BRECON BEACONS NATIONAL PARK AUTHORITY

Statement of Accounts

for the year ended

31st March 2019

BRECON BEACONS NATIONAL PARK AUTHORITY
STATEMENT OF ACCOUNTS 2018/19

	Page
Narrative Report	3
Statement of Responsibilities for the Statement of Accounts	9
Comprehensive Income and Expenditure Statement	10
Expenditure and Funding Analysis	11
Balance Sheet	13
Movements in Reserves Statement	14
Cash Flow Statement	16
Notes to the Accounts	17

NARRATIVE REPORT

1. INTRODUCTION

The Authority is required by law to produce an annual Statement of Accounts in accordance with proper accounting practices as laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its 2018/19 'Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice' and approved by the Accounting Standards Board.

This foreword provides a brief explanation of the more significant matters reported in the accounts. Accounting statements are set out on later pages and consist of:-

A Statement of Accounting Policies - the basis upon which amounts have been included in the accounts using accepted accounting principles.

The Core Financial Statements

- **The Comprehensive income and Expenditure Statement -** the income and expenditure during the financial year, accompanied by notes which explain the figures in greater detail as required by the CIPFA code of practice. The CIPFA Code requires that the Statement structure is in line with the objective breakdown of income and expenditure reported to management. For Brecon Beacons National Park Authority this entails an analysis of expenditure and income by Directorate. The CIES is supplemented by the **Expenditure and Funding Analysis** – an explanation of the differences between the net surplus or deficit as calculated in accordance with the CIPFA Code of Practice and the net surplus or deficit calculated in accordance with statute and required to be funded from revenue reserves.

- **The Balance Sheet -** the assets and liabilities, cash held and amounts set aside in reserves at the financial year-end. Notes are provided to give further details of specific balances where required by the CIPFA code of practice.

- **The Statement of Movements in Reserves** – shows the total gains and losses to the Authority during the year, including the effect of actuarial gains and losses on the pension fund and valuation gains and losses on fixed assets.

- **The Cash Flow Statement -** expenditure and income for the financial year, excluding all amounts owed or receivable. Further explanation is provided in the notes to the statement.

The authorisation date of the Statement is 31 May 2019. Significant events after the Balance Sheet date and up to 26 July 2019 have been taken into account in preparing the Statement. The Statement is audited by the Auditor General for Wales' Office and a copy of the auditor's report is published with the Statement when this becomes available on completion of the audit. The Authority is also required to publish a Governance Statement at the same time. For further information and explanation of items in this document, please contact the Finance Manager on 01874 620467 or email elaine.standen@beacons-npa.gov.uk

2. ABOUT BRECON BEACONS NATIONAL PARK AUTHORITY

The Authority covers 520 square miles and is one of three National Parks in Wales. The Authority became an independent Special Purpose Local Authority with effect from 1st April 1996 and has two statutory purposes and one duty:

Purposes:

- To conserve and enhance the natural beauty, wildlife and cultural heritage of the National Park.

- To promote opportunities for public enjoyment and understanding of the special qualities of the National Park.

Duty:

- To foster the economic and social well-being of communities living within the National Park.

The Authority is the statutory Local Planning Authority for the area and is responsible for preparation of the Local Development Plan and determining planning applications.

Each year the Authority is required to publish a **Corporate Plan** setting out how it intends to employ its resources for the coming year to fulfil the purposes and duty in line with its current **National Park Management Plan 2010-2030**. A review of the Authority's performance against the Corporate Plan is carried out annually. These documents are published on the Authority's website www.beacons-npa.gov.uk

3. INCOME AND EXPENDITURE

The gross cost to the Authority of providing its services, as reported to Members during the year for management purposes was £5,346,000. The table below sets out the sources of funding and shows that £98,000 was transferred to General Reserves at the year end. In addition £405,000 net was transferred to Earmarked Reserves to fund future commitments.

The Welsh Government sets the Authority's level of net revenue expenditure for the year, and pays 75% of this in National Park Grant. The remaining 25% can then be raised by the Authority by issuing a levy on the constituent Unitary Authorities. These are: Powys County Council, Carmarthenshire County Council, Monmouthshire County Council, Rhondda Cynon Taff County Borough Council, Merthyr Tydfil County Borough Council, Blaenau Gwent County Borough Council, and Torfaen County Borough Council. In 2018/19 a late change in the National Park Grant was not reflected in an amendment to the levy which therefore made up just under 24% of total core revenue funding.

COMPARISON OF ACTUAL INCOME AND EXPENDITURE: CURRENT AND PREVIOUS FINANCIAL YEARS

	2017/18	2017/18	2018/19	2018/19
	£000	%	£000	%
National Park Grant	3,006	48	2,827	49
National Park Levy	942	15	892	15
National Park Project Grant	730	12	594	10
Government Grants and Contributions	198	3	375	6
Fees, Charges and other Service income	1,378	22	1136	20
Interest Receivable	6	0	25	0
Gross Revenue Funding	**6,260**	**100**	**5,849**	**100**
Employee Expenses	3,690	71	3,735	70
Other Service Expenses	1,513	29	1,611	30
Total Expenditure	**5,203**	**100**	**5,346**	**100**
Net Receipts from Asset Sales	-200		0	
Transfers to/from Earmarked Reserves	1,628		405	
Total Expenditure after net transfers to/from Reserves	**6,631**		**5,751**	
Net (cost)/income of Services (Contribn to/from General Fund)	**(371)**		**98**	

Locally generated income and specific grants are allocated to individual services and are offset against the expenditure on those headings to arrive at the total net budgets and costs as reported to those responsible for management of the Authority. The table below shows how the net cost of services is derived from gross income and expenditure (see also the Expenditure and Funding Analysis for a reconciliation of amounts reported to management on a departmental basis to the totals reported on the Comprehensive Income and Expenditure Statement.

The net costs for each service in the Comprehensive Income and Expenditure Statement include depreciation (the cost of wear and tear on buildings, equipment, etc.).

Adjustments are also made for pension costs in accordance with the *International Accounting Standard 19: Retirement Benefits* (IAS19). These technical adjustments are intended to bring the Authority's accounts into line with UK Generally Accepted Accounting Policies. They indicate the full cost to the Authority in the relevant financial year of meeting all future commitments to its current and former employees under the Local Government Pension Scheme.

These adjustments do not affect the net revenue spend of the Authority paid for by the Welsh Assembly Government and local taxpayers. For a full explanation of the basis for the charges under IAS 19, see Note 31. The adjustments are not included in the budgeted figures as they have no impact on the cost of the Authority's operations for management purposes.

The IAS19 adjustments have a substantial impact on the assets of the Authority as recorded in the Balance Sheet, reducing the Authority's overall net assets to £2,323,000. Excluding the Pension Fund liability, the Authority's net assets would be £11,029,000. In the Expenditure and Income Statement, the actuarial assessment of the Authority's assets and liabilities in the Fund has produced a net actuarial gain of £620,000 which has generated an accounting surplus of £866,000 for the year. Last year an actuarial loss of £750,000 was advised; a positive variation between financial years of £1,370,000.

Significant developments affecting the financial position of the Authority

In 2018/19 the Authority received a reduced level of core funding from the Welsh Government which it sought to deploy efficiently to meet its statutory purposes and Governmental priorities. The prospect of continuing core budget reductions in the medium term has necessitated a range of cost-saving measures, including further senior staffing reductions. The former three-chief officer structure has been replaced by two chief officers (the Chief Executive and the Delivery Director). A major review of priorities is in train which will enable the Authority to focus its reducing resources on key objectives.

An increasing proportion of the Welsh Government funding for the Authority takes the form of grants for specific revenue and capital projects. A significant amount of funding; £594,000, was received in March 2019 for a range of projects which will be delivered from 2019/20 onwards to improve the visitor experience and the upland path network, protect biodiversity and for community planning and health initiatives within the Park. As a result, in the revised outturn and balance sheet shows a substantial variance from the estimate and a large transfer to reserves.

Grant income for key priorities such as promotion of the Park as a destination, the provision of socially inclusive employment opportunities and the conservation of biodiversity in vulnerable upland habitats have enabled a range of projects to be delivered. Grants from the Heritage Lottery Fund have been an important source of income for an apprenticeship scheme and improvements to a site of industrial archaeology in the south of the Park. Substantial investment in renewable solar energy at the Authority's visitor facilities and the warden service depot, as well as electric vehicle charging points and fleet cars funded by Welsh government grants will form part of the Authority's contribution to a lower carbon future.

Earmarked reserves allow the Authority to set aside contingency funds to meet future commitments, such as the costs of the Local Development Plan Enquiry and Sustainable Development Fund grant commitments and are used where the timing of funding receipts does not match the financial year of the related expenditure. A net transfer of £405,000 was made into Earmarked Reserves and Accounts during the year.

The Authority's total usable reserves increased between 31 March 2018 and 31 March 2019 from £3,57m to £3.84m. The majority of these are ring-fenced for specific project work and other commitments.

A simplified comparison between the budgeted and actual income and expenditure account by service for 2018/19 is produced below and shows that the Authority planned to transfer some £28,000 from its General Reserve at the year-end whereas in fact £98,000 was transferred to the Reserve; an net under-spend of £126,000.

The table below is in line with CIPFA's current code of practice which requires authorities to account for expenditure and income in the same objective structure as is used for reporting to management.

To enable comparisons between the revised budget and the outturn, year-end recharges for capital charges (depreciation) and actuarially assessed pension scheme costs (in accordance with international accounting standards) have been applied to the budget figures to give an adjusted total.

Summary of principal variances between 2018/19 budget and outturn

Net Service Costs	2018/19 Adjusted Budget £000	2018/19 Out-turn £000	2018/19 Variance against adjusted Budget £000
Planning and Development Control	960	932	-28
Countryside Land Management and Communities	2,437	2,340	-97
Chief Executive's Department	1,016	980	-36
Other Operating Expenditure	324	270	-54
Adjusted net cost	**4,737**	**4,522**	**-215**
Interest received	-18	-25	-7
National Park Grant (Welsh Assembly Government)	-2,827	-2,827	-1
National Park Levy (Constituent Authorities)	-892	-892	0
National Park Capital Grant (Welsh Assembly Government)	0	-594	-594
Transfer to/(from) Earmarked Reserves	-283	385	668
Transfer to Capital Receipts Reserve	0	0	0
Transfer to Capital Grants Unapplied Account	0	118	118
	-4,020	**-3,835**	**184**
Budget Adjustments reversed	-690		
Accounting Adjustments		-785	
Net Deficit	**27**	**-98**	**-125**

Significant Variances Reported to Management

Chief Executives Office

Underspends on Office Services and Democratic Representation, due to staff vacancies, reducing use of office paper and postage and a reduction in the final settlement from the HMRC in respect of outstanding NI liabilities on Member expenses.

Countryside and Community Core Services

Public Engagement staff costs were lower than estimated and income generated from Education fees was higher, producing a net underspend of close to £44,000. These underspends have helped to offset overspends across the Visitor Services budgets, principally arising from the overspend of £21,000 at the National Park Visitor Centre, impacted by lower than expected income from the catering franchisee, and an over-spend of £12,000 caused by one-off termination costs from the closure of the Llandovery Information Centre.

Projects

A substantial underspend in Sustainable Development Fund Grants (£67k) was due to delays in the receipt of claims and in project approval by other funders. The committed but unspent grants have been reserved. Green Growth spending of £50k planned was re-profiled to 2019 onwards pending development of the project. The completion of the new destination website for the Park was delayed until early 2019/20. Transfers to earmarked reserves balance these underspends at Authority level.

An accounting surplus on the Black Mountains Land Use Partnership, arising from the methodology used to calculate some administrative costs has been earmarked to provide for project financial risks.

Planning and Development Control
A total underspend of some £21,000 was generated in the department, of which some £9,000 related to a delay in planned expenditure on digitising planning records. This project will be completed in 2019/20. The remaining underspend was derived from reduced costs in enforcement.

4) CAPITAL EXPENDITURE

	2018/19 Actual* £000	2018/19 Actual* £000
Gunpowder Works conservation and interpretation project year 3 (capital element)	399	
Micro Hydro Scheme	17	
Access and Rights of Way improvement projects	28	
Peatland Habitat restoration projects	67	
Robotic Flail for remote access vegetation management	56	
Photovoltaic Solar Panel Installations on Authority Buildings	39	
Electric Vehicle Charging Point installations on Authority sites	17	
Wales Way tourism project infrastructure	18	
Mountain Centre Health and Safety/refurbishment	38	
Geopark Centre Interpretation installation	3	
Total grant-funded project spend classified as capital under accounting rules*		**682**
Less: Grants & Contributions	(455)	
Use of Capital Receipts Reserve	(169)	
Use of Capital Grants Unapplied Reserves	(55)	
Revenue Financing	(3)	
Net Expenditure		**(682)**

*Expenditure which meets the accounting definition of capital has been classified as capital and funded by grants, use of capital receipts, a legacy receipt and an appropriation from the Revenue Account. Expenditure meets the relevant accounting de minimis criteria (as outlined in the Authority's accounting policies). When projects are completed, the resulting asset is included in the Authority's Balance Sheet.

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 secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Chief Financial Officer (Section 151 Officer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

The Chief Financial Officer/S151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom.*

In preparing the Statement of Accounts, the Chief Financial Officer has:-

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

The Chief Financial Officer has also:

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

The Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2019. To comply with the Accounts and Audit (Wales) Regulations 2014, the Chief Financial Officer is required to re-certify the Statement immediately before their adoption by the Authority and after the completion of the audit, while the Chairman certifies approval of the audited Statement by the Authority.

E Standen ACMA Date: 31/5/19
Section 151 Officer
Brecon Beacons National Park Authority

E Standen ACMA Date: 30/7/19
Section 151 Officer
Brecon Beacons National Park Authority

Cllr Edward Evans
Chairman
Brecon Beacons National Park Authority Date: 30/7/19

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Authority's expenditure is funded from taxation, in accordance with regulations, via the National Park Grant and Levy on Constituent Authorities. This may differ from the accounting calculation of operating expenditure. Further information on the adjustments made to the management accounts to comply with the CIPFA Code of Practice are provided in the Expenditure and Funding Analysis on the following pages. The adjustments to the accounting calculation to arrive at the taxation-funded position are further detailed in the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement

2017/18					2018/19		
Expend-iture	**Income**	**Net**		**NOTES**	**Expend-iture**	**Income**	**Net**
£000	**£000**	**£000**			**£000**	**£000**	**£000**
1,192	(259)	933	Planning and Development Control		1,157	(225)	932
3,170	(1,138)	2,032	Countryside, Land Management and Communities		3,598	(1,258)	2,340
1,288	(180)	1,108	Chief Executive's Department		1,008	(28)	980
			Other – Past Service Cost		30	0	30
5,650	**(1,577)**	**4,073**	**COST OF SERVICES**		**5,793**	**(1,511)**	**4,282**
		(30)	Other Operating Expenditure	8			20
		184	Financing and Investment Income and Expenditure	9			195
		(4,884)	Taxation and Non-Specific Grant Income	10			(4,768)
		(657)	**DEFICIT/(SURPLUS) ON PROVISION OF SERVICES**				**(271)**
			Deficit on Revaluation of Property Plant and Equipment	11			25
		750	Actuarial (Gains)/Losses on Pension Assets and Liabilities	31			(620)
		93	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**				**(866)**

EXPENDITURE AND FUNDING ANALYSIS

The analysis below details the adjustments that have been made to the Authority's management accounts to present them in the CIES in accordance with the requirements of the current CIPFA Code which requires them to include the cost of holding assets and the actuarial assessment of the full cost of the pension scheme for the current year. It reconciles the Income and Expenditure Statement's net deficit/surplus with the net transfer to revenue reserves. Note 21 provides a further subjective analysis of expenditure and income.

Expenditure and Funding Analysis 2018/19

	Net Expend-iture Chargeable to General Fund	Adjustments between funding and accounting basis - capital charges	Adjustments between funding and accounting basis - pensions	Adjustments between funding and accounting basis - other	**TOTAL ADJUST-MENTS**	**Net expend-iture in CIES**
	£000	£000	£000	£000	**£000**	**£000**
Planning and Development Control	861	10	61	0	**71**	**932**
Countryside, Land Management and Communities	2,033	198	109	0	**307**	**2,340**
CEO and Support	938	13	29	0	**42**	**980**
Other	0	0	30	0	**30**	**30**
Net Cost of Services	**3,832**	**221**	**229**	**0**	**450**	**4,282**
Pension Fund Administration Costs	0	0	20	0	**20**	**20**
Bank interest received	(25)	0	0	0	**0**	**(25)**
National Park Grant see NOTE 10	(2,827)	0	0	0	**0**	**(2,827)**
Specific Grants Received - Welsh Government SEE NOTE 10	(594)	0	0	0	**0**	**(594)**
Capital Grant applied	0	0	0	(455)	**(455)**	**(455)**
Levies on Constituent Local Authorities SEE NOTE 10	(892)	0	0	0	**0**	**(892)**
Interest on Defined Benefit Liability	0	0	220	0	**220**	**220**
Asset sale less cost of sales,	0	0	0	0	**0**	**0**
Revenue funding of Capital expenditure	3	0	0	(3)	**(3)**	**0**
Other Income and Expenditure	**(4,335)**	**0**	**240**	**(458)**	**(218)**	**(4,553)**
Loss on Revaluation of Assets	0	25	0	0	**25**	**25**
Actuarial (Gains)/Losses on Pension Assets/ Liabilities	0	0	(620)	0	**(620)**	**(620)**
Deficit/(Surplus) before transfers to /from Revenue Reserves	**(503)**					**(866)**
Appropns to Capital Reserves						
Transfers to Capital Receipts unapplied	0					
Transfer to Capital Grants Unapplied (net)	118					
	(385)					
Movements on Revenue Reserves						
Opening Balance	2,085					
Revenue Surplus/(deficit)	385					
Closing Balance on Revenue Reserve	**2,470**					

Expenditure and Funding Analysis 2017/18

	Net Expenditure Chargeable to General Fund	Adjustments between funding and accounting basis - capital charges	Adjustments between funding and accounting basis - pensions	Adjustments between funding and accounting basis - other	**TOTAL ADJUST-MENTS**	**Net expend-iture in CIES**
	£000	£000	£000	£000	**£000**	**£000**
Planning and Development Control	875	0	59	(1)	**58**	**933**
Countryside, Land Management and Communities	1,676	242	115	(1)	**356**	**2,032**
CEO and Support	1,042	24	43	(1)	**66**	**1,108**
Net Cost of Services	**3,593**	**266**	**217**	**(3)**	**480**	**4,073**
Pension Fund Administration Costs	0	0	20	0	**20**	**20**
Bank interest received	(6)	0	0	0	**0**	**(6)**
National Park Grant see NOTE 10	(3,006)	0	0	0	**0**	**(3,006)**
Capital Grant Received - Welsh Government SEE NOTE 10	(730)	0	0	0	**0**	**(730)**
Capital Grant applied	0	0	0	(206)	**(206)**	**(206)**
Levies on Constituent Local Authorities SEE NOTE 10	(942)	0	0	0	**0**	**(942)**
Interest on Defined Benefit Liability	0	0	190	0	**190**	**190**
Asset sale less cost of sales,	(200)	0	0	150	**150**	**(50)**
Revenue funding of Capital expenditure	33	0	0	(33)	**(33)**	**0**
Other Income and Expenditure	**(4,851)**	**0**	**210**	**(89)**	**121**	**(4,730)**
Actuarial (Gains)/Losses on Pension Assets/ Liabilities	0	0	750	0	**750**	**750**
Deficit/(Surplus) before transfers to /from Revenue Reserves	**(1,258)**					**93**
Appropns to Capital Reserves						
Transfers to Capital Receipts unapplied	202					
Transfer to Capital Grants Unapplied	730					
	(326)					
Movements on Revenue Reserves						
Opening Balance	1,759					
Revenue Surplus/(deficit)	326					
Closing Balance on Revenue Reserve	**2,085**					

BALANCE SHEET

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category includes those that the Authority is not able to use to provide services. This includes reserves holding unrealised gains and losses, such as the Revaluation Reserve, where amounts would only become available to provide services if the assets were sold, and also record timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet

2017/18 (£000)		NOTES	2018/19 (£000)
5,697	PROPERTY, PLANT AND EQUIPMENT	11	7,228
57	INTANGIBLE ASSETS	12	34
5,754	**TOTAL LONG-TERM ASSETS**		**7,262**
39	Inventories	13	34
572	Short-term Debtors	14	799
3,761	Cash and Cash Equivalents	15	3,862
4,372	**CURRENT ASSETS**		**4,695**
882	Short-Term Creditors	17	928
882	**CURRENT LIABILITIES**		**928**
8,858	Liability Related to Defined Benefit Pension Schemes	31	8,706
8,858	**LONG TERM LIABILITIES**		**8,706**
386	**NET ASSETS**		**2,323**
1,258	Capital Grants Unapplied Account	6	1,205
2,309	Other Usable Reserves*	6	2,639
3,567	Total Usable Reserves		3,844
(3,181)	Unusable Reserves	18	(1,521)
386	**TOTAL RESERVES**		**2,323**

MOVEMENTS IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority. Further details of these transfers are shown in Note 7.

Movements in Reserves 2018/19 (£000)

	General Reserve	Affordable Housing/S106 Balances held (RESTATED*)	Welsh Government Revenue Grants received but unapplied	Earmaked resves - Other	**TOTAL REVENUE RESERVES**	CAPITAL GRANTS UNAPPLIED ACOOUNT	CAPITAL RECEIPTS RESERVE	**TOTAL USABLE RESERVES**	**TOTAL UNUSABLE RESERVES**	**TOTAL RESERVES**
Balance at 31 March 2018 Carried Forward	948	31	427	679	**2,085**	1,258	224	**3,567**	(3,181)	**386**
Total Comprehensive Income and Expenditure	271	0	0	0	**271**	0	0	**271**	595	**866**
Other Comprehensive Income and Expenditure	595	0	0	0	**595**	0	0	**595**	476	**1,071**
Adjustments between accounting basis and funding basis under regulations (NOTE 6)	(768)	(1)	324	(36)	**(481)**	118	0	**(363)**	363	**0**
Transfers between the Capital Grants Unapplied Acct and the Capital Adjustment Acct	0	0	0	0	**0**	(171)	0	**(171)**	171	**0**
Transfers between the Capital Receipts Reserve and the Capital Adjustment Account	0	0	0	0	**0**	0	(55)	**(55)**	55	**0**
Increase/(Decrease) in 2018/19	98	(1)	324	(36)	**385**	(53)	(55)	**277**	1660	**1,937**
Balance at 31 March 2019 Carried Forward	1,046	30	751	643	**2,470**	1,205	169	**3,844**	(1,521)	**2,323**

Movements in Reserves 2017/18 (£000)

	General Reserve	Affordable Housing/S106 Balances held (RESTATED*)	Welsh Government Revenue Grants received but unapplied	Earmaked resves - Other	**TOTAL REVENUE RESERVES**	CAPITAL GRANTS UNAPPLIED ACOOUNT	CAPITAL RECEIPTS RESERVE	**TOTAL USABLE RESERVES**	**TOTAL UNUSABLE RESERVES**	**TOTAL RESERVES**
Balance at 31 March 2017 Carried Forward	1,319	6	0	434	**1,759**	605	98	**2,462**	(1,983)	**479**
Total Comprehensive Income and Expenditure	657	0	0	0	**657**	0	0	**657**	(750)	**(93)**
Adjustments between accounting basis and funding basis under regulations (NOTE 6)	(1,028)	25	427	245	**(331)**	730	202	**601**	(601)	**0**
Transfers between the Capital Grants Unapplied Acct and the Capital Adjustment Acct	0	0	0	0	**0**	(77)	0	**(77)**	77	**0**
Transfers between the Capital Receipts Reserve and the Capital Adjustment Account	0	0	0	0	**0**	0	(76)	**(76)**	76	**0**
Increase/(Decrease) in 2017/18	(371)	25	427	245	**326**	653	126	**1,105**	(1,198)	**(93)**
Balance at 31 March 2018 Carried Forward	948	31	427	679	**2,085**	1,258	224	**3,567**	(3,181)	**386**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement show how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.

Cash Flow Statement

2017/18 £000		NOTE	2018/19 £000	2018/19 £000	2018/19 £000
(657)	**(Surplus)/Deficit on the provision of services**				(271)
(155)	Depreciation and impairment			(198)	
(13)	Amortisation of intangible assets			(23)	
0	Loss on valuation of asset held for sale			0	
(98)	Loss on revaluation of Land and Buildings			0	
9	Increase/(Decrease) in Stocks		(4)		
(157)	Increase/(Decrease) in Debtors		264		
329	(Increase)/Decrease in Creditors		(14)		
3	(Increase)/Decrease in Creditor re Accrued Employee Benefits		0		
184				246	
(980)	Reversal of Current Service Cost, Pension Interest Cost and Expected Return on Pension Assets		(1,060)		
553	Cash payment to Pension Fund in year		592		
(427)				(468)	
207	Capital Grants taken to Revenue Account			455	
(302)	Total Adjustments to net surplus or deficit on the provision of services for non-cash movements				12
(959)					(259)
780	Adjustments for items included in the net surplus or deficit on the provision of services that are Investing and Financing activities				117
(179)	**Net Cash Flows from Operating Activities**	19			**(142)**
(769)	Investing Activities	20			41
0	Financing Activities				0
(948)	**Net (increase)/ or decrease in cash and cash equivalents**				(101)
(2,813)	Cash and Cash Equivalents at the beginning of the reporting period				(3,761)
(3,761)	**Cash and Cash Equivalents at the end of the reporting period**	15			(3,862)

NOTES TO THE ACCOUNTS

NOTE 1: Accounting Policies:

1.1 GENERAL PRINCIPLES

The purpose of the Statement of Accounting Policies is to explain the calculation bases of the figures in the accounts.

The accounts have been prepared in accordance with:

- The current year's Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Service Reporting Code of Practice as it applies to National Parks.
- The guidance notes issued by CIPFA on the application of International Financial Reporting Standards (IFRS's); International Accounting Standards (IAS's); Statements of Recommended Practice (SORP)
- The Local Government Finance Act 1982
- The Accounting principles of relevance, reliability, comparability and comprehensibility.
- The basic accounting concepts of materiality, going concern, matching, consistency, primacy of legislative requirements, prudence and substance over form. The concept of the primacy of legislative requirements is given precedence over other concepts where there is a conflict.

1.2 ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from the sales 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.
- 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 of debtors is reduced and a charge is made to the expenditure and income account for the income that might not be collected.

1.3 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 within 3 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.

1.4 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.

1.5 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, and support services are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service

The Authority is not required to fund depreciation, revaluations and impairment losses or amortisations from the revenue grant or levies. As the Authority is debt-free it is not required to make an annual contribution from revenue to reduce its overall borrowing requirement as would otherwise be the case.

1.6 EMPLOYEE BENEFITS

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 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 holiday entitlements (or any form of leave, eg 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 on an estimated basis at the rates of pay 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 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 and are charged on an accruals basis to relevant service 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 the costs of a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Income and Expenditure Account to be charged with the amount payable 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 cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-employment benefits are earned by employees during their working life in return for services to their employer. Employees of the Authority are members of the Local Government Pension Scheme, administered by Powys County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees work for the Authority and 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 retirements benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees. Liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. The assets of the Powys pension fund attributable to the Authority are included in the Balance Sheet at their fair value.

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

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

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
- the return on plan assets – excluding amounts included in net interest on the net 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 the Powys Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General 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 appropriations 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 General Reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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 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.

1.7 EVENTS AFTER THE REPORTING PERIOD

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.

1.8 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 material gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.9 GOVERNMENT GRANTS AND CONTRIBUTIONS

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 Authority are not credited to the Comprehensive Income and Expenditure Statement until there is reasonable certainty that 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts in Advance. 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 (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 Capital Grants Received in Advance. Where it has been applied, it is posted to the Capital Adjustment Account.

1.10 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 (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost and carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) 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 General Reserve. The gains and losses are therefore reversed out of the General Reserve 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.

1.11 INVENTORIES

These have been included in the accounts at cost. This is a departure from the requirements of the CIFPA Code of Practice, which require stocks to be shown at the lower of actual cost or net realisable value, whichever is the lower. The difference is not considered to be material.

1.12 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 and the value of the item of property, plant or equipment leased exceeds the de minimis threshold of £10,000 – see item 1.14 below. All other leases are classed as operating leases.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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 (eg there is a rent-free period at the commencement of the lease).

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 (eg 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.

1.13 OVERHEADS AND SUPPORT SERVICES

In accordance with the current CIPFA Code of Practice, the cost of support services is accounted for in the same format as presented to Authority Members in the management accounts. Support services and departmental management costs are shown in the department under which they are managed.

1.14 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.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred. The Authority has set a minimum level of £10,000 for capitalising expenditure, with the exception of land and buildings which are always capitalised. Expenditure below the minimum level is treated as revenue and assets with a net book value of less than £10,000 have been written out of the balance sheet and are no longer included in the total of fixed assets.

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction: depreciated historical cost.
- All other assets: fair value, determined as the amount that would be paid for the asset in its existing use (existing use value).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.
Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction). Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer
- infrastructure (rights of way, trails and associated structures – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer

In the absence of specific advice, the estimated asset lives used are as follows:

Vehicles and other equipment	5 years
IT equipment	3 years
Community and Infrastructure assets	20 years
Intangible Assets	3 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure

Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, 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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. As the Authority is debt free, 100% of any such receipts can be used to finance new capital expenditure

The written-off value of disposals is not a charge against taxation, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Surplus Assets
Where an asset is no longer being used for operational purposes but is not being actively marketed, abandoned or scrapped, it is classified as a surplus asset. Surplus assets are valued at fair value (ie the price which would be received in an orderly transaction between market participants at the measurement date.

1.15 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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 where they are material.

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 and they are material.

1.16 RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General 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 General Fund Balance in the Movement in Reserves Statement so that there is no net charge against taxation for the expenditure.

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

1.17 VALUE ADDED TAX

The accounts have been prepared on a VAT exclusive basis, to the extent that it is recoverable.

NOTE 2: Accounting Standards Issued and Not Adopted

IAS (International Accounting Standard) 16 relating to the accounting treatment of leases would, if implemented, have a material impact on the value of Property, Plant and Equipment recorded on the Balance Sheet, as well as the value of Liabilities recorded. CIPFA has taken the decision to delay implementation of the Standard until 1 April 2020.

NOTE 3: Critical Judgements In Applying Accounting Policies

In applying the Authority's Accounting Policies, certain judgements have been made involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is uncertainty about future levels of funding for National Park Authorities in Wales beyond the 2019/20 financial year. However, the assumption has been made that the Authority's principal functions will continue and that the Authority will continue to exist as a 'going concern'. The most significant implication of this is that the Authority's future liabilities to the Powys Pension Fund will not crystallise in the short term and are being met by contribution levels set by the Fund's actuary.

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

The Statement of Accounts contains estimated figures which are based on assumptions made by the Authority about the future or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect If Actual Results Differ From Assumptions
Pensions liability/Asset	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to corporate bond yields, the discount rate used, projected rates of salary increase, changes to the Local Government Pension Scheme itself, future retirement ages, mortality rates and expected returns on pension fund assets. AON Hewitt provides the Authority with actuarial advice on the assumptions to be applied and their effect – see Note 31.	Changes in assumptions may interact in a number of ways but may have a large impact on the Financial Statement. The accounting standard governing the accounting basis for Pension Scheme costs is known to cause volatility in estimates of assets and liabilities between years and hence large swings in both the CIES total and net assets. The Powys Pension Fund holds a significant proportion of growth asset 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. The actual cost of pension benefits accrued by current Authority employees will not be known for many years.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be carried out on 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. Valuations ascribed to Property by the Authority's valuers are affected by market values which are substantially dependent on economic factors outside the Authority's control.	A reduction in useful life or identification of impairment increases the charge on the Cost of Services and reduces the value of assets in the Balance Sheet. See Note 11 for details of depreciation and impairment in the year. Changes in the market value of assets may result in the Authority's land and buildings being under- or over-valued.

NOTE 5: Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by Chief Financial Officer on 31 May 2019. Events taking place after this date are not reflected in the Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the Statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTE 6: 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. Below is a description of the General Reserve, against which the adjustments are made.

General Reserve

The General Reserve is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Reserve, which is not necessarily in accordance with proper accounting practice. The General Reserve therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment. Details of the adjustments are provided below.

Adjustments between accounting basis and funding basis under Regulations in the year

2017/18 General Reserve £000	2017/18 Movements in Unusable Reserves £000	2017/18 Movements in Capital Reserves £000		2018/19 General Reserve £000	2018/19 Movements in Unusable Reserves £000	2018/19 Movements in Capital Reserves £000
			Adjustments primarily involving the Capital Adjustment Account			
(168)	168		Charges for depreciation and impairment of non-current assets	(221)	221	
(150)	150		Amounts of non-current assets written off on disposal as part of gain/loss on disposal shown in CIES	0	0	
(98)	98		Revaluation losses on Property, Plant and Equipment	(25)	25	
206	(206)		Capital grants and contributions applied	454	(454)	
			Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement			
33	(33)		Capital expenditure charged against the General Fund	3	(3)	
			Adjustments primarily involving the Capital Receipts Reserve			
202		(202)	Transfer of cash sale net proceeds credited as part of the gain/loss on disposal to the CIES and financing of disposal costs and financing cost of disposal from Cap Receipt	0	0	
			Adjustments primarily involving the Capital Grants Unappd account			
730		(730)	Grants received but unapplied in year transferred to Capital Grants Unapplied Account	118		(118)
			Adjustments primarily involving the Pensions Reserve			
(980)	980		Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see NOTE 31)	(440)	440	
553	(553)		Employers' pension contributions and direct payments to pensioners payable in the year	592	(592)	
			Adjustments Primarily involving the Accumulated Absences Account			
3	(3)		Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from that chargeable in the year in accordance with statutory requirements	0	0	
331	**601**	**(932)**	**TOTAL ADJUSTMENTS**	**481**	**(363)**	**(118)**

NOTE 7: TRANSFERS BETWEEN EARMARKED RESERVES AND THE GENERAL FUND

These reserves are amounts set aside by the Authority out of its revenue resources to meet future costs whose timing and extent are uncertain. They are held until required or until the Authority decides that the anticipated costs will not arise, when they can be transferred, via the appropriations account, into the General Reserve. The purposes of the principal earmarked reserves are described below.

S106 Affordable Housing Reserve
This reserve has been established to retain S106 sums payable to the Authority in relation to property development pending their allocation to applicants for the provision of affordable housing. Affordable Housing receipts which have conditions attached and are potentially repayable to the developer have been treated as Receipts in Advance.

National Grid Staffing Reserve
This reserve was set up to receive funding for additional posts in relation to a one-off payment from Transco to help mitigate the impact of the construction of a gas pipeline across the National Park. The grant was intended to cover payroll and other associated costs for a number of years for a Warden and an Ecologist. The reserve continues to be used to support the work of the Ecology team. Amounts are transferred into the revenue account as required.

Welsh Government Specific Revenue Funding 2017
This reserve holds the unspent portion of revenue funding for a range of specific projects, provided to the Authority in addition to its core grant in 2016/17. This will facilitate reporting on the use of the funding.

Welsh Government Specific Revenue Funding 2018
This reserve holds the unspent portion of revenue funding for a range of specific projects, provided to the Authority in addition to its core grant in 2017/18.

Welsh Government Specific Revenue Funding 2019
This reserve holds the unspent portion of revenue funding for a range of specific projects, provided to the Authority in addition to its core grant in 2018/19.

Conservation Fund Reserve
Fees received by the Authority from organisations using Authority land for filming, net of any related costs, are set aside for use on environmental improvement projects and other expenditure to benefit the National Park.

Local Development Plan Enquiry Reserve
The Authority is legally required to publish a Local Development Plan periodically. This involves extensive consultation and data collection, a public enquiry held by an external Planning Inspector, and publication costs at intervals of 3-5 years. Funds were set aside each year to help fund these recurring costs. The current Plan was adopted in 2014 and is currently being reviewed.

Tourism and Information Publications Reserve
This fund provides for the cost of refreshing and reprinting Authority information publications and is credited with the net income generated by sales of the publications.

Tourism Projects Reserve
The Reserve has been set aside for

contingencies and exchange rate losses arising from the projects has been reserved for use to support future grant bids and tourism initiatives.

Tourism Destination Partnership Reserve
This reserve holds funds received from members of the Sustainable Destination Partnership until they are applied on tourism projects for the Partnership.

Legacy receipts Reserve
This new reserve was set up to earmark funding received in the form of bequests until it can be appropriately used to benefit the National Park.

Dwr Cymru-Welsh Water Reserve
Funds received from DCWW for agreed programmes of work in water catchment areas such as peatland restoration and environmental study and data collection but not yet applied have been reserved for use in future years.

Sustainable Development Fund Earmarked Sums
This reserve represents funding commitments agreed by the Grant Allocation Panel but not claimed by the grantee at the financial year end.

Black Mountains Land Use Partnership Project Reserve
This reserve is to cover project financial risks in years 3 and 4 arising from the grant claims process and the grant scheme's hypothecation of administrative costs.

Details of the adjustments for the last two financial years are provided below.

	Balance at 31 March 2017	**Rounding Adjustment**	**Transfers out**	**Transfers in**	**Balance at 31 March 2018**	**Rounding Adjustment**	**Transfers out**	**Transfers in**	**Balance at 31 March 2019**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Welsh Government Specific revenue grants committed to projects	0	0	(58)	485	427		(131)	455	751
S106/Affordable Housing sums received by the Authority but not yet applied	6	0	0	25	31	-1	0	0	30
Other Earmarked Reserves	434	1	(88)	332	679	1	(149)	112	643
Total	**440**	**1**	**(146)**	**842**	**1,137**	**0**	**(280)**	**567**	**1424**

NOTE 8: Other Operating Expenditure

2017/18 £000		**2018/19 £000**
(50)	(Gains)/losses on the disposal of non-current assets	0
20	Pension Fund Administration Costs	20
(30)	Total	20

NOTE 9: Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
190	Interest on Pension Scheme net defined benefit liability	220
(6)	Interest receivable and similar income	(25)
184	Total	195

NOTE 10: Taxation and Non-Specific Grant Income (see also Note 25 - Total Grant Income)

2017/18 £000	2017/18 £000		2018/19 £000	2018/19 £000
		Levies on Constituent Local Authorities		
554		Powys County Council	525	
138		Carmarthenshire County Council	131	
106		Monmouthshire County Council	100	
48		Rhondda Cynon Taff County Borough Council	45	
38		Merthyr Tydfil County Borough Council	36	
29		Blaenau Gwent County Borough Council	28	
29		Torfaen County Borough Council	27	
	942			892
	3,006	Non-Specific Grant Income – National Park Grant		2,827
		Funding Pressures Grant Income – Welsh Government		455
	206	Capital Grants and Contributions applied in year		455
	730	Capital Grants and Contributions received		139
	4,884	**Total**		4,768

NOTE 11: Property, plant and equipment

Movements in 2018/19	Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation:							
At 1 April 2018	4,781	76	1,203	210	0	121	6,391
Rounding adjustment	1			1			2
Additions	55	56	22	60	0	489	682
Valuation increases/(decreases) recognised in the Revaln Reserve	1,071	0	0	0	0	0	1,071
Accumulated depreciation adjustment on revalued assets	(78)	0	0	0	0	0	(78)
Valuation increases/(decreases) recognised in the CIES*	(25)	0	0	0	0	0	(25)
De-recognition of fully depreciated assets	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Assets reclassified							
Other movements	0	0	0	0	0	0	0
At 31 March 2019	5,805	132	1,225	271	0	610	8,043
Accumulated depreciation and Impairment							
At 1 April 2018	78	47	416	153	0	0	694
Rounding adjustment		1		1			2
Accumulated depreciation written out on revaluation	(78)	0	0	0	0	0	(78)
Depreciation written out to the revaluation reserve	28	0	0	0	0	0	28
Impairment losses/(reversals recognised in the surplus/deficit on the provision of services	55	0	0	0	0	0	55
Depreciation written out to the surplus/deficit on the provision of services	28	9	73	4	0	0	114
Total depreciation charge for the year	111	9	73	4	0	0	197
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0
De-recognition – disposals	0	0	0	0	0	0	0
De-recognition – other	0	0	0	0	0	0	
At 31 March 2019	111	57	489	158	0	0	815
Net Book Value							
At 31 March 2018	*4,488*	*28*	*788*	*57*	*0*	*336*	*5,697*
At 31 March 2019	5,693	76	736	113	0	610	7,228

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
Movements in 2017/18	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation:							
At 1 April 2017	4,567	1,041	1,598	292	150	220	7,868
Additions	97	0	104	50	0	116	367
Valuation increases/(decreases) recognised in the Revaln Reserve	0	0	0	0	0	0	0
Valuation increases/(decreases) recognised in the CIES*	(98)	0	0	0	0	0	(98)
De-recognition of fully depreciated assets	0	(965)	(499)	(132)	0	0	(1,596)
Disposals	0	0	0	0	(150)	0	(150)
Assets reclassified	215	0	0	0	0	(215)	0
Other movements in cost or valuation	0	0	0	0	0	0	0
At 31 March 2018	4,781	76	1,203	210	0	121	6,391
Accumulated depreciation and Impairment							
At 1 April 2017	39	991	828	277	0	0	2,135
Depreciation written out to the revaluation reserve	21	0	0	0	0	0	21
Depreciation written out to the surplus/deficit on the provision of services	18	21	87	8	0	0	134
Total depreciation charge for the year	39	21	87	8	0	0	155
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0
De-recognition – disposals	0	0	0	0	0	0	0
De-recognition – other**	0	(964)	(500)	(132)	0	0	(1,596)
At 31 March 2018	78	48	415	153	0	0	694
Net Book Value							
At 31 March 2017	*4,528*	*50*	*770*	*15*	*150*	*220*	*5,733*
At 31 March 2018	4,488	28	788	57	0	336	5,697

"* Expenditure on improvements to office space and visitor facilities at the National Park Visitor Centre has been written down in the year as it is considered not to have increased the value or expected useful life of the asset.

"** The entries under 'de-recognition- other' relate to historic accumulated depreciation for assets which had reached the end of their useful lives and has therefore been written out of both the gross asset value and the accumulated depreciation total. There is no impact on the net value of Property, Plant and Equipment shown in the balance sheet.

Depreciation: All assets except land are depreciated, in line with the Authority's Statement of Accounting Policies.

Capital Commitments: As at 31 March 2019 the Authority had the following capital commitments.

	Land and Buildings £000	Vehicles, Furniture, Plant and Equipment £000	Infra-structure Assets £000	Community Assets £000	TOTAL £000
Capital commitments at 31/3/19	0	28	9	36	**73**
Capital commitments at 31/3/18	25	10	0	393	**428**

Revaluations: The Authority carries out a revaluation at least every 5 years to ensure that all Property, Plant and Equipment required to be measured at fair value is accurately valued. The Authority's land and buildings were last valued as at 31th March 2016 by qualified external valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Other Property, Plant and Equipment is valued at historic cost. Valuations of land and buildings were reviewed on an interim basis by the Authority's external valuers in April 2018.

NOTE 12: Intangible Assets

	2017/18 £000		2018/19 £000	
	Intangible Assets	Intangible Assets under construction	Intangible Assets	Intangible Assets under construction
Balance at start of year				
Gross Carrying amounts	64	0	93	0
Less Accumulated amortisation on de-recognised asset	(12)	0	0	0
Accumulated amortisation	(35)	0	(36)	0
Less Accumulated amortisation on de-recognised asset	12	0	0	0
Net carrying amount at start of year	29	0	57	0
Additions – Purchases	25	0	0	0
New Intangible Assets under construction	0	16	0	0
Intangible Assets under construction transferred to Intangible Assets	16	(16)	0	0
Amortisation for the period	(13)	0	(23)	0
Net carrying amount at end of year	**57**	**0**	**34**	**0**

NOTE 14: Debtors

	31 March 2018 £000	31 March 2019 £000
Central Government Bodies	183	535
Other Local Authorities	65	18
Other	324	245
Total	**572**	**798**

NOTE 15: Cash and Cash Equivalents

	31March 2018 £000	31March 2019 £000
Cash held by the Authority	2	2
Bank Current Accounts	1,759	1,845
Notice Accounts	2,000	2,015
Total	**3,761**	**3862**

NOTE 16: Assets Held For Sale

There were no assets held for sale in March 2019 or in March 2018.

Note 17: Creditors

	31March 2018 Sundry Creditors £000	31March 2019 Sundry Creditors £000
Central Government Bodies	159	110
Other Local Authorities	98	111
Other Entities and Individuals	625	707
Total	**882**	**928**

NOTE 18: Unusable Reserves

	31 March 2018 (£000)	31 March 2019 (£000)
Revaluation Reserve	2,473	3,516
Capital Adjustment Account	3,267	3,732
Accumulated Absences Account*	(63)	(63)
Pensions Reserve*	(8,858)	(8,706)
Total	**(3,181)**	**(1,521)**

'* negative reserves are established for accounting purposes to balance liabilities set up to comply with the CIPFA Accounting Code of Practice requirements relating to pensions and staff benefits.

18.1 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 service and the gains are consumed through depreciation, or disposed of and the gains are realised.

The Reserve contains only net revaluation gains accumulated since it was established on 1 April 2007. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/18 £000		2018/19 £000	2018/19 £000
2,594	**Balance at 1 April**		2,473
0	Upward revaluation of assets	1,076	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5)	
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,071
(21)	Difference between fair value depreciation and historical cost depreciation	(28)	
(100)	Accumulated gains on assets sold or scrapped		
(121)	Amount written off to the Capital Adjustment Account		(28)
2,473	**Balance at 31 March**		**3,516**

18.2 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 an 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 on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £000		2018/19 £000	2018/19 £000
3,170	**Balance at 1 April**		3,267
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement.		
(155)	• Charges for depreciation and impairment of non-current assets	(198)	
(98)	• Revaluation losses on Property, Plant and Equipment	(25)	
(13)	• Amortisation of intangible assets	(23)	
0	• Revenue Expenditure funded from capital under statute	0	
(150)	• 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	0	
(416)			(246)
121	Adjusting amounts written out of the Revaluation Reserve		28
(295)	Net amount written out of the cost of non-current assets consumed in the year.		(218)
	Capital financing applied in the year		
76	• Capital Receipts applied to finance capital expenditure	55	
77	• Use of the Capital Grants Unapplied Account to finance Capital Expenditure	170	
206	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	455	
33	• Capital expenditure charged against the General Fund	3	
392			683
3,267	**Balance at 31 March**		**3,732**

18.3 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays 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 in the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £000		2018/19
(7,681)	**Balance at 1 April**	(8,858)
(750)	Actuarial gains/(losses) on pensions assets and liabilities	620
(980)	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	(1060)
553	Employer's pension contributions and direct payments to pensioners payable in the year	592
(8,858)	**Balance at 31 March**	**(8,706)**

18.4 The Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement due but untaken at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £000		2018/19 £000
(66)	**Balance at 1 April**	(63)
3	Net change in Accrual; 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	0
(63)	**Balance at 31 March**	**(63)**

NOTE 19: Cash Flow Statement: Operating Activities

2017/18 £000		2018/19 £000	2018/19 £000
	Cash Inflows from Operating Activities		
3,010	Government grants	3,287	
942	Levies on Constituent Authorities	892	
705	Cash received for goods and services	819	
6	Interest received	25	
923	Other operating cash receipts	511	
5,586			5,534
	Cash Outflows on Operating Activities		
(3,651)	Cash paid to and on behalf of employees	(3,766)	
(1,756)	Other operating cash payments	(1,626)	
(5,407)			(5,392)
179	**Net Cash flow on Operating Activities**		**142**

NOTE 20: Cash Flow Statement - Investing Activities

2017/18 £000		2018/19 £000
(374)	Purchase of property, plant and equipment and intangible assets	(710)
200	Proceeds from the sale of property, plant and equipment and intangible assets	0
943	Other receipts from investing activities (Capital Grants)	669
769	**Net cash flows from investing activities**	(41)

NOTE 21: Subjective Analysis of Authority Expenditure as reported to Management

This note provides further detail of the subjective breakdown of income and expenditure within the Authority's principal departments as recorded the management accounts.
* Other includes National Park Grant and Levies, Transfers to and from Earmarked reserves, and Interest Income.

Departmental Income and Expenditure 2018/19	**Planning** £000	**Countryside and Community** £000	**Chief Executive's Office** £000	**Other*** £000	**Total** £000
Fees, charges and other service income	(225)	(883)	(28)	0	**(1,136)**
Interest and Investment income	0	0	0	(25)	**(25)**
Grants and Contributions	0	(375)	0	0	**(375)**
Income from Non-Specific Grants and Levies	0	0	0	(4,313)	**(4,313)**
Total Income	**(225)**	**(1,258)**	**(28)**	**(4,338)**	**(5,849)**
Employee expenses	987	2,095	653	0	**3,735**
Other service expenses	99	1,196	313	3	**1,611**
Transfers to/(from) reserves	0	0	0	405	**405**
Net proceeds from asset sales			0	0	**0**
Total Expenditure	**1,086**	**3,291**	**966**	**408**	**5,751**
Net Expenditure	**861**	**2,033**	**938**	**(3930)**	**(98)**

Directorate Income and Expenditure 2017/18	**Planning** £000	**Countryside and Community** £000	**Chief Executive's Office** £000	**Other*** £000	**Total** £000
Fees, charges and other service income	(258)	(940)	(180)	0	**(1,378)**
Interest and Investment income	0	0	0	(6)	**(6)**
Grants and Contributions		(198)	0	0	**(198)**
Income from Non-Specific Grants and Levies				(4,678)	**(4,678)**
Total Income	**(258)**	**(1,138)**	**(180)**	**(4,684)**	**(6,260)**
Employee expenses	981	1,859	850	0	**3,690**
Other service expenses	153	955	372	33	**1,513**
Transfers to/(from) reserves				1,628	**1,628**
Net proceeds from asset sales				(200)	**(200)**
Total Expenditure	**1,134**	**2,814**	**1,222**	**1,461**	**6,631**
Net Expenditure	**876**	**1,676**	**1,042**	**(3,223)**	**371**

NOTE 22: Members' Allowances

The Authority paid the following amounts to members of the Authority during the year.

	2017/18 £000	2018/19 £000
Allowances	94	104
Expenses	18	14
Total	**112**	**118**

NOTE 23: Officers' Remuneration and termination benefits

The remuneration paid to the Authority's senior employees who received remuneration (in total or pro-rata) of more than £60,000 per for the year is as follows:

	Salary £000	Expenses £000	Employer's Pension Contribution £000	Total £000
2018/19				
Chief Executive	73	0	16	**89**
Delivery Director (from 28/1/19)	9	0	2	**11**
2017/18				
Chief Executive to 31/1/18	66	0	15	**81**
Director of CLM Department, then Chief Executive from 1/2/18	60	0	14	**74**

There were no other senior employees receiving remuneration of more than £60,000 per annum (none in 2017/18).

The annual salary of the Chief Executive Officer as a multiple of the median salary of an Authority employee (£24,657) is 3. (3 in 2017/18 of the median salary of £23,398).

Termination Benefits

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Bands have been combined where required to ensure confidentiality.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
£	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
0-60,000	0	4	2	0	2	4	6	63

NOTE 24: External 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 provided by the Authority's external auditors.

Fees payable to external auditors for:	**2017/18 £000**	**2018/19 £000**
Financial Audit Fee	27	27
Adjustments and rebates re prior years	(1)	(3)
Performance Audit fee (statutory inspections)	17	17
Total	**43**	**41**

NOTE 25: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in the year.

	2017/18 £000	**2018/19 £000**
Credited to Taxation and Non-Specific Grant Income		
National Park Grant	3,006	2827
National Park Capital Grant	206	455
National Park Specificl Projects Grant	730	594
Levies – Powys County Council	554	525
Carmarthenshire County Council	138	131
Monmouthshire County Council	106	100
Rhondda Cynon Taff County Borough Council	48	45
Merthyr Tydfil County Borough Council	38	36
Blaenau Gwent County Borough Council	29	25
Torfaen County Borough Council	29	27
Total	**4,884**	**4,768**
Credited to Services		
EU Grants	24	400
WG Access and Nature Fund Grants	50	0
Other Government Grants	124	22
Other Local Authority Grants and Contributions	154	133
Heritage Lottery Fund Grant	142	115
Other Grants	0	37
Donations and Legacies	133	26
Total credited to services	**627**	**733**
Total Grants, Contributions and Donations	**5,511**	**5,501**

NOTE 26: Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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.

26.1 Central Government
The Welsh Assembly Government has effective control over the general operations of the Authority – it provides the majority of its funding in the form of grants and by determining the total Levy which the Authority may make on its Constituent Local Authorities. It also sets objectives for the Authority by means of the Memorandum of Understanding and the annual Strategic Grant Letter. The Authority's operations and management are also controlled by a statutory framework encompassing a range of legislation which includes a definition of its statutory purposes and duty. Government grant receipts in the years to 31 March 2019 and 2018 are included in Note 25.

26.2 Members
The 24 Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2017/18 and in 2018/19 is shown in Note 21. Where members are personally affected by decisions made by the Authority they are required to declare an interest and refrain from taking part in those decisions and discussions relating to them. Details of members' interests are recorded in the Register of Members' Interests, available on the Authority's website, together with further details of expenses paid to Members for the year.

26.3 Other Public Bodies
The Constituent Local Authorities, within whose boundaries the Authority's own boundary runs, contribute to the finances of the Authority by means of a statutory levy, determined by the Welsh Assembly Government. Each of these authorities provides a number of councillors to serve as members of the National Park Authority, broadly in proportion to the size of the levy they contribute and their area within the National Park. The authority represented by each member is shown in Appendix 1 of the Statement of Accounts. Grants for specific purposes are also received from or via local authorities and the total of these is shown in Note 25.

26.4 Senior Management
The Chief Executive and Directors of the Authority are in a position to influence the Authority's policies and allocation of its resources. Payments to senior officers with a remuneration of greater than £60,000 per annum are identified in Note 23. All staff are required to declare gifts and hospitality received.

26.5 Entities Controlled or Significantly Influenced by the Authority
The Authority gives grants for specific purposes to organisations under the Sustainable Development Fund Grant Scheme but it is not considered that the Authority has control, joint control or significant influence over the entities assisted. The Authority has historically given an annual subscription to the Welsh Association of National Park Authorities, which exists to promote the interests of the 3 Welsh National Parks. This was £nil in 2017/18 and 2018/19 as contributions were waived.

The Authority also contributes to National Parks UK Ltd, a limited company set up to foster collective working and raise the profile of the 15 UK National Parks. The Chairs of all National Park Authorities are Directors of the Company. The company, through the National Parks Portal, provides a vehicle for National Park Authorities to jointly procure and fund common web-based resources and IT services such as the fileservers and to co-ordinate IT. In 2018/19 the Authority contributed £2,535 to the Portal and £7,750 to National Parks UK Ltd

The Authority set aside a reserve for future funding of £10,000, towards the National Parks Partnership in 2017/18. A further payment of £10,000 was made in 2018/19. This is a Limited Liability Partnership formed by all 15 UK National Park Authorities to generate commercial sponsorship and other funding for the benefit of all the Authorities. The Chief Executive is one of 10 Board members of the Partnership.

NOTE 27: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. If capital expenditure were to be financed in future years by charges to revenue as assets were used by the Authority, the expenditure would require a calculation of the Capital Financing Requirement. As the Authority is currently debt-free, this calculation is not required.

	2017/18 £000	2018/19 £000
Opening capital financing requirement	0	0
Capital investment		
Property, Plant and Equipment	367	683
Intangible Assets	25	0
	392	683
Less: Sources of finance		
Government grants and other contributions	(206)	(170)
Capital Grants Account Applied	(77)	(455)
Capital Receipts Applied	(76)	(55)
Direct revenue contributions	(33)	(3)
Closing Capital Financing Requirement	0	0

NOTE 28: Leases

28.1 The Authority as Lessee

Finance Leases: the Authority currently has no material leases which are classified as finance leases under the terms of the CIPFA Code of Practice.

Operating Leases: The Authority's headquarters, some office equipment and its vehicle fleet have been acquired under operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

Total Commitments Under Operating Leases	**31 March 2018 £000**		**31 March 2019 £000**	
Payments within 1 year				
Buildings	22		22	
Office Equipment	3		3	
Vehicles	50		61	
Total				86
Payments 2-5 years		75		
Buildings	59		37	
Office Equipment	3		0	
Vehicles	7		160	
Total		69		197
Payments after 5 years		0		**0**
Total Commitments		**144**		**283**

28.2 The Authority as Lessor

Finance Leases: the Authority does not lease out property under terms which would be classified as finance leases under the terms of the CIPFA Code of Practice. (There were none in 2017/18)

Operating Leases: the Authority leases out parts of its premises at the Craig y nos Country Park but lessees do not have security of tenure.

The future minimum lease payments receivable under non-cancellable leases in future years are nil:

NOTE 29: Impairment Losses
The CIPFA Code of Practice requires the Authority to disclose any impairment losses or reversals charged to the Surplus or Deficit on the Provision of services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 11 and 12, reconciling the movement in the year in the Property, Plant and Equipment and Intangible Asset balances.

There were no impairments identified during 2018/19 (none in 2017/18). Land and Buildings were revalued as at March 2016 and their asset lives reassessed. A desktop review of the asset valuation to identify any material changes to existing values was carried out by the Authority's valuers as at 1 April 2018.

NOTE 30: Termination Benefits
The Authority terminated the contracts of 4 employees in 2018/19 incurring liabilities of £62,850. In 2017/18 it terminated the contracts of 2 employees incurring liabilities of £6,161. See also note 23.

NOTE 31: Defined Benefit 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 be payable until employees retire, the Authority has a commitment to make the payments that must be disclosed at the time when employees earn their future entitlement. In accordance with International Accounting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

FUNDED SCHEMES
The disclosures below relate to the funded liabilities within the Powys County Council Pension Fund ("the Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a career average revalued earnings scheme. Details of the benefits to be paid for the period covered by this disclosure are set out in the 'LGPS Regulations 2013' and the 'LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014'.

The funded nature of the LGPS requires Brecon Beacons National Park Authority and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in 'LGPS Regulations 2013' and the Fund's 'Funding Strategy Statement'. In order to calculate the level of contributions required to meet its share of the Fund's liabilities and to obtain the disclosures and calculations required to complete the annual Statement of Accounts, the Authority uses the services of a qualified actuary; AON Hewitt Limited.

The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate. The Fund Administering Authority, Powys County Council is responsible for the management of the Fund.

The Authority recognises gains and losses immediately in full through entries in 'Other Comprehensive Income and Expenditure. International Accounting Standards require disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes. There have been significant changes in assets and liabilities as a result of the 2016 actuarial valuation.

Contributions for the period ending 31 March 2019: The Authority's regular contributions to the Fund for the accounting period to 31st March 2019 are estimated to be £0.58m. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period. The duration of funded liabilities is 20.6 years.

UNFUNDED PENSION ARRANGEMENTS

Unfunded arrangements arise from termination benefits paid on a discretionary basis upon early retirement in respect of member of the LGPS. Brecon Beacons National Park Authority recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure. The date of the last full actuarial valuation of the employer's LGPS unfunded benefits was 31st March 2016.

In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required. Contributions for the accounting period ended 31 March 2020: In this period, the Authority expects to pay £0.00m directly to beneficiaries.

PENSION FUND ASSETS

The assets allocated to the Employer in the fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Administering Authority) is shown in the disclosures split by quoted and unquoted investments.

The Administering Authority may invest in a small proportion of the Fund's investments in the assets of some of the employers participating in the fund if it forms part of their balanced investment strategy.

RISKS ASSOCIATED WITH THE FUND IN RELATION TO ACCOUNTING

Asset volatility

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform, this yield will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which are 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 price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an 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 increase in life expectancy will result in an increase in the liabilities.

Exiting employers

An employer who leaves 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 the 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 also fall on other employers in the Fund. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

Key Financial assumptions for funded and unfunded arrangements (% per annum)

	31 March 2017	31 March 2018	31 March 2019
Discount rate	2.6	2.6	2.4
RPI Inflation	3.1	3.2	3.3
CPI Inflation	2.0	2.1	2.2
CPI Inflation	2.0	2.1	2.2
Pension Increases	2.0	2.1	2.2
Salary increases	3.5	3.6	3.7

Mortality assumptions for funded and unfunded arrangements

The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2016 valuation and allow for expected future mortality improvements. Sample life expectancies as at 65 resulting from these mortality assumptions are shown below.

Post-retirement mortality (retirement in normal health)	31 March 2018	31 March 2019
Males		
Member aged 65 at accounting date	23.1	22..4
Member aged 45 at accounting date	24.9	23.7
Females		
Member aged 65 at accounting date	25.8	24.8
Member aged 45 at accounting date	27.6	27.6

Asset allocation for funded and unfunded arrangements

	Value at 31/3/2018	Value at 31/3/2019 %		
	Total	Quoted	Unquoted	Total
Equities	52.0	47.8	4.7	52.5
Property	11.9	9.7	0.0	9.7
Government Bonds	14.3	14.7	0.0	14.7
Corporate Bonds	6.6	6.0	0.0	6.0
Cash	1.1	2.1	0.0	2.1
Other	14.1	15.0	0.0	15.0
Total	**100**	**95.3**	**4.7**	**100**

Reconciliation of funded status to Balance Sheet

	Value as at 31 March 2018	Value as at 31 March 2019
Fair value of assets	20.88	23.03
Present value of funded defined benefit obligation	29.69	31.69
Pension asset/(liability) recognised on the Balance Sheet as per Actuary	**(8.81)**	**(8.66)**
Accrued payment into the Fund for pension fund strain not included in actuary calculation of fair value of assets for the year.	0.00	0.00
Pension asset/(liability) recognised on the Balance Sheet (funded liability)*	**(8.81)**	**(8.66)**

*See also unfunded liability later in this note.

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

Active Members	38%
Deferred Pensioners	27%
Pensioners	35%

Amounts recognised in profit and loss and other comprehensive income

	Period ending 31 March 2018 £m	Period ending 31 March 2019 £m
Operating Cost		
Current service cost(1)	0.79	0.81
Past service costs	0.00	0.03
Settlement cost	0.00	0.00
Financing Cost		
Interest on net defined benefit liability	0.19	0.22
Pension expense recognised in profit and loss	**0.98**	**1.06**
Re-measurement in Other Comprehensive Income and Expenditure		
Return on plan assets (in excess of)/below that recognised in net interest.	0.03	(1.30)
Actuarial (gains)/losses due to changes in financial assumptions (Funded Schemes).	0.57	1.90
Actuarial (gains)/losses due to changes in financial assumptions. (Unfunded Schemes)	0.0	0.0
Actuarial (gains)/losses due to changes in demographic assumptions.	0.00	(1.27)
Actuarial (gains)/losses due to changes in liability experience	0.15	0.05
Total Amount Recognised in Other Comprehensive Income and Expenditure	**0.75**	**(0.62)**
Total Amount Recognised	**1.73**	**0.44**

'(1) The current service cost includes an allowance for the administration expenses of £0.02m for both years

Changes to the present value of defined benefit obligation during the accounting period

	Period ending 31 March 2018 £m	Period ending 31 March 2019 £m
Opening defined benefit obligation	**27.78**	**29.69**
Current service cost	0.79	0.81
Interest expense on defined benefit obligation	0.72	0.77
Contributions by participants	0.16	0.16
Actuarial (gains)/losses on liabilities – financial assumptions.	0.57	1.90
Actuarial (gains)/losses on liabilities – demographic assumptions	0.00	(1.27)
Actuarial (gains)/losses on liabilities – experience	0.15	0.05
Net benefits paid out#	(0.48)	(0.45)
Past service costs including curtailments	0.00	0.03
Net increase in liabilities from disposals/acquisitions	0.00	0.00
Settlements	0.00	0.00
	0.00	0.00
Closing defined benefit obligation	**29.69**	**31.69**

Changes to the fair value of assets during the accounting period

	Period ending 31 March 2018 £m	Period ending 31 March 2019 £m
Opening fair value of assets	**20.15**	**20.88**
Interest Income on assets	0.53	0.55
Re-measurement gains/(losses) on assets	(0.03)	1.30
Contributions by the employer	0.55	0.59
Contributions by participants	0.16	0.16
Net benefits paid out	(0.48)	(0.45)
Net increase in assets from disposals and acquisitions	0.00	0.00
Settlements	0.00	0.00
Closing fair value of assets	**20.88**	**23.03**

Actual return on assets

	Period ending 31 March 2018 £m	Period ending 31 March 2019 £m
Interest Income on assets	0.53	0.55
Re-measurement gains/(losses) on assets	(0.03)	1.30
Actual return on assets	**0.50**	**1.85**

Reconciliation of unfunded scheme to balance sheet

	Value as at 31 March 2018 (£m)	Value as at 31 March 2019 (£m)
Present value of defined benefit obligation	0.05	0.05
Asset(/Liability) recognised on the balance sheet	**(0.05)**	**(0.05)**

Amounts recognised in profit and loss and other comprehensive income and expenditure for unfunded schemes

	Period ending 31 March 2018 £m	Period ending 31 March 2019 £m
Total Amount Recognised	**0.00**	**0.00**

Changes to the present value of unfunded benefit obligations during the accounting period

	Period ending 31 March 2018 £m	Period ending 31 March 2019 £m
Opening unfunded defined benefit obligation	0.05	0.05
Actuarial (gains)/losses due to liability experience	0.00	0.00
Closing unfunded defined benefit obligation	**0.05**	**0.05**

Estimated pension expense in future periods

	Period ending 31 March 2020
Current service cost	0.87
Interest on net defined benefit liability/(asset)	0.20
Total estimated pension expense	**1.07**

Allowance for administration expenses included in Current Service Cost: £0.02m
Estimated pensionable payroll over the period: £2.53m

Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation at 31 March 2019 and the projected service cost for the period ending 31 March 2020 is set out below.

In each case only the assumption mentioned is altered; all other assumptions remain the same and are summarised in Section 1.

There is no sensitivity analysis of unfunded benefits on materiality grounds.

	+0.1% p.a.	Base Figure	-0.1% p.a.
Discount Rate Assumption			
Adjustment to discount rate			
Present value of total obligation (£m)	31.04	31.69	32.35
% change in present value of total obligation	-2.0%		2.1%
Projected service cost (£m)	0.84	0.87	0.90
Approximate % change in projected service cost	-3.1%		3.2%
Rate of general Increases in salaries			
Adjustment to salary increase rate			
Present value of total obligation (£m)	31.84	31.69	31.54
% change in present value of total obligation	0.5%		-0.5%
Projected service cost (£m)	0.87	0.87	0.87
Approximate % change in projected service cost	0.0%		0.0%
Rate of increase to pensions in payment, deferred pensions assumption and rate of revaluation of pension accounts assumption			
Adjustment to pension increase rate			
Present value of total obligation (£m)	32.20	31.69	31.19
% change in present value of total obligation	1.6%		-1.6%
Projected service cost (£m)	0.90	0.87	0.84
Approximate % change in projected service cost	3.2%		-3.1%
Post retirement mortality assumption	**-1 year**	**Base Figure**	**+ 1 year**
Adjustment to mortality age rating assumption*			
Present value of total obligation (£m)	32.72	29.69	30.67
% change in present value of total obligation	3.2%		-3.2%
Projected service cost (£m)	0.90	0.87	0.84
	3.6%		-3.8%

'* 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 they are.

NOTE 32: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority has no financial instruments of its own but its activities expose it to three principal 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
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority, being debt-free and placing its surplus funds, in accordance with its Treasury Management Strategy, in instantly accessible accounts or on short-term deposit, with a bank which has a very high credit rating has minimised its exposure to the risk of failure by another party to repay funds deposited.

The risk of losses from the failure of customers to pay the Authority is minimised through the Authority's debt management procedures. The majority by value of the Authority's debtors are other public bodies which are considered to have good credit ratings. (See Note 13: Debtor Balances).

As the Authority has funds in immediately accessible bank accounts and in short-term deposits, it has limited exposure to liquidity risk. Interest rates are regularly reviewed and consideration given to placing funds on deposit should interest rates become more favourable.

The Authority is not exposed to market risk except in relation to its share of the Powys Pension Fund. See Note 31 for further details.

NOTE 33: CONTINGENT LIABILITIES

Contingent Liability in relation to the Powys Pension Fund. The McCloud judgement

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated.

The transitional protections applied to all active members of public service schemes who were within 10 years of their Normal Pension Age on 1 April 2012. In relation to the LGPS, all members were moved into the new 2014 Scheme, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits would be at least as valuable in terms of amount and when they could be drawn than if they had remained in the 2008 Scheme.

The Government has applied to the Supreme Court for permission to appeal this judgement.
If this appeal is unsuccessful, the case would be referred back to the Employment Tribunal to agree what the remedy would be following appropriate consultation. For the purpose of reporting a contingent liability it would be prudent to assume the remedy would be equivalent to extending the 'best of both' underpin to all members.

The Government Actuary's Department (GAD), under instruction of the LGPS Scheme Advisory Board, has calculated a potential IAS 19 accounting liability of [TBC – expected to be 0.5% to 1.0%] of defined benefit obligation, should the government be unsuccessful in its application to appeal or if the Court of Appeal's judgement is upheld by the Supreme Court and the agreed remedy for the LGPS is to extend the 'underpin' protections to all members. This estimate is at Scheme level encompassing a range of different assumptions typically used by employers to report pension costs. The eventual impact on the Authority's accounts will depend on the remedy chosen by government to compensate members (which may not be the scenario modelled by the GAD); the membership profile (age/sex/salary) of the Authority's membership, and the assumptions used to report pension costs at time of recognition.

The estimated liability makes a number of simplifications including: assuming that all post-2012 joiners would be compensated; assuming members would receive 'better of both' the pre-2014 Scheme benefits and post-2014 Scheme benefits by the time they reach their pre-2014 normal pension age; assuming the underpin applies only to members on retirement, and not in the case of members voluntarily leaving the scheme before retirement, and assuming no compensation would be granted to employees who paid higher contribution rates whilst in the 2015 Scheme.

It is unknown what impact this will have on future employer contributions to the Powys Pension Fund (the Fund). The Fund is a funded arrangement with employers paying contributions based on the results of regular local valuations, with the next valuation due as at 31 March 2019. Where an additional liability arises in the Fund in relation to past service this will result in increased employer contribution rates in the future. Employer contributions towards future service may also increase if the 'better of both' test is extended beyond members within 10 years of normal pension age at 1 April 2012.

However, legislation requires government to monitor and control the underlying costs of the Scheme (via the Cost Management process agreed as part of the reform of public service pension schemes). If the cost of the LGPS, as monitored by both the LGPS Scheme Advisory Board and HM Treasury under separate legislation, moves out of line with the envelope cost set when the Scheme was reformed, this could trigger amendments to member benefits, or contributions, to bring the cost to the Employer/taxpayer back into line. The SAB in England and Wales had agreed recommended changes to member benefits and contributions to increase the cost by 0.9% of pay as required by the SAB cost management process. However, the Cost Management process across all of the public service schemes is currently on hold pending the outcome of the government's appeal to the McCloud judgement, so the net effect of both the McCloud judgement and the Cost Management processes is currently unknown. Further information is published by the LGPS Scheme Advisory Board on their website (http://www.lgpsboard.org/index.php/structure-reform/cost-management).

GMP Indexation and Equalisation

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. All of the public service schemes, including the LGPS were contracted out.

Reforms to the State Pension system on 6 April 2016 removed the facility by which central government paid top-up payments to members with GMP who reached State Pension Age after that date. Before 6 April 2016 the LGPS was not required to pay full CPI increases on GMPs, so the top up payments had ensured that both state and scheme pensions, when combined, kept pace with inflation.

In March 2016 the government introduced an 'interim solution' which made the LGPS responsible for paying the full increases on GMPs for individuals reaching State Pension Age (SPA) from 5 April 2016 through 6 December 2018. This cost was accounted for in 2017.

In January 2018 Government extended the interim solution to individuals reaching SPA before 5 April 2021, passing further cost to the LGPS. This has not yet been accounted for. Government policy is to fully index and equalise GMP pensions for men and women reaching SPA after 5 April 2021 but has not yet enacted this in legislation.

Separately, on 26 October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. The ruling confirmed that trustees have a duty “to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs".

HM Treasury have responded to confirm that public sector schemes already have a method to equalise guaranteed minimum pension benefits (through the interim solutions and commitment to pay full increases on GMPs) and they do not plan to change their method as a result of that judgment.

Aon, as the Fund's actuary has estimated that the potential IAS 19 accounting liability of full GMP indexation (and equalisation) for members reaching State Pension Age from 6 December 2018 to be in the region of 0.3% of the defined benefit obligation. This estimate has been calculated for a typical LGPS Fund and is indicative of an additional liability for a typical employer and does not reflect the individual characteristics of the Authority's membership. Costs could be higher for employers with a membership that is older than average (who predominantly accrued service between 1978 and 1997 when GMPs were being accrued).

The Fund is a funded arrangement with employers paying contributions based on the results of regular local valuations, with the next valuation due as at 31 March 2019. The 2019 valuation of the Fund is expected to include the liability of the second interim solution to April 2021. It is currently not known if the 2019 valuation will allow for indexation beyond 2021, as this will depend on the timing of any Scheme changes announced by HM Treasury and the Administering Authority's policy on reflecting this risk within contribution rates. Where an additional liability arises in the Fund in relation to past service this will result in increased employer contribution rates in the future.

GUIDANCE\LGPS - Contingent liability accounting at 31 March 2019 - McCloud judgement re pensions.docx