



Statement of Accounts 2016/17



Contents

Narrative Report	7
Statement of Responsibilities for the Statement of Accounts	14
Movement in Reserves Statement	15
Expenditure and Funding Analysis	16
Comprehensive Income & Expenditure Statement (CIES)	18
Balance Sheet	19
Cash Flow Statement	20
Notes to the Core Financial Statements	21
Note 1: Accounting Policies	21
Note 2: Accounting Standards that have been issued but have not yet been adopted	42
Note 3: Critical Judgements in Applying Accounting Policies	43
Note 4: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	44
Note 5: Material Items of Income and Expense.....	45
Note 6: Note to the Expenditure and Funding Analysis.....	46
Note 7: Adjustments between Accounting Basis and Funding Basis under Regulations	48
Note 8: Transfers To/(From) Earmarked Reserves.....	53
Note 9: Other Operating Expenditure	54
Note 10: Financing and Investment Income and Expenditure.....	54
Note 11: Taxation and Non-specific Grant Income/Expenditure	54
Note 12: Property, Plant and Equipment.....	55
Note 13: Heritage Assets – Tangible.....	60
Note 14: Investment Properties	61
Note 15: Intangible Assets.....	63
Note 16: Capital Expenditure and Capital Financing.....	64
Note 17: Impairment Losses and Derecognition of Non-Enhancing Expenditure.....	64
Note 18: Financial Instruments	65
Note 19: Inventories.....	67
Note 20: Short Term Debtors	67
Note 21: Cash and Bank Accounts.....	68
Note 22: Assets Held for Sale	68
Note 23: Creditors.....	68
Note 24: Provisions.....	69
Note 25: Usable Reserves.....	69
Note 26: Unusable Reserves.....	70
Note 27: Expenditure and Income Analysed by Nature	75
Note 28: Cash Flow Statement – Investing Activities.....	76
Note 29: Cash Flow Statement – Financing Activities.....	76
Note 30: Cash Flow Statement – Analysis of Government Grants	76
Note 31: Trust Funds	77
Note 32: Agency Services	78
Note 33: Pooled Budgets and Joint Arrangements	79
Note 34: Joint Committees	83
Note 35: Members Allowances.....	83
Note 36: Senior Officers Emoluments	84
Note 37: Audit Costs.....	87
Note 38: Taxation and Non-specific Grant Income	87
Note 39: Council Tax	89
Note 40: Related Parties.....	90
Note 41: Leases.....	95
Note 42: Obligations under Long Term Contracts.....	96
Note 43: Termination Benefits	96
Note 44: Defined Benefit Pension Schemes	97

POWYS COUNTY COUNCIL

Note 45: Teacher Pension Costs.....	103
Note 46: Contingent Liabilities	104
Note 47: Contingent Assets	105
Note 48: Nature and Extent of Risks Arising from Financial Instruments	105
Note 49: Icelandic Banks	109
Note 50: Capitalisation Direction	109
Note 51: Events after the Balance Sheet Date.....	110
Housing Revenue Accounts.....	111
Income and Expenditure Account.....	111
Movement on Housing Revenue Account Statement.....	112
Notes to the Housing Revenue Accounts	113
Note 1: Housing Stock	113
Note 2: Arrears and Provision for Housing Bad Debts at 31 March	113
Note 3: Housing Revenue Account Capital Expenditure	114
Note 4: Housing Revenue Account Capital Receipts	114
Note 5: Adjustments between Accounting Basis and Funding Basis under Statute	115
Note 6: Housing Revenue Account Contributions to the Pension Scheme.....	115
Pension Fund Accounts.....	117
Fund Administration.....	119
Investment Report	123
Net Assets Statement.....	126
Pension Fund Account.....	126
Notes to the Pension Accounts	127
Note 1: Basis of Preparation.....	127
Note 2: Accounting Policies	127
Note 3: Critical Judgements in Applying Accounting Policies	129
Note 4: Contributions Receivable	129
Note 5: Transfers In	130
Note 6: Other Income	130
Note 7: Benefit Payable	130
Note 8: Payments to and on Account of Leavers	130
Note 9: Management Expenses	131
Note 9a: Investment Management Expenses.....	131
Note 10: Investment Income.....	131
Note 11: Taxes on Income.....	131
Note 12: Investments.....	132
Note 12a: Analysis of Investments	133
Note 12b: Investments Analysed by Fund Manager	133
Note 13: Current Assets and Liabilities	134
Note 14: Related Party Transactions.....	134
Note 15: Additional Voluntary Contributions (AVC).....	135
Note 16: Contingent Liabilities	135
Note 17: Post Balance Sheet Events	135
Note 18: Capital Commitments.....	135
Note 19: Stock Lending	136
Note 20: Financial Instruments	136
Note 21: Actuarial Present Value of Promised Retirement Benefits	137
Note 22: Nature and Extent of Risks Arising from Financial Instruments	138
Note 23: Accounting Standards That Have Been Issued but Have Not Yet Been Adopted.	141
Note 24: Annual Report	142
Statement of the Actuary for the Year Ended 31 March 2017	143
Appendix 1: Pensions and Investment Committee	145

STATEMENT OF ACCOUNTS

Appendix 2: Other Bodies	146
Glossary of Terms	147
Annual Governance Statement 2016/17	149
1. Ensuring Good Governance	149
2. The Governance Framework	150
3. Opinion of Governance	164
4. Areas for Improvement	179
Audit report of the Auditor General to the Members of Powys County Council	188

Narrative Report

Introduction

The Statement of Accounts 2016/17 provide details of the Council's financial position for the year ended 31 March 2017. The information presented on pages 1 to 189 is in accordance with the requirements of the 2016/17 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 2017.
- The **Cash Flow Statement** which shows the changes in cash and cash equivalents of the Council during the financial year;
- The **Notes to the Core Financial Statements** which provide further information to the Core Financial Statements;
- The **Housing Revenue Account (HRA)** and notes which show in more detail the income and expenditure on HRA services included in the Comprehensive Income and Expenditure Account;
- The **Pension Fund Accounts**. The financial data has been extracted from the 2016/17 Powys County Council Pension Fund annual report and included in these statements. They are independent of the statements above. Powys County Council is the Administering Authority of the Pension Fund. The fund has to be completely separate from Powys County Council's own finances;
- The **Annual Governance Statement** which sets out the governance arrangements in place, annual review and recommended improvements.

POWYS COUNTY COUNCIL

Review of the Year

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 71.9% of the Council's 2016/17 net revenue budget compared to 73.2% in 2015/16. The funding is provided in a settlement known as Aggregate External Finances (AEF).

As part of the UK Government's austerity measures for 2016/17 the AEF decreased across Wales by an average of 1.3%. Powys received the lowest settlement in Wales with a 3% decrease, equivalent to a decrease in funding of £5.229m after adjusting for transfers.

Collection of Council Tax and Non Domestic Rates

Our Council Tax was set at £1,090.06 for properties in valuation Band D (£1,045.62, 2015/16). We collected £72.004m with a collection rate of 97.6%, the collection rate for Non Domestic Rates was 97.4%.

Revenue Expenditure

The revenue financial performance of the Council is summarised below:

Service Area	Original Budget	Total Working budget	Net Expenditure before Reserve movement	Total Movement to/(from) Reserves	Approved use of Reserves	Service Variance from Budget Under/(Over) spend
	£'000	£'000	£'000	£'000	£'000	£'000
People						
Adult & Commissioning	54,944	56,356	59,780	(3,421)	3	(3,424)
Children Services	15,774	15,949	15,847	102	-	102
Housing General Fund	828	735	568	139	(28)	167
Place						
Leisure & Recreation	11,380	12,001	11,554	393	(54)	447
Regeneration, Property & Commissioning	7,308	7,759	7,289	(98)	(568)	470
Highways, Transport & Recycling	20,104	22,219	22,899	(1,417)	(737)	(680)
Schools						
Schools Service	29,029	24,119	24,119	(157)	(157)	-
Chief Executive	4,127	4,150	3,862	338	50	288
Resources						
Professional Services	1,004	907	901	6	-	6
Information Services	234	186	10	(69)	(245)	176
Business Services	1,091	1,779	1,674	(37)	(142)	105
Service Area Totals	145,823	146,160	148,503	(4,221)	(1,878)	(2,343)
Central Activities	21,317	14,789	13,007	2,730	948	1,782
Total	167,140	160,949	161,510	(1,491)	(930)	(561)
Schools Delegated	69,978	76,169	76,449	(2,493)	(2,213)	(280)
Housing Revenue Account (HRA)	-	-	(822)	390	(432)	822
Total including Schools & HRA	237,118	237,118	237,137	(3,594)	(3,575)	(19)

The Revenue Budget for the Council was approved by the Council on the 25 February 2016 at £237.118m.

The Council's net expenditure for the year was £237.137m with £3.539m funded from reserves. A number of reserve movements were included in the approved budget or made by virements during the year this includes Capital and Voluntary Severance.

After excluding approved reserve transfers the Service performance against budget reported an overall overspend of £561k, after excluding Schools Delegated and the Housing Revenue Account (HRA).

POWYS COUNTY COUNCIL

In order to balance the budget significant savings of £12.139m were required and £9.633m have been achieved leaving a shortfall of £2.506m. This shortfall has been included within the overall budget position reported and has been mitigated by underspends in other service areas following management action and other factors during the year to limit the overspend position. Delivery of the remaining £2.506m 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 revenue outturn performance indicator target is to be within 0.5% of net budget. The forecast outturn for the year excluding the HRA and Schools delegated is a net underspend of £561k or -0.35% of the working budget.

Pressures within the Adult Social Care budget were highlighted during the year and in order to manage the financial position a recovery plan was implemented and this has supported a significantly improved outturn for the directorate limiting the overspend to £3.155m.

Underspends within Corporate Activities due to lower borrowing costs, as expenditure on Capital projects was less than budgeted and the earning of more interest on the money held, together with the ability to capitalise some transformation costs limited the need to draw on reserves to fill this gap.

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 2016/17 grants totalling £3.16m were issued supporting 82 organisations.

Revenue Reserves

31 Mar 16 £'000	Revenue Reserves	31 Mar 17 £'000
	Ring Fenced or Restricted Use Reserves	
2,393	School Reserves	(8)
8,007	Other Specific Reserves	7,772
	Committee Specific Reserves	
16,299	Other Specific Reserves	20,554
26,699	Total Earmarked Reserves	28,318
	Central or General Reserves	
14,269	Council Fund	8,686
1,386	Housing Revenue Fund	1,761
42,354	Total	38,765

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.

STATEMENT OF ACCOUNTS

The HRA net contribution to reserve was £375k, due to an underspend on its core budget, this increases the reserve to £1.761m. Under Financial Regulations this balance should not be less than £1m.

Schools delegated budgets were heavily supported from their reserves in this financial year, schools experienced reductions to their funding as pupil numbers continued to fall. Decisive action needs to be taken by schools to address their individual financial positions. During 2016/17 the net transfer from reserves was £2.401m.

The level of General Fund reserves at 31 March 2017 is 3.62% of net expenditure.

Capital Expenditure

The approved capital programme totalled £47.677m. Final expenditure in 2016/17 was significantly lower than the approved programme at £33.624m. The variance is mainly due to a number of projects being delayed and re-profiled in the year.

The capital expenditure excluding revenue expenditure funded from capital under statute is included in the table below.

Area	Capital Expenditure £'000
Adults & Commissioning	177
Highways, Transport & Recycling	8,830
Housing Revenue Account	12,502
Leisure & Recreation	4,410
Regeneration, Property & Commissioning	2,401
Schools	4,220
Other	1,084
Total	33,624

The projects delivered within the programme include the commencement of 5 new schools in the Gwernyfed Catchment, improvements to our Leisure Centres, maintenance of our roads, the programmed replacement of vehicles, and the continued improvements to our council housing stock to bring the properties up to the standards required within the Welsh Quality Housing Standard by March 2018. We have also purchased Ladywell House in Newtown to assist us in rationalising our property portfolio but to also develop some commercial opportunities.

The Council receives a core capital allocation from Welsh Government, in 2016/17 this allocation was £7.491m, a reduction of £0.032m compared to the previous year. In addition to this the capital programme is also funded through a mixture of Supported and Prudential Borrowing, capital receipts, grants and revenue reserves as shown below:

Area	Capital Financing £'000
Supported Borrowing	3,780
Prudential Borrowing	7,001
Grants	12,196
Capital Receipts	2,923
Reserves	7,724
Total	33,624

POWYS COUNTY COUNCIL

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 totalled £255.024m as at the 31 March 2017. This consisted of the following:-

- Public Works Loan Board (PWLB) - £181.016m
- LOBOs (Lenders Option, Borrowers Option) - £40.576m
- Temporary Borrowing - £25.001m (2 local authorities and one LA pension fund)
- Other long-term loan - £5.431m (local authority)

Further information is disclosed in Note 18 on page 65.

Medium Term Financial Strategy

The Council's budget settlement continues to be adversely affected by the UK Government's austerity measures to significantly reduce public spending in order to address the UK's debt situation.

The Welsh Government's budget process for 2017/18 has been undertaken against the backdrop of unprecedented levels of uncertainty, following the outcome of the European Union referendum but also relating to the fiscal outlook, which presents a number of challenges.

The Welsh Local Government finance settlement has had a slight increase in their revenue funding for 2017/18 of £10m, this is the first increase in the settlement for Local Government since 2013/14. This represents an average increase of 0.2% for councils from 2016/17. When new responsibilities are netted off the settlement will show a slight decrease.

Overall the levelling out of reductions to the revenue settlement is clearly better than it has been over the last three financial years. However, local government spending pressures will total around £200m in 2017/18 which will have to be absorbed by councils or partially offset by Council Tax increases. The impact on discretionary areas of spend will be particularly tough for councils.

The role that local government services play in reducing the impact and cost pressures of other public services is recognised with additional funding included in the settlement for Social Services.

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

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

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

2020 Vision

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

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

The Council's Budget Strategy centres on the Council's vision and these four organisational priorities that aim to meet the challenges presented by the combination of reduced funding and service pressures.

In February the Council approved its latest Medium Term Financial Strategy and a more detailed 3 year plan to 2019/20. These documents are available on the Councils Web site at <http://powys.moderngov.co.uk/ieListDocuments.aspx?CId=137&MId=3247&Ver=4> as item C19-2017 Appendix 1.

This financial strategy includes all council services and activity funded by the revenue budget, the Housing Revenue Account and the Capital programme. The Financial Resources Model (FRM) sets out how a balanced budget will be delivered for 2017/18, however, this position is reliant on the delivery of £9.6m savings during the year.

The FRM identifies the requirement for further savings of £16.4m over the remaining period of this strategy. Given that local government does not have funding data from Welsh Government beyond 2017/18, this assessment is based on indicative figures and work undertaken by the WLGA and the Institute for Fiscal Studies focusing on how Local Government Settlements in Wales may be affected by central government's finances in the future. It is therefore based on best possible available information. However, forecasting for future years is difficult to predict with any great certainty and is subject to multiple internal and external influences. Even so, it is highly likely the reducing funding for Powys will continue because of population changes and the continuing reductions in national funding.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Strategic Director - Resources.
- 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 22 September 2017.

Signature:

Date 22 September 2017

Audit Committee Chairman

Strategic Director of Resources Responsibilities

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

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

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

The Strategic Director - Resources has also:

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

Certificate of the Strategic Director - Resources on the Accounts of Powys County Council and Powys County Council Pension Fund for 2016/17.

I certify that the accounts set out on pages 1 to 189 present a true and fair view of the financial position of Powys County Council and the Powys County Council Pension Fund as at 31 March 2017 and its income and expenditure for the year then ended.

Signature:

Date 22 September 2017

D Powell Strategic Director – Resources

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 26) £'000	Total Authority Reserves £'000
Balance at 31 March 2015	11,007	26,085	3,833	13,804	1,337	56,066	311,066	367,132
Movement In Reserves During 2015/16								
Surplus Or (Deficit) On Provision Of Services	(19,537)	-	(65,909)	-	-	(85,446)	-	(85,446)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	42,097	42,097
Total Comprehensive Expenditure and Income	(19,537)	-	(65,909)	-	-	(85,446)	42,097	(43,349)
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	23,413	-	63,462	740	(206)	87,409	(87,409)	-
Net Increase/(Decrease) Before Transfers To Earmarked Reserves	3,876	-	(2,447)	740	(206)	1,963	(45,312)	(43,349)
Transfers To/(From) Earmarked Reserves	(614)	614	-	-	-	-	-	-
Increase/(Decrease) Movement In Year	3,262	614	(2,447)	740	(206)	1,963	(45,312)	(43,349)
Balance at 31 March 2016 Carried Forward	14,269	26,699	1,386	14,544	1,131	58,029	265,754	323,783
Movement In Reserves During 2016/17								
Surplus Or (Deficit) On Provision Of Services	(22,324)	-	5,651	-	-	(16,673)	-	(16,673)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	(36,395)	(36,395)
Total Comprehensive Expenditure and Income	(22,324)	-	5,651	-	-	(16,673)	(36,395)	(53,068)
Adjustments Between Accounting Basis And Funding Basis Under Regulations (Note 7)	18,313	-	(5,262)	858	(124)	13,785	(13,785)	-
Net Increase/(Decrease) Before Transfers To Earmarked Reserves	(4,011)	-	389	858	(124)	(2,888)	(50,180)	(53,068)
Transfers To/(From) Earmarked Reserves	(1,572)	1,619	(14)	-	(33)	-	-	-
Increase/(Decrease) Movement In Year	(5,583)	1,619	375	858	(157)	(2,888)	(50,180)	(53,068)
Balance at 31 March 2017 Carried Forward	8,686	28,318	1,761	15,402	974	55,141	215,574	270,715

Expenditure and Funding Analysis

2015/16			2016/17			
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement (CIES)		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement (CIES)
£'000	£'000	£'000		£'000	£'000	£'000
4,466	(39)	4,427	Chief Executives	3,919	20	3,939
74,129	70,664	144,793	People	73,379	(1,978)	71,401
34,348	11,078	45,426	Place	34,395	9,754	44,149
8,591	2,394	10,985	Resources	15,854	1,845	17,699
97,959	4,464	102,423	Schools	94,483	7,822	102,305
219,493	88,561	308,054	Net Cost of Services	222,030	17,463	239,493
21,802	1,841	23,643	Other Operating Expenditure	22,092	2,486	24,578
14,698	1,566	16,264	Financing and Investment Income and Expenditure	15,658	1,143	16,801
(257,422)	(5,093)	(262,515)	Taxation and Non Specific Grant Income Operations not Included in Net Cost Of Services	(256,158)	(8,041)	(264,199)
(1,429)	86,875	85,446	Surplus or Deficit	3,622	13,051	16,673
(40,925)			Opening General Fund and HRA Balance at 31 March	(42,354)		
(1,429)			Add (Surplus)/Deficit on General Fund and HRA Balance in Year	3,622		
-			Transfers between Reserves	(33)		
(42,354)			Closing General Fund and HRA Balance at 31 March	(38,765)		

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

The 2015/16 adjustment in the People directorate includes a settlement of £72m which was paid to the Welsh Government in April 2015 to buy-out of the HRA subsidy scheme.

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

Comprehensive Income & Expenditure Statement (CIES)

2015/16 Restated				2016/17		
Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000		Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000
6,031	(1,604)	4,427	Chief Executives	5,742	(1,803)	3,939
197,426	(52,633)	144,793	People	124,661	(53,260)	71,401
77,593	(32,167)	45,426	Place	74,850	(30,701)	44,149
45,164	(34,179)	10,985	Resources	50,647	(32,948)	17,699
121,209	(18,786)	102,423	Schools	121,315	(19,010)	102,305
447,423	(139,369)	308,054	Cost Of Services	377,215	(137,722)	239,493
		23,643	Other Operating Expenditure (Note 9)			24,578
		16,264	Financing and Investment Income and Expenditure (Note 10)			16,801
		(262,515)	Taxation and Non Specific Grant Income and Expenditure (Note 11)			(264,199)
		85,446	(Surplus)/Deficit On Provision Of Services			16,673
		(22,572)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets (Note 26)			(11,607)
		271	Impairment losses on non-current assets charged to the revaluation reserve (Note 26)			905
		24	(Surplus)/Deficit on Revaluation of Available For Sale Financial Assets (Note 26)			(133)
		(19,820)	Re-measurements of the net defined benefit (asset)/liability (Note 26)			47,230
		(42,097)	Other Comprehensive Income And Expenditure			36,395
		43,349	Total Comprehensive Income And Expenditure			53,068

The CIES in 2015/16 has been restated to show the authority's management structure as per the changes to the code. Gross Income and Expenditure in the Cost of Services has been increased to reflect trading accounts previously classified under Financing and Investment Income and Expenditure.

Balance Sheet

Balance as at 31 Mar 16 £'000		Note	Balance as at 31 Mar 17 £'000
776,001	Property, Plant And Equipment	12	786,938
1,420	Heritage Assets	13	1,433
1,814	Investment Property	14	2,822
2,025	Intangible Assets	15	1,781
3,761	Long Term Investments	18	2,848
3,570	Long Term Debtors	18	3,110
788,591	LONG TERM ASSETS		798,932
5,875	Short Term Investments	18	12,050
1,423	Assets Held For Sale	22	1,598
1,143	Inventories	19	961
236	Intangible Asset – Carbon Reduction Commitment		273
29,081	Short Term Debtors	20	27,785
350	Cash And Cash Equivalents	21	16,343
38,108	CURRENT ASSETS		59,010
(3,037)	Short Term Borrowing	18	(28,276)
(28,566)	Short Term Creditors	23	(35,848)
(1,898)	Short Term Provision	24	(1,969)
(207)	Capital Grant Receipts In Advance	38	(262)
(33,708)	CURRENT LIABILITIES		(66,355)
(1,159)	Provisions	24	(774)
(227,013)	Long Term Borrowing	18	(226,749)
(21,976)	Long Term Creditors	23	(20,239)
(219,060)	Liability Related To Defined Benefit Pension	44	(273,110)
(469,208)	LONG TERM LIABILITIES		(520,872)
323,783	NET ASSETS		270,715
58,029	Usable Reserves	25	55,141
265,754	Unusable Reserves	26	215,574
323,783	TOTAL RESERVES		270,715

Cash Flow Statement

2015/16 Reclassified £'000		Note	2016/17 £'000
	OPERATING ACTIVITIES		
	Cash Outflows		
161,925	Cash Paid to and on Behalf of Employees		158,844
95,193	Other Operating Cash Payments		13,454
144,159	Cash Paid to Suppliers of Good and Services		158,664
17,772	Housing Benefit Paid Out		17,343
21,802	Precepts and Levies Paid		22,091
8,487	Interest Paid		9,925
449,338	TOTAL OUTFLOWS		380,321
	Cash Inflows		
(10,509)	Rents (After Rebates)		(11,066)
(70,316)	Council Tax Income		(73,517)
(38,880)	National Non-Domestic Rate Receipts from Pool		(40,525)
(135,436)	Revenue Support Grant		(129,896)
(17,803)	DWP Grants for Benefits		(17,429)
(41,895)	Other Government Grants	30	(37,865)
(79,242)	Cash Received for Goods and Services		(85,854)
(85)	Interest Received		(156)
(394,166)	TOTAL INFLOWS		(396,308)
55,172	NET CASH OUTFLOW/(INFLOW) FROM OPERATING ACTIVITIES		(15,987)
	INVESTING ACTIVITIES	28	28,422
	FINANCING ACTIVITIES	29	(28,428)
10,904	DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS		(15,993)
11,254	Cash and Cash Equivalent Balance as at 1 April		350
350	Cash and Cash Equivalent Balance as at 31 March	21	16,343

The 2015-16 Cashflow has been reclassified to reflect gross Revenue Support Grant payments and also the movement in cash equivalents as investing activities.

Notes to the Core Financial Statements

Note 1: Accounting Policies

i. General principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017 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 2016/17, supported by International Financial Reporting Standards (IFRS).

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

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

ii. Accruals of income and expenditure

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

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

iii. Acquisitions and discontinued operations

No such transactions took place.

iv. Cash and cash equivalents

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

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

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

v. Exceptional items

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

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

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

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

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

vii. Charges to revenue for Non-Current Assets

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

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

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

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

viii. Employee benefits

Benefits payable during employment

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

Termination benefits

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

POWYS COUNTY COUNCIL

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Powys pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method- ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality corporate bond (Aon Hewitt GBP Select AA Curve)).
- The assets of Powys C.C. pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value.

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

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

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

Discretionary Benefits

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

ix. Events after the Balance Sheet date

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

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

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

x. Foreign currency translation

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

xi. Intangible assets

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

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

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

STATEMENT OF ACCOUNTS

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

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

xii. Interests in companies and other entities

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

xiii. Inventories and long term contracts

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

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

xiv. Investment property

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

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

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

xv. Jointly controlled operations and jointly controlled assets

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

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

xvi. Leases

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

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

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

The Authority as lessee:

Finance leases

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

Lease payments are apportioned between:

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

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

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

Operating leases

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

The Authority as lessor:

Finance leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating leases

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

xvii. Property, plant and equipment

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

Capitalisation

All assets falling into the following categories are capitalised:

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

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

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

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

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

Depreciation & Amortisation

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

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

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

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

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

Valuation

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

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

Impairment

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

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

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

Heritage Assets

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

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

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

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

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

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

Componentisation

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

1. Materiality with regards to the Council's financial statements.

Componentisation will only be considered for individual non land assets that represent more than 1% of the opening gross book value of total non-current assets.

2. Significance of component:

For individual assets meeting the above threshold, where services within a building (boilers / heating / lighting / ventilation etc.) or items of fixed equipment (kitchens / cupboards) is a material component of the cost of that asset (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.

POWYS COUNTY COUNCIL

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

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

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

Adopted roads

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

xviii. Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

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

Contingent liabilities

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

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

Contingent assets

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

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

xix. VAT

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

xx. Overhead and support services

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

Corporate & Democratic Core: Costs relating to the council's status as a multifunctional democratic organisation.

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

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

xxi. Reserves

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

POWYS COUNTY COUNCIL

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

xxii. Financial assets

Financial assets are classified into two types:

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

Loans and receivables

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

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

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

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

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

Available-for-sale assets

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

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

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

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

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

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

xxiii. Provision for repayment of external loans

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

xxiv. Financial liabilities

Examples of Liabilities are payables and borrowings from third parties.

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

POWYS COUNTY COUNCIL

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

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

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

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

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

xxv. Calculating fair value for financial instruments

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

Complexities of the NPV calculation

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

Evaluation of PWLB debt

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

Inclusion of accrued interest

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

Discount rates used in NPV calculation

The rates used were obtained by our advisors, Capita, from the market on 31 March 2017 using bid prices where applicable.

Assumptions

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

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

xxvi. Revenue expenditure funded from capital under statute

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

xxvii. Grants, contributions and donated assets

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

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

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

POWYS COUNTY COUNCIL

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

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

xxviii. Non-Current assets held for sale

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

xxix. Schools

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

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

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

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

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

xxxi. Fair Value measurement

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

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

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

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

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

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

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

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

NDR

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

Council Tax

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

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

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2017 for 2016/17). None of the standards introduced in the 2017/18 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. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The IAS 19 pension cost calculations in note 44 involve placing present values on future benefit payments to individuals many years into the future. These benefits will be linked to pay increases whilst individuals are active members of the Fund and will be linked to statutory pension increase orders (inflation) in deferment and in retirement. Assumptions are made for the rates at which the benefits will increase in the future (inflation and salary increases) and the rate at which these future cashflows will be discounted to a present value at the accounting date to arrive at the present value of the defined benefit obligation. The resulting position will therefore be sensitive to the assumptions used. The present value of defined benefit obligations is linked to yields of high quality corporate bonds whereas, for the LGPS funded arrangements, the majority of the assets of the fund are usually invested in equities or other real assets. Fluctuations in investment markets in conjunction with discount rate volatility will lead to volatility in the funded status of the fund and thus to volatility in the net pension asset on the Balance Sheet and in other Comprehensive Income and Expenditure. To a lesser extent this will also lead to volatility in the pension expense in the surplus or deficit on the provision of services.
- Provisions are made when clear and accurate information is available to do so. In the absence of this, creating a provision may be misleading and could have significant financial implications. This is particularly the case in respect of the Council's future obligations in respect of landfill sites. In this case there is uncertainty regarding a professional assessment in relation to the quantum of such costs and their timing, as well as the implications of accounting approach and their related financial impact. These are therefore classed as a contingent liability. Further information is contained in the relevant section of the accounts.

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

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

The items in the Authority's Balance Sheet at 31 March 2017 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 £455k for every year that useful lives had to be reduced.

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

Item	Pension Liability
Uncertainty	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting Actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.
Effect if assumptions differ from actual	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £14.85m. However, the assumptions interact in complex ways. During 2016/17, the Authority's Actuaries advised that the net pension's liability had decreased by £10.06m as a result of estimates being corrected as a result of experience and likewise by £12.38m attributable to updating of the demographic assumptions. There was an increase of £141.41m attributable to financial assumptions.

Item	Arrears
Uncertainty	At 31 March 2017, the Authority had a balance of sundry debtors of £28.1m. A review of significant balances suggested that an impairment of doubtful debts of £3.4m was appropriate. Housing Rent arrears had a balance of £1.2m and Council Tax arrears £3.5m at 31 March 2017. A review of significant balances suggested that an impairment of doubtful debts of £0.9m for Housing Rent arrears and £0.7 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 £5.0m to be set aside as an allowance. However, very little debt is historically written off as disclosed in Note 48.

Note 5: Material Items of Income and Expense

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

Note 6: Note to the Expenditure and Funding Analysis

Please note that the explanation for the meaning of the column headings can be found on the next page.

2015/16				Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2016/17			
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
5	(10)	(35)	(40)	Chief Executives	-	(16)	36	20
70,940	(38)	(238)	70,664	People	(2,085)	(70)	177	(1,978)
11,394	(58)	(258)	11,078	Place	9,677	(104)	181	9,754
2,507	(27)	(86)	2,394	Resources	1,721	(22)	146	1,845
5,996	(37)	(1,495)	4,464	Schools	6,225	(128)	1,725	7,822
90,842	(170)	(2,112)	88,560	Net Cost of Services	15,538	(340)	2,265	17,463
1,841	-	-	1,841	Other Operating Expenditure	2,486	-	-	2,486
(5,835)	7,150	251	1,566	Financing and Investment Income and Expenditure	(6,260)	7,160	243	1,143
(5,093)	-	-	(5,093)	Taxation and Non Specific Grant Income and Expenditure	(8,041)	-	-	(8,041)
81,755	6,980	(1,861)	86,874	Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	3,723	6,820	2,508	13,051

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 ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

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

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

Other Differences

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

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

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

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

	Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2016/17 TRANSACTIONS					
Adjustments primarily involving the Capital Adjustment Account:					
Charges for depreciation	(18,321)	(6,445)	-	-	24,766
Amortisation of intangible assets	(615)	-	-	-	615
Capital grants and contributions applied	10,774	4,032	-	(5)	(14,801)
Revenue expenditure funded from capital under statute	(4,780)	-	-	-	4,780
Revaluation gain/loss on property plant and equipment	32	-	-	-	(32)
Movement in fair value of investment property	28	-	-	-	(28)
Loss on derecognition of assets	(2,557)	-	-	-	2,557
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(3,028)	(1,529)	-	-	4,557
Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:					
Statutory provision for the financing of capital investment	4,471	1,789	-	-	(6,260)
Capital expenditure charged against the council fund and HRA balances	1,742	6,088	-	-	(7,830)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	26	-	-	129	(155)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	3,088	1,641	(4,729)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	4,197	-	(4,197)
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals	(12)	(47)	59	-	-
Available for sale asset capital receipt	(10)	-	-	-	10

	Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2016/17 TRANSACTIONS					
Deferred capital receipts upon receipt of cash	-	-	(358)	-	358
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(99)	-	-	-	99
Adjustments primarily involving the Available for Sale Financial Instruments Reserve:					
Accumulated gains on assets sold and maturing assets written out of the comprehensive income and expenditure statement as part of other investment income	11	-	(27)	-	16
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(303)	30	-	-	273
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see Note 44)	(23,379)	(811)	-	-	24,190
Employer's pensions contributions and direct payments to pensioners payable in the year	16,805	565	-	-	(17,370)
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,186)	(51)	-	-	2,237
Total adjustments	(18,313)	5,262	(858)	124	13,785

	Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2015/16 TRANSACTIONS					
Adjustments primarily involving the Capital Adjustment Account:					
Charges for depreciation	(18,179)	(5,900)	-	-	24,079
Amortisation of intangible assets	(664)	-	-	-	664
Impairment	(15)	-	-	-	15
Capital grants and contributions applied	7,555	4,425	-	-	(11,980)
Revenue expenditure funded from capital under statute	(5,602)	-	-	-	5,602
HRA Subsidy Exit Payment	-	(72,423)	-	-	72,423
Revaluation gain/loss on property plant and equipment	(4,446)	-	-	-	4,446
Movement in fair value of investment property	50	-	-	-	(50)
Loss on derecognition of assets	(2,626)	-	-	-	2,626
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(3,422)	(761)	-	-	4,183
In year prior year adjustment	(64)	-	-	-	64
Insertion of items not debited or credited to the Comprehensive Income And Expenditure Statement:					
Statutory provision for the financing of capital investment	4,112	1,726	-	-	(5,838)
Capital expenditure charged against the council fund and HRA balances	630	8,433	-	-	(9,063)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	482	-	-	206	(688)
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	2,949	1,273	(4,222)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	3,897	-	(3,897)
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals	-	(31)	31	-	-
Available for sale asset capital receipt	(20)	-	-	-	20
Deferred capital receipts upon receipt of cash	(2)	-	(444)	-	446

	Usable Reserves				Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
2015/16 TRANSACTIONS					
Transfer of deferred sale proceeds credited to the capital receipts reserve	-	-	(2)	-	2
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	781	-	-	-	(781)
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	(18)	-	-	-	18
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	(258)	1	-	-	257
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see Note 44)	(23,417)	(713)	-	-	24,130
Employer's pensions contributions and direct payments to pensioners payable in the year	16,653	497	-	-	(17,150)
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,108	11	-	-	(2,119)
Total adjustments	(23,413)	(63,462)	(740)	206	87,409

POWYS COUNTY COUNCIL

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

Council Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Note 8: Transfers To/(From) Earmarked Reserves

	As at 31 Mar 15	Movement	As at 31 Mar 16	Movement	As at 31 Mar 17
Reserve Name	£'000	£'000	£'000	£'000	£'000
Restricted Use And Non Transferable					
Schools Reserve ¹	3,082	(689)	2,393	(2,401)	(8)
Insurance Reserve ²	2,188	(223)	1,965	430	2,395
Corporate Initiative Reserve ³	6,503	(461)	6,042	(665)	5,377
	11,773	(1,373)	10,400	(2,636)	7,764
Committee Specific Reserves					
Carried Forward Reserves ⁴	1,616	365	1,981	21	2,002
Revenue Grants Unapplied ⁵	1,079	39	1,118	88	1,206
21 Century Schools ⁶	6,916	(182)	6,734	(437)	6,297
Transport Reserve ⁷	3,029	2,024	5,053	1,146	6,199
Invest To Save ⁸	1,544	(294)	1,250	(77)	1,173
Other Reserves ⁹	128	35	163	29	192
Budget Management Reserve ¹⁰	-	-	-	3,485	3,485
	14,312	1,987	16,299	4,255	20,554
Total	26,085	614	26,699	1,619	28,318

¹ Total representing the funds available and ring-fenced to specific schools.

² To mitigate the effect of large claims against the Authority

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

⁴ Accumulated balances that are Committee specific and not available for general purposes. These reserves finance variances in annual spending patterns from the Council's target. Conversely any over spends are carried forward for recoupment in future years. Each reserve must have a business case with a timetable of planned use that justifies its inclusion as a carry forward.

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

⁶ Specifically to help finance the Schools Modernisation Programme.

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

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

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

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

Note 9: Other Operating Expenditure

2015/16 £'000		2016/17 £'000
	Precepts	
2,511	Community Council Precepts	2,715
12,182	Dyfed Powys Police Precept	12,241
	Levies	
6,483	Mid And West Wales Fire Authority	6,537
585	Brecon Beacons National Park	556
41	Powys Land Drainage Board	42
(3)	(Gain)/loss on the disposal of non-current assets	(171)
2,627	Non-enhancing expenditure	2,558
(783)	Transfer to deferred credits - landlord loans	100
23,643		24,578

Note 10: Financing and Investment Income and Expenditure

2015/16 £'000		2016/17 £'000
10,062	Interest Payable And Similar Charges	9,926
7,150	Net Interest on the defined liability (asset)	7,160
(730)	Interest Receivable And Similar Income	(169)
5	Impairment Of Financial Instruments	-
(224)	Income And Expenditure In Relation To Investment Properties And Changes In Their Fair Value (Note 14)	(113)
-	Other investment income	(3)
16,263		16,801

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

2015/16 £'000		2016/17 £'000
78,757	Council Tax income	81,707
38,880	Non Domestic Rates	40,525
135,435	Non-ringfenced government grants	129,896
9,443	Capital grants and contributions	12,071
262,515		264,199

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

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

Comparative Movements in 2015/16:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
Movement In 2015/16	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 15	242,702	412,291	69,335	126,512	1,262	3,859	10,903	866,866
Additions	15,152	8,242	877	5,254	9	5	1,866	31,405
In year prior period adjustments	(1)	(59)	-	-	-	1	-	(59)
Revaluation increases/(decreases) recognised in the revaluation reserve	-	17,124	-	-	(34)	(5)	-	17,085
Revaluation increases/(decreases) recognised in the surplus on the provision of services	-	(4,563)	-	-	(137)	(542)	-	(5,242)
Derecognition - disposals	(808)	(1,458)	(2,738)	-	-	(1,025)	(61)	(6,090)
Derecognition - other	-	(2,683)	-	-	-	(5)	-	(2,688)
Reclassification from/(to) held for sale	-	150	-	-	-	(685)	-	(535)
Other movements	20	2,792	4	1,938	-	2,702	(7,456)	(2)
As at 31 March 16	257,065	431,836	67,478	133,704	1,100	4,305	5,252	900,740

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
Movement In 2015/16	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation								
As at 1 April 15	(10,514)	(20,133)	(50,837)	(20,613)	-	(241)	(19)	(102,356)
Depreciation charge	(5,843)	(11,278)	(3,815)	(3,090)	-	(53)	-	(24,079)
Depreciation written out to the revaluation reserve	-	3,833	-	-	-	178	-	4,011
Depreciation written out to the deficit on the Provision of Services	-	504	-	-	-	64	-	568
Derecognition - disposals depreciation	41	98	2,416	-	-	19	-	2,574
Derecognition - other	-	2	-	-	-	-	-	2
Reclassified from/(to) held for sale	-	(3)	-	-	-	-	-	(3)
Other movements	(1)	1	-	(2)	-	-	2	(1)
As at 31 March 16	(16,317)	(26,976)	(52,236)	(23,705)	-	(33)	(17)	(119,284)
Accumulated Impairment								
At 1 April 15	(6)	(6,574)	(14)	(29)	-	(2)	(140)	(6,766)
Impairment (reversals)/losses recognised in the revaluation reserve	-	1,205	-	-	-	-	-	1,205
Impairment (reversals)/losses recognised in the surplus on the provision of services	-	68	-	-	-	-	-	68
Derecognition - disposals impairment	-	45	-	-	-	-	-	45
Other movements	-	(4)	-	-	-	7	-	3
In year prior period adjustments	2	(8)	-	-	-	(5)	-	(11)
As at 31 March 16	(4)	(5,268)	(14)	(29)	-	-	(140)	(5,455)
Net Book Value								
As at 31 March 16	240,744	399,592	15,228	109,970	1,100	4,272	5,095	776,001
As at 31 March 15	232,182	385,584	18,485	105,870	1,262	3,616	10,744	757,742

STATEMENT OF ACCOUNTS

The land associated with the Infrastructure assets amounting to £1,847k has been transferred from Land and Buildings to Infrastructure in preparation for the introduction of Highways Network Asset classification. The introduction has now been delayed but the land is still to be held in Infrastructure and is not depreciated.

Capital Commitments

At 31 March 2017, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2017/18 and future years budgeted to cost £7,589k. Similar commitments at 31 March 2016 were £2,584k.

In addition, there was an outstanding Revenue Expenditure Funded from Capital Under Statute (Reffcus) commitment of £128k in respect of private sector housing at 31 March 2017 (£419k at 31 March 2016).

Revaluations

The Authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations undertaken this year were carried out by external valuers from the District Valuers Services; the specialist property arm of the Valuation Office Agency (VOA).

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Assets valued in 2016/17 were revalued at 1 April 2016.

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

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

The fair values of Property, Plant and Equipment:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historical cost	1,799	13,430	56,641	138,686	762	-	12,842	224,160
Valued at fair value:								
31 Mar 17	-	34,619	-	-	-	3,257	-	37,876
31 Mar 16	-	56,136	-	-	-	-	96	56,232
31 Mar 15	267,032	139,264	3,734	125	171	-	283	410,609
31 Mar 14	-	122,749	823	-	124	-	-	123,696
31 Mar 13	-	69,762	7,062	-	38	35	-	76,897
	268,831	435,960	68,260	138,811	1,095	3,292	13,221	929,470

Note 13: Heritage Assets – Tangible

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

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

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

Comparative Movements in 2015/16

Cost or Valuation	Art Collection £'000	Statues £'000	Museum Artefacts £'000	Civic Regalia £'000	Total £'000
As at 1 April 15	550	67	798	93	1,508
Additions	15	50	-	-	65
As at 31 March 16	565	117	798	93	1,573

Impairments	Art Collection £'000	Statues £'000	Museum Artefacts £'000	Civic Regalia £'000	Total £'000
As at 1 April 15	(73)	-	(80)	-	(153)
As at 31 March 16	(73)	-	(80)	-	(153)

Net Book Value	Art Collection £'000	Statues £'000	Museum Artefacts £'000	Civic Regalia £'000	Total £'000
As at 31 March 16	492	117	718	93	1,420
As at 31 March 15	477	67	718	93	1,356

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

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

STATEMENT OF ACCOUNTS

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

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

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

Note 14: Investment Properties

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

2015/16 £'000		2016/17 £'000
(126)	Rental income	(98)
(48)	Direct operating expense	13
(174)		(85)

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:

2015/16 £'000		2016/17 £'000
1,763	Balance as at 1 April	1,814
-	Additions	1,150
(1)	Disposal	(170)
50	Change in fair value	28
	Transfers:	
2	Other Changes	-
1,814	Balance as at 31 March	2,822

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.

2015/16				2016/17				
Level 1: Quoted Market Price	Level 2: Observable Inputs	Level 3: Unobservable Inputs	Total as at 31 March 2017		Level 1: Quoted Market Price	Level 2: Observable Inputs	Level 3: Unobservable Inputs	Total as at 31 March 2017
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Recurring fair value measurements:								
-	1,814	-	1,814	Investment property	1,150	1,672	-	2,822
Non-recurring fair value measurements:								
-	685	-	685	Assets held for sale	122	852	-	974
132	4,112	-	4,244	Surplus assets	-	3,248	-	3,248

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

2015/16			2016/17			
Fair Value £'000	Balance Sheet £'000	Variance £'000		Fair Value £'000	Balance Sheet £'000	Variance £'000
1,814	1,814	-	Investment Property (Note 14)	2,822	2,822	-
685	1,423	738	Assets held for sale (Note 22)	974	1,598	624
4,244	4,272	28	Surplus Assets	3,248	3,248	-

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

Valuation Techniques Used to Determine Level 2 Fair Values

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

Highest and Best Use

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

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

Sensitivity to Changes in Significant Unobservable Inputs

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

Note 15: Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £615k charged to revenue in 2016/17 was mostly charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the net expenditure of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movements on intangible assets are below.

2015/16			2016/17	
Other £'000	Total £'000		Other £'000	Total £'000
6,261	6,261	Cost at 1 April	6,320	6,320
(3,609)	(3,609)	Accumulated amortisation 1 April	(4,273)	(4,273)
(22)	(22)	Accumulated impairment 1 April	(22)	(22)
2,630	2,630	Net carrying amount at 1 April	2,025	2,025
		Additions:		
60	60	Purchase	283	283
(1)	(1)	Other Adjustments	88	88
(664)	(664)	Amortisation for the period	(615)	(615)
2,025	2,025	Net carrying amount at 31 March	1,781	1,781
		Comprising		
6,320	6,320	Cost at 31 March	6,691	6,691
(4,273)	(4,273)	Accumulated amortisation 31 March	(4,888)	(4,888)
(22)	(22)	Accumulated impairment 31 March	(22)	(22)

Note 16: Capital Expenditure and Capital Financing

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

2015/16 £'000		2016/17 £'000
224,482	Opening capital financing requirement	302,362
	Capital investment:	
31,198	Property, plant and equipment	32,179
-	Investment properties	1,150
63	Heritage assets	13
60	Intangible assets	283
5,602	Revenue expenditure funded from capital under statute	4,780
72,423	HRA subsidy exit payment	-
	Less sources of finance:	
3,897	Capital receipts	4,197
12,668	Government grants and other contributions	14,957
	Sums set aside from revenue:	
9,063	Direct revenue contributions	7,830
5,838	Minimum revenue provision (MRP)	6,260
302,362	Closing capital financing requirement	307,523
	Explanation of movement in year:	
(2,924)	Decrease in underlying need to borrow (supported by government financial assistance)	(1,881)
8,382	Increase in underlying need to borrow (unsupported by government financial assistance)	7,042
72,423	Additional borrowing for HRA buyout	-
77,881	Increase/(decrease) in capital financing requirement	5,161

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

During 2016/17 the Authority has recognised no impairment losses (£432k in 2015/16) and £2,557k (£2,627k in 2015/16) relating to the derecognition of assets in relation to capital expenditure on other land and buildings, which does not change the value of the asset as it is considered non-enhancing.

Note 18: Financial Instruments

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

2016			2017	
Long-term £'000	Current £'000		Long-term £'000	Current £'000
3,761	5,875	Investments	2,848	12,050
1,020	5,875	Loans And Receivables	-	12,050
2,741	-	Available For Sale Financial Assets	2,848	-
3,570	29,081	Debtors	3,110	27,785
3,570	-	Loans And Receivables	3,110	-
-	29,081	Financial Assets Carried At Contract Amount	-	27,785
227,013	3,037	Borrowings	226,749	28,276
227,013	3,037	Financial Liabilities At Amortised Cost	226,749	28,276
21,976	30,464	Creditors	20,239	37,817
21,976	30,464	Financial Liabilities Carried At Contract Amount	20,239	37,817

2016					2017			
Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivable	Financial Assets: Available for Sale	Total		Financial Liabilities at Amortised Cost	Financial Assets: Loans and Receivable	Financial Assets: Available for Sale	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
10,061	-	-	10,061	Interest expense	9,918	-	-	9,918
-	5	-	5	Impairment loss	-	-	-	-
10,061	5	-	10,066	Total expense in deficit on the provision of services	9,918	-	-	9,918
-	(723)	-	(723)	Interest income	-	(169)	-	(169)
-	(723)	-	(723)	Total income in deficit on the provision of services	-	(169)	-	(169)
-	-	24	24	(Gains)/loss on revaluation	-	-	(133)	(133)
-	-	24	24	(Surplus)/deficit arising on revaluation of financial assets in other comprehensive income and expenditure	-	-	(133)	(133)
10,061	(718)	24	9,367	Net (gain)/loss for the year	9,918	(169)	(133)	9,616

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 2017 of 0.83% to 2.34% for loans from the PWLB and 2.19% to 2.62% 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 16			31 March 17	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
230,050	285,195	Financial liabilities	255,024	336,418
21,976	21,976	Long-term creditors	20,239	20,239

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 16			31 March 17	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
6,895	6,427	Loans and receivables	12,050	12,050
3,570	3,570	Long-term debtors	3,110	3,110

Low Cost Housing (available for sale assets)

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

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

Note 19: Inventories

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

31 Mar 16 £'000		31 Mar 17 £'000
463	Building materials, vehicle parts etc	477
630	Road salt	465
50	Other	19
1,143		961

Note 20: Short Term Debtors

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

31 Mar 16 £'000		31 Mar 17 £'000
	Central Government	
3,811	Welsh Government	7,380
102	European Community	376
2,295	HMRC (Value Added Tax)	1,905
58	Natural Resources Wales	-
93	Food Standards Agency	104
30	Home Office	122
44	National Lottery	832
11	Sports Council	-
	Trunk Road Agencies	
5,165	North Wales Trunk Road Agency	2,677
	Local Authorities	
122	Ceredigion C.C	87
1,360	Other local and education authorities	1,900
	NHS Bodies	
3,879	Powys Teaching Health Board	4,005
60	Other NHS bodies	52
	Other entities and individuals	
2,868	Council tax	2,849
245	Housing benefits	269
66	Employees	70
7,340	Other short-term debtors	4,036
1,532	Payments in advance	1,121
29,081		27,785

Note 21: Cash and Bank Accounts

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

31 Mar 16 £'000		31 Mar 17 £'000
3,659	Cash held by the Authority	21,329
(3,309)	Bank current accounts	(4,986)
350		16,343

Note 22: Assets Held for Sale

2016 £'000		2017 £'000
1,598	Opening balance	1,423
	Assets newly classified as held for sale	
685	Property, plant and equipment	636
	Assets declassified as held for sale	
(147)	Property, plant and equipment	(73)
(713)	Assets sold	(388)
1,423	Closing balance	1,598

Note 23: Creditors

Short Term Creditors

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

31 Mar 16 £'000		31 Mar 17 £'000
	Central Government	
(2,552)	Welsh Government	(4,322)
(2,760)	HM Revenues and Customs	(3,106)
(237)	Department of Energy And Climate Change	(273)
(200)	Department for Work and Pensions	(371)
	Local Authorities	
(310)	Ceredigion County Council	(105)
(529)	Other local and education authorities	(635)
	NHS Bodies	
(261)	Powys Teaching Health Board	(543)
(4)	Other NHS	(23)
	Other entities and individuals	
(14,983)	Sundry Creditors	(16,286)
(1,405)	Holiday Accrual	(3,642)
(1,120)	Wages And Salaries	(1,858)
(914)	Payments Received In Advance	(1,669)
(1,573)	Deposits – Section 40 Advance	(1,246)
(492)	Commutated Sums – Land Drainage	(520)
(1,226)	Council Tax Credits	(1,249)
(28,566)		(35,848)

Long Term Creditors

31 Mar 16 £'000		31 Mar 17 £'000
(21,976)	Deposits – Section 106 deposit	(20,239)
(21,976)		(20,239)

Note 24: Provisions

Long Term Provisions

	As at 1 April 16 £'000	Increase in Provision £'000	Reversal of Unused Provision £'000	Amounts Paid £'000	Movement to Short Term £'000	As at 31 March 17 £'000
Long Term ¹	(1,159)	-	2	33	350	(774)

Short Term Provisions

	As at 1 April 16 £'000	Increase in Provision £'000	Reversal of Unused Provision £'000	Amounts Paid £'000	Movement to Long Term £'000	As at 31 March 17 £'000
Insurance ²	(1,665)	(230)	-	532	-	(1,363)
Other ³	(233)	(200)	98	79	(350)	(606)
	(1,898)	(430)	98	611	(350)	(1,969)

Note 25: Usable Reserves

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

Usable Capital Receipts

2015/16 £'000		2016/17 £'000
13,804	Balance as at 1 April	14,544
4,668	Gross capital receipts	5,114
(1,530)	Financing fixed assets	(2,924)
(2,397)	Financing Refocus	(1,273)
30	Abortive costs	-
(31)	Less Administration costs	(59)
14,544	Balance as at 31 March	15,402

¹ 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.

² 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.

³ Included in Other are Equal Pay claims still to be settled.

Note 26: Unusable Reserves

31 Mar 16 £'000		31 Mar 17 £'000
309,232	Revaluation reserve	309,837
1,642	Available for sale financial instruments	1,759
171,325	Capital adjustment account	177,440
505	Financial instruments adjustment account	233
(219,060)	Pensions reserve	(273,110)
3,515	Deferred capital receipts	3,057
(1,405)	Accumulated absences account	(3,642)
265,754		215,574

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.

2015/16 £'000		2016/17 £'000
297,104	Balance as at 1 April	309,232
68	In year prior period adjustments	(39)
26,322	Upwards revaluation of assets	11,607
(4,020)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(905)
22,370	Surplus or deficit on the revaluation of non-current assets not posted to the surplus/deficit on the provision of services	10,663
(7,523)	Difference between fair value depreciation and historical cost depreciation	(7,768)
(2,719)	Accumulated gains on assets sold or scrapped	(2,290)
(10,242)	Amount written off to the capital adjustment account	(10,058)
309,232	Balance as at 31 March	309,837

Available For Sale Financial Instruments Reserve

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

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

2015/16 £'000		2016/17 £'000
1,684	Balance as at 1 April	1,642
(24)	Upward/(downward) revaluation of investments	133
(18)	Accumulated gains on assets sold and maturing assets written out the comprehensive income and expenditure statement as part of other investment income	(16)
1,642	Balance as at 31 March	1,759

Capital Adjustment Account

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

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

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

POWYS COUNTY COUNCIL

2015/16 £'000			2016/17 £'000	
	243,759	Balance as at 1 April		171,325
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income And Expenditure Statement:				
(133)		In year prior year adjustment	39	
(24,079)		Charges for depreciation of non-current assets	(24,766)	
(664)		Amortisation of Intangible Assets	(615)	
(4,446)		Revaluation gain/(loss) on Property, Plant And Equipment	32	
(15)		Impairment due to economic consumption	-	
(5,602)		Revenue expenditure funded from capital under statute	(4,780)	
(72,423)		HRA Subsidy Exit Settlement	-	
(2,626)		Loss on derecognition of Assets	(2,557)	
(4,183)	(114,171)	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	(4,557)	(37,204)
	10,241	Adjusting amounts written out of the Revaluation Reserve		10,058
	(103,930)	Net written out of the cost of non-current assets consumed in the year		(27,146)
Capital Financing applied in the year				
3,897		Use of the Capital Receipts Reserve to finance new capital expenditure	4,197	
11,980		Capital grants and contributions credited to the Comprehensive Income And Expenditure Statement that have been applied to capital financing	14,801	
688		Application of grants to capital financing from the Capital Grants Unapplied Account	155	
9,063		Capital expenditure charged against the Council Fund and HRA balances	7,830	
5,838	31,466	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	6,260	33,243
	50	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income And Expenditure Statement		28
	(20)	Available for Sale Assets		(10)
	171,325	Balance as at 31 March		177,440

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 2017 will be charged to the Council Fund over the remaining life of repaid loans.

2015/16 £'000		2016/17 £'000
762	Balance as at 1 April	505
(289)	Discounts paid from rescheduling of debt	(273)
45	Soft loans adjustment	7
(13)	Invest to save loans	(6)
505	Balance as at 31 March	233

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.

2015/16 £'000		2016/17 £'000
(231,900)	Balance as at 1 April	(219,060)
19,820	Actuarial gains or (losses) on pensions assets and liabilities	(47,230)
(24,130)	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	(24,190)
17,150	Employer's pensions contributions	17,370
(219,060)	Balance as at 31 March	(273,110)

POWYS COUNTY COUNCIL

Deferred Capital Receipts Reserve

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

2015/16 £'000		2016/17 £'000
3,181	Balance as at 1 April	3,514
(2)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
781	Landlord Loans	(99)
(446)	Transfer to the Capital Receipts Reserve upon receipt of cash	(358)
3,514	Balance as at 31 March	3,057

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.

2015/16 £'000		2016/17 £'000
(3,524)	Balance as at 1 April	(1,405)
3,524	Settlement or cancellation of accrual made at the end of the preceding year	1,405
(1,405)	Amounts accrued at the end of the current year	(3,642)
(1,405)	Balance as at 31 March	(3,642)

Note 27: Expenditure and Income Analysed by Nature

2015/16 Restated £'000		2016/17 £'000
159,899	Employee Costs	164,838
14,984	Premises related expenditure	15,602
15,476	Transport related expenditure	16,054
26,062	Supplies and Services	25,434
24,744	Depreciation and Impairment losses	25,364
5,602	Reffcus	4,780
72,423	HRA Subsidy Exit Settlement	-
82,958	Third Party Payments	81,247
21,802	Precepts and Levies (see note 9)	22,091
47,230	Transfer Payments	46,208
11,223	Capital financing costs (Interest and Similar Charges)	9,926
7,150	Pension Interest Costs	7,160
4,411	Impairment	-
470	IAS 19 Past Service Costs	520
2,627	Non-Enhancing Expenditure	2,557
783	Transfer to deferred credits – landlord loans (see note 9)	307
497,844	Total Expenditure	422,088
(87,716)	Grants, reimbursements and contributions (see note 38)	(89,013)
(67,853)	Customer and client income	(60,944)
(2)	Profit on Disposal of Assets	(171)
(783)	Transfer to deferred credits - landlord loans (see note 9)	(207)
-	Interest received and similar income	(170)
(2,972)	Reffcus	(2,782)
(14,693)	Precepts	(14,956)
(64,063)	Council Tax	(66,751)
(38,880)	Non Domestic Rates	(40,525)
(135,436)	Revenue Support Grant	(129,896)
(412,398)	Total Income	(405,415)
85,446	Net Expenditure/(Income)	16,673

Reconciliation to the report to Cabinet (see Narrative Forward)

	2016/17 £'000
(Surplus)/Deficit on the Provision of Services (see CIES)	16,673
Council Tax	66,751
Non-Domestic Rates	40,525
Revenue Support Grant	129,896
Items not reported to management	
Adjustments made between Accounting Basis and Funding Basis Under Regulations (see Expenditure and Funding Analysis)	(13,051)
Transfer from 21st Century Schools Reserve to Reffcus	(82)
Budgeted Reserve Movements	(3,575)
Net Expenditure/(Income) as per Narrative Report	237,137

Note 28: Cash Flow Statement – Investing Activities

2015/16 Restated £'000		2016/17 £'000
26,913	Purchase of property, plant and equipment, investment property and intangible assets	27,850
254,895	Purchase of short and long term investments	275,131
(3,995)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,600)
(249,457)	Proceeds from the sale of short and long term investments	(269,959)
28,356	Net cash flows from investing activities	28,422

Note 29: Cash Flow Statement – Financing Activities

2015/16 Restated £'000		2016/17 £'000
(80,777)	Cash receipts of short and long term borrowing	(24,964)
(11,698)	Other receipts from financing activities	(7,613)
15,679	Repayments of short and long term borrowing	25
4,172	Other payments for financing activities	4,124
(72,624)	Net cash flows from financing activities	(28,428)

Note 30: Cash Flow Statement – Analysis of Government Grants

2015/16 £'000		2016/17 £'000
11,547	Housing Grants	11,125
-	Other Housing	420
2,270	Other Social Services (Primarily Mental Handicap Strategy)	3,006
7,509	Supporting People	6,351
1,397	Other Transport Grants	1,431
3,484	Waste Disposal And Recycling Grants	2,629
7,799	Education Grants	7,057
38	Welsh Language Grant	29
1,376	PIG Policy Agreements	-
1,227	Concessionary Travel	1,316
200	CESF Grant	-
1,457	Miscellaneous	2,428
86	Safer Communities Fund	163
111	Communities First	113
2,714	Reffcus	1,243
451	Sports Council	442
121	Animal Welfare	68
108	Arts Council of Wales	44
41,895		37,865

Note 31: Trust Funds

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

The Charities Act 1993 requires there to be an independent audit of the Statement of Accounts of the following two trust funds. The 2016/17 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.

2015/16 £'000	Revenue Account	2016/17 £'000
	Income	
(91)	Investment Income	(84)
-	Gains on Investment Assets	(294)
(91)	Total Income	(378)
	Expenditure	
43	Raising Funds	31
129	Charitable Activities	85
133	Losses on Investment Assets	-
305	Total Expenditure	116
214	Deficit/(Surplus) for the year	(262)
(2,568)	Fund Balance Brought Forward	(2,354)
(2,354)	Fund Balance Carried Forward	(2,616)

31 Mar 16 £'000	Balance Sheet	31 Mar 17 £'000
	Non-current Assets	
205	Land and Buildings	205
2,075	Investments	2,369
2,280	Total Non-current Assets	2,574
74	Net Current Assets	42
2,354	Net Assets	2,616
2,354	Fund Surplus	2,616

POWYS COUNTY COUNCIL

Rhayader Leisure Centre Trust Fund

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

2015/16 £'000	Revenue Account	2016/17 £'000
(438)	Income	(404)
460	Expenditure	404
22	Deficit/(Surplus) for the year	-
(26)	Fund Balance Brought Forward	(4)
(4)	Fund Balance Carried Forward	(4)

31 Mar 16 £'000	Balance Sheet	31 Mar 17 £'000
4	Net Current Assets	4
4	Net Assets	4
4	Fund Surplus	4

Note 32: Agency Services

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

2015/16 £'000	Agency	Description	2016/17 £'000
2	Welsh Government	Houses for Homes	112
333	Welsh Government	Home Improvement Loans	193
18	Welsh Government	Viable & Vibrant Places Scheme	346

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

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

The agreement will not affect the liability of the parties for the exercise of their respective statutory functions and obligations. The partnership agreement operates in accordance with the Welsh Assembly Government Guidance NHS Funded Nursing Care 2004. The allocation received for 2016/17 for Free Nursing care was £2,108,424 which is now within the PTHB base allocation from WG.

2015/16 £'000		2016/17 £'000
	Gross Funding	
1,065	Powys County Council	1,064
1,005	Powys Teaching Health Board	1,044
2,070	Total funding	2,108
	Expenditure	
*2,004	Monies spend in accordance with pooled budget arrangement	*2,212
2,004	Total expenditure	2,212
66	Net under/(over) spend	(104)
	Net under/(over) spend held	
(4)	Powys County Council	-
70	Powys Teaching Health Board	(104)

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

Powys Carers Services Section 33 Pooled Budget

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

2015/16 £'000		2016/17 £'000
	Gross Funding	
282	Powys County Council	237
16	Powys Teaching Health Board	16
298	Total funding	253
	Expenditure	
298	Powys Carers	251
298	Total expenditure	251
-	Net under/(over) spend	2

POWYS COUNTY COUNCIL

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

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

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

2015/16 £'000		2016/17 £'000
	Gross Funding	
521	Powys County Council	521
521	Powys Teaching Health Board	521
6	Other	3
1,048	Total funding	1,045
	Expenditure	
53	Management costs	56
5	Audit	2
432	Equipment purchase	301
289	Maintenance and inspection	326
377	Delivery, cleaning and collection charges	335
-	Professional Fees	4
1,156	Total expenditure	1,024
(108)	Net under/(over) spend	21
	Net under/(over) spend held	
(54)	Powys County Council	11
(54)	Powys Teaching Health Board	10

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).

2015/16 £'000		2016/17 £'000
	Gross funding	
177	Powys County Council	177
177	Powys Teaching Health Board	177
354	Total funding	354
	Expenditure	
354	Twelve beds	354
354	Total expenditure	354
-	Net under/(over) spend	-

Reablement Service Section 33 Joint Arrangement

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

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

2015/16 £'000		2016/17 £'000
	Gross funding	
413	Powys County Council	413
828	Powys Teaching Health Board	828
1,241	Total funding	1,241
	Expenditure	
728	Powys County Council	725
394	Powys Teaching Health Board	445
1,122	Total expenditure	1,170
119	Net under/(over) spend	71
	Net under/(over) spend held	
4	Powys County Council	7
115	Powys Teaching Health Board	64

POWYS COUNTY COUNCIL

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

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

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

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

2015/16 £'000		2016/17 £'000
	Gross funding	
670	Powys County Council	624
122	Powys Teaching Health Board	122
792	Total funding	746
	Expenditure	
792	In accordance with joint arrangement	746
792	Total expenditure	746
-	Net under/(over) spend	-

ICT Service

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

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

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

2015/16 Restated £'000		2016/17 £'000
	Gross funding	
2,168	Powys County Council	2,340
1,084	Powys Teaching Health Board	838
107	Other income	152
3,359	Total funding	3,330
	Expenditure	
2,845	In accordance with joint arrangement	3,366
2,845	Total expenditure	3,366
514	Net under/(over) spend	(36)
	Net under/(over) spend held	
(71)	Powys County Council	136
585	Powys Teaching Health Board	(172)

Integrated Care Team for Older People Section 33 Joint Arrangement

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

Powys Teaching Health Board will be the host partner for the purposes of the Regulations. The agreement will not affect the liability of the parties from the exercise of their respective statutory functions and obligations.

The purpose of the agreement is to ensure the delivery of integrated health and social care via an integrated Care Team for Older people in Ystradgynlais area.

2015/16 £'000		2016/17 £'000
	Gross funding	
-	Powys County Council	1,460
-	Powys Teaching Health Board	2,124
-	Total funding	3,584
	Expenditure	
-	Powys County Council	1,302
-	Powys Teaching Health Board	2,005
-	Total expenditure	3,307
-	Net under/(over) spend	277
	Net under/(over) spend held	
-	Powys County Council	158
-	Powys Teaching Health Board	119

Note 34: Joint Committees

Education through Regional Working ERW is a Joint Committee consisting of six local authorities in South West and Mid-Wales. Pembrokeshire is the lead Authority. The total annual contribution from participating Authorities for 2016/17 was £250k (£250k in 2015/16) of which Powys C.C. contributed £36k (£36k in 2015/16). The reserve held specifically for Powys C.C. by ERW is £58k in 2016/17 (£55k in 2015/16).

Note 35: Members Allowances

A total of £1,222k was paid to Councillors in basic and special responsibility allowances (£1,237k in 2015/16). Councillors were also reimbursed travel, working expenses and subsistence expenses in accordance with regulations amounting to £109k (£104k in 2015/16).

Note 36: Senior Officers Emoluments

The remuneration ratio of the Chief Executive during the year of the accounts to the amount of the median remuneration (£19,238 in 2016/17, £19,048 in 2015/16) of the Authorities employees was 6.97 (6.97 in 2015/16). Please note that these calculations are based on contracted salaries and so excludes non-contracted payments such as the Chief Executive's role as the Returning Officer.

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

2015/16 Officers	Remuneration Band	2016/17 Officers
8	£60,000 - £64,999	13
6	£65,000 - £69,999	6
3	£70,000 - £74,999	3
2	£75,000 - £79,999	4
-	£80,000 - £84,999	1
-	£85,000 - £89,999	-
1	£90,000 - £94,999	1
-	£95,000 - £99,999	-
-	£100,000 - £104,999	1

Note 43 details termination benefits.

Senior officer posts that attracted remuneration of at least £60k are on the next two pages.

Please note that in addition to the officers shown for 2016/17, the authority also has a Joint Director of Workforce and Organisation Development. The post holder is an employee of Powys Teaching Health Board seconded to Powys County Council for two days a week at a cost of £49k in 2016/17.

STATEMENT OF ACCOUNTS

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

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

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

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

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

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

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

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

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

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

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

POWYS COUNTY COUNCIL

Post Title	Salary (inc fees & allowances)	Benefits in kind	Termination Benefits	Total Remuneration Excluding Pension Contribution	Pension Contribution ¹	Total Remuneration including Pension Contribution
2015/16	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive ²	138	-	-	138	32	170
Solicitor to the Council	75	2	-	77	17	94
Strategic Director – Resources	103	1	-	104	24	128
Strategic Director – People	101	-	-	101	23	124
Strategic Director – Place	99	-	-	99	23	122
Interim Director – PCC/PTHB Integration ³	96	1	-	97	22	119
Head of Highways, Transport & Recycling	79	2	-	81	18	99
Head of Schools Service	77	2	-	79	18	97
Head of Professional Services & Commissioning	77	1	-	78	18	96
Head of Childrens Services	77	4	-	81	18	99
Head of Adult Services ⁴	77	-	-	77	18	95
– Operations ⁵	5	-	-	5	1	6
– Transformation ⁵	4	-	-	4	1	5
Head of Housing ⁶	76	1	-	77	18	95
Head of Business Services	72	2	-	74	17	91
Head of Regeneration, Property & Commissioning	71	-	-	71	16	87
Head of ICT & Programme Office ⁷	2	-	-	2	-	2

A Joint Director of Workforce and Organisation Development between the Powys Teaching Health Board (PTHB) and Powys County Council (PCC) commenced on 1 December 2015. The post holder is an employee of the PTHB but seconded to PCC for two days a week. PCC were invoiced for £17k (inclusive of on-costs) in 2015-16 for the four months to 31 March 2016.

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

² Salary includes £5k relating to election fees which are a separate employment and payment is made by the election bodies, not the council. The fees are set by regulation.

³ The role of Director – Change & Governance was removed and the post holder transferred into the role of Interim Director – PCC/PTHB Integration in February 2015 although the council's records did not reflect this change until October 2015.

⁴ The role of Head of Adult Services was vacated in April 2016.

⁵ The role of Head of Adult Services has been split between Operations and Transformation, both appointed in March 2016. The fulltime equivalent salary for a full year was £75k for Transformation and £73k for Operations.

⁶ The figures for 2015/16 in respect of the Head of Housing includes £6k back pay and £1k pension contributions for work in March 2015.

⁷ The role of Head of ICT & Programme Office was appointed on 21 March 2016. The fulltime equivalent salary for a full year was £66k.

Note 37: Audit Costs

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

2015/16 Restated £'000		2016/17 £'000
212	Accounts	208
124	Performance audit	110
75	Grant claims	71
2	Other	-
413		389

Accounts (£4k) and Performance Audit (£25k) in 2015/16 have been increased to reflect additional fees relating to that year.

Note 38: Taxation and Non-specific Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

2015/16 £'000	Credited to Taxation and non-specific grant income	2016/17 £'000
78,757	Council Tax	81,707
135,435	Revenue Support Grant	129,896
38,880	Non-domestic Rates redistribution (NNDR)	40,525
253,072		252,128

NNDR is organised on a national basis. The Welsh Government (WG) specifies an amount for the rate 48.6p in 2016/17 (48.2p in 2015/16) 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 2017 was £79,824,688 (£75,853,034 at 31 March 2016). The Council pays the rates it collects to a pool administered by WG. WG redistributes the sums payable back to Local Authorities on the basis of a fixed amount per head of population.

POWYS COUNTY COUNCIL

The Authority also receives specific grants to be credited directly to services as below. Note that 2015/16 was reclassified to more accurately reflect the source contributions in respect of Local Health Boards [+£438k], Other Government Grants [+£221k], Other Non-government Grants [£107k] and Other [-£643k].

2015/16 Reclassified £'000	Grants, Reimbursements and Contributions	2016/17 £'000
219	Animal Health Welfare Grant	203
505	Benefit Administration Grant	404
546	Benefit Payments	568
311	Bus Revenue Support (Traws Cymru)	459
1,139	Concessionary Travel	936
306	Contribution From TEC	528
-	Environmental & Sustainable Development ¹	67
121	European Agricultural Fund for Rural Development	285
5,868	Education Improvement Grant	5,589
1,152	Families First	1,043
1,782	Flying Start	1,853
11,547	Housing Benefit Subsidy	11,125
922	Independent Living Grant	1,169
1,014	Integrated Care Fund	1,492
300	Integration Grant	-
4,662	Joint Finance – Area Health	5,415
2	Learning in Digital Wales	-
1,273	Local Health Boards	2,110
332	NNDR Collection Grant	333
1,367	Outcome Agreements	10
1,921	Pupil Deprivation Grant	2,051
1,127	Regional Transport Service Grant	1,280
16,993	Rent Allowance Grant	16,692
194	School Milk	151
290	CSW Development	289
5,546	Sixth Form Grant	5,098
451	Sports Council	431
835	Substance Abuse Action Plan	933
5,138	Supporting People	5,138
3,892	Sustainable Waste Management Grant ¹	3,618
9,319	Capital Grants	12,015
2,806	Other Government Grants	2,724
395	Other Non-Government Grants	201
5,441	Other	4,803
87,716		89,013

¹ Environmental & Sustainable Development (ESDLA) will replace the Sustainable Waste Management Grant in future years

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:

2015/16 £'000	Capital grants received in advance	2016/17 £'000
174	Balance as at 1 April	207
39	Grants Received	82
(6)	Transfer to capital grants unapplied	(27)
207	Balance as at 31 March	262

Note 39: Council Tax

Council Tax income derives from charges raised according to the value of residential properties which have been classified into ten valuation bands based on the draft valuation list prepared by the Valuation Office that came into effect 1 April 2006. Charges are calculated by taking the amount of Council Tax income required by the County Council, Dyfed Powys Police and Community Councils for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The tax base used for the calculation of Council Tax in 2016/17 was 61,186 (60,889 in 2015/16).

The basic charge of £1,090.06 (£1,045.62 in 2015/16), for a band D property in 2016/17 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	4	3,077	6,035	9,946	9,127	13,359	12,480	6,352	1,126	384

2015/16 £'000		2016/17 £'000
78,921	Council tax income	81,830
(165)	Miscellaneous write offs	(123)
78,756	Net proceeds from council tax	81,707

Note 40: Related Parties

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

Central Government

Welsh Government have effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions.

Chief and Senior Officers and their Close Families

Senior Officers of the Council maintain a register of gifts received and are asked annually to declare any relevant interests. No material transactions took place in 2016/17.

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 33.

Powys County Council also have three members of staff who are joint working with Ceredigion County Council and Powys Teaching Health Board. The below table shows the amounts exchanged in relation to the named positions.

Position	Purpose	Authority	Billed to/(from) £'000	Outstanding £'000
Streetworks Manager	Joint Working CWIC	Ceredigion County Council	17	17
Workforce Director	Joint Working	Powys Teaching Health Board	(49)	-
Interim Strategic Director - People	Joint Working	Powys Teaching Health Board	-	4

Please note that at the time of closing Powys County Council has yet to have been invoiced for the Interim Strategic Director – People, as such a £4k accrual has been entered in to the accounts for the period covering 1 January 2017 to 31 March 2017.

The Powys Pension Fund

As well as making employer contributions to the Fund the County Council also provides administrative services for the fund. In 2016/17 the Council was paid £887k for these services (£863k for 2015/2016).

Members

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

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

Member	Body	Relationship	Expenditure		Income	
			In Year £'000	O/S £'000	In Year £'000	O/S £'000
Breeze, Graham Charles	Mytown Media Ltd	Director	0	-	-	-
Brunt, John Harold	Mid Wales Manufacturing Group	Project Manager	78	-	-	-
Brunt, John Harold	Neath Port Talbot College	Corporation Board Member	391	186	57	11
Davies, Melanie Jade Brookes	Lakeside Llangorse	Director and land owner	4	-	1	-
Davies, Steve	Mountain Micros	Owner	-	-	2	1
George, Russell Ian	Fuze Ltd	Director	-	-	0	-
Harris, Rosemarie	Royal Welsh Agricultural Show	Enterprise Director and Steward	70	38	26	-
Hayes, Stephen Murray	Castle Kitchen, Montgomery	Partner	-	-	1	-
Jones, David Richard	Powysland Internal Drainage Board	Context suggests member of	21	-	-	-
Jones, Michael E.	East Radnor Day Centre	Chairman	152	-	4	0
Jones, Michael John	Brecon Beacons National Park	Member of Planning Committee	609	1	53	6
Jump, Francesca Helen	Canal & River Trust	Rep. for Montgomeryshire	12	-	0	-
Mackenzie, Maureen	Wyeside Arts Centre	Interim Chair	37	-	2	-
Mayor, Darren	Impact Schools Team (charity)	Director	1	0	-	-
Meredith, David William	Theatr Brycheiniog	Board Member	79	-	1	2
Morgan, Evan Thomas	Defynnog Agricultural Society	Trustee and Chief Steward	-	-	0	-
Powell, John	Church in Wales, Diocese of Swansea & Brecon	Member of Finance Board	0	-	0	0
Silk, Kathryn Susan	Arts Alive	Trustee	27	7	0	-
Thomas, William Barry	Banwy Fuels	Lease Holder at Glanverniew	41	2	0	-
Van Rees, Tim	Royal Regimental Museum	Chair of Exec. Comm. of Trustees	-	-	0	-
Williams, Gwilym Ioan Snead	Brecon Beacons National Park	Member of Planning Committee	609	1	53	6
Williams, Sarah Louise	Communities First	Health Project Manager	-	-	30	8

Members also declared control over the below bodies, however there were no transactions recorded in respect of these for financial year 2016/17.

Councillor	Body	Relationship
Bowker, Gemma-Jane	Robert Owen Museum, Newtown	Member of Management Committee
Breeze, Graham Charles	Breeze PR	Owner
Breeze, Graham Charles	Mid Wales Trophies and Engraving	Partner
Brown, Richard Graham	Punch Bowl Inn, Llandrinio	Partner
Brown, Richard Graham	Llandrinion Village Hall Committee	Trustee
Brunt, John Harold	Army Cadet Force Association	Trustee
Brunt, John Harold	Army Cadet Force Association Wales	Chairman
Davies, Roche	W. V. Davies & Co	Partner
George, Russell Ian	Montgomeryshire branch of United Nations	Vice President
George, Russell Ian	Montgomeryshire Area Scout Council	Area President
Gibson-Watt, James	Adela	Owner
Harris, Peter	River Severn Custodians	Chairman
Harris, Peter	Newtown Civic Society	Committee Member
Hayes, Stephen Murray	Montychini Investments	Partner
Hopkins, Geraint George	Traveline Cymru	Director
Jones, Graham Maurice	M Jones & Son	Partner
Jones, Wynne	W.T. &D. Jones	Partner
Jones, Wynne	Tanst Partnership, Mid Wales	Director
Jones, Wynne	Abermule Bowling Club	President
Jones, Wynne	Millfields Amenity Land Trust	Trustee & Chairman
Jump, Francesca Helen	Friends of Montgomery Canal	Member
Mayor, Darren	Impact (charity)	Trustee
Medlicott, Peter James	Hereford, Breconshire and Radnorshire Law Society	Director
Medlicott, Peter James	Rhayader and Elan Valley Angling Association	Chairman
Medlicott, Peter James	Medlicott Solicitors	Partner
Morgan, Evan Thomas	Maescaer Community Hall Committee	Chairman
Morgan, Evan Thomas	Sennybridge Stock Market	Chairman and Trustee
Morgan, Evan Thomas	Sir John Dary Charity	Trustee
Morgan, Evan Thomas	Sennybridge and Brecknock YFC	Vice President

Councillor	Body	Relationship
Morris, John	Graig Barn Farm/Welsh Farmhouse Applejuice	Partner
Powell, William Denston	Transport Focus	Board Member
Pritchard, Philip Charles	Football Association Wales	Director/Life Vice President
Shearer, Joy	JM & JG Shearer, Cochsidan	Partner
Turner, Tom	Funky Dragon	Director
Turner, Tom	Media Solutions	Owner
Van Rees, Tim	War Memorial Institute	Secretary and Trustee
Vaughan, Gwilym Pughe	Mr G Vaughan (School Transport Contract)	Owner

Note 41: Leases**Authority as a Lessee****Operating Leases**

Various services use assets financed by operating lease. The lease costs form part of each service's revenue expenditure. Total operating lease rentals paid in the year were £1,081k (£1,088k in 2015/16) and the total outstanding commitment on operating leases at the 31 March 2017 was £2,593k (£2,092k at 31 March 2016).

31 Mar 16 £'000	Minimum lease payments	31 Mar 17 £'000
1,022	No later than one year	1,143
1,042	Later than one but no later than five years	1,142
28	Later than five years	308
2,092		2,593

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 16 £'000	Minimum lease payments	31 Mar 17 £'000
1,566	No later than one year	1,552
4,037	Later than one but no later than five years	3,898
6,736	Later than five years	6,025
12,339		11,475

Finance Leases

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

Note 42: Obligations under Long Term Contracts

The contract with BUPA to purchase a minimum number of beds amounting to £10.5m was originally scheduled to expire in 2014. This contract has been extended on multiple occasions as follows:

- Extended to 2016 for an additional £6.9m
- Extended to 2017 for an additional £4.8m
- Extended to 2019¹ for an additional £10.2m

The below table shows the commitments under this agreement.

31 Mar 16 £'000	Commitment	31 Mar 17 £'000
4,406	No later than one year	4,929
400	Later than one but no later than five years	5,670
-	Later than five years	-
4,806		10,599

Note 43: Termination Benefits

The Authority had the following termination costs.

2015/16			2016/17	
Staff	£'000		Staff	£'000
260	1,104	£0 - £20,000	241	946
20	560	£20,001 - £40,000	27	812
7	319	£40,001 - £60,000	4	204
1	74	£60,001 - £80,000	3	208
-	-	£80,001 - £100,000	1	83
-	-	£100,001 - £150,000	1	139
1	157	£150,001 - £200,000	-	-
289	2,214		277	2,392

2015/16 £'000		2016/17 £'000
1,524	Redundancy	1,641
482	Pension strain	539
115	Loss of office	84
93	Payment in lieu of notice or holidays	128
2,214		2,392

¹ The agreement is scheduled to end on 1 June 2019 but may be extended for multiple period(s) by mutual agreement. The same agreement also states that the extensions cannot go beyond 31 October 2024.

Note 44: Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The actuarial valuation at 31 March 2013 and the contributions to be paid until 31 March 2017 resulting from that valuation are set out in the Funds Rates and Adjustment Certificate. An actuarial valuation of the Fund was carried out at 31 March 2016 and as part of the valuation a new Rates and Adjustment Certificate will be produced for the three year period from 1 April 2017.

Transactions Relating to Post-employment Benefits

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

POWYS COUNTY COUNCIL

2015/16 Funded £'000	2015/16 Total £'000	Comprehensive income and expenditure statement	2016/17 Funded £'000	2016/17 Total £'000
		Cost of services		
16,510	16,510	Current service cost	16,510	16,510
470	470	Past service costs	520	520
		Financing And Investment Income And Expenditure		
7,150	7,150	Interest on net defined benefit	7,160	7,160
24,130	24,130	Pension expense charged to the surplus/deficit on the provision of services	24,190	24,190
		Other post employment benefit charged to the Comprehensive Income And Expenditure Statement		
11,880	11,880	Return on plan assets (in excess of)/that recognised in net interest	(71,740)	(71,740)
(25,480)	(25,480)	Actuarial (gains)/losses due to change in financial assumptions	141,410	141,410
-	-	Actuarial (gains)/losses due to changes in demographic assumptions	(12,380)	(12,380)
(6,220)	(6,220)	Actuarial (gains)/losses due to liability experience	(10,060)	(10,060)
4,310	4,310	Total other post employment benefit charged to the Comprehensive Income And Expenditure Statement	71,420	71,420
		Movement In Reserves Statement		
(24,130)	(24,130)	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(24,190)	(24,190)
		Actual amount charged against the Council Fund balance during the year:		
(17,150)	(17,150)	Employers contributions payable to scheme	(17,370)	(17,370)

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31 March 2017 is a loss of £47.23m.

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.

2016 £'000		2017 £'000
465,810	Fair value of assets	550,690
684,870	Present value of funded defined benefit obligation	823,800
(219,060)	Funded Status	(273,110)
(219,060)	Asset/(Liability) recognised on the balance sheet	(273,110)

Reconciliation of the Movements in the Fair Value of Scheme Assets

2015/16 £'000	Pension Scheme Assets	2016/17 £'000
463,580	Brought forward 1 April	465,810
14,830	Interest Income on Assets	15,800
(11,880)	Remeasurement gains/(losses) on assets	71,740
17,150	Contributions by the employer	17,370
4,390	Contributions by participants	4,290
(22,260)	Net benefits paid out	(24,320)
465,810	Carried Forward 31 March	550,690

2015/16 £'000	Actual Return on Assets	2016/17 £'000
14,830	Interest Income on Assets	15,800
(11,880)	Remeasurement gains/(losses) on assets	71,740
2,950	Actual Return On Assets	87,540

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

2016 Funded £'000	Pension Scheme Liabilities	2017 Funded £'000
695,480	Brought forward 1 April	684,870
16,510	Current service cost	16,510
21,980	Interest expense on defined benefit obligation	22,960
4,390	Contributions by participants	4,290
(25,480)	Actuarial (gains)/losses on liabilities – financial assumptions	141,410
-	Actuarial (gains)/losses on liabilities – demographic assumptions	(12,380)
(6,220)	Actuarial (gains)/losses on liabilities – experience	(10,060)
(22,260)	Net benefits paid out	(24,320)
470	Past service cost	520
684,870	Carried forward 31 March	823,800

POWYS COUNTY COUNCIL

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 16		% of Assets (Quoted) 31 Mar 17	% of Assets (Unquoted) 31 Mar 17	Total Assets 31 Mar 17
51.6	Equity Investments	47.3	4.5	51.8
14.2	Property	11.9	-	11.9
13.4	Government Bonds	14.8	-	14.8
7.6	Corporate Bonds	6.9	-	6.9
0.9	Cash	1.5	-	1.5
12.3	Other	13.1	-	13.1
100.0		95.5	4.5	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 2013 and updated for following years by AON Hewitt Limited the independent Actuaries to the fund. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement (for schemes where the age profile of the active membership is significantly rising).

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

2016 %		2017 %
2.9	Inflation – RPI	3.1
3.3	Rate of general increase in salaries	3.5
1.8	Rate of increase to pensions in payment	2.0
1.8	Rate of increase to deferred pensions	2.0
3.4	Discount rate	2.6

The Principal Demographic Assumptions are:

31 Mar 16	Post Retirement Mortality	31 Mar 17
	Males	
Standard SAPS Normal Health All Amounts (\$1NMA)	Year of Birth base table	Standard SAPS S2N tables
100.0%	Scaling to the above table	100.0% for current pensioners 105.0% for future pensioners
CMI_2012	Cohort improvement factors to base table	CMI_2014
1.5%	Minimum underpin to improvement factors	1.5%
23.1	Future lifetime from age 65 (currently aged 65)	23.0
25.3	Future lifetime from age 65 (currently aged 45)	24.8
	Females	
Standard SAPS Normal Health All Amounts (\$1NMA)	Year of Birth base table	Standard SAPS S2N tables
100.0%	Scaling to the above table	95.0% for current pensioners 100.0% for future pensioners
CMI_2012	Cohort improvement factors to base table	CMI_2014
1.5%	Minimum underpin to improvement factors	1.5%
25.6	Future lifetime from age 65 (currently aged 65)	25.7
28.0	Future lifetime from age 65 (currently aged 45)	27.5

	31 Mar 16	31 Mar 17
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)	808,950	838,920
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£'000s)	22,090	23,420
Approximate % change in projected service cost	-2.9%	3.0%
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)	827,060	820,580
% change in present value of total obligation	0.4%	-0.4%
Projected service cost (£'000s)	22,750	22,750
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)	835,640	812,150
% change in present value of total obligation	1.40%	-1.40%
Projected service cost (£'000s)	23,420	22,090
Approximate % change in projected service cost	3.0%	-2.9%
Post Retirement Mortality Assumption		
Adjustment to mortality age rating assumptions ¹	-1 year	+1 year
Present value of total obligation (£'000s)	848,310	799,440
% change in present value of total obligation	3.0%	-3.0%
Projected service cost (£'000s)	23,560	21,940
Approximate % change in projected service cost	3.60%	-3.60%

Impact on the Authority's Cash Flows

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

The Council anticipates paying £19.74m regular contributions to the scheme in 2017/18.

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

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

The weighted average duration of the defined benefit obligation for scheme members is 18.2 years in 2016/17 (18.3 years 2015/16).

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

Risks Associated with the Fund in Relation to Accounting

Asset Volatility

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

Changes in Bond Yield

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

Inflation Risk

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

Life Expectancy

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

Exiting Employers

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

Note 45: Teacher Pension Costs

In 2016/17 the County Council paid £6.9m to the Department for Education in respect of teacher's pension costs which represents 16.4% of teacher's pensionable pay (£6.5m, 14.1% up to 31 August 2016 and 16.4% from 1 September 2016 in 2015/16). 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 2016/17 payments made in relation to added years amounted to £1.4m, representing 3.41% of pensionable pay (£1.4m, 3.13% in 2015/16). Estimated employer contributions for 2017/18 are £6.9m.

Note 46: Contingent Liabilities

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

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

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

On 13 November 2012 the directors of MMI "triggered" MMI's Scheme of Arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). The Scheme administrator set an initial Levy rate of 15% on claims paid by MMI exceeding in aggregate £50k. The initial Levy payment was made in 2013-14. In March 2016 the Scheme administrator applied a Second Levy increasing the initial levy to 25%. A provision of £44k is included in note 24 as 25% of outstanding estimates provided by the Scheme administrator. The contingent liability is noted to incorporate any increase in the levy above 25%.

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

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

Note 47: Contingent Assets

No such assets were known to exist at 31 March 2017.

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

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

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

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

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

Credit Risk

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

POWYS COUNTY COUNCIL

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

	Amount at 31 Mar 17 £'000	Actual provision for bad debts made £'000	Bad debt written off in year £'000
Deposits with banks and financial institutions	11,030	-	-
Customers			
Council Tax	3,518	(669)	155
Housing rents	1,212	(943)	134
Sundry debtors	28,059	(3,392)	272
	32,789	(5,004)	561

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	99	154	1,581	1,834

	1 to 2 Years £'000	2 to 5 Years £'000	Over 5 Years £'000	Total £'000
Council Tax	2,326	468	252	3,046

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:

2016 £'000		2017 £'000
26	Within a year	25,391
385	Between 1 to 2 years	5,029
12,093	Between 2 to 5 years	11,613
26,217	Between 5 to 10 years	29,729
188,073	Over 10 years	180,012
226,794		251,774

Refinancing and Maturity Risk

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

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

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

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

Market Risk

Interest Rate Risk

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

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

POWYS COUNTY COUNCIL

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

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

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

To highlight the sensitivity of rises, if interest rates had been 1% higher during 2016/17 with all other variables constant, the financial effect would be:

	£'000
Increase In Interest Payable On Variable Rate Borrowings	300
Increase In Interest Receivable On Variable Rate Investments	(518)
Increase In Surplus Of Income And Expenditure Account	(218)
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.

Foreign Exchange Risk

For part of the year the Authority had foreign exchange exposure resulting from an element of the monies received in respect of the Icelandic Glitnir Bank deposit being in Icelandic Kroner. This situation concluded on 2 September 2016.

Note 49: Icelandic Banks

Glitnir Bank HF

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

An element of the distribution was in Icelandic Kroner which was in an escrow account in Iceland and was earning interest of 4.22% as at 31 March 2016. On 16 June 2016 the Authority took part in the final Icelandic Central Bank currency auction as a result of which the ISK held in escrow was sold at the best price available. Settlement was made in Euros (€475k) to a Euro bank account held by the Authority in the UK. This gave the Authority control over the timing of the currency exchange. A decision was made on 2 September 2016 to convert the Euros to GBP (£399k). As such, the Glitnir situation was concluded.

Note 50: 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 Council on the revenue costs of projects designed to reduce future revenue costs and/or transform service delivery; and
- ii. is properly incurred by the authorities during the financial years that end on 31 March 2017, March 2018 and 31 March 2017

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

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

The expected savings in 16-17 are shown on a project-by-project basis.

The Joint Venture Partnership did not make any savings during the financial year but the project which continues into 2017-18 will make savings then upon its inception.

	2016/17	
	Total Capitalised £'000	Estimated Savings Made £'000
Phase 2 of Third Party spend Implementation	221	1,239
Children's Transformation Project	203	510
Head of Transformation (Adult Social Care)	108	969
Care Home Project	234	
Joint Venture Partnership	141	-
	907	2,718

Note 51: Events after the Balance Sheet Date

The Council and Kier Support Services have set up a Joint Venture Company, commencing on 3 July 2017 and named Heart of Wales Property Services Ltd (HOWPS), the new company will deliver repairs and maintenance, minor/major works, consultancy, advice and statutory testing for Council Housing and for the Council's public and commercial buildings (Corporate Services). Powys' contract with Heart of Wales Property Services Ltd will be circa £10m.

The Statement of Accounts was authorised for issue by the Strategic Director - Resources on 22 September 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

Housing Revenue Account (HRA) Self Financing

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

Income and Expenditure Account

2015/16 £'000		2016/17 £'000
	Expenditure	
3,191	Supervision and management	3,306
7,078	Repairs and maintenance	6,950
1	Subsidy payable	-
72,423	HRA Subsidy Exit Payment	-
49	Rents and rates	55
71	Movement in allowance for bad and doubtful debts	142
5,900	Depreciation, impairment and revaluation of noncurrent assets	6,445
76	Debt management expenses	13
88,789	Total service expenditure	16,911
	Income	
(21,430)	Dwelling rents	(21,380)
(476)	Non dwelling rents	(535)
(138)	Other charges for services and facilities	(402)
(3)	Contributions towards expenditure	(2)
(22,047)	Total service income	(22,319)
66,742	Net cost of services as included in the Comprehensive income and expenditure account	(5,408)
122	HRA services share of corporate and democratic core	125
66,864	Net cost of HRA services	(5,283)
	HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement	
(512)	(Gain)/loss on sale of HRA noncurrent assets	(112)
3,777	Interest payable and similar charges	3,572
(1)	Amortisation of premiums and discounts	(30)
207	Net interest on the net defined benefit liability	234
(1)	HRA investment income	-
(4,425)	Capital grants and contributions applied	(4,032)
65,909	(Surplus)/deficit for the year on HRA services	(5,651)

POWYS COUNTY COUNCIL

Movement on Housing Revenue Account Statement

2015/16 £'000		Note	2016/17 £'000
3,833	Balance as at 1 April		1,386
(65,909)	Surplus/(deficit) for the year on the HRA		5,651
63,462	Adjustments between accounting basis and funding basis under statute	5	(5,262)
(2,447)	Increase/(decrease) in the HRA balance Before transfers to or from reserves		389
-	Transfers to/(from) earmarked reserves		(14)
(2,447)	Increase/(decrease) in the HRA balance		375
1,386	Balance as at 31 March		1,761

Notes to the Housing Revenue Accounts

Note 1: Housing Stock

2015/16 Total		Number of bedrooms						2016/17 Total
		1	2	3	4	5	6	
48	Detached house/bungalow	4	33	8	3	-	-	48
2,138	Semi-detached house/bungalow	271	807	1,012	38	3	-	2,131
2,125	Terraced house	208	713	1,126	67	5	1	2,120
1,058	Flats	322	687	49	-	-	-	1,058
17	Bedsits	17	-	-	-	-	-	17
5,386		822	2,240	2,195	108	8	1	5,374

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

2016 £'000		2017 £'000
339	Current tenant arrears	379
842	Former tenant arrears	833
1,181	Total arrears	1,212
36	Bad debts	134
935	Provision for bad debt	943

Note 3: Housing Revenue Account Capital Expenditure

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

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

The capital expenditure was financed as follows:

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

2015/16					
Capital expenditure	Total £'000	Dwellings £'000	Intangible £'000	Equipment £'000	Non operational £'000
Enhancing costs	15,153	15,152	1	-	-
Total expenditure	15,153	15,152	1	-	-
Depreciation	5,900	5,843	53	4	-

The capital expenditure was financed as follows:

Financed by	2015/16 £'000
Capital Grants and Contributions	4,425
Usable Capital Receipts	404
Direct Revenue Contributions and Reserves	8,433
Prudential Borrowing	1,891
	15,153

The HRA Subsidy Exit Payment (£72,423k) was also financed from prudential borrowing.

Note 4: Housing Revenue Account Capital Receipts

The following amounts were received during the year:

2015/16 £'000		2016/17 £'000
11	Disposal of land	90
1,262	Housing	1,551
1,273		1,641

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

2015/16 £'000		2016/17 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the HRA Balance for the year	
1	Difference between interest payable and similar charges including amortisation of premiums and discounts in accordance with statute	30
(216)	Net charges made for retirement benefits in accordance with IAS 19	(246)
512	(Gain)/loss on sale of HRA non-current assets	112
	Adjustments	
	Primarily involving the Capital Adjustment Account	
(5,900)	Depreciation and impairment	(6,445)
1,726	HRA Minimum Revenue Provision	1,789
(72,423)	HRA Subsidy Exit Settlement	-
4,425	Capital Grants and Contributions Applied	4,032
8,433	Capital Expenditure Funded by HRA	6,088
	Primarily involving the Capital Receipts Reserve	
(31)	Admin costs on council house sales	(47)
	Primarily involving the Accumulated Balances Account	
11	Holiday accrual	(51)
(63,462)	Net additional amount required by statute to be debited to the HRA Balance for the year	5,262
-	To other committees/reserves	(14)

Note 6: Housing Revenue Account Contributions to the Pension Scheme

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

2015/16 £'000		2016/17 £'000
497	Employer contributions actually paid	565
(14)	Past Service Costs	(17)
(492)	Current cost of employees	(561)
(207)	Net Interest on the net defined benefit/(liability)	(233)
(216)	Contribution to/(from) reserve	(246)



Pension Fund Accounts 2016/17

Fund Administration

Scheme Details

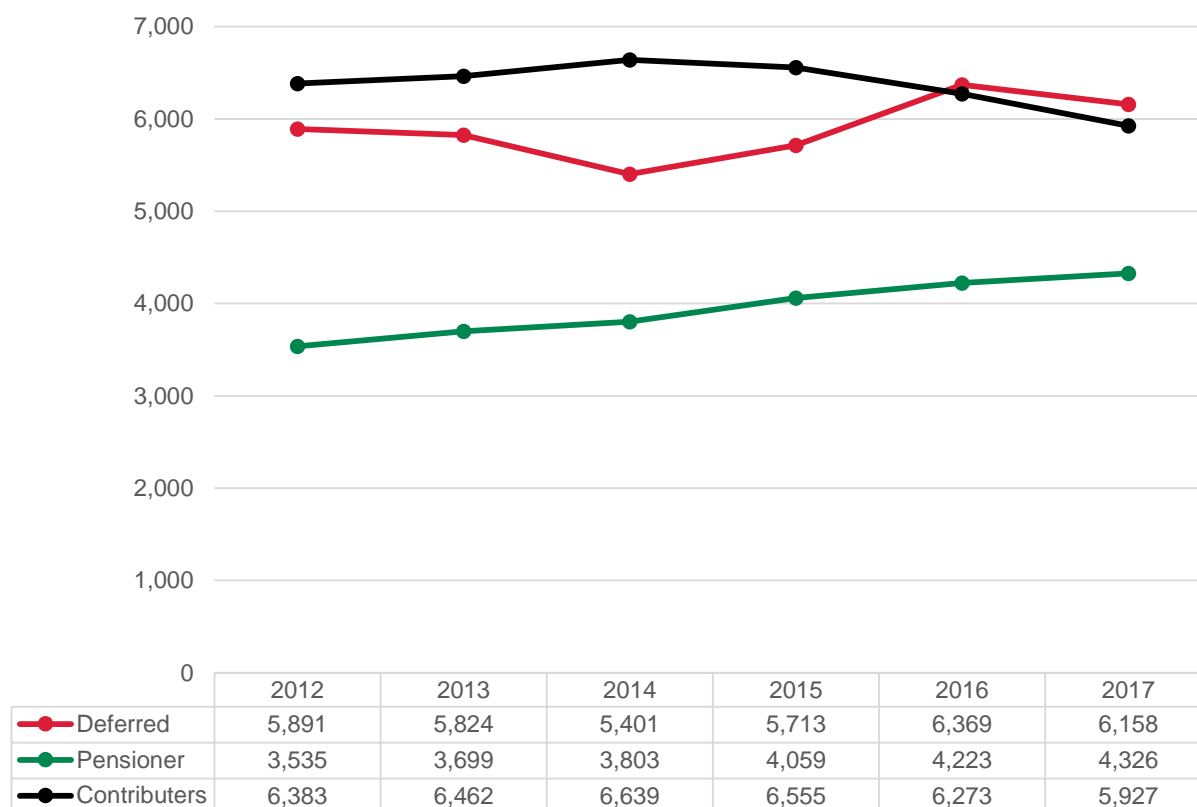
Powys County Council is the Administering Authority for the Powys Pension Fund. The Pension Fund provides pension entitlements under the Local Government Pension Scheme (“LGPS”) to all eligible employees of Powys County Council and other participating bodies. Membership of the LGPS is not mandatory and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

With effect from 1 April 2016 all members have been allocated a contribution rate based on the following:

Band	Range	Contribution Rate
1	Up to £13,600	5.50%
2	£13,601 to £21,200	5.80%
3	£21,201 to £34,400	6.50%
4	£34,401 to £43,500	6.80%
5	£43,501 to £60,700	8.50%
6	£60,701 to £86,000	9.90%
7	£86,001 to £101,200	10.50%
8	£101,201 to £151,800	11.40%
9	More than £151,801	12.50%

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.

POWYS COUNTY COUNCIL



Pension Increases

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

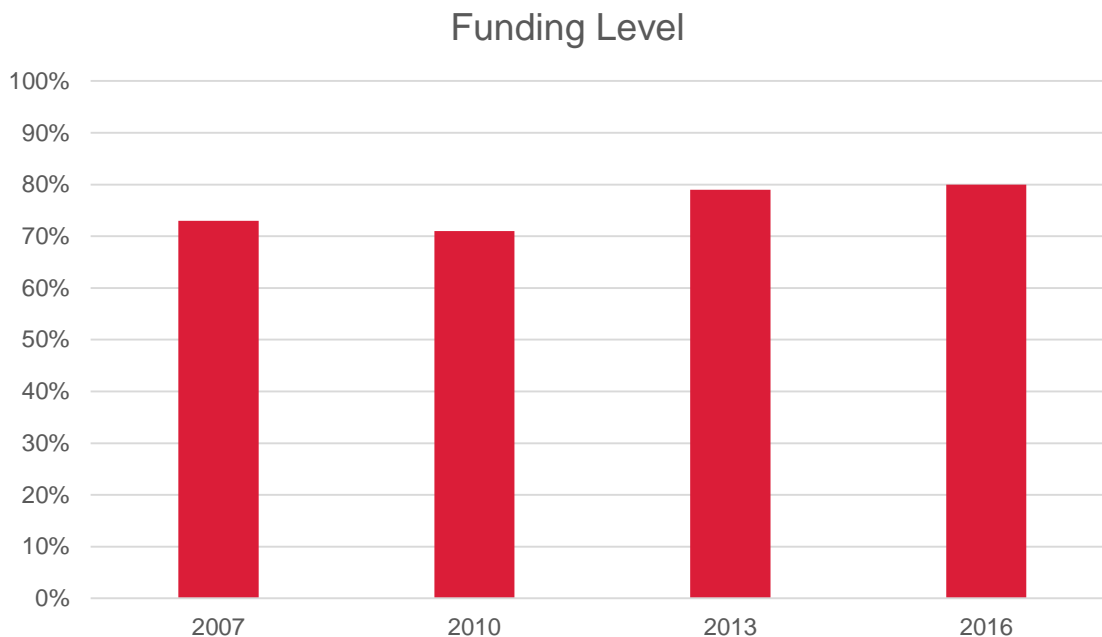
Effective date	Increase
8 April 2013	2.2%
7 April 2014	2.7%
6 April 2015	1.2%
11 April 2016	0.0%
10 April 2017	1.0%

Management of the Fund

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

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

Funding and Valuation



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

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

The 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 an 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.

Additional Voluntary Contribution (AVC) Scheme

Since 6 April 1988, it has been a legal requirement for all Pension Schemes to provide members with access to an in-house AVC Scheme. The Authority's appointed providers are the Equitable Life Assurance Society, the Standard Life Assurance Company and Prudential plc. Members are able to pay contributions into a variety of AVC arrangements offered by the providers, in order to secure additional pension benefits. The AVC investments are excluded from the Pension Fund Accounts.

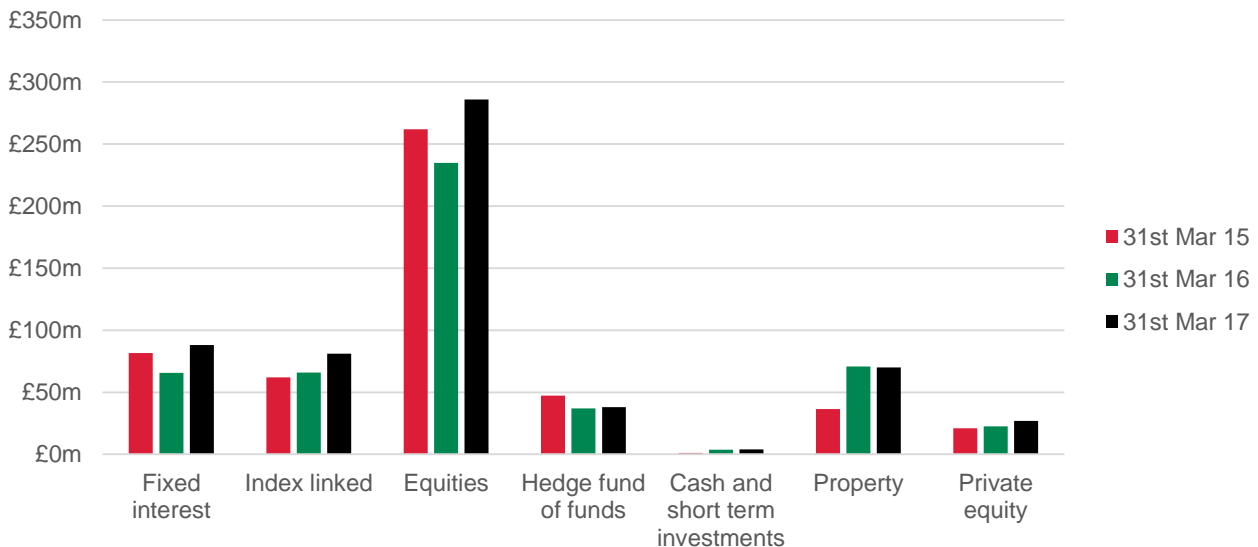
Investment Strategy Statement

As required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Pensions and Investment Committee have produced an Investment Strategy Statement which can be found in the Pension Fund Annual Report (see note 24) - which complies with the six investment principles set out by the Chartered Institute of Public Finance Accountants (CIPFA) Pensions Panel.

Investment Report

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

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 can be seen in the Pension Fund Annual Report. The Chief Financial Officer must ensure that the management of the Fund falls within the requirements of the Local Government Pension Scheme Regulations.

Performance Review

	1 Year %	3 Years %	5 Years %
Powys Overall Return Annualised Rolling Return pa	20.4	11.6	10.6
Inflation CPI	1.1	0.8	1.4
Average Earnings Index	2.4	2.1	1.9

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.

During 2016/17 the Fund invested £46.2m in global equities with Carnegie and Hosking Partners, funded by a complete disinvestment from Aberdeen and partial disinvestments from Blackrock, MFS & Schrodgers. The £10.9m complete disinvestment from Permal Hedge Fund was invested with GSAM Hedge Fund. Of the £19.9m capital commitment (Note 18) outstanding as at 31 March 2016, £3.98m was drawn down in 2016/17.

POWYS COUNTY COUNCIL

Investment manager structure as a percentage of fund total, as at 31 March 2017

Asset Class	Manager						Total %
	Blackrock Passive %	Aberdeen, Schroders & MFS Active %	Insight Investments Active %	Permal, GAM & Goldman Sachs Active %	Aviva, CBRE, Schroders & Hermes Active %	Standard Life & Harbourvest Active %	
Equities	24.4	23.7	-	-	-	-	48.1
Fixed Interest	3.4	-	11.3	-	-	-	14.7
Index Linked	13.7	-	-	-	-	-	13.7
Property	-	-	-	-	11.8	-	11.8
Private Equity	-	-	-	-	-	4.6	4.6
Hedge Fund	-	-	-	6.4	-	-	6.4
Cash/ Other	0.7	-	-	-	-	-	0.7
Total	42.2	23.7	11.3	6.4	11.8	4.6	100.0

The strategic asset allocation is as follows:

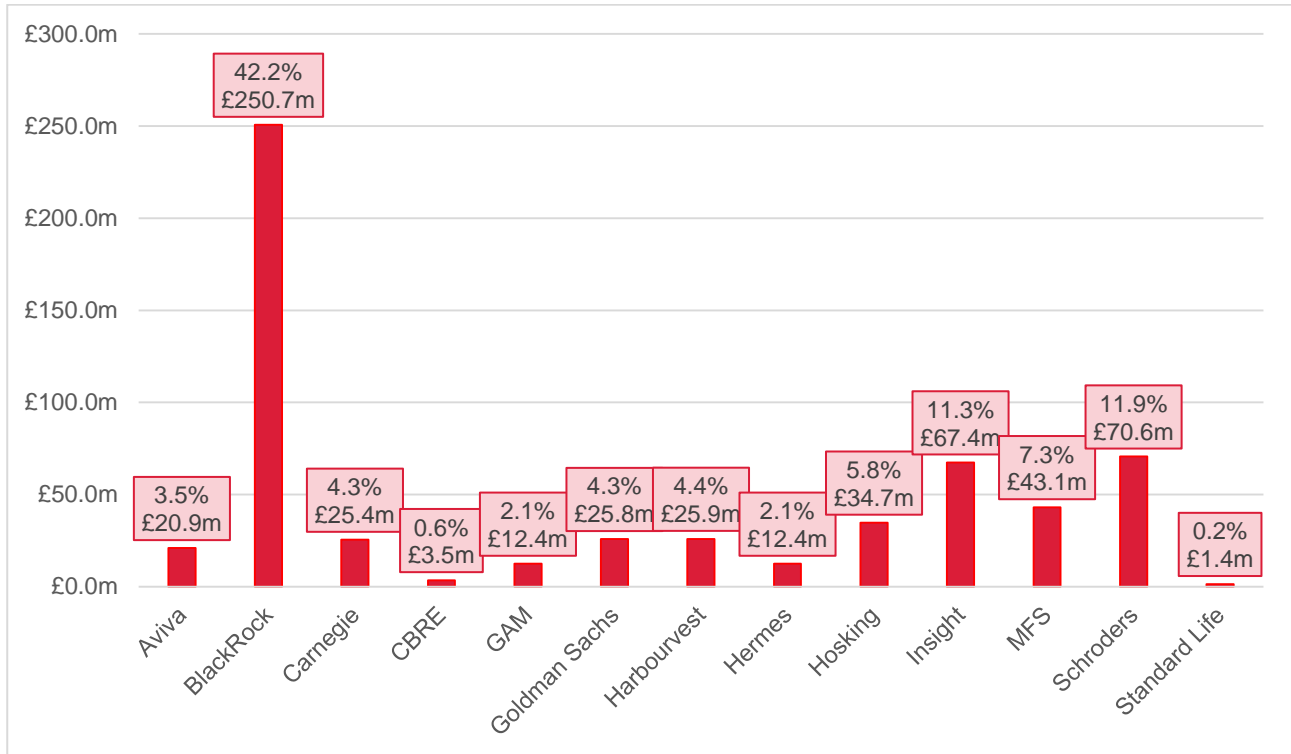
2015/16		2016/17
47%	Equities	47%
30%	Fixed interest and index linked securities	30%
10%	Property	10%
5%	Private equity	5%
8%	Hedge fund of funds	8%
100%	Total	100%

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

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

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 52% equity, 33% bonds and 15% alternatives. The market value of assets spread between the fund managers as at 31 March 2017 is shown below.



Net Assets Statement

As at 31 March

2016 £'000		Note	2017 £'000
499,332	Investments	12	594,163
3,229	Current Assets	13	4,308
(783)	Current Liabilities	13	(329)
501,778	Net Asset as at 31 March		598,142

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

2015/16 £'000		Note	2016/17 £'000
	Contributions and benefits		
(23,026)	Contributions receivable	4	(23,516)
(1,038)	Transfers in	5	(1,055)
(48)	Other income	6	(427)
(24,112)	Total income		(24,998)
24,019	Benefits payable	7	24,951
997	Payments to and on account of leavers	8	3,273
3,723	Administrative expenses	9	3,691
28,739	Total expenditure		31,915
4,627	Net (additions)/withdrawals from dealing with members		6,917
	Returns on investments		
(5,175)	Investment income	10	(4,993)
19	Taxes on income	11	12
349	Changes in the market value of investments	12	(98,300)
(4,807)	Net profit on investments		(103,281)
(180)	Net (increase)/decrease in the fund		(96,364)
501,598	Opening net assets		501,778
501,778	Closing net assets		598,142

Notes to the Pension Accounts

Note 1: Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2016/17 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 Transfers In.

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

Refunds to Leavers

These are accounted for when due.

Investment Management Expenses

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

Investment Income

Interest income

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

Distributions from pooled funds

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

Change in Market Value

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

Foreign Currency Transactions

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

Valuation of Assets

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

Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

Taxation

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

Financial Liabilities

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

Actuarial present value of promised retirement benefits

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

Administrative expenses

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

Contingent Liabilities

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

Additional Voluntary Contributions (AVC's)

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

Note 3: Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equity investments are valued by the investment managers using acceptable guidelines. The value of these investments at 31 March 2017 was £27.4m (31 March 2016: £22.5m).

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

2015/16 £'000	By Category	2016/17 £'000
18,251	Employers	18,798
4,775	Employees	4,718
23,026		23,516

2015/16 £'000	By Authority	2016/17 £'000
21,557	Powys County Council (administering body)	21,686
761	Scheduled bodies	866
708	Admitted bodies	964
23,026		23,516

2015/16 £'000	By Type	2016/17 £'000
11,569	Employers normal contributions	11,698
4,775	Employees normal contributions	4,718
495	Employers additional contributions	545
6,187	Employers deficit reduction contributions	6,555
23,026		23,516

Note 5: Transfers In

2015/16 £'000		2016/17 £'000
1,038	Individual transfers from other schemes	1,055

Note 6: Other Income

2015/16 £'000		2016/17 £'000
-	Other Contributions	394
21	Administrative fees received	12
27	Additional allowances recovered	21
48		427

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

Note 7: Benefit Payable

2015/16 £'000		2016/17 £'000
20,139	Pensions	20,359
3,196	Commutations and lump sum retirement benefits	4,090
684	Lump sum death benefits	502
24,019		24,951

Benefits can be further analysed:

2015/16 £'000		2016/17 £'000
20,137	Powys County Council (administering authority)	21,149
2,754	Scheduled bodies	2,586
1,128	Admitted bodies	1,216
24,019		24,951

Note 8: Payments to and on Account of Leavers

2015/16 £'000		2016/17 £'000
52	Refunds to members leaving service	61
2	Payments to members joining state scheme	13
943	Individual transfers to other schemes	3,199
997		3,273

Note 9: Management Expenses

2015/16 £'000		2016/17 £'000
906	Administration	1,413
2,706	Investment management expenses (see note 9a)	2,152
111	Oversight and governance costs	126
3,723		3,691

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

Note 9a: Investment Management Expenses

2015/16 £'000		2016/17 £'000
2,340	Management fees	1,874
366	Investment advice	250
-	Custody fees	28
2,706		2,152

Management fees includes a one off fee rebate of £547k.

Note 10: Investment Income

2015/16 £'000		2016/17 £'000
(5)	Interest on cash deposits	(3)
(901)	Income from bonds	(889)
(1,225)	Pooled property investments	(1,554)
(3,035)	Private equity income	(2,546)
(9)	Other investment income	(1)
(5,175)		(4,993)

Note 11: Taxes on Income

2015/16 £'000		2016/17 £'000
19	Withholding tax – Private Equity	10
-	Foreign tax on investment	2
19		12

Note 12: Investments

	Value as at 1 April 16	Purchases at Cost	Sales Proceeds	Fees included in NAV	Cash Movement	Change in Market Value	Value as at 31 March 17
2016/17	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	65,551	35,500	(24,413)	(79)	-	11,251	87,810
Index linked Securities	65,863	83,907	(75,008)	-	(1,207)	7,710	81,265
Equities (Pooled Funds)	234,875	69,955	(91,915)	(504)	(19)	72,876	285,268
Property (Pooled Funds)	69,774	1,075	(2,172)	(439)	-	1,618	69,856
Private Equity	22,509	3,980	(4,374)	(498)	2,545	3,199	27,361
Hedge Fund of Funds	36,934	10,988	(10,988)	(415)	-	1,643	38,162
Cash & Short Term Investments	3,826	26,212	(25,600)	-	-	3	4,441
	499,332	231,617	(234,470)	(1,935)	1,319	98,300	594,163

2015/16	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	81,706	18,300	(35,323)	(73)	-	941	65,551
Index linked Securities	62,035	-	(3,000)	-	-	6,828	65,863
Equities (Pooled Funds)	261,837	9,323	(27,000)	(262)	-	(9,023)	234,875
Property (Pooled Funds)	36,571	32,099	(2,025)	(423)	-	3,552	69,774
Private Equity	21,050	4,913	(5,301)	(426)	3,035	(762)	22,509
Hedge Fund of Funds	47,357	-	(8,000)	(513)	-	(1,910)	36,934
Cash & Short Term Investments	1,151	6,900	(4,250)	-	-	25	3,826
	511,707	71,535	(84,899)	(1,697)	3,035	(349)	499,332

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 now in unit trusts.

Note 12a: Analysis of Investments

2015/16 £'000		2016/17 £'000
	Fixed interest securities	
65,551	Pooled funds	87,810
65,551		87,810
	Index linked securities	
65,863	UK quoted	81,265
234,875	Equities – Pooled	285,268
36,934	Hedge Fund of Funds	38,162
22,509	Private Equity	27,361
69,774	Property	69,856
147	Cash	124
3,679	Liquidity Funds	4,317
499,332		594,163

Note 12b: Investments Analysed by Fund Manager

31 Mar 16			31 Mar 17	
Market Value £'000	%		Market Value £'000	%
32,942	6.6	Aberdeen Asset Management Ltd	-	-
21,001	4.2	Aviva Investors Pensions Ltd	20,919	3.5
219,146	43.9	BlackRock Global Investors Ltd	250,745	42.2
-	-	Carnegie	25,404	4.3
5,321	1.1	CBRE Ltd	3,321	0.6
12,573	2.5	GAM Fund Management Ltd	12,411	2.1
13,631	2.7	Goldman Sachs Asset Management Ltd	25,751	4.3
20,138	4.0	HarbourVest Partners LLC	25,941	4.4
12,110	2.4	Hermes Fund Managers Ltd	12,396	2.1
-	-	Hosking	34,731	5.8
41,314	8.3	Insight Investment Ltd	67,383	11.3
43,395	8.7	MFS International Ltd	43,132	7.3
10,731	2.2	Permal Investment Management Services Ltd	-	-
64,660	12.9	Schroders Investment Management Ltd	70,610	11.9
2,370	0.5	Standard Life Investments Ltd	1,419	0.2
499,332			594,163	

POWYS COUNTY COUNCIL

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

31 Mar 16			31 Mar 17	
Market Value £'000	%	Security	Market Value £'000	%
32,942	6.6	Aberdeen Life World Equity Fund	-	-
70,639	14.1	Blackrock Aquila Life US Equity Index Fund	88,538	14.9
-	-	Blackrock Aquila Life Over 5Yr UK Idx Lkd	81,265	13.7
15,260	3.1	Insight Bonds Plus fund	39,620	6.7
26,053	5.2	Insight UK Corporate All Maturities Bond Fund	27,764	4.7
43,395	8.7	MFS Global Equity Fund	43,132	7.3
33,318	6.7	Schroder Life QEP Active Value Fund	37,389	6.3
31,342	6.3	Schroder UK Real Estate Fund	33,220	5.6

Note 13: Current Assets and Liabilities

2015/16 £'000		2016/17 £'000
	Current Assets	
121	Contributions due from employers and members	138
2,506	Cash balances	2,634
602	Sundry debtors	1,536
3,229		4,308
	Current Liabilities	
(73)	Benefits payable	(36)
(710)	Sundry creditors	(293)
(783)		(329)

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 £22k in 2016/17 (£27k in 2015/16). The Chairman of the Committee is in receipt of a pension from the Fund.

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

The Authority incurred costs of £887k in 2016/17 (2015/16: £863k) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £16,855k to the Fund in 2016/17 (2015/16: £16,687k) in employers contributions and deficit recovery payments.

Governance

The makeup of the Pensions and Investment Committee can be seen in Appendix 1.

The Strategic Director - Resources, Mr David Powell, who has the role of Section 151 Officer for the Authority, plays a key role in the financial management of the Fund and is also an active member of the Fund.

Councillors are required to declare their interest at each meeting.

The Committee members and Strategic Director - Resources accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

The full Governance Policy of the Powys Pension Fund is available on the Powys County Council website.

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:

2016/17	Standard Life	Prudential	Equitable Life	Total
Contributions received	£'000	£'000	£'000	£'000
Powys County Council	59	214	-	273
BBNP	1	16	-	17

Fund Value	Standard Life	Prudential	Equitable Life	Total
£'000	£'000	£'000	£'000	£'000
As at 31 March 17	1,140	468	133	1,741

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 2017. Since this date, the performance of the global markets may have affected the financial value of pension fund investments.

Note 18: Capital Commitments

2015/16 £'000	Private Equity and Property mandate	2016/17 £'000
899	Standard Life (Private Equity)	934
19,012	Harbourvest (Private Equity)	25,686
19,911		26,620

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

POWYS COUNTY COUNCIL

above, represents the level of investment guaranteed but not yet drawn down at the year end.

Note 19: Stock Lending

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

Note 20: Financial Instruments

Note 20A: Fair value of financial instruments & liabilities

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

31 Mar 16			31 Mar 17	
Cost £'000	Fair value through profit and loss £'000		Cost £'000	Fair value through profit and loss £'000
		Financial Assets		
62,753	65,551	Fixed interest securities	81,353	87,810
52,013	65,862	Index linked securities	81,800	81,265
152,696	234,876	Equities (pooled funds)	162,476	285,268
63,265	69,774	Property (pooled funds)	61,094	69,856
18,727	22,509	Private equity	20,852	27,361
33,669	36,934	Hedge fund of funds	34,825	38,162
3,679	3,826	Cash & short term investments	4,317	4,441
3,230	3,230	Current assets	4,308	4,308
390,032	502,562	Total financial assets	451,025	598,471
		Financial Liabilities		
(783)	(783)	Current liabilities	(329)	(329)
(783)	(783)		(329)	(329)

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.

PENSION FUND ACCOUNTS

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

Value as at 31 Mar 16	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	370,115	69,774	59,443	499,332
Current assets	3,229	-	-	3,229
Current liabilities	(783)	-	-	(783)
Net financial assets	372,561	69,774	59,443	501,778

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
Actuarial present value of promised retirement benefits	632,400	724,600

Assumptions used

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

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

Risk and Risk Management

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

Market Risk

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

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

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

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

Other Price Risk

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

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

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

Other Price Risk – Sensitivity Analysis

The following movements in market price risk are reasonably possible for 2016/17. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain unchanged.

Asset type	Potential Market Movement (+/-)
Overseas Equities	18.35%
Global Pooled Equities	17.06%
Total Bonds including Index Linked	9.81%
Property	14.16%
Alternatives	12.50%

The table below shows the Fund's value at 31 March 2017 should the investments increase/decrease in line with the previous table.

Asset Type	Value as at 31 Mar 17 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Bonds	169,075	9.81	185,653	152,497
Equities - Pooled	285,268	17.06	333,935	236,601
Property	69,856	14.16	79,748	59,964
Private Equity	27,361	12.50	30,781	23,941
Hedge Fund of Funds	38,162	12.50	42,932	33,392
Cash & short term investments	4,441	0.00	4,441	4,441
Total Assets	594,163		677,490	510,836

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% 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 2016 and 31 March 2017 is set out below.

As at 31 Mar 16 £'000	Asset Type	As at 31 Mar 17 £'000
3,826	Cash Instruments	4,441
2,506	Cash balances	2,634
65,551	Fixed interest securities	87,810
71,883	Total	94,885

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 2016 and 31 March 2017 is set out below.

A 10% volatility associated with exchange rates is considered likely. 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:

As at 31 Mar 16 £'000		As at 31 Mar 17 £'000
22,509	Private equity	27,360
-	Equities (Pooled Funds)	34,731
22,509	Total	62,091

Credit Risk

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

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

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

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

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

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The table below shows the funds cash holding as at 31 March 2016 and 31 March 2017.

	Rating	As at 31 Mar 16 £'000	As at 31 Mar 17 £'000
Bank Current Account			
HSBC	AA-	80	2,288
Bank Deposit Account			
HSBC	AA-	2,426	346

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 2017 the value of illiquid assets was £133.6m, which represented 22.7% of the total fund assets - (31 March 2016 - £1,129.2m, which represented 25.9% of the total fund assets).

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

All financial liabilities at 31 March 2017 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 2017 for 2016/17). None of the standards introduced in the 2017/18 code are expected to have a material impact on the financial statements.

POWYS COUNTY COUNCIL

Note 24: Annual Report

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

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

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

The report includes

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

Statement of the Actuary for the Year Ended 31 March 2017

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 Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme (Administration) Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £501.8M) covering 80% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating Employers with effect from 1 April 2017 is:
 - 18.6% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.Plus
 - Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2017, amounting to £6.6M in 2017/18, and increasing by 3.5% p.a. thereafter.
3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the Employers.
4. The funding plan adopted in assessing the contributions for each individual employer or group is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual Employers' recovery periods are set out in the actuarial valuation report.

POWYS COUNTY COUNCIL

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

The assets were valued at market value.

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

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the Employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 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 Hewitt Limited does not accept any responsibility or liability to any party other than our client, Powys County Council, the Administering Authority of the Fund, in respect of this Statement.

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

Aon Hewitt Limited
May 2017

Appendix 1: Pensions and Investment Committee

The Pensions and Investment Committee meet on a quarterly basis. During 2016/17 it consisted of the following:

County Councillors:

Mr AG Thomas (Chairman)
Mr PJ Ashton (Vice Chair)
Mr GP Vaughan
Mr EA Jones
Mr TG Turner
Mr WT Jones

Members Representative:

Vacant since March 2016

Outside Bodies Employers Representative:

Mr AMC Weale

County Council Officers:

Mr D Powell (Strategic Director - Resources)
Mr J Rollin (Pension Fund Manager)

Legal Advisors

Burges Salmon

Fund Managers:

Aviva Investors,
Blackrock Global Investors (BGI)
Carnegie
CBRE
GAM
Goldman Sachs
HarbourVest Partners
Hermes
Hosking
Insight Investments
MFS
Schroders Investment Management
Standard Life Investments

Independent Advisor to the Fund

Mrs R Pinder (Aon Hewitt Limited)
Mr S Mayne (Aon Hewitt Limited)

Actuary

Mr C Archer (Aon Hewitt Limited)

Legal Advisors

Burges Salmon

Appendix 2: Other Bodies

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

Scheduled Bodies	Admitted Bodies
Brecon Beacons National Park	BUPA Care Homes
Brecon Town Council	Camping & Caravanning Club
Knighton Town Council	Careers Wales Powys
Llandrindod Wells Town Council	Celtica
Llanidloes Burial Joint Committee	Development Board for Rural Wales
Llanidloes Town Council	Elite Supported employment Agency
Machynlleth Town Council	Freedom Leisure
Newtown and Llanllwchaiarn Town Council	MENCAP
Powys County Council	Menter Maldwyn
Powys Magistrates Courts' Committee	Mirus Wales
Powys Probation Committee	Powys Association of Voluntary Organisations
Welshpool Town Council	Powys Dance
Ystradfellte Community Council	Powys Valuation Panel
Ystradgynlais Town Council	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

Pensions Administration Manager Mr C Hurst 01597 827640

Accounts & Investment

Pension Fund Accounts Mr D Paley 01597 826042

Fund Governance & Other Matters

Pension Fund Manager Mr J Rollin 01597 827641

Glossary of Terms

Accrual

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

Actuary

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

Actuarial Valuation

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

Additional Voluntary Contributions

An option to secure additional pension benefits by making regular payments in addition to the % of basic earnings payable.

Admitted Bodies

Voluntary and Charitable bodies that fulfil certain conditions can apply to allow their employees to become members of the Local Government Pension Scheme.

Audit

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

Balance Sheet

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

Contingent Liabilities

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

Creditor

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

Current Asset

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

Current Liabilities

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

Current Service Costs (Pension)

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

Debtor

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

POWYS COUNTY COUNCIL

Equities - Pooled

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

Financial Reporting Standards (FRS's)

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

Financial Year

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

Gilt Edged Stocks

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

IAS

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

IFRS

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

Liability

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

Past Service Costs (Pension)

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

Post Balance Sheet Events

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

Securities

These are investments such as stocks and bonds.

Annual Governance Statement 2016/17

1. Ensuring Good Governance

- 1.1 Powys County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for; and is used economically, efficiently and effectively. Powys County Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
- 1.2 In discharging this overall responsibility, Powys County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Powys County Council adopted a system of corporate governance in June 2008, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016 Edition). This statement will explain how Powys County Council has complied with the code.
- 1.4 Powys County Council is the Administering Authority for the Powys Pension Fund (the Pension Fund). The governance arrangements detailed in this Annual Governance Statement apply to the Council's responsibilities to the Pension Fund. There are further specific requirements for the Pension Fund which are:
 - The Investment Strategy Statement
 - Funding Strategy Statement
 - A full Actuarial Valuation to be carried out every third year.

2. The Governance Framework

2.1 The purpose of the framework

- 2.1.1 The governance framework comprises the systems, processes, cultures and values, by which the Authority is directed and controlled and through which it engages and leads the community, and accounts to the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of outcome-focused, cost-effective services.
- 2.1.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.1.3 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Powys County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.1.4 The following sections summarise the governance framework and the system of internal control which has been in place in Powys County Council for the year ended 31 March, 2017. The Council's constitution can be found at <http://powys.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13166&path=0>

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

- 2.2.1 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.

- 2.2.2 The organisational culture will be based on trust, innovation and responsibility. The Council has a new set of values that underpin all the work of the Council and guide the behaviours that are expected of everyone engaged in our work, or working with us.

Professional	Whatever role we play in the council, we act with professionalism and integrity
Positive	We take a positive 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 the council's Corporate Improvement Plan 2016/20.

- 2.2.3 For elected Members, the Council has adopted the Model Code of Conduct for County Councils in Wales as revised 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. A mandatory refresher training for Members in relation to the Code of Conduct has been held during 2015. In view of the number of webcasts being undertaken training has been provided for Members. 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. There have been no complaints dealt with under this process in 2016/17.

There were a number of complaints against Members referred to the Public Services Ombudsman for Wales during 2016/17 but the number of referrals which are subsequently investigated are low (17 referrals and of those 7 were investigated by the Ombudsman). The Standards Committee is made aware at meetings of the numbers of referrals to the Ombudsman, and has considered 2 potential breaches of the Code of Conduct referred to it by the Ombudsman which has resulted in a suspension. These cases were all first reported in 2015-16.

The Standards Committee is active in trying to assist where possible, Members either individually or collectively in taking part in discussions where they might otherwise be debarred from taking part by the Code of Conduct, by the granting of individual or general dispensations. By this means the Standards Committee seeks to ensure that the representative role of Members is protected as well as protecting the Council's decision making processes from being brought into disrepute.

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. There were no significant attendance issues.

- 2.2.4 For officers, the Council follows the statutory Code of Conduct. Conduct and behaviour is the responsibility of the individual officer and a breach may constitute a disciplinary matter. In addition the Council has within its Constitution a protocol for Member and Officers Relations as well as Relationships between Officers and Political Groups.

The Council has 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. There has been 1 referral in the year under the Whistle Blowing Policy.

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

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

POWYS COUNTY COUNCIL

2.2.7 Powys County Council continues working in line with its Information Governance framework plan, to initiate, develop, and monitor policies and practices in relation to information security, management, and risk, in order to improve and ensure on going compliance with relevant information legislation and standards.

The Council has robust information security incident reporting and management processes in place; which enables swift corrective action, ICO notification where necessary, and which also allows informed identification of information risks and mitigation.

The numbers of formal information requests continue to rise and the Council continues to provide the public, who when exercising their right of access to information held by the Council with an efficient and professional service.

The training of staff in the basics of data protection and information handling continues to be an important measure in the Council's information assurance design. Powys County Council continues to progress its information management, assurance and governance policies, procedures, and practices.

The Senior Information Risk Owner (SIRO) receives an annual Information Governance Report.

2.3 Ensuring openness and comprehensive stakeholder engagement

2.3.1 Powys County Council and a number of its partners strive to work to the National Principles for Public Engagement in Wales so conversations are meaningful, timely and resourced. Both the Local Service Board and the Council have signed up to these principles. In addition the Joint Chairs and Vice-Chairs of the Scrutiny and Democratic Services Committees have formally signed up to the national principles for any scrutiny consultations undertaken in future, although the principles were adhered to for a consultation exercised undertaken in respect of a review of E-Books.

2.3.2 Throughout any given year we will engage our citizens, partners and businesses on a range of issues so that they have opportunities to influence future decisions. We engage using a mix of channels including traditional face to face methods whilst also working hard to grow a digital presence using social media and other channels to hear from as wide an audience as possible. We have a number of established groups that we look to for views including the Powys Youth Forum, the Physical Disability and Sensory Loss group and the Powys Citizens Panel.

2.3.2i Legislative Consultations

The council engaged residents on legislative consultation documents such as Active Travel; conducted a population assessment as part of the duties under the Social Services and Well-being (Wales) Act 2014; and began engagement around the Well-being of Future Generations (Wales) Act 2015 with the Powys Youth Forum and Citizens Panel and the wider public using a mix of different mechanisms from drop in sessions, organised focus groups and an online presence to capture views on the assessment.

2.3.2ii Service Consultations

A number of service consultations were carried out to ensure residents had their say on some of the final proposals about reductions for:

- Day care centres
- Libraries
- School modernisation plans
- Two leisure centres and Staylitttle Outdoor Centre
- Household Waste and recycling centres

2.3.2iii Budget Simulator Exercise

- 476 residents submitted a budget that helped the council to consider and address the necessary savings targets to set a balanced budget for the financial year 2016/17
- The simulator was launched again in December 2016 seeking residents' views on £22m worth of savings proposals over three years. Participants could see the consequences of reducing budgets by between 10-30% as well as increasing Council Tax up to offset service reductions they felt were unacceptable. Results were fed back to cabinet and full council.

2.3.3 Key conclusions:

The research and consultation exercises conducted during the year have provided two key things for decision makers.

- Useful feedback and insights into respondent's views on key services
- Evidence that residents are much more aware of the budget deficit issue faced by the local authority and the need for savings.

Note: Naturally with any consultation the views given are not necessarily representative of the whole population. Consultations are open to all residents and interested stakeholders but it's usual for only those interested in a particular topic or service to respond. Public consultation exercises are by their very nature "self-selecting" in that people are free to respond or not. They are thus not statistically reliable but they do have value in allowing senior managers, directors and members to hear the views of stakeholders who may have a particular vested interest in a service or who may be most affected by changes to said service or policy. The silent majority may not be heard on these occasions and this always needs to be taken into account when considering feedback. Efforts are made by engagement practitioners to ensure effective stakeholder mapping allows for as many views as possible to be heard alongside ensuring there is general publicity around all engagement and consultation exercises.

Statistically reliable surveys such as the Residents Satisfaction and Residents Attitude Survey are conducted using market research sampling methods so as to be more reflective of the views of the whole population.

POWYS COUNTY COUNCIL

What did we learn from consultations conducted this year?

There is a reluctance to see the services that provide for the more vulnerable in our society being cut. As per last year there was less appetite for budget cuts for children with disabilities, home care services, services for looked after children and family support services. Residential care and learning disability services also received lower cuts of just under 6%, followed by waste and recycling with a cut of just under 7%. There was also a reluctance to jeopardise services by cutting budgets to the point where there may be difficulty in maintaining statutory requirements. This applied to both schools and environmental health in particular.

How are we performing as a local authority?

The Local Government Performance Bulletin 2015/16 showed Powys ranked 11th out of 22 Welsh Authorities when considering the national strategic indicators (NSI) and public accountability measures (PAM).

- My Local Council
<http://www.mylocalcouncil.info/Data.aspx?id=00NN&lang=en-GB>

Furthermore, the bulletin confirmed Powys was the fourth best authority in Wales where measures had shown improvement. Powys has also consistently received the smallest increase in revenue support grant for the past 10 years, equivalent to a 20% real term reduction. This has required the council to prioritise its focus on improvements as detailed in the Corporate Improvement Plan.

Residents however are now seeing and stating that they have seen a decrease in the level of services provided by the council over the past year and satisfaction with the services that we provide overall as a council has decreased over the past five years (source – Residents Satisfaction Survey).

Further details on consultation and engagement undertaken by Powys County Council is available from the Corporate Consultation Officer on request

- 2.3.4 The Council publishes its agendas, reports and minutes of the Council, the Cabinet and committees on its public website. In addition the increasing use of webcasting ensures that the public have a greater ability to access meetings. The Council makes use of social media to deliver information to the public in a digital format. The Council also will respond to requests for factual information regarding services through social media.
- 2.3.5 All Council Members produce an Annual Report on their activities which are published on the Council's public website. Some Members only produce information regarding their attendances at meetings and training sessions whilst others provide additional information about activities undertaken in their electoral division and attending outside bodies as representatives of the Council.

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

2.4.1 The Council and its partners, through the former Powys Local Service Board (LSB), agreed to focus on collectively delivering eleven citizen centred outcomes detailed in the One Powys Plan 2014-17. These shared priorities define the conditions of well-being that we aim to create for the people of Powys and the environment in which they live through working in partnership with other key public agencies in Powys. The One Powys Plan was reviewed and updated for 2016-17. This is the second integrated One Powys Plan following on from the initial plan which ran from 2011-14.

2.4.2 The council has a statutory duty to set annual improvement objectives and make arrangements to secure continuous improvement. In 2014/15, the council took the unprecedented step of integrating its annual improvement plan (formerly known as the Powys Change Plan) into the One Powys Plan with the intention of removing a possible double layer of corporate planning and recognising that meeting future service provision needs requires working in partnership. The original One Powys Plan 2014-17 was agreed by Full Council on the 30 April 2014.

Recognising that the OPP 2014-17 is a three year plan, the former LSB undertook a light review of the plan following its implementation. This approach was discussed and agreed with both Welsh Government and the Wales Audit Office. The 2016 update was approved by Full Council on the 11th May 2016. All documents can be found at <http://www.one.powys.gov.uk>

2.4.3 On entering the third year of the plan, the council recognised some tensions arising from integrating the council's statutory improvement plan within the One Powys Plan (OPP). The council has at times, found it difficult to use the OPP to easily identify and communicate the council's vision (as opposed the LSB's vision). This is necessary for engagement with staff, elected members, the public and stakeholders such as regulators. In addition, it is not always possible to easily see the links to the council's medium term financial strategy (MTFS). The council also recognises that other partners retain their own corporate planning frameworks.

The council therefore introduced its own standalone Corporate Improvement Plan (CIP) for 2016-19 in parallel with the OPP Update 2016/17.

2.4.4 The Cabinet reviewed and re-confirmed the Council's overall vision to Strong Communities for the Green Heart of Wales.

The vision focuses on the relationship between the Council and its communities. The Council is seeking partnership from communities to work together to deliver services in future and in turn this will help keep communities vibrant. In particular the Council wishes to create more employment opportunities for young people within the community.

POWYS COUNTY COUNCIL

2.4.5 The Cabinet continues to develop the Council's operating model based upon commissioning and has reaffirmed the following priorities to support the Vision via the Corporate Improvement Plan:

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

These priorities shape everything the Council does. The Council will fully engage citizens and staff in the process of change. Citizens need to be aware that the Council can no longer deliver all the services in the traditional way and that to maintain services, communities and citizens will be supported to do more for themselves. Staff will be encouraged to work in new ways and to take on new responsibilities.

2.4.6 The council continues to operate a set of budget principles (Table 1) to shape decisions to allocate resources. These play a key part in shaping the overall budget and the approach seeks consistency and the best outcomes for communities in Powys.

Budget Principle	Definition
Valued Services	<ul style="list-style-type: none"> • Focusing on our priorities & what matters to people, stopping things we don't need to do.
Supporting the Vulnerable	<ul style="list-style-type: none"> • Targeting resources on individuals, families, communities at risk or disadvantaged; early intervention & prevention; a shift in social care provision.
Local Delivery	<ul style="list-style-type: none"> • Devolution to Community Councils and the Voluntary Sector; local decision making; working through area based provision; developing Social enterprise models.
Personal Responsibility	<ul style="list-style-type: none"> • Self-resilience, people and communities helping themselves, behavioural change; increase in personalisation.
Value for Money	<ul style="list-style-type: none"> • Reducing the pay bill; third party spend savings; smarter delivery, cutting costs. • Full cost recovery for services where appropriate. • Redefine property portfolio and release surplus assets. • Collaboration with appropriate councils and LHB. • Longer term financial planning within an agreed envelope. • Reducing bureaucracy; less regulation and red tape, smaller government; right first time delivery.
Improving Productivity	<ul style="list-style-type: none"> • Process challenge and redesign. • Reducing sickness absence. • Management delayering.

2.4.7 The Council's Joint Chairs and Vice-Chairs Steering Group (Scrutiny and Democratic Services Committees) undertake a challenge of the Draft One Powys Plan and any updates which are based on documents such as the Cabinet's Statement of Intent and the Joint Strategic Needs Assessment. The scrutiny committees have also undertaken a review of Service Improvement Plans. These challenges focus on whether the needs assessment is reflected in the Council's One Powys Plan and whether the outcomes are appropriate and can be realised.

In addition the scrutiny committees had established a number of working groups to oversee the Council's recovery plans following adverse reports by external regulators to ensure that the required improvement is achieved and this work is ongoing.

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

2.5.1 The Council initiated 5 programme boards to manage delivery of key transformational change identified in the integrated One Powys Plan 2014-17:

Integrated Health and Adult Social Care Children and Young People Transforming Learning and Skills Stronger Communities Organisational and Partnership Development	} Regional Partnership Board
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Each multi-agency programme is assigned a Lead Portfolio Holder, Programme Sponsor, Deputy Programme Sponsor and Strategic Programme Manager.

Each programme reports on at least a quarterly basis and overview reports are made available to the newly formed Powys Public Service Board (Powys PSB) together with the Council's Management Team and Portfolio Holders.

2.5.2 Objectives for service improvement were developed in 11 Service Improvement Plans. These included some key objectives that underpinned the council's 4 priorities as detailed in the CIP.

2.5.3 In agreeing the budget for 2016/17, a number of budget savings were identified and the majority of these initiatives were also incorporated into the CIP to provide a single coherent plan for the council.

2.5.4 All commitments in the Corporate Improvement Plan were built into a comprehensive performance tracker that was considered by Management Team and Strategic Overview Board on a quarterly basis. This approach provided both challenge and accountability, ensuring the Cabinet retained focus on its key priorities. Following the conclusion of the quarterly SOB, a cabinet report was prepared for submission to Cabinet, ensuring that the key issues and responses had been identified and reported transparently

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

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

The Council has processes in place for the appointment by political groups to committees, as well as processes for the appointment of the Lay Member on the Audit Committee, Parent Governor Representatives on the People Scrutiny Committee and the appointment of Independent "Lay" members on the Standards Committee.

There are clear schemes of delegation to officers as well as limits to such delegation set out within the Constitution. The Constitution is reviewed on an ongoing basis to ensure that it meets the needs of the Council. The Council has 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 will be 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 second version has been approved by Council and came into force on 20 April, 2016.

The third version of the council's constitution was approved by full council on the 7 March 2017 and reflects changes in response to proposals for improvement identified by WAO in their "Good Governance when delivering significant service changes".

2.6.2 The Council operates a Leader and Cabinet model of governance. The Council is responsible for appointing the Leader. The Leader appoints the remainder of the Cabinet. The Council retains responsibility for approving the Council's Change Plan and the annual budget.

The Cabinet has delegated responsibility for a number of functions, including:

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

2.6.3 The Constitution sets out clear terms of reference for all Committees of the Council. The Cabinet, and the Scrutiny and Audit Committees have rolling work programmes.

In 2016/17, the Council operated three Scrutiny Committees:

- People
- Place
- Audit (designated in the Constitution as a scrutiny committee)

Scrutiny Committees undertake reviews and inquiries, either within the Committee as a whole by means of a spotlight or light touch review, or in greater depth by delegation to Working Groups. The findings of Scrutiny reviews and inquiries are presented to Cabinet with recommendations for action. A number of Working Groups which have been established work over a longer period rather than being “task and finish” such as those relating to Education and Social Care where the work of the groups has been mainly to monitor the delivery of the Council’s recovery plans following adverse external regulator reports. Since December 2016, greater emphasis is now placed on pre-decision scrutiny of significant strategic policy issues and service changes.

The Education Working Group’s remit has been increased following a direction from Estyn to scrutinise schools where there are financial or performance issues or where the schools are the subject of regulator intervention. The Finance Scrutiny Panel continues to scrutinise budget proposals by the Cabinet prior to those proposals being finalised by the Cabinet for consideration by the Council.

A Joint Audit and Adult Social Care Working Group has been established to review the reasons for the budget overspend in Social Care and to monitor the recovery plan.

The Scrutiny Committees are independent of the Cabinet, but the Audit Committee does undertake a ‘Scrutiny’ function. It oversees the work of Internal Audit, Risk Management and receives the reports of the Wales Audit Office. It has responsibility for approving the Council’s Accounts. It did monitor the Council’s performance in relation to its budget and achievement of performance targets, but this function has now been taken over by the Cabinet’s Strategic Overview Board.

The Council’s committees also include some representatives who are not County Councillors. The Audit Committee has an independent “lay” member, the People Scrutiny Committee has co-opted members in respect of education scrutiny. The Place Scrutiny Committee has a co-opted member in respect of crime and disorder matters, although this role is currently vacant.

2.6.4 The Council also operates a Joint Chairs and Vice Chairs Steering Group whose main focus is:

- The co-ordination and work programming of activities between the Scrutiny and Audit Committees
- A specific scrutiny response in respect of:
 - One Powys Plan
 - Corporate Improvement Plan
 - Annual Improvement Report and Certificates of Compliance (Wales Audit Office)
 - Annual Performance Summary and Technical Report (joint responsibility with Scrutiny working groups)
 - Annual Governance Statement

POWYS COUNTY COUNCIL

2.6.5 The Chief Executive is the Head of Paid Service. He leads the Council's officers and chairs the Management Team and Heads of Service Group.

All staff have clear conditions of employment and job descriptions which highlight their roles and responsibilities. This is supported by a range of Human Resources policies.

During 2016/17, the following officers held statutory roles:

- The Solicitor to the Council was designated as Monitoring Officer and carried overall responsibility for legal compliance
- The Strategic Director – Resource was the Section 151 Officer appointed under the Local Government Act 1972. He was responsible for the proper administration of the financial affairs of the Authority
- The Strategic Director – People was the Statutory Director for Social Services and the Lead Director for Children and Young People
- The Chief Executive was the Interim Chief Education Officer
- The Scrutiny Manager was the Head of Democratic Services
- The Interim Strategic Director - People is appointed as the Senior Information Risk Owner (SIRO)

2.6.6 The Council aims to provide a wide range of opportunities for Members and Officers to be more effective.

All newly elected Members receive an induction programme. There is also specific training relating to whichever committees they are appointed. Powys County Council was re-awarded the Wales Charter for Member Support and Development in January 2015 (having first gained the award in 2011). An annual Member Development Programme is in place and the Council has identified mandatory and discretionary training as well as possible sanctions which can be utilised by the Standards Committees for Members failing to achieve the level of training set by the Council. Members in receipt of Senior Salaries (e.g. Cabinet Members and Committee Chairs) have undertaken personal development reviews (PDRs) to assess their individual training needs. This is undertaken on a 2 yearly basis or within 3 months of their appointment. PDRs have been offered to all other Members of the Council or they will be asked to undertake a training needs analysis which will assist in the development of the Member Development Programme.

A Member Development Working Group consisting of Councillors and officers has been established to develop and monitor the implementation of the Member training programme. In preparation for the Council elections in May 2017 the Working Group has been developing the Induction Programme to be implemented following the election which includes training for all members, as well as individual committees, together with information packs for Cabinet Members and Group Leaders. In addition work is ongoing on the Member Development Programme for 2017/18.

Council received a number of seminars between April 2016 / March 2017. These help to build background knowledge and help Members in fulfilling their scrutiny and audit roles. These seminars included:

- Planning and the Planning Protocol
- Adult and Child Protection and Corporate Parenting
- Powys Teaching Health Board Seminars
- Corporate Assessment
- Social Services and Wellbeing Act
- Budget seminars
- Private Landlords Registration
- Schools
- Mid Wales Healthcare Collaborative
- Treasury Management
- Welfare Reform Projects
- Procurement and Commissioning
- Older People's Accommodation
- Social Media Skills
- Local Development Plan
- Performance Management for Head Teachers / Teachers and the Role of Governors
- ERW

Other Member Development undertaken as a result of membership of committees:

- Planning, Taxi Licensing & Rights of Way Committee development - Planning Inspectorate – Role of Planning and the Planning Committee (as part of the All Council Seminar on Planning above)
- Pensions & Investment Committee
- Environmental, Social and Corporate Governance in Investment.
- Diversified Growth Funds.
- Finding returns in a low return environment.
- Pension Fund Governance.

2.6.7 All new officers receive induction training, both corporately and within their specific service. A range of role based training is available across the Council, in particular to ensure staff operate in a safe manner to protect themselves, the public and their colleagues. The Council offers specific training based around staff reviews to provide the opportunity to develop existing skills or learn new skills.

The Council implemented a new, more robust process for Individual Performance Review (IPR). This replaces the former annual Employee Development Reviews (EDR) and will provide better focus on more regular, worthwhile conversations that take place a minimum of four times a year.

The IPR process helps managers and staff have a greater focus on performance management to ensure work is directed towards achieving the goals of the individual services and the organisation as a whole. Therefore, the golden thread linking the Council's strategic plans to the work of individual officers and operational staff is ensured.

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

- 2.7.1 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, and to safeguard the organisation and in turn make it more resilient.
- 2.7.2 The Portfolio Holder for Risk Management is the Leader of the Council. The portfolio holder is updated on the progress of the risk management programme on a monthly basis by the Business Continuity & Risk Management Officer. The Corporate Risk Register is also reported to Strategic Overview Board on a quarterly basis.
- 2.7.3 Consideration of risk is an integral part of quarterly performance reviews held with portfolio holders, strategic directors and heads of service. The Audit Committee has a key role in monitoring and challenging the Council's risk register.

Impact assessments (IA) were further developed during 2016/17 with the provision of extensive training to support managers in the completion of effective assessments. For last year's budget setting process, an IA was completed for each of the savings proposals identified. The IAs were included in the budget pack distributed to Members as part of the sign-off process.

2.8 Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- 2.8.1 The Council's Constitution sets out how the Council operates and the process for policy and decision making. Within this framework, decisions are taken by Council, Cabinet, individual Cabinet Members and officers. Certain specific decisions are taken by the Planning, Taxi Licensing and Rights of Way Committee, The Licensing Act 2003 Committee, Shire Committees, Pensions and Investment Committee and the Employment and Appeals Committee.

2.8.2 The Council's Publication Scheme commits Powys County Council to make information available to the public as part of its normal business activities. The scheme can be found at <http://www.powys.gov.uk/index.php?id=1935>

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.

2.8.3 There is a presumption that most meetings will be open to the public, again save where information is to be discussed which is classed as exempt.

For issues attracting high public interest e.g. renewable energy applications, the Council's budget, the closure of high schools, the Council and the Cabinet has webcast meetings in order that interested stakeholders can view proceedings in real time and through an archive facility. The facility has been valued by stakeholders with both live debates and archived debates having high levels of discrete viewings. The Council initially undertook a pilot project, which ended in March, 2015, where Council, Cabinet, the Planning, Taxi-Licensing and Rights of Way Committee and the People Scrutiny Committee were webcast. As a result the Council has decided to undertake further webcasts on an ongoing basis. Initially only Council meetings and some Cabinet meetings are webcast, but it is intended to extend the number of webcasts in future.

2.8.4 In line with the requirements of the Local Government (Wales) Measure 2009 and the statutory guidance on Shared Purpose: Shared Delivery, an integrated Annual Performance Summary and Evaluation was prepared via the Powys PSB. The evaluation gave a balanced account of progress on delivery of the council's key commitments as detailed in the One Powys Plan for 2015/16 and was approved by full council on the 19 October 2016. The evaluation documents can be found at <http://www.powys.gov.uk/index.php?id=296>

Whilst the statutory requirements for reporting are not applicable to this current year, due regard has been given to the Well-being of Future Generations (Wales) Act 2015 in developing the council's review of performance for 2016/17 which will be available from November 2017.

2.8.5 The council contributes to a set of National Strategic and 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.

3. Opinion of Governance

3.1 There is an ongoing review of the effectiveness of the Council's Governance Arrangements. The review is informed by the work of:

- The Council's Cabinet
- The Council's Scrutiny and Audit Committees
- The Council's statutory Chief Officers
- The Authority's regulators, including Wales Audit Office, Estyn and CSSIW
- Internal Audit
- External requirements / legislation
e.g. Public Services Ombudsman for Wales, all Wales review of Constitutions.

3.1.1 Cabinet Strategic Overview Board

Throughout 2016/17, via Strategic Overview Board, the Council's Cabinet and Management Team has received quarterly reports to review both the Council's performance through service improvement plans and the progress of the key improvement programmes delivering the One Powys Plan. The Cabinet also receives reports on the Council's financial performance on a regular basis.

Scrutiny chairs are now full members of the Strategic Overview Board since 7 March 2017, ensuring they have the opportunity to hold portfolio holders to account on matters of performance.

3.1.2 Scrutiny and Audit Committees

Decisions and their implementation can be scrutinised by the Scrutiny Committees. In addition during 2016/17 the Council in preparation for a corporate assessment by the Wales Audit Office reviewed its scrutiny function and the primary focus was on the scrutiny committees' work programme. This identified that there was far too much activity being undertaken and not necessarily focussed on priority areas. The demands on Scrutiny have also increased due to Regulators stressing that the Council needs to undertake scrutiny of specific areas of work e.g. schools where there are issues relating to their performance or finance. The Scrutiny Service with 3 staff means that there is a finite resource which impacts on the amount work which can be undertaken.

As a consequence a revised scrutiny work programme was developed by the Joint Chairs and Vice-Chairs Steering Group which prioritised the areas of work which would be undertaken. Any requests for additional items to be scrutinised are included in this prioritised work programme. The Steering Group reviews the work programme at each of its meetings. In addition Scrutiny is placing a greater focus on pre-decision scrutiny and a methodology has been developed which has been built into a revised timetable for the preparation of Cabinet Reports. The following are examples of areas which were scrutinised / Pre-scrutinised during 2016/17:

3.1.2i Place Committee:*Car Parking Charges (Call-In)*

The issue of car parking charges had been called in as Members had been concerned that the delegated decision report had been inadequate and that no impact assessment had been completed. This was considered at an additional meeting of the Committee and was referred to County Council for a final decision. Members concerns had hinged on equality across the County and the impact assessment, once produced, lacked detail.

Commissioning of the Highways, Transport and Recycling Service (Pre-scrutiny)

An outline business case for future options for delivery of the HTR Service. Proposals had been developed along the five case model considering strategic, economic, commercial, financial and management. A number of options ranging from retaining in house through public/private Joint Venture Companies and wholly owned subsidiaries had been considered. Independent scrutiny had also been provided. Options were also considered by the workforce and Citizens' Panel to ensure as wide a consultation as possible.

Household Waste Recycling Centres

Pre decision scrutiny was undertaken on the five options Cabinet was to consider going forward to consultation. Options ranged from reduction in operating times to the potential closure of one or two sites. The MTFs, as agreed by Council, requires savings of £700K in the year from April 2017 to be achieved. It was acknowledged that all sites were well used and contributed to the overall recycling targets imposed on the Authority. There is a requirement under the Environmental Protection Act 1990 for every authority to provide one site for disposal of household waste. Powys currently has five sites run under contract although only two of those sites are in Powys' ownership. The Group were keen to emphasise communication with the public should be of paramount importance.

Leisure Contract

Members reviewed the first year of operation and noted increased participation. Ongoing scrutiny is to be achieved by the Chair of the Place Scrutiny Committee attending half yearly meetings as an observer.

Leisure Service Savings (Pre-scrutiny)

Savings of £200,000 had been identified in the Medium Term Financial Strategy to be achieved from the leisure and sports centre budget. It seemed that there was no alternative but to close three establishments or find alternative models of delivery. Alternative options had been scrutinized by an independent body. The Cabinet subsequently agreed to retain the three establishments.

Libraries

A working group undertook pre-decision scrutiny on proposals to remodel the library service in light of required savings. The same group will monitor library standards on an annual basis to ensure that standards are maintained following the implementation of alternative delivery models. Customer satisfaction remains high but Members note the pressures on library staff by increasing demands as libraries are co-located with other services.

POWYS COUNTY COUNCIL

Crime and Disorder

The Committee continues to monitor performance reports of the Community Safety Partnership biannually.

3.1.2ii Finance Scrutiny Panel

The Panel has entered a new phase in its development and has been actively scrutinizing the Medium Term Financial Strategy, Finance Resource Model and budget proposals for 2017/18. The Panel has also monitored a Recovery Plan developed in response to emerging overspends, particularly in the Adult Social Care service. As part of its ongoing improvement. The Panel have undertaken a self-assessment and impact assessment training.

3.1.2iii Audit Committee

In addition to its regulatory requirements, the Committee reviews the Corporate Risk Register and Treasury Management on a quarterly basis. Summary reports relating to the work of the Finance Scrutiny Panel, Internal Audit Working Group and a Joint Audit /Adult Social Care Working Group are also considered.

Internal Audit Working Group

The Group meets regularly to review action plans arising from Internal Audit reports with limited or low assurance. Consideration is also given to reports relating to internal fraud.

Joint Audit/Adult Social Care Working Group

Following the identification of a significant overspend in the Social Care Service budget, this Working Group has been asked to review how the overspend has occurred. The Council contracted external expertise to both undertake a financial review as well as undertake a comparison of Social Care spend in Powys by comparison to other Welsh Authorities. Both consultants were interviewed by the Working Group as well as the Portfolio Holder for Social Care and Officers. The Council has produced a budget recovery plan and the Working Group is one of a number of scrutiny working groups that has a role in scrutinising the recovery plan and its implementation.

Joint Audit / Education Scrutiny Group

The group has been asked to undertake pre-decision scrutiny on recovery plans to deal with two schools overspends.

3.1.2iv People Scrutiny Committee

Health Scrutiny

Observing each of quarterly Mid Wales Health Care Collaborative meetings across mid Wales and holding initial joint scrutiny sessions with letter from first meeting in Dolgellau in March (4 recommendations to Collaborative / ERW Scrutiny – meeting in Haverfordwest in September and Aberaeron in February with letters from each meeting sent to ERW Joint Committee (2 recommendations in each letter)

Scrutiny of Inspection reports e.g. Bannau / Camlas Residential Unit; Powys Fostering Service

Rollout of Schools Cashless System

3.1.2v Adult Social Care

Ongoing monitoring of progress against improvement objectives in Adult Social Care including scrutiny report to Cabinet

Initial investigations into domiciliary care, residential care, day services, Powys People Direct

Pre-Cabinet Scrutiny on proposals regarding residential care, day services, learning disabilities

Scrutiny of joint Health Board and Council Health and Care Strategy

Involvement in the Challenge Day for the Director of Social Services' Annual Report, scrutinising the draft report and the CSSIW performance and evaluation report (jointly with Children's Scrutiny Group)

3.1.2vi Children's Scrutiny Group

Initial investigations into Flying Start and Team Around the Family (jointly with Education Scrutiny Group) and Powys People Direct (jointly with Adult Social Care Scrutiny Group)

3.1.2vii Education Scrutiny Group

Ongoing education scrutiny – standards, attendance, exclusions, school budgets, inspection outcomes

Initial investigations into school asset management plan, pupil projections, Education other than at school, school budgets, change in age of admission

Pre-Cabinet Scrutiny on proposals regarding changes to Fair Funding Formula, Education Standards, Schools Asset Management Plan and Ysgol Cedewain / Brecon High School budgets (jointly with Audit)

3.1.2viii Schools Scrutiny Panel

Monitoring progress of schools who have attended School Scrutiny Panel

School Scrutiny Panels arranged for Caereinion High School, the Pupil Referral Unit and Llanfyllin High School (postponed)

3.1.2ix Joint Chairs and Vice-Chairs Steering Group

The Steering Group scrutinised the following:

- Draft Corporate Improvement Plan
- Draft Annual Governance Statement
- Commissioning and Procurement Board
- One Powys Plan Annual Performance Evaluation
- Overspend in the school transport budget.

The Steering Group also considered the composition of scrutiny committees, scrutiny of performance reports, the corporate assessment, scrutiny of the Public Service Board and integration with the Local Health Board and developed a process for pre-decision scrutiny, scrutiny work programme, speaking at Cabinet meetings.

3.1.3 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 / Management Team meetings. A final report will be included with the Cabinet papers setting out the original recommendations to the Cabinet / Management Team together with an update regarding amendments to the final Cabinet report as a result of those initial scrutiny recommendations.

3.1.4 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 Plan and the deliverability of financial targets in forthcoming years. During 2016 / 17 the Panel undertook a self-assessment and also reviewed its Terms of Reference. As an outcome the Finance Scrutiny Panel's terms of reference have been included in the Council's Constitution.

3.1.5 The Audit Committee meets on a regular basis. The Committee receives reports from Internal Audit and the Wales Audit Office and can make recommendations to both the Cabinet and Scrutiny Committees. The Committee had a Finance and Performance Sub Group that received regular financial and performance reports. It was acknowledged that this Working Group was not functioning effectively and during the year it was discontinued. Alternative proposals for the scrutiny of finance and performance reports were brought forward by the Portfolio Holder for Finance and discussed with the Joint Chairs and Vice-Chairs Steering Group. However these proposals were not supported by the Cabinet and it was therefore decided that the Cabinet's Strategic Overview Board would undertake this role. The Wales Audit Office in their review of the Council have commented on the role of the Strategic Overview Board and therefore a review of its Terms of Reference is being undertaken.

The Committee also has an Internal Audit Sub Group that meets regularly to receive all adverse opinion reports i.e. those rated Limited or Low assurance. Its main purpose is to track action plans to ensure that effective and timely corrective measures have been implemented. In addition, the group receive regular updates on cases of internal and external fraud.

Key areas of focus were:

- Direct payments,
- Debt management and recovery,
- Trade waste, energy procurement,
- Internet usage and security,
- Section 106 agreements,
- Gas safety.

Continued failure to address significant weaknesses will be reported to the main Audit Committee.

3.1.6 The Welsh Government issued its Consultation White Paper "Reforming Local Government" in the previous year which had a number of significant implications for the Council in how scrutiny will be delivered in the future. However there has been a change of emphasis by Welsh Government in respect of how local government is to be delivered with a focus on increased collaboration and regional arrangements. It is unclear as to how this will impact on scrutiny arrangements in Powys.

POWYS COUNTY COUNCIL

3.1.7 The Council's Statutory Chief Officers have a range of functions with respect to the overall review of the Council's effectiveness. These include:

The Chief Executive is signatory to the Council's Annual Governance Statement;

The Chief Finance Officer is responsible for certifying that the Council's Accounts present a true and fair view of its financial position and income and expenditure;

The Council's statutory Director of Social Services is responsible for an annual review of the Council's social services under the Annual Council Reporting Framework (ACRF).

3.2 Wales Audit Office

Wales Audit Office (WAO) is the public sector watchdog for Wales. Their aim is to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.

Each year, Wales Audit Office reviews the position of local authorities in Wales in accordance with their statutory responsibilities.

Key reports during the 2016/17 financial year are set out below:

Audit of Financial Statements Report (issued September, 2016)

This report was presented to Audit Committee on 30 September 2016. The report stated:

"In my opinion the accounting statements and related notes;

- give a true and fair view of the financial position of Powys County Council as at 31 March, 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16."

3.2.1 The Wales Audit Office (WAO) has a duty to report to the public on the arrangements councils in Wales put in place to secure continuous improvement. The report is underpinned by two key pieces of work:

- A forward looking assessment of the Council's arrangements to secure continuous improvement;
- A backward looking assessment of whether the Council has achieved its planned improvements.

Their Annual Improvement Report 2015-16 states:

During the course of the year, the Auditor General did not make any formal recommendations to the council.

The council continues to make progress in its priority areas and maintains compliance with the Local Government Measure 2009

The council continues to make progress in delivering its shared priorities and, whilst its overall performance against the national indicators has declined over the previous year, it has largely maintained its position in comparison with other Welsh councils

The council is improving its financial management arrangements with the benefit of increasingly rigorous scrutiny and challenge but recognises that it needs to better align service and financial performance if it is to be confident of achieving its priorities with the resources at its disposal

The council has more work to do to provide assurance that its established governance arrangements are robust and that external regulatory reports are fully considered and addressed

The council recognises that, in its haste to introduce the new domiciliary care service, the integrity of its established governance arrangements was compromised and is working to mitigate the consequential risks

The council has more work to do to provide assurance that external regulatory reports are fully considered and action taken in response to the recommendations, where appropriate

(Annual Improvement Report 361A2016)

The latest Annual Improvement Report from Wales Audit Office is due no later than July 2017.

3.2.2 Estyn

Estyn is the Office of Her Majesty's Chief Inspector of Education and Training in Wales. Their mission is to achieve excellence for all learners in Wales through raising the standards and quality in education and training. Estyn has a wide range of statutory inspection and reporting responsibilities which include inspection of all publicly funded education and training across Wales.

The proportion of pupils eligible for free school meals in Powys is the lowest in Wales. This is taken into account when evaluating the performance in the council.

Since 2012, performance has steadily improved in the Foundation Phase indicator¹ and the core subject indicators for key stages 2 and 3. Although performance in each of these measures is well above the Wales average, it is below that of similar councils.

At key stage 4, over the last five years, performance in both the level 2 indicator including English or Welsh and mathematics and the capped average wider points score has improved, but at a slower rate than the average for Wales as a whole. While performance in these measures has remained well above the Wales average, it is below that of similar councils. The council has only met one of the Welsh Government's benchmarks for performance at key stage 4 in the last three years. Of the 12 secondary schools in Powys, three were in special measures at the start of 2016.

16 In most of the main indicators for primary and secondary schools, the performance of pupils eligible for free school meals is higher than for similar pupils across Wales.

Attendance in primary and secondary schools has improved and now places Powys amongst the highest authorities in Wales.

(Extract from WAO Annual Improvement Report 361A2016)

3.2.3 Financial Resilience: Savings Planning

Whilst the council is strengthening its arrangements for developing savings plans, too many are insufficiently developed and have unrealistic delivery timescales which may not fully support future financial resilience

Proposal for improvement

Strengthen financial planning arrangements by:

- *Ensuring that the service savings targets set for third party spend, income and cost improvement opportunities can be achieved in planned timescales*
- *Ensuring that all savings plans are sufficiently well developed for inclusion in the annual budget*
- *Forecasting the use of reserves*

(WAO 695A2016 – December 2016)

3.2.5 Good Governance when Determining Significant Service Changes

Given the ambition and pace of its service change programme, there is significant scope for the Council to strengthen its governance arrangements.

The Council has a clear and ambitious vision and framework for significant service change based around delivering community-centred services and being a commissioning council

Whilst the Council has strengthened programme management of its service changes, its scrutiny and decision-making arrangements are not sufficiently robust to assure good governance

The quality of options appraisals is mixed and information presented to Members is not always timely or sufficient to facilitate strategic decision-making

The Council has well-developed arrangements for engaging stakeholders in service change proposals but these are not always used consistently and effectively

The Council is improving its arrangements to monitor the impact of service changes but these are not yet being used systematically

The Council is learning from previous service change although it recognises that further action is needed to improve the effectiveness of its decision-making arrangements

Proposal for improvement

The Council's governance arrangements could be strengthened by:

- *Reviewing the current remit and role of the Cabinet to enable it to focus on the Council's key priorities and significant service changes.*
- *Clarifying and strengthening the role of scrutiny committees in considering service change.*
- *Aligning Cabinet and Scrutiny work programmes to include details of forthcoming service change proposals and making them easily accessible on the Council's website.*
- *Improving the quality of information and options appraisals provided to Members to enable them to consider the strategic implications of the proposed service changes.*
- *Clarify delegated authorities, particularly for significant service changes so that decisions are transparent and accountability for them is clear.*
- *Strengthening arrangements for monitoring the impact of service changes including explicitly setting out at the point of decision what will be monitored, where this will be monitored and who will be responsible for doing so.*

(WAO 167A2017 – March 2017)

POWYS COUNTY COUNCIL

3.2.6 Other Studies (Local and National)

A number of studies were published for shared learning by WAO during 2016/17:

- Financial Resilience of Local Authorities in Wales (August 2016)
- Community Safety in Wales (October 2016)
- Charging for Services and Generating Income by Local Authorities (November 2016)
- Checklist for Local Authorities Effectively Engaging and Working with the Third Sector (January 2017)

The content and findings are considered and appropriate action planned where required.

3.3 Care and Social Services Inspectorate Wales (CSSIW)

3.3.1 CSSIW encourages the improvement of social care, early years and social services by regulating, inspecting, reviewing and providing professional advice to ministers and policy makers. It provides the council with their views on the councils' annual review and evaluation of performance.

Improvements have been made and with the additional senior management capacity, prospects are improving despite the budgetary pressures. It has made significant investment in reshaping services in order to deliver on the savings needed and the implementation of the SSWB Act.

The council is actively engaged in the completion of both market position statements and commissioning strategies across a range of service areas, including older people and accommodation, assistive technology, learning disability and domiciliary care. It has carried out a detailed analysis of demography and need across all Council wards, matching current and future need against current resources.

(CSSIW: Annual review and Evaluation 2015/16)

3.4 Internal Audit

3.4.1 During 2016/17, Internal Audit was subject to the requirements and principles of:

- Public Sector Internal Audit Standards in the UK - 2013
- CIPFA Local Government Application Note – 2013

An Internal Audit Charter was agreed by the Audit Committee in 2016/17 that defines the purpose, authority and responsibility in terms which are consistent with the professional standards.

Internal Audit undertook a programme of risk based work, formulated using an approved planning strategy, to review the Council's internal control environment.

Each audit undertaken contained an opinion on the control framework and agreed actions by Management to correct the areas of risk identified. Those that had an adverse opinion (Low or Limited Assurance) reported to the Internal Audit Working Group where accountable officers were required to attend to update the Members on progress with their action plans. In addition, the Internal Audit Team have supplemented this tracking approach by undertaking a series of follow-up reviews on high risk areas.

Internal Audit routinely considers the likelihood of fraud occurring within the systems being audited. Where necessary, it undertakes investigatory work in respect of fraud and corruption which can result a Police referrals and/or disciplinary actions. The Council has a zero tolerance attitude toward fraud and corruption.

3.4.2 In accordance with the recognised standards, the Head of Audit is required to give an opinion on the overall internal control environment based on the work undertaken throughout the year. This report is presented to the Audit Committee annually in July.

3.4.3 From 1 April 2017 the council's internal audit service will be provided by South West Audit Partnership (SWAP).

Under the arrangement the Internal Audit Team will transfer to their new employer whilst continuing to provide internal audit services for the council.

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.

3.5 Constitution

3.5.1 Following the development of a New Model Constitution for Welsh Authorities which was released in 2013, the Council has migrated its current Constitution with the new Model Constitution, and at the same time taking the opportunity to review every section and make improvements to existing provisions. The new Constitution came into force on 1 September, 2015. Further revisions have taken place since then as the Constitution is kept constantly under review it is the intention that new versions will be issued periodically. Version 3 of the new Constitution came into force in March 2017. The Council's constitution can be found at

<http://powys.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13166&path=0>

3.6 Complaints Regarding Members of the Council

- 3.6.1 Following a requirement by the Public Services Ombudsman for Wales that Councils establish a local resolution protocol for certain categories of complaints from Members of the Council against other Members, or from officers regarding Members, the Council has agreed its own Local Resolution Process which is incorporated into the new Constitution.

The types of complaints to be considered are those which would not otherwise be deemed to be of such a nature that they would ordinarily be considered by the Public Services Ombudsman and the process is intended to resolve these matters at a local level. There has only been 1 referral under the process during this year.

3.7 Public Service Board Scrutiny

- 3.7.1 The Joint Chairs and Vice-Chairs Steering Group, the Joint Partnership Board and the Public Service Board have agreed the principles for the establishment of a multi-agency PSB Scrutiny Committee. In the interim the Joint Chairs and Vice-Chairs Steering Group continues to scrutinise the annual updates to the One Powys Plan.

A review of the resources available to scrutiny is being undertaken to identify the resource required for PSB Scrutiny as well as the scrutiny of the integration project with the Powys Teaching Health Board.

3.8 Powys Pension Fund

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

The Pension Board assist the Administering Authority to secure compliance with regulations and requirements imposed by the Pensions Regulator; and, to assist in ensuring effective and efficient governance, management and administration of the LGPS and the Powys Pension Fund. This is accepted to mean that the Pension Board has an oversight role but not a decision-making role.

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

Powys County Council, as the administering authority to the Powys Pension Fund, is currently working together with the other seven LGPS funds in Wales to establish a pension investment "pool" in line with government requirements issued by DCLG, in November 2015. The participating administering authorities agreed a Memorandum of Understanding, approved by Pension and Investment Committee on 30 September 2016 as a precursor to the Inter Authority Agreement which is scheduled to be signed in 2017-18. A Joint Governance Committee, consisting of an elected member from each Administering Authority will be formalised in 2017-18. The Chairs of the committees of the participating funds have been meeting on a monthly basis as a shadow Joint Governance Committee to receive briefings and progress on the implementation of the plans to procure a third party operator who would develop a menu of investment opportunities from which the Pension Funds could select investments.

3.9 Opinion on the Level of Assurance

3.9.1 On the basis of the evidence, we consider the level of assurance to be **reasonable**

3.9.2 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.

4. Areas for Improvement

4.1 There are a number of governance challenges facing Powys County Council at present:

4.2 The Cabinet's approach

Recognising the increased challenges posed by the long term financial outlook the Cabinet has reviewed and amended the Council's overall vision to Strong Communities for the Green Heart of Wales.

The amendment to the vision focuses on the relationship between the Council and its communities. The Council is seeking partnership from communities to work together to deliver services in future and in turn this will help keep communities vibrant. In particular the Council wishes to create more employment opportunities for young people within the community.

The Cabinet will continue to develop the Council's operating model based upon commissioning and has reaffirmed the following priorities to support the Vision:

4.2.1 Remodelling council services to respond to reduced funding.

We need to find a way of dealing with increased demand and expectations on some of our services while spending less than we do now. This means taking a new look at how we deliver services rather than simply carrying on doing what we did in the past so that we meet people's needs in the most appropriate and cost effective way. This process is called commissioning.

This may mean re-designing a current service or working with a partner so that they provide the service on our behalf. In the future the council will be smaller with people employed by other organisations, such as the voluntary sector, town and community councils, not-for-profit organisations or commercial enterprises.

What difference do we plan to make?

- Better value for money for our citizens
- Effective, efficient and sustainable services
- Local communities are better able to provide services for themselves
- More local suppliers are being used in our contracts, either directly or through the supply chain
- Powys benefits from the council trading its professional expertise
- Customer requirements are more easily met using digital technology

4.2.2 Supporting people within the community to live fulfilled lives.

The good news is that people are living longer. But this does put more pressure on our services for older people. As people live longer, their care needs are likely to cost more money. However we know that together we can design and put in place different types of help and support that will be more effective.

We also know that helping children and families through the early years will help to ensure children grow up safe, secure and healthy into young adulthood.

We need to move away from traditional based services which are expensive and not built around the personal requirements of those in need. We need to ensure that the homes we provide for older people meet the needs of this generation of vulnerable older people. Our aim is to design new services with our partners that promote prevention and personal control which are community based. We need to build on our current commissioning relationship with the health board and the voluntary sector to design and deliver services that promote independence and alternatives to institutional care. We will need to develop the local care economy to make this possible. This will contribute to the long-term sustainability of our communities by providing employment and training opportunities.

What difference do we plan to make?

- Communities will take a greater role in supporting carers and the cared for.
- Older people will feel:
 - Supported, independent, safe, dignified and connected
 - A valued member of their communities
 - Informed and empowered to make choices about their support and care
- Carers:
 - Are able to maintain employment, education and training where they choose
 - Have good physical, emotional and mental health
- People with a learning disability:
 - Have improved health and well-being
 - Receive services that meet their needs and enable them to maximise their Independence and live in the community of their choice
 - Have improved opportunities for valued occupation including paid employment
 - Experience smooth and effective transitions from childhood to adulthood
- Children and families:
 - Feel safe and supported in their lives
 - Are empowered to make the best decisions
- People's emotional and mental health:
 - Is promoted and improved
 - Challenges are responded to effectively, aiding recovery
- Suitable housing for everyone in Powys is ensured.

4.2.3 Developing the economy.

A healthy and enterprising economy is essential for sustaining communities which is why economic development is one of our top priorities. Low levels of economic activity have contributed to the number of young people who leave in search of opportunities elsewhere and don't return. This has had a direct impact on services such as schools, as the number of young people in our county declines. It also affects the supply of people in the local workforce and on the ability of successful local businesses to grow within the county.

Traditional approaches to regeneration have not secured sufficient economic growth. Our new regeneration strategy will focus upon how we can support the local economy. For example, through using our land ownership and influence to promote economic activity in all sectors, and through the decisions we make in respect of the improvement and maintenance of our existing housing stock and the development of new homes.

Improved transport links and access to superfast broadband will make Powys an attractive proposition to invest in, or to relocate to. That's why we are already lobbying for, and securing, investment in infrastructure that will encourage growth, including an hourly service on the Cambrian railway line, the Newtown Bypass and working with BT to introduce high speed broadband to rural communities.

What difference do we plan to make?

- A thriving tourism economy with increased day and stay visitors taking advantage of outdoor activity opportunities and festivals, and increasing spend.
- A dynamic, driven and confident council that finds and exploits opportunities for increasing the Powys economy.
- A county that is recognised as a great place to live, work and play which is known for its amazing scenery, as a place for outdoor life and interesting and cultural events and festivals.
- An increased population of high earners and professionals who live in Powys and either work in the county or from home for organisations elsewhere in the world.
- A larger percentage of small to medium sized growth businesses in industry sectors that contribute to the prosperity of the county.
- Opportunities, including appropriate training and apprenticeships are available and accessible, ensuring workforce skills are aligned to the skills needs of businesses.
- A safe, efficient and reliable transport service and network that enables people and businesses to travel safely to their destination

POWYS COUNTY COUNCIL

4.2.4 Improving learner outcomes for all, minimising disadvantage.

We want Powys to be an attractive place to work for young people with ambition to succeed. In the past the county has been rightly proud of the academic achievement of its young learners. However, there are many Powys pupils whose attainment could be better, especially those from low income households.

Transforming skills and learning is a key aim of the council to make sure all children and young people are supported to achieve their full potential. To succeed in our ambition we need first class teaching, high quality leadership and appropriate class sizes with a fair distribution of resources.

Although many of our schools are highly regarded it's clear that the quality of most of our school buildings are no longer suitable for education in the 21 century. Our young people demand the investment to compete with other parts of the country. We need to provide modern learning environments to take advantage of the latest technology.

It is in everyone's interest that the council's focus is on driving up the attainment and ambition of the majority of its pupils with a special emphasis on those from more disadvantaged backgrounds. We must also provide stimulating learning environments for our able and gifted students and provide improved access to Welsh medium education.

To be successful we must ensure that our schools can offer the range of courses that are both attractive to our pupils but also meet the needs of the local economy. This way we can attract investment and economic growth from within.

What difference do we plan to make?

- Our learners will be supported to achieve their potential in a modern, inclusive learning environment
- Access to Welsh medium education will have improved

4.3 These priorities will shape everything we do, and we hope to fully engage citizens and staff in the process of change. Citizens need to be aware that we can no longer deliver all the services in the traditional way and that to maintain services communities and citizens will be supported to do more for themselves. Staff will be encouraged to work in new ways and to take on new responsibilities.

4.4 We will set out to reduce our cost base through transforming services by undertaking whole council and sector reviews, reducing the amount of property we use, and developing a community delivery and neighbourhood management approach which will focus upon the needs of specific communities and the services they need.

4.5 The 2016/17 Budget and Prioritising our Service Spend

The provisional budget settlement for the Council was announced by Welsh Government on 9 December 2015. The settlement has awarded the Council a 4.1% budget reduction for the next financial year against a Welsh average reduction of 1.3%. This amounts to a reduction in cash terms of £7.147m compared with the settlement for 2015/16. The Council received the benefit of the floor mechanism in the sum of £1.9m, the highest in Wales.

Importantly this means that the per capita funding for Powys is £1,252 compared with a Welsh average of £1,309. Many of the Council's current services and facilities were developed when the County received one of the highest per capita allocations within Wales. The Council's future service provision needs to reflect this shift of funding away from rural areas which is likely to continue and the Cabinet's budget proposals acknowledge this requirement.

The setting of the budget and medium term financial strategy in the face of continuing reductions in grant income from Government remains the most critical challenge facing Powys County Council. Our response has moved to a three year balanced Medium Term Financial Strategy (MTFS). The strategy also recognises that the future may well be even more challenging.

The Council's Budget strategy centres on the Council's vision "Stronger Communities for the Green Heart of Wales" and the four organisational priorities that aim to meet the challenges presented by the combination of reduced funding and service pressures and a need to be cost effective and focused on core outcomes for residents, business and communities.

A shift in cost of this magnitude cannot be achieved through an annual budget process of targeting services with savings. This requires a better understanding of each services cost base and the application of a model of key cost cutting themes which require consistent and coherent cross council action.

We will set out to reduce our cost base through transforming services by undertaking whole council and sector reviews, reducing the amount of property we use, and developing a community delivery and neighbourhood management approach which will focus upon the needs of specific communities and the services they need.

4.6 Delivering in Partnership - One Powys Plan 2014-17

4.6.1 The council is committed to delivering key priorities for improvement through working with Partners. We will continue to implement the single improvement plan as required by Welsh Government. The Council's formal Improvement Plan is integrated within the One Powys Plan. An agreed approach to producing an annual update was agreed and supported in principle by both WG and WAO. The annual update 2016-17 meets the key requirements of the Local Government (Wales) Measure 2009, Part 1.

In implementing the One Powys Plan we will:

- Address issues through prevention and early intervention rather than reaction
- Understand the interventions that best deliver outcomes for citizens and commission services accordingly
- Focus on delivering advantage together that we cannot obtain by working separately
- Build on our current programmes of change where these remain valid
- Mandate multi-agency programmes to define and manage delivery of our priority outcomes
- Recognise that each organisation retains responsibility for single agency plans but will align these plans with the One Powys Plan – to ensure there is only one plan.
- Commit to pooling resources where added value can be gained.

4.6.2 With the Well-being of Future Generations (Wales) Act 2015 coming into force on 1 April 2016, partnership working evolved from the former Local Service Board and the statutory Powys Public Service Board was established on 9 June 2016. Under this new Act the statutory members of the PSB will be:

- Powys County Council
- Powys Teaching Health Board
- Mid and West Wales Fire and Rescue Service
- Natural Resource Wales

The Act also requires the PSB to issue a formal invitation to participate to:

- Welsh Ministers
- The Chief Constable for Dyfed Powys Police
- The Police and Crime Commissioner for Dyfed Powys Police
- The Probation Service
- Representative body of voluntary organisations in Powys.

4.7 Realising the potential for further integrated working with PTHB

4.7.1 Powys County Council in partnership with Powys Teaching Health Board have pledged to accelerate the integration of health and social care services.

Integration is a way of achieving seamless, co-ordinated working between a range of our teams and services in the best interests of those who use our services. Integration is not an end itself, but a way of working that ensures that people get the right care and support according to their needs.

By working closely together we can provide services that enable people to live more independent, fulfilled lives. When people do need us, we will provide responsive services in a way that meets their particular needs.

Our first priority is to enable our older people's teams to work more closely together, and work is well underway. These teams will work closely with local GPs to offer care in, or as close to people's homes as possible, and using technology, we can ensure quality, safety and cost effectiveness.

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.

Organisational Development is key to enabling integration to succeed. We need to ensure our structures, processes and people are organised to deliver in the best way for people in Powys. We are developing an approach to support staff with the skills they need to be most effective.

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.

POWYS COUNTY COUNCIL

4.7.2 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 and integration of services.

The JPB brings together nominated strategic leaders from Powys County Council and Powys Teaching Health Board. It will provide strategic leadership and make 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, as reflected in the Powys Integration Plan as approved from time to time:
 - Make a positive difference for the people of Powys
 - Always consider integration as the default position
 - Adding value not cost whilst diverting demand/cost avoidance
 - Design and deliver through dialogue with staff and the people of Powys
 - Challenge the status quo through supportive enquiry
 - Working to common frameworks and systems e.g. project management
 - Share learning and use evidence based approaches and standards

A Joint Management Team (JMT), consisting of the Chief Executives and Directors of both organisations, will support the work of the JPB. Work of the Joint Management Team will be incorporated within the reporting arrangements to the JPB.

4.8 Cross Cutting Themes

4.8.1 We are committed to progressing as a single council and therefore must also focus on opportunities that cut across individual services:

- Commissioning Appropriate, Viable, Equitable and Affordable Services
- Rationalise our Property Estate
- Regeneration as a Cross Service Principle
- Public Sector Collaboration
- Working with the Third Sector including the PAVO Partnership Agreement
- Community Delivery and Neighbourhood Management
- Resourcing Appropriately

4.9 Responding to Regulatory Recommendations

4.9.1 Whilst no statutory recommendations have been received from regulators, the council recognises the value of regulatory reviews in helping to drive improvement. A process for tracking the council's response to recommendations and proposals for improvement has been re-established to ensure corporate visibility. The tracker and progress on agreed actions are considered by Management Team, Strategic Overview Board and Audit Committee on a quarterly basis.

Signed on behalf of Powys County Council:



Chief Executive
Date: 26 June 2017



Leader of the Council
Date: 26 June 2017

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

I have audited the accounting statements and related notes of:

- Powys County Council; and
- Powys Pension Fund

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Powys County Council's accounting 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.

Powys Pension Fund's accounting statements comprise the Pension Fund Account and the Net Assets Statement.

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 2016/17 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the responsible financial officer is responsible for the preparation of the statement of accounts, including Powys Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to Powys County Council and Powys Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the responsible financial officer; and
- the overall presentation of the accounting statements and related notes.

STATEMENT OF ACCOUNTS

In addition, I read all the financial and non-financial information in the Narrative Report and Annual Governance Statement to identify material inconsistencies with the audited accounting statements and related notes 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.

Opinion on the accounting statements of Powys County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Powys County Council as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on the accounting statements of Powys Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Powys Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date, and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In my opinion, the information contained in the Narrative Report and the Annual Governance Statement is consistent with the accounting statements and related notes.

Matters on which I report by exception

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 accounting 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;
- the Annual Governance Statement does not reflect compliance with guidance.

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.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
28 September 2017

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Cardiff
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