a number of significant implications for the Council in how scrutiny will be delivered in the future and it will be necessary to assess the draft plan in conjunction with these proposals.

4.3 The Council's Statutory Chief Officers have a range of functions with respect to the overall review of the Council's effectiveness. These include:

- The Chief Executive is signatory to the Council's Annual Governance Statement;
- The Chief Finance Officer is responsible for certifying that the Council's Accounts present a true and fair view of its financial position and income and expenditure;
- The Council's statutory Director of Social Services is responsible for an annual review of the Council's social services under the Annual Council Reporting Framework (ACRF).

4.4 Wales Audit Office

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

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

Key reports during the 2014/15 financial year are set out below:

- Audit of Financial Statements Report (issued September, 2014)
  This report was presented to Audit Committee on 26th September, 2014. The report stated:

  "In my opinion the accounting statements and related notes;
  - give a true and fair view of the financial position of Powys County Council as at 31st March, 2014 and of its income and expenditure for the year then ended;
  - have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14."

In presenting their report, some areas for continued improvement were highlighted.

- “a lack of robust quality assurance procedures to sense check the financial statements and supporting working papers;
- inaccurate and incomplete system reports provided to support our testing of the figures within the financial statements, and some figures not initially supported by working papers or evidence.

- Annual Improvement Report

  The Wales Audit Office (WAO) has a duty to report to the public on the arrangements councils in Wales put in place to secure continuous improvement. The report is underpinned by two key pieces of work:

  - A forward looking assessment of the Council’s arrangements to secure continuous improvement;
  - A backward looking assessment of whether the Council has achieved its planned improvements.

  The AIR 2014 was received in July 2014 and was once again very positive. The Council has received no statutory recommendations or additional proposals for improvement:

  We found that in 2012-13 the Council responded well to issues raised by regulators by driving improvement in its education and social services and has significantly improved its waste recycling performance, but key targets for the implementation of its Welsh Language Scheme were missed. We came to this conclusion because the Council:

  - *Is achieving improvement in its education services for children and young people.*
  - *Is maintaining sound performance in children’s services and adult social care services are now moving in the right direction.*
  - *Has significantly improved its recycling performance and is working to improve the cost effectiveness of its waste management services.*
  - *Was late submitting its Welsh Language Scheme Annual Monitoring Report again this year; some targets have not been met and there is no high-level forum in place to discuss, promote and challenge the implementation of the language scheme.*

  We also found that robust scrutiny and improved performance management and reporting arrangements are developing a culture of self-evaluation within the Council, but this culture is not fully reflected in the annual self-assessment. We came to this conclusion because the Council:

  - *is improving its arrangements for self-evaluation of service performance and of progress in achieving its improvement objectives but this improvement is not fully reflected in in its Annual Performance Report to citizens;*
  - *has robust scrutiny arrangements which it is using to good effect in planning and delivering improvements;*
  - *and*
  - *complied with its responsibilities relating to financial reporting and use of resources.*

Finally, we found that, during 2013-14, the Council's planning for improvement and its arrangements to support improvement are sound in most respects. We came to this conclusion because the Council:

- *has discharged its statutory improvement planning duties under the Local Government (Wales) Measure 2009 (the Measure) and is taking action to strengthen its arrangements to monitor and report progress against its improvement objectives;*
- *is making good progress in implementing recommendations made by its regulators although more robust arrangements are needed to ensure that such recommendations, and those arising from internal audit and scrutiny, are collated and explicitly monitored in managing and delivering improvement; and*
- *continues to manage its financial position robustly and responsibly and is developing plans to address the significant financial challenge it faces over the medium term.*

Taking the above into account, the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.

We make no new recommendations this year, and this report sets out the progress the Council is making to address the proposals for improvement made in our previous reports.

The latest Annual Improvement Report from Wales Audit Office is due no later than July 2015.

- Other Studies (Local and National)

  A number of studies were published for shared learning by WAO during 2014/15:

  - Review of Allegations made under Whistle Blowing Legislation (areas for significant improvement identified but no Recommendations or Proposals for Improvement)
  - Local Authority Arrangements to Support Safeguarding of Children (4 Proposals for Improvement)
  - Financial Position Statement (1 Proposal for Improvement)
  - Delivering with Less: The Impact on Environmental Health Services and Citizens (6 National Recommendations)
  - Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales (7 National Recommendations)

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

4.5 Estyn

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

The authority was monitored in October 2012. Inspectors found that too little progress had been made against the recommendations and placed the authority in need of "significant improvement''. Following the final monitoring visit in the spring of 2014, Estyn issues a letter considered by Cabinet on the 1st July 2014. Extracts from that letter stated:

Powys County Council is judged to have made sufficient progress in relation to the recommendations following the inspection of February 2011 and the monitoring visit of October 2012. As a result, Her Majesty's Chief Inspector of Education and Training in Wales considers that the local authority is no longer in need of significant improvement and is removing it from further follow-up activity.

R1 - Develop effective self-evaluation procedures

The authority has made very good progress in improving its arrangements for self-evaluation both corporately and within the Schools' Service.

R2 - Make sure that performance management processes are robust and hold officers to account

The authority has made good progress in improving the rigour and consistency of performance management within the Schools' Service. The introduction of the accountability framework has brought a robust approach to performance management. It provides clear lines of accountability from individual officers through to the cabinet member and the education scrutiny committee. Senior officers and cabinet members are engaged in robust reviews of performance and action planning.

The corporate performance management system is currently being improved based on a performance improvement framework. Practice in the Schools' Service is already aligned with this framework. The work that has happened in education to improve performance management and self-evaluation is being incorporated in the corporate framework. Officers are learning from the progress made in education and embedding these into the corporate system.

R3 - Ensure that the work of the Schools Service is planned effectively, quality assured rigorously and evaluated robustly in order to improve its impact upon learners

The authority, in collaboration with senior officers from Ceredigion, has significantly improved processes to support, challenge and intervene in its schools. There is a more open and collaborative culture and schools have greater opportunities to influence the work of the Schools' Service.

Fewer schools have gone into a category of concern at inspection since the monitoring visit of October 2012. The authority has begun to use its full powers to make sure that schools improve quickly enough, and senior officers and key elected members are increasingly involved in robustly holding school leaders to account. Senior officers have effectively tackled issues with leadership in schools and have taken difficult decisions to deal with underperformance. As a result, the authority has improved targeted schools and prevented them from becoming causes for concern. However, too few schools are identified with excellent practice during inspection.

Unverified data indicates that, in 2014, performance has improved on all indicators in the Foundation Phase and in key stages 2 and 3. Rigorous monitoring of progress in secondary schools suggests that key stage 4 performance will improve in at least the majority of schools in 2014.

R4 - Ensure that strategic planning is focused consistently on achieving better outcomes for learners and that it is responsive to Welsh Government guidance on single plans

The authority has improved and clarified the strategic planning process, which is now more consistently focused on achieving better outcomes for learners.

The Powys Change Plan is the council's key transformation document and clearly articulates the council's vision and aspirations. Recommendations from regulators are firmly embedded in the plan and there is an unbroken link running from high-level strategy, through to service improvement plans. The Schools' Service is fully engaged within the planning framework to ensure that improving learner outcomes is at the core of the council's business and the development of the single integrated plan.

The council and the Local Service Board partners have planned to deliver services at a local level, according to the community's needs. This complies with Welsh Government guidance on integrating partnerships and plans.

The council is further strengthening this new planning process with a stronger focus on budget priorities, specifically ensuring that school budgets will be included in the mid-term (three year) financial plan and service improvement plans. This clearly links planning and finance to improving outcomes for learners.

R5 - Take timely action to deliver its education modernisation programme

The chief executive officer has a clear vision for school modernisation. Decisions taken on amalgamations and closures increasingly consider the standards achieved by schools and projected population figures aligned to local development plans.

R6 - Improve the consistency and accuracy of teacher assessment at key stages 1 and 2

The established partnership with the Ceredigion School Improvement Service is successfully raising the level of challenge provided by the local authority to all of its schools.

R7 - Make sure that all schools' additional learning needs (ALN) services are planned and monitored strategically, and make best use of staff expertise

Since the last visit, the authority has shown a clear commitment to developing services for pupils with additional learning needs (ALN).

The authority appropriately recognises the importance of planning carefully for any change in relation to the units. This includes the need to up-skill staff in mainstream schools, through the appointment of a central team of specialist staff, and the development of a comprehensive training programme. Funding for the employment of five advisory teachers and five teaching assistants has been secured. It is proposed that these staff should be in place by the autumn term. Their role will be to provide advice and challenge to mainstream schools.

R8 - Take effective action to reduce school budget deficits

This recommendation has been largely addressed.

Next Steps: The authority should continue to work to improve its provision for pupils with additional learning needs. Your link inspectors will continue their work with the authority, in their normal link role.

4.6 Care and Social Services Inspectorate Wales (CSSIW)

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

Their Annual Review and Evaluation 2013-2014 for Powys stated:

The council is facing significant budget reductions, this together with the implementation of the Social Services and Wellbeing (Wales) Act 2014 and an ambitious service improvement *agenda will present significant challenge, especially in the context of service delivery and modernisation in adult social care.*

The council submitted its statement of intent for the delivery of integrated health and social care services for older people with complex needs to the Welsh Government in March 2014. This provides an assessment of current arrangements and sets out the position for the delivery of integrated services and a series of commitments for building on these in the future.

The council has progressed the development of its county wide reablement service, to the extent that it is now fully operational within a large part of the county.

A real challenge for the council this year has been the re-tendering of its domiciliary care provision. The negative impact of this on a large number of vulnerable adults in the community has been significant.

Institute of Public Care (IPC): Independent Review of the Implementation of the Commissioning Exercise for Domiciliary Care in Powys

The Review is thorough and challenging and will help the council strengthen its commissioning approach to service delivery; our priority has and always will be the care and well-being of our most vulnerable citizens.

The review was instigated following feedback from service users directly affected by changes; the experience for some service users, particularly in the north of the county, had been very difficult and unacceptable and we deeply regret that this was the case. The Council had also received feedback from a number of different sources on behalf of service users.

The review's findings highlight the complex nature of providing care services in a rural area the size of Powys, a service that is essential for supporting vulnerable citizens to remain in their own home and communities.

The IPC review offered 8 recommendations:

- *That Powys County Council and Powys Teaching Health Board fully include the development of effective commissioning structures and practice into the review of arrangements for the future development and delivery of integrated health and adult social care services in Powys.*

- *That building on the document 'A Common Approach' Powys County Council continues to develop appropriate commissioning processes for Adult Social Care that covers all aspects of the commissioning cycle as described in this report.*

- *That Powys County Council ensures there is a commissioning and procurement toolkit that includes for example, guidance on option appraisal and on identifying dependencies between projects.*

- *That Powys County Council develops a clear procurement plan for Adult Social Care that covers all future procurement exercises over a rolling five-year cycle and that identifies clearly when different areas of service are due for commissioning / recommissioning / procurement.*

- *That Powys County Council develops further procedures to link the operation and practice of strategic commissioning with the delivery of specific procurement exercises. For any area of service where re-commissioning/re-procurement is identified the council should have procedures in place that ensure that for the area of service being considered there are:*

- *That Powys County Council strengthen procurement arrangements to ensure that in any major exercise there is always:*

- *That Powys County Council undertakes a regular review to ensure that care plans held by them are up-to-date and accurate*

- *That Powys County Council undertakes a regular review of the effectiveness of contract monitoring and management arrangements across the Council particularly with regard to home care where the market continues to appear fragile. There should be a focus on ensuring the maintenance of quality and performance and also on how to properly monitor the operation and effectiveness of any subcontracting arrangements.*

4.7 Internal Audit

During 2014/15, Internal Audit was subject to the requirements and principles of:

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

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

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

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

In accordance with the recognised standards, the Head of Audit is required to give an opinion on the overall internal control environment based on the work undertaken throughout the year. Whilst still indicative as this stage, the Head of Audit's likely opinion on internal control for 2014/15 is that there is a "Satisfactory" level of Assurance i.e. the control environment is generally effective, but there are some areas of the Council where improvement in control is required.

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

4.8 Constitution.

Following the development of a New Model Constitution for Welsh Authorities which was released in 2013, the Council has been in the process of migrating its current Constitution with the new Model Constitution, and at the same time taking the opportunity to review every section and make improvements to existing provisions. A large number of sections of the new Constitution have been agreed by the Council during 2014-15 but not implemented, and it is expected that the work will be completed by the summer of 2015 when the new Constitution in its entirety will come into force.

4.9 Complaints Regarding Members of the Council.

Following a requirement by the Public Services Ombudsman for Wales that Councils establish a local resolution protocol for certain categories of complaints from Members of the Council against other Members, or from officers regarding Members, the Council has agreed its own Local Resolution Process. The types of complaints to be considered are those which would not otherwise be deemed to be of such a nature that they would ordinarily be considered by the Public Services Ombudsman and the process is intended to resolve these matters at a local level.

4.10 Local Service Board Scrutiny.

The Council has not developed a robust scrutiny process for scrutinising the work of the Local Service Board (LSB), and scrutiny has been based on observation of LSB meetings by the scrutiny chairs. At a workshop in February 2015 which involved the Local Service Board, the Powys Transformation Board and scrutiny Chairs together with involvement from the Centre for Public Scrutiny, the need for better arrangements was identified. A project plan has been developed including the establishment of Terms of Reference for such a scrutiny process. The Joint Chairs and Vice-Chairs Steering Group and the Local Service Board have both agreed in principle for the project to progress. It is anticipated that a scrutiny process will be established by the summer of 2015.

5. Significant Governance Issues

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

5.2 The Cabinet's approach

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

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

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

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

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

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

5.3 The 2015/16 Budget and Prioritising our Service Spend

The provisional budget settlement for the Council was announced by Welsh Government on 8th October 2014. The settlement has awarded the Council a 4.4% budget reduction for the next financial year against a Welsh average reduction of 3.4%. This amounts to a reduction in cash terms of £7.762m compared with the settlement for 2014/15. The Council received the benefit of the floor mechanism in the sum of £1.7m, the highest in Wales.

Importantly this means that the per capita funding for Powys is £1,298 compared with a Welsh average of £1,323. Many of the Council's current services and facilities were developed when the County received one of the highest per capita allocations within Wales. The Council's future service provision needs to reflect this shift of funding away from rural areas which is likely to continue and the Cabinet's budget proposals acknowledge this requirement.

The scale of the financial challenge facing the Council dictates that the Cabinet must review the historic allocation of resources to services and re-allocate funds based upon the principles agreed in 2014.

- Valued Services.
- Supporting the Vulnerable.

- Local Delivery.
- Personal Responsibility.
- Value for Money.
- Improving Productivity.

5.4 Cost Improvement Strategy

The financial pressure will continue and the Council recognises that it must operate at a much lower cost. Our vision “Stronger Communities for the Green Heart of Wales” means that services must be cost effective and focused on core outcomes for residents, business and communities.

A shift in cost of this magnitude cannot be achieved through an annual budget process of targeting services with savings. It must be approached as a continuous process, developed within a clear cost improvement strategy. This requires a better understanding of each services cost base and the application of a model of key cost cutting themes which require consistent and coherent cross council action. Work in developing the strategy has already begun under the Council’s Cost Improvement Programme.

The objective of the cost improvement strategy is:

- To set out the financial gap between demand and funding.
- Identify additional cross-council approaches that help services improve cost.
- Collate an overall cost improvement programme and help stakeholders to prioritise and commit.
- Provide rigorous processes for benefit management and for understanding and managing cost.
- Challenge to ensure robust and reliable benefit delivery and to track that deliver.

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

5.5 Delivering in Partnership - One Powys Plan 2014-17

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

In developing the One Powys Plan we will:

- Address issues through prevention and early intervention rather than reaction

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

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

Arrangements for multi-agency programme delivery will be established to ensure effective governance arrangements are in place.

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

5.6 Realising the potential for further integrated working with PtHB

It is essential to recognise that the scale and complexity of integration between two fundamentally different bodies requires significant investment and commitment. It is unlike any other integration seen elsewhere in Wales as it moves both beyond a merging of two 'like' organisations which have largely similar functions, services and governance. It is only expected therefore that such a change would require focused effort and resourcing to enable the commitments to become reality. Reducing complexity is essential, easing and removing organisational barriers, actively assisting both organisations to move to a place where the traditional norms of either local government or national health will be blurred & eased so that the customer / patient / citizen 'can't see the join'.

5.7 Cross Cutting Themes

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

5.7.1 Commissioning Appropriate, Viable, Equitable and Affordable Services

Over the next three years the Council will work to commission services so that they address specific citizen need in an effective and efficient way within available funding. Where similar services are delivered in different service areas they will be commissioned on a cross-council basis.

5.7.2 Rationalise our Property Estate

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

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

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

5.7.3 Regeneration as a Cross Service Principle

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

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

5.7.4 Public Sector Collaboration

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

5.7.5 Working with the Third Sector

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

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

- the public and third sectors work together as partners of equal value in order to meet social need and deliver improving public services

- volunteering is valued for the major contribution that it makes to local life, to the delivery of public services and to local democracy
- voluntary organisations and community groups (as well as service users and carers through their contact with voluntary organisations and community groups) have clear access to decision making processes
- people are enabled to participate in the development of their community and their contribution is valued

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

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

5.7.6 Community Delivery and Neighbourhood Management

We recognise that our communities are different and require an appropriate response from the Council. We recognise that engaging with citizens at a community level will allow us to deliver this appropriate response. To inform our service commissioning and delivery, we will continue our defined approach to:

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

5.7.7 Resourcing Appropriately

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

5.8 Progress on the above will be monitored through the One Powys Plan and the five programme governance arrangements, together with effective monitoring of service improvement plans. The Council is also deploying Individual Performance Reviews and 90 day action plans to provide that golden thread that ensures effective performance management arrangements are in place to deliver the organisation's priorities and objectives. Both Cabinet, Scrutiny and Audit Committees will monitor progress throughout 2015/16.

Signed on behalf of Powys County Council:

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Chief Executive **Leader of the Council**

Date: xxth June 2015 **Date:** xxth June 2015