

Pecyn Dogfennau Cyhoeddus

Pwyllgor Archwilio

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

Dyddiad y Cyfarfod
Dydd Gwener, 6 Medi 2019

Amser y Cyfarfod
10.00 am



Neuadd Y Sir
Llandrindod
Powys
LD1 5LG

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

02/9/19

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

AGENDA

1.	YMDDIHEURIADAU
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I dderbyn ymddiheuriadau am absenoldeb.

2.	DATGANIADAU O DDIDDORDEB
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I dderbyn datganiadau o ddiddordeb gan Aelodau.

3.	DATGANIAD O CHWIPIAU PLAID
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Derbyn datganiadau ynglyn â gwaharddiad chwip plaid a gyflwynwyd i Aelod mewn perthynas â'r cyfarfod yn unol ag Adran 78 (3) Mesur Llywodraeth Leol 2001.

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

4.	COFNODION
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Awdurdodi'r Cadeirydd i lofnodi cofnodion y cyfarfod blaenorol.
(Tudalennau 1 - 6)

5.	DATGANIAD CYFRIFON A DATGANIAD LLYWODRAETHU BLYNYDDOL
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I ystyried y canlynol:

- Adroddiad Pennaeth Gwasanaethau Ariannol
- Adroddiad Swyddfa Archwilio Cymru ar Archwiliad o Ddatganiadau Ariannol – Cyngor Sir Powys
- Adroddiad Swyddfa Archwilio Cymru ar Archwiliad o Ddatganiadau Ariannol – Cronfa Bensiwn Powys.
- Llythyr Sylwadau ar gyfer Cyngor Sir Powys
- Llythyr Sylwadau ar gyfer Cronfa Bensiwn Powys.
- Datganiad Cyfrifon 2018-19 – Cyngor Sir Powys.
- Datganiad Cyfrifon 2018-19 – Cronfa Bensiwn Powys.
- Datganiad Llywodraethu Blynyddol 2018-19

(Tudalennau 7 - 268)

6.	BARN AR YR ARCHWILIAD BLYNYDDOL
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I ystyried y farn ar yr archwiliad blynyddol.

(Tudalennau 269 - 286)

7.	ARCHWILIAD MEWNOL – MONITRO PERFFORMIAD
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I ystyried Monitro Perfformiad Q1.

(Tudalennau 287 - 298)

8.	PARHAD BUSNES
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I ystyried adroddiad gan y Swyddog Prosiect, Digwyddiadau ac Argyfyngau Sifil Posibl.

(Tudalennau 299 - 300)

9.	RHEOLI RISG STRATEGOL
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I ystyried adroddiad yr Arweinydd.

(Tudalennau 301 - 324)

10.	TÎM ATALL TWYLL A GWALLAU CORFFORAETHOL
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I dderbyn crynodeb o'r gwaith a wnaed rhwng 1 Ebrill 2019 a 30 Awst 2019.

(Tudalennau 325 - 326)

11.	THEATR BRYCHEINIOG
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I ystyried adroddiad gan Gadeirydd ac Is-gadeirydd y Pwyllgor Archwilio.

(Tudalennau 327 - 332)

12.	DIWEDDARIAD AR JISTCOURT A DAWNUS
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Derbyn unrhyw ddiweddariadau.
(I ddilyn)

13.	RHAGLEN WAITH
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I ystyried y blaenraglen waith ac a ddylid ychwanegu unrhyw eitemau ychwanegol.
(Tudalennau 333 - 340)

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

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON WEDNESDAY, 7 AUGUST 2019

PRESENT

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

Cabinet Portfolio Holders: County Councillors A W Davies, Finance, and J Evans, Corporate Governance

Officers: Jane Thomas, Head of Finance, Vincent Hanly, Commercial Services Lead, Ann Owen, Treasury Manager and Francis Hydes, Assistant Finance Business Partner/Technical Accountancy Assistant

1.	APOLOGIES
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Apologies for absence were received from County Councillors N Morrison, J M Williams and R Williams

2.	APOLOGIES
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Apologies for absence were received from County Councillors

3.	DECLARATIONS OF INTEREST
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There were no declarations of interest.

4.	DISCLOSURE OF PARTY WHIPS
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There were no disclosures of party whips.

5.	MINUTES
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The Chair was authorised to sign the minutes of the previous meeting, held on 16 May 2019, as a correct record.

6.	PROCUREMENT PROCESSES
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Documents:

- Dawnus chronology
- Dawnus questions
- Vetting prior to procurement
- Undertaking Economic and Financial Standing (EFS) Procedures in Procurement

- Assessing and Monitoring the Economic and Financial Standing of Suppliers
- Portfolio Holder's statement at County Council

Discussion:

- The Chair indicated to the Committee that the purpose of the meeting was to understand the process for procuring contracts and seek assurances that such processes were sound following the failure of two companies, Dawnus and Jistcourt, both of which had contracts with the Authority
- The Commercial Services Lead informed Members that the Jistcourt contract had been let under a framework agreement supported by the Authorities own processes
- Treasury Management undertake financial appraisals when required
- Whilst procurement in general falls under the remit of the Portfolio Holder for Finance, individual contracts are signed off by the relevant Head of Service. It is the Portfolio Holder's role to ensure the framework and policies are relevant.
- The Portfolio Holder whose remit includes corporate governance, confirmed that Portfolio Holders were not involved in the letting of contracts to avoid any implication of impropriety but were kept informed of progress through the process. At no point would a Portfolio Holder be informed of the names of companies tendering for a contract.
- It was confirmed that there were no set procedures in place for keeping a Portfolio Holder informed but that this would occur during a routine meeting with a Head of Service.
- In assessing a company, only historical data is available. The previous two year's audited accounts are requested and are therefore somewhat out of date. In some cases, unaudited accounts are requested to provide current information.
- Construction Line is only used for construction projects
- Assessments must be proportionate and not disadvantage small and medium sized companies
- Once information has been collated a series of mandatory questions are asked which will then determine whether a company passes or fails
- Financial assessments are carried out by the Finance team and will determine whether a company passes or fails for the next stage of the process
- If only one company is interested in the tendering exercise, the information is submitted alongside the tender
- A tender evaluation is undertaken
- Recent guidance has been issued by the government "Assessing and Monitoring the Economic and Financial Standing of Suppliers"
- Members asked what other procedures were in place to assess a company in order to undertake due diligence. The Commercial Lead informed the Committee that 30 or 40 questions must be completed which includes the key personnel, types of work undertaken etc. References are also considered. A company cannot be discounted if it is singly owned. If a company is part of a group, some information may not be available for other areas of the group.
- Jistcourt Construction had been owned by Jistcourt Holdings – were both sets of accounts considered? The group accounts will be considered if a

parent company bond or guarantee is required. In this case, the accounts for Jistcourt Construction only were appraised. The Group accounts for Dawnus were appraised.

- Jistcourt Holdings was established recently with Jistcourt Construction being the only trading arm of that holding company. The accounts for both companies show that the parent company owed Jistcourt Construction £1.2M. At 30 June 2017 it was evident that the Group as a whole was solvent but the parent company's liabilities exceeded its assets. A spreadsheet flagged up the potential risk and a bond had been sought.
- The lack of the bond and the level at which it had been sought (10%) were also cause for concern. If a company is refused cover by an insurance company for a bond this should also flag up concerns. Jistcourt were unable to take out a bond as a contract had not been entered into at that stage. However, work had started on site as this was critical to the award of grant funding. Under normal procedures there would be no progress until a bond had been taken out. It was noted that no money had been paid to Jistcourt. Once work has started on site, a contract is deemed to have been awarded.
- A member suggested that even where there were no criminal convictions, investigations into personal investments in a company should be undertaken. The Commercial Lead reported that directors are asked to self-certify that they have no civil or criminal convictions. If any convictions are noted, the company is disqualified.
- The Committee asked for clarification of the comment that the Council must not be overly risk averse within the financial assessment. If a contract is worth £3M, for example, a company should be able to undertake a contract of £6M, but this may exclude small, local businesses. A judgement can be made if a company nearly satisfies these criteria. A local company can be assisted by the setting up of local bank accounts and payments will be made promptly to aid cash flow.
- From the outset the Authority has a view of the level of risk of a contract – the market should not be stifled. An assessment of risk is also undertaken regarding the impact should a company fail.
- Prior to the tender a gold, silver or bronze risk is identified. Those with a bronze risk may not even require an assessment but more complex contracts will need a higher level of assessment.
- Throughout the responses provided, the term maximum contract value is used, and Members asked how this was determined. All figures together give a score which would determine the maximum value of a contract. This is checked against a rating given by other agencies, such as Equifax etc. The Powys procedures seem to be more robust.
- Contracts are advertised. Pre-tender events are held and annual events. In some instances, phone calls are made to those who may be interested to alert them to upcoming adverts. Sell2Wales is the 'shop window' and workshops are provided for assistance in completing tender documents. However, responses from local companies remain low. Contracts are advertised across Europe.
- With regard to Dawnus, intelligence was circulating that the Company may be in difficulties. Accounts for 2016 had been used for an appraisal and another appraisal was requested on 5 July 2018. The appraisal was updated on the basis of the 2017 accounts. Whilst there had been a loss this had a minimal affect on the appraisal – the net worth of the company

and asset base had not changed. Quarter 1 management accounts for 2018 were considered later but it was difficult to compare like with like.

- The Welsh Government had been made aware of issues with Dawnus in December 2017 when management consultants were called in and the company was in discussion with HSBC and the Welsh Government regarding continued viability. The 2017 accounts demonstrated that there were no funds in the bank and extensive creditors and debtors. The Directors' report at year end noted a write down. Turnover had reduced by 17% and a profit had turned into a loss. The company had taken out debentures totalling £7M as well as a chattels mortgage. The foregoing should have raised the alarm and the Authority should not have proceeded with the contract.
- The financial assessment had picked up on the figures reported but a profit turning to a loss is not a major issue – the company could have been investing in future operations. However, what the Welsh Government was aware of was not available to the Authority. If that information had been available, further investigations would have been carried out. The Committee were of the opinion that the Authority was aware of the Welsh Government's involvement and further enquiries should have ensued.
- It was thought that the Welsh Government was assisting the company to survive and releasing that information would have been self-defeating as further contracts would not have been won. They had a vested interest in keeping the company afloat.
- The issue was one of communication between the Welsh Government and local authorities. Full disclosure was needed on all contracts. Members asked what steps were now being taken with the Welsh Government regarding reputational risk and rising costs following the failed contract.
- The Public Accounts Committee had also considered the issue, but little new information was forthcoming. Local Authorities could not be warned because of business confidentiality.
- Procedures which had been used were Powys specific, but new guidelines would be applicable nationally.
- The Portfolio Holders were asked if they thought they had had sufficient training and support to carry out their role in bringing challenge to officers regarding due diligence. What was the role of the WLGA to ensure these tasks are undertaken? Support is provided both at a local authority level and by the WLGA. Mentoring is ongoing and it was thought that adequate support was given. It was not possible to have instant expertise, but Portfolio Holders learn from their experiences and rely on professional officers. It was a constant learning process.

Outcomes:

- **The new policy guidance note 'Assessing the Economic and Financial Standing of Suppliers' must be used to review current practice and approach by the Council**
- **The Council will review its monitoring process for all of its major or high risk contracts – this will include access to forward information and predictions if available as well as ongoing published results as anniversary of publications occur. This may be delivered via electronic means via a specialist provider such as Dunn and**

- Bradstreet or Equifax. It should also include a review of information contained at Companies House.**
- **The Authority will include terms in its contracts which will require providers to provide annual confirmation of compliance and notify the council of any defined changes classed as financial distress factors (which would need to be specified) and consideration of the use of other tools and sureties to provide assurances to the Council on the financial health of all its key suppliers**
 - **The Council will also review its procurement documentation to ensure that nay changes to the approaches are incorporated into pass/fail mechanisms within the documentation**

7.	WORK PROGRAMME
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Documents:

- **Audit Committee Forward Work Programme**

Outcomes:

- **Noted**

County Councillor JG Morris (Chair)

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CYNGOR SIR POWYS COUNTY COUNCIL**AUDIT COMMITTEE****6th September 2019****REPORT AUTHOR: Jane Thomas, Head of Financial Services****SUBJECT: Statement of Accounts and Pension Fund Accounts
2018/19**

REPORT FOR: Information

- 1.1 The draft Statement of Accounts for 2018/19 were signed off by the Head of Finance (Section 151 Officer) on the 3rd June 2019 and the Pension Fund accounts on 6th June 2019. This was almost 2 weeks ahead of the 15th June requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended). The audit of both sets of Accounts commenced by the Welsh Audit Office (WAO) team on the day the accounts were received.
- 1.2 The Auditor General has issued an unqualified opinion on the 2018/19 Accounts of the Authority and the Pension Fund at this meeting today, and following the Committees consideration and approval, The Head of Finance (Section 151 Officer) and the Chair of Audit Committee will sign the Statement of Accounts. Arrangements will then be made to comply with the 15th September deadline for publication.
- 1.3 As part of its role in scrutinising the Council's Statement of Accounts, Audit Committee has participated in two Audit seminars. One on 10th June 2019, where they received a presentation on the draft accounts submitted to WAO and another held on the 30th August 2019 which presented the changes made since the draft and also reviewed the items and issues raised during the audit period. Members of the Committee used this opportunity to review and question the amendments, enabling them to fully understand the reasons for the changes and any impact they have on the accounts.
- 1.4 There is one misstatement identified in the audited accounts that remains uncorrected. It concerns a £374k overstatement of Property, Plant and Equipment to that shown in the Fixed Asset Register. Management are of the view that the change is not material in value and does not have any impact on the Council fund balance, its omission does not alter the readers' opinion of the accounts. The adjustments will be corrected within the new financial year so will be reflected correctly from 2019/20.
- 1.5 All other misstatements have been corrected and these are recorded in the Auditor General's Report.

- 1.6 One material adjustment worthy of highlight is the McCloud judgement which resulted from the June 2019 decision by the Supreme Court to deny the government permission to appeal the Court of Appeals ruling that transitional protection arrangements put in place when Firefighters and Judges pension scheme were reformed were age discriminatory. The Authority engaged the actuary to provide details of the effect this would have on liabilities. This resulted in a £10.13m increased liability in the Authority accounts based on active liabilities at 31st March 2019. Within the Pension Fund accounts note 21: Actuarial Present Value of Promised Retirement Benefits the liability was calculated on the active liabilities at the last, 2016, valuation, the liability increased by £7.1m.
- 1.7 The Closure of the Accounts for the financial year ending 31st March 2019 and the completion of the Statement of Accounts has once again been delivered under a project management approach which continues to build on the improvements in previous years. The improvements made are once again recognised by the Wales Audit Office in the reports presented to the Committee today.
- 1.8 The Auditor General's report details the amendments made to the accounts and also reports on both qualitative and quantitative matters arising from the audit. Whilst the Council has generally sound accounting and financial reporting practices continued improvements can be made to the quality and timeliness of some of the working papers. The points raised will be considered in detail and incorporated into our work and plans for the closure of next year's accounts. The most pertinent points refer to providing more timely evidence to support the rationale and valuation of Property, Plant and Equipment, and justification to support any significant changes, timely delivery of the items included on the audit deliverables list, and formal evidence to support the review processes undertaken.
- 1.9 Committee have previously asked for assurance that there is sufficient capacity within the Finance Team to safely maintain and close the accounts. Many improvements have been made over the last couple of years and this has been demonstrated by our ability to complete the process earlier year on year. We continue to reflect and learn from each year's process, and have already identified areas for further improvement and are assured that the earlier closing timescales can be achieved.
- 1.10 It is recognised that the resources available across the Council are under continued pressure and in response to this challenge we are transforming the way we deliver our services. We have developed and started to implement a plan that will transform financial administration across the organisation, this will ensure that our processes are as simple and efficient as they can be, that errors and adjustments are minimised and that service managers and budget holders are upskilled to fulfil their financial management roles more effectively, this will ensure that there is less intervention required from the Finance Team. This will deliver efficiencies but will also enable the service to move from the traditional stewardship role to one which adds more value to the organisation.

- 1.11 The Accounts were made available for Public Inspection and the Auditors made themselves available for questions on the Accounts, the opportunity was not taken up by anyone this year.
- 1.12 The Project approach will continue in 2019/20, the project outline, timetable and actions will be put in place shortly and will incorporate any recommendations from the Auditor General's report and the forthcoming Wales Audit Office accounts memorandum report which will provide a more detailed list of issues and recommendations.
- 1.13 A number of seminars/workshops are being held by CIPFA (Chartered Institute for Public Finance and Accountancy) to assist in the preparation and planning for earlier closure and our officers are participating in these events. We are also sharing good practise with colleagues in other Authorities.
- 1.14 The Statement of Accounts, Pension Fund Accounts and Annual Governance Statement are this year presented as separate documents and approval will be sought for each.

Recommendation:	Reason for Recommendation:
<p>That Audit Committee considers and approves the 2018-19 Statement of Accounts. Which can be formally signed by Chair of the Committee and the Section 151 Officer.</p> <p>The Statement of Accounts be published by the 15th September 2019.</p> <p>That Audit Committee considers and approves the 2018-19 Pension Fund Accounts. Which can be formally signed by Chair of the Committee and the Section 151 Officer.</p> <p>The Pension Fund Accounts be published by the 15th September 2019.</p> <p>That Audit Committee considers and approves the 2018-19 Annual Governance Statement. Which can be formally signed by The Leader of the Council and the Chief Executive.</p> <p>The Annual Governance Statement be published by the 15th September 2019.</p>	<p>To ensure compliance with the Statutory Requirements.</p>

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

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

Audit year: 2019-20

Date issued: August 2019

Document reference: **1463A2019-20**

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

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

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

infoofficer@audit.wales.

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

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Contents

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

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Powys County Council (the Council) at 31 March 2019 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for the Council is £4.796 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity, these can include for example remuneration and related party disclosures.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Council, for 2018-19, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2019 on 3 June 2019, which was mainly in line with the agreed deadline of 31 May 2019 and was almost two weeks before the statutory deadline of 15 June 2019. This is a considerable achievement given that this was also almost two weeks in advance of the date that the 2017-18 draft financial statements were produced and the volume of work that is required to compile the financial statements.
- 7 We have now substantially completed the audit work and we are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with Head of Finance and Deputy Head of Financial Services.

Proposed audit report

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

Significant issues arising from the audit

Uncorrected misstatements

- 10 During our audit, one misstatement was identified in the financial statements, which has been discussed with management, but management have chosen not to adjust. The adjustment relates to the Council's Property, Plant and Equipment assets disclosed in the financial statements which are overstated by £374,000. The Council was unable to reconcile the value of the assets per its Fixed Assets Register to the ledger and hence financial statements. The majority of the difference has arisen due to errors in posting in year movements arising from the revaluation of assets.
- 11 Whilst Auditing Standards require us to request that these are corrected, we accept management's view that there is limited benefit in making these non-material amendments given the number of account areas that they affect and the tight timescale for closure of the audit. We request that the Audit Committee consider approving management's rationale for not making the amendments and include reference to this in the Letter of Representation in [Appendix 1](#).

Corrected misstatements

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

Other significant issues arising from the audit

- 13 During the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

We have no concerns about the qualitative aspects of your accounting practices and financial reporting

- 14 Generally, we found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- 15 As highlighted previously, the financial statements were prepared two weeks earlier than in 2017-18 and were generally prepared to a good standard. However, there were a number of late adjustments made during the accounts closure process which were not fully reflected throughout the financial statements. This

resulted in some inconsistent disclosures which required amendments and are included in [Appendix 3](#).

16 As was the case in 2017-18, we agreed an 'Audit Deliverables' with management during the year. The purpose of this was to set out our expectations in respect of working papers requirements and other associated information in order to facilitate both the accounts preparation process and the delivery of the audit work. Many of the working papers detailed on the 'Audit Deliverables' were provided with the draft financial statements and were of a good quality. However, as was the case in 2017-18 there were a few exceptions where improvements could be made. We have provided a number of examples below:

- the Fixed Assets Register was not fully reconciled to the ledger;
- an analytical review of the financial statements with explanations for significant movements year-on-year was not received until 13 June;
- a completed CIPFA disclosure checklist was not completed until 6 June;
- ledger reports to enable cut-off testing of income to be completed were not received until 9 July; and
- documentary evidence outlining the quality assurance process that the draft financial statements had been subject to, including for example details of the issues that the process had identified and how these had been resolved prior to the draft statements being submitted for audit.

[We did not encounter any any significant difficulties during the audit](#)

17 In addition to issuing our 'Audit Deliverables', we also maintained regular engagement with management throughout the accounts production and audit process which has been very helpful. As a result, we did not encounter any significant difficulties during the audit, and we were not restricted in our work. We are grateful for the help and assistance provided to us by the staff of the Finance and other departments throughout the audit.

18 It is pleasing to note that there have been some noticeable improvements in the timeliness of information provided to support transactions selected for audit. However, there remains some areas where delays were experienced. In addition, we also experienced a number of lengthy delays in explanations being provided to support the accounting treatments of transactions and balances within the financial statements which included:

- Accounting treatment in respect of Vehicle, Plant & Equipment additions funded through the Local Transport Fund and Traws Cymru T4 Network Grants from the Welsh Government;
- Revaluation of Land & Buildings (see paras 25- 27 below); and
- Senior Officer Emoluments and Exit Package disclosures.

19 The 2020-21 statutory deadline for the preparation and certification of the financial statements for local authorities is 31 May and 31 July 2021 respectively. Whilst we

recognise the improvements made by officers in the earlier production of the financial statements, further improvements are required to the accounts closure process over the next two years to ensure that the 2020-21 deadlines are achieved. This will also include the need to bring forward the timetable for the review and approval of the financial statement by the Audit Committee.

There were a number of significant matters discussed and corresponded upon with management which we need to report to you

Additional pension liability

- 20 The draft financial statements were prepared before the Supreme Court denied the Government's application for leave to appeal the legal judgement about age discrimination in public sector pension schemes, including the local government pension scheme. These changes surrounded a move from final salary to a career average basis and is referred to as the McCloud judgement.
- 21 The cost of providing a remedy to affected employees is likely to be significant. We have concluded that the McCloud judgement gives rise to a past service cost and liability within the scope of accounting for pensions within local authorities which should be accounted for as an increased liability where a reasonable estimate can be made.
- 22 The Council has obtained updated evidence from its actuary on the impact of this legal judgement on the valuation of the pension liability. The financial impact will increase the pension liability by £10.13 million. As this is above the Council's materiality threshold for the 2018-19 financial statements, the Council has adjusted the 2018-19 financial statements accordingly. These adjustments are included within **Appendix 3** of this report.

Revaluation of Land & Buildings

- 23 As set out in the accounting policies, the Council undertakes a rolling programme of revaluation of its assets. In 2018-19, all of the Council's dwellings and some of its land and buildings were revalued. As the revaluations took place during the year, we reviewed the results of the revaluation exercise in February. This highlighted some significant movements in the valuation of certain categories of assets most notably Council Dwellings and County Farms / Smallholdings.
- 24 As a result, we asked management for its consideration of the rationale and reasonableness of the movements. It is apparent that prior to our request there had been little management consideration of the reasons for the changes.
- 25 Management has now received additional information from its external and internal valuation experts which supports the revaluation amounts included within the financial statements for these categories of assets. There was however, a significant delay between when we initially made our request for further information (ie February) and it being provided in June/July. In future management should

ensure that it has reviewed the results of the revaluation exercises and understands the rationale / reasons for any significant movements and that this information is retained as evidence prior to the audit of this account area commencing.

2018-19 Revenue Outturn and Revenue Reserve Balances

- 26 We continue to have ongoing discussions with management with regard to the Council's financial position and our 2017-18 Annual Audit Letter issued in December 2018, highlighted that the Council continued to face significant financial challenges in 2018-19 and beyond. Our letter also highlighted that as at 30 September 2018, the Council continued to experience overspends within key service areas. Based on its projected overspend position the Council indicated that it would need to draw on approximately £3.9 million of its Council Fund Reserve to fund the overspend.
- 27 The Financial Outturn report for the year ended 31 March 2019 presented to the Cabinet Executive on 18 June 2019, highlighted that the final revenue outturn position was an overspend of £713,000. This was a significantly improved position from that reported throughout the year. As a result, the draw on the Council Fund Reserve balance was not as high as previously projected.
- 28 The financial statements show that as at 31 March 2019, the total Revenue Reserves available to the Council stood at £27.869 million (31 March 2018 £40.357 million) which includes the General Fund Reserve of £9.065 million (31 March 2018 £9.681 million). We will continue to monitor the Council's financial position and as detailed in our Audit Plan issued in April 2019, we are to undertake a review of the Council's financial sustainability in light of current and anticipated future challenges. A similar review is to be undertaken at all other local authorities.

There are no other matters significant to the oversight of the financial reporting process that we need to report to you.

- 29 We have not identified any other matters significant to the oversight of the financial reporting process that we need to report to you.

We did not identify any material weaknesses in your internal controls, but we have identified some areas for improvement

- 30 We have not identified any matters, which are material to the accuracy and completeness of the financial statements, or any matters which are significant enough to be brought to your attention. We have however identified some areas for improvement which we will include in our Accounts Memorandum with a view to improving the accounts closure process. We plan to issue our memorandum shortly after the financial statements have been certified. We will discuss and

agree the content of the memorandum with management and will include its response to the issues raised within the final document.

There are no other matters specifically required by auditing standards to be communicated to those charged with governance.

- 31 There are no other matters (such as those relating to fraud, compliance with laws and regulations, or subsequent events) that we need to report to you.

Independence and objectivity

- 32 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 33 We have complied with ethical standards and in our professional judgment, we are independent, and our objectivity is not compromised. As reported in our Audit Plan dated April 2019, there is one potential conflict of interest that was brought to your attention. This relates to a member of my financial audit team who holds a voluntary role as Treasurer of a charity which has a contract to provide a service within Adult Social Care. I can confirm that appropriate arrangements were introduced to ensure that this officer did not undertake any audit work in respect of this area of the Council's operations. With the exception of this, all other members of my team are independent of the Council and your officers and there are no relationships between the Wales Audit Office and Powys County Council that we consider to bear on our objectivity and independence.

Appendix 1

Final letter of representation

[Audited body's letterhead]

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

6 September 2019

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Powys County Council for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

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

Information provided

We have provided you with:

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

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

Financial statement representations

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

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

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

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

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

All contingent liabilities have been identified and properly assessed. Contingent liabilities are considered to be not material to the financial statements

The financial statements are free of material misstatements, including omissions. The effect of one uncorrected misstatement identified during the audit is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The adjustment relates to the Council's Property, Plant and Equipment assets disclosed in the financial statements which are overstated by £374,000. We have been unable to reconcile the value of the assets per the Fixed Assets Register and the ledger. This will be reviewed in the 2019-20 financial year.

Representations by those charged with governance

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Powys County Council on 6 September 2019.

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

Signed by:

Head of Finance & Section 151 Officer

Date: 6 September 2019

Signed by:

Chair of the Audit Committee

Date: 6 September 2019

Appendix 2

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

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Powys County Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Powys County Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Audit Committee

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

Exhibit 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
£10.130 million	The liability relating to the defined benefit pension scheme analysed in Note 39 has been increased. In addition, the gross expenditure of the Resources Directorate in the Comprehensive Income and Expenditure Statement has also been increased. The adjustment has no impact on the Council's usable reserves.	As noted in paragraphs 20-22, this is to record the additional estimated liability and associated past service cost arising from the McCloud judgement.
£0.454 million	Short Term Creditors in Note 18 and Transport, Plant and Equipment Assets (Note 12) have decreased.	The Council agreed to purchase three buses from a bus contractor. This was treated as a 2018-19 transaction. However, as both the contract and the invoice are dated April 2019, this should have been accounted for in 2019-20. As a result, property plant and equipment and creditors were overstated in 2018-19.

Value of correction	Nature of correction	Reason for correction
£0.340 million	Transport, Plant and Equipment Assets (Note 12) and capital grant income have decreased (Note 11).	A bus contractor who had previously agreed to sell some of its buses to the Council refunded the Council payment. This was misposted as grant income rather than being removed from the Council's transport, plant and equipment assets.
Various	Various changes to Note 31 Senior Officer emoluments.	The emoluments for three of the roles were misstated, due to errors collating the figures from the payroll system. Some roles were removed from Note 31 as the roles do not meet the criteria for disclosure in the financial statements as required by the Code of Practice.
Various	Various changes to Note 35 Related Parties.	The related party disclosures were amended due to errors made in collating the income figures.
£7.943 million	Capital Commitments disclosed in Note 12 has been increased.	The Capital Commitments figures were misstated as the capital accruals figures were disclosed in the financial statements rather than the capital commitment figures.
£0.526m	Reclassification of expenditure within Note 3 of the HRA.	The HRA was not updated for a late adjustment being made as part of the production process of the financial statements. This resulted in £526,000 of expenditure on HRA dwellings being disclosed as Non-Operational expenditure.
Various	The bandings of officers' remuneration greater than £60,000 in Note 31 has been amended.	The remuneration bandings were incorrect as the remuneration did not include the exit packages for four officers.

Value of correction	Nature of correction	Reason for correction
Various	Various amendments to the Narrative Report and Annual Governance Statement.	We noted a number of inconsistencies between the information in the Narrative Report and Annual Governance Statement to that disclosed in the Financial Statements.
Various	Various numerical changes throughout the account.	A number of minor numerical changes have been made to various notes in the financial statements to correct casting errors and internal inconsistencies which were not initially identified during the Council's quality assurance process.

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – Powys Pension Fund

Audit year: 2018-19

Date issued: July 2019

Document reference: **1464A2019-20**

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

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

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

infoofficer@audit.wales.

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

Contents

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

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Powys Pension Fund at 31 March 2019 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for Powys Pension Fund is £6.546 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of Powys Pension Fund, for 2018-19, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2019 on 6 June 2019, a few days after the agreed deadline of 31 May 2019. We have now substantially completed the audit work with the following areas of work ongoing:
 - Final review (including review of the final statements).
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Head of Finance and Deputy Head of Financial Services.

Proposed audit report

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

Significant issues arising from the audit

Uncorrected misstatements

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

Corrected misstatements

- 11 There is one misstatement that has been corrected by management within 'Note 21 Actuarial Present Value of Promised Retirement Benefits' which relates to a recent legal judgement. The draft financial statements were prepared before the Supreme Court denied the Government's application for leave to appeal the legal judgement about age discrimination in public sector pension schemes, including the local government pension scheme. These changes surrounded a move from final salary to a career average basis and is referred to as the McCloud judgement.
- 12 The Pension Fund is required to assess the actuarial present value of promised retirement benefits and this recent ruling will impact on the amounts reported within this assessment. The Pension Fund has estimated the potential impact of the McCloud ruling as being a possible increase in pension liabilities of £7.1 million and is potentially material to the financial statements. Powys Pension Fund reports the pension liability as at the 2016 valuation (the most recent actuarial valuation) and does not report rolled forward liabilities. Management's view is that since this estimate is based on the 2016 actuarial valuation the estimate is not sufficiently certain or accurate to be included in the 2018-19 financial statements. Consequently, Note 21 has been amended and contains additional information in respect of this matter.
- 13 We have reviewed and challenged the supporting assumptions and calculations made by management and we acknowledge the significant uncertainties relating to this estimation of the impact on the Pension Fund's liability. We are satisfied that the disclosure made by management is appropriate given the uncertainties surrounding the estimate including the fact that it is based on the 2016 actuarial valuation.

Other significant issues arising from the audit

- 14 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

We have no concerns about the qualitative aspects of your accounting practices and financial reporting

- 15 We received the draft financial statements on 6 June 2019 which is almost two weeks in advance of the date that we received the 2017-18 draft financial statements (received on 18 June 2018) which is a significant achievement. We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- 16 Overall, we found that the quality of the draft financial statements presented to us for audit was again of a high standard and the working papers were also generally of good quality.
- 17 This year we agreed an 'Audit Deliverables' with management during the year. The purpose of this was to facilitate the achievement of the account's preparation and certification deadlines and to set out the initial information and working papers required by the audit team. Many of the working papers detailed on the 'Audit Deliverables' were provided with the draft financial statements. However, there were a few exceptions, mainly in relation to information provided by the Pensions administration team who appeared to be unaware of the requirements outlined in the 'Audit Deliverables'. We will continue to liaise with management with the aim of clarifying the teams / individuals responsible for providing the required information.

We did not encounter any significant difficulties during the audit

- 18 In addition to issuing our 'Audit Deliverables', we also maintained regular engagement with management throughout the accounts production and audit process which has been very helpful. As a result, we did not encounter any significant difficulties during the audit, and we were not restricted in our work. We are grateful for the help and assistance provided to us by the staff of the finance and other departments throughout the audit.

There were no other matters discussed and corresponded upon with management which we need to report to you

- 19 We have not identified any other matters which we need to report to you.

There are no other matters significant to the oversight of the financial reporting process that we need to report to you

- 20 We have not identified any other matters significant to the oversight of the financial reporting process that we need to report to you.

We did not identify any material weaknesses in your internal controls

- 21 We have not identified any matters, which are material to the accuracy and completeness of the financial statements, or any matters which are significant enough to be brought to your attention.

There are not any other matters specifically required by auditing standards to be communicated to those charged with governance

- 22 There are no other matters (such as those relating to fraud, compliance with laws and regulations or subsequent events) that we need to report to you.

Independence and objectivity

- 23 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 24 As reported in our Audit Plan dated April 2019, there was one specific matter regarding our independence which we reported to you. This related to a member of my financial audit team who holds a voluntary role as Treasurer of a charity which is an admitted body within the Pension Fund. I can confirm that appropriate arrangements were introduced to ensure that this officer did not undertake any audit work in respect of contributions received from or benefits payable to any member of this charity. With the exception of this, all other members of my team are independent of the Pension Fund and your officers and there are no relationships between the Wales Audit Office and Powys County Council that we consider to bear on our objectivity and independence. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised.

Appendix 1

Final letter of representation

[Audited body's letterhead]

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

6 September 2019

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of Powys Pension Fund for the year ended 31 March 2019, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

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

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions.

Representations by those charged with governance

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

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 6 September 2019.

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

Signed by:

Officer who signs on behalf of
management

Date: 6 September 2019

Signed by:

Officer or Member who signs on behalf
of those charged with governance
(director only for companies)

Date: 6 September 2019

Appendix 2

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

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Powys Pension Fund for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004. Powys Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with the legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

- the information contained in the Fund Administration Report, Scheme Statistics & Performance and the Investment Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Fund Administration Report, Scheme Statistics & Performance and the Investment Report.

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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Your ref / Eich cyf:

Our ref / Ein cyf:

Date / Dyddiad: 6th September 2019

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Powys County Council for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

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

Information provided

We have provided you with:

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

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

Financial statement representations

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

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

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

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

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

All contingent liabilities have been identified and properly assessed. Contingent liabilities are considered to be not material to the financial statements.

The financial statements are free of material misstatements, including omissions. The effect of one uncorrected misstatement identified during the audit is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The adjustment relates to the Council's Property, Plant and Equipment assets disclosed in the financial statements which are overstated by £374,000. We have been unable to reconcile the value of the assets per the Fixed Assets Register and the ledger. This will be reviewed in the 2019-20 financial year.

Representations by those charged with governance

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Powys County Council on 6 September 2019.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are not aware.

Signed by:

Signed by:

Head of Finance & Section 151
Officer

Date: 6 September 2019

Chair of the Audit Committee

Date: 6 September 2019

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

Jane Thomas
Head of Financial Services/
Pennaeth Gwasanaethau Ariannol

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Jane Thomas

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Email /Ebost: jane.thomas@powys.gov.uk

Your ref / Eich cyf:

Our ref / Ein cyf:

Date / Dyddiad: 6th September 2019

Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of Powys Pension Fund for the year ended 31 March 2019, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

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

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions.

Representations by those charged with governance

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

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 6 September 2019.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been

communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Head of Finance and Section
151 Officer
Date: 6 September 2019

Chair of Audit Committee
Date: 6 September 2019

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



Statement of Accounts 2018/19



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Narrative Report

Introduction

The Statement of Accounts 2018/19 provide details of the Council's financial position for the year ended 31 March 2019. The information presented on pages 1 to 113 is in accordance with the requirements of the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) based on International Financial Reporting Standards (IFRSs), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts consist of:

- The **Movement in Reserves Statement** which shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves;
- The **Expenditure and Funding Analysis** shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- The **Comprehensive Income and Expenditure Statement** which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from council tax. The council tax position is shown in the Movement in Reserves Statement;
- The **Balance Sheet** which sets out the financial position of the Council at 31 March 2019.
- The **Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the financial year;
- The **Notes to the Core Financial Statements** which provide further information to the Core Financial Statements;
- The **Housing Revenue Account (HRA)** and notes which show in more detail the income and expenditure on HRA services included in the Comprehensive Income and Expenditure Account;

POWYS COUNTY COUNCIL

Review of the Year

Facts/figures

During 2018/19 the Council:

- Supported over 240 looked after children
- Completed over 1,000 assessments of children's needs
- Supported over 1,900 adults in residential or domiciliary care or through direct payments
- Supported over approximately 2,000 adults through the information, advice and assistance service
- Provided education to approximately 16,600 pupils across 94 schools (79 primary, 11 secondary, 1 all through and 3 special schools), as well as providing workplace learning opportunities.
- Let, managed and maintained over 5,300 homes
- Maintained over 440kms of Trunk Roads and 5,000kms of County Roads - the longest highway network in Wales
- Collected and processed recyclable material and residual waste from around 67,000 properties
- Provided public and home to school transport to over 1 million passengers and 7,000 eligible learners
- Handled approximately 1,280 planning applications
- Supported leisure, learning, recreational and cultural activities that culminated in an estimated 1.7m visits to leisure establishments

Revenue Funding

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

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

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

Collection of Council Tax and Non Domestic Rates

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

Revenue Expenditure

The revenue financial performance of the Council is summarised below:

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

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

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

POWYS COUNTY COUNCIL

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

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

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

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

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

Revenue expenditure was further supported by the use of the Capitalisation directive. Under this directive capital receipts were used to fund expenditure relating to redundancy costs that would have otherwise been funded from the Council fund.

Revenue Grants

The Council supports a number of organisations by providing them with a grant. The recipient does not provide a service directly for the Council but their activity supports the wider objectives of the Council, for example in promoting the social, economic or environmental well-being of their area. During 2018/19 grants totalling £788k were issued supporting 50 organisations.

Revenue Reserves

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

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

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

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

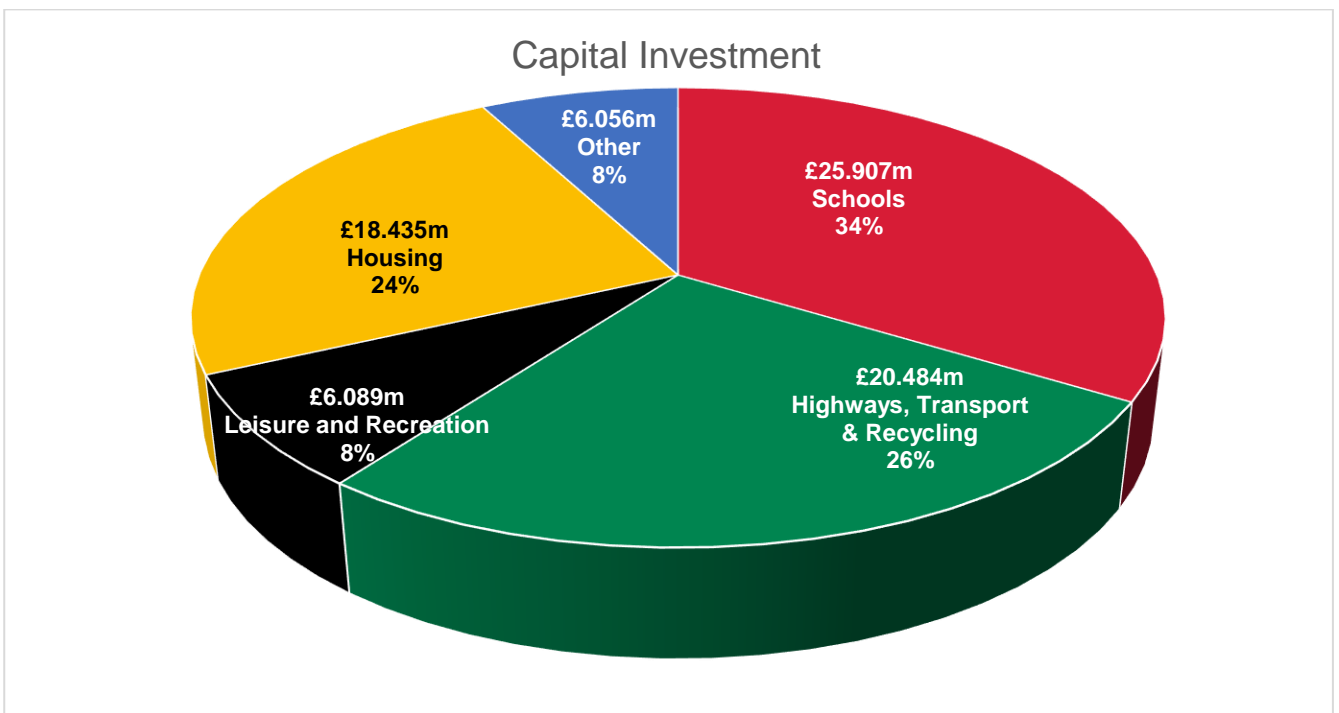
The level of Council Fund reserves at 31 March 2019 is 3.7% of net expenditure.

Capital Expenditure

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

The investment of £76.971m has been necessitated by the need to acquire or build new assets or enhance ageing, and in some cases, dilapidated assets that will enable the council to provide services to its residents more effectively, in the pursuit of its statutory obligations. The table and diagram below, show some of the priority areas where the Council has invested in the 2018/19 financial year.

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



Housing (£18.435m)

About £13m has been spent on major refurbishment of Council Dwellings. Renewal of Kitchens, Bathrooms, Heating, and replacement of Roofs is continuing across the County and more investment has been committed in the next few years to improve living conditions and general wellbeing of our residents.

In total 368 homes were fitted with new Kitchens, 303 homes were fitted with new Bathrooms, 51 homes were rewired, 570 homes were fitted with new double glazed Windows and 544 homes had their roofs replaced.

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

Schools and Education (£25.907m)

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

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

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

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

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

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

Roads, Transport and Highways (£20.484m)

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

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

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

POWYS COUNTY COUNCIL

Leisure and Recreation (£6.089m)

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

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

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

Capital Financing

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

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

Borrowing Arrangements

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

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

Medium Term Financial Strategy

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

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

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

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

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

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

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

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

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

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

POWYS COUNTY COUNCIL

Vision 2025

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

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

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

Full details of the Vision 2025 can be found at:

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

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

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

These accounts were approved by Audit Committee on the 6 September 2019.

Signature:

Date

Audit Committee Chairman

Head of Finance Responsibilities

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

In preparing this Statement of Accounts, the Head of Finance has:

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

The Head of Finance has also:

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

Certificate of the Head of Finance on the Accounts of Powys County Council for 2018/19.

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

Signature:

Date

J Thomas Head of Finance

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Powys County Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Powys County Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

*Report on other requirements**Opinion on other matters*

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

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

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website

www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

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

24 Cathedral Road
Cardiff
CF11 9LJ

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

Movement in Reserves Statement

	Council Fund £'000	Earmarked Reserves (Note 8) £'000	HRA £'000	Capital Receipts £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (Note 21) £'000	Total Authority Reserves £'000
Balance at 31 March 2017	8,686	28,318	1,761	15,402	974	55,141	215,574	270,715
Movement In Reserves During 2017/18								
Total Comprehensive Income and Expenditure	(18,882)	-	6,251	-	-	(12,631)	(3,264)	(15,895)
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	18,982	-	(4,759)	(7,843)	525	6,905	(6,905)	-
Net Increase/(Decrease) Before Transfers To Earmarked Reserves	100	-	1,492	(7,843)	525	(5,726)	(10,169)	(15,895)
Transfers To/(From) Earmarked Reserves	895	(909)	14	-	-	-	-	-
Increase/(Decrease) Movement In Year	995	(909)	1,506	(7,843)	525	(5,726)	(10,169)	(15,895)
Transition IFRS 9 (Note 15)							(1,793)	(1,793)
Balance at 31 March 2018 Carried Forward	9,681	27,409	3,267	7,559	1,499	49,415	203,612	253,027
Movement In Reserves During 2018/19								
Total Comprehensive Income and Expenditure	(57,803)	-	7,761	-	-	(50,042)	24,681	(25,361)
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	47,471	-	(9,917)	(327)	(410)	36,817	(36,817)	-
Net Increase/(Decrease) Before Transfers To Earmarked Reserves	(10,332)	-	(2,156)	(327)	(410)	(13,225)	(12,136)	(25,361)
Transfers To/(From) Earmarked Reserves	9,716	(9,716)	-	-	-	-	-	-
Increase/(Decrease) Movement In Year	(616)	(9,716)	(2,156)	(327)	(410)	(13,225)	(12,136)	(25,361)
Balance at 31 March 2019 Carried Forward	9,065	17,693	1,111	7,232	1,089	36,190	191,476	227,666

Expenditure and Funding Analysis

Re-classified 2017/18			2018/19			
Net Expenditure Chargeable to the Council Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement (CIES)		Net Expenditure Chargeable to the Council Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement (CIES)
£'000	£'000	£'000		£'000	£'000	£'000
79,970	1,745	81,715	Social Services	97,385	1,722	99,107
22,742	4,382	27,124	Environment	29,663	12,871	42,534
16,867	2,330	19,197	Resources	15,336	13,787	29,123
103,889	12,838	116,727	Schools & Leisure	103,527	19,526	123,053
223,468	21,295	244,763	Net Cost of Services	245,911	47,906	293,817
23,546	2,724	26,270	Other Operating Expenditure	24,798	5,440	30,238
12,139	4,682	16,821	Financing and Investment Income and Expenditure	11,757	7,136	18,893
(260,745)	(14,478)	(275,223)	Taxation and Non Specific Grant Income Operations not Included in Net Cost Of Services	(269,979)	(22,927)	(292,906)
(1,592)	14,223	12,631	Surplus or Deficit	12,487	37,555	50,042
(38,765)			Opening Council Fund and HRA Balance at 31 March	(40,357)		
(1,592)			Add (Surplus)/Deficit on Council Fund and HRA Balance in Year	12,487		
-			Transfers between Reserves	-		
(40,357)			Closing Council Fund and HRA Balance at 31 March	(27,870)		

A split of the Council Fund and HRA balances are shown in the Movement in Reserves Statement. The 'Adjustments between the Funding and Accounting Basis' are disclosed in more detail in Note 6.

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

Comprehensive Income & Expenditure Statement (CIES)

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

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

Balance Sheet

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

Cash Flow Statement

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

Notes to the Core Financial Statements

Note 1: Accounting Policies

i. General principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019 on a going concern basis. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

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

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

ii. Accruals of income and expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and cash equivalents

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

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

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

iv. Exceptional items

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

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

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

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

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

vi. Charges to revenue for Non-Current Assets

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

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

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

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

vii. Employee benefits

Benefits payable during employment

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

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructure.

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Powys County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method- i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on high quality corporate bond (Aon Hewitt Limited GBP Select AA Curve)).
- The assets of Powys County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value.

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

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

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

Discretionary Benefits

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

vii. Events after the Balance Sheet date

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

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

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

ix. Interests in companies and other entities

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

x. Long term contracts

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

xi. Investment property

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

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

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

xii. Jointly controlled operations and jointly controlled assets

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

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

xiii. Leases

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

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

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

The Authority as lessee:

Finance leases

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

Lease payments are apportioned between:

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

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

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

Operating leases

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

The Authority as lessor:

Finance leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating leases

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

xiv. Property, plant and equipment

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

Capitalisation

All assets falling into the following categories are capitalised:

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

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

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

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

Depreciation & Amortisation

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

Asset	Years
Operational buildings	Useful life
Garages	20
Mobile offices/portacabins	20
Council dwellings	15-30
Vehicles, plant, equipment and fittings	4, 5, 7, 10, useful life
Infrastructure	50, 18, 7
Surplus	Useful Life
Intangible	4, 7

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

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

The useful life is determined by the valuer.

Valuation

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

The Council Dwellings are valued on an Existing use – Social Housing basis. The beacon method has been adopted with a 38% of the market value used in the revaluations.

Impairment

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

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

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

Componentisation

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

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

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

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

- Plant and equipment and engineering services.
- Structure.

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

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

life and condition of major components based on professional judgement. These actions will assist in providing an accurate depreciation charge.

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

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

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

Adopted roads

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

xv. Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

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

Contingent liabilities

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

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

Contingent assets

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

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

xvi. VAT

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

xvii. Overhead and support services

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

xviii. Reserves

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

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

xix. Financial assets

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

There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

xx. Provision for repayment of external loans

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

xxi. Financial liabilities

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

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the Council Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

xxii. Calculating fair value for financial instruments

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

Complexities of the NPV calculation

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

Evaluation of PWLB debt

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

Inclusion of accrued interest

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

Discount rates used in NPV calculation

The rates used were obtained by our advisors, Capita, from the market on 31 March 2019 using bid prices where applicable.

Assumptions

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

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

xxiii. Revenue expenditure funded from capital under statute

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

xxiv. Grants, contributions and donated assets

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

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

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

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

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

xxv. Schools

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

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

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

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

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

xxvi. Fair Value measurement

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

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

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

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

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

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

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

xxvii. Council Tax and Non-domestic Rates (NDR)

NDR

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

Council Tax

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

Note 2: Accounting Standards that have been issued but have not yet been adopted

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2019 for 2018/2019). None of the standards introduced in the 2019/20 code are expected to have a material impact on the financial statements.

Note 3: Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. The effect of withdrawal from the European Union increases this uncertainty. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The IAS 19 pension cost calculations in Note 39 involve placing present values on future benefit payments to individuals many years into the future. These benefits will be linked to pay increases whilst individuals are active members of the Fund and will be linked to statutory pension increase orders (inflation) in deferment and in retirement. Assumptions are made for the rates at which the benefits will increase in the future (inflation and salary increases) and the rate at which these future cashflows will be discounted to a present value at the accounting date to arrive at the present value of the defined benefit obligation. The resulting position will therefore be sensitive to the assumptions used. The present value of defined benefit obligations is linked to yields of high quality corporate bonds whereas, for the LGPS funded arrangements, the majority of the assets of the fund are usually invested in equities or other real assets. Fluctuations in investment markets in conjunction with discount rate volatility will lead to volatility in the funded status of the fund and thus to volatility in the net pension asset on the Balance Sheet and in other Comprehensive Income and Expenditure. To a lesser extent this will also lead to volatility in the pension expense in the surplus or deficit on the provision of services.
- Provisions are made when clear and accurate information is available to do so. In the absence of this, creating a provision may be misleading and could have significant financial implications.

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

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

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Property, Plant and Equipment
Uncertainty	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.
Effect if assumptions differ from actual	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings within Land and Buildings would increase by £676k for every year that useful lives had to be reduced.
Item	Pension Liability
Uncertainty	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting Actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.
Effect if assumptions differ from actual	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £16.48m. However, the assumptions interact in complex ways. During 2018/19, the Authority's Actuaries advised that the net pension's liability had increased by £1.43m as a result of estimates being corrected as a result of experience and likewise by £36.22m attributable to updating of the demographic assumptions. There was a decrease of £47.80m attributable to financial assumptions.
Item	Arrears
Uncertainty	At 31 March 2019, the Authority had a balance of sundry debtors of £39.1m. A review of significant balances suggested that an impairment of doubtful debts of £3.0m was appropriate. Housing Rent arrears had a balance of £2.3m and Council Tax arrears £4.8m at 31 March 2019. A review of significant balances suggested that an impairment of doubtful debts of £1.0m for Housing Rent arrears and £0.7m for Council Tax arrears was appropriate based on the stage the arrears are within the recovery process. However, in the current economic climate it is not certain that such an allowance would be sufficient.
Effect if assumptions differ from actual	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £4.8m to be set aside as an allowance. However, very little debt is historically written off as disclosed in Note 42.

Note 5: Material Items of Income and Expense

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

Note 6: Note to the Expenditure and Funding Analysis

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

Tudalen 97	Reclassified 2017/18				Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
	990	835	(80)	1,745	Social Services	823	801	98	1,722
	3,383	1,108	(109)	4,382	Environment	11,790	999	82	12,871
	1,278	1,053	(1)	2,330	Resources	2,935	10,771	81	13,787
	12,612	1,184	(958)	12,838	Schools & Leisure	17,822	1,119	585	19,526
	18,263	4,180	(1,148)	21,295	Net Cost of Services	33,370	13,690	846	47,906
	2,724	-	-	2,724	Other Operating Expenditure	5,440	-	-	5,440
	(2,304)	6,870	117	4,683	Financing and Investment Income and Expenditure	(2,748)	8,600	1,284	7,136
	(14,478)	-	-	(14,478)	Taxation and Non Specific Grant Income and Expenditure	(22,927)	-	-	(22,927)
	4,205	11,050	(1,031)	14,224	Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	13,135	22,290	2,130	37,555

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

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Adjustments for Capital Purposes

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

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

Net Change for the Pensions Adjustments

Tudalen 98

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

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

Other Differences

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

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

Note 7: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

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

	Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2018/19 TRANSACTIONS					
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,409)	73	-	-	1,336
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see Note 44)	(40,434)	(1,556)	-	-	41,990
Employer's pensions contributions and direct payments to pensioners payable in the year	18,993	707	-	-	(19,700)
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(786)	(6)	-	-	792
Total adjustments	(47,471)	9,917	327	410	36,817

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

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

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

Council Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Note 8: Transfers To/(From) Earmarked Reserves

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

¹ As at 31st March 2019 Schools Reserves show a deficit position. Recovery plans are requested from Schools in a deficit position and are monitored at surgery sessions. Those Schools that are unlicensed receive a Notice of Concern and are monitored more closely. County Officers work with Schools to produce the Recovery plans to ensure they are looking at all opportunities to bring the Schools back into a balanced budget position across an agreed period of time but no longer than five years.

² To mitigate the effect of large claims against the Authority

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

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

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

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

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

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

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

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

Note 9: Other Operating Expenditure

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

Note 10: Financing and Investment Income and Expenditure

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

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

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

Note 12: Property, Plant and Equipment

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

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

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

Comparative Movements in 2017/18:

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

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

Capital Commitments

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

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

Revaluations

The Authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations undertaken this year were carried out by external valuers.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Assets valued in 2018/19 were revalued at 1 April 2018.

The Council Dwellings were valued on an Existing use – Social Housing basis. The beacon method was adopted with a 38% of the market value used in the revaluations.

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

The fair values of Property, Plant and Equipment:

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

Note 13: Investment Properties

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

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

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

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

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

Fair Value Measurement

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

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

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

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

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

Valuation Techniques Used to Determine Level 2 Fair Values

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

Highest and Best Use

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

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

Sensitivity to Changes in Significant Unobservable Inputs

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

Note 14: Capital Expenditure and Capital Financing

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

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

Note 15: Financial Instruments

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

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

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

Financial Assets

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

Financial Liabilities

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

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

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

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

Available for Sale (Low Cost Housing)

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

Effect of Reclassification on the Balance Sheet

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

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

Income, Expense, Gains and Losses

2018				2019		
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Total		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Net Gains/Losses on:			
-	(71)	(71)	Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-
-	-	-	Impairment loss	527	-	527
-	(71)	(71)	Total Net Gains/Losses	527	-	527
			Interest Revenue:			
(92)	-	(92)	Financial Assets Measured at Amortised Cost	(139)	-	(139)
(92)	-	(92)	Total Interest Revenue	(139)	-	(139)
10,399	-	10,399	Interest Expense	11,030	-	11,030

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2019 of 1.47% to 2.40% for loans from the PWLB and 2.28% to 2.71% for LOBO's and 0.5951% to 1.5656% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Accrued interest has been included in the fair value calculation since it is included in the carrying value of loans in the Balance Sheet.

The fair values calculated are as follows:

31 March 18			31 March 19	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
254,664	330,974	Financial liabilities	303,424	381,896
20,555	20,555	Long-term creditors	20,610	20,610

The fair value of the liabilities is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

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

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

Note 16: Short Term Debtors

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

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

Note 17: Cash and Bank Accounts

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

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

Note 18: Creditors**Short Term Creditors**

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

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

Long Term Creditors

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

Note 19: Provisions

Short Term Provisions

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

Long Term Provisions

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

Note 20: Usable Reserves

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

Usable Capital Receipts

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

Note 21: Unusable Reserves

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

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

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

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

Revaluation Reserve

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

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

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

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

Available For Sale Financial Instruments Reserve

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

2017/18 £'000			2018/19 £'000	
1,759		Balance as at 1 April		1,776
-		Transition IFRS9		(1,793)
71		Upward/(downward) revaluation of investments		-
(54)		Accumulated gains on assets sold and maturing assets written out the comprehensive income and expenditure statement as part of other investment income		17
1,776		Balance as at 31 March		-

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or enhancement as depreciation. Impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Authority. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

STATEMENT OF ACCOUNTS

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

Financials Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses, relating to certain financial instruments and for bearing losses, or benefiting from gains, per statutory provisions. The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the account in the movement in reserves statement. Over time, the expense is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2019 will be charged to the Council Fund over the remaining life of repaid loans.

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

Pension Reserve

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

2017/18 £'000		2018/19 £'000
(273,110)	Balance as at 1 April	(304,010)
(19,850)	Actuarial gains or (losses) on pensions assets and liabilities	21,820
(28,700)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income And Expenditure Statement	(41,990)
17,650	Employer's pensions contributions	19,700
(304,010)	Balance as at 31 March	(304,480)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

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

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the account.

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

Note 22: Expenditure and Income Analysed by Nature

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

Reconciliation to the report to Cabinet (see Narrative Forward)

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

Note 23: Cash Flow Statement – Investing Activities

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

Note 24: Cash Flow Statement – Financing Activities

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

Note 25: Cash Flow Statement – Analysis of Government Grants

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

Note 26: Trust Funds

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

The Charities Act 1993 requires there to be an independent audit of the Statement of Accounts of the following two trust funds. The 2018/19 results below had not been audited by the time Powys County Council's audit was complete and the Audit Report at the rear of this Statement of Accounts does not relate to these Trust Funds.

Welsh Church Acts Fund

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

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

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

Rhayader Leisure Centre Trust Fund

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

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

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

Note 27: Agency Services

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

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

Note 28: Pooled Budgets and Joint Arrangements

Funded Nursing Care Pooled Budget (Section 31 Health Act 1999)

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

The agreement will not affect the liability of the parties for the exercise of their respective statutory functions and obligations. The partnership agreement operates in accordance with the Welsh Assembly Government Guidance NHS Funded Nursing Care 2004. The allocation received for 2018/19 for Free Nursing care was £2,140k, which is now within the PTHB base allocation from WG.

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

Powys Carers Services Section 33 Pooled Budget

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

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

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

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

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

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

POWYS COUNTY COUNCIL

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

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

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

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

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

Reablement Service Section 33 Joint Arrangement

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

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

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

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

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

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

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

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

ICT Service

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

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

The purpose of the agreement is to pool ICT funds from both partners so as to enhance the ICT service in both organisations due to finite resources.

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

Note 29: Joint Committees

Education through Regional Working ERW is a Joint Committee consisting of six local authorities in South West and Mid-Wales. Pembrokeshire is the lead Authority. The total annual contribution from participating Authorities for 2018/19 was £250k (£250k in 2017/18) of which Powys County Council contributed £35k (£35k in 2017/18). The reserve held specifically for Powys County Council by ERW is £15k in 2018/19 (£27k in 2017/18).

Note 30: Members Allowances

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

Note 31: Senior Officers Emoluments

The remuneration ratio of the Chief Executive during the year of the accounts to the amount of the median remuneration (£20,541 in 2018/19, £20,138 in 2017/18) of the Authorities employees was 6.30 (6.73 in 2017/18). Please note that these calculations are based on contracted salaries and so excludes non-contracted payments such as the Chief Executive's role as the Returning Officer.

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

The following number of higher paid officers, excluding senior officers, of the County Council received emoluments in excess of £60,000 in the year. Remuneration bands exclude employer's pension contributions.

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

The increase in numbers can be attributed to increases to salary (2%) plus staff advancing through the scale at their respective grades. Additionally in 2018/19 there was a management restructure which led to a number of redundancy payments.

STATEMENT OF ACCOUNTS

Those officers in statutory roles or reporting directly to the Chief Executive who attracted remuneration of at least £60k are shown in the 2018/19 disclosure on the next page. In 2017/18, Heads of Service were also included in the disclosure, see page 94. This change of reporting is also reflected in the differences in the Remuneration bands above.

Note 38 details termination benefits.

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

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

Notes to the 2018/19 structure

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

The statutory role of Interim Director of Social Services has been held by staff employed by the Welsh Local Government Association. This was misreported as Powys Teaching Health Board in the 2017/18 Accounts. No amounts were paid in relation to this in 2018/19.

STATEMENT OF ACCOUNTS

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

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

Notes to the 2017/18 structure

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

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

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

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

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

Note 32: Audit Costs

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

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

Note 33: Grant Income

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

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

STATEMENT OF ACCOUNTS

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

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

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

NNDR is organised on a national basis. The Welsh Government (WG) specifies an amount for the rate 51.4p in 2018/19 (49.9p in 2017/18) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by this amount. The total rateable value at 31 March 2019 was £83,021,234 (£82,739,657 at 31 March 2018). The Council pays the rates it collects to a pool administered by Welsh Government. Welsh Government redistributes the sums payable back to Local Authorities on the basis of a fixed amount per head of population.

Note 34: Council Tax

Council Tax income derives from charges raised according to the value of residential properties which have been classified into ten valuation bands based on the draft valuation list prepared by the Valuation Office that came into effect 1 April 2006. Charges are calculated by taking the amount of Council Tax income required by the County Council, Dyfed Powys Police and Community Councils for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The tax base used for the calculation of Council Tax in 2018/19 was £61,769 (£61,764 in 2017/18).

The basic charge of £1,189.20 (£1,132.57 in 2017/18), for a band D property in 2018/19 for County Council purposes is multiplied by the proportion specified for the particular band to give the amount due for each individual property. A similar exercise is done for Dyfed Powys Police Authority and Community Council purposes to arrive at the total Council Tax charge per property.

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

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Properties	6	3,144	6,045	10,052	9,339	13,478	12,573	6,350	1,113	399

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

Note 35: Related Parties

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

Central Government

Welsh Government have effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 22 on reporting for resources allocation decisions.

Chief and Senior Officers and their Close Families

Senior Officers of the Council maintain a register of gifts received and are asked annually to declare any relevant interests.

No other material transactions took place in 2018/19.

Joint Venture

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

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

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

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

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

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

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

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

The Powys Pension Fund

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

Members

As required by law the Authority holds a Register of Members' Interests which Members are required to maintain. In addition, Members declare interests where they are involved in Authority decisions affecting that interest. Note 30 shows the allowances paid to members.

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

Member	Body	Relationship	Expenditure		Income	
			In Year £'000	O/S £'000	In Year £'000	O/S £'000
Silk, Kathryn Susan	Arts Alive	Trustee	115	3	1	-
Jones, Michael John	Brecon Beacons National Park	Member of Planning Committee	639	(2)	78	12
Williams, Gwilym Ioan Snead	Brecon Beacons National Park	Member of Planning Committee	639	(2)	78	12
Williams, Roger Hugh	Brecon Mind	Trustee and Treasurer	29	-	1	-
Jump, Francesca Helen	Canal & River Trust	Rep. for Montgomeryshire	410	4	-	-
Davies, Phyl	Celtic Travel (Llanidloes) Ltd	Director	1,543	197	-	-
Corfield, Linda Veronica	Community Foundation in Wales	LEA Representative	57	28	-	-
Baynham, Beverley Jane	East Radnor Day Centre	Chief Officer	190	-	1	-
Jones, Michael E.	East Radnor Day Centre	Director	190	-	1	-

POWYS COUNTY COUNCIL

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

Note 36: Leases

Authority as a Lessee

Operating Leases

Various services use assets financed by operating lease. The lease costs form part of each service's revenue expenditure. Total operating lease rentals paid in the year were £936k (£1,002k in 2017/18) and the total outstanding commitment on operating leases at the 31 March 2019 was £1,977k (£2,446k at 31 March 2018).

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

Finance Leases

The Authority has no finance leases.

*Authority as a Lessor**Operating Leases*

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

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

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

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

Finance Leases

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

Note 37: Obligations under Long Term Contracts

The contract with BUPA to purchase a minimum number of beds amounting to £10.5m was originally scheduled to expire in 2014. This contract has been extended on multiple occasions but is expected to conclude in 2019 with no further extensions.

The below table shows the commitments under this agreement.

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

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

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

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

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

Note 38: Termination Benefits

The Authority had the following termination costs.

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

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

Note 39: Defined Benefit Pension Schemes**Participation in Pension Schemes**

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

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

Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Funds Rates and Adjustment Certificate.

Transactions Relating to Post-employment Benefits

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

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

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

Reconciliation of the Movements in the Fair Value of Scheme Assets

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

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

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

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

Local Government Pension Scheme Assets Comprised

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

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

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

Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The valuations have been carried out as of 31 March 2016 and updated for following years by Aon Hewitt Limited, the independent Actuaries to the fund. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement (for schemes where the age profile of the active membership is significantly rising).

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

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

The Principal Demographic Assumptions are:

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

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

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

Funded LGPS Benefits

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

Impact on the Authority's Cash Flows

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

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

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

Active members (35%)	Deferred pensioners (16%)	Pensioners (49%)
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The weighted average duration of the defined benefit obligation for scheme members is 18.2 years in 2018/19 (18.2 years 2017/18).

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

Cost Management Process and McCloud judgement

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

*Risks Associated with the Fund in Relation to Accounting**Asset Volatility*

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

Changes in Bond Yield

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

Inflation Risk

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

Life Expectancy

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

Exiting Employers

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

Note 40: Teacher Pension Costs

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

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

In 2018/19 the County Council paid £6.8m to the Department for Education in respect of teacher's pension costs which represents 16.48% of teacher's pensionable pay (£6.8m, 16.48% in 2017/18). These contributions are set in relation to the current period only. In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with an actuarially calculated percentage of any early retirements awarded after 1 September 1998. It is also responsible for any related increases on these awards. In 2018/19 payments made in relation to added years amounted to £1.6m, representing 3.76% of pensionable pay (£1.5m, 3.62% in 2017/18). Estimated employer contributions for 2019/20 are £8.8m.

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

Note 41: Contingent Liabilities

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

On 13 November 2012 the directors of MMI "triggered" MMI's Scheme of Arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). The Scheme administrator set an initial Levy rate of 15% on claims paid by MMI exceeding in aggregate £50k. The initial Levy payment was made in 2013-14. In March 2016 the Scheme administrator applied a Second Levy increasing the initial levy to 25%. A provision of £93k is included in Note 19 as 25% of outstanding estimates provided by the Scheme administrator. The contingent liability is noted to incorporate any increase in the levy above 25%.

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

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An Employment Tribunal ruled that support workers (who sleep-in as part of their shift) should be paid the hourly minimum wage for the entirety of their shift, including the time they are asleep. Prior to this ruling, these workers were paid a flat-rate for a sleep-in. This ruling was appealed successfully (Court of Decision Appeal in Royal Mencap Society v Tomlinson-Blake), to the extent that the only time that counts for national minimum wage is the time the worker was awake for the purposes of working. Unison have applied for leave to appeal to the Supreme Court. If the appeal is successful there is a potential liability of up to 6 years back-pay that the authority may have to pay to its service providers to compensate for the historic 'sleep-in' payments. As the legal situation is currently unclear, we have not recognised a provision in our accounts during 2018/19.

Planning permission for extension to the Nant Helen Surface Mine was granted in March 2012 subject to a Section 106 agreement. This agreement required quarterly payments to be made to the Council into a Restoration Escrow Account from March 2012 until September 2017 until a total of £30,280,380 was reached. It also required 7 annual payments of £100,000 as contribution to a Communities Facilities Fund. In March 2016 Celtic Energy suspended these payments, the result of which was that £19,500,000 was held in the Restoration Escrow Account and £500,000 in the Communities Facilities Fund. Advice was sought and offered the view that an acceptable restoration scheme would be achievable with the £19.5m already held in the Escrow account. Celtic Energy have recommenced coaling and a new revised s106 Agreement is being prepared to ensure the site is appropriately restored. Proposals for the potential use of the site as a rail testing facility are currently being investigated by Welsh Government in conjunction with both Powys County Council and Neath Port Talbot Council. If these proposals are progressed then the S106 will require further revision to accommodate the revised restoration profiles and after use of the site. The contingent liability is noted to reflect the shortfall that may arise in restoring the site.

Note 42: Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

Credit Risk

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

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

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

No collateral is held as security on Financial Assets.

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

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

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

Amounts Arising from Expected Credit Losses

We have concluded that the expected credit loss on short and long term investments is not material therefore no allowances have been made for these classifications. The increase in impairments of debtors excluding Council Tax and NDR in 2018-19 is £527k, (£307k in 2017-18). The age of the debt, past experience and other factors are taken into consideration in the calculation of the impairment.

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures of the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available if and when needed. The Authority has ready access to borrowings from the money markets to cover any day-to-day cash flow need and from the Public Works Loans Board and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities in cash terms is as follows:

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

Refinancing and Maturity Risk

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

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

	Lower limit	Upper limit
Under 1 year	0%	40%
1 to 2 years	0%	40%
2 to 5 years	0%	40%
5 to 10 years	0%	40%
10 to 20 years	0%	40%
20 to 30 years	0%	40%
30 to 40 years	0%	40%
40 to 50 years	0%	40%

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

Market Risk

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure account will rise
- Borrowings at fixed rates – the fair value of the liabilities will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

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

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

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

To highlight the sensitivity of rises, if interest rates had been 1% higher during 2018/19 with all other variables constant, the financial effect would be:

	£'000
Increase In Interest Payable On Variable Rate Borrowings	250
Increase In Interest Receivable On Variable Rate Investments	(109)
Increase In Surplus Of Income And Expenditure Account	141
Share Of Overall Impact Debited To The HRA	-

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

Price Risk

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

Note 43: Capitalisation Direction

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

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

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

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

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

Note 44: Events after the Balance Sheet Date

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

Housing Revenue Accounts

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

Income and Expenditure Account

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

Movement on Housing Revenue Account Statement

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

Notes to the Housing Revenue Accounts

Note 1: Housing Stock

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

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

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

Note 3: Housing Revenue Account Capital Expenditure

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

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

The capital expenditure was financed as follows:

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

POWYS COUNTY COUNCIL

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

The capital expenditure was financed as follows:

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

Note 4: Housing Revenue Account Capital Receipts

The following amounts were received during the year:

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

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

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

Note 6: Housing Revenue Account Contributions to the Pension Scheme

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

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

Glossary of Terms

Accrual

An accrual is a sum (provision) shown in the accounts to cover income or expenditure for the accounting period but which was not actually paid or received as at the date of the Balance Sheet.

Actuary

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

Actuarial Valuation

This is when an actuary checks what the pension scheme assets are worth and compares them with the scheme's liabilities. They then work out how much the contributions from employers and members must be so that there will be enough money in the scheme when people receive their pensions.

Audit

An audit is an independent examination of the Council's activities.

Balance Sheet

This is a statement of our assets, liabilities and other balances at the date of the Balance Sheet.

Contingent Liabilities

Contingent liabilities exist where it is probable that a future event will result in a material cost to the Council and can be estimated with reasonable accuracy.

Creditor

A Creditor is someone we owed money to at the date of the Balance Sheet for work done, goods received or services rendered.

Current Asset

These are short-term assets that are available for use in the following accounting year.

Current Liabilities

These are short-term liabilities that are due for payment by the Council in the following accounting year.

Current Service Costs (Pension)

The increase in the liability of a defined benefit pensions scheme as a result of employee's service in the current period.

Debtor

A debtor is an organisation/individual that owes the Council money at the Balance Sheet date.

Equities - Pooled

The Pension Fund invests in equities through unit Trusts. It has no direct investments in equities.

Financial Reporting Standards (FRS's)

Financial regulations to be followed as set by the Accounting Standards Board.

Financial Year

This is the accounting period. For local authorities it starts on 01 April and ends on the 31 March in the following year.

Gilt Edged Stocks

These are investments in government or local Authority stocks. They are regarded as risk-free.

IAS

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

IFRS

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

Liability

A liability is an amount payable at some time in the future.

Past Service Costs (Pension)

For a defined benefit pension scheme, this is the extra cost resulting from changes or improvements to the proportion of retirement benefit that relates to an employees past service.

Post Balance Sheet Events

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

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



Pension Fund Accounts 2018/19



Tudalen 167

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Statement of Responsibilities for the Statement of Accounts

The Pension Fund's Responsibilities

The Pension Fund 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. For Powys pension Fund, that officer is the the Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Section 151 Officer Responsibilities

The Section 151 Officer is responsible for the preparation of the Pension Fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"). These accounts are required to present a true and fair view of the financial position of the Fund at the accounting date and its income and expenditure for the year.

In preparing this Statement of Accounts, the Section 151 Officer 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 Section 151 Officer 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 Section 151 Officer on the Accounts of Powys County Council Pension Fund for 2018/19.

I certify that the accounts set out on pages 6 to 35 present a true and fair view of the financial position of Powys County Council Pension Fund as at 31 March 2019 and its income and expenditure for the year then ended.

Signature:

Date

J Thomas, Head of Finance

Fund Administration Report

Scheme Details

Powys County Council is the Administering Authority for the Powys Pension Fund. The Pension Fund provides pension entitlements under the Local Government Pension Scheme (“LGPS”) to all eligible employees of Powys County Council and other participating bodies. See appendix 2 for a list of the fund employers. Membership of the LGPS is not mandatory and excludes teachers, police officers and fire fighters, for whom specific separate pension schemes are available. The LGPS is a statutory public service defined benefit pension scheme based on final salary for benefits accrued up to 31 March 2014 and Career Average Revalued Earnings (“CARE”) for benefits accrued from 1 April 2014. Contributions payable by employees and the benefits due to them are prescribed by the Local Government Pension Scheme Regulations.

Additional Voluntary Contribution (AVC) Scheme

Since 6th April 1988, it has been a legal requirement for all pension schemes to provide members with access to an in-house AVC Scheme. The Powys Pension Fund’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, to secure additional pension benefits. The AVC investments are excluded from the Pension Fund Accounts but are disclosed for information in note 15.

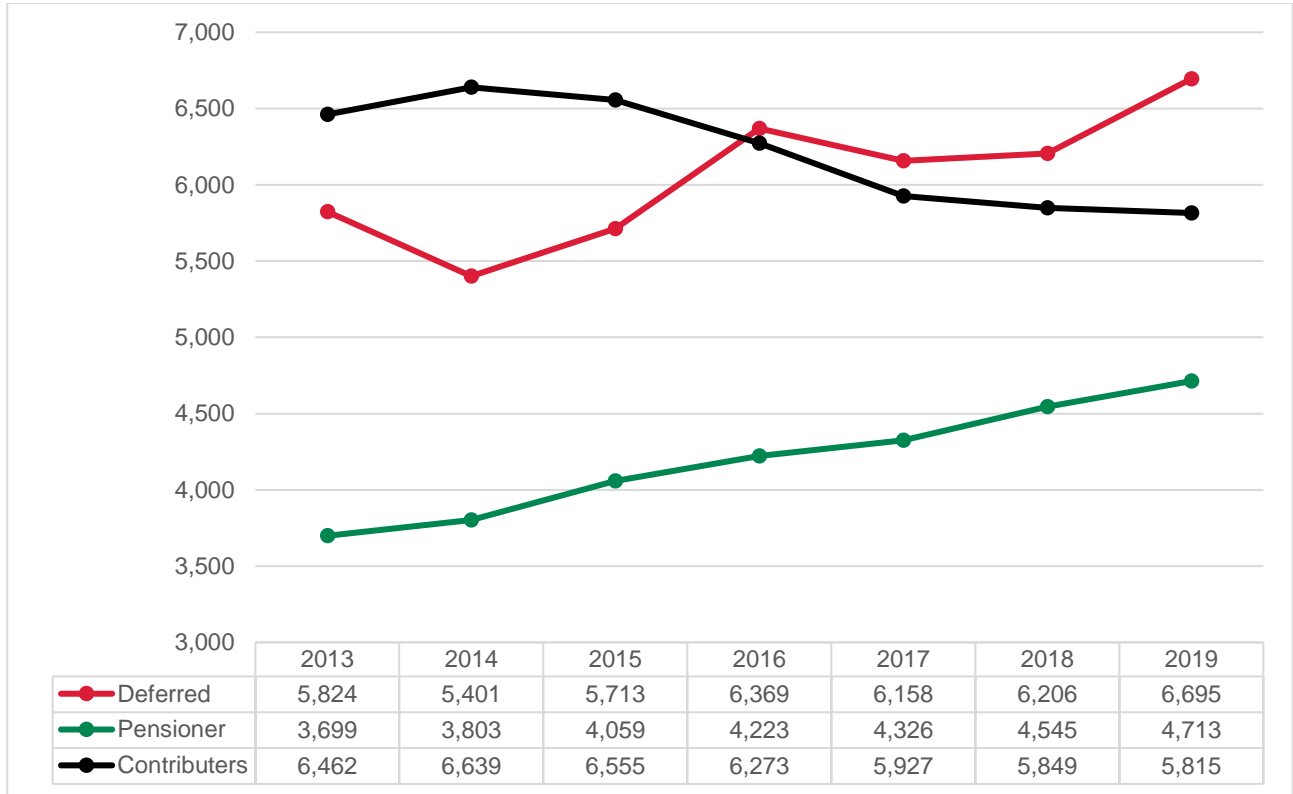
Annual Governance Statement

The Annual Governance Statement of Powys County Council is disclosed as a separate document and can be viewed on the Authority’s website.

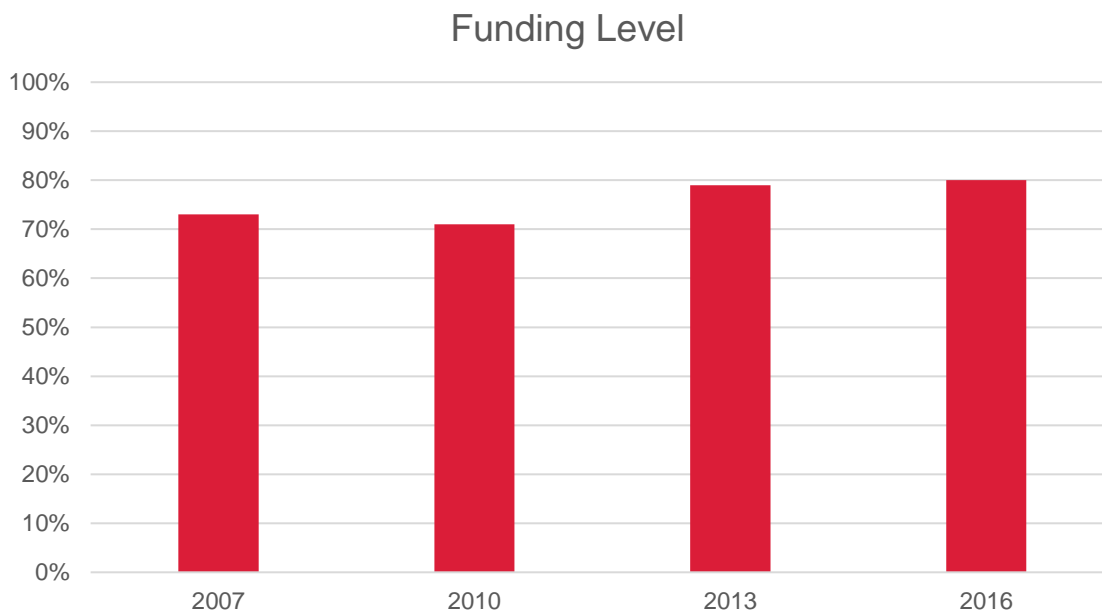
Scheme Statistics and Performance

Membership Trends

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



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.

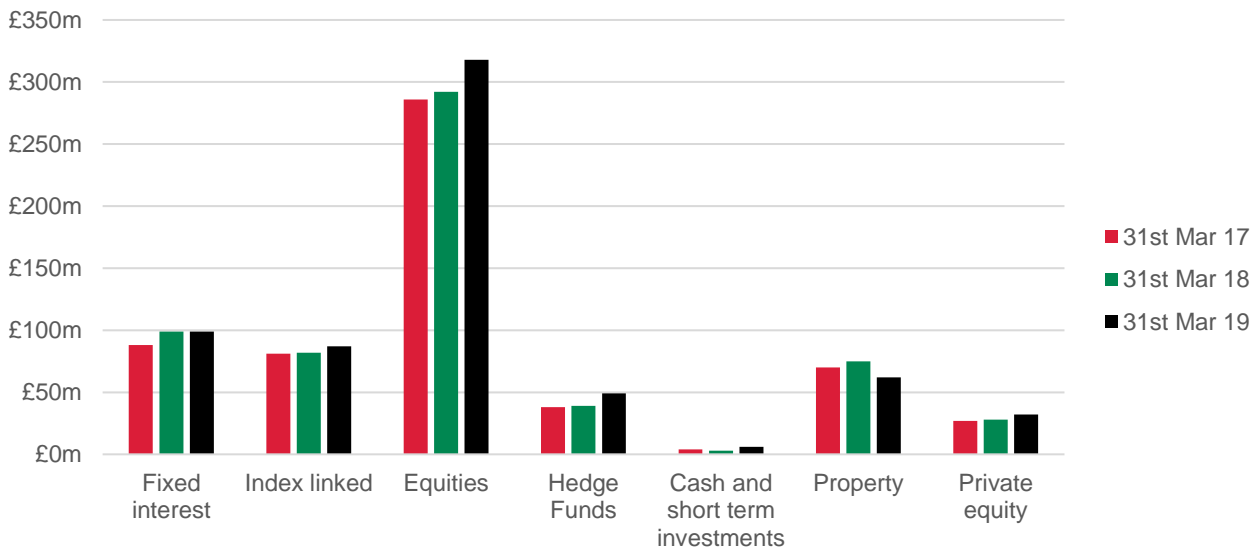
The employers' rate of contribution is assessed by the Actuary to the Fund who reviews the future income and liabilities of the Fund. These reviews, or actuarial valuations, are required by law with a major review being undertaken every third year. The statement of the actuary can be seen on page 33.

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

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.

Market value by asset class



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 benchmarks are outlined in paragraph 6.3 of the Investment Strategy Statement which can be viewed at www.powyspensionfund.org. The Chief Financial Officer must ensure that the management of the Fund falls within the requirements of the Local Government Pension Scheme Regulations.

During 2018/19 the Fund liquidated its Hedge Fund of Funds investments to invest in four single manager Hedge funds. Also, the transition of active equity funds to the Wales Pension Partnership pool was partially completed during the period. Of the £18.9m capital commitment (Note 18) outstanding as at 31 March 2018, £4.7m was drawn down in 2018/19.

Performance Review

	1 Year %	3 Years %	5 Years %
Powys Pension Fund Overall Return	5.4	9.6	8.7
Inflation CPI	2.3	2.1	1.5
Average Earnings Index	2.9	2.5	2.3

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.

Investment manager structure as a percentage of fund total, as at 31 March 2019

Asset Class	Manager						Total %
	Blackrock Passive %	Hosking & Link WPP Active %	Insight Investments Active %	CFM, IPM, MAN, Stone Milliner Active %	Aviva, CBRE, Schroders & Hermes Active %	Standard Life & Harbourvest Active %	
Equities	31.3	17.4	-	-	-	-	48.7
Bonds	3.8	-	11.4	-	-	-	15.2
Index Linked	8.7	-	4.5	-	-	-	13.2
Hedge Fund	-	-	-	7.6	-	-	7.6
Property	-	-	-	-	9.5	-	9.5
Private Equity	-	-	-	-	-	4.9	4.9
Cash/ Other	0.9	-	-	-	-	-	0.9
Total	44.7	17.4	15.9	7.6	9.5	4.9	100.0

The strategic asset allocation is as follows:

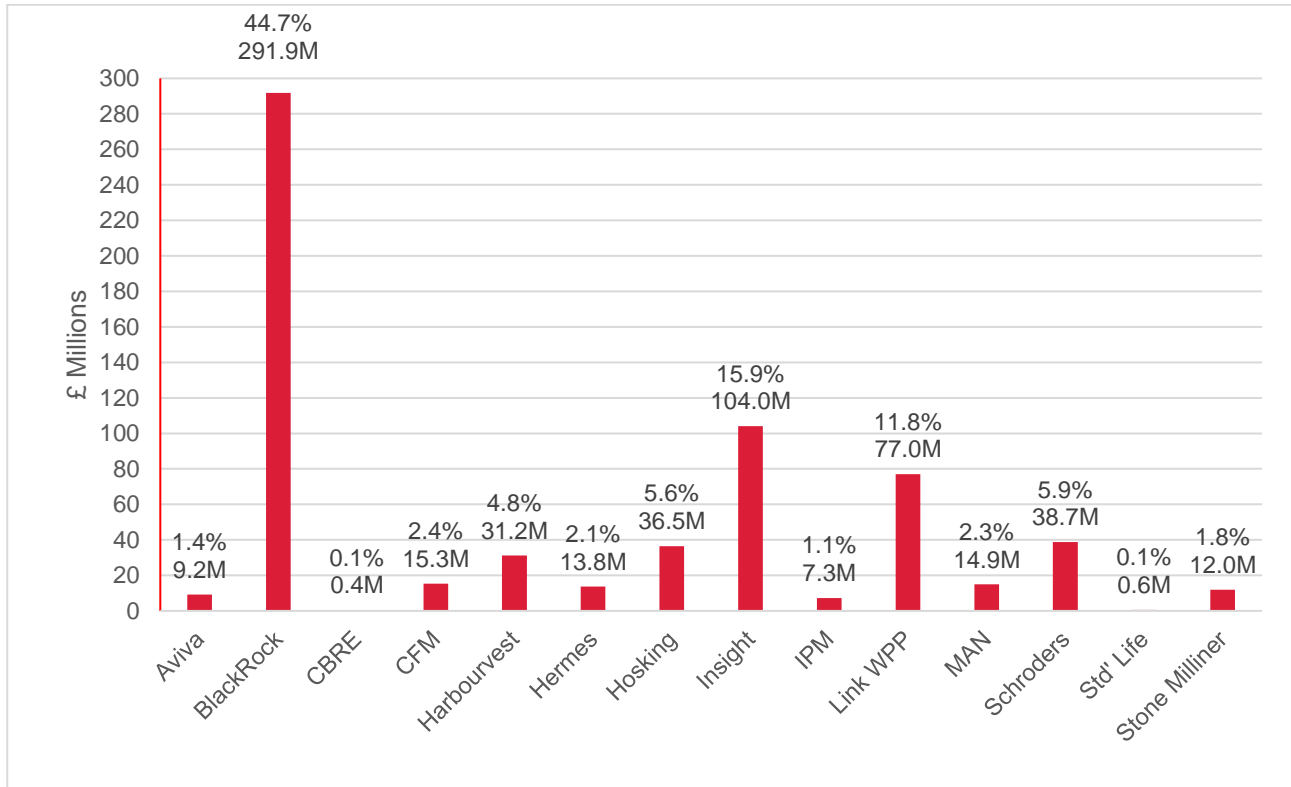
2017/18		2018/19
47%	Equities	47%
30%	Fixed interest and index linked securities	30%
10%	Property	10%
5%	Private equity	5%
8%	Hedge fund of funds	8%
100%	Total	100%

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

PENSION FUND ACCOUNTS

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 49.5% equity, 32% bonds and 18.5% alternatives. The market value of assets spread between the fund managers as at 31 March 2019 is shown below.



Net Assets Statement

As at 31 March

2018 £'000		Note	2019 £'000
618,327	Investments	12	652,770
2,081	Current Assets	13	3,215
(1,471)	Current Liabilities	13	(1,412)
618,937	Net Asset as at 31 Mar		654,573

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

2017/18 £'000		Note	2018/19 £'000
	Contributions and benefits		
(24,248)	Contributions receivable	4	(26,545)
(1,905)	Transfers in	5	(1,851)
(37)	Other income	6	(31)
(26,190)	Total income		(28,427)
26,380	Benefits payable	7	26,218
2,512	Payments on account of leavers	8	2,664
3,424	Management expenses	9	3,602
32,316	Total expenditure		32,484
6,126	Net withdrawals from dealing with members		4,057
	Returns on investments		
(5,888)	Investment income	10	(6,153)
3	Taxes on Income	11	2
(21,036)	Changes in the market value of investments	12	(33,542)
(26,921)	Net profit on investments		(39,693)
(20,795)	Net (increase)/decrease in the fund		(35,636)
598,142	Opening net assets		618,937
618,937	Closing net assets		654,573

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Note 1: Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2018/19 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

Note 2: Accounting Policies

Contributions and Benefits

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

Transfers to other Schemes

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

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

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

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

Refunds to Leavers

These are accounted for when due.

Investment Management Expenses

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

Investment Income

Interest income

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

Distributions from pooled funds

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

Change in Market Value

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

Foreign Currency Transactions

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

Valuation of Assets

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

Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

Taxation

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

Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

Financial Liabilities

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

Actuarial present value of promised retirement benefits

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

Administrative expenses

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

Contingent Liabilities

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

Additional Voluntary Contributions (AVC's)

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

Note 3: Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equity investments are valued by the investment managers using acceptable guidelines. The value of these investments at 31 March 2019 was £31.8m (31 March 2018: £28.5m).

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

Pension Fund liability

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

Note 4: Contributions Receivable

2017/18 £'000	By Category	2018/19 £'000
19,505	Employers	21,480
4,743	Employees	5,065
24,248		26,545

2017/18 £'000	By Authority	2018/19 £'000
21,946	Powys County Council (administering body)	24,225
875	Scheduled bodies	956
1,427	Admitted bodies	1,364
24,248		26,545

2017/18 £'000	By Type	2018/19 £'000
14,244	Employers normal contributions	15,008
4,743	Employees normal contributions	5,065
406	Employers additional contributions	982
4,855	Employers deficit reduction contributions	5,490
24,248		26,545

Note 5: Transfers In

2017/18 £'000		2018/19 £'000
1,905	Individual transfers from other schemes	1,851

Note 6: Other Income

2017/18 £'000		2018/19 £'000
17	Administrative fees received	10
20	Additional allowances recovered	21
37		31

Note 7: Benefit Payable

2017/18 £'000		2018/19 £'000
21,000	Pensions	22,103
4,898	Commutations and lump sum retirement benefits	3,594
482	Lump sum death benefits	521
26,380		26,218

Benefits can be further analysed as follows:

2017/18 £'000		2018/19 £'000
22,366	Powys County Council (administering authority)	22,368
2,580	Scheduled bodies	2,546
1,434	Admitted bodies	1,304
26,380		26,218

Note 8: Payments to and on Account of Leavers

2017/18 £'000		2018/19 £'000
47	Refunds to members leaving service	55
4	Payments to members joining state scheme	-
2,461	Individual transfers to other schemes	2,609
2,512		2,664

Note 9: Management Expenses

2017/18 £'000		2018/19 £'000
1,002	Administration expenses	1,019
2,330	Investment management expenses (see Note 9a)	2,432
92	Oversight and governance costs	151
3,424		3,602

Note 9a: Investment Management Expenses

2017/18 £'000		2018/19 £'000
2,075	Management fees	2,058
223	Investment advice	345
32	Custody fees	29
2,330		2,432

Note 10: Investment Income

2017/18 £'000		2018/19 £'000
(2)	Interest on cash deposits	(25)
(783)	Income from bonds	(752)
(1,691)	Pooled property investments	(1632)
(3,407)	Private equity income	(3,737)
(5)	Other investment income	(7)
(5,888)		(6,153)

Note 11: Taxes on Income

2017/18 £'000		2018/19 £'000
3	Foreign tax on investment	2
3		2

Note 12: Investments

	Value as at 1 Apr 18	Purchases at Cost	Sales Proceeds	Fees included in NAV	Cash Movement	Change in Market Value	Value as at 31 Mar 19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	99,294	4,000	(4,752)	(76)	752	(210)	99,008
Index linked Securities	81,959	37,620	(38,200)	-	-	5,039	86,418
Equities (pooled funds)	291,722	95,689	(91,709)	(459)	-	22,906	318,149
Property (pooled funds)	74,542	1,151	(16,071)	(452)	522	2,412	62,104
Private Equity	28,465	4,696	(6,264)	(558)	3,695	1,745	31,779
Hedge Fund of Funds	39,599	48,600	(40,128)	(255)	-	1,549	49,365
Cash & Short Term Investments	2,746	51,600	(48,500)	-	-	101	5,947
	618,327	243,356	(245,623)	(1,801)	4,969	33,542	652,770

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

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

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

Note 12a: Analysis of Investments

2017/18 £'000		2018/19 £'000
	Bonds	
99,294	UK unit trusts quoted	99,008
	Index linked securities	
81,959	UK quoted	86,418
	Equities	
16,543	UK unit trusts quoted	13,043
275,179	Overseas unit trusts quoted	305,106
	Hedge Funds	
39,599	UK	49,365
	Private Equity	
28,465	Overseas unquoted	31,779
	Property	
73,482	UK unit trusts quoted	61,692
1,060	Overseas unquoted	412
120	Cash	121
2,626	Liquidity Funds	5,826
618,327		652,770

Note 12b: Investments Analysed by Fund Manager

31 Mar 18			31 Mar 19	
Market Value £'000	%		Market Value £'000	%
23,350	3.8	Aviva Investors Pensions Ltd	9,151	1.4
293,733	47.3	BlackRock Global Investors Ltd	291,885	44.7
26,477	4.3	Carnegie	-	-
1,060	0.2	CBRE Ltd	412	0.1
-	-	CFM	15,280	2.4
39,600	6.4	Goldman Sachs Asset Management Ltd	-	-
27,558	4.5	HarbourVest Partners LLC	31,184	4.8
13,335	2.2	Hermes Fund Managers Ltd	13,799	2.1
36,165	5.9	Hosking	36,528	5.6
75,815	12.3	Insight Investment Ltd	104,053	15.9
-	-	IPM	7,257	1.1
-	-	Link WPP	77,056	11.8
-	-	MAN	14,874	2.3
43,531	7.0	MFS International Ltd	-	-
36,797	6.0	Schroders Investment Management Ltd	38,742	5.9
906	0.1	Standard Life Investments Ltd	596	0.1
-	-	Stone Milliner	11,953	1.8
618,327			652,770	

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

31 Mar 18			31 Mar 19	
Market Value £'000	%	Security	Market Value £'000	%
61,763	10.0	Blackrock Aquila Life Currency Hedged US Equity Index Fund	72,939	11.2
81,960	13.3	Blackrock Aquila Life Over 5Yr Uk Idx Lkd	56,809	8.7
38,697	6.3	Blackrock Aquila Life Currency Hedged MSCI World Index Fund	41,187	6.3
39,600	6.4	Goldman Sachs Hedge Fund Opportunities Ltd	-	-
36,165	5.9	Hosking Partners	36,528	5.6
48,205	7.8	Insight Bonds Plus fund	47,097	7.2
-	-	Link WPP	77,056	11.8
43,531	7.0	MFS Global Equity Fund	-	-
36,797	6.0	Schroder UK Real Estate Fund	38,742	5.9

Note 13: Current Assets and Liabilities

2017/18 £'000		2018/19 £'000
	Current Assets	
179	Contributions due from employers and members	167
1,375	Cash balances	2,557
527	Sundry debtors	491
2,081		3,215
	Current Liabilities	
(437)	Benefits payable	(269)
(1,034)	Sundry creditors	(1,143)
(1,471)		(1,412)

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

Note 14: Related Party Transactions

Details of Members and officers of the Council represented on the Pensions and Investment Committee are shown in Appendix 1. Their combined contributions into the scheme totalled £19.2k in 2018/19 (£18k in 2017/18).

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

The Authority incurred costs of £916k in 2018/19 (2017/18: £894k) 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 £18,761k to the Fund in 2018/19 (2017/18: £17,388k) in employers contributions and deficit recovery payments.

Governance

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

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

Councillors are required to declare their interest at each meeting.

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

For the full Governance Statement please see Appendix 5.

Note 15: Additional Voluntary Contributions (AVC)

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

2018/19	Standard Life	Prudential	Equitable Life	Total
Contributions received	£'000	£'000	£'000	£'000
Powys County Council	35	286	1	322
BBNP	-	14	-	14

	Standard Life	Prudential	Equitable Life	Total
Fund Value	£'000	£'000	£'000	£'000
As at 31 Mar 19	1,055	1,214	71	2,340

Note 16: Contingent Liabilities

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

Note 17. Post Balance Sheet Events

The accounts outlined in these financial statements represent the financial position of the Fund as at 31 March 2019. Since this date, the performance of the global markets may have affected the financial value of Pension Fund investments.

Note 18: Capital Commitments

2017/18 £'000	Private Equity and Property mandate	2018/19 £'000
904	Standard Life (Private Equity)	937
17,990	Harbourvest (Private Equity)	29,920
18,894		30,857

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

Note 19: Stock Lending

The Investment Strategy Statement (included in the Annual Report) sets out the fund's policy on stock lending.

Note 20: Financial Instruments

Note 20A: Classification of financial instruments & liabilities

31 Mar 18			31 Mar 19	
Amortised cost	Fair value through profit and loss		Amortised cost	Fair value through profit and loss
£'000	£'000		£'000	£'000
		Financial Assets		
	99,293	Fixed interest securities		128,617
	81,960	Index linked securities		56,809
	291,722	Equities (pooled funds)		318,149
	74,543	Property (pooled funds)		62,104
	28,465	Private equity		31,779
	39,600	Hedge fund of funds		49,365
2,746		Cash & short term investments	5,947	
2,081		Current assets	3,215	
4,827	615,583	Total financial assets	9,162	646,823
		Financial Liabilities		
(1,471)		Current liabilities	(1,412)	
(1,471)			(1,412)	

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

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

Level 1

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

Level 2

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

Level 3

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

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

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

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

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

Value as at 31 Mar 19	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	432,466	139,160	81,144	652,770
Current assets	3,215	-	-	3,215
Current liabilities	(1,412)	-	-	(1,412)
Net financial assets	434,269	139,160	81,144	654,573

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

Reconciliation of Level 3 movements

Level 3 asset	Value as at 31 Mar 18 £'000	Purchases, sales & transfers £'000	Change in market value £'000	Value as at 31 Mar 19 £'000
Hedge funds	39,599	8,472	1,294	49,365
Private equity	28,465	(1,568)	4,882	31,779
Total	68,064	6,904	6,176	81,144

Note 21: Actuarial Present Value of Promised Retirement Benefits

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

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

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

Assumptions used

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

McCloud Judgement

In December 2018 the Court of Appeal ruled in the 'McCloud/Sargeant' judgement that the transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. The Government applied to the Supreme Court for permission to appeal this judgement, however the Supreme Court rejected the government's request on 27 June 2019. The next stage is for the case to be referred to the Employment Tribunal to agree the remedy, following appropriate consultation.

While the judgement was not in relation to members with LGPS benefits it would be reasonable to assume that Government will now seek a remedy for all public sector schemes, including the LGPS, with the remedy potentially differing by Scheme depending on the transitional protections adopted.

Any remedy, and hence the amount to recognise is uncertain. The Government Actuary's Department (GAD), under instruction of the LGPS Advisory Board (England and Wales), were asked to calculate the 'worst-case' scenario impact at LGPS Scheme Level on assumptions that are reflective of those that are used for accounting. The GAD Report provided a worst case scenario that the additional liability is calculated using 3.2% of the active liabilities. The active liabilities at the 2016 valuation were £222.2m, applying 3.2% would mean an additional £7.1m liability. This figure has not been included in the accounts of the pension fund elsewhere, due to the uncertainty. The actuary will provide an up-to-date 2019 valuation in 2019-20.

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

Risk and Risk Management

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

Market Risk

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

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

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

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

Other Price Risk

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

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

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

Other Price Risk – Sensitivity Analysis

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

PENSION FUND ACCOUNTS

Asset Type	Value as at 31 Mar 19	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Active Equity	113,584	9.85	124,773	102,395
Passive Equity	204,565	10.04	225,113	184,016
UK Corporate Bonds	38,579	5.27	40,613	36,544
Absolute Bonds	47,097	1.97	48,026	46,168
Index Linked	86,418	15.10	99,467	73,369
Government Bonds	13,332	4.23	13,896	12,768
Property	62,104	2.18	63,459	60,750
Private Equity	31,779	10.45	35,101	28,457
Hedge Funds	49,365	2.32	50,512	48,218
Cash & short term investments	5,947	0.17	5,958	5,937
Total Assets	652,770	5.83	706,918	598,622

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 0.75% 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 2018 and 31 March 2019 is set out below.

As at 31 Mar 18 £'000	Asset Type	As at 31 Mar 19 £'000
2,746	Cash Instruments	5,947
1,374	Cash balances	2,557
99,294	Bonds	128,617
103,414	Total	137,121

Currency Risk

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

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

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

As at 31 Mar 18 £'000		As at 31 Mar 19 £'000
28,465	Private equity	31,779
36,165	Equities (Pooled Funds)	36,528
64,630	Total	68,307

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

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

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

Asset Type	Value as at 31 Mar 19	Value on Increase	Value on Decrease
	£'000	£'000	£'000
Private equity	31,779	34,957	28,601
Equities (Pooled Funds)	36,528	40,181	32,875
Total	68,307	75,138	61,476

Credit Risk

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

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

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

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

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The table below shows the funds cash holding as at 31 March 2018 and 31 March 2019.

	Rating	As at 31 Mar 18 £'000	As at 31 Mar 19 £'000
Bank Current Account			
HSBC	AA-	3	91
Bank Deposit Account			
HSBC	AA-	1,372	2,466

Liquidity risk

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

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

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2019 the value of illiquid assets was £143.2m, which represented 21.9% of the total fund assets - (31 March 2018 - £142.6m, which represented 23.1% of the total fund assets).

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

All financial liabilities at 31 March 2019 are due within one year.

Refinancing risk

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

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

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2019 for 2019/20). None of the standards introduced in the 2019/20 code are expected to have a material impact on the financial statements.

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Powys Pension Fund for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004. Powys Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019, and of the amount and disposition at that date of its assets and liabilities,
- have been properly prepared in accordance with the legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

- the information contained in the Fund Administration Report, Scheme Statistics & Performance and the Investment Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Fund Administration Report, Scheme Statistics & Performance and the Investment Report.

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website

www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

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

24 Cathedral Road
Cardiff
CF11 9LJ

Statement of the Actuary for the Year Ended 31 March

Introduction

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

Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2016 (of £501.8M) covering 80% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the theoretical aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:
 - 18.6% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2017 (the secondary rate), equivalent to approximately 8.0% of pensionable pay (or £6.6M in 2017/18, and increasing by 3.5% p.a. thereafter).
3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers. Due to stepping in of contributions, the actual contributions paid from 1 April 2017 to 31 March 2020 are likely to be lower than those set out in 2 above.
 4. The funding plan adopted in assessing the contributions for each individual employer or group is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods were agreed with the Administering Authority reflecting the employers' circumstances.
 5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate	4.4% p.a.
Rate of pay increases	3.5% p.a.
Rate of increase to pension accounts	2.0% p.a.

Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.
---------------------------------------------------------------------------------------	-----------

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

The assets were valued at market value.

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

6. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the Employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Other than as permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. Since the date the valuation report was signed, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS):
 - **Increases to GMPs:**
HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, announced an extension of the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off in advance of this announcement, but the increase in liability is not expected to be material. In addition, on 26 October 2018 the High Court ruled in the Lloyds Banking Group case that schemes are required to equalise male and female members' benefit for the effect of unequal GMPs. Our understanding is that this will not alter HM Treasury's approach to GMP equalisation in the LGPS.
 - **Cost Management Process and McCloud judgement:**
Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sergeant) were age discriminatory; these cases could have knock on implications for the LGPS (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2014.
9. The actuarial valuation of the Fund as at 31 March 2019 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions commencing from 1 April 2020 to be signed off by 31 March 2020. Asset values have increased in value since 2016, on its own leading to an improvement in the funding level due to higher

than assumed investment returns. Liability values and employer contributions, as well as being affected by the items listed in paragraph 8 above, will depend upon membership factors, changes to expectations of future returns and other assumptions (including allowance for the slow-down in longevity improvements) and any changes to funding strategy made as part of the 2019 valuation.

10. This Statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

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

Aon Hewitt Limited

May 2019

Appendix 1: Pensions and Investment Committee

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

Members of the Committee are drawn from Powys County Council as the administering authority with the addition of two further (non-voting) members representing Fund Employers and Scheme Members. The Committee receives advice and guidance from both Officers of Powys County Council and external professional advisers. From 5th May 2018 the membership of the Committee was as follows:

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

Officers and Advisors:

Mrs J Thomas (s.151 Officer and Head of Finance)
 Mr C Hurst (Pension Fund Manager)
 Mrs R Pinder / Mr S Mayne – Aon (Investment Consultants)
 Mr C Archer – Aon (Actuary)
 Burges Salmon (Legal Advisers)

Over the year the Committee met on 6 occasions, Member attendance is shown in the following table:

	13/07/2018	06/09/2018	19/10/2018	13/12/2018	28/01/2019	08/03/2019	Overall %
P Lewis	✓	✓	✓	✓	✓	✓	100%
T Van-Rees	✓	✓	✓	✓	✓	✓	100%
J Morris	✓	✓		✓		✓	67%
EA Jones	✓	✓		✓		✓	67%
H Williams	✓	✓	✓	✓	✓	✓	100%
A Davies	✓		✓	✓	✓	✓	83%
AMC Weale	✓			✓		✓	50%
Attendance	100%	71%	57%	100%	57%	100%	

Appendix 2: Fund Employers

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

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

Community Councils and various other statutory bodies have the right to be included in the Fund. Other bodies can be admitted at the discretion of the County Council.

Contact List and Communications

A copy of this report is available to anyone on demand, subject to a small administration charge. A full copy of the report can be viewed at www.powyspensionfund.org. Should you have any comments on the financial statement or any other pension matter please contact the appropriate officer in the following list:

Pension Scheme, Fund Governance & Other Matters

Pension Fund Manager Mr C Hurst 01597 827640

Accounts & Investment

Pension Fund Accounts Mr D Paley 01597 826042

Annual Governance Statement

Section 1. Executive Summary

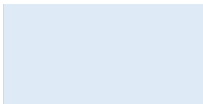
This Annual Governance Statement (AGS) provides an account of the processes, systems and records the council has in place to demonstrate effectiveness of its governance arrangements. It principally covers the period April 2018 to March 2019. However during the period to September 2019, when the accounts are signed, it is updated.

Powys County Council adopted a system of corporate governance in June 2008, which is consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government (2016 Edition). This statement is structured around the seven core principles, which are set out in Section 3, and gives an account of how the council has discharged its responsibilities during 2018-19 as well recommendations for development.

Based on the evidence set out in this annual governance statement, we consider the level of assurance to be Partial. However, the Council has undertaken a series of improvements which has raised standards of governance, and will continue to do so, with the aim of raising the assurance level at least to Reasonable.

Assurance levels for annual opinion:

Substantial	▲ ★ ★ ★	We are able to offer substantial assurance that the council's arrangements adequately reflect the principles of good governance as indicated in the CIPFA Governance Framework. Processes are in place and operating effectively and risks to effective governance are well managed.
Reasonable	▲ ★ ★ ★	We are able to offer reasonable assurance that the council's arrangements adequately reflect the principles of good governance as indicated in the CIPFA Governance Framework. Generally, risks are well managed but some processes could be improved.
Partial	▲ ★ ★ ★	We are able to offer partial assurance that the council's arrangements adequately reflect the principles of good governance. Some key risks are not well managed and processes require the introduction or improvement of internal controls to ensure effective governance.
None	▲ ★ ★ ★	We are not able to offer any assurance. The council's arrangements were found to be inadequately controlled. Risks are not well managed and processes



require the introduction or improvement of internal controls to ensure effective governance.

Section 2. Introduction

2.1 Ensuring Good Governance

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

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

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

Powys County Council is the Administering Authority for the Powys Pension Fund (the Pension Fund). The governance arrangements detailed in this Annual Governance Statement apply to the council's responsibilities to the Pension Fund. There are further specific requirements for the Pension Fund which are:

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

2.2 The Governance Framework

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

The system of internal control is a significant part of the framework and is designed to manage risk at a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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

The following sections summarise the governance framework and the system of internal control, which has been in place in Powys County Council for the year ended 31 March 2019. In addition, the council's constitution can be found at: [Link to Council Constitution](#)

Section 3. The Core Principles

3.1 Core Principle A

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

How we do this:

Our Values

The council places a high value on upholding the highest standards in public office for both Members and Officers.

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

The council has a set of values that underpin all the work of the council and guide the behaviours that are expected of everyone engaged in our work, or working with us. Our values are embedded into staff appraisals. Awareness of the values are tested out by means of the Council's staff survey conducted every two years.

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

These values are detailed in Vision 2025 – the Corporate Improvement Plan (CIP) 2018/2023. Which can be found at: [Link to Corporate Improvement Plan](#)

Members' Code of Conduct / Standards Committee

For elected Members, the council has adopted the Model Code of Conduct for County Councils in Wales, which came into force on 1 April, 2016. Conduct of Members is monitored by the Public Services Ombudsman and the council's Standards Committee. The council has adopted other protocols for elected Members such as one relating to gifts and hospitality and in respect of Planning Applications / Matters. Mandatory training for Members in relation to the Code of Conduct was undertaken following the election in 2017. The council, following the recommendation of the Public Services Ombudsman for Wales, has adopted a

Local Resolution Process whereby low level complaints between Members (or between officers and Members) can be resolved locally rather than being referred to the Public Services Ombudsman for Wales.

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

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

The Standards Committee monitors the attendances of Members at committees. Failure to comply with the 60% attendance requirement will lead to the Member having to account for their absences to the Committee.

Officers' Code of Conduct

For officers, the council follows the statutory Code of Conduct. Conduct and behaviour is the responsibility of the individual officer and a breach may constitute a disciplinary matter. In addition, the council has within its Constitution a protocol for Member and Officers relations as well as relationships between officers and political groups.

Fraud / Corruption and Whistleblowing

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

Audit Committee

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

Complaints and Compliments

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

[Link to Complaints Policy](#)

Information Governance

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

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

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

The training of staff in the basics of data protection and It and information security continues to be an important reported measure in the council's information assurance design. By April 2019, the Council had achieved an 86.33% compliance rate. There is also a programme of refresher training available to staff.

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

The SIRO receives an annual Information Governance Report.

Review of effectiveness:

Standards Committee

The Standards Committee undertakes monitoring of attendances of Members at mandatory training. Member's mandatory development sessions commenced in February 2018, and monitoring was reported in October, 2018. Initially by July 2018, 13 Members had not completed the development. Following the July 2018 training only three Members remained having not completed the Mandatory Treasury Management Development during July 2017 to July 2018. The three Members were advised by the committee that they were required to attend the next session in January 2019. Should they fail to attend they would be required to provide a verbal explanation to the Standards Committee and could face sanctions in accordance with the council's policy. As a result of this action all 73 Members completed this Mandatory Development.

In relation to the monitoring of attendances at committees, there are few Members who fall beneath the 60% requirement, and those that do have valid reasons such as a period of illness. In 2018/19 no Members were reported to the Standards Committee for a failure to achieve the minimum level of attendance. Mandatory Code of Conduct training for Members – all Members received training on the Code of Conduct including any new Members elected or appointed following the election in 2017. A refresher session will be held during 2019-20.

The Standards Committee is informed at meetings of the numbers of referrals to the Ombudsman. There were seven complaints against Members referred to the Public Services Ombudsman for Wales in 2018 /19 (April to March) of which three are being investigated. Of those remaining, 2 were closed following receipt by the Ombudsman's Office (i.e. no evidence that there was a suggested breach of the Code of Conduct) and 2 are awaiting a decision as to whether the Ombudsman is to investigate or not.

Local Resolution Process

There have been three complaints dealt with under this process in 2018/19. 2 issues were resolved and 1 was not resolved.

Whistleblowing Policy

There has been one referral in the year under the Whistle Blowing Policy. This has yet to be completed.

Information Governance

There have been 176 information security incidents reported throughout the year, with 25, considered appropriate for notification to the Information Commissioner. No further regulatory action was considered necessary in these 25 cases. The changes in data protection legislation during the year changed reporting requirements.

The General Data Protection Regulations came into force in May 2018, with the UK's Data Protection Act 2018. The council had previously identified those components of the new data protection legislation to be identified and timescales for doing so. The council's plan had also been the subject of scrutiny by a Scrutiny Committee working group, as well as an internal audit examination.

Our Values

The results from our 2018 Staff Engagement Survey are outlined below, which give an insight into how staff are embracing the council's values:

- 62% are proud to work for the council (also 62% in 2016) and 65% are proud of the work that they do
- 73% feel confident making decisions without having to seek permission from their line manager
- 88% will go that extra mile to get the job done (compared to 85% in 2016)
- 43% don't feel involved in discussions around changes in their service area (44.5% in 2016)

Recommendations for development:

The following objective are included in Vision 2025: Our Corporate Improvement Plan (2019 Update) or Services Improvement Plans:

Objective	Responsible Service
We will continue to embed the council's values and guiding principles (5 ways of working) into strategic and service planning and staff appraisals to encourage staff to think differently, act differently and therefore deliver differently.	All Services
Improve the response rate to requests made under data protection legislation (including GDPR / SARs)	Digital and Communications Service
Ensure customer data is safe	Digital and Communications Service
Improve IT governance processes to support digital transformation agenda	Digital and Communications Service

3.2 Core Principle B

Ensuring openness and comprehensive stakeholder engagement

How we do this:

Engagement and consultation

Powys County Council and a number of its PSB partners strive to work to the National Principles for Public Engagement in Wales to ensure conversations are meaningful, timely and resourced. Both the Public Service Board (PSB) and the council have also signed up to these principles. In addition, the former Joint Chairs and Vice-Chairs of the Scrutiny Committees have formally signed up to the national principles for any scrutiny consultations undertaken in future.

We believe all our citizens, partners and businesses should be engaged and consulted so their voice influences future decisions and service provision. We continue to engage citizens in a number of ways using both traditional methods like surveys, focus groups and meetings and are working to develop the use of digital tools such as online platforms, surveys and social media channels. The council has a corporate Facebook, Twitter, Instagram and Flickr account and its own You-tube channel where films are posted. LinkedIn and Facebook is used to advertise job vacancies. The Cabinet, and new Chief Executive have their own Twitter account, as well as a number of other services to engage and inform residents about the work we do and engage in conversations directly with our citizens.

Plans are being progressed to move to a digital Citizen's Panel for the county which will operate through the Council's 'My Account' platform. Residents will be able to log into their account and select to join the Panel. They will then receive alerts when consultations go live.

Committee Agendas and Reports

The council publishes its agendas, reports and minutes of the council, the Cabinet and committees on its public website. In addition, the increasing use of webcasting ensures that the public have a greater ability to access meetings. The council will also continue to respond to requests for factual information regarding services through a mix of channels including our website, local media and social media.

Members' Annual Reports

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

Public Participation at Council Meetings

The council has implemented a Public Participation Process where Members of the public can submit a written question to a Cabinet Member or Chairs of Committees (excluding regulatory committees) which are considered at meetings of the council. The questioner is also allowed to attend the council meeting and ask one supplementary question following the response, or submit a supplementary question in writing. This has resulted in 8 questions in 2018/19.

Review of effectiveness:

Public Participation Process

The council had eight questions asked during 2018/19. Of those 4 people attended the council meeting where they were able to ask a supplementary question if they wished to do so. All the questions were to Cabinet Members.

Engagement and Consultation

The council regularly engages with, and consults residents when considering new policies and changes to the services it delivers across the county.

Powys County Council recognises the importance of early engagement and dialogue to shape policy and services alongside the more traditional consultation type exercises whereby residents are asked to comment on a draft strategy or preferred options to help inform decisions.

During 2018/19 a number of engagement and consultation exercises took place in support of both Vision 2025 and requirements set out in statute.

Vision 2025 Consultation Programme

Economy:

Regional Economic Development Action Plan Survey – a regional survey was developed to establish the most important support measures that businesses within Powys and Ceredigion felt would help their businesses grow. 279 responses were received. Improved digital communication (superfast broadband), less business regulation and being able to recruit skilled staff were key findings.

The response: The findings will now contribute to and support the production of a regional economic development plan.

Business Breakfast Sessions – during Spring 2018 the Regeneration Team hosted a series of business breakfast sessions across the county to share the council's Procurement and Powys Pound campaign. They listened to, and answered queries/concerns raised by local businesses about bidding for Powys contracts. The response: Feedback has helped the service to consider how best to simplify and ensure smaller firms can compete for work. Evaluation forms have been analysed so as to inform future sessions. During 2018-19, council spend with local suppliers is 29.1% an increase from 27% in 2017-18.

LDP consultations - Following the conclusion of the Examination in Public of the Powys LDP and the receipt of the Inspector's Report, the Council adopted the LDP on the 17th April 2018. Feedback from interested stakeholders throughout the process shaped the final version of the plan. A follow up survey seeking feedback on the process resulted in 59 respondents. The majority had accessed the plan via the website and agreed that their representation was processed in a timely manner and they knew what would happen next. Some criticism around language used, too much information to consider and lack of feedback given on individual representations. The response: The feedback given will be used to inform future processes and reduce the use of technical language.

Health and Care:

North Powys health and wellbeing - The council is working together with Powys Teaching Health Board to identify a health and wellbeing model for the north of Powys. Early conversations have been taking place – primarily with involved partners - but more detailed engagement and consultation will follow with all key stakeholders and residents to help shape the project.

Substance misuse relocation – In Welshpool, the council engaged with the local community prior to moving the town's substance misuse service to a town centre location. The response : This has enabled the smooth transfer of services from one location to another.

Learning and skills:

Transport consultation - A consultation on home to school and college transport was carried out in the summer of 2018. One of the key points in the proposed revised policy was consideration of charging students for travel to post 16 education – sixth

forms and colleges. The response: There was significant opposition to this and Cabinet voted to carry out more research into the potential impact of such charging before taking this further. Some 400 people took part in the consultation.

School formula - A consultation to create a revised funding formula for schools in Powys was carried out with the school communities to look at the framework for allocating funding to schools. The response: The feedback and analysis of the responses led to a new formula being successfully implemented and allocations to all schools have been completed.

Llanidloes All through School survey – The two schools in Llanidloes – the high school and the primary school – approached the county council with a view to seeking Federation status for the two establishments. The council supported this move in principle and helped the two governing bodies run a consultation process – online and offline – on a proposal to federate. The response: The proposal garnered widespread public support and the two governing bodies agreed at their joint-meeting of February 20, 2019 to proceed with Federation from September 2019.

Llanfyllin All through school survey - In a situation similar to Llanidloes, the two schools in Llanfyllin approached the county council with a view to seeking to form an All Through School (although not a Federation as in Llanidloes). Again, the county council supported this proposal in principle and helped the two governing bodies carry out the consultation. Some 80 responses were received to the proposal with broad support. The response: On March 12, the council agreed to the proposal and published a Statutory Notice, which is open to comment until April 17.

Llanerfyl and Banwy primary schools – The council consulted on a proposal to close Llanerfyl Church in Wales School and Banw CP School and re-open a school on the site of one of the two establishments' sites. A consultation was carried out – a mixture of drop ins and an online survey, the latter of which received 250 responses. There was a mixed reaction to the proposal with arguments for and against both sites. The response: Cabinet discussed this on March 12 2019 but deferred the decision until a date in April to consider further information.

Residents and communities:

Blue Badge Survey – Following early engagement work conducted during 2017/18 a survey was promoted to capture views of blue badge holders to inform a new policy proposal. The proposal was to give all blue badge holders one hour's free parking but seek payment for additional time parked in a council car park. Blue badge holders responded to say that they can struggle to get in/out car and spaces provided, get to a ticket machine, handle coins and even walk very far. The majority of respondents wanted the status quo to continue whereby they parked for free. The proposal to pay for an hour and get an hour free was rated second choice from four options listed. The response: Although the council's preferred proposal was put

forward as part of the budget proposals, the Full Council voted to retain the status quo with blue badge holders retaining the ability to park for free in council car parks during 2019/20.

Active Travel Survey – this survey captured feedback on how frequently people walk or cycle short distances in the 11 designated Active Travel towns. 92 responses were received with residents in Brecon, Presteigne and Llandrindod in particular giving compliments regarding the ethos of active travel and requests for more collaboration and partnership working with Town and Community Councils and others (nature reserves) etc. The response: Views expressed around pavement conditions, cycle racks, safety for pedestrians will be used as evidence when submitting bids and developing future projects.

Library Adults Satisfaction – this national survey runs across all libraries in Wales for one week seeking views on satisfaction with the core service. Just under 300 responses were received. The feedback was positive overall regarding services used. Borrowing books, browsing books, magazines and reading newspapers are still some of the key reasons people go to the library alongside use of the free PCs. The response: Feedback is used by Welsh Government to calculate a Wales picture around library usage. Comments given by individuals in Powys will be used to improve customer satisfaction and some have already been used as part of consultation materials developed to engage residents about a review of all branches as they seek to find savings of £200k during 2020/21.

Welshpool Library Co-location - A review of buildings in the north of the county led to a proposal to co-locate the current library with the museum in Welshpool so as to provide employees with office space as they move out of a building that is surplus to requirements and being sold on the open market. The decision was taken to consult residents in the town about the preferred proposal although this would potentially be opposed. An online survey was sought by the service to capture views. Alternative options were also listed and residents asked to give their preferences. The response: There was opposition to the proposal to co-locate the library into the museum and some alternative options put forward. However, in giving these due regard and following discussions with the town council about their proposal, it was determined that the co-location was the best approach to enable staff to relocate into the library building and continue to provide services like housing advice, social care and trading standards to residents whilst also retaining a combined library and museum service – albeit in a smaller space. The relocation of the library into the museum building will contribute savings to the £200k target set for the service.

Rights of Way Improvement Plan – During the year an engagement exercise was undertaken to consult users and those interested in the rights of way network prior to a review and / or development of a revised ten-year plan as set out by statute. Focus groups and an online survey captured feedback which was used to produce a

draft plan. Once produced, a 12-week consultation period then followed to enable users and interested parties to comment on said plan via a comprehensive on-line survey which sought ranking and prioritisation The response: The early engagement, focus group sessions and targeted surveys helped users to feedback information which informed and shaped the first draft. The council received compliments about the consultation process followed. The final findings report was appended to the Cabinet report and the plan has now been adopted.

Public Toilet Strategy – The Welsh Government placed a duty on all local authorities to produce a strategy by May 2019. Based on research and stakeholder mapping the council conducted some targeted focus groups to engage some of the key users including mothers with young children, families with disabled children, carers and the physical disability and sensory loss group. An online form was also sent out to all known providers of toilets and a public survey launched alongside the focus groups as part of Phase I to capture additional feedback. The response: The feedback gathered around the lack of baby changing facilities and changing places for adults contributed to the actions listed in the final draft plan which is currently being consulted upon.

Green Garden Waste – Powys is one of the few local authorities that is still providing green garden waste banks in car parks across the county. Plans to introduce a paid for green garden waste service were consulted upon to capture resident feedback on costs, bin type, frequency of collections and payment options. Over 2000 residents responded. Half stated they were interested in the service and would be happy to pay between £30 and £40 a year for a kerbside collection. The response: The responses from residents have been used to establish frequency, costs and bin sizes and the service was launched in April 2019.

Newtown Active Travel bridge survey – The council had successfully bid for funding from Welsh Government under the Active Travel scheme to build a cycle/footbridge across the River Severn crossing from Pool Road to Canal Road. The council worked in partnership with Newtown and Llanllwchaiarn Town Council to engage with residents and business about how the bridge should look and also asked for ideas for possible names. An online survey was run along with two drop in sessions. The response: This feedback has fed into the design process and a name for the bridge will be decided at a later date.

Recommendations for development:

The following objectives are included in Vision 2025: Our Corporate Improvement Plan (2019 Update) or Services Improvement Plans:

Objective	Responsible Service
Improve the Cabinet Forward Work Programme	Legal and Democratic Services

All objectives within the Adult Services Re- Shaping Plan 2018-2023 Priority Area B: Practice, Quality and Assurance	Adult Services
We will improve the conversation with our residents with better engagement in budget consultation and debate. Providing better information and scene setting to help them understand the need for change, driven by a focus on outcomes.	Finance, Communications and Business Intelligence
We will develop tools to enable residents to be heard, and engage in ongoing communication and dialogue with our communities to inform decision making.	Digital and Communication Services
All objectives within the Children’s Service Improvement Plan – 2. Partnership Working	Children’s Services
Optimise the use of digital channels to engage customers and seek feedback on Council performance	Digital and Communications Service
To design and implement our digital transformation, setting the map for how the Council will take advantage of digital technologies to transform service delivery through the way we work, how we use information, support our customers, improve resident opportunities and help our businesses to compete	Digital and Communications Service
Improve access to Adult Services through timely information, advice and assistance, as well as receiving and processing enquiries appropriately and swiftly	Digital and Communications Service
Support Adult Services to improve Welsh Language Offer across health and care services to improve equity	Digital and Communications Service

3.3 Core Principle C

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

How we do this:

Corporate Planning Cycle

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

Vision 2025: Our Corporate Improvement Plan (CIP)

The council’s long term vision and objectives for improving the economic, social, environmental and cultural well-being of Powys are set out in Vision 2025: Our Corporate Improvement Plan. The plan was approved and published in April 2018 and covers the term of the current Cabinet. Using the findings of a Well-being

Assessment and associated engagement, the council agreed to focus on four Well-being Objectives to deliver its vision, these are:

- **The Economy** - We will develop a vibrant economy
- **Health and Care** - We will lead the way in providing effective, integrated health and care in a rural environment
- **Learning and Skills** - We will strengthen learning and skills
- **Residents and Communities** - We will support our residents and communities

To help us deliver the above outward facing objectives, we also have an internal facing objective called Making it Happen, which focusses on improving communication and engagement, leadership and governance and changing how we work.

The Plan provides an important framework for engaging residents, councillors, staff and other stakeholders, such as regulators, in the vision and the council's key objectives. It sets out a series of aspirational outcomes for improving well-being for Powys residents, communities and businesses.

Our Corporate Improvement Plan shows our contribution to the strategies that we are working on with our partners. These include the Powys Public Services Board Towards 2040, and the Powys Regional Partnership Board Joint Area Plan.

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

Medium Term Financial Strategy

The MTFS is the financial strategy for Powys County Council for the period 2019 to 2024. It has been developed as part of the overall strategic planning process alongside Vision 2025: Our Corporate Improvement Plan which captures the financial, regulatory and policy drivers affecting the council and sets the direction and approach. It also incorporates the plan for delivering a balanced budget for 2019/20, and indicative budgets for the following 4 years to March 2024. This means the Council has an ongoing financial plan to enable service transformation within the funding levels available.

This financial strategy includes all Council services activity funded by the revenue budget, the Housing Revenue Account and the Capital programme. This information is presented in a 5 year budget model and a 5 year Capital Strategy Programme.

Strategic Equality Plan

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

Service Improvement Plans

All Council's services produce individual Service Improvement Plans to show how it will deliver continuous service improvements in line with the council's strategic vision.

Our Children's Services and Adult Services Improvement Plans were reviewed during the year in response to Care Inspectorate Wales Inspection Findings. Progress against these plans is monitored monthly by Cabinet and an Improvement and Assurance Board.

Integrated Impact Assessments

As part of the corporate planning cycle, Impact Assessments are undertaken for budget proposals and significant service and policy changes to support effective decision making and ensuring compliance with respective legislation. A new Impact Assessment, which considers the requirements of the Well-being of Future Generations Act, the Equalities legislation and the Welsh Language Standards as well as the corporate objectives and risk has been implemented.

Budget Principles

The Cabinet adopted a set of Budget Principles which provide a greater link between the Council's vision, the strategic plan (Corporate Improvement Plan / Vision 2025) and the use of resource. The budget principles are key in order to deliver our priorities and achieve our efficiency targets by shaping our decisions to allocate resources.

Budget Principle	Definition
Valued Services	<ul style="list-style-type: none"> In future services must support the Council's outcomes. Those that don't will have to be provided by others.
Supporting the Vulnerable	<ul style="list-style-type: none"> Scarce resources mean we must focus on the truly vulnerable not those who have historically received support and services.
Local Delivery	<ul style="list-style-type: none"> Services delivered within communities by communities are more responsive and efficient.
Personal Responsibility	<ul style="list-style-type: none"> Nationally we must move from the entitlement culture; our population and our employees will be encouraged to take more control of their lives and take on greater responsibility.
Value for Money	<ul style="list-style-type: none"> The council must look for value for money in everything that it does.
Improving Productivity	<ul style="list-style-type: none"> Once the preserve of private enterprise productivity and performance now matters in the public sector.
Supporting the Local Economy	<ul style="list-style-type: none"> Whilst ensuring that we remain within procurement and local government financial legislation we will seek to spend as much of our funding within Powys if it is Value for Money to do so

Budget Principle	Definition
Keeping the Authority Safe	<ul style="list-style-type: none"> We will ensure non-frontline services are effective and value for money whilst recognising the key role they play ensuring the Authority uses its resources effectively.

Scrutiny

The review of Scrutiny for 2018-19 is set out in Appendix 3.

[Review of effectiveness:](#)

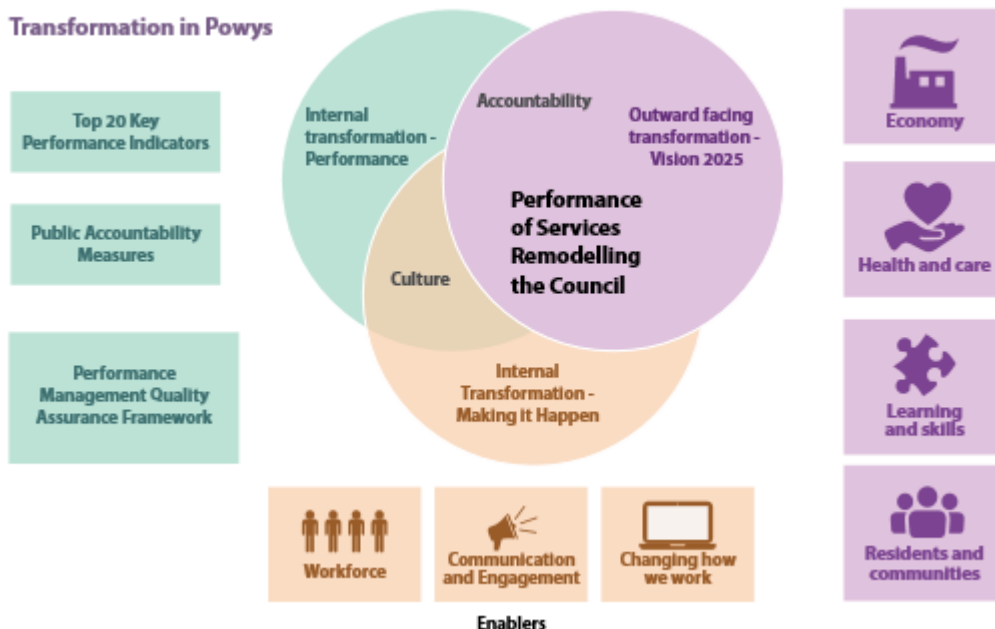
Vision 2025: Our Corporate Improvement Plan (CIP)

In line with approval of Vision 2025: Our CIP, a governance structure was put in place to drive forward its delivery. This consisted of a series of Programme Boards who were accountable for delivering the five objectives. During 2018-19 it became evident that this governance structure was creating duplication and that there were no clear lines of accountability. Therefore, we redefined our approach to delivering Vision 2025 to ensure improved accountability and a greater focus on outcomes. This includes:

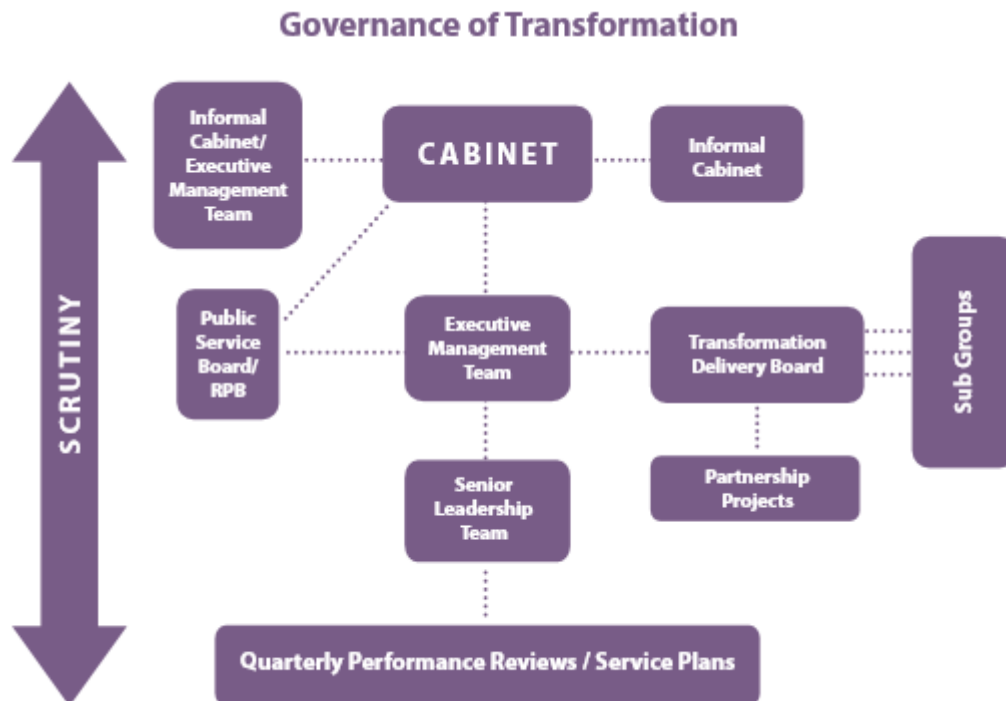
- Adopting a new strategic approach to council performance
- Changing the organisation culture and promoting positive behaviour
- Internal transformation and remodelling the council

The new approach to organisational transformation includes:

Transformation in Powys



Governance of Vision 2025 has also been streamlined. There is now one Transformation Programme that will focus purely on significant transformational projects that need to be delivered by more than one service. Other service improvement work that will help us deliver Vision 2025, is now being managed and governed at a service level, with individual Heads of Service acting as the accountable officers.



Progress against the activities and performance measures were monitored quarterly throughout the year and reported to Executive Management Team (EMT) and Cabinet, following challenge at a series of Service Performance Review meetings.

In line with the Corporate Planning Cycle, an Annual Review of Vision 2025: Our CIP has been undertaken which analysed a range of information including corporate performance, financial position, regulator feedback, strategic risk, customer feedback and legislative duties. The review provides a corporate insight into the key strengths and weaknesses in relation to delivery of the plan, as well as identifying opportunities and threats which need to be addressed in the plan in future years. After reflecting on performance in 2018-19 and reviewing the challenges ahead, the Cabinet agreed that it would remain focussed on the current well-being objectives for 2019 onwards. However, some of the activities for delivering them would need to change. This is to ensure we focus more on transformational improvement; we think about longer term outcomes, that we listen to what our residents are telling us is important to them and we use our resources more effectively.

An Annual Performance Report was published in October 2018, which set out how the council had performed during the 2017-18 financial year, against the priorities and objectives in its previous Corporate Improvement Plan. Overall, the council

made a judgement that one of the priorities had ‘good’ performance and three were ‘adequate’, based on the following criteria:

- Excellent – All commitments completed and outcomes achieved
- Good – Majority of commitments on track and outcomes improving
- Adequate – Commitments broadly on track, but limited impact on outcomes
- Poor – Majority of commitments off-track and outcomes not improving

Integrated Impact Assessment

The impact assessment approach continued to be embedded, with all proposals requiring Cabinet decision being subject to an assessment. All budget proposals were also supported by Impact Assessment to ensure any adverse impacts were properly identified. Officers continued to be trained on the effective completion of an impact assessment and we are working towards digitising the form to make the process simpler and allow results to be analysed. The quality of Impact Assessments used for budget preparation has been subsequently challenged by the Audit Committee and consideration needs to be given as to how the quality can be improved.

Annual Report of the Director of Social Services / Annual Council Reporting Framework (ACRF)

The Annual Director’s Report on Social Service in Powys (ACRF) was presented to Full Council on 12th July 2018. It provided an objective assessment of the impact and performance of the work of social services and demonstrated how the council has promoted wellbeing and accounted for the delivery of the well-being standards contained within the Social Services and Well-being Act. However, the CIW report in 2018 criticised the Council on its adoption of the Social Services and Well-Being Act.

Recommendations for development:

The following objectives are included in Vision 2025: Our Corporate Improvement Plan (2019 Update) or Services Improvement Plans:

Objective	Responsible Service
Improved decision making through the embedded use of analytics, research and horizon scanning	Strategy, Performance and Transformation Programmes
To design and implement our digital transformation, setting the map for how the Council will take advantage of digital technologies to transform service delivery through the way we work, how we use information, support our customers, improve resident opportunities and help our businesses to compete	Digital and Communication Services
We will continue to embed the council’s values and guiding principles (5 ways of working) into strategic and service	All Services

planning and staff appraisals to encourage staff to think differently, act differently and therefore deliver differently	
All objectives within the Children’s Service Improvement Plan – 2. Partnership Working	Children’s Services

3.4 Core Principle D

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

How we do this:

Performance Management and Quality Assurance Framework

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

Improvement and Assurance Board

A multi-agency improvement and assurance board (whose membership is independent of the council) monitors the implementation of the Improvement Plans for Childrens Services and Adult Services. Up until December 2018 it also monitored implementation of the Corporate Leadership and Governance Plan, however it was agreed that this plan could be closed down as the necessary steps had been put in place to strengthen leadership and governance across the council. The independent board meets monthly. The independent chair reports to the Leader and Welsh Government.

- **Organisational Transformation**

During 2018-19, the Acting Chief Executive led a project on organisational transformation which included proposals to change the council’s operating model and senior leadership team in order to drive forward cultural change. The transformation is intended to make the council organisationally smaller and tightly aligned to its priorities. This requires a senior management structure that is fit for purpose, providing clear direction to staff and focussed on addressing the strategic challenges ahead.

- **Workforce Planning**

A Childrens Services workforce strategy has been developed and is being delivered, it will be supported by the Corporate Workforce Strategy which will be put in place once the new Senior Leadership Team is operational

A refreshed approach to Workforce Planning, including a new tool to help managers is being embedded into the Annual Performance Cycle as part of the Performance Management and Quality Assurance Framework.

The Individual staff Performance Review process has been simplified to focus on individual's objectives linked to the Vision 2025: Our Corporate Improvement Plan, and changed to an annual appraisal and 6-month review. Managers are being trained in its use

Review of effectiveness:

Performance Management and Quality Assurance Framework

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

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

Performance is now reported on a quarterly basis to EMT and Cabinet, and is available in the public domain. A detailed report is collated setting an analysis of the following information:

- **Top 20 Performance Indicators** - Powys specific Performance Indicators (PIs) based on what is most important to Powys, informed by Vision 2025 and regulatory reports.
- **Corporate Improvement Plan 2018-2023 (CIP)** - The Corporate Improvement Plan is our road map to Vision 2025, setting out our top priorities and milestones.
- **Public Accountability Measures 2018-2019** – Performance framework set by Welsh Government and comparable across 21 Councils
- **Strategic Equality Plan 2016-20** – This provides an update of progress against the objectives, actions and measures within the councils statutory Plan.
- **Quality Assurance** – Framework to help measure and assess the quality and standards of services.

All staff have access to a Benchmarking Repository, and Wellbeing Information Bank so they can view data about the organisation and compare the Council with other organisations

During quarter two of 2018-19, the method for reporting quarterly performance and progress against Vision 2025: Our CIP was refined following officer feedback and a

change in governance. All performance reporting is now based on a simplified 'Achievements, Issues, Actions' principle.

Organisational Transformation

The transformation delivered by the Acting Chief Executive has a strong focus on a culture change of the whole organisation to be accountable and highly performing, and this has been communicated to all staff clearly. A number of new appointments have been made and a new Senior Leadership Team became operational from 1 March 2019.

Workforce Planning

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

Recommendations for development:

The following objectives are included in Vision 2025: Our Corporate Improvement Plan (2019 Update) or Services Improvement Plans:

Objective	Responsible Service
We will review and embed a Performance Management and Quality Assurance Framework to ensure our decisions are underpinned by accurate information which are aligned to the council's vision and priorities.	Strategy, Performance and Transformation Programmes
We will review and re-design our services to ensure that they are more efficient and focus on our customers' requirements	Strategy, Performance and Transformation Programmes
To design and implement our digital transformation, setting the map for how the Council will take advantage of digital technologies to transform service delivery through the way we work, how we use information, support our customers, improve resident opportunities and help our businesses to compete	Digital and Communications Services
We will continue to embed the council's values and guiding principles (5 ways of working) into strategic and service planning and staff appraisals to encourage staff to think differently, act differently and therefore deliver differently	All Services

Strengthened Public Service Board, Regional Partnership Board, Powys County Council golden thread alignment of planning and reporting	Strategy, Performance and Transformation Programmes
All objectives within the Adult Services Re- Shaping Plan 2018-2023 Priority Area D: Re-shaping and reforming	Adult Services
Develop and implement a workforce plan for Digital and Communications Service	Digital and Communications Service

3.5 Core Principle E

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

How we do this:

Constitution

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

The council has processes in place for the appointment by political groups to committees, as well as processes for the appointment of the Parent Governor Representatives onto the Learning, Skills and Economy Scrutiny Committee and the appointment of Independent "Lay" Members on the Standards Committee and Audit Committee.

There are clear schemes of delegation to officers, which are being revised as a result of a revision to the Council's Senior Management Structure, as well as limits to such delegation set out within the Constitution. The council implemented a new Constitution (using a new model format) as from 1 September 2015 which is published on the council's website. Revisions of the Constitution are ongoing and future changes are incorporated in a new full version being published each time which will make easier the identification of versions in force at a particular point in time, which was not the case previously. The sixth version of the council's constitution was approved by full council on the 24 January 2019.

Cabinet

The council operates a Leader and Cabinet model of governance. The council is responsible for appointing the Leader. The Leader appoints the remainder of the Cabinet. The council retains responsibility for approving the council's CIP and the annual budget.

The Cabinet has delegated responsibility for a number of functions, including:

- Strategic leadership and direction

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

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

Scrutiny

The review of Scrutiny for 2018-19 is set out in Appendix 3.

Integration with Powys Teaching Health Board

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

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

In order for the council and local health board to respond to these changes, a Joint Partnership Board (JPB) will govern and oversee our ambitious change agenda set out in the Area Plan and CIP.

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

The key responsibilities of the JPB are to:

- oversee the integration of health and social services, together with related enabling services
- assist in the development of a health and social care system that delivers co-ordinated care in the community to enable people to live longer and live better
- ensure that NHS and Local Authority resources are directed to support integration as required
- oversee organisational development and a culture change to deliver integration, innovation and transformation
- work to the following principles:
 - make a positive difference for the people of Powys

- always consider integration as the default position
- adding value not cost whilst diverting demand/cost avoidance
- design and deliver through dialogue with staff and the people of Powys
- challenge the status quo through supportive enquiry
- working to common frameworks and systems e.g. project management
- share learning and use evidence based approaches and standards

A Joint Management Team (JMT), consisting of the Chief Executives and Directors of both organisations, to support the work of the JPB was previously established and is in the process of being reconstituted. Work of the JMT will be incorporated within the reporting arrangements to the JPB.

An independent review of Section 33 agreements was commissioned both by the Council and by Powys Teaching Local Health Board, the result of which was that there was a low level of risk where agreements had not completed the approval process. As a result all section 33 agreements in 2018-19 were signed off and the Joint Partnership Board (JPB) has indicated that all Section 33 agreements for 2019/20 will be approved by the end of June 2019 with the exception of the Carers Section 33 agreement which will be signed off in September 2019.

Following a review of the JPB it has been agreed that it continues to deal with bi-lateral issues.

Officer roles and responsibilities

The Chief Executive is the Head of Paid Service who leads the council's officers and chairs the Executive Management Team and Senior Leadership Team.

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 2018/19, the following officers held statutory roles:

- The Solicitor to the council (who became the Head of Legal and Democratic Services as from 1st March 2019) was designated as Monitoring Officer and carried overall responsibility for legal compliance
- The Deputy Chief Executive was the Section 151 Officer appointed under the Local Government Act 1972 who was responsible for the proper administration of the financial affairs of the council until March, 2019 when Head of Finance took over the role of Section 151 Officer.
- The Director of Social Services was the Statutory Director for Social Services
- The Director of Education was the Chief Education Officer and the Lead Director for Children and Young People
- The Scrutiny Manager was the Head of Democratic Services

- The Strategic Director – Place was appointed as the Senior Information Risk Owner (SIRO). However this transferred to the Interim Strategic Director - Resources from end of April 2018. The Head of Legal and Democratic Services took over this role in February 2019.

Member Development

The review of Member Development for 2018-19 is set out in Appendix 2.

Officer Development

All new Officers receive induction training, and are required to complete corporate mandatory training and any other related to their role. A range of role based training is available across the council, 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.

A new 3-day face to face Induction Programme was introduced in May 2018 specifically for all Managers / Supervisors / Team Leaders etc. who line manage staff, and are requested to attend within 3 months of commencing the post.

The council implemented a new process for staff Appraisals in September 2018. This consists of an annual appraisal during March to May, and a formal 6-month Appraisal review during September to November. All employees should have an Appraisal, and this is monitored by the council’s Executive Management Team.

The Appraisal process helps managers and staff have a greater focus on performance management to ensure work is directed towards achieving the goals of the individual services and the organisation as a whole. Therefore, the golden thread linking the council’s strategic plans to the work of individual officers and operational staff is ensured.

The council has continued to implement the Develop, Discover and Executive Leadership Programmes, alongside the Level 5 Coaching Programme.

Review of effectiveness:

Constitution

The Constitution is updated on a regular basis with version 6 being approved by Council on 24 January 2019.

Scrutiny

The review of Scrutiny for 2018-19 is set out in Appendix 3.

Officer Development

The table below outlines the number of council staff who completed Institute of Leadership and Management (ILM) programmes, to date, to strengthen leadership skills across the council.

Programme	Completed course
ILM Coaching and Mentoring	58

ILM Level 3 in Leadership & Management	222
ILM Level 5 in Leadership & Management	222
Powys Executive Programme	31
Total	533

Statutory Officers

The council's Statutory Chief Officers have a range of functions with respect to the overall review of the council's effectiveness. These include:

- The Chief Executive is signatory to the council's Annual Governance Statement;
- The Head of Finance / Section 151 Officer is responsible for certifying that the council's Accounts present a true and fair view of its financial position and income and expenditure;
- The council's statutory Director of Social Services is responsible for an annual review of the council's social services under the ACRF.

Recommendations for development:

The following objectives are included in Vision 2025: Our Corporate Improvement Plan (2019 Update) or Services Improvement Plans:

Objective	Responsible Service
Improve the effectiveness of scrutiny	Legal and Democratic Services
We will develop initial workforce strategy in order to improve the recruitment, retention and quality of leadership (at all levels), across our schools with a specific focus on secondary schools	Workforce and OD
We will re-model the council's staffing structure to embed changes in organisational culture, while making significant financial savings	Workforce and OD
We will equip the workforce with the right skills, attitude, behaviours and experience and develop our own talent through apprenticeships and training, to enable them to reach their potential	Workforce and OD
To support services in developing short to medium term workforce resourcing plans to ensure we have the required skilled and competent workforce in place. Facilitate an internal talent management pipeline/process to ensure services have succession plans in place as part of their Workforce Planning. This will link into effective sub-regional workforce planning key areas such as Social services	Workforce and OD
We will review and re-design our services to ensure that they are more efficient and focus on our customers' requirements	Strategy, Performance and Transformation Programmes

We will continue to embed the council's values and guiding principles (5 ways of working) into strategic and service planning and staff appraisals to encourage staff to think differently, act differently and therefore deliver differently	All Services
All objectives within the Adult Services Re-Shaping Plan 2018-23 – Priority Area A: Leadership and Governance	Adult Services
All objectives within the Adult Services Re- Shaping Plan 2018-2023 Priority Area C: Workforce	Adult Services
All objectives within the Children's Service Improvement Plan – 7. Workforce	Children's Services

3.6 Core Principle F

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

How we do this:

Risk Management

We are continuously improving and updating our approach to risk management to help better understand and manage the risks the council faces, prepare for future challenges and to increase the likelihood of achieving objectives. Risk management is a core management discipline that supports organisational delivery. The risks that the organisation faces are changing all the time, so the art of good risk management is to combine planning for what we know might happen with preparation for unknown situations, to safeguard the organisation and in turn make it more resilient.

The Portfolio Holder for Risk Management is the Leader of the council. The portfolio holder is updated on the progress of the risk management programme on a quarterly basis. The Strategic Risk Register is also reported to Cabinet on a quarterly basis.

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

Performance Management and Quality Assurance Framework

See Core Principal D for details on the PMQAF.

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

Financial Management

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

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

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

The Council commissioned CIPFA (Chartered Institute of Public Finance and Accountancy) to undertake a Financial Management Assessment using their Financial Management Model – the global standard in public finance good practice, the model measures the financial management performance including the identification of strengths, weaknesses and areas for improvement. Importantly it measures the whole organisation's attitude to financial management.

The conclusions and recommendations from this assessment will be used to develop a plan for improvement across the organisation.

Powys Pension Fund

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

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

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

Internal Audit (SWAP)

The detailed review for SWAP is set out in Appendix 7.

Responding to external regulatory inspections

The council recognises the value of regulatory inspections in helping to drive improvement. Our core regulators are Care Inspectorate Wales, Wales Audit Office and Estyn, who carry out routine inspection on our services. All recommendations and proposals for improvement that we receive from our core regulators are recorded on a corporate Regulatory Signposting tracker, which shows which service is responsible for taking action to make improvements. Services are required to embed any recommendations they receive into their Service Improvement Plans to ensure that they are being addressed through appropriate improvement objectives. The objectives then get monitored quarterly to ensure the necessary improvement is

being made. This information is also monitored as part of the council's key Performance Indicators (Top 20 PI set), to determine whether our assessments from regulators are improving overall.

[Review of effectiveness:](#)

Risk Management

An audit of risk management in Powys County Council was published in March 2018. It concluded that partial assurance can be given, that is, in relation to the areas reviewed and the controls found to be in place, some key risks are not well managed. Systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Performance Management and Quality Assurance

See Core principal D for details.

Quarterly Performance Reports detailing progress against Vision 2025: Our Corporate Improvement Plan were presented to the Cabinet and can be found on the council's website:

[Link to Cabinet meetings page](#)

A report on our performance against the national Public Accountability Measures was presented to Cabinet on 9th October 2018 (Annual Performance Report 2017-18) and can be found here.

<https://powysintranet.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=3777&Ver=4>

Budget Setting / Financial Management

The Council continues to respond to the major financial challenge it is experiencing to ensure that it maintains a balanced budget. The funding we get from Welsh Government continues to reduce year on year, but the demand and cost of our services has increased particularly to support our elderly and the more vulnerable adults and children living in Powys. Additional responsibilities imposed upon us also increase our costs and the impact of inflation and other pay and price pressures also means that we are having to pay more to our suppliers and contractors as they increase their charges to meet their own financial pressures.

These factors in combination present a significant challenge to produce a balanced budget each year.

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

We acknowledge that we need to increase the pace of change to meet the challenges we face. This will require some radical thinking, drawing on experience

of other authorities and learning from others. We will have to reconsider the discretionary services we provide and review the levels of service we can afford to deliver for our statutory services. New ideas and new thinking that is flexible, innovative and designed to set the authority on course for a strong and vibrant future.

The 2016/17 Wales Audit Office Annual Audit letter contained the following statutory recommendation:

“The Council must act immediately to update its Medium Term Financial Strategy to enable the Council to live within its means going forward. In setting a balanced budget, the Council must ensure that all savings plans are sufficiently well developed for inclusion in the annual budget.”

The Medium Term Financial Strategy (MTFS) establishes the framework for our financial planning. The overall process continues to be refined, developed and strengthened in order that the risk faced by Council can be mitigated.

Our budget planning has traditionally been based on incremental budgeting focusing on one year with limited development over the longer term, we recognise that this approach is no longer effective to create a Council that is financially resilient for the short, medium and longer term.

Building on the improvements we have already made, a new strategic approach to allocating resources is being developed. This approach will bring together all elements of the Council into one overarching financial strategy, which delivers Vision 2025, a programme of transformation, and which encompasses service improvement and delivers appropriate levels of statutory service. It will better align revenue and capital to ensure that our limited resources are prioritised to achieve maximum effectiveness and based on securing outcomes that matter to our residents.

The strategy is supported by the Councils detailed 5 year budget model, this has been strengthened in recent years with the development of Directorate financial models which inform the corporate plan. Savings proposals are tested more robustly with challenge events held early in the process, this will improve the strength of the proposals and improve the assurance around delivery.

A review undertaken by CIPFA confirmed that in their view the Council has implemented a robust and effective budget planning process that aligns the use of resources with Council priorities.

The final 2018/19 budget settlement for the council was announced by Welsh Government on 20th December 2017. The settlement awarded the council a 0.4% budget reduction for the financial year against a Welsh average increase of 0.2%. This amounted to a reduction in cash terms of £0.679m compared with the settlement for 2017/18.

Powys has £1,319 of funding per capita, compared to the Wales average of £1,348 and the year on year change ranks 14th out of all the Unitary Authorities.

Feedback from our regulators

Appendix 3, 4 and 5 detail the key feedback that we have received from our regulators during 2018-19 and the plans we have in place to address them to ensure continuous improvement.

Recommendations for development:

The following objectives are included in Vision 2025: Our Corporate Improvement Plan (2019 Update) or Services Improvement Plans:

Objective	Responsible Service
Improve the effectiveness of scrutiny	Legal and Democratic Services
We will re-model the council’s staffing structure to embed changes in organisational culture, while making significant financial savings	Workforce and OD
To support services in developing short to medium term workforce resourcing plans to ensure we have the required skilled and competent workforce in place. Facilitate an internal talent management pipeline/process to ensure services have succession plans in place as part of their Workforce Planning. This will link into effective sub-regional workforce planning key areas such as Social services	Workforce and OD
To develop, agree and implement an audit/improvement plan in high risk service areas	Workforce and OD
We will review and embed a Performance Management and Quality Assurance Framework to ensure our decisions are underpinned by accurate information which are aligned to the council's vision and priorities	Strategy, Performance and Transformation Programmes
Embed the Risk Management Toolkit to ensure effective risk management throughout the council. Ensuring all decisions are underpinned by a well-managed risk management approach	Strategy, Performance and Transformation Programmes
All objectives within the Adult Services Re- Shaping Plan 2018-2023 Priority Area C: Workforce	Adult Services
All objectives within the Children’s Service Improvement Plan – 5 Independent Reviewing, Quality Assurance and Complaints	Children’s Services
Improve governance of Section 33 Agreement with Powys Teaching Health Board	Digital and Communications Service

3.7 Core Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

How we do this:

Constitution

The council's Constitution sets out how the council operates and the process for policy and decision making. Within this framework, decisions are taken by Council, Cabinet, individual Cabinet Members and Officers. Certain specific decisions are taken by the Planning, Taxi Licensing and Rights of Way Committee, The Licensing Act 2003 Committee, Pensions and Investment Committee and the Employment and Appeals Committee.

Meetings and Reporting Documents

The council presumes that reports will be publicly available unless certain, specific tests are met. There are seven categories of exempt information and these include:

- Information relating to a particular individual
- Information relating to legal matters

For information to be treated as exempt, an assessment of public interest has to be made, to ensure proper balance is achieved between the right to know, the right to personal privacy and the delivery of efficient government.

Agendas, reports and minutes of the council's committees are published online and are accessible to the public unless an item contains information which is classed as exempt.

There is a presumption that most meetings will be open to the public, again except where information is to be discussed which is classed as exempt.

The council now webcasts all Council and Cabinet meetings and is considering whether other meetings could also be webcast in the future.

Quarterly and Annual Performance Reporting

As outlined in Core Principle F, the council publishes its quarterly performance reports on its website as part of the Cabinet Meeting agendas. This ensures transparency and accountability.

In line with the requirements of the Local Government (Wales) Measure 2009 and Well-being of Future Generations Wales Act 2015, the council also publishes an annual Performance Report (Well-being Report) which sets out an open and honest assessment of performance against the Well-being objectives, activities and performance measures in its Corporate Improvement Plan. Powys County Council agreed its 2017-18 Annual Performance Report on 18 October 2018 and this

detailed performance against the Corporate Improvement Plan 2016-20 that was implemented during 2017-18. During 2018-19, the council focussed on implementing its new Vision 2025: CIP and a performance report against the first year of this plan is due to be agreed and published in July 2019.

The council contributes to a set of Public Accountability Measures. Results of these are submitted to the Local Government Data Unit who in turn publish an annual performance bulletin, which considers performance across all 22 Welsh local authorities. The council's position on the indicator sets is published as part of the council's annual performance summary and evaluation. In 2017/18 the Council ranked 10th out of 22 (This was based on information that was available for 20 out of the 26 indicators. For the remaining 6 measures that are all Social Care, all Wales figures only (no breakdown to authority level) have been released by Welsh Government (WG) for the 3 quantitative measures. The remaining 3 qualitative measures have not had figures released. This decision has been made by Welsh Government due to data collection system changes across Wales.) The 2018/19 assessment will be available during late summer 2019.

Scrutiny

The review of Scrutiny for 2018-19 is set out in Appendix 3.

Internal Audit

From 1 April 2017 the council's internal audit service was provided by South West Audit Partnership (SWAP). SWAP is a not for profit organisation that was originally set up in 2003 and the arrangement sees Powys County Council become a partner in the company that provides audit services to various public sector bodies including Somerset County Council and Herefordshire Council.

In accordance with the recognised standards, the Head of Audit is required to give an opinion on the overall internal control environment based on the work undertaken throughout the year. The Head of Audit's opinion on internal control for 2018/19 is as follows (See Appendix 7 for the detailed opinion):

REASONABLE ASSURANCE: The control framework is adequate and controls to mitigate key risks are generally operating effectively, although a number of controls need to improve to ensure business objectives are met.

Recommendations for development:

The following objectives are included in Vision 2025: Our Corporate Improvement Plan (2019 Update) or Services Improvement Plans:

Objective	Responsible Service
Improve the effectiveness of scrutiny	Legal and Democratic Services
Improve the Cabinet Forward Work Programme	Legal and Democratic Services

To develop, agree and implement an audit/improvement plan in high risk service areas	Workforce and OD
We will review and embed a Performance Management and Quality Assurance Framework to ensure our decisions are underpinned by accurate information which are aligned to the council's vision and priorities	Strategy, Performance and Transformation Programmes
Strengthened Public Service Board, Regional Partnership Board, Powys County Council golden thread alignment of planning and reporting	Strategy, Performance and Transformation Programmes
Improved decision making through the embedded use of analytics, research and horizon scanning	Strategy, Performance and Transformation Programmes
All objectives within the Children's Service Improvement Plan – 5 Independent Reviewing, Quality Assurance and Complaints	Children's Services
All objectives within the Children's Service Improvement Plan – 6. Infrastructure and Support	Children's Services

Section 4. Conclusions – Main Governance Issues Facing the Council and Requiring Action

The table below identifies the most significant governance issues (prioritised from the recommendations for development outlined in section 3 above) and how we will address them during 2019 / 20.

Governance Issue	How we are addressing the Issue
<ul style="list-style-type: none"> Ensure that recommendations arising from inspection reports detailed in Appendices 4,5 and 6 are addressed within relevant Service Improvement Plans 	<ul style="list-style-type: none"> Action Plans and Service Improvement Plans whose objectives are monitored quarterly by the Executive Management Team and Cabinet.
<ul style="list-style-type: none"> All objectives within the Adult Services Re-Shaping Plan 2018-2023 	See Note below.
<ul style="list-style-type: none"> All objectives within the Children's Service Improvement Plan 	See Note below.

Governance Issue	How we are addressing the Issue
<ul style="list-style-type: none"> Improved decision making through the embedded use of analytics, research and horizon scanning 	See Note below.
<ul style="list-style-type: none"> We will review and embed a Performance Management and Quality Assurance Framework to ensure our decisions are underpinned by accurate information which are aligned to the council's vision and priorities 	See Note below.
<ul style="list-style-type: none"> Strengthened Public Service Board, Regional Partnership Board, Powys County Council golden thread alignment of planning and reporting 	See Note below.
<ul style="list-style-type: none"> Improve the effectiveness of scrutiny 	See Note below.
<ul style="list-style-type: none"> We will equip the workforce with the right skills, attitude, behaviours and experience and develop our own talent through apprenticeships and training, to enable them to reach their potential 	See Note below.
<ul style="list-style-type: none"> Improve governance of Section 33 Agreement with Powys Teaching Health Board 	See Note below.

NOTE: Each service has developed a Service Improvement Plan and these contain detailed action plans for how the improvement objectives (governance issues) will be addressed. Progress against the improvement objectives will be monitored quarterly using an 'Achievements, Issues, Actions' reporting approach

Section 5. Certification of the Annual Governance Statement 2018-19

Signed on behalf of Powys County Council:

.....

Chief Executive

Date: 6 September 2019

.....

Leader of the Council

Date: 6 September 2019

Section 6. Appendices

Appendix 1: Areas for improvement identified in the Annual Governance Statement 2017/18

Areas for Improvement	Our progress in 2018/19
<p>Core Principle A</p> <ul style="list-style-type: none"> To review the council's implementation plan following the commencement of the General Data Protection Regulations in May 2018. 	<ul style="list-style-type: none"> Implement the GDPR Implementation Plan in line with the Information Management Assurance Governance Plan. The majority of the components of the GDPR Implementation plan were implemented, and further improvement and compliance work is planned Monitoring by the Corporate Information Operational Governance Group chaired by the Data Protection Officer. Meeting and scrutiny undertaken regularly, with increased attendance due to concerns over GDPR by Information Asset Owners. Reporting to the Corporate Information Governance Group chaired by the Senior Information Risk Officer. Regular meetings have continued with GDPR compliance as a specific agenda item. Scrutiny Review of implementation of GDPR – Last scrutiny oversight was January 2018, with report to Cabinet following.
<ul style="list-style-type: none"> To produce statistics for Members' attendances at mandatory sessions and attendances at committees during 2018/19. 	<ul style="list-style-type: none"> Members attendances at Mandatory Development Sessions are recorded and monitored and any failures to attend are reported to the Standards Committee in accordance with the Council's decision. This has resulted in 3 Members being reminded by the Standards Committee of the need to complete Mandatory Treasury Management Development in January 2019, and the successful completion of that development by those 3 Members. Member attendances at committees for 18 May 2017 to 16 May 2018 were reported to the Standards Committee on 27 June 2018. In addition Member attendance at the Scrutiny Committee considering Adults and Children's Services matters are monitored and reported in the Performance reports for Adults and Children's Services. Attendance by Members at mandatory sessions are displayed on the training record for each individual Member on their web page on the council's internet.

Areas for Improvement	Our progress in 2018/19
<ul style="list-style-type: none"> The issue regarding Our Values and organisational learning needs to be incorporated within the Corporate Governance and Leadership Improvement Plan. 	<ul style="list-style-type: none"> Officer Leadership and Workforce Strategy were two of the priorities of the Corporate Leadership and Governance Plan during 2018-19. A number of actions to strengthen organisational learning and ensure a focus on values were delivered. Monthly progress reports were developed to evidence progress against these actions and reported to an Improvement and Assurance Board.

<p>Core Principle B</p> <ul style="list-style-type: none"> Engagement and Consultation <p>The recommendations around stakeholder voice and involvement will be implemented during this financial year to help support the values and the CIP to help residents understanding of and ability to influence decisions being made around budgetary pressures and customer expectations. The review highlighted that <i>“There’s a clear opportunity to improve the clarity of corporate priorities and consequential matching of communication resources and focus accordingly, leading to a clearer and consistent narrative for the council.”</i> [Independent report on the Communications Service by Peter Holt]</p>	<ul style="list-style-type: none"> The council has purchased a new engagement platform called Citizen Space. It allows the local authority to create its own online consultations using a range of tools which will enhance the ability of residents to engage with the council in a more timely, efficient and meaningful manner. The platform will allow better co-ordination and auditing all consultation and engagement activity across the organisation and allows more detailed analysis of feedback given by residents so their views can be given due regard. This platform will support Vision 2025’s ethos to ensure “communities have an active role in the design and delivery of the services they need. The existing Consultation Framework has been reviewed, refreshed, and feedback from staff users gained, to improve how we engage with residents.
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<p>Core Principle C</p> <ul style="list-style-type: none"> To undertake an annual review of our corporate priorities 	<ul style="list-style-type: none"> An Annual Review of Vision 2025: Our Corporate Improvement Plan was undertaken starting with a comprehensive analysis of a range of corporate information including, financial, performance, customer feedback, regulator feedback, strategic risk, legislative
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<p>(well-being objectives) to ensure they are the most relevant for delivering social, economic, cultural and environmental benefits in line with the national well-being goals.</p>	<p>requirements and wellbeing statistics. This helped draw up a picture of the council's strengths, weaknesses, opportunities and threats, which were considered, by Heads of Service and Corporate Directors. As a result, a number of recommendations were made to change activities and measures within the current CIP, to come into effect from April 2019 onwards. These changes will aim to ensure that the Plan is focused on key transformation and improvement activity, rather than business as usual; that it removes duplication and that it doesn't conflict with the proposed savings and budgetary pressures. Cabinet agreed the recommendations at a meeting on 5 March 2019. The Economy, Residents, Communities and Governance Scrutiny Committee were also given the opportunity to comments on the recommended changes.</p> <ul style="list-style-type: none"> • During 2018 – 19 we also completed the Future Generations Commissioner Self Reflection Tool, which was a self assessment of the progress we are making towards our well-being objectives. We also took part in Regional Workshops and did a peer review of other organisations progress towards their well-being objectives. This allowed us to compare our own progress with others.
<ul style="list-style-type: none"> • Continue to strengthen alignment between our strategic, workforce and financial planning to ensure the council has the resources to deliver transformational change. 	<ul style="list-style-type: none"> • The revised Medium Term Financial Plan will ensure that there is strengthened alignment between our strategic, workforce and financial planning alongside its capital strategy, and reserves policy • Implementation of the Corporate Leadership and Governance Plan, specifically priority D, which focussed on Strategic and Financial Planning. • The implementation of the CLGP was scrutinised monthly by the Improvement and Assurance Board • A refreshed approach to Workforce Planning, including a new tool to help managers is being embedded into the Annual Performance Cycle as part of the PMQAF • We have delivered bi-monthly workshops with Managers to raise awareness of their role in effectively implementing the PMQAF
<ul style="list-style-type: none"> • Ensure our dedicated Improvement Plans (for Children's and Adults services and Corporate Leadership and Governance) are delivered. 	<ul style="list-style-type: none"> • Dedicated and improved Performance reports developed • Monitoring of Action Plans / Performance reports by <ul style="list-style-type: none"> ○ Executive Management Team; ○ Cabinet ○ Health and Care and Housing Scrutiny Committee ○ Improvement and Assurance Board ○ County Council

	<ul style="list-style-type: none"> • Portfolio Holder meetings with officers <p>Regular reporting to Welsh Government Ministers</p>
<ul style="list-style-type: none"> • Continue to ensure we respond to regulators recommendations and incorporate these into our planning arrangements where applicable 	<ul style="list-style-type: none"> • Recommendations that were received from our regulators were incorporated in to the Adults Improvement Plan, Childrens Improvement Plan and Corporate Leadership and Governance Plan, with appropriate actions put in place to address the issues raised. These plans were monitored monthly by the Improvement and Assurance Board. • A Regulatory Sign-posting Tracker is also held corporately by the Strategic Planning and Performance Team, which records all the formal recommendations that the council receives and assigns these to a Responsible service. • The Service Improvement Plan template requires all services to record the recommendations or proposals for improvement that they have received from regulators and their service improvement objectives should be developed to address these. • Strategic and financial planning was included as a priority within the Corporate Leadership and Governance Plan • The implementation of the CLGP is scrutinised monthly by the Improvement and Assurance Board • Budget planning commenced in March 2018 recognising the need to develop the plan earlier. This will ensure that all aspects of the plan are robust and deliverable and that all savings plans are sufficiently well developed for inclusion in the annual budgetThe Council recognised that it needed to update its Medium Term Financial Strategy to enable the council to live within its means going forward, and design and implement actions to address the weaknesses identified in respect of its corporate and financial arrangements

<p>Core Principle D</p> <ul style="list-style-type: none"> Merging the Performance Management Framework with a robust Quality Assurance Framework to ensure we implement a culture of continuous evaluation, challenge and improvement to meet expected standards. 	<ul style="list-style-type: none"> During 2018-19, the Performance Management Framework was reviewed in order to strengthen the council's focus and approach around Quality Assurance. The framework was re-named the Performance Management and Quality Assurance Framework and set out a detailed requirement that at the start of each financial year all Heads of Service will inform the Strategy, Performance and Transformation Programmes team of the quality assurance information they will be submitting for their service area quarterly
<ul style="list-style-type: none"> Continue to implement a programme management approach to delivering and monitoring the council's CIP 	<ul style="list-style-type: none"> In quarters 1 and 2, delivery of Vision 2025: Our CIP was managed by four council programme boards and through the Regional Partnership Board governance structure. However, following a review of the programme governance a more streamlined approach was implemented from quarter 3. There is now one Transformation Programme that will focus purely on significant transformational projects that need to be delivered by more than one service. Other service improvement work that will help us deliver Vision 2025, is now being managed and governed separately at a service level, with Individual Heads of Service acting as the accountable officers. Each Head of Service has developed a Service Improvement Plan with clearly defined objectives and action plans, showing how they will contribute to delivery of Vision 2025: Our CIP objectives, efficiency objectives and strategic equality objectives (where appropriate).
<ul style="list-style-type: none"> Establishment of a new independent Improvement and Assurance Board to oversee progress against the Children and Adults Improvement Plans and Corporate Leadership and Governance Plan 	<ul style="list-style-type: none"> The Improvement and Assurance Board has been in operation since March/ April 2018 and has met monthly to oversee the implementation of the Children and Adults Improvement Plans. It also monitored the implementation of the Corporate Leadership and Governance Plan up until December 2018, when the plan was closed down as the majority of actions were completed or moved to business as usual.

<ul style="list-style-type: none"> • Implement a robust quarterly monitoring process for monitoring the CIP and service performance 	<ul style="list-style-type: none"> • Performance is now reported on a quarterly basis to EMT and Cabinet, and is available in the public domain. EMT and Cabinet have access to Corporate, Directorate, and Service level live performance data. All staff have access to a Benchmarking Repository, and Wellbeing Information Bank so they can view data about the organisation and compare the Council with other organisations. During quarter two of 2018-19, the method for reporting quarterly performance and progress against Vision 2025: Our CIP was refined following officer feedback and a change in governance. All performance reporting is now based on a simplified 'Achievements, Issues, Actions' principle. Quarterly Performance Review Meetings for each service continued to be undertaken. These are attended by the Heads of Service, Corporate Directors, Portfolio Holder(s) and a representative from the Strategic Planning and Performance Team who challenges the quality of data and progress against targets etc. Where there are exceptions (red and amber BRAG status), EMT are required to identify remedial action to bring the activity/ Performance Indicator back on track.
<ul style="list-style-type: none"> • Continue to strengthen our data reporting capabilities by automating processes. 	<ul style="list-style-type: none"> • Work is underway to ensure WCCIS functionality is supporting and providing Social Care practice and process improvements, and to further develop the National Health and Social Care system

<p>Core Principle E</p> <ul style="list-style-type: none"> • The council is continuing its ILM programme, and is also introducing an induction training process for managers 	<ul style="list-style-type: none"> • The council is continuing with the ILM Programmes, however will be reviewing the Leadership & Management training at all levels of the Council during the first quarter of 2019
<ul style="list-style-type: none"> • The effectiveness of the restructure of scrutiny once completed can be tested and reviewed during 2018/19 	<ul style="list-style-type: none"> • The scrutiny committee structure approved in May 2018 was reviewed during the summer of 2018 and led to recommendations for further revisions including the establishment of a Scrutiny Development Board. The Board made recommendations on further revisions to the scrutiny committee structure which were approved in January 2019 and implemented from February 2019. A further review of the latest structure will be undertaken in the Autumn of 2019.

<ul style="list-style-type: none"> • The role of the FSP will need to be reviewed to determine its future role. 	<ul style="list-style-type: none"> • As part of the review of the scrutiny committee structure in the summer of 2018 it was recommended that the role of the Finance Scrutiny panel be amended, It was renamed the Finance Panel, its membership was revised to include the Portfolio Holder for Finance (who could not be the Chair of the Panel) and its terms of reference was amended to consider strategic financial matters only with the other scrutiny committees undertaking the financial scrutiny of services.
<ul style="list-style-type: none"> • Implement the Corporate Governance and Leadership Improvement Plan. 	<ul style="list-style-type: none"> • The Corporate Leadership and Governance Plan continued to be implemented and monitored up until December 2018, at which point a decision was made to close the plan, as the majority of actions were completed. Any remaining actions were moved to business as usual.

<p>Core Principle F</p> <ul style="list-style-type: none"> • Risk Management <p>In the period April to August 2018 risk management in Powys County Council will be significantly transformed, an action plan has been developed, and will take into account the recommendations from the audit:</p>	<ul style="list-style-type: none"> • Risk register monitoring by Executive Management Team, Cabinet and the Audit Committee • Electronic risk management software (JCAD) currently being implemented, which will enable greater linkage between all of the risk registers across the organisation. • A review of our Strategic Risk Register was undertaken and agreed. All services have risk registers which are maintained at least quarterly.
<ul style="list-style-type: none"> • Regulator Comments • In order to remove duplication in terms of reporting against regulatory recommendations, the council will integrate the regulatory recommendations it received from its key regulators into its existing Improvement Plan action plans (Children's, Adults and Corporate Leadership and Governance Improvement Plan). These action plans are 	<ul style="list-style-type: none"> • Recommendations that were received from our regulators were incorporated in to the Adults Improvement Plan, Childrens Improvement Plan and Corporate Leadership and Governance Plan, with appropriate actions put in place to address the issues raised. These plans were monitored monthly by the Improvement and Assurance Board. A Regulatory Sign-posting Tracker is also held corporately by the Strategic Planning and Performance Team, which records all the formal recommendations that the council receives and assigns these to a Responsible service. The Service Improvement Plan template requires all services to record the recommendations or proposals for improvement that they have received from regulators and their service improvement objectives should be developed to address these.

<p>being monitored by the independent Improvement board, and going forward will be monitored monthly at the newly formed Improvement and Assurance Board (May 2018)</p>	
<ul style="list-style-type: none"> • Performance Management • Implement Performance Management Quality Assurance Framework. 	<ul style="list-style-type: none"> • Implementation of Vision 2025 and supporting plans. • The revised Medium Term Financial Plan will ensure that there is strengthened alignment between our strategic, workforce and financial planning alongside its capital strategy, and reserves policy • Implementation of the Corporate Leadership and Governance Plan, which was scrutinised monthly by the Improvement and Assurance Board • Managed performance effectively through quarterly programme boards (Quarters 1 and 2), review meetings, improvement and assurance board, management team and Cabinet • The Performance Management Quality Assurance Framework (PMQAF) has refreshed the whole Council's approach to improving and maintaining service performance. It is part of the new Managers Induction Programme mandatory training, and Executive Management Team (EMT) and Cabinet have attended a training session • Delivered bi-monthly workshops with Managers to raise awareness of their role in effectively implementing the framework • The new Annual Appraisal process is ensuring individuals are accountable for and receive feedback on their performance • The organisational culture is changing as a result of the performance and workforce improvement work, and this evidenced in the enhanced challenge happening in EMT on a fortnightly basis, and will continue as new posts are appointed to enhanced job descriptions with a strong focus on performance • Our quarter 4 Performance Management report shows that performance against our key measures has improved throughout 2018-19.

<p>Core Principle G</p> <ul style="list-style-type: none"> • Scrutiny <ul style="list-style-type: none"> ○ Review of the role and terms of reference of the Finance Scrutiny Panel to be undertaken to determine whether the Panel continues to function as currently or whether its roles and terms of reference are amended or the Panel's functions are subsumed into the Audit Committee's functions. 	<ul style="list-style-type: none"> • As part of the review of the scrutiny committee structure in the summer of 2018 it was recommended that the role of the Finance Scrutiny panel be amended, It was renamed the Finance Panel, its membership was revised to include the Portfolio Holder for Finance (who could not be the Chair of the Panel) and its terms of reference was amended to consider strategic financial matters only with the other scrutiny committees undertaking the financial scrutiny of services.
<p>There will be a need to review the effectiveness of Scrutiny once the new Scrutiny Committees have been in operation for 12 months.</p>	<ul style="list-style-type: none"> • The scrutiny committee structure approved in May 2018 was reviewed during the summer of 2018 and led to recommendations for further revisions including the establishment of a Scrutiny Development Board. The Board made recommendations on further revisions to the scrutiny committee structure which were approved in January 2019 and implemented from February 2019. A further review of the latest structure will be undertaken in the Autumn of 2019.

Appendix 2: Member Development

<p>Core Principles to which this section relates:</p> <ul style="list-style-type: none"> • Core Principle E

The council aims to provide a wide range of opportunities for Members and Officers to be more effective.

All newly elected Members receive induction training. There is also specific training relating to whichever committees they are appointed. Powys County Council was re-awarded the Wales Charter for Member Support and Development in March 2018 (having first gained the award in 2011 and then re-awarded in 2015). An annual Member Development Programme is in place and the council has identified mandatory and discretionary training as well as possible sanctions which can be

utilised by the Standards Committees for Members failing to achieve Mandatory training set by the council. Members in receipt of Senior Salaries (e.g. Cabinet Members and Committee Chairs) have undertaken personal development reviews (PDRs) to assess their individual training needs. This is undertaken on a two yearly basis or within three months of their initial appointment.

In light of the CIW Report into Children's Services, the Improvement and Assurance Board required the undertaking of additional training by Members. These included modules for Cabinet, Scrutiny and all Members as set out below. The Council approved these as Mandatory sessions.

A Member Development Working Group consisting of Councillors and Officers develops and monitors the implementation of the Member training programme. Work is ongoing on the Member Development Programme for 2018/19 and onwards.

Members received a number of seminars between April 2018 /March 2019. These help to build background knowledge and help Members in fulfilling their Scrutiny and Audit roles. In addition, other development was undertaken as a result of membership of committees.

A programme of Member Development Sessions / Seminars have been delivered for 2018 - 2019 which included:

Member Development Sessions:

[M] – Mandatory Member Development Sessions

- Treasury Management [M]
- Corporate Parenting [M]
- Corporate Safeguarding [M]
- Violence Against Women, Domestic Abuse and Sexual Violence [M]
- Child Sexual Exploitation (CSE) and County Lines
- Social Media
- Equalities and Diversity [M]

Seminars:

- Credu (carers voluntary organisation)
- Powys Youth Forum
- Brexit
- Budget Seminars
- Social Care Budget
- Care Inspectorate Wales briefing
- School Funding Formula Review
- Social Services Performance Data
- Discussion on Revised Scrutiny Structure

The council has also as a result of the inspection of Children's Services by CIW identified and delivered additional Member Development Sessions including:

- Roles and Responsibilities of Councillors in Council Improvement

- Opposition Group Leaders and Deputies
- Cabinet
- Scrutiny
- Chairs and Vice-Chairs of Committees
- Corporate Parenting

Some of these modules could not be completed due to the cancellation of sessions, but they were delivered in April, 2018.

Appendix 3: Scrutiny

<p>Core Principles to which this section relates:</p> <ul style="list-style-type: none"> • Core Principle C • Core Principle E • Core Principle G

Scrutiny

The Constitution sets out clear terms of reference for all Committees of the council. The Cabinet, and the Scrutiny and Audit Committees have rolling work programmes.

Scrutiny Committee Structure.

From April to May 2018 the Council operated 3 scrutiny committees namely:

- Scrutiny Committee A
- Scrutiny Committee B
- Audit Committee (designated in the Constitution as a scrutiny committee)

Following criticism of the effectiveness of Scrutiny in the Care Inspectorate Wales report on Children's Services, a review of Scrutiny Committee structure was undertaken and proposals for a new structure was considered by the Council at its Annual Meeting in May 2018. The proposals for three scrutiny committees together with an Audit Committee were rejected and two scrutiny committees together with an Audit Committee undertaking scrutiny was approved as follows:

- Learning, Skills and Economy Scrutiny Committee
- Health, Care and Housing Scrutiny Committee
- Audit (designated in the Constitution as a scrutiny committee)

The Council decided to retain the 3 scrutiny committee structure (including audit), to expand the membership to 21 Members (plus co-opted Members) meeting every two weeks, and to reflect the council's Vision 2025 in the revised terms of reference. In addition, it was decided to move away from using Member and Officer Working Groups, to have all meetings in public (excluding where confidential items are discussed) and to consider webcasting scrutiny meetings.

Following the revision to the scrutiny committee structure which took place in May 2018, concerns were expressed by both Members and Officers regarding the way

that the new structure was operating. External support was sought and a further review was undertaken which made a series of suggestions to the Council as to the way forward. One of those proposals led to the establishment of a Scrutiny Development Board in October 2018 comprising representatives of the Cabinet, Scrutiny Chairs and Vice-Chairs and the Executive Management Team. The role of the Development Board was to review the effectiveness of the revised structure and to bring forward proposals to Council.

The Development Board concluded that the revised structure was not providing the scrutiny structure that the Council required and suggested the following amendments:

Creation of 3 scrutiny committees based on Vision 2025 namely:

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

The Audit Committee would not undertake any scrutiny and would return to its statutory financial functions.

The Finance Scrutiny Panel would be renamed the Finance Panel, with the Portfolio Holder for Finance becoming a member of the Panel (but could not Chair the Panel). In addition, the Panel would undertake strategic financial scrutiny only with the scrutiny of individual services being undertaken by the 3 scrutiny committees.

The establishment of a Co-ordinating Committee comprising representatives of the Cabinet, Chairs and Vice-Chairs of the Scrutiny and Audit Committees and representatives of the Executive Management Team to undertake the development of the Scrutiny Forward Work Programme. The Co-ordinating Committee will not undertake any scrutiny with that function transferred to the Economy, Residents, Communities and Governance Scrutiny Committee. It is hoped that this wider group will improve the programming of scrutiny by bringing a wider perspective to the prioritisation of items for scrutiny. It will also approve the establishment of any Working Groups as well as undertake a further review of the effectiveness of the structure following 6 months on its implementation.

The proposals were discussed with members at a Members' Seminar in January 2019 and approved by Council at its meeting on 24 January, 2019. The new structure was implemented during February, 2019.

Scrutiny 2018-19

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

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

The Scrutiny Committees are independent of the Cabinet. The Audit Committee undertook a 'Scrutiny' function as allowed by the Local Government (Wales) Measure 2011 (up to February 2019), as audit and financial scrutiny is an integral part of any scrutiny process, as well as the statutory 'regulatory' functions. It oversees the work of Internal Audit, Risk Management and receives the reports of the Wales Audit Office. It has responsibility for approving the council's Accounts. It did monitor the council's performance in relation to its budget and achievement of performance targets, but this function is now undertaken by the Cabinet.

The council's committees also include some representatives who are not County Councillors. The Audit Committee has an independent "lay" member, the Learning, Skills and Economy Scrutiny Committee has co-opted Members in respect of education scrutiny. The Health and Care Scrutiny Committee has a co-opted member in respect of crime and disorder matters, although this role is currently vacant (role transferred to the Economy, Residents, Communities and Governance Scrutiny Committee from February 2019).

The council's Joint Chairs and Vice-Chairs Steering Group (Scrutiny Committees) which meets monthly undertakes the challenge of the Draft CIP and any updates as well as the Annual Performance Evaluation, the Well-Being Assessment and the Draft Well-Being Plan. Its main focus at each meeting is to co-ordinate the work programmes of the Scrutiny Committees, decide if joint working needs to be undertaken between committees and to ensure resources are available to undertake reviews or pre-decision Scrutiny.

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

The role of the Panel is not only to undertake the Scrutiny of the draft budget from Cabinet prior to its consideration by the council, but in addition to scrutinise elements underlying the budget process to assess whether base assumptions being used by the council were sound. The Panel will also look at the Medium Term Financial Strategy and the deliverability of financial targets in forthcoming years.

Public Service Board Scrutiny

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

Board. A schedule of meetings and a work programme is being developed for the committee. At the September 2018 meeting the PSB Scrutiny Committee decided to scrutinise step 10 in the implementation of the Well-Being Plan.

Review of effectiveness:

The Finance Scrutiny Panel (FSP) provided an interim report on the 2019/20 budget to Cabinet in December 2019. This was supplemented with strategic comments on the budget process in to both Cabinet and County Council in February and March 2019.

Scrutiny has been the subject of 2 reviews during 2018 -19, one concluding with the decision in May, 2018 and a subsequent one concluding with the Council decision in January 2019. It was also decided in January that the Co-ordinating Committee would review the effectiveness of the current structure once it had been in operation for 6 months.

The areas which were scrutinised during 2018/19 are set out below. This included pre-decision scrutiny, monitoring of improvement plans, scrutinising corporate plans.

The PSB Scrutiny Committee has had a difficult start with the first meeting being inquorate and the second in January being cancelled due to the unavailability of participants an other items being withdrawn.

There is a focus on developing the Cabinet Work Programme in line with a recommendation from the Wales Audit Office, who have suggested that the council should have an 18 month Cabinet Work Programme. This would assist in the development of the Scrutiny Work Programme. Progress in achieving an 18 month Cabinet Work programme whilst slow is improving with continued action being taken to remind services of the need to populate this Work programme.

Reports from Scrutiny reviews containing the findings together with any recommendations are presented to Cabinet for their consideration. The Cabinet is expected to produce an action plan to respond to any recommendations made by Scrutiny. In respect of pre-decision Scrutiny the comments of the Scrutiny review group are made to the Cabinet / Executive Management Team meetings. A final report will be included with the Cabinet papers setting out the original recommendations to the Cabinet / Executive Management Team together with an update regarding amendments to the final Cabinet report as a result of those initial Scrutiny recommendations. It is hoped to develop this further in 2019-20 by monitoring how many recommendations from scrutiny committees are accepted in full or partially or rejected.

Recommendations for development:

Scrutiny

- Co-ordinating Committee to review the effectiveness of the new scrutiny structure agreed in January 2019 following 6 months of operation.
- Monitor recommendations from scrutiny committees to Cabinet that are accepted in full, partially accepted or rejected.
- Undertake self assessment of scrutiny to assess its effectiveness.

The following are examples of areas which were scrutinised / Pre-scrutinised during 2018/19:

Audit Committee:

- Financial Overview and Forecast and Capital Reports
- Corporate Risk Register and its transition to a Strategic Risk Register
- Treasury Management
- WAO Reports
- Statement of Accounts
- WAO reports – Transformation Review and Overview and Scrutiny
- Internal Audit reports
- Children’s Services Budget
- Theatr Brycheiniog
- Joint meeting with Pensions and Investment Committee regarding the Actuary’s report

Finance Scrutiny Panel:

- Children’s Services Budget
- Review of roles and responsibilities of the Panel
- Budget Process and Planning including monitoring of the funding gap and savings proposals

April to May 2018

Scrutiny Committee A:

- Corporate Safeguarding
- North Powys Office Accommodation Review
- Corporate Leadership and Governance Plan

Scrutiny Committee B:

- Corporate Leadership and Governance Plan

May 2018 – January 2019

Health, Care and Housing Scrutiny Committee:

- Crime and Disorder
- Adult Social Care Improvement Plan
- Dynamic Purchasing
- Social Services Annual Report
- Adult and Children’s Services Performance Reports

- Bannau Camlas Inspection
- CIW Inspection
- Children's Improvement Plan
- Improvement and Assurance Board minutes
- Fostering Inspection Report
- Integrated Youth Support
- Integrated Family Support
- LAC Strategic Framework
- Homelessness Strategy
- Love Where You Live
- Management of Powys Residential Care Homes
- Damp and Thermal Comfort Strategies
- Daytime Activities for Older People

Learning, Skills and Economy Scrutiny Committee:

- Schools Funding Formula Review – June, August, December and January
- Welshpool Primary Schools and Ysgol Calon Cymru – referral from Cabinet
- Education Improvement Plan – pre-Cabinet scrutiny
- County Farms – pre-Cabinet scrutiny
- Home to School Transport Policy – pre-Cabinet scrutiny
- ALN and Digital Learning – updates
- Schools Asset Management Plan – pre-Cabinet scrutiny
- School Budgets – pre-Cabinet scrutiny
- Provisional Learner Outcomes – Performance monitoring
- Heart of Wales Property Services – Performance monitoring
- Review of pre-school provision - monitoring

February to March 2019

Health and Care Scrutiny Committee:

- Children's and Adults Performance Reports
- Management of Powys Owned Residential Homes – progress report

Learning and Skills Scrutiny Committee:

- Schools Major Improvements Programme
- School Balances – monitoring
- Briefing on Secondary School Standards, Attendance and Exclusions

Economy, Residents, Communities and Governance Scrutiny Committee:

- Gender Pay Report
- Removing Barriers to Employment
- Feasibility Study (pre Cabinet decision scrutiny)

Appendix 4: Wales Audit Office

Wales Audit Office (WAO) is the public sector watchdog for Wales. Their aim is to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.

During the course of the 2018-19 financial year, the Auditor General issued 6 reports that included a number of proposals for improvement as outlined below

WAO Overview and scrutiny, fit for the future? (Report issued September 2018)

- P1 Be specific in the reports presented to overview and scrutiny why the committee is receiving the information and how this relates to the role of the scrutiny committee.
- P2 Provide more training specifically for Chairs and Vice Chairs of overview and scrutiny committees to enable them to be more effective in their role.
- P3 Make arrangements for further training for scrutiny committee members on the Well-Being of Future Generations (WFG) Act in order to help embed WFG considerations into the Council's decision-making processes
- P4 Strengthen arrangements for public and other stakeholder engagement in overview and scrutiny.
- P5 Clarify the arrangements for feeding back overview and scrutiny committees' views to Cabinet and for Cabinet to respond to recommendations made.
- P6 Put in place arrangements for assessing the effectiveness and impact of overview and scrutiny.

WAO Service User Perspective Review - Housing Services (August 2018)

- P1 The Council should urgently strengthen the future delivery of the WHQS by accelerating its development of a comprehensive strategy and action plan to address the issues facing tenants who are living in cold homes.
- P2 The Council should work with tenants to strengthen its approach to assisting people experiencing problems with condensation and damp.
- P3 The Council should strengthen its approach to engagement and explore more innovative ways to reach the many people who are hard to reach due to the geographical challenges of living in Powys.

WAO - Review of PCC Transformation and Efficiency Savings Programme (October 2018)

- Need to increase the scale of change from service improvement to bigger transformational change
- Need to address the organisations track record of under delivery of target savings
- Need to address the gaps in savings plans going forward
- Need to establish clear outcomes for all aspects of the transformation programme
- Need to ensure that the performance measures you are using are the right ones to help drive transformation

WAO Well-being of Future Generations: An examination of 'Improve our Schools Infrastructure'

- Our examination found that: The Council has acted in accordance with the sustainable development principle in setting the 'step' Improve our Schools Infrastructure and is taking account of the five ways of working in the actions it is taking to deliver it.
- The Council has considered how the step will address key problems such as building condition, school budget deficits, poor student offer at sixth form and limited Welsh-medium provision, the problem of surplus places is recognised but the Council needs to be clearer on how the step will prevent this issue getting worse

WAO - Audit of Powys County Council's 2018-19 Improvement Plan (issued July 2018)

- As a result of my audit, I believe that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

WAO - Audit of Powys County Council's assessment of 2017-18 performance (Issued November 2018)

- As a result of my audit, I believe that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Appendix 5: Care Inspectorate Wales

Care Inspectorate Wales (CIW) encourages the improvement of social care, early years and social services by regulating, inspecting, reviewing and providing professional advice to ministers and policy makers.

Since 2017 the Council has been addressing the recommendations of highly critical CIW reports into both children's and adult's social services. These inspection reports highlighted failings, not only in these services, but also in the corporate leadership of the authority. In order to address the recommendations, the council has been focussed on delivering its Childrens and Adults Improvement Plans during 2018-19, both of which have been reviewed in light of further monitoring visits and inspections, as outlined below:

During 2018-19, the council received the following key inspections:

CIW Adults Inspection Report May 2018 - Their report set out six priority recommendations and a further ten where they expect to see improvement in the next 12 months.

- R1 - senior leaders must continue to provide strong political and corporate support for adult services to ensure service improvements;
- R2 - ensure all safeguarding enquiries are undertaken within statutory timescales;
- R3 - ensure clear management oversight and understanding of demand, capacity and prioritisation of workflow within adult safeguarding;
- R4 - strengthen the existing adult services improvement plan;
- R5 - urgently improve systems to ensure the management and prioritisation of allocation, assessment and service delivery to prevent delays in people receiving services.
- R6 - produce a robust workforce strategy including short, medium and long term plans for recruitment and retention of the adult services workforce.

CIW Childrens and Adults services monitoring visit July 2018 – In July 2018 CIW carried out monitoring activity to review the council's progress in delivering its improvement plans for Adult and Children's services. Their fieldwork focussed on safeguarding and quality assurance arrangements.

“We saw revisions and development of systems of quality assurance in both Adult and Children’s Services. We were aware of the auditing work in Children’s Services and now have increased confidence in the local authority’s capacity and intent to scrutinise process and practice, through your appointment of Quality Assurance Managers and Policy Officers. Additional resource within the Independent Reviewing Officer team has greatly enhanced the challenge role within Children’s Services.

We are satisfied management supervision discussions are occurring regularly and this continues to be a priority area. We note a rise in complaints received, which you have responded to by additional resourcing and an increased senior management focus on the quality of initial investigations and staff learning from themes identified.”

Areas of concern/for improvement

Quality assurance

- Managers in Adult Services completed fewer file audits in May and June than expected. This was attributed to capacity issues, which is likely to continue to be a challenge across social services.

Complaints

- Social Services are receiving 20 complaints per month. Almost half relate to poor communication by social work staff. Senior managers are looking at the quality of stage one investigations, while Complaints Officers provide reports

Supervision

- Some supervision records showed more attention than others did to professional development and personal issues. It was not usual for actions set by managers to have a timeframe for completion. In two instances, we saw sections of text had been copied and pasted from the previous supervision record.

Partnership working

- Health representatives believe there have been opportunities for greater collaboration between statutory agencies on strategy documents. Senior managers in the local authority agreed more collaboration would advantage multi agency working.
- Health representatives were concerned they are not routinely involved in the initial stages of safeguarding work and/or informed of outcomes. We saw evidence of this in our review of files.
- Police believed multi agency working in adult safeguarding would benefit from greater contact at a senior management level.

Safeguarding boards

The work agenda of the local operations groups could ensure all measures to explicate and improve multi agency working in safeguarding are prioritised.

CIW Childrens Services Inspection October 2018 (CIW Report issued January 2019)

Powys County Council’s children’s services has achieved significant improvements in certain areas, and some improvement in others. There continue to be areas of practice where we have serious concerns.

Areas for development

The report identifies many areas for continued development; we find the priority areas for action are:

- *Ensure there is a clear strategic vision to direct overarching planning and the delivery of a seamless service for children and families, incorporating effective early help and family support services alongside statutory intervention.*
- *Clearer focus on improving strategic relationships with partners to increase collaborative working to the benefit of children and families.*
- *Development of a commissioning strategy and social work practice to anticipate children's accommodation needs, reduce the numbers of emergency placements and enable PCC to better fulfil its duty to access a sufficient range of accommodation for looked after children close to home. To minimise the number of children placed without agreed educational provision.*
- *Ensure the safeguarding process incorporates multi-agency information sharing as soon as possible following referral to ensure informed practice and best outcomes for children.*
- *Ensure an immediate multi-agency response to safeguard children at risk of sexual exploitation (CSE).*
- *Ensure investigations of complaints are thorough and timely in accordance with Welsh Government guidelines.*

CIW monitoring visit for Adults Services - December 2018

The council has accepted and welcomed CIW findings following a formal monitoring visit of adult services, undertaken in November and December. During the visit inspectors examined care and support in adult services and found overall improvement and the 'beginnings of a cultural shift towards continuous improvement'. Inspectors said they found good and excellent examples of care and support planning and had spoken to 'highly committed staff'. They also identified areas requiring improvements, particularly within domiciliary care provision, which it said the council needed to improve service consistency.

Appendix 6: Estyn

Estyn is the Office of Her Majesty's Chief Inspector of Education and Training in Wales. Their mission is to achieve excellence for all learners in Wales through raising the standards and quality in education and training. Estyn has a wide range of statutory inspection and reporting responsibilities which include inspection of all publicly funded education and training across Wales.

Estyn Improvement Conference April 2018

Powys was selected to be one of three councils involved in piloting the new improvement conference inspection activity. The schools service has carried out a lot of work to ensure that it responds to the scrutiny which takes place in these meetings as well as the recommendations made by HMI. A Self-Assessment Report was developed in preparation for the second Improvement conference held in April 2018. The conference focussed on:

- The council's plans for addressing the underperformance of secondary aged pupils, including the response to the recommendations from the initial improvement conference
- The effectiveness of central finances support in overseeing schools budgets

The Estyn outcome letter, which was published following the improvement conference in April 2018 states:

Inspectors sought assurance that the authority:

- *has taken appropriate action since the initial improvement conference*
- *is making suitable progress in securing better outcomes for learners*
- *has coherent plans to continue to address the issues raised at the initial improvement conference, and that these plans may need to be revised to take into account changing circumstances*
- *has sufficient resources to implement its plans*
- *has rigorous processes in place to monitor the implementation of its plans and evaluate the impact*

The authority's plans for addressing the underperformance of secondary aged pupils
"Estyn remains assured that the local authority understands the reasons behind the relative weak performance of its secondary schools in recent years. Two-thirds of secondary schools in Powys have been identified locally as requiring significant support and are amber or red category. Although progress has been slow and the local authority acknowledged that its monitoring of schools had not been rigorous enough, the authority is strengthening its work to quicken the pace of improvement in schools. This includes new staff to support school improvement work, a more robust approach to challenging, supporting and monitoring schools causing concern and tighter performance management arrangements.

Four secondary schools have appointed a new head teacher since the initial conference, and the authority has ensured that there is support available to these new head teachers, though it is not possible to evaluate this as part of the conference process. Only two secondary schools have middle leaders participating in the professional learning programme for middle leaders available through ERW, and I am concerned at this low take-up. I recommend that the authority works with ERW to ensure that middle leaders in other schools are receiving appropriate professional learning to meet their needs and to strengthen the quality of leadership and management in schools where this is an area for improvement".

The effectiveness of central finance support in overseeing school budgets

"The local authority knows that its current budget position is unacceptable and has a good understanding of the reasons that have caused this. The authority has detailed financial data on the position of every school as well as its internal service areas. School leaders and governors as well as senior offices and elected members are all aware of relevant financial information to enable them to fulfil their responsibilities. Over the last 12 months, the authority has issued a warning notice to six secondary schools and two primary schools, requiring these schools to take action to address their deficit budgets. The local authority has recently ensured that Brecon High School, which is in a very poor deficit position, agreed a plan to address their budget.

I note that, as a result, the local authority has not used its powers to suspend the governing body's right to a delegated budget”.

No further improvements were requested, but there is now a clear mandate to continue on the improvement journey that the service has commenced and to show clear evidence of impact. A new cycle of local government education services inspections commenced in September 2018.

Appendix 7: Internal Audit

Internal Audit is subject to the requirements and principles of:

- Public Sector Internal Audit Standards in the UK - 2017
- CIPFA Local Government Application Note – 2013

Reviews

An Internal Audit Charter was agreed by the Audit Committee in 2018/19 that defines the purpose, authority and responsibility in terms which are consistent with the professional standards.

Internal Audit undertook a programme of risk-based work, formulated using an approved planning strategy, to review the council's internal control environment.

Each audit undertaken contained an opinion on the control framework and agreed actions by Management to correct the areas of risk identified. Internal Audit undertake a programme of follow-up reviews on high risk areas.

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

In accordance with the recognised standards, the Head of Audit is required to give an opinion on the overall internal control environment based on the work undertaken throughout the year. This report is presented to the Audit Committee annually.

Details of the Internal Audit's Annual opinion are set out below.

SWAP Annual Report and Opinion 2018-19:

The Annual Report gives the opinion of the Head of Internal Audit on the adequacy and effectiveness of internal control. Opinions are a balanced reflection, not a snapshot in time. Information to support this assessment is obtained from multiple engagements and sources. The results of these engagements, when viewed together, provide an understanding of the Council's risk management processes and their effectiveness.

The opinion is based on the following sources of information:

- Completed Audits in 2018/19
- Observation from any advisory/ investigative work

- Material risk where management has not accepted the need for mitigating action
- Follow up of previous audits
- Notable changes to the organisation's strategy, objectives or organisational structure

Over the year, the Internal Audit Team have found Senior Management of Powys County Council to be generally supportive of Internal Audit findings and responsive to the recommendations made. In addition, there is a good relationship with Management whereby they feel they can approach the Head of Audit openly in areas where they perceive potential problems. However, during the course of 18/19 the Council transitioned to a new Senior Management structure that resulted in periods when the key leads for audit projects for became unavailable for a significant period. Whilst the audit team tried to minimise any disruption, the managerial absence and lack of continuity impacted on the ability to deliver some of the audit assignments.

81% of completed audits received Substantial or Reasonable opinions in relation to the control environment. Of the assignments completed in 2018/19 (57 in total, there are 7 areas that have been awarded partial or No assurance in relation to their control environment (none of them Fundamental Systems). The findings within these audits with moderate and major risk exposure have, on the whole, been appropriately addressed by management. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit as part of the 2019/20 Plan and by the Internal Audit Working group. Further details of audits with Partial Assurance opinions can be found below.

Generally, the follow-up work confirms the responsive nature of management in implementing agreed recommendations to mitigate exposure to areas of significant risk. Follow up audits completed in the year have not identified any significant issues regarding non-implementation of recommendations.

The Council exists in a complex and ever-changing environment. As result, the Internal Audit work programme has remained flexible to ensure that new and emerging areas are undertaken such as special investigations and consultancy as directed by the Council.

There were no material concerns in relation to fraud risk and there have been no significant losses identified in internal audit investigations in the year.

The summary of outcomes of audit work for 2018/19 were:

- mostly medium risk rated weaknesses identified
- isolated high rated risks identified
- no critical weakness identified
- broadly satisfied with Managements approach to resolving significant issues.

Internal Audit cannot review all risks and assurances relating to Powys County Council and cannot provide absolute assurance on the internal control environment. However, based on the risk based work undertaken, I am able to offer annual opinion of:

REASONABLE ASSURANCE: The control framework is adequate and controls to mitigate key risks are generally operating effectively, although a number of controls need to improve to ensure business objectives are met.

For those audits which have reached report stage through the year, none have been assessed as 'High' i.e. No Assurance.

Those risk that are significant (Partial Assurance) have been reported to the Audit Committee and have been tracked by the Internal Audit Working Group.

The following final audits received a Partial assurance opinion in respect of their control environments in 2018/19. These audits have been or will be reviewed by the Internal audit working group for follow-up.

Audit Name	Key Issues
Crickhowell High School	Ineffective budget management and health and safety issues.
Llanfyllin Primary School	Governance records, financial delegation, school funds, payments, banking and health and safety.
Members Travel Expenses	Training and awareness of the system and policies. VAT receipts.
Officers Travel Expenses	Failure to delivery corporate objective of reducing mileage. VAT receipts.
Risk Management Follow-up	Failure to deliver key aspects of the revised risk management strategy.
Section 33	Failure to have agreements in place to support past and current joint service. Partnership board not ensuring agreements are in place.
Software Licensing	The Council do not reconcile the software it has on its hardware for non-Microsoft products. Unapproved installations occur that may be in breach of the legislation.

Glossary:

ACRF	Annual Council Reporting Framework
AGS	Annual Governance Statement
CIP	Corporate Improvement Plan
CIPFA	Chartered Institute of Public Finance and Accountancy
CIW	Care Inspectorate Wales
CLGP	Corporate Leadership and Governance Plan
CSE	Child Sexual Exploitation
EMT	Executive Management Team
ERW	Education through Regional Working
FSP	Finance Scrutiny Panel – now the Finance Panel from January 2019 (FP)
GDPR	General Data Protection Regulations
HMI	Her Majesty's Inspectorate
ILM	Institute of Leadership and Management
JCG	Joint Governance Committee (of the Wales Pension Partnership)
JMT	Joint Management Team (Powys County Council and Powys Teaching Local Health Board)
JPB	Joint Partnership Board
CLA	Children Looked After
LDP	Local Development Plan
LGPS	Local Government Pension Scheme
MTFS	Medium Term Financial Strategy
PDR	Personal Development Review
PMAQAF	Performance Management and Quality Assurance Framework
PSB	Public Service Board
SIRO	Senior Information Risk Owner
SOLACE	Society of Local Authority Chief Executives
SWAP	South West Audit Partnership
WAO	Wales Audit Office
WFG	Well-Being of Future Generations Act

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



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Powys County Council

Annual Report and Opinion 2018-19

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

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The Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.

Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes;
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the Governance framework
- Outline the work actually undertaken and any material variation from the agreed work programme
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Three lines of defence

To ensure the effectiveness of an organisation’s risk management framework, the Audit Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines of Defence' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line of defence – functions that own and manage risk.
- the second line of defence – functions that oversee or specialise in risk management, compliance.
- the third line of defence – functions that provide independent assurance.

Scope

The Internal Audit service for Powys County council is provided by SWAP Internal Audit Services. The team’s work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority’s control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and this Committee . This report summarises the activity of the Internal Audit team for the 2018/19 year.

The position of Internal Audit within an organisation’s governance framework is best summarised in the three lines of defence model shown below.



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

The Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.

Annual Opinion

Senior Management and Members are ultimately responsible for ensuring an effective system of internal control. The purpose of internal control is to manage risk rather than eliminate it. Getting the balance of internal control right is essential for organisational success. Under control could expose the Council to unacceptable risk, whilst over control takes valuable resources and can lead to inefficiency. Therefore, the internal control environment needs to maintain the correct balance to help Powys County Council to deliver its Services with decreasing resources.

The Annual Report gives the opinion of the Head of Internal Audit on the adequacy and effectiveness of internal control. Opinions are a balanced reflection, not a snapshot in time. Information to support this assessment is obtained from multiple engagements and sources. The results of these engagements, when viewed together, provide an understanding of the Council's risk management processes and their effectiveness.

The opinion is based on the following sources of information:

- Completed Audits in 2018/19
- Observation from any advisory/ investigative work
- Material risk where management has not accepted the need for mitigating action
- Follow up of previous audits
- Notable changes to the organisation's strategy, objectives or organisational structure

Over the year, the Internal Audit Team have found Senior Management of Powys County Council to be generally supportive of Internal Audit findings and responsive to the recommendations made. In addition, there is a good relationship with Management whereby they feel they can approach the Head of Audit openly in areas where they perceive potential problems. However, during the course of 18/19 the Council transitioned to a new Senior Management structure that resulted in periods when the key leads for audit projects became unavailable for a significant period. Whilst the audit team tried to minimise any disruption, the managerial absence and lack of continuity impacted on the ability to deliver some of the audit assignments.

Annual Opinion Continued

81% of completed audits received Substantial or Reasonable opinions in relation to the control environment. Of the assignments completed in 2018/19 (57 in total, there are 7 areas that have been awarded partial or No assurance in relation to their control environment (none of them Fundamental Systems). The findings within these audits with moderate and major risk exposure have, on the whole, been appropriately addressed by management. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit as part of the 2019/20 Plan and by the Internal Audit Working group. Further details of audits with Partial Assurance opinions can be found in Appendix A on page 8.

Generally, the follow-up work confirms the responsive nature of management in implementing agreed recommendations to mitigate exposure to areas of significant risk. Follow up audits completed in the year have not identified any significant issues regarding non-implementation of recommendations.

The Council exists in a complex and ever-changing environment. As result, the Internal Audit work programme has remained flexible to ensure that new and emerging areas are undertaken such as special investigations and consultancy as directed by the Council.

There were no material concerns in relation to fraud risk and there have been no significant losses identified in internal audit investigations in the year.

The summary of outcomes of audit work for 2018/19 were:

- mostly medium risk rated weaknesses identified
- isolated high rated risks identified
- no critical weakness identified
- broadly satisfied with Managements approach to resolving significant issues.

Internal Audit cannot review all risks and assurances relating to Powys County Council and cannot provide absolute assurance on the internal control environment. However, based on the risk based work undertaken, I am able to offer annual opinion of:

REASONABLE ASSURANCE: The control framework is adequate and controls to mitigate key risks are generally operating effectively, although a number of controls need to improve to ensure business objectives are met.

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.

High Corporate Risk

For those audits which have reached report stage through the year, none have been assessed as 'High' i.e. No Assurance

Those risk that are significant (Partial Assurance) have been reported to the Audit Committee and have been tracked by the Internal Audit Working Group.

Partial Assurance Summary

The following final audits received a Partial assurance opinion in respect of their control environments in 2018/19. These audits have been or will be reviewed by the Internal audit working group for follow-up.

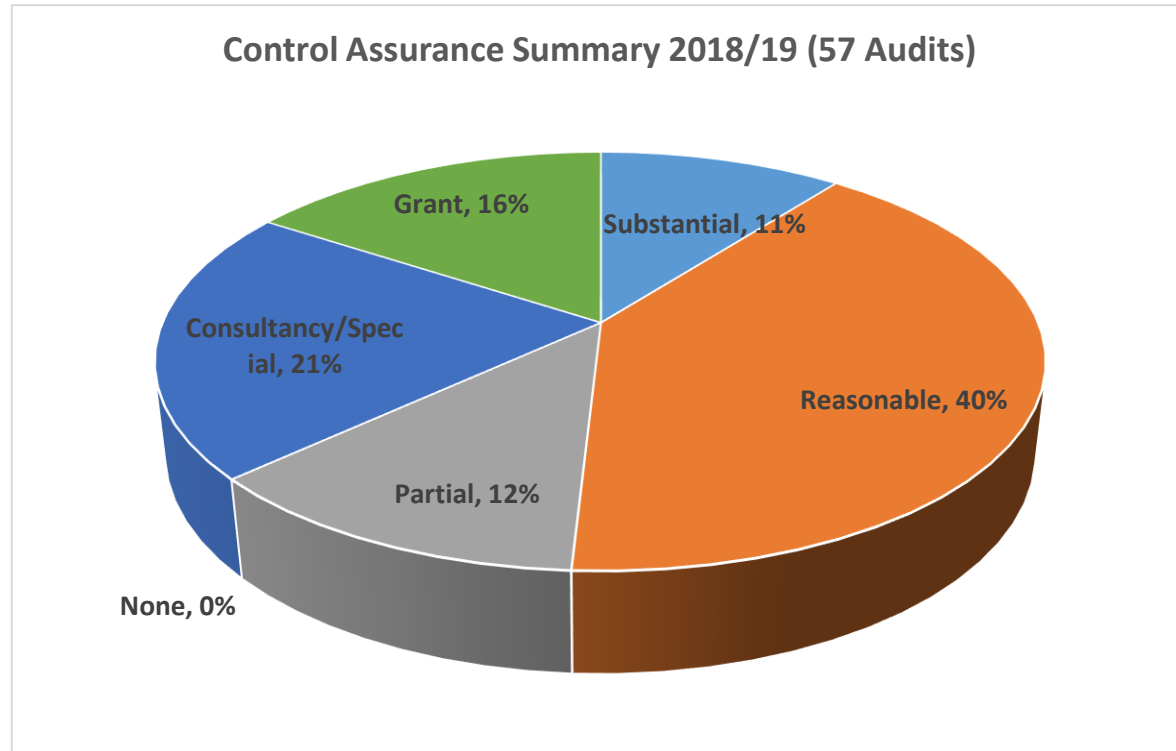
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Section 33	Failure to have agreements in place to support past and current joint service. Partnership board not ensuring agreements are in place.
Software Licensing	The Council do not reconcile the software it has on its hardware for non-Microsoft products. Unapproved installations occur that may be in breach of the legislation.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Summary of Control Assurance Opinions



When you consider only those audits that offer an opinion, 81% of audit work received a favourable opinion in 2018/9. The proportion of favourable reports for 2017/18 was 75%.

Value Added

'Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more, while adding little or nothing to its cost.'



Value Added

Throughout the year, Internal Audit has strived to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

The section continues to provide advice and support on controls across the organisation and responds to requests to assist with specific pieces of work. During the year, the section has:

- *Attended Management Teams and forums to advise on control issues e.g. Powys School forum*
- *Circulated Fraud alerts that we become aware of through professional networks e.g. Bank mandate fraud*
- *Participation in knowledge sharing and benchmarking requests across partnership e.g. election, waste, sickness*
- *Sharing of significant risk across the partnership*
- *Attendance at working groups. e.g. IA working group*
- *Representing Powys at the Welsh Chief Auditor Network*
- *Facilitated Members Training Day in Crickhowell*
- *Presented to Council on "Lesson Learned from Northamptonshire Council"*

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AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED START	STATUS	OPINION	RECOMMENDATIONS		
							Priority 1	Priority 2	Priority 3
SERVICES DELIVERED FOR LESS									
*Management	Project management	Governance, Fraud & Corruption	Projects Benefits Realisation	Apr-19	Draft	Partial	3	2	1
*Finance	Financial transactions management	Governance, Fraud & Corruption	National Anti-Fraud Initiative	April 2018	Final	Advisory- No Opinion	N/A	N/A	N/A
SUPPORTING PEOPLE IN THE COMMUNITY									
*Adult care services	Supporting adults	Operational	Payment Process - Social Care	April 2018	Final	Reasonable	0	4	3
Children and families services	Supporting children	Consultancy	Children Services- Agency Payments	Jul-18	Final	Advisory- No Opinion	N/A	N/A	N/A
*Adult care services	Supporting adults	Grant Certification	Supporting People Grant 18/19 PCC	January 2019	Final	Certified	N/A	N/A	N/A
*Finance	Accounts and audit	Grant Certification	Grant Certification - Travellers Grant	April 2018	Final	Certified	N/A	N/A	N/A
*Housing	Managing tenancies	Operational	Housing Rent System - PCC	October 2018	Final	Reasonable	0	1	1

*Housing	Housing stock	Operational	Housing Repairs and Maintenance	October 2018	Final	Reasonable	0	1	2
*Children and families services	Supporting children	Grant Certification	Grant Certification - NTSB Grant 2017/8	April 2018	Final	Certified	N/A	N/A	N/A
*Adult care services	Supporting adults	Operational	Brokerage	July 2018	Final	Reasonable	0	1	1
*Adult care services	Carers	Operational	Safer Recruitment	Jan-19	Carried Forward	Due to staff illness			
*Housing	Managing tenancies	Grant Certification	Enable Grant 16/17	Oct-18	Final	Certified	N/A	N/A	N/A
* Replaces Looked after Children Audit									
AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED START	STATUS	OPINION	RECOMMENDATIONS		
							Priority 1	Priority 2	Priority 3
DEVELOPING THE ECONOMY									
*Management	Preparing business	Follow up	Partnership and Collaboration - Follow up	October 2018	Final	Reasonable	0	1	0
IMPROVING LEARNER OUTCOMES									
*Education and skills	Management of schools	School	Llanfyllin High School 18/19	October 2018	Final	Reasonable	0	3	4
*Education and skills	Management of schools	School	Crickhowell High School	January 2019	Final	Partial	3	3	0

*Education and skills	Management of schools	School	Llandrindod High School Budget Management	July 2018	Final	Advisory - Non Opinion	N/A	N/A	N/A
*Education and skills	Management of schools	School	Ysgol Llanerfyl 18/19	July 2018	Final	Substantial	0	0	3
*Education and skills	Management of schools	School	Ysgol Pontrobert 18/19	July 2018	Final	Reasonable	0	1	4
*Education and skills	Management of schools	Special Investigation	Llanfyllin Primary School 18/19	November 2018	Final	Partial	2	5	7
*Education and skills	Management of schools	School	Leighton C.P 18/19	Jul-18	Final	Reasonable	0	0	1
*Education and skills	Management of schools	School	Ysgol Cedewain	October 2018	Final	Reasonable	0	3	2
*Education and skills	Management of schools	School	Guilsfield CP	Apr-18	Final	Reasonable	0	1	3
*Education and skills	Management of schools	School	Mount Street CP	Apr-18	Final	Reasonable	0	1	5
*Education and skills	Management of schools	School	Llanfaes CP	Apr-18	Final	Reasonable	0	2	0
*Education and skills	Management of schools	School	Hay on Wye CP	Oct-18	Final	Reasonable	0	1	1
*Education and skills	Management of schools	School	School Theme - Property and Health and Safety PCC	January 2019	Final	Substantial	0	0	1
*Education and skills	Management of schools	School	School Theme - Financial Administration PCC	July 2018	Final	Reasonable	0	2	0
*Children and families services	Supporting children	Grant Certification	Welsh Gov -18/19 - EIG & PDG Q1	April 2018	Final	Certified	N/A	N/A	N/A
*Children and families services	Supporting children	Grant Certification	Welsh Gov - 18/19 - EIG & PDG Q2	July 2018	Final	Certified	N/A	N/A	N/A
*Children and families services	Supporting children	Grant Certification	Welsh Gov - Schools - EIG & PDG Q3	Oct-18	Final	Certified	N/A	N/A	N/A
*Children and families services	Supporting children	Grant Certification	Welsh Gov - Schools - EIG & PDG Q4	Jan-19	Final	Certified	N/A	N/A	N/A

CORPORATE GOVERNANCE									
* Healthy Organisation	Governance Framework	Governance, Fraud & Corruption	Healthy Organisation Review 18/19 PCC	April 2019	In Progress	19/20			
*Information and communication technology	Information Security Management	Follow Up	General Data Protection Regulations Follow Up - PCC	April 2018	Final	Reasonable	0	0	0
*Finance	Accounts and audit	Governance, Fraud & Corruption	Serious and Organised Crime Audit	Jun-18	Final	Reasonable	0	2	0
AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED START	STATUS	OPINION	RECOMMENDATIONS		
							Priority 1	Priority 2	Priority 3
FINANCIAL MANAGEMENT									
*Finance	Capital Accounting / Asset Management	Governance, Fraud & Corruption	Capital Accounting	October 2018	Draft	Partial	0	3	0
*Finance	Payroll and pensions	Governance, Fraud & Corruption	Payroll	October 2018	Final	Substantial	0	1	2
*Finance	General Ledger / Main Accounting	Governance, Fraud & Corruption	Main Accounting - PCC (See Note 1)	July 2018	Deferred	19/20			
*Finance	Accounts Receivable	Key Control	Debtors- Credit Notes 18/19- PCC	April 2018	Final	Substantial	0	0	1
*Finance	Financial provisions management	Governance, Fraud & Corruption	PCC - Budgeting 18/19	October 2018	Draft	Reasonable	0	4	1

*Education and skills	Management of schools	Follow up	Schools - Cashless Systems - Follow up	July 2018	Final	Reasonable	0	0	1
*Finance	Financial transactions management	Operational	Income Generation	July 2018	Deferred	19/20			
*Management	Project management	Operational	Members Expenses	April 2018	Final	Partial	4	2	1
*Finance	Payroll and pensions	Key Control	Travel Expenses (Officers)	October 2018	Final	Partial	1	4	0
*Finance	Accounts Receivable	Operational	Debtors System	May 2018	Final	Reasonable	0	2	6
Note 1- A new main accounting system is being implemented on the 01/04/2019. The audit has been deferred until after the new system is operational.									
RISK and PERFORMANCE MANAGEMENT									
*Risk management and insurance	Risk Management	Governance, Fraud & Corruption	Risk Management 18/19 - Follow Up PCC	January 2019	Final	Partial	0	3	3
*Management	Quality and performance	Governance, Fraud & Corruption	Performance Management 18/19 - PCC	January 2019	Final	Advisory - No Opinion	N/A	N/A	N/A
AREA	SUB AREA	TYPE	ASSIGNMENT NAME	PLANNED START	STATUS	OPINION	RECOMMENDATIONS		
							Priority 1	Priority 2	Priority 3
COMMISSIONING and PROCUREMENT									

*Procurement	Tendering	Operational	Commissioning - Options Appraisal / Decommissioning	Jan-19	Not started	19/20			
*Procurement	Contracting	Follow up	Commercial Services - Follow up	July 2018	Final	Reasonable	0	1	0
*Partnerships	Contract Management	Operational	Section 33	Apr-18	Final	Partial	1	0	0
*Procurement	Contracting	Operational	HOWPS Contract Management	October 2018	WIP	Carried forward 19/20			
*Procurement	Contracting	Operational	Freedom Leisure Contract Management	October 2018	Final	Reasonable	0	1	2
INFORMATION MANAGEMENT									
*Information and communication technology	Information Security Management	ICT	Software Licensing - 18/19 PCC	July 2018	Final	Partial	2	2	2
*Information and communication technology	Information Security Management		End Point Security - 18/19 PCC	Oct-18	Final	Reasonable	0	2	2
*Information and communication technology	System support	ICT	Change Control	April 2018	Deferred	WIP 19/20			
*Information and communication technology	Asset and Configuration Management	ICT	ICT Procurement	July 2018	Final	Reasonable	0	1	0
*Information and communication technology	Strategy and Governance	ICT	Crisis Management	April 2018	Final	Substantial	0	0	2
PROGRAMME and PROJECT MANAGEMENT									

*Management	Project Management	Governance, Fraud & Corruption	Project Governance Arrangements	October 2018	deferred	19/20			
PEOPLE and ASSET MANAGEMENT									
*Human resources	Administering employees	Operational	Sickness Management 2018	April 2018	Final	Reasonable	0	1	5
*Human resources	Workforce planning	Follow up	Workforce Planning 18/19 PCC	Jan-19	Deferred	19/20			
*Human resources	Training	Operational	Role of the Powys Manager	April 2018	Final	Substantial	0	0	1
*Health and safety	Monitoring	Operational	Corporate Health and Safety	July 2018	Deferred	WIP 19/20			
ADDITIONAL UNPLANNED WORK									
Governance	Democracy	Special Investigation	Monitoring Officer Investigation	Jun-18	Final	Advisory - No Opinion			
*Housing	Managing tenancies	Grant Certification	Enable Grant 17/18	Jan-19	Final	Certified			
*Education and skills	Management of schools	School	Crickhowell High- Financial Administration	Mar-19	Deferred	Audit initiated 19/20			
*Finance	Payroll and pensions	Special Investigation	Travel Expenses Follow Up Work	September 2018	Final	Advisory- No Opinion	N/A	N/A	N/A
*Finance	Financial transactions management	Special Investigation	Highways Transaction Investigation	May 2018	Final	Advisory- No opinion	N/A	N/A	N/A
*Housing	Contracting	Special Investigation	SWG Contractor Complaint	Apr-18	Final	Advisory- No opinion	N/A	N/A	N/A

*Recreation & leisure	Catering and Cleaning	Client Request	Void Clearances	Dec-19	Final	Complete			
Corporate	Property	Client Request	Office Move	Oct-18	Final	Complete			
Governance	Democracy	Special Investigation	Travel Review	Feb-19	Final	Complete			
Governance	Democracy	Special Investigation	Anon Complaint Review – F system	Feb-19	Final	Closed			
*Adult care services	Supporting disabilities	Operational	Standby Payments	Jan-19	WIP				
Housing	Private Sector	Special Investigation	ECCO2 T	Jan -19	Final	Complete			

At the conclusion of audit assignment work each review is awarded a “Control Assurance”, a summary of the assurance levels is as follows:

Assurance Definitions	
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Recommendations have been assigned a priority based on the following framework:

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

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Powys County Council

Report of Internal Audit Activity

Progress as at Q1 2019/2020

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Contents

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Appendices:

Appendix A – Audit Framework Definitions

Appendix B – Summary of Work Activity Q1 2019/20

BACKGROUND

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The Internal Audit planning process considers the objectives of the Council and the risks that it faces in not achieving those objectives.

The coverage of the audit plan will enable the Head of Internal Audit to form an opinion on the overall control environment.



Role of Internal Audit

The Internal Audit Service for Powys County Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and is also guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The work of the Partnership is also guided by the 'Internal Audit Charter' that was approved in May 2019.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work is driven by the Council's vision of the future as specified in Powys 2025:



Summary of Work 2019/20

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Internal Audit provides an independent and objective opinion on the Authority’s control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting School Themes
- Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Schools
- Follow-up Audits
- Other Special or Responsive Reviews



Internal Audit Activity

Audit Plan Progress 2019/20 @ Q1:

Assignment Status	No.
Completed	7
Draft	2
Discussion Document	5
Work In Progress	8
Deferred to Q2	4

The schedule provided at Appendix B contains a list of all audits as agreed in the Q1 Audit Plan 2019/20. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed at Appendix A of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a ‘Partial Assurance Opinion’ is given as part of this report.

Added Value

'Extra feature(s) of an item of interest that go beyond the standard expectations and provide something more whilst adding little or nothing to its cost'

The Audit Committee should be made aware of those issues that hinder the effective operation of the Internal Audit Service.

Primarily, Internal Audit is an assurance function and will remain as such. However, as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control.

During this year, SWAP has added value through the circulation of industry bulletins and fraud prevention alerts wherever possible. We also share the outcomes of any benchmarking undertaken across our partner base. SWAP also aims to share the results of emerging areas of risk, or findings from relevant audit reviews undertaken at our Partners.

Audit Delivery

The Internal Audit Team has suffered two cases of long-term sickness in the first quarter. One of those cases is still on-going. These absences have affected the team's ability to deliver some of its work programme in Quarter 1. Additional resources have been allocated for quarters 2 and 3 to enable the plan to be delivered.

In addition, some Services have not provided information on a timely basis to allow the audit assignments to run efficiently. It is recognised that Services are going through significant change in addition to staff absences and vacancies in key positions. Those Services that caused delay were HR in the Healthy Organisation and Benefits realisation, Adult Social Care on standby payments, Finance for budgeting and IT for Patch Management. In addition, a follow-up assignment at Crickhowell High school was planned and reassigned on several occasions at the request of Management. Internal Audit will work closely with these services to improve the engagement and report further delays to the Committee.

SWAP Performance - Summary of Partial Opinions

- These are areas that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.



Summary of Partial Opinions

Significant findings from the audits that have been awarded partial assurance are summarised below:

Risk Management – Follow Up

Our follow-up review found the Service had made limited progress in implementing the recommendations made during the 2017/18 audit. An action plan was created addressing all recommendations made within the audit. Unfortunately, only the first two points of the action plan had been started, resulting in the planned completion dates needing to be updated. A summary of recommendations (not actions) is included in the table below:

Audit Objective	Progress Summary				
		Complete	In progress	Not Started	Total
To provide assurance that agreed actions to mitigate against risk exposure identified within the 2017/18 Partial opinion report have been implemented.	Priority 1	0	0	0	0
	Priority 2	1	1	0	2
	Priority 3	0	2	4	6
	Total	1	3	4	8

During this review it was noted that the post of Risk Management Officer had changed since the original report on two occasions.

Powys County Council had moved on in terms of improving the Risk Management Policy, however, the implementation of the policy had remained the same and had not been undertaken within the planned timeframe.

Within the policy there was a statement regarding the risk appetite statement, however further work is needed to embed risk appetite into the day to day running of the Council.

The Risk Management Officer had started to provide training for the new JCAD software and is providing it at the same time they upload the risk registers into the system. The timely roll-out of this software across officers and members is essential to provide a real-time accurate picture.

SWAP Performance - Summary of Partial Opinions (Cont'd)

- **These are areas that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.**

These Partial Opinion audits will be referred to the next Internal Audit Sub Committee where officers will be in attendance to outline their plans to improve performance in these areas.

The Council had made progress on the recommendations for implementing horizon scanning. The Risk Manager is discussing this with the Heads of Service, however there is currently no formal process in place.

In summary, the absence of these measures could potentially increase the risk of the Council not effectively managing, monitoring or controlling its risks.

Software Licensing

As part of the 2018/19 audit plan, a review was undertaken to assess the adequacy of the controls and procedures in place for software licensing.

A Partial audit opinion has been provided as the management of software licensing was not control in some areas in a structured and effective manner.

- Two Priority 1 recommendations have been made, these both relate to reconciliation process that does not appear to occur.
- Two priority 2 recommendations have been made which relate to ICT staff installing software without prior approval, and the fact that web-based software cannot be monitored for usage, and subsequent licensing.
- Two further Priority 3 recommendations have also been made. They relate to the way the procedural documents are not formalised and easily accessible by Powys County Council Officers, and the fact certain add-ons can be installed without an 'A' account.

This is the third report in succession that has highlighted the potential issues surrounding software licensing and its management. Despite several recommendations in previous reports, the process has not significantly improved and remains a cause for concern.

We keep our audit plans under regular review so as to ensure that we auditing the right things at the right time.



Changes to the Plan

The plan needs to be flexible to be able to respond to such requests, to ensure that areas of high priority and risk can be accommodated. This means that some unplanned high risk reactive work has replaced some audit jobs. School Audits was the areas mostly affected by staff illness with these assignments being carried forward to Quarter 2.



Conclusion

The delivery of the Audit Plan is behind schedule due to staff sickness and Client engagement issues. Additional resources have been earmarked to bridge the shortfall.



At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

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Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations		
							1	2	3
*Adult care services	Operational	Safer Recruitment 19/20	April 2019	Work in Progress	-	0	0	0	0
* Healthy Organisation	Healthy Organisation	Healthy Organisation	April 2019	Work in Progress	-	0	0	0	0
*Adult care services	Operational	D.O.L.S	May 2019	Work in Progress	-	2	0	1	1
*Children and families services	Operational / Investigation	Standby Payments	May 2019	Work in Progress	Advisory	0	0	0	0
*Community safety and emergencies	Operational	Crisis Management 19/20	April 2019	Final	Substantial	2	0	0	2
*Education and skills	Operational	Ysgol Bro Tawe 19/20	June 2019	Deferred	-	0	0	0	0
*Information and communication technology	Operational	Patch Management 19/20	June 2019	Discussion Document	-	6	0	3	3
*Education and skills	Operational	Ysgol Golwg y Cwm 19/20	May 2019	Deferred	-	0	0	0	0
*Education and skills	Operational	Ysgol Gymraeg Dyffryn 19/20	May 2019	Deferred	-	0	0	0	0
*Education and skills	Follow-up Audit	Crickhowell High School 19/20	May 2019	Deferred	-	0	0	0	0
*Finance	Grant	NTSB Grant Certification 19/20	May 2019	Final	Certified	0	0	0	0

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations		
							1	2	3
Finance	Grant	EIG Grant 17/18	May 2019	Final	Certified	0	0	0	0
*Finance	Operational	Budgeting 19/20	April 2019	Discussion Document	Reasonable	5	0	4	1
*Finance	Operational	Capital	April 2019	Draft	Partial	3	1	2	0
*Finance	Fraud	National Fraud Initiative 19/20	April 2019	Work in Progress	-	0	0	0	0
*Finance	Operational	Council Tax / NNDR Refunds	May 2019	Work in Progress	-	0	0	0	0
*Housing	Special Investigation	ECO2t	April 2019	Final	Advisory	9	8	1	0
*Health and safety	Operational	Health and Safety 19/20	June 2019	Discussion Document	Reasonable	4	0	2	2
*Housing	Operational	HOWPS 19/20	April 2019	Discussion Document	-	0	0	0	0
*Finance	Operational	Debt Management	June 2019	Work in Progress	-	1	0	0	1
*Finance	Operational	Benefit Realisation (transformation)	April 2019	Draft	Partial	6	3	2	1
*Public Health	Special Investigation	Missing Cash for Taxi Licence	May 2019	Final	Advisory	0	0	0	0

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Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations		
							1	2	3
*Democracy	Operational	Members Expenses 19/20	May 2019	Discussion Document	Advisory	0	0	0	0
*Education and skills	Cross Cutting	School Theme - Financial Review Presentations to Schools	April 2019	Final	Advisory	0	0	0	0
*Housing	External Client	Smoke Alarm Compliance (External)	June 2019	Work in Progress	-	0	0	0	0
*Education and skills	Non Opinion	Information for Estyn Inspection	July 2019	Final	Advisory	0	0	0	0

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CYNGOR SIR POWYS COUNTY COUNCIL

AUDIT COMMITTEE

6 September 2019

REPORT AUTHOR: Greg Thomas, Project Officer (Events & Civil Contingencies)

SUBJECT: Business Continuity - Update

REPORT FOR: Information

1.0 Introduction

1.1 Under the *Civil Contingencies Act (2004)* Powys County Council is classified as a so called "Category 1 responder". This Act places seven wide-ranging duties on the Council, with two of these duties specific to business continuity. Accordingly PCC must:

- Put into place business continuity management arrangements;
- Provide advice and assistance to businesses and voluntary organisations about business continuity management.

1.2 It is vital that business continuity management plans are in place, not only to meet these statutory duties, but to ensure that in the event of a business disruption or emergency, PCC can continue to operate in a business as usual manner (as far as reasonably practicable).

1.3 A recent (20th August 2019) SWAP internal audit into crisis management in PCC gave substantial assurance into the crisis management processes (of which business continuity in a part) within PCC.

2.0 Definitions

2.1 Although linked, it is important to remember that business continuity and emergency planning are two quite distinct disciplines.

The following key definitions for business continuity are taken from ISO 22301:2012:

- *Business continuity* – the capability of the organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident.
- *Business continuity management* – A holistic management process that identifies potential threats to an organisation and the impacts to business operations those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability of an effective response that safeguards the interests of its stakeholders, reputation, brand, and value creating activities.

3.0 Current Position

3.1 Due to the recent organisational restructure, the annual refresh of both the service and corporate business continuity plans was postponed. However, this time has

been used to conduct a full review into the business continuity processes in the organisation (last completed in 2014). In addition, a public facing business continuity website has been created (<https://en.powys.gov.uk/article/3417/Business-Continuity>), ensuring that PCC is meeting its obligations under the Civil Contingencies Act (2004), to provide advice and assistance to business and voluntary organisations about business continuity matters.

- 3.2** As a result of this review, new service business continuity templates, guidance, and training materials have been produced, and the role of Business Continuity Champion re-established for each service area. Due to the wide variety of activities undertaken by some service areas, some have opted to undertake their business continuity planning at a Professional Lead level.
- 3.3** The majority (22 of 31) of these new service level business continuity plans have now been completed. A deadline of Friday 6th September 2019 has been agreed for the remaining plans (all services have existing plans in place). This information will then be used to complete the overall corporate business continuity plan. For ease and consistency this plan will take a new format, and will be the same as that used by the other Dyfed-Powys Local Resilience Forum (LRF) Local Authorities and Health Boards.
- 3.4** The refreshed corporate business continuity plan will be presented to Audit Committee at the next meeting in December 2019.

Recommendation:	Reason for Recommendation:
Audit Committee to note to the contents of this report.	To provide assurance that Powys County Council is meeting its statutory obligations under the Civil Contingencies Act (2014).

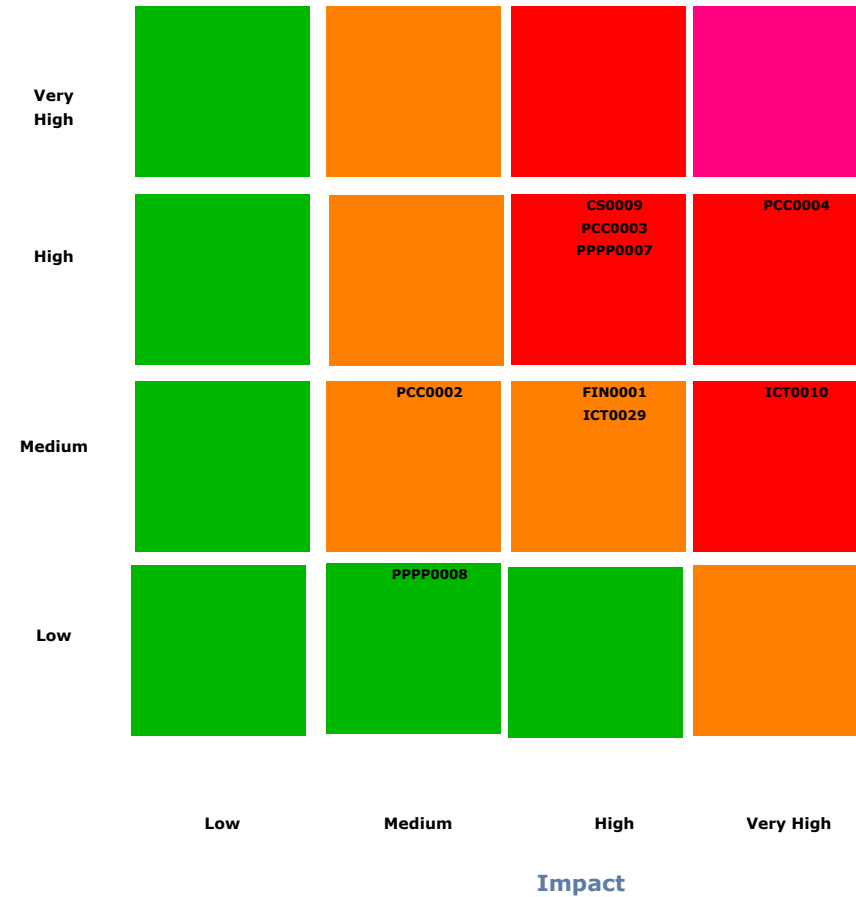
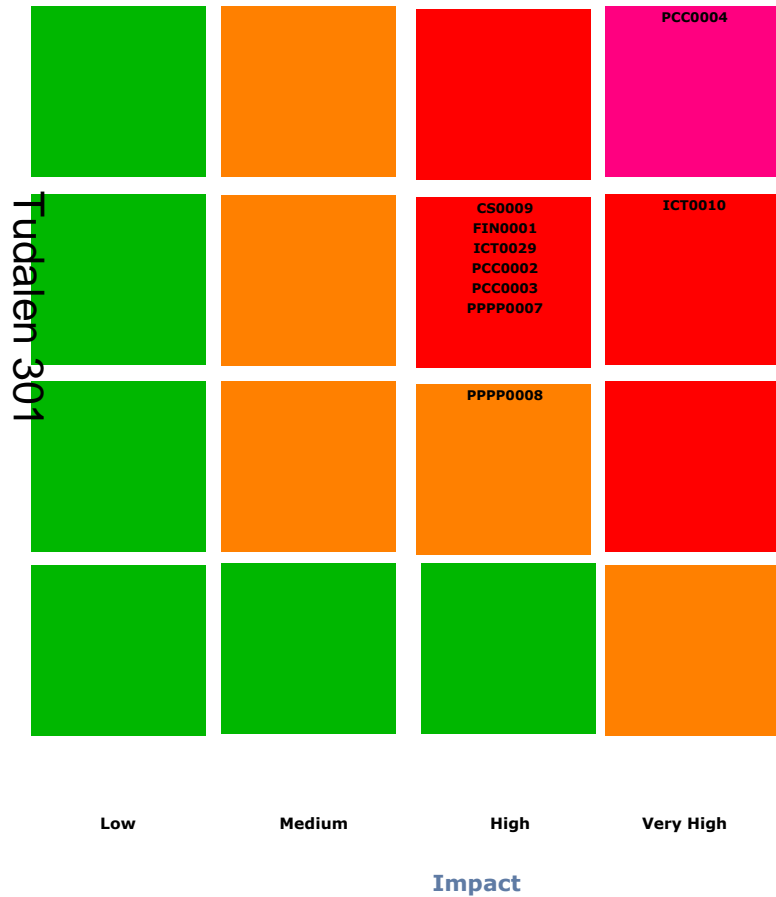
Contact Officer Name:	Tel:	Email:
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Heatmap Inherent and Current

Inherent Ratings Summary Heatmap

Residual Ratings Summary Heatmap

Probability



Detailed Risk Information

Residual and Target Rating Changes since 17/01/2019

Risk Ref	Risk Identified	Owner	Service Area	Prev Inherent Rating	->	Inherent Rating	Prev Residual Rating	->	Residual Rating
PCC0004	Significant long term decrease in the working age population impacts on Council's ability to recruit and retain or commission the workforce it requires	Ness Young	Powys County Council	28	→	28	28	↘ -7	21
CS0009	Ability to meet the requirements of the MTFS / Retaining grant funding around posts within Children's Services / Addressing the deficit in the FRM (£1.1million) for 2018/19	Jan Coles	Children's Services	15	→	15	15	→	15
PCC0003	The council receives a negative regulatory / inspection report	Caroline Turner	Powys County Council	No Previous		15	No Previous		15
PPPP0007	Heart of Wales Property Services (HOWPS)	Gwilym Davies	Property, Planning, and Public Protection	20	↘	15	15	→	15
ICT0010	Non compliance with data protection legislation (General Data Protection Regulations (GDPR) and UK Data Protection Act (DPA) 2018	Helen Dolman	ICT	15	↗ 6	21	6	↗ 8	14
FIN0001	The Council is unable to manage the level of financial cuts required by the Welsh Government and the relatively poor funding position	Jane Thomas	Finance	No Previous		15	No Previous		10
ICT0029	Risk of financial loss, disruption or damage to the reputation of Powys County Council from a failure of its information technology systems and or/loss of Data due to a cyber attack or Incident.	Julie Davies	ICT	No Previous		15	No Previous		10
PCC0002	The impact on the Council as a result of Brexit.	Greg Thomas	Powys County Council	15	→	15	15	↘ -9	6
PPPP0008	Lack of adequate resilience planning	Gwilym Davies	Property, Planning, and Public Protection	No Previous		10	No Previous		3

Report Selection Criteria

(REP_RECORD_CROSSCUT.Business Unit Code = @StrategicBusinessUnitCode AND (REP_RECORD_CROSSCUT.Status Flag <> "WITHDRAWN"))
and REP_RECORD_CROSSCUT.Record Type=1

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions
Ref & Owner	Risk Identified	Potential Consequence	Notes	Director or Head of Service			Control or Action Status
Tudalen 304			<p>Promoting Powys as a place to live, visit and do business - Head of Housing and Community Development</p> <p>Improving skills and supporting people to get good quality jobs- Head of Education</p> <p>Developing a health and care workforce for the future - Head of Workforce and Organisational Development</p> <p>Developing digital solutions and services - Corporate Director - Transformation</p> <p>Improving education attainment of all pupils - Head of Education</p> <p>Improving the skills and employability of young people and adult - Head of Education</p> <p>Support communities to be able to do more for themselves and reduce demand on public services -Head of Housing and Community Development</p> <p>Developing a workforce strategy which ensures Council is an excellent employer - Head of Workforce and Organisational Development</p> <p>In addition, Adult Social Services and Children's Services are taking a number of specific actions, supported by Workforce and Organisation Development to tackle the issue, which is already having a significant impact in domiciliary care staff recruitment and social work recruitment. Here there are areas where recruitment and retention is more difficult, including mental health social workers who are AMHP qualified, where a number of recent campaigns resulted in 19 applicants but only two people being appointed. Within domiciliary care, it is becoming more difficult for providers to recruit staff.</p> <p>Actions that are being taken forward in 2019-20 to mitigate the immediate social care risks include:</p>				

Strategic Risk Register				Portfolio	Inheren	Residu	Controls and Actions
Ref & Owner	Risk Identified	Potential Consequence	Notes	Director or Head of Service			Control or Action Status
Tudalen 305			<p>Increase use of direct payments and the dynamic purchasing system are intended to secure more creative approaches - Head of Commissioning (Children's and Adults)</p> <p>Develop an Adults' Service recruitment and retention strategy, based on a strong brand promoting positive values and working/living environment - Head of Workforce and Organisational Development</p> <p>Growing our own workforce, including the scoping of a rural academy of learning which would offer social care qualifications to support role requirements within the Council and the Health Board - Head of Workforce and Organisational Development</p> <p>Formal partnership with the Open University and secondment of students - Head of Adult Services and Head of Children Services</p> <p>Consideration of a joint bank of staff available to maintain staffing levels and reduce risk - Head of Workforce and Organisational Development</p> <p>Investigation of the Apprenticeship framework to see what can be offered to younger people to attract them into social care roles - Head of Workforce and Organisational Development</p> <p>Build better connections with schools within Powys and universities within Wales and just across the border in order to attract younger people to work in Powys - Head of Education</p> <p>Conduct research to understand the workforce profile in health and social care - Head of Workforce and Organisational Development</p> <p>Telehealth and telecare - Head of Commissioning (Children's and Adults)</p>				

Strategic Risk Register				Portfolio	Inheren	Residu	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Notes	Director or Head of Service			Control or Action	Status
CS0009 Jan Coles Escalated From :- Children's Services Tudalen 306	Ability to meet the requirements of the MTFS / Retaining grant funding around posts within Children's Services / Addressing the deficit in the FRM (£1.1million) for 2018/19	- Budget overspend / efficiencies not achieved - Loss of funding leading to an impact on budget and potentially reducing EI&P help and prevention, which could increase costs of statutory services - Financial implications for the Authority - budget will suffer an overspend - Impact on other services/functions- Significant budget overspend - Decreased funding for 18/19 - Decreased funding expected 19/20 - Reconfiguration of anti-poverty grants likely to have an impact	Progress against mitigating actions since last qtr. 1st Qtr 19/20 4th Qtr 18/19 Restructure to place focus on early help, prevention and intervention to prevent escalation at every point is taking place and is on track. Agency staff reduced to 39 Agency staff applying and being appointed to permanent positions Two consultants due to leave in May Continued focus on returning children from out of county placements Admission panel established, chaired by Head of Service, to enable practice to be guided and ensure oversight of all admissions to care Budget training for all managers Budget included as part of performance management in the service	Cllr Rachel Powell Alison Bulman	15	15	<ul style="list-style-type: none"> Budget challenge in respect of placement Budget overspend. Increase number of foster carers. Improvement to Edge of Care services. Reporting to Assurance Board, FSP, and Audit Committee Early help hub All other opportunities for grant funding being reviewed, managed and approached Core funding to be aligned to EI&P and not just to rely on Welsh Government grants Future shape of service review Decrease use of agency staff Head of Service and Senior Managers routinely monitor with finance. Head of Service and Senior Manager control significant spend and staffing Budget challenge and scrutiny Budget plan in place to address pressures Opportunities for grant funding is continually explored with WG and all other bodies. The RPB has a key priority for EI&P across all ages Re-structure of Children's Services implemented to develop more locality working and enable resilience Development of transformation plan Review of residential placements 	<ul style="list-style-type: none"> Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Control In Place Control In Place Control In Place Control In Place Control In Place Control In Place Control In Place Control In Place

Strategic Risk Register				Portfolio	Inheren	Residu	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Notes	Director or Head of Service			Control or Action	Status
PCC0003 Caroline Turner	The council receives a negative regulatory / inspection report	<ul style="list-style-type: none"> - Meeting regulatory and legislative duties - Managing demand on the service - Recruitment and retention of staff - Staff morale - Reputational damage 	<p>Progress against mitigating actions since last qtr.</p> <p>1st Qtr 19/20</p> <p>During the quarter we received notification by Estyn of their intention to inspect PCC's Education Service week 1st July. The Education Service prepared thoroughly for the inspection by updating the Self-evaluation, gathering evidence and briefing partners in advance of the inspection. A small corporate Project Team met weekly from mid-April to ensure that the Service was well prepared for the Inspection. This highlighted some processes that needed to be strengthened and embedded over the summer, in advance of the publication of the Inspection report in September.</p>	<p><i>Cllr Rosemaire Harris</i></p> <p>Caroline Turner</p>	15	15	<ul style="list-style-type: none"> • Improvement and assurance board • Improvement plans • Communications strategy (internal/external) • close working relationships with regulators • corporate support provided to services • close working relationship with WG 	<p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p>
PPH0007 Escalated From Property, Planning, and Public Protection William Davies	Heart of Wales Property Services (HOWPS)	<ul style="list-style-type: none"> - Failure of statutory functions. - Failure to perform repairs and maintenance. - Failure to achieve projected savings. - Reputational damage to PCC. - Cost to PCC for poor performance. - Officer time costs (due to additional workload). - Financial Risk to HRA and wider Authority. - Critical Wales Audit Office Report. - Non-delivery of key projects due to lack of resources. - Financial Risk to HRA and wider Authority. - Critical Wales Audit Office Report. 	<p>Progress against mitigating actions since last qtr.</p> <p>1st Qtr 19/20</p> <ul style="list-style-type: none"> - Performance monitoring in place. - Pre-Board meetings attended by key internal stakeholders have been set up to discuss high level issues. Actions from meeting escalated to HOWPS Board. - Communication plan reviewed monthly. <p>4th Qtr 18/19</p> <ul style="list-style-type: none"> - Performance monitoring in place. - Communication plan reviewed monthly. 	<p><i>Cllr Phyl Davies</i></p> <p>Nigel Brinn</p>	15	15	<ul style="list-style-type: none"> • Potential to invoke step in clauses for specific parts of the contract in line with contract • Awaiting consultation resource plan. • Performance monitoring • Utilisation of contract document to escalate issues. • Development of evidence and fall-back systems • Introduced weekly officer level meetings • Development of contingency plans for contract failure • Head of Service on HOWPS Board of Directors. • Portfolio Holder on HOWPS Board of Directors. • Escalation of risk and concerns to Chief Executive and Strategic Directors. • Recovery plan submitted by Kier on behalf of HOWPS. 	<p>Action In Progress</p> <p>Action In Progress</p> <p>Action In Progress</p> <p>Action In Progress</p> <p>Action In Progress</p> <p>Action In Progress</p> <p>Action In Progress</p> <p>Action In Progress</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p>

Strategic Risk Register				Portfolio	Inherent	Residu	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Notes	Director or Head of Service			Control or Action	Status
ICT0010 Helen Dolman Escalated From :- ICT Tudalèn 308	Non compliance with data protection legislation (General Data Protection Regulations (GDPR) and UK Data Protection Act (DPA) 2018	- Potential fine of up to £17,000,000 or 4% of annual turnover - The Council is subject to regulatory data protection audits - Reputational damage - Regulatory enforcement action - Detriment to the data subjects - Civil action and associated consequences	Progress against mitigating actions since last qtr. 1st Qtr 19/20 4th Qtr 18/19 Review of some policies, training and awareness raised. Changes to mandatory training agreed	Cllr James Evans Nessa Young	21	14	<ul style="list-style-type: none"> Additional resources allocated by Kier (3.5 FTE Change Managers). Close monitoring by Directors/Portfolio Holder/Chief Executive/Strategic Directors. Staff training Communication Plan - Information Asset Register - Development of internal records of processing - Ensure signed agreements are appropriately stored - Develop data controller vs data Processor check list for services Review of postal checking regimes in place Provision of information to EMT, HoS, and Team Meetings - Presentations to schools GDPR Surgeries - Review current ISP in line with revised versions - Policies and Procedures - Review existing Data Processing agreements - Information sharing protocols - Data sharing agreements - Identify where information sharing takes place - Implement revised WASPI Accord and templates - Revised centralised ISP register to link to information Asset and Record of Processing Activities (ROPA) 	Control In Place Control In Place Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action In Progress Action Completed Action Completed Action Completed Action Completed Control In Place Control In Place Withdrawn Withdrawn Withdrawn Withdrawn

Strategic Risk Register				Portfolio	Inherent	Residual	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Notes	Director or Head of Service			Control or Action	Status
							<ul style="list-style-type: none"> - Create policy on services undertaking due diligence potential processors - Create log of data processors and agreements linking to information asset and ROPA 	<p>Withdrawn</p> <p>Withdrawn</p>
FIN0001 Jane Thomas Escalated From :- Finance Tudalen 309	The Council is unable to manage the level of financial cuts required by the Welsh Government and the relatively poor funding position	<ul style="list-style-type: none"> - The Council incurs significant overspend - Projected budget will suffer an overspend - Penalties and fines may be imposed - Council reputation damaged 	Progress against mitigating actions since last qtr. 1st Qtr 19/20 4th Qtr 18/19 Revised MTFs approved by council on the 7.3.19. A new approach to financial planning and budgeting is currently being developed to improve financial resilience over the short, medium and long term. This will be approved by Cabinet by the end of April. A new specific savings delivery report will be submitted to cabinet and council on a quarterly basis in order to increase the monitoring of delivery and increase the challenge of non delivery.	Cllr Aled Davies Jane Thomas	15	10	<ul style="list-style-type: none"> • Cost Recovery work • 3rd party spend reduction • Income Generation • Medium Term Financial Strategy • Monthly reports to cabinet and Management Team on budget progress and progress on savings • Budget Challenge Events • Moved to a 3 year balanced budget 	<p>Action In Progress</p> <p>Action In Progress</p> <p>Action In Progress</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p> <p>Control In Place</p>
ICT0029 June Davies Escalated From :- ICT Tudalen 309	Risk of financial loss, disruption or damage to the reputation of Powys County Council from a failure of its information technology systems and or/loss of Data due to a cyber attack or Incident.	Loss of Information systems until they can be successfully restored. Loss of data, inability to access data or public disclosure of Personal Data. Cyber risk could materialize in a variety of ways, such as: <ul style="list-style-type: none"> • Deliberate and unauthorized breaches of security to gain access to information systems. • Unintentional or accidental breaches of security. • Operational IT risks due to factors such as poor system integrity. 	Progress against mitigating actions since last qtr. 1st Qtr 19/20 4th Qtr 18/19 1. Cyber Security plan continues to be actioned, developed and maintained. 2. Cyber Essential Accreditation achieved, Cyber Essentials + accreditation is in progress. 3. Disaster Recovery Policy is in place which sets out our aspirations towards having a fully documented and operational Disaster recovery procedure. We realise there is a lot more work to be undertaken in developing the plans and procedures required to support the policy and to having a fully documented DR manual. We require a lot more input from Service areas to be able to plan and agree recovery time objectives and priorities to complete these plans.	Cllr James Evans Nessa Young	15	10	<ul style="list-style-type: none"> • Major Incident response processes • Cyber Security Certification • Disaster Recovery Procedures • Cyber Security Improvement Plan 	<p>Action In Progress</p> <p>Action In Progress</p> <p>Action In Progress</p> <p>Control In Place</p>

Strategic Risk Register				Portfolio	Inheren	Residu	Controls and Actions	
Ref & Owner	Risk Identified	Potential Consequence	Notes	Director or Head of Service			Control or Action	Status
Tudalen 311							<ul style="list-style-type: none"> - 24/7 Duty Emergency Planning Officer to facilitate PCC response 	Control In Place

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

CYNGOR SIR POWYS COUNTY COUNCIL

**CABINET
30th July 2019**

REPORT AUTHOR: Emma Palmer, Head of Strategy, Performance and Transformation Programmes

SUBJECT: Alignment of Powys County Council Risk Matrix to Powys Teaching Health Board Risk Matrix

REPORT FOR: Discussion/decision

1. Introduction

1.1. Risk is present in everything we do, and it is therefore council policy to identify, assess and manage risk on a pro-active basis. In order for risk management to be most effective and become an enabling tool, we must ensure we have a robust, consistent, communicated and formalised process across the council and with our key partners. This report therefore sets out proposals to change the **Risk Assessment Matrix** the council currently has in place, in order that it aligns with the matrix used by one of our key partners, the Powys Teaching Health Board. This would provide consistency across joint programmes and projects of work and would result in a more simplified scoring scale for 'Likelihood' and 'Impact' of risk.

2. Overview of Powys County Council and Powys Teaching Health Board Risk Matrices

2.1 The council's current Risk Assessment Matrix was agreed as part of the overarching Risk Management Toolkit which was rolled out in June 2018. The toolkit was developed using the 'Alarm Risk Management Toolkit' as best practice. The matrix (see Figure 1) uses **four** assessment scales for 'likelihood' and **four** scales for 'Impact'. The four scales for 'likelihood' and 'Impact' have the same categories (low/medium/high/very high), and each one has its own descriptor. However, the scores for the likelihood and impact scales are different. The 'likelihood' scale ranges from 1-4, whilst the 'impact' scale is 1,3,5 or 7. An overall risk score

		THREATS				OPPORTUNITIES					
Likelihood	Very High (4)	4	12	20	28	28	20	12	4	Very High (4)	Likelihood
	High (3)	3	9	15	21	21	15	9	3	High (3)	
	Medium (2)	2	6	10	14	14	10	6	2	Medium (2)	
	Low (1)	1	3	5	7	7	5	3	1	Low (1)	
Likelihood x Impact = Overall Risk Level		Low (1)	Medium (3)	High (5)	Very High (7)	Very High (7)	High (5)	Medium (3)	Low (1)	Likelihood x Impact = Overall Risk Level	
		Impact (Negative)				Impact (Positive)					

therefore ranging between 1-28 is given for each risk. As can be seen from Figure 1 below, the council's current Risk Assessment Matrix also provides a facility to assess both negative and opportunity risks (where risks could have a positive impact).

Figure 1. Council Risk Assessment Matrix

2.2 Powys Teaching Health Board's (PTHB) 'Risk Management Framework' was published in January 2017. It is based on the National Health Service's National Patient Safety Agency's risk matrix. The PTHB Risk Assessment Matrix (see Figure 2) uses **five** assessment scales for 'likelihood' and **five** scales for 'impact'. The scoring on both scales is the same for likelihood and impact i.e. 1,2,3,4 or 5. This means the overall risk level can range from 1-25. Categorisation of Likelihood ranges through Rare/Unlikely/Possible/Likely/Almost Certain, whilst Impact categories range through Insignificant/Minor/Moderate/Major/Catastrophic. Based on the overall score, the risk is categorised into one of four risk levels (very low/low/moderate/high).

Figure 2 PTHB Risk Assessment Matrix

LIKELIHOOD	IMPACT				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Almost certain 5	5	10	15	20	25
Likely 4	4	8	12	16	20
Possible 3	3	6	9	12	15
Unlikely 2	2	4	6	8	10
Rare 1	1	2	3	4	5

Categorisation of Risk

The following table explains how risks should be categorised at the risk assessment stage:

Very Low	1-3	Low	4-8	Moderate	9-12	High	15-25
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2.3 Differences between the 2 Matrices

Significant difference between the council and PTHB current matrices are highlighted in the table below.

Element	PCC	PTHB
Assessment scales	4 by 4	5 by 5

Scoring range	1-28	1-25
Likelihood categorisation (See Appendices A & B)	Low/Medium/High/Very High	Rare/Unlikely/Possible/ Likely/Almost Certain
Impact categorisation (See Appendices C & D)	Low/Medium/High/Very High	Insignificant/Minor/Moderate/ Major/Catastrophic
Opportunity Risks scoring available	Yes	No
Overall Categorisation descriptor defined	No	Yes

3. Impacts and Benefits of revising PCC Risk Matrix to align with PTHB Risk Matrix

3.1 As outlined above, it is proposed that the council changes its current Risk Assessment Matrix (Figure 1) to a 5 x 5 matrix to align with the PTHB matrix (Figure 2). The impacts and benefits of revising the council matrix are identified as follows:

Impacts

- The Strategy, Performance and Transformation Programmes Team would need to amend the matrix on JCAD (risk management software) and would provide significant support to each individual service as part of reviewing and updating scores.
- Risk Owners would have to review the scoring of all their current risks recorded on JCAD, including the Strategic Risk Register, Transformation Programme Risk Register and individual Service Risk Registers (the number of risks ranges from 1 to 30 per service). The Risk Owners would also be responsible for ensuring new scores are updated and recorded on JCAD. Best practice is that scores would need to be reviewed and agreed at the Services Management Team meeting and not done in isolation by the Risk Owner. It is estimated that this would take between 1 to 4 hours per service depending on number or risks. Heads of service are responsible for ensuring their risk registers are reviewed and reported at least quarterly at the performance review meetings.
- Executive Management Team, Senior Leadership Team and Cabinet would need to agree the threshold score which determines whether a risk should automatically be included on the Strategic Risk Register (based on the current matrix the threshold score is 14 and above). A threshold of 15 is suggested based on the proposed new scoring matrix.
- Revision of JCAD reports by JCAD system administrators will be funded within existing budget.
- Associated processes will require updating e.g. Integrated Impact Assessment.
- Descriptors for a revised scoring matrix would need to be identified, as the council would not be able to use the PTHB descriptors as they stand (the PTHB descriptors would not be relevant to PCC risk). With different descriptors, it should be noted, that the two matrices would not be directly comparable.

Benefits

- Simplified scoring and five-scaled matrix to align with the one of our key partners, the Powys Teaching Health Board in order to ensure that when we are working on joint projects we have a joint understanding on how we are scoring and managing risk which is important to the success of these programmes.

4. Risk Champions and Risk Training Requirements

4.1 The Strategy, Performance and Transformation Programmes team plan to work with services to identify a risk champion to support risk management within the service. To assist these champions the SPTP Team are currently investigating viable options for a company to deliver training on site rather than requiring individuals to attend training elsewhere. The cost would need to be absorbed by each service. The revised Risk Management Toolkit will be the first point of call for those requiring an understanding of risk management and how it operates within the council.

5. Recommendations

5.1 Based on the impacts and benefits outlined in section 3 of this report, Cabinet consider whether the council should change its current Risk Assessment Matrix to align with the PTHB Risk Assessment Matrix. **A proposed new Risk Assessment Matrix for the council is set out in Appendix E** (including new risk matrix, likelihood guidance, impact guidance and categorisation of risk).

Appendix A

PCC Current Likelihood Descriptors

	Likelihood Ratings			
Likelihood	Low (1)	Medium (2)	High (3)	Very High (4)
Description	Might happen on rare occasions.	Will probably happen, possibly on several occasions.	Will probably happen at regular intervals.	Likely to happen, possibly frequently.
Numerical Likelihood	Less than 10%	Less than 50%	50% or more	75% or more

Appendix B

PTHB Likelihood Descriptors

Level	Descriptor	Description
1	Rare	May occur only in exceptional circumstances
2	Unlikely	Not expected but could occur at some time
3	Possible	May/will occur at some time
4	Likely	Will probably occur but not a persistent issue
5	Almost Certain	Likely to occur on many occasions, a persistent issue

Appendix C

PCC Current Impact Descriptors

Impact Category	Impact Levels			
	Low (1)	Medium (3)	High (5)	Very High (7)
Service Provision	Limited effect (positive or negative) on service provision. Impact can be managed within normal working arrangements.	Noticeable and significant effect (positive or negative) on service provision. Effect may require some additional resource, but manageable in a reasonable time frame.	Severe effect on service provision or a Corporate Strategic Plan priority area. Effect may require considerable additional resource but will not require a major strategy change.	Extremely severe service disruption. Legal action. Effect could not be managed within a reasonable time frame or by a short term allocation of resources, and may require major strategy changes. The Council risks special measures. Officer/Member forced to resign.
Communities	Minimal impact on community.	Noticeable (positive or negative) impact on the community or a more manageable impact on a smaller number of vulnerable groups/individuals which is not likely to last more than six months.	A more severe but manageable impact (positive or negative) on a significant number of vulnerable groups/individuals which is not likely to last more than twelve months.	A lasting and noticeable impact (positive/negative) on a significant number of vulnerable groups/ individuals.
Environmental	No effect (positive or negative) on the natural and built environment.	Short term effect (positive or negative) on the natural and or built environment.	Serious local discharge of pollutant or source of community annoyance that requires remedial action.	Lasting effect (positive or negative) on the natural and or built environment.
Financial (loss/gain)	Under £0.5m.	Between £0.5m - £3m.	Between £3m - £5m.	More than £5m.
Legal/regulatory	No significant legal implications or action is anticipated	Tribunal/Powys County Council legal team involvement required (potential for claim).	Criminal prosecution anticipated and/or civil litigation.	Criminal prosecution anticipated and or civil litigation (> 1 person).
Personal safety	Minor injury to citizens or colleagues.	Significant injury or ill health of citizens or colleagues causing short-term disability/absence from work.	Major injury or ill health of citizens or colleagues may result in. long term disability/absence from work.	Death of citizen(s) or colleague(s). Significant long-term disability/absence from work.
Programme/project management	Minor delays and/or budget overspend, but can be brought back on schedule with this project stage. No threat to delivery of the project on time and to budget and no threat to identified benefits/outcomes.	Slippage causes significant delay to delivery of key project milestones, and/or budget overspends. No threat to overall delivery of the project and the identified benefits / outcomes.	Slippage causes significant delay to delivery of key project milestones; and/or major budget overspends. Major threat to delivery of the project on time and to budget, and achievement of one or more benefits / outcomes.	Significant issues threaten delivery of the entire project. Could lead to project being cancelled or put on hold.
Reputation	Minimal and transient loss of public or partner trust. Contained within the individual service.	Significant public or partner interest although limited potential for enhancement of, or damage to, reputation. Dissatisfaction reported through Council Complaints procedure but contained within the Council. Local MP involvement. Some local media/social media interest.	Serious potential for enhancement of, or damage to, reputation and the willingness of other parties to collaborate or do business with the council. Dissatisfaction regularly reported through Council Complaints procedure. Higher levels of local or national interest. Higher levels of local media/social media interest.	Highly significant potential for enhancement of, or damage to, reputation and the willingness of other parties to collaborate or do business with the council. Intense local, national and potentially international media attention. Viral social media or online pickup. Public enquiry or poor external assessor report.

Appendix D

PTHB Impact Descriptors

Descriptor	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Objectives / Project	Barely noticeable reduction in scope / quality / schedule	Minor reduction in scope / quality / schedule Project Budget Overruns	Reduction in scope or quality, project objectives or schedule	Significant project overrun	Inability to meet project objectives, reputation of the organisation seriously damaged.
Injury (physical and psychological) to patient / visitor / staff.	Adverse event leading to minor injury not requiring first aid	Minor injury or illness, first aid treatment required Short term injury/harm < 1month Staff sickness < 3 days	Agency reportable, e.g. HSE, MHRA, Police. Semi-permanent injury (< 1 year) requiring medical treatment and/or counselling. Staff sickness < 4 weeks	Major injuries / long term incapacity or disability (e.g. loss of limb/mis-diagnosis mis-treatment leading to poor prognosis). Long term sickness > 4 weeks	Incident leading to death or major Permanent incapacity. Significant number of people affected (screening errors)
Patient Experience	Reduced quality of patient experience /	Unsatisfactory patient experience / clinical outcome	Unsatisfactory patient experience / clinical outcome.	Unsatisfactory patient experience /	Unsatisfactory patient experience /
	clinical outcome not directly related to delivery of clinical care	directly related to care provision – readily resolvable	short term effects – expect recovery < 1wk	clinical outcome, long term effects – expect recovery > 1wk	clinical outcome, continued ongoing long term effects
Complaints / Claims	Locally resolved verbal complaint	Justified written Complaint peripheral to clinical care	Below excess non clinical claim. Clinical litigation possible. Justified complaint	Non clinical claim above excess level. Clinical litigation expected/almost certain. Multiple justified complaints	Multiple claims or single major claim Litigation certain
Service / Interruption	Interruption in a service which does not impact on the delivery of patient care or the ability to continue to provide service	Short term disruption to service with minor impact on patient care	Some disruption in service with unacceptable impact on patient care Temporary loss of ability to provide service	Sustained loss of service which has serious impact on delivery of patient care resulting in major contingency plans being invoked.	Permanent loss of core service or facility
Staffing and Competence	Short term low staffing level temporarily reduces service quality (less than 1 day) Short term low staffing level (>1 day), where there is no disruption to patient care	Ongoing low staffing level reduces service quality Minor error due to ineffective training / implementation of training	Late delivery of key objective / service due to lack of staff. Moderate error due to ineffective training / implementation of training Ongoing problem with staffing levels	Uncertain delivery of key objective / service due to lack of staff. Major error due to ineffective training / implementation of training	Non delivery of key objective / service due to lack of staff. Loss of key staff. Critical error due to ineffective training / implementation of training
Financial (including damage / loss / fraud)	Negligible organisational / personal financial loss (£ < 5k)	Minor organisational / personal financial loss (£5k-£25k)	Significant organisational / personal financial loss (£25k-50k)	Major organisational / personal financial loss (£50k - £1 million)	Severe organisational / personal financial loss (>£1 million)

Financial (including damage / loss / fraud)	Negligible organisational / personal financial loss (£<5k)	Minor organisational / personal financial loss (£5k-£25k)	Significant organisational / personal financial loss (£25k-50k)	Major organisational / personal financial loss (£50k - £1 million)	Severe organisational / personal financial loss (>£1 million)
Inspection / Audit	Small number of recommendations which focus on minor quality improvement issues	Recommendations made which can be addressed by low level of management action.	Challenging recommendations that can be addressed with appropriate action plan	Enforcement action. Low rating Critical report.	Prosecution. Zero rating Severely critical report
Adverse Publicity / Reputation	Rumours, no media coverage Little effect on staff morale	Local media coverage – short term. Some public embarrassment. Minor effect on staff morale / public attitudes.	Local media – long term adverse publicity. Significant effect on staff morale and public perception of the organisation	National media / adverse publicity, less than 3 days. Public confidence in the organisation undermined Use of services Affected	National / International media / adverse publicity, >3 days. MP concern (Questions in Parliament). Court Enforcement Public Enquiry

Appendix E

PCC Proposed new Risk Assessment Matrix to align with PTHB

Risk Matrix

		THREATS					OPPORTUNITIES						
Type	Likelihood	Almost certain (5)	5	10	15	20	25	25	20	15	10	5	Almost certain (5)
	Likely (4)	4	8	12	16	20	20	16	12	8	4	Likely (4)	
	Possible (3)	3	6	9	12	15	15	12	9	6	3	Possible (3)	
	Unlikely (2)	2	4	6	8	10	10	8	6	4	2	Unlikely (2)	
	Rare (1)	1	2	3	4	5	5	4	3	2	1	Rare (1)	
Likelihood x Impact = Overall Risk Level		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)	Catastrophic (5)	Major (4)	Moderate (3)	Minor (2)	Insignificant (1)	Likelihood x Impact = Overall Risk Level	
		Impact					Impact (Positive)						

Likelihood Guidance

Likelihood Ratings					
Likelihood	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost certain (5)
Description	May occur only in exceptional circumstances.	Not expected but could occur at some time.	May/ will occur at some point.	Will probably occur but not a persistent issue.	Likely to occur on many occasions, a persistent issue

	Impact Levels				
Impact Category	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Programmes/ Projects/ objectives	Barely noticeable reduction in scope / quality /schedule. No threat to delivery of the project on time and to budget and no threat to identified benefits/outcomes.	Minor reduction in scope / quality / schedule. Project Budget Overruns. No threat to overall delivery of the project and the identified benefits / outcomes.	Reduction in scope or quality, project objectives or schedule. Moderate threat to delivery of the project on time and to budget, and achievement of benefits/ outcomes.	Significant project overrun. Major threat to delivery of the project on time and to budget, and achievement of one or more benefits / outcomes.	Inability to meet project objectives, reputation of the organisation seriously damaged
Personal safety	Adverse event leading to minor injury not requiring first aid.	Minor injury or illness, first aid treatment required Short term injury/harm < 1month Staff sickness< 3 days	Agency reportable, e.g. HSE, Police. Semi-permanent injury (< 1 year) requiring medical treatment and/or counselling. Staff sickness < 4 weeks	Major injuries / long term incapacity or disability (e.g. loss of limb/mis- diagnosis mis- treatment leading to poor prognosis). Long term sickness>4 weeks	Incident leading to death or major Permanent incapacity. Significant number of people affected
Residents and Communities	No impact on community.	Minimal impact on community.	Noticeable (positive or negative) impact on the community or a more manageable impact on a smaller number of vulnerable groups/individuals which is not likely to last more than six months.	A more severe but manageable impact (positive or negative) on a significant number of vulnerable groups/individuals which is not likely to last more than twelve months.	A lasting and noticeable impact (positive/negative) on a significant number of vulnerable groups/ individuals.
Legal	Unlikely to cause complaint/litigation. Resolved with no legal implications.	High potential for complaint, litigation possible. Minor legal implications or action is anticipated	Litigation to be expected. Tribunal/Powys County council legal team involvement required (potential for claim).	Litigation almost certain and difficult to defend. Criminal prosecution anticipated and/or civil litigation.	Litigation certain. Criminal prosecution anticipated and or civil litigation (> 1 person).

Service Provision	Interruption in a service which does not impact on the ability to continue to provide service	Short term disruption to service with minor impact on residents / communities. Impact can be managed within normal working arrangements.	Some disruption in service with unacceptable impact on residents/ communities. Temporary loss of ability to provide service. Effect may require some additional resource, but manageable in a reasonable time frame.	Sustained loss of service which has serious impact on residents / communities. Effect may require considerable additional resource but will not require a major strategy change.	Permanent loss of core service or facility. Effect could not be managed within a reasonable time frame or by a short-term allocation of resources and may require major strategy changes. The council risks special measures. Officer/Member forced to resign.
Staffing and competence	Short term low staffing level temporarily reduces service quality (less than 1 day) Short term low staffing level (>1 day), where there is no disruption to service	Ongoing low staffing level reduces service quality Minor error due to ineffective training / implementation of training	Late delivery of key objective / service due to lack of staff. Moderate error due to ineffective training / implementation of training. Ongoing problem with staffing levels	Uncertain delivery of key objective / service due to lack of staff. Major error due to ineffective training / implementation of training	Non delivery of key objective / service due to lack of staff. Loss of key staff. Critical error due to ineffective training / implementation of training
Financial (loss/gain)	Negligible organisational / personal financial loss (£<5k) Under £0.5m.	Minor organisational / personal financial loss (£5k-£25k) Between £0.5m - £3m.	Significant organisational / personal financial loss (£25k-50k) Between £3m - £5m.	Major organisational / personal financial loss (£50k - £1 million) More than £5m.	Severe organisational /personal financial loss (>£1 million)
Inspection/ Audit	Small number of recommendations which focus on minor quality improvement issues	Recommendations made which can be addressed by low level of management action.	Challenging recommendations that can be addressed with appropriate action plan .	Critical report. Welsh Government Intervention.	Severely critical report. Welsh Government take over. Prosecution.
Reputation	Rumours, no media coverage Little effect on staff morale. Minimal and transient loss of public or partner trust. Contained within the individual service.	Local media coverage – short term. Some public embarrassment. Minor effect on staff morale / public attitudes. Dissatisfaction reported through council complaints procedure. Local MP involvement.	Local media – long term adverse publicity. Significant effect on staff morale and public perception of the organisation. Dissatisfaction regularly reported through council complaints procedure.	National media / adverse publicity, less than 3 days. Public confidence in the organisation undermined. Use of services affected. Viral social media or online pickup.	National/ International media / adverse publicity, >3 days. MP concern. Public Enquiry or poor external assessor report. Legal Action.

Environmental	No lasting effect (positive or negative) on the natural and built environment.	Short term (weeks) minor effect (positive or negative) on the natural and or built environment.	Short term (weeks) moderate effect (positive or negative) on the natural and or built environment.	Medium term (months up to 1 year) major effect (positive or negative) on the natural and or built environment.	Lasting long term (1 year plus) effect (positive or negative) on the natural and or built environment.
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Categorisation of Risk

Tudalen 324

Risk Level	Action Required
Very Low (1-3)	TBD
Low (4-8)	TBD
Moderate (9-12)	TBD
High (15-25)	TBD

**Corporate Anti-Fraud & Error Team – Details of work/cases/review & results for
Powys County Council 01/04/19-30/08/19**

Case/Review/Fraud/Error Type	Weekly saving (WS) or Weekly additional revenue (WR) to PCC	Rebill, Recharge, Invoice/Overpayment
Ctax Premium review (continued)	£420.70 WR	£4,066.34
Ctax Probate review (continued)	£25.78 WR	£1,340.80
Tracing debtors		£5,927.77
Ctax SPD non review cases	£23.66 WR	£2,118.22
Ctax premium avoidance non-review		
Employee fraud		£3,199.15
HB & CTRS	£118.53 WS	£1,201.28
Ctax Class F non-review exemptions	£69.34 WR	£3,605.93
Ctax avoidance	£84.03 WR	£8,865.81
Other work/cases		
NDR refund fraud case £8,000 (Evidence file sent to Dyfed Powys Police & Action Fraud as organised crime)		
Just started SPD Review (end of July to run x5 batches) so figures for batch 1 recorded here	£709.05 WR	£36,871.00

Total weekly savings/additional revenue = £622.67 using 52 week multiplier = £32,378.84 to reflect a year

In addition to above the total rebilled = £67,196.30

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

CYNGOR SIR POWYS COUNTY COUNCIL

AUDIT COMMITTEE

6 September 2019

REPORT AUTHOR: Chair and Vice Chair of Audit Committee**SUBJECT:** Theatr Brycheiniog

REPORT FOR: Information

Background

1. The Theatr Brycheiniog company was incorporated in November 1989, operating as the Brecon Guildhall Theatre Ltd until November 2008
2. It is a registered charity.
3. On April 1st 1997 the company took out a 28 year, full repairing lease at an annual rent of £100 on a new purpose built premises owned by PCC but for which a grant of £1.6m had been given by Arts Council Wales (ACW).
4. The Theatre historically has been funded by an annual grant from ACW of around £200,000 supplemented by lottery grants and by PCC, lately on a reducing basis, for 2018/19 this was £48,000.
5. The property has been managed by the Leisure section at county hall, this appears to be the source of some friction with the Property section who felt 'Left out of the loop'.
6. The Theatre are of the opinion that there were latent defects from the outset and that they signed the lease, it has been said, with some disquiet. This led to building surveys by Capita Symonds on behalf of PCC in 2005 and Mott MacDonald on behalf of the Trust in September 2014, which, the report alleges, identified remedial work in the short and long term estimated at £1.4m.
7. Powys CEO wrote to the Theatre in March 2016 stating that the failings of the structure and water ingress were due to lack of repair and maintenance.
8. The Theatre claim that it has incurred £356,752 of expenditure on the building since the signing of the lease in 1998. The Theatr issued a document headed 'Maintenance and Repairs' which claims it has spent £356,752 of which £157,920 has been spent in the financial years 14/15, 15/16 and 16/17.
9. The condition of the building is disputed by the property section of PCC who maintain that the problems are caused by poor or lack of maintenance. (See section on property below.)
10. As a result of poor management in 2016 and 2017, significant operating deficits were incurred and a consultant's report in July 2018 records that a £110k loan requested from PCC in November 2017 was necessary for the Theatre to continue operations. (See also Financial background below).

11. Audit Committee had been advised that a loan could only be made at commercial rates that would have made any loan prohibitively expensive for the Theatre. The suggested loan became a one-off payment and we questioned the legality of this under EU State Aid requirements.
12. After discussions with the leader, deputy CEO, and Portfolio Holder for Finance, a one-off payment of £157, 920 was made from PCC capital funds. The Audit Committee expressed concern that what was originally a loan to keep the Theatre as a going concern became a contribution to repair and maintenance expenses.

Financial Background

1. Directors' report for the year ending 31 March 2016 records an operating deficit of £25k for the year and liabilities exceeding assets by some £54k. Severe doubts were raised as to the company's ability to continue as a going concern.
 - a. Results of a building survey outlined recommended remedial works costing at £1.4m.
2. Directors' report for the year ending 31 March 2017 shows an operating deficit of £172k and liabilities exceeding assets by £230k. The report also records poor and incomplete accounting practices during 2016/17. Further deficits expected for 2017/18.
 - a. Auditors report expresses concern as to its ability to continue as a going concern.
 - b. Also reported are discussions with the Landlord (PCC) re latent building defects reported in the 2014 survey.
3. Directors' report for the year ending 31 March 2018 records that advance payments in March 2018 from PCC and ACW amounting to £90k enables operating deficit reduction to £24k but liabilities now exceed assets by £254k.
 - a. Auditors report further problems with accounting during 2017 and reports that Trustees were unable to provide evidence to support reporting on an ongoing concern basis.
 - b. Chairman's report states that without further injections of cash the Theatre would become insolvent in 2018. In November 2017 the Theatre applied to PCC for a loan of £110k on commercial terms.
4. Although outside the accounting year, the accounts refer to the one-off payment of £158k made in August 2018 – after the year end - describing it variously as:
 - a. as a one-off contribution to repairs and maintenance in earlier years
 - b. as a one-off payment against the audited cost of repairs and maintenance incurred by TB in the previous three financial years.

The accounts assume that an ongoing concern status is dependent on:

- a. Continued support from core funders
- b. Changes to the business model
- c. Grant funding for remedial building work (ACW)

The report also records the withdrawal of a grant from the WCVA towards the creation of a Waterside Bistro due to uncertain financial status.

Financial Outlook

1. At the time of the loan request, although there were anecdotal signs of improvement, the projected bank balance at year end, 31 March 2019, was - £131,763. Therefore, ceteris paribus, all but £27k of the one-off payment would have been spent.
2. From latest information as at 31 October 2018 creditors had been reduced to £110k (from £124k in July) and the bank balance at the 31 March 2019 was now forecast to be £55k.
3. Much reliance is placed upon the appointment of a new Theatre Director who will take up post in January 2019. Of concern is the imminent maternity leave of the member of staff handling the accounts.
4. The ACW and the Trustees are aware of and are said to be preparing for a large reduction or cessation of support from PCC in the next and forthcoming years.
5. The ACW has allocated £100,000 capital grant in 2019/20 to develop Front of House.
6. The Theatre will be renewing its application to the WCVA.

Consequences of Financial Failure

1. In the event of the Theatr Brycheiniog becoming insolvent:
 - a. Responsibility for the Theatre would revert to PCC
 - b. The grant of £1.6m made by ACW would have to be repaid. The grant was made on the basis of the building continuing as a theatre for 50 years.
 - c. Business rates of £23.5kpa would be incurred after 3 months

Further:

- a. Sale of the building, configured as a theatre, would be difficult. Especially given the maintenance backlog – estimated by property to be c.£500k.
- b. Minimal maintenance of heating estimated at £12k pa.
- c. A possible security bill of £7-12k pa.

Other

1. Detail of the alleged expenditure by Theatr Brycheiniog on issues with the property in the years 14/15, 15/16 and 16/17 as sent to leisure after a specific request total £157,692. Cf grant paid £157,920. Of which expenditure:
 - a. for 14/15, £28,757 is not detailed

- b. for 15/16, £59,891 seems mainly for building repair but includes maintenance of gullies and drains and could be considered dilapidations as a consequence of lack of earlier maintenance
- c. for 16/17, £69,044 seems to be predominantly for decoration, carpet etc.
- d. No mention is made of ACW funding in June 2015 of £33,382 for roof repairs

Portfolio Holder Delegated Decision Report – 28 August 2018

1. The Chairs of Scrutiny and Audit were asked, prior to the 28 August 2018, not to call in the decision as it was deemed urgent
2. A one-off payment of £157,920 was proposed as a cost incurred in maintaining the asset – no background papers were provided as part of the report
3. The Chair of Audit expressed concerns and it was agreed that the Audit Committee would consider the issue
4. This meeting took place on 12 September 2018 and the Committee tasked the Chair and Vice Chair to investigate the circumstances surrounding the one-off payment.

Findings

1. The Theatr has a recent history of poor management and accounting practices that led to its Auditor expressing concerns regarding its 'ongoing concern' basis. As a result, it was clear that without an injection of funds, the Theatre would have folded.
2. It is also clear that in that event Powys County Council would have been liable for substantial revenue costs to support an empty building pending any sale. Further, there was also the potential for the ACW to reclaim all or part of the original building grant of £1.6m.
3. Statements were made that the Theatre contributes £1.5M to the local economy – this has not been evidenced
4. The delay in a decision from the Council in respect of the loan meant that the transfer of funds to bolster the Theatr's revenue became urgent. The Council was facing a serious reputational risk arising from debts to local suppliers.
5. Rather than a loan, it was decided to link the payment to alleged maintenance and repairs expenditure made in the previous three years by the Theatr:
 - a. Providing a rationale to make the payment from capital funds
 - b. The link to maintenance eliminated the risk of similar claims from other organisations who were not based in Council owned buildings
 - c. Providing the means to avoid EU State Aid regulations
6. Significant concern remains that linking the payment to previous alleged expenditure may prove prejudicial to the Council's position going forward. The CEO's letter and subsequent information from Property Services,

highlights that the Authority is not in agreement with the Theatre over latent defects. There is also evidence that the Theatre had not met its maintenance obligations under the lease in earlier years leading to an inflated remedial cost.

7. The internal, Council Portfolio Holder decision report issued prior to payment lacked any detail and the Portfolio Holder for Leisure and Culture was not included on the report.
8. Scrutiny Chairs were put under considerable pressure to agree not to call in the decision. Insufficient information was available to them to make a proper assessment. We consider this to be unjustified and unnecessary.
9. No checks appear to have been made that the £157,920 had been spent on defects – documents obtained from the Theatre after the payment showed significant amounts of the sum claimed were spent on decoration and refurbishment. There is also evidence that some of the expenditure was to cure dilapidations resulting from poor or incomplete maintenance.
10. In addition to the above there was also a specific grant from ACW of £33,382 to address roof repairs made in June 2015 which were within the claim. Had this sum not been included the monies passed would have been much closer to that requested by the Theatre. The Theatre Directors did not make this information known to the decision-makers, and this is somewhat troubling.
11. In spite of the additional money, there was no evidence that the one-off payment was sufficient to ensure that the Theatre continues on an ongoing basis. The Theatre's own cash flow forecast at the time showed the money would be almost exhausted by March 2019.
12. Much of the problem has arisen due to departmental conflicts of opinion and interest between Property and Leisure in managing the property. This had been evident for some years. We find it concerning that Property Services have not been involved with the property in any way.

Recommendations

1. All council properties should fall under the aegis of Property who should be regarded as having Corporate Landlord status.
2. All full repair leases, including Theatre Brycheiniog, should be enforced by regular inspections.
3. It is clear that the Theatre included in their claim £37,433 for roof repairs already paid for by ACW. Consideration should be given to requesting return of that part of the payment.
4. Any future request for payments of similar nature should be accompanied with documents fully justifying the action.
5. The Chairs of Scrutiny and Audit should not have been put in the invidious position of taking an urgent decision without full knowledge of the history and being provided with full documentation.
6. We question whether due diligence took place.
7. The investigation met with some obstruction in the course of its enquiries and management and Portfolio Holders need to fully understand the purpose and

role of Audit and Scrutiny and contribute in an appropriate and timely way when requested.

8. No grant funding should be made until such time as the audited accounts of the organisation have been considered

The Chair and Vice Chair of Audit Committee have met the following:

Lucinda Bevan, Arts and Culture Commissioning Officer

Ann Owen, Treasury Manager (and observer at the Board)

Natasha Morgan, Professional Lead, Strategic Property

Kath Davies, Director of Investment and Funding Services, ACW

Portfolio Holder for Finance

Portfolio Holder for Property

Portfolio Holder for Young People and Culture

Scrutiny date	Scrutiny Committee	Item	Working Group end date	Cab/Mgmt Team Date	Cab Date
2019					
	LS WG				
03/09/19	Children's Services WG	Children Who are looked after - including the role of the Court Safeguarding and Good Social Work Practice			
05/09/19 (pm)	Adult Services WG	Service redesign and delivery Safeguarding (Adults) Occupational Therapy update Deprivation of Liberty			
Fri 06/09/2019	Audit Committee	Final Statement of Accounts Annual Governance Statement Annual Audit Opinion Strategic Risk Register Internal Audit Performance Monitoring - Q1 Business continuity Theatr Brycheiniog Fraud report			
13/09/19	Finance Panel	Financial overview and forecast - July	cancelled		17/09/19
16/09/19 - 20/09/19	LS WG				
23/09/19 - 27/09/19	ERCG WG	Local Housing Market Assessment - delayed from June 2019			
OCTOBER 2019					
Tues 01/10/2019	PSB				
02/10/19	Finance Panel	Financial overview and forecast - August			08/10/19
Mon 07/10/2019 pm	LS	School Balances and schools service budget Standards (provisional) and Inspection Outcomes Early Years standards and provision Specialist Centre Provision (from May 19)			
Mon 14/10/19	ERCG	HRA Asset Management Strategy HOWPS - Annual Report and KPIs		22/10/19	05/11/19
Fri 18/10/2019	HC	Assist/Cymorth Finance and Performance			
21/10/19 - 25/10/19	LS School Scrutiny Panel	School 2			

Scrutiny date	Scrutiny Committee	Item	Working Group end date	Cab/Mgmt Team Date	Cab Date
22/10/19	Children's Services WG	Early Help and Eligibility Criteria Independent Reviewing and Quality Assurance			
22/10/19 (pm)	Adult Services WG	Quality Assurance Technology Enabled Care and Robotics Digital First/ Tribe			
31/10/19	FP	Financial overview and forecast - September			05/11/19
NOVEMBER 2019					
04/11/19 - 08/11/19	LS WG				
11/11/19 - 15/11/19	ERCG WG				
13/11/19	Children's Services WG	Children subject to a child protection plan Children who are looked after - placements			
15/11/19	Adult Services WG	Reablement Review Update mpact of Asset Based Practice/Collaborative Communication			
Mon 18/11/2019	LS	Active Offer ALN update Fair funding formula TBC			
Mon 25/11/19	ERCG	Crime and Disorder			
25/11/19	Finance Panel	Financial overview and forecast -October			27/11/19
Fri 29/11/2019 pm	HC	Strategy for Residential Care FRM			
DECEMBER 2019					
04/12/2019	Adult Services WG	Service Redesign and Delivery Information, Advice and Assistance Carers and Respite			
09/12/19 - 13/12/19	LS WG ERCG AND HC WG				
11/12/19	Children's Services WG	Children in need of care and support			
12/12/19	Finance Panel	Financial overview and forecast - November			17/12/19
Thurs 19/12/2019	Audit	WAO Annual Improvement Report			

Scrutiny date	Scrutiny Committee	Item	Working Group end date	Cab/Mgmt Team Date	Cab Date
		Strategic Risk Management			
		Business continuity			
		Internal Audit - performance monitoring Q2			
		Treasury Management			
2020					
JANUARY 2020					
	Adult Services WG	Return to Home/Accommodation for individuals with a learning disability			
		Section 33 Residential Care			
		Direct Payments			
		Continuing Health Care			
	Children's Services WG	Children at edge of care			
ERCG		Extra Care Housing - Brecon - update			
13/01/20	Health and Care				
17/01/2020	LS				
17/01/20	Finance Panel	Financial Overview and Forecast - Period 9			21/01/20
		Capital report			
31/01/20	Adult Services WG				
FEBRUARY 2020					
07/02/20	Audit Committee	Strategic Risk Management			
		Business continuity			
		Internal Audit - performance monitoring Q3			
		Treasury Management Q3			
		Closure of Accounts			
		Self Assessment			
	Children's Services WG	Children Who are looked after - placements			
21/02/20	Finance Panel	Financial Overview and Forecast - January			03/03/20
		Capital Report			
28/02/20	LS				
MARCH 2020					
04/03/20	Adult Services WG	Service Redesign and Delivery			

Scrutiny date	Scrutiny Committee	Item	Working Group end date	Cab/Mgmt Team Date	Cab Date
20/03/20	Finance Panel	Financial Overview and Forecast - February			
	Children's Services WG	Children who are looked after - Support			
APRIL 2020					
02/04/20	Health and Care				
03/04/2020	LS				
	Children's Services WG	Young people leaving care			
27/04/20	Finance Panel				
27/04/20	Adult Services WG				
MAY 2020					
07/05/20	Audit	WAO - Audit Plan Draft Annual Governance Statement Strategic Risk Management Business continuity Internal Audit - Annual Plan and Performance Review Treasury Management Annual Review and Q4 Closure of Accounts			
	Children's Services WG	Youth Justice			
18/05/20	Health and Care	Finance and Performance			
20/05/20	Adult Services WG				
22/05/20	LS				
28/05/20	Finance Panel	Outturn 2019/20			02/06/20
JUNE 2020					
12/06/20	Audit Seminar Children's Services WG	Draft SoA Education - curriculum being mindful of the wellbeing of children			
22/06/20	Adult Services WG	Service Redesign and Delivery			

Scrutiny date	Scrutiny Committee	Item	Working Group end date	Cab/Mgmt Team Date	Cab Date
26/06/20	Finance Panel				
29/06/20	Health and Care	Director of Services Annual Report			
15/06/20 - 19/06/20	Working Groups				
22/06/20 - 26/06/20	Working Groups	Proportion of revenue spend increase 2% 19/20			
29/06/20 - 03/07/20	Working Groups	Assess effectiveness of marketing programme			
	Committees	Check inward investment strategy and action plan			
	ERCG				
JULY 2020					
03/07/20	LS				
27/07/20	Adult Services WG				
29/07/20	Finance Panel				
AUGUST 2020					
13/08/20	Health and Care				
21/0/2020	LS				
28/08/20	Audit Seminar				
SEPTEMBER 2020					
04/09/20	Audit	SoA including AGS			
		Annual Audit Opinion			
		WAO - Annual Improvement Report			
		Strategic Risk Management			
		Business Continuity			
		Treasury Management			
		Internal Audit - Performance Management Q1			
		Closure of Accounts			
	LS	Increase % of pupils assessed in Welsh in Year 2			
08/09/20	Adult Services WG	Service Redesign and Delivery			

Scrutiny date	Scrutiny Committee	Item	Working Group end date	Cab/Mgmt Team Date	Cab Date
11/09/20	Finance Panel	Financial Overview and Forecast - June/July Capital Report			15/09/20
28/09/20	Health and Care				
OCTOBER 2020					
02/10/20	LS				
05/10/20	Finance Panel	Financial Overview and Forecast -August Capital Programme			06/10/20
07/10/20	Adult Services WG				
29/10/20	Finance Panel	Financial Overview and Forecast - September Capital Report			03/11/20
NOVEMBER 2020					
02/11/20	Health and Care	Finance and Performance			
06/11/20	LS				
09/11/20	Adult Services WG				
19/11/20	Finance Panel	Financial Overview and Forecast - October Capital Report			24/11/20
DECEMBER 2020					
09/12/20	Adult Services WG	Service Redesign and delivery			
10/12/20	Audit	Strategic Risk Management Business continuity Internal Audit - Performance Q2 Closure of Accounts			

Scrutiny date	Scrutiny Committee	Item	Working Group end date	Cab/Mgmt Team Date	Cab Date
10/12/20	Finance Panel	Financial Overview and Forecast - November Capital Report			15/12/20
14/12/20	Health and Care				
18/12/20	LS				
	ERCG				
2021					
July	Audit	SoA by 31 July 2021			

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