
Rhondda Cynon Taf County Borough Council**Statement of Accounts 2004/05**

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Explanatory Foreword

1. Introduction

Rhondda Cynon Taf County Borough Council came into existence on 1st April 1996 as a result of the reorganisation of Local Government in Wales under the Local Government (Wales) Act 1994.

Rhondda Cynon Taf is the second largest Council in Wales with a population of 231,946, serving an area in the South Wales Valleys covering 42,000 hectares, stretching from the Brecon Beacons National Park in the North to the Capital City of Cardiff in the South.

The accounts for 2004/05 have been prepared in accordance with current legislation and recommended accounting practice. The form of accounts for all Local Authorities has been prescribed under the Accounts and Audit Regulations 1996, as amended in 1997 and 2001. The Code of Practice on Local Authority Accounting in Great Britain 2004 prescribes the form and contents of accounts from 1st April 2004.

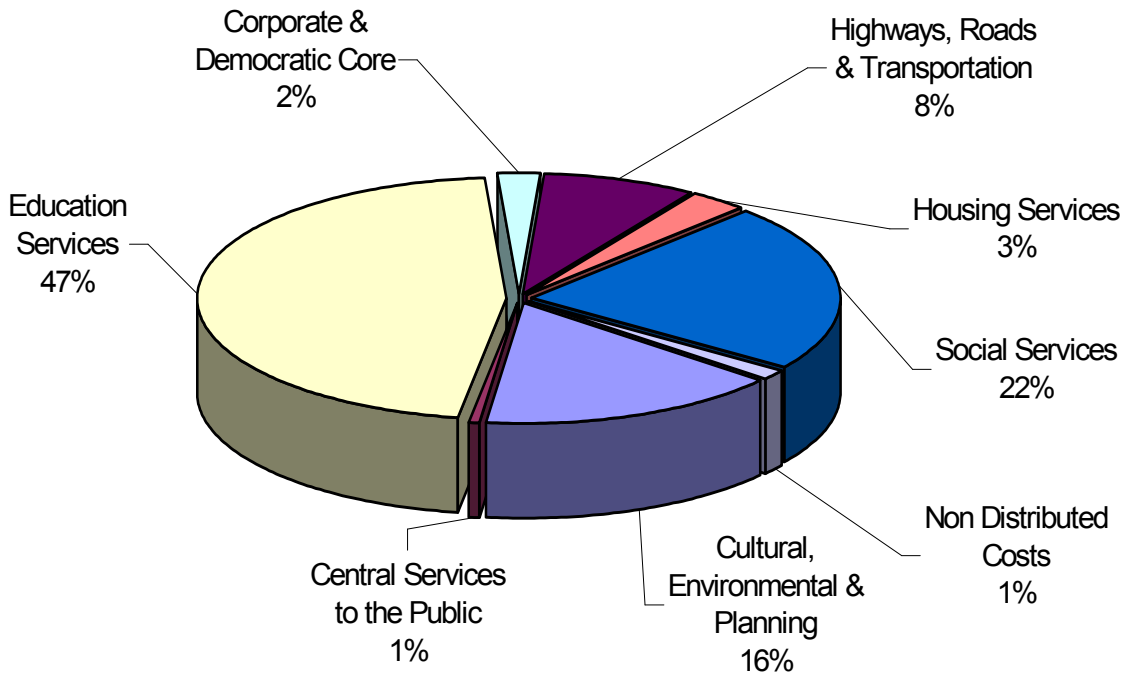
In March 2000, the Chartered Institute of Public Finance and Accountancy (CIPFA) published the Best Value Accounting Code of Practice (BVACOP), which is updated annually. The Best Value Accounting Code of Practice modernises the system of local authority accounting and reporting to ensure that it meets the needs of modern local government, in particular the duty to secure and demonstrate Best Value in the provision of services to the community. The standardised format recommended by the Code promotes comparability.

The accounts set out on pages 2-77 comply with the Codes of Practice other than where specific reference is made to the contrary.

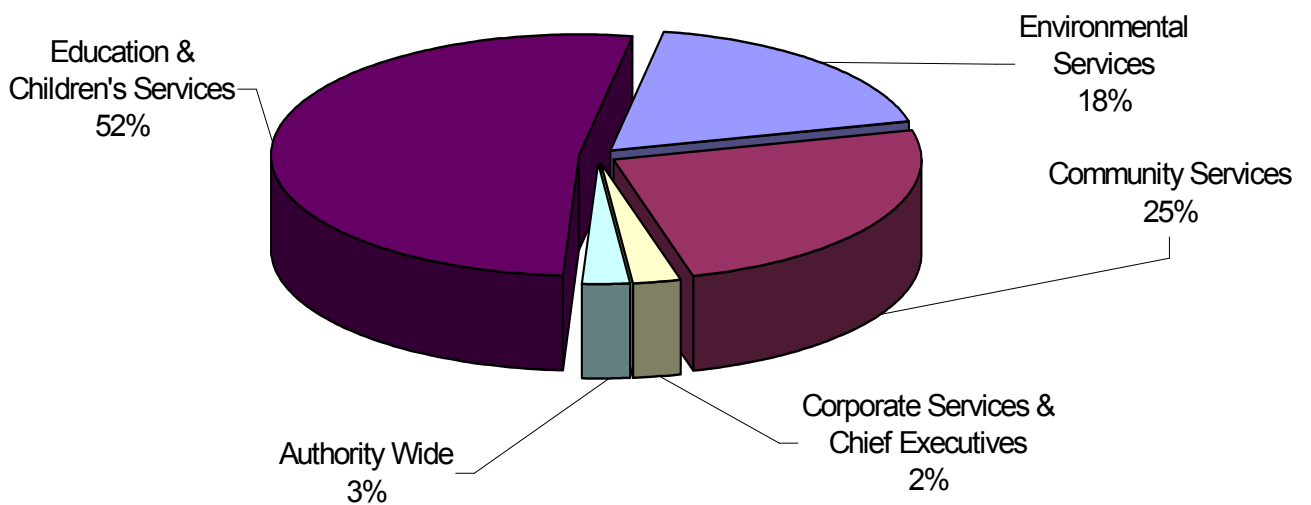
2. General Fund Revenue Account 2004/05

The Consolidated Revenue Account provides an analysis of the Council's gross revenue expenditure and income and shows how this has been funded. The chart below provides an analysis of the Net Cost of Services (£356m) by Best Value Accounting Code of Practice Service Expenditure Analysis Area. For information purposes, the net cost is also analysed by current service group operational within the Council.

Net Cost of Services by BVACOP Category



Net Cost of Services by Service Group



The following table details each of the service groups' actual performance and budget during 2004/05:

Service Group	Budget £'000	Spend £'000	Variance £'000
Education & Children's Services	163,712	165,659	1,947
Community Services	72,853	72,917	64
Environmental Services	44,859	44,691	(168)
Chief Executives	6,388	6,310	(78)
Corporate Services	14,491	14,348	(143)
Authority Wide	31,296	29,206	(2,090)
Total	333,599	333,131	(468)

	£'000
General Fund Reserves as at 31st March 2004	(10,824)
Revenue Budget Out-turn (Variance as above)	(468)
Earmarked to Support the 2005/06 Base Budget	765
General Fund Reserves as at 31st March 2005	(10,527)

Capital reserves as at 31st March 2005 totalled £518.7m (of which £4m can be used to support capital spending).

Gross Expenditure on Services amounted to £576m, this can be analysed over the following expenditure categories: -

Type of Expenditure	£'m	%
Employees	241	41
Premises	33	6
Transport	19	3
Supplies and Services	85	15
Payments to Third Parties	57	10
Transfer Payments	48	8
Capital Charges (e.g. interest)	61	11
Other Operating Costs (e.g. support services)	32	6
Total Gross Expenditure	576	100

Income during the year totalled £564m and came from the following sources:-

Income Analysis	£'m	%
<u>Direct Service Income</u>		
Specific Grants	109	19
Sales, Fees & Charges	33	6
HRA	27	5
Other Income	51	9
Sub-total Direct Service Income	220	39
<u>Other Income</u>		
General Government Grants	228	41
National Non Domestic Rates	47	8
Council Tax	69	12
Total Income	564	100

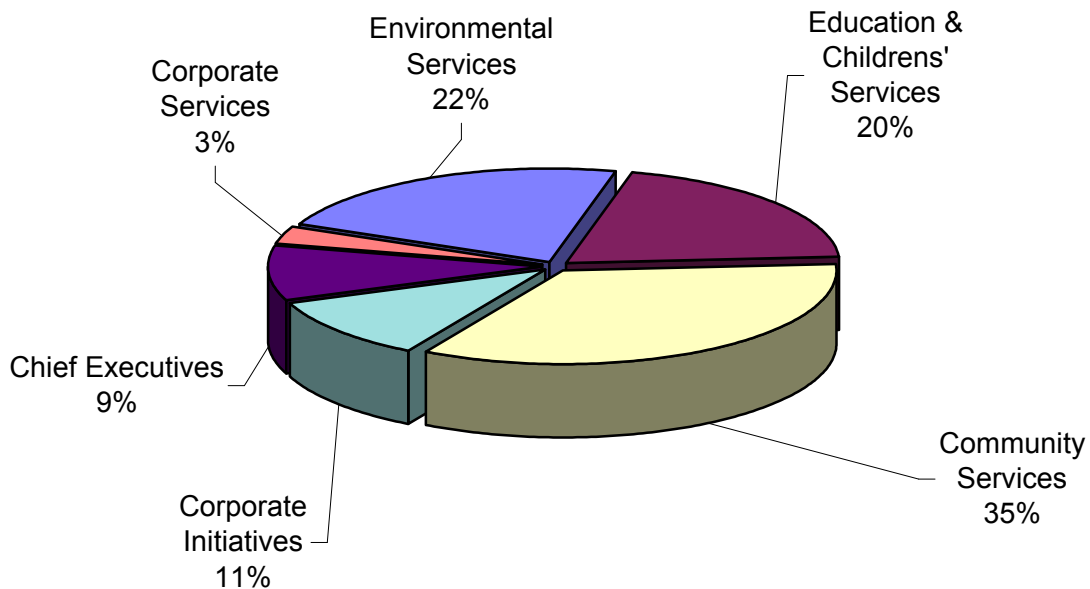
3. Housing Revenue Account

The Housing Revenue Account shows income and expenditure in relation to the provision of Council housing. This includes administration and capital financing costs, and how these are met by rents and other income. From 2004/05 rent rebates in respect of HRA dwellings are removed from the HRA and accounted for instead in the General Fund. The Housing Revenue Account is shown on page 61.

4. Capital Expenditure and Income 2004/05

During the year the Council spent £61.997m on capital expenditure, as summarised below: -

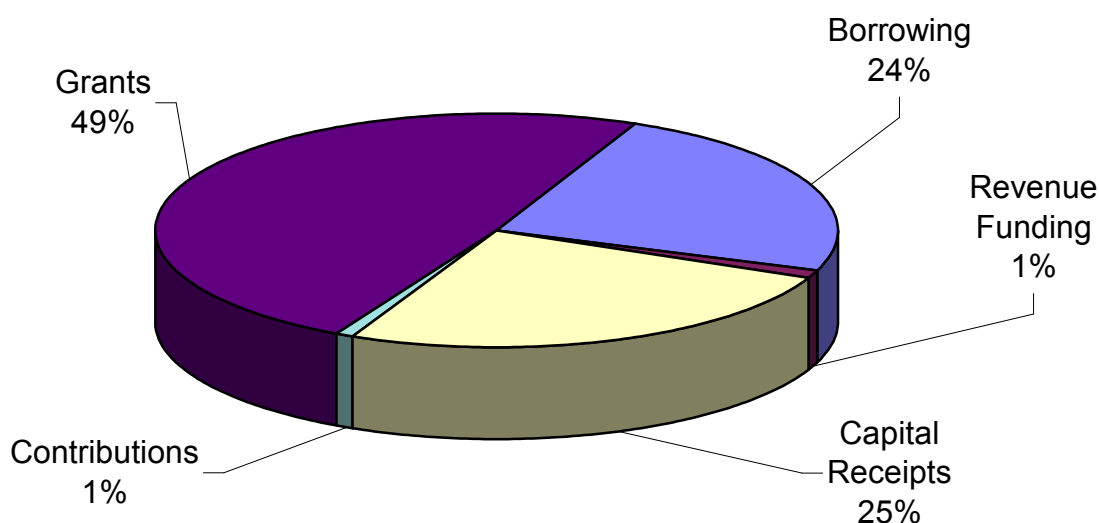
Group	£'000	%
Corporate Initiatives	6,704	11
Corporate Services	1,885	3
Chief Executives	5,796	9
Education & Children's Services	12,317	20
Community Services	21,450	35
Environmental Services	13,845	22
Total	61,997	100



The type of Capital Expenditure made during the year is summarised below:-

Expenditure on Fixed Assets	£'000	%
Tangible Fixed Assets	48,864	79
Intangible Fixed Assets	1,198	2
Deferred Charges	11,935	19
Total	61,997	100

This expenditure was financed as follows: -



Of the assets acquired and built during the year under the capital programme significant spends were incurred on: -

Porth Plaza
 Broadband Network Infrastructure
 Disabled Access Initiative
 Virtual Communities
 Coed -Y-Lan Comprehensive School
 Cefn-Yr-Hendy School
 Hawthorn High School
 Porth Inner Relief Road
 Pontypridd Interchange
 Taff Vale North Rail Station
 Neighbourhood Renewal Areas

Major commitments over the next two years in respect of capital schemes as at 31st March 2005 include the following schemes: -

Scheme	£'000
Virtual Communities	1,154
Coed-Y-Lan Comprehensive	1,920
Neighbourhood Renewal Areas	2,100
Purchase of New Fleet	14,425
Rhydyfelin Early Years Centre	1,777
Sports Halls	5,278
Llanharan Station	2,300
Porth Relief Road	28,170
Church Village Bypass	2,056
Nantygwyddon Landfill Site Remedial Works	2,500

The Council is also committed to a Private Finance Initiative scheme, a Lifelong Learning Centre at Garth Olwg. The commitment is for £113.773m over a period of 25 years. See note 19.0 to the Consolidated Revenue Account for further details.

5. Borrowing Arrangements and Sources of Funds

Each year, in accordance with the Local Government Act 2003, and the Prudential Code, the Council is required to set limits in relation to: -

- Authorised limit for borrowing;
- Limits on exposure to fixed and variable interest rates;
- Various other prudential indicators.

The limits set at the start of the financial year were as follows: -

Authorised borrowing limit	£388.6m
Interest Rate Exposure – Borrowing	Range
Limits on total % of borrowing at fixed interest rates	60% - 90%
Limits on total % of borrowing at variable interest rates	10% - 40%
Interest Rate Exposure – Investments	Range
Limits on total % of investments at fixed interest rates	0% - 25%
Limits on total % of investments at variable interest rates	75% - 100%

As can be seen from the Consolidated Balance Sheet, overall borrowing totalled £325m. Long Term Borrowing totalled £320m at 31st March 2005.

Note 11.0 to the Consolidated Balance Sheet demonstrates that the majority of external borrowing (£236m) was from the Public Works Loan Board (PWLb). The remaining balance comprises £88m from market loans and £1m from other sources including individual lenders in the form of local bonds

The Council is required under the Local Government and Housing Act, 1989 to prepare a Treasury Management Strategy for the forthcoming year. The Council's Treasury Management Practices allows the Council to raise funds from a variety of sources, including the money market and the European Investment Bank. The Group Director - Corporate Services is authorised to take the most appropriate form of borrowing from approved sources within the overall borrowing limits set by Council.

6. Pensions Assets and Liabilities

As a result of Financial Reporting Standard 17 "Retirement Benefits", local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the balance sheet date. Prior to the financial year 2003/04 the requirement was to simply include contributions paid in the Consolidated Revenue Account.

Please refer to Consolidated Revenue Account note 8.0, Balance Sheet note 29.0 and Statement of Total Movement in Reserves note 2.0 for further details.

The effect of FRS17 upon the reserves of the Council is as follows:

	£'000
Net Assets excluding Pensions Reserve	557,819
Net Assets as per Balance Sheet	184,199

7. Change in Accounting Policy

Deferred Charges which provided a long term benefit to the Council were previously held in the Consolidated Balance Sheet as at 31st March 2004 as one balance, totalling £3,029k. In accordance with the changes to the 2004 SORP this balance, and any expenditure during the year which would have previously been classed as Deferred Charges, has now been restated as either Intangible or Tangible assets. Please refer to Balance Sheet notes 1.0 and 2.0 for further details.

8. Introduction to Accounting Statements

Statement of Accounting Policies

The purpose of this statement is to explain the basis of the figures in the accounts. It outlines the accounting policies adopted.

Consolidated Revenue Account

This statement is prepared in the format prescribed by the Best Value Accounting Code of Practice and assists in an understanding of the Council's activities as a whole. The statement is prepared in four distinct sections each divided by a sub total:

- The first section gives the cost of the services provided by the Council net of specific grants to give the NET COST OF SERVICES.
- The second section comprises of items of income and expenditure relating to the Council as a whole. When added to section one, this gives the Council's NET OPERATING EXPENDITURE.
- The third section comprises of all amounts transferred to or from reserves. When added to the "net operating expenditure", this gives the AMOUNT TO BE MET FROM GOVERNMENT GRANTS/LOCAL TAXPAYERS.
- The fourth section shows the income received from Council Tax proceeds, National Non Domestic Rates (NNDR) and General Government Grants.

Consolidated Balance Sheet

This statement shows the Council's financial position as at 31st March 2005. It includes the assets and liabilities of all activities of the Council, the balances and reserves at the Council's disposal, its long term indebtedness, and the fixed and net current assets employed in the Council's operations.

Statement of Total Movements in Reserves

This summarises the movements in both revenue and capital reserves (distributable and non-distributable), identifying all surpluses and deficits of the Council.

Cashflow Statement

This summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Housing Revenue Account

This reflects a statutory obligation to account separately for the provision of council housing as defined in Part VI of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure (repairs and maintenance, supervision and management, and capital financing costs) and how these are met by rents and other income. From the financial year 2004/05 onwards, policy and administration responsibility for subsidising rent rebates in respect of HRA dwellings passes to the Department for Work and Pensions (DWP). As a result, rent rebates in respect of HRA dwellings are removed from the HRA and accounted for instead in the General Fund.

Summary Pension Fund Accounts

As the administering authority responsible for the Rhondda Cynon Taf County Borough Council Pension Fund, the Council has an obligation to include a summary of the Pension Fund Accounts within its own Statement of Accounts. The statement is prepared in accordance with the Statement of Recommended Practice.

Statement on the System of Internal Financial Control

This statement sets out the framework within which the Council manages and reviews financial control. It outlines the main components of the system, including the arrangements for Internal Audit. The statement reports on any significant identified weaknesses and any action undertaken to rectify these.

Statement of Responsibilities for the Statement of Accounts

This sets out the responsibilities of the Council and the Group Director - Corporate Services for the preparation of the Statement of Accounts.

Certificate of the Group Director - Corporate Services

This is the certificate of the fair presentation of the accounts by the Group Director - Corporate Services.

Independent Auditor's Report and Certificate

This is the Wales Audit Office certification of the completion of the audit of the accounts and opinion on the Statement of Accounts.

Statement of Accounting Policies

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2004, issued by CIPFA, together with the guidance notes on the application of accounting standards. The Council has complied with the code in all areas other than where specifically noted. The Council has also implemented and complied with the Best Value Accounting Code of Practice (2004 edition).

The main accounting principles adopted are outlined below.

1. Intangible Assets

In accordance with the SORP 2004, Intangible Assets has been added to the Balance Sheet as a heading in the 2004/05 Statement of Accounts.

Intangible assets are non-financial fixed assets that do not have physical substance but are identifiable and access to future economic benefits are controlled by the reporting entity through custody or legal rights.

Purchased or internally developed intangible assets are capitalised at cost and are amortised over their economic lives which are reviewed at the end of each reporting period and revised if necessary. They are also subject to an annual impairment review.

2. Tangible Fixed Assets

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accrual basis in the accounts. Expenditure on assets not owned by the Council, but where continuing benefit is received, is also capitalised on an accruals basis. This expenditure is included in the balance sheet within the category that the asset would be held in if the Council did own it, and is written off to revenue over the period that the benefit is received. Tangible fixed assets have been recorded in accordance with the Code of Practice on Accounting for Fixed Assets.

Tangible fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Operational assets are generally valued on the basis of existing use value (EUV). Specialist items are valued on a depreciated replacement cost basis (DRC). Non-operational assets and investment properties are generally valued on the basis of open market value (OMV). Infrastructure assets are included at historic cost, and adjusted to reflect depreciation.

Community assets are valued on an historic cost basis with the exception of allotments, which are based on rental income valuation, and Aberdare Park.

Council dwellings are valued on an existing use value basis for social housing (EUV-SH) in accordance with guidance provided in the RICS, Appraisal & Valuation Manual.

Assets are revalued every five years. Surpluses or deficits arising on revaluation are recorded in the Fixed Asset Restatement Account.

No changes in asset values were identified in the 2004/05 impairment review.

The Council operates a de-minimis policy for recording assets in the asset register. De-minimis levels are in place as follows:

Asset Type	£'000
Land & Buildings	20
Vehicles	5
Plant & Equipment	5
Infrastructure	20
Community Assets	Nil

As an exception to this policy, it has been decided to collectively value certain classes of assets (e.g. ICT equipment). If these assets had been subject to this policy the value of the Council's assets would have been greatly understated.

3. Deferred Charges

Deferred charges relate to capital expenditure that does not create or add to the value of a tangible fixed asset within the reporting entity's control. As no future benefit is received from this expenditure the whole amount is amortised to revenue in the year the expenditure is incurred.

As a result of a change in accounting policy, in accordance with the 2004 SORP, the Deferred Charges balance brought forward from 2003/04 has now been restated as either Intangible fixed assets or Tangible fixed assets.

4. Government Grants

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to offset the depreciation on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

All revenue grants received are credited direct to the appropriate revenue account.

5. Capital Receipts

Capital receipts are derived from the sale of fixed assets.

Under the Local Government Act 2003, as from 1st April 2004 Local Authorities now have the option in setting aside housing capital receipts to repay debt. The Council has continued to set aside 75% of Right to Buy receipts and 50% of other housing receipts in accordance with the current Housing Subsidy regulations. The Act also states that from 1st April 2004 housing capital receipts can only be used to finance housing capital expenditure.

The remaining housing capital receipts are credited to the Useable Capital Receipts Reserve to fund future housing capital expenditure. All other general capital receipts are also credited to this reserve.

6. Basis of Charges for Use of Fixed Assets

Users of fixed assets bear a capital charge based on the current value of the assets. The charge comprises of two elements:-

- Notional interest, which is charged at a rate specified annually by the Government. The rates for 2004/05 were 3.5% for assets at current value and 4.8% for assets carried at historic cost.
- Depreciation is charged on a straight-line basis on all tangible fixed assets with a finite useful life, excluding non-depreciable land. Council dwellings have an asset life of 50 years. Estate garages and shops have a 15 year and 30 year asset life respectively. All other assets' lives have been identified on an individual basis.
- Amortisation of intangible fixed assets is charged on a straight-line basis in line with the number of years that benefit is received, which is identified on an individual basis.

7. Minimum Revenue Provision

The Local Government Act 2003 requires each local authority to set aside a Minimum Revenue Provision (MRP) for debt redemption. This is 2% of the adjusted Capital Financing Requirement at the beginning of the year for the Housing Revenue Account and 4% for the General Fund.

8. Operating Leases

The Council has a number of operating leases and these are charged to revenue in the year during which costs are incurred, using a straight-line method, even if payments are not made that way.

9. Long Term Contracts

The costs of long term contracts are charged to revenue in the year they are incurred. Please refer to the Long Term Contracts note 11.0 to the Consolidated Revenue Account for further details.

10. Debtors and Creditors

The revenue accounts of the Council have been prepared on an accrual basis in accordance with the Code of Accounting Practice. This means that sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

An exception to this principle relates to electricity and similar quarterly payments that are charged at the date of meter reading rather than being apportioned between financial years. This policy is applied consistently each year and therefore does not have a material effect on the year's accounts.

Purchase or sale of capital items has also been recorded on an accrual basis, in accordance with accounting rules of the Code of Practice.

In accordance with the 1989 Local Government and Housing Act, income from capital grants has been treated on an accrual basis, and a debtor for this is reflected in the Balance Sheet.

Where the claim has yet to be signed off by the Wales Audit Office, debtors and creditors in relation to Government Grants (for example Benefits and Housing Subsidies) are included on an unaudited draft claim basis.

11. Stocks and Work in Progress

Stocks are valued at the last purchase price. This is a departure from the requirements of the Code and SSAP 9, which require stocks to be shown at the lower of cost or net realisable value. The effect of the different treatment is considered to be immaterial.

12. Cost of Support Services

Central support costs have been allocated to service areas (in accordance with BVACOP) based on a projected out-turn basis. The balance of unallocated costs, within tolerances agreed by the Wales Audit Office (and reported to the Council's Audit Committee) has been classified as Non Distributed Costs.

13. Pensions

The Council participates in two separate pension schemes that meet the needs of employees in particular services.

Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency. The Agency set contribution rates on the basis of a notional fund. Employees contribute at a rate of 6%. The Council is a member of the Teachers Pension Scheme. Whilst this is a defined benefit scheme, the Teachers Pensions Agency is unable to identify the Council's share of the underlying assets and liabilities and accordingly, the Council has taken advantage of the exemption within FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Other employees - Rhondda Cynon Taf administer a fund on behalf of employees under the Local Government Pension Scheme Regulations 1997 (as amended), under which contribution rates are set by the fund's actuary based on triennial actuarial valuations. Under the regulations, contribution rates are set in order to lead to full funding of the overall liability of the Fund over time. The latest valuation was at 31st March 2004. Resultant changes in contribution rates have taken effect from 1st April 2005. Refer to Note 8.0 of the Consolidated Revenue Account for further details.

FRS17 requires the Council to recognise the annual increase in employees' entitlements to retirement benefits within the revenue account costs of services, rather than the employer's contributions paid during the year, based on calculations provided by the Council's actuary.

This change has had the following effect in 2004/05:

- Employer contributions of £27.78m (£24.92m in 2003/04) have been deducted from the cost of individual services and trading activities and been replaced by £22.89m (£15.51m in 2003/04) annual service costs.
- In addition the net effect of interest due on Pension Fund future liabilities and return on assets results in an additional cost of £14.56m (£13.94m in 2003/04).

- The overall effect is a £9.67m (£4.53m in 2003/04) reduction in the Net Operating Expenditure line on the Consolidated Revenue Account, which is matched by a contribution from the Pension Fund Reserve, to ensure that the change in accounting treatment has no direct impact on the amount to be met from Government Grants and Local Taxpayers.

14. Interest Receivable

During 2004/05 the Council has invested temporary surpluses for short-term periods, which may range from overnight to 364 days. The interest is credited to the General Fund, Housing Revenue Account and other smaller funds proportionately. Our Annual Investment Strategy allows us to invest in various instruments for up to a period of 5 years.

15. Interest Payable

Interest payable on debt is accounted for in the year it relates to, not the year it is paid. The Council borrows funds in line with Prudential Limits, PWLB (Public Works Loan Board) quota and cashflow requirements. Funds are borrowed from both the PWLB and from money markets. Loans can be fixed or variable interest debt. Decisions on the type and maturity of loan depend upon the current portfolio, market conditions, forecasts and limits set in the annual Treasury Management Strategy report.

16. Foreign Currency

It is the Council's policy not to invest or borrow in any currency other than sterling.

17. Bad Debt Provisions

The provision for bad debt identifies a proportion of the Council's debtors at year end that should have their carrying value adjusted to the probable recoverable amount. The debts are analysed into periods and agreed percentages are applied to the debtor values to arrive at the provision.

18. Investments

Investments are held in the balance sheet at cost. Short term investments consist largely of money market investments, all maturing within one year of the balance sheet date. Long term investments are held for greater than one year.

19. Value Added Tax

The Council is reimbursed Value Added Tax (VAT) incurred on eligible expenditure, and therefore the Consolidated Revenue Account has been prepared exclusive of VAT.

20. Reserves and Provisions

Reserves and provisions are regulated by the Local Government and Housing Act 1989, in accordance with FRS12 and the Local Authority Accounting Code of Practice. Provisions are amounts set aside for specific future expenses that are certain to be incurred, but the amount or timing of which cannot yet be determined accurately.

The Council makes provision for costs relating to insurance. These are fully explained in notes 13.1 and 13.2 to the Consolidated Balance Sheet.

The Council also maintains reserves to meet both general and specific future expenditure. These are disclosed within "Total Equity" in the Consolidated Balance Sheet, and their purposes are explained in the accompanying notes.

21. Associated and Subsidiary Companies

Under accounting standards, the Council has to identify any interests in associated and subsidiary companies and determine whether this is of sufficient significance to be included in the Council's Consolidated Balance Sheet. Details are given in note 24.0 to the Consolidated Balance Sheet.

For this financial year the Council has utilised the transitional arrangements for Group Accounts (SORP 2004). Full Group Accounts, with 2004/05 comparators, will be produced for the 2005/06 Statement of Accounts.

22. Redemption of Debt

The Council's Treasury Management Strategy permits the early repayment of borrowing. This may be undertaken if market conditions are favourable and there are no risks to cashflow. Such a transaction may be carried out in order to reduce interest payable, to adjust the maturity profile or to restructure the ratio of fixed to variable interest.

23. Contingent Assets/Contingent Gains

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

Contingent assets are not recognised in the revenue account or the balance sheet because prudence cautions that the gain might never be realised.

Please see note 25.0 to the Consolidated Balance Sheet for further details.

24. Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control.

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in note 26.0 to the Consolidated Balance Sheet.

25. Estimation Techniques**25.1 Insurance**

Historically, the Council has provided for the full value of employer and public liability insurance claims received as at the year end. For 2004/05 the provision is based on an independent assessment of outstanding claims. This independent assessment uses actuarial techniques to determine the required level of the provision. Please refer to Consolidated Balance Sheet note 13.1 for further details.

25.2 Retirement Benefits - FRS17

In assessing liabilities for retirement benefits at 31st March 2004, the actuary was required by the SORP to use a discount rate of 3.5% real, (6.4% actual). For 2004/05 accounts a rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities is to be used. This is often referred to as "AA Corporate Bond Rates" (5.3%). As a consequence the reduction in the assumed real discount rate has resulted in a significant increase in liabilities (£625.32m as at 31st March 2004 to £699.79m as at 31st March 2005) and the current service cost (£13.56m as at 31st March 2004 to £21.79m as at 31st March 2005).

Consolidated Revenue Account for the year ended 31st March 2005

2003/04		Note	2004/05		
			Gross Exp	Gross Income	Net Exp
£'000			£'000	£'000	£'000
	Continuing Operations				
2,604	Central Services to the Public		20,667	(18,543)	2,124
51,052	Cultural, Environmental and Planning		77,193	(20,662)	56,531
153,359	Education Services		209,270	(44,215)	165,055
26,971	Highways, Roads and Transportation		40,100	(11,820)	28,280
13,289	Housing Services		94,564	(83,563)	11,001
71,996	Social Services		117,040	(37,256)	79,784
5,557	Corporate and Democratic Core		11,647	(3,774)	7,873
4,969	Non Distributed Costs		5,176	(136)	5,040
329,797	Net Cost of Services		575,657	(219,969)	355,688
	Precepts: -				
7,190	South Wales Police Authority	14.0	8,173	0	8,173
1,094	Community Councils	14.0	1,162	0	1,162
10,718	Levies	9.0	11,715	0	11,715
(1,227)	Interest and Investment Income		4	(1,710)	(1,706)
(1,537)	(Surplus)/Deficit on Trading Activities	1.0	23,831	(23,685)	146
(10,076)	Net Income Asset Management Revenue a/c	13.0	0	(12,623)	(12,623)
(26)	(Gains)/Losses on the Repurchase of Borrowing		0	1	1
13,940	Pensions Interest Cost and Expected Return on Pensions Assets	8.0	40,000	(25,440)	14,560
349,873	Net Operating Expenditure		660,542	(283,426)	377,116
672	Transfer of HRA Surplus/(Deficit) to Reserves				(228)
(1,410)	Transfer to/(from) MGCC Insurance Reserve				(498)
(22,301)	Release of Capital Financing Account	13.0			(25,089)
7,619	Net Contributions to/(from) Earmarked Reserves				2,681
(4,530)	Contribution from Pensions Reserve				(9,670)
329,923	Amount to be met from Government Grants/Local Taxpayers				344,312
(221,200)	General Government Grants				(227,670)
(47,054)	NNDR Pool Contribution	15.0			(47,428)
(64,319)	Net Proceeds of Council Tax	14.0			(68,917)
(2,650)	Net General Fund (Surplus) / Deficit				297
(8,174)	Balance on General Fund Brought Forward				(10,824)
0	Movement Between Reserves				0
(10,824)	Balance on General Fund Carried Forward				(10,527)

Notes to the Consolidated Revenue Account

1.0 Trading Activities

The definition of Trading Activities is defined by BVACOP. The Council operates the following activities on a trading account basis:

Former DLO Trading Activities	2003/04	2004/05		
	(Surplus) / Deficit	Exp	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Highways Maintenance	(429)	7,364	(7,691)	(327)
Building Cleaning	11	1,017	(1,039)	(22)
Education and Welfare Catering	(474)	9,396	(9,069)	327
Total	(892)	17,777	(17,799)	(22)

Other Trading Activities	2003/04	2004/05		
	(Surplus) / Deficit	Exp	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Other Catering	52	276	(215)	61
Central Print Unit	(14)	836	(810)	26
Creative Design	(66)	1,002	(1,050)	(48)
Fleet Services	(24)	3,569	(3,421)	148
Commercial Waste (formerly Trade Waste)	(42)	371	(390)	(19)
Total	(94)	6,054	(5,886)	168

In accordance with the BVACOP, surplus / deficits on trading activities should be re-apportioned across clients for total cost reporting purposes if a failure to do so would result in a material misstatement at division of service level or in a performance indicator (national or local).

It is considered that re-apportionment of trading activity surplus / deficits would be unwieldy, due to multiple users of the services. It is also considered that it would not have a material re-statement of current expenditure levels (this treatment is consistent with the Council's Annual Improvement Plan).

FRS17 "Retirement Benefits" applies to trading activities. The effect of this has been to decrease the total trading activity deficit. Excluding FRS17, trading activity deficit was £441k.

During 2004/05 the "Creative Design and Print" function was split into two separate trading activities, these being "Creative Design" and "Central Print Unit". For comparative purposes the 2003/04 figures have been adjusted to reflect this change.

From the 2004/05 financial year the following functions are no longer classified as trading activities:

Former Trading Activities	2003/04 (Surplus) / Deficit £'000
Housing Maintenance Unit	(202)
Property Consultancy	30
Controlled Companies Income	(379)
Total	(551)

These functions are now excluded because:

- Housing Maintenance Unit – Following a number of operational changes the HMU no longer satisfies any of the six trading activity criteria identified by the BVACOP.
- Property Consultancy – Due to a reduction in the workload of the unit the Property Consultancy function was disbanded on 31st March 2004.
- Controlled Companies Income – The income from Amgen Companies relates to royalty payments, and therefore should not be included under trading activities.

2.0 Publicity

Local Authorities are required to keep a separate account of expenditure on advertising and promotion publicity.

During 2004/05 the Council spent a total of £2.4m in respect of the following:-

Category	2003/04 £'000	2004/05 £'000
Recruitment advertising	1,172	843
General advertising	589	1,080
Other publicity	321	428
Total	2,082	2,351

3.0 Agency Arrangements

The Council undertakes no work on an agency basis.

4.0 Road User Charging

The Council does not operate a scheme of road user charging or workplace parking levy under the Transport Act 2000.

5.0 Local Authorities Goods and Services Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During the 2004/05 financial year the Council undertook the following work under the provisions of this Act: -

Category of supply	Client	2003/04 £'000	2004/05 £'000
Supply of Goods or Materials	City & County of Cardiff	0	67
	Powys County Borough Council (CBC)	4	0
	South Wales Fire Service	6	0
	South Wales Police Authority	2	0
	Merthyr Tydfil CBC	0	231
	Caerphilly CBC	0	34
	Bridgend CBC	0	445
	Newport CBC	0	10
	Neath Port Talbot CBC	0	14
	South Lanarkshire County Council	0	11
	Harrow (London Borough)	0	18
	Maidenhead Borough Council	0	3
	Swansea Local Health Board (LHB)	0	1
	Vale of Glamorgan CBC	0	60
	Cefn Coed Hospital	0	1
	City & Council of Swansea	0	2
		12	897
Provision of Administrative, Professional or Technical Services	Aberdare College	147	0
	Bridgend CBC	6	10
	Bristol City Council	24	0
	Bro Taf Health Authority	591	0
	Caerphilly CBC	53	82
	City & County of Cardiff	38	87
	Merthyr Tydfil College	35	17
	Merthyr Tydfil CBC	4	12
	North Glamorgan NHS Trust	0	22
	Pontypridd & Rhondda NHS Trust	4	557
	Pontypridd College	568	1,202
	Pontypridd Town Council	1	17
	South Wales Fire Service	46	47
	South Wales Police Authority	130	136
	University of Glamorgan	38	18
	Ystrad Mynach College	8	7
	Bridgend & District NHS Trust	0	58
	Rhondda Cynon Taf LHB	0	101
Care Council for Wales	0	1	
		1,693	2,374
Use of Vehicles, Plant or Apparatus	Aberdare College	1	0
	Caerphilly County Borough Council	4	0
	South Wales Police Authority	5	0
		10	0
	Total	1,715	3,271

6.0 Officers' Emoluments

Under the Accounts and Audit Regulations 1996, local authorities must disclose in their accounts the number of employees whose remuneration in the year fell in each bracket of a scale in multiples of £10,000 commencing at £40,000 (excluding pension contributions). The disclosure includes redundancy payments.

During 2004/05 the Council paid an average of 13,000 staff, paying total salaries of £219m. Within this, the following salary payments were made within the categories specified: -

Remuneration Band	2003/04	2004/05		
	No. of employees	No. of employees		
	Total	At 31/03/05	Left in year	Total
£40,000 - £49,999	128	198	1	199
£50,000 - £59,999	26	21	0	21
£60,000 - £69,999	10	16	1	17
£70,000 - £79,999	1	4	0	4
£80,000 - £89,999	4	1	1	2
£90,000 - £99,000	0	2	0	2
£100,000 - £109,999	1	0	0	0
£110,000 - £119,999	1	0	0	0
Total	171	242	3	245

7.0 Members' Allowances

The Local Authorities (Members' Allowances)(Amendment) Regulations 1995 require authorities to make public schemes for Members' allowances and to disclose annually amounts paid to each Member under such schemes.

During 2004/05 the Council paid a total of £1,230k (£1,200k in 2003/04) in respect of basic allowances, special responsibility allowances and dependant care allowances to 75 members (excluding travelling, subsistence, employers national insurance and other associated costs).

Details of individual allowances will be published in the local press. Copies may be obtained from Group Director - Corporate Services, Bronwydd House, Porth, Rhondda CF39 9DL.

8.0 Pensions

The Council participates in two pension schemes: -

- Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency (TPA). The pension cost charged to the accounts is the contribution rate set by the TPA on the basis of a notional fund. In 2004/05 the Council paid £10.3m (£10.1m in 2003/04) to the Agency in respect of teachers' pension costs, which represents 13.5% (13.5% in 2003/04) of pensionable pay. In addition, the Council is responsible for all pension

payments relating to added years that it has awarded, together with related increases. In 2004/05 these amounted to £795k (£784k in 2003/04).

- Other employees - Subject to certain qualifying criteria, other employees contribute to the Local Government Pension Scheme (LGPS). The LGPS is a Defined Benefit scheme. The pension costs that are charged to the Council's accounts are defined by FRS17 "Retirement Benefits".

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being as at 31st March 2004. The next valuation is to be completed as at 31st March 2007. Changes to contributions will take effect from 1st April 2005.

The amounts charged to the Consolidated Revenue Account are:

	£'000
Current Service Cost	21,790
Past Service Cost	1,100
Total Charged to Net Cost of Services	22,890
Expected Return on Pension Fund Assets	(25,440)
Interest on Pension Scheme Liabilities	40,000
Net Charge to Interest Cost and Expected Returns	14,560

Balance Sheet note 29.0 and Statement of Total Movement in Reserves note 2.0 also relate to FRS17 "Retirement Benefits".

The actuary has used the Projected Unit method to calculate the liabilities due. This means that where the age profile of the active membership is rising significantly, current service cost will increase as members of the fund approach retirement.

The actuarial valuation assumed the implementation of changes to the Local Government Pension Scheme which came into force on 1st April 2005. However, these changes have since been revoked. Since the Government has stated that employers will not bear the costs of this revocation and new negotiations are underway for changes now expected to take effect from 1st April 2006, a revision to the actuarial valuation is not being sought.

Further information can be found in the Pension Fund Annual Report which is available on request from The Group Director - Corporate Services, Bronwydd House, Porth, Rhondda, CF39 9DL. A summary of this report can be found on pages 64 to 75.

9.0 Levies by Joint Committees and Other Bodies

Certain services are operated over areas covering more than one Authority, either on a joint service basis, where one Authority administers the service where other Authorities contribute to the costs, or by external bodies who levy on the appropriate Authorities.

Contributions made under these arrangements are given in the following table: -

Organisation Name	2003/04 £'000	2004/05 £'000
South Wales Fire Service	9,099	9,805
Magistrates' Courts	470	486
Coroner	251	257
Glamorgan Archives	166	170
Registrars	91	127
National Rivers Authority	704	819
Brecon Beacons National Park	47	51
Refund on Overpayment of Probation Fees	(110)	0
Total	10,718	11,715

10.0 Operating Leases

The following table shows the amounts of rentals payable in the year in respect of operating leases:-

Group	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total £'000
Community Services	0	133	133
Corporate Services	0	247	247
Education & Childrens' Services	0	813	813
Environmental Services	118	417	535
Total	118	1,610	1,728

The Council was committed at 31st March 2005 to making payments of £1,016k under operating leases in 2005/06, comprising the following elements:-

	Committed Expenditure in 2005/06 for Leases Expiring:			Total £'000
	In 2005/06 £'000	Between 2006/07 and 2009/10 £'000	After 2009/10 £'000	
Other Land & Buildings	0	118	0	118
Vehicles, Plant & Equipment	290	608	0	898
Total	290	726	0	1,016

11.0 Long Term Contracts

The following table illustrates future obligations in respect of long term contracts: -

Details	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008-End £'000
Residential Care	20,674	20,674	20,674	Ongoing
Supported Living	8,288	8,288	8,288	Ongoing
Domiciliary Care	2,047	2,047	2,047	Ongoing
Grants to Voluntary Sector	1,830	1,830	1,830	Ongoing
Transport	1,124	1,124	1,124	Ongoing
Financial Systems and Banking	330	320	285	Ongoing
Home to School Transport	9,138	9,138	9,138	Ongoing
Total	43,431	43,421	43,386	Ongoing

These liabilities are not accounted for in the Consolidated Balance Sheet as these costs have not yet been incurred.

12.0 Minimum Revenue Provision

The Local Government Act 2003 requires the Council to set aside a minimum revenue provision (MRP) for debt redemption. The MRP calculation is based on 2% of the opening adjusted Capital Financing Requirement in respect of Housing and 4% for other services with the exception of borrowing approvals granted for Local Government Reorganisation (LGR) purposes.

The adjusted Capital Financing Requirement outstanding at the 31st March 2004 has been reduced by £6,518k to account for penalties in respect of premature debt repayments incorrectly added to 2003/04 credit ceiling. This complies with a change in the accounting treatment as required by the Welsh Assembly Government.

For 2004/05 these limits have been calculated as follows: -

	M.R.P.	Adjusted Capital Financing Requirement	M.R.P.
	2003/04	2004/05	
	£'000	£'000	£'000
Housing Revenue Account	2,623	127,748	2,555
General Fund	8,939	239,037	9,575
Prior Year Adjustment		(6,518)	
Less Commutation Adjustment	(5,130)		(3,752)
Total	6,432	360,267	8,378

The adjustment for commutation compensates Local Authorities for the timing effects of the premature repayment by the Welsh Assembly Government of Housing Improvement Grants. This adjustment will reduce to zero by 2009/10.

13.0 Asset Management Revenue Account

The Asset Management Revenue Account (AMRA) bears the depreciation charge and external financing costs and recharges users of assets on the basis of a capital charge consisting of interest and depreciation. Capital charges to services are statutory charges, internally calculated, and may not relate to actual external costs incurred. These amounts are charged to service accounts and credited to AMRA. This ensures that capital charges do not impact on the level of the Council Tax or Housing Rents.

Movements on the account for 2004/05 are summarised below: -

	2003/04 £'000	2004/05 £'000
Depreciation and Amortisation	16,401	25,216
External Interest	17,232	14,579
Total Debit	33,633	39,795
HRA Item 8 Credits	(9,577)	(8,404)
Capital Charges:		
Deferred Grants	(1,006)	(1,760)
Interest	(20,872)	(22,932)
Depreciation & Amortisation	(12,254)	(19,322)
Total Credit	(43,709)	(52,418)
Net Credit	(10,076)	(12,623)

The following table summarises the movements relating to the release of the Capital Financing Account: -

	2003/04		2004/05	
	£'000	£'000	£'000	£'000
Minimum Revenue Provision (CRA note 12.0)	6,432		8,378	
Less Depreciation and Amortisation	(16,401)	(9,969)	(25,216)	(16,838)
Deferred Govt Grants		1,006		3,805
Investment written back		(14)		(121)
Total Debit		(8,977)		(13,154)
Deferred Charge (CBS Note 2.1)		(13,324)		(11,935)
Total Contribution from Capital Reserves		(22,301)		(25,089)

14.0 Council Tax

Council tax income derives from charges raised according to the value of residential properties. Charges are calculated by taking the amount of income required for Rhondda Cynon Taf CBC, the South Wales Police Authority and the Community Councils for the year, and dividing this amount by the Council tax base.

The Council tax base for 2004/05 was calculated to be £70,634.22 (compared with £69,456.46 for 2003/04). This represents the anticipated yield for every £1 of Council tax levied.

The base is calculated by placing properties in nine bands (A*-H). After allowing for discounts and exemptions, these are then converted to the equivalent number of Band D properties, using the appropriate multiplier as below: -

Band	A*	A	B	C	D	E	F	G	H
No of properties	131	25,829	17,351	10,243	7,516	7,588	3,125	1,349	64
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9

The resultant number of band D properties is reduced by a percentage to reflect anticipated losses on collection. The target collection rate for 2004/05 was 96.5%.

An analysis of the net proceeds from council tax is shown as follows: -

Council Tax Analysis	2003/04 £'000	2004/05 £'000
Council tax billed	64,319	68,917
Net proceeds from Council Tax	64,319	68,917
Less payable		
South Wales Police Authority	(7,190)	(8,173)
Community Councils	(1,094)	(1,162)
Total	56,035	59,582

15.0 National Non-Domestic Rates

Indebtedness for National Non-Domestic Rates (NNDR) is based on a "multiplier" set nationally by the government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year. The multiplier for 2004/05 was 45.2p (44.0p for 2003/04). The total rateable value as at 31st March 2005 was £96.6m (£96.1m as at 31st March 2004).

The Council is responsible for collecting the business rates in its area and pays the proceeds into the NNDR pool administered by the Welsh Assembly Government. The Welsh Assembly Government redistributes total collections back to local authorities on the basis of a fixed amount per head of population. Total NNDR collected from ratepayers is £36.2m (£35.2m in 2003/04). The contribution back to the Council from the pool in the year amounted to £47.4m (£47.1m in 2003/04) and the amount paid to the pool amounted to £36.8m (£34.2m in 2003/04).

16.0 Related Party Transactions

In accordance with FRS8, the Council has a duty to disclose any material transactions with a 'related party'. This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

Central Government

Revenue Grants, Capital Grants, Revenue Support Grant and NNDR pool transactions arose during the year. Detailed information on these transactions is disclosed elsewhere in the statement.

Precepts and Levies

Details of precepts collected on behalf of other organisations are provided in the Consolidated Revenue Account. An analysis of amounts levied on this Council by other bodies can be found at note 9.0 to the Consolidated Revenue Account.

Chief Officers and Members

Details of Officers' emoluments and Members allowances are provided in Consolidated Revenue Account notes 6.0 and 7.0 respectively. Interests of Members are maintained in the Register of Members Interests.

The following organisations are related parties (by virtue of Member interest in them) with whom the Council has had dealings.

Organisation	Nature of Payment / (Receipt)	2003/04 £'000	2004/05 £'000
Engineering & Mechanical Services	Vehicle Hire, Repairs & Maintenance	9	7
National Health Service Bodies & Support Groups	Goods and Services	200	(4)
National Health Service Bodies & Support Groups	Grant Payments	(273)	13
Housing Associations	Goods and Services	0	(7)
Public Houses, Halls & Institutes	Grant Payments	20	0
Town Revival Strategies	Goods and Services	(4)	0
Town Revival Strategies	Grant Payments	124	0
Sports & Social Clubs	Goods and Services	20	(6)
Sports & Social Clubs	Grant Payments	21	0
Community Councils, Associations & Services	Goods and Services	(61)	(186)
Community Councils, Associations & Services	Grant Payments	124	2,276
Childrens' Clubs & Associations	Goods and Services	5	0

Continued Overleaf....

Childrens' Clubs & Associations	Grant Payments	83	4
Educational & Cultural Establishments	Goods and Services	2	(571)
Government Bodies, Associations & Staff	Goods and Services	0	101
Private Companies	Goods and Services	0	145

Rhondda Cynon Taf Pension Fund

The Group Director - Corporate Services is also the Responsible Finance Officer to the Rhondda Cynon Taf Pension Fund. The Council charged the Pension Fund an amount of £1.2m in respect of administration and support during financial year 2004/05. Specific details relating to contributions to the Pension Fund can be found in note 8.0 to the Consolidated Revenue Account. The amount owed to the Pension Fund from the Council as at 31st March 2005 is £6.4m.

Amgen Cymru, Amgen Rhondda and The Model House

The nature of the Council's relationship with these Associated Companies is disclosed in note 24.0 to the Consolidated Balance Sheet.

Glamorgan Archives Joint Committee

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee has 21 members in total, of which 16 are elected members, with voting rights. There are 4 Rhondda Cynon Taf CBC Councillors on the Joint Committee.

During 2004/05, this Council contributed to the Joint Committee an amount of £170k. This was calculated proportionately based upon population. The Council holds cash balances relating to Glamorgan Archives as at 31st March 2005 of £656k.

Glamorgan Engineering Consultancy

The Glamorgan Engineering Consultancy is subject to the control of a Joint Committee under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of 15 members, 6 of which are Rhondda Cynon Taf elected members.

During 2004/05, this Council was charged £4.2m in respect of Consultancy Fees incurred. The Council holds cash balances relating to Glamorgan Engineering Consultancy as at 31st March 2005 of £2m.

Llwydcoed Crematorium

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council. During 2004/05, the Council charged Llwydcoed Crematorium £16k in respect of Central Establishment Charges. The Council holds cash balances relating to the Crematorium as at 31st March 2005 of £484k.

17.0 Audit Fees

In 2004/05 the Council incurred the following fees relating to external audit and inspection:

Category	2003/04 £'000	2004/05 £'000
Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor	381	375
Fees payable to the Wales Audit Office in respect of statutory inspection	68	45
Fees payable to the Wales Audit Office for the certification of grant claims and returns	334	271
Fees payable in respect of other services provided by the appointed auditor	0	1
Total	783	692

18.0 Building Control

Building Control (Local Authority Charges) Regulations 1998 require local authorities to either:

- recover the full cost of operating a building control service with the objective of breaking even over three years; or
- recover at least 90% of the costs over a three year period.

The first three-year period began 1st April 1999.

The following statement shows the total cost of operating the building control unit for 2004/05 analysed between chargeable and non-chargeable activities.

Trading Account For Building Control						
	2003/04			2004/05		
	Charge-able (69%) £'000	Non-charge-able (31%) £'000	Total Building Control £'000	Charge-able (69%) £'000	Non-charge-able (31%) £'000	Total Building Control £'000
Employee Expenses	201	91	292	208	93	301
Transport	19	8	27	18	8	26
Supplies & Services	2	1	3	2	1	3
Cent & Supp Serv Charges	133	60	193	168	76	244
Total Expenditure	355	160	515	396	178	574
	Charge-able (100%) £'000	Non-charge-able £'000	Total Building Control £'000	Charge-able (100%) £'000	Non-charge-able £'000	Total Building Control £'000
Building Reg Charges	(420)	0	(420)	(478)	0	(478)
Total Income	(420)	0	(420)	(478)	0	(478)
(Surplus)/Deficit for Year	(65)	160	95	(82)	178	96

19.0 Private Finance Initiative

During 2003/04 financial year, the Council entered into a Private Finance Initiative (PFI) arrangement for the provision of a Lifelong Learning Centre at Garth Olwg. The arrangement is for a period of 25 years (commencing September 2005) and represents a commitment of £113.773m over the duration of the contract, which is to be funded by a combination of PFI Credits, agreed by the Welsh Assembly Government, and Council/Delegated School resources.

Details of the committed spend is as follows:

Years	£'000
1-5	18,225
6-10	21,050
11-15	22,377
16-20	23,878
21-25	28,243
Total	113,773

20.0 Rent Rebates

From the financial year 2004/05 onwards, policy and administration responsibility for subsidising rent rebates in respect of HRA dwellings passes to the Department for Work and Pensions (DWP). As a result, rent rebates in respect of HRA dwellings are removed from the HRA and accounted for instead in the General Fund in 2004/05.

Consolidated Balance Sheet as at 31st March 2005

31/03/04		Note	31/03/05	
			£'000	£'000
1,690	Fixed Assets			
	<u>Intangible Fixed Assets</u>	1.0	4,082	
	<u>Tangible Fixed Assets</u>			
	<u>Operational Assets</u>	2.0		
291,137	Council Dwellings		275,878	
306,077	Other Land & Buildings		301,097	
3,683	Vehicles, Plant & Equipment		6,544	
233,107	Infrastructure Assets		230,673	
1,090	Community Assets		1,585	
	<u>Non Operational Assets</u>	2.0		
395	Investment Properties		160	
5,094	Miscellaneous Properties		4,990	
19,332	Surplus Assets		14,894	
13,892	Assets Under Construction		28,487	
875,497				868,390
50	Long Term Investments		50	
3,048	Investment in Companies	24.0	2,927	
2,423	Long Term Debtors	3.0	1,966	4,943
881,018	TOTAL LONG TERM ASSETS			873,333
844	Current Assets			
31,199	Stocks & Work in Progress	4.0	1,001	
54,940	Debtors	5.0	31,449	
169	Short Term Investments	6.0	49,900	
	Cash In Hand	7.0	171	82,521
968,170	TOTAL ASSETS			955,854
(16,961)	Current Liabilities			
(86,465)	Short Term Borrowing	8.0	(4,943)	
(1,888)	Creditors	9.0	(65,221)	
	Bank Overdraft	10.0	(5,043)	(75,207)
862,856	TOTAL ASSETS LESS CURRENT LIABILITIES			880,647
(278,674)	Long Term Liabilities			
607	Long Term Borrowing	11.0	(319,935)	
(12,557)	Deferred Liabilities	12.0	7,093	
(266,700)	Provisions	13.0	(9,986)	
	Defined Pension Scheme Liability	29.0	(373,620)	(696,448)
305,532	TOTAL ASSETS LESS LIABILITIES			184,199
	Represented by :-			
(423,039)	Capital			
(67,058)	Fixed Asset Restatement Account	14.0	(391,086)	
(1,325)	Reserves			
(11,890)	Capital Financing Account	15.0	(64,690)	
(31,481)	Deferred Capital Receipts Reserve	16.0	(1,024)	
	Usable Capital Receipts Reserve	17.0	(4,012)	
	Government Grants Deferred	18.0	(57,910)	
(534,793)				(518,722)
266,700	Revenue Reserves			
(10,824)	Pensions Reserve	29.0	373,620	
(2,277)	General Fund Balances	19.0	(10,527)	
(1,902)	MGCC Insurance Reserve	20.0	(1,779)	
(6,122)	Housing Revenue A/C	21.0	(1,674)	
(16,314)	Delegated Schools	22.1	(7,231)	
	Earmarked Reserves	22.0	(17,886)	334,523
(305,532)	TOTAL EQUITY			(184,199)

Notes to the Consolidated Balance Sheet

1.0 Intangible Fixed Assets

Deferred Charges which have now been reclassified as Intangible Fixed Assets are as follows:

Operational Assets	Software	Licences and Trademarks	Total
	£'000	£'000	£'000
Certified Valuation as at 31 st March 2004	N/a	N/a	N/a
Accumulated Depreciation	N/a	N/a	N/a
Net Book Value as at 31st March 2004	1,248	442	1,690
<u>Movement in 2004/05</u>			
Additions	1,184	14	1,198
Revaluations	(85)	0	(85)
Reclassifications	1,496	0	1,496
Depreciation/Amortisation	(170)	(47)	(217)
Net Book Value as at 31st March 2005	3,673	409	4,082

2.0 Tangible Fixed Assets

2.1 Movements in Tangible Fixed Assets

Movements in tangible fixed assets during the year were as follows: -

<u>Operational Assets</u>	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Communi-ty Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Certified Valuation as at 31st March 2004	291,137	306,077	N/a	N/a	N/a	N/a
Accumulated Depreciation	0	0	N/a	N/a	N/a	N/a
Net Book Value as at 31st March 2004	291,137	306,077	3,683	233,107	1,090	835,094
<u>Movement in 2004/05</u>						
Additions	9,845	12,226	1,840	4,374	0	28,285
Disposals/Demolitions	(9,851)	0	(318)	0	(110)	(10,279)
Revaluations	938	1,924	(1,158)	0	735	2,439
Reclassifications	(548)	895	4,230	0	0	4,577
Non-Enhancement of Assets	(9,845)	(7,956)	(690)	(958)	0	(19,449)
Depreciation	(5,798)	(12,069)	(1,043)	(5,850)	(130)	(24,890)
Net Book Value as at 31st March 2005	275,878	301,097	6,544	230,673	1,585	815,777

<u>Non-Operational Assets</u>	Investment Properties	Misc. Properties	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Certified Valuation as at 31st March 2004	N/a	N/a	N/a	N/a	N/a
Accumulated Depreciation	N/a	N/a	N/a	N/a	N/a
Net Book Value as at 31st March 2004	395	5,094	19,332	13,892	38,713
<u>Movement in 2004/05</u>					
Additions	0	0	0	20,579	20,579
Disposals/Demolitions	0	(43)	(5,734)	0	(5,777)
Revaluations	0	(61)	1,405	(146)	1,198
Reclassifications	(235)	0	0	(5,838)	(6,073)
Non-Enhancement of Assets	0	0	0	0	0
Depreciation	0	0	(109)	0	(109)
Net Book Value as at 31st March 2005	160	4,990	14,894	28,487	48,531

Deferred Charges which have now been reclassified as Tangible Fixed Assets are included in the above table as follows:

<u>Operational Assets</u>	Other Land & Buildings	Vehicles, Plant & Equipment	Deferred Charges Written off in Year	Total
Certified Valuation as at 31 st March 2004	N/a	N/a	N/a	N/a
Accumulated Depreciation	N/a	N/a	N/a	N/a
Net Book Value as at 31st March 2004	1,336	3	0	1,339
<u>Movement in 2004/05</u>				
Additions	732	12	11,935	12,679
Depreciation/Amortisation	(181)	0	(11,935)	(12,116)
Net Book Value as at 31st March 2005	1,887	15	0	1,902

As a result of a change in accounting policy, in accordance with the 2004 SORP, Deferred Charges held in the Consolidated Balance Sheet as at 31st March 2004 in the 2004/05 accounts, totalling £3,029k, have now been restated as either Intangible fixed assets or Tangible fixed assets as follows:

Category	Balance as at 31/03/04
	£'000
Intangible fixed assets	1,690
Tangible fixed assets	1,339
Total	3,029

The Council retains ownership of the Welsh Joint Education Committee offices in Western Avenue, Cardiff on behalf of all Welsh Unitary Authorities. Although owned by the Council, they do not form part of the Council's fixed asset portfolio as they are controlled by the WJEC.

There are four Magistrates Courts within Rhondda Cynon Taf's boundaries, namely Llantrisant, Pontypridd, Rhondda and Mountain Ash. Although owned by the Council, they do not form part of the Council's fixed asset portfolio as they are controlled by the Magistrate Court Committee.

The Council's property assets are subject to a five yearly revaluation. On 31st March 2004 the revaluation of the Council's Land & Buildings was completed by Chestertons, and a land review undertaken by Cooke & Arkwright. Council Dwellings were also revalued on 31st March 2004 using the Beacons Principle by a RICS qualified Senior Estates Surveyor of the Council's Corporate Estates Division. All revaluations are reflected in the Balance Sheet. For those assets that have not been revalued in the year the Council is not aware of any material change in value.

A summary of the schedule itemising the main Fixed Assets of the Council is given on page 37 and 38.

The additions to the Council's fixed assets were funded from the following sources:-

Funding Source	Tangible Fixed Assets £'000	Intangible Fixed Assets £'000	Deferred Charges £'000	Total £'000
Borrowing	5,119	0	9,739	14,858
Capital Receipts	14,213	1,198	183	15,594
Contributions	601	0	0	601
Grants	28,221	0	2,013	30,234
Revenue Funding	710	0	0	710
Total	48,864	1,198	11,935	61,997

2.2 Major Items of Capital Expenditure 2004/05

As can be seen from note 2.1, additions to tangible fixed assets during the year totalled £48.9m. In addition to the £4.4m on Infrastructure i.e. transport systems, land and environment improvements, the major items included in this total are listed in the following table:

Scheme	£'000
Porth Plaza	2,427
Broadband Network Infrastructure	2,029
Disabled Access Initiative	1,082
Virtual Communities	2,030
Coed-Y-Lan Comprehensive School	1,754
Cefn-Yr-Hendy School	2,082
Hawthorn High School	1,182

Continued Overleaf....

Porth Inner Relief Road	3,776
Pontypridd Interchange	1,378
Taff Vale North Rail Station	1,338
Neighbourhood Renewal Areas	1,612

2.3 Capital Commitments

Major commitments over the next two years in respect of capital schemes as at 31st March 2005 include the following schemes: -

Scheme	31/03/04 £'000	31/03/05 £'000
Virtual Communities	0	1,154
Porth Plaza	2,401	0
Cefn-Yr-Hendy Site	2,161	0
Coed-Y-Lan Comprehensive	4,032	1,920
Hawthorn High School	1,869	0
Neighbourhood Renewal Areas	0	2,100
Purchase of New Fleet	0	14,425
Rhydyfelin Early Years Centre	0	1,777
Sports Halls	0	5,278
Llanharan Station	0	2,300
Porth Relief Road	0	28,170
Church Village Bypass	0	2,056
Nantgywyddon Landfill Site Remedial Works	0	2,500

2.4 Analysis of Fixed Assets as at 31st March 2005

Assets owned by Rhondda Cynon Taf are summarised as follows:-

Asset type	31/03/04	31/03/05
Council Dwellings	10,631	10,078
Sheltered Housing	744	744
Estate Shops	8	8
Caravans	3	3
Municipal Offices Operational	33	34
Municipal Offices Non Operational	30	26
Adult Education Centres	5	6
Schools - Nursery	38	39
- Primary	85	83
- Primary Welsh	14	14
- Secondary	15	14
- Secondary Welsh	4	5
- Special	7	7
Education Youth Centres	13	13
Other Education Establishments	10	6
Libraries	27	28
Homes for the Elderly	13	13
Children's Homes	8	4
Day Centres	33	32
Physical Disability Establishments	3	3
Garden Centre	1	1
Special Sites	5	5

Continued Overleaf....

Leisure Centres	8	8
Other Leisure Facilities	28	31
Pools	7	10
Parks/Play Areas	212	220
Community Centres	30	35
Community Centres	30	35
Cemeteries	13	13
Country Park	1	1
Industrial Estate	1	0
Depots/Stores	6	8
Tourism – Museum/Theatre	6	6
Dog Pound	1	1
Heritage	2	2
War Memorials	20	20
Car Parks	63	63
Allotments	4	6
Social Centres	3	6
Miscellaneous Housing Establishments	6	4
Works of Art/Exhibits and Statues	2	2
Assets Under Construction	12	7
<u>Infrastructure: -</u>		
Principal Roads	174.34km	166.7km
Other Roads	1042.39km	1,051.5km
Trunk Roads	37.5km	29.0km

2.5 Valuation of Fixed Assets

Assets are valued according to asset type. The following table shows the type of operational assets held, the basis of valuation and the date of last valuation.

Asset Type	Date Of Last Valuation	Basis Of Valuation
Council Dwellings	31 st March 2004	EUV-SH
Other Land & Buildings	31 st March 2004	EUV
Specialist Building	31 st March 2004	DRC
Vehicles, Plant, Equip.	N/A	Depreciated Historic Cost
Infrastructure	N/A	Depreciated Historic Cost
Community Assets	N/A	Depreciated Historic Cost

EUV-SH - Existing Use Value – Social Housing
 EUV - Existing Use Value
 DRC - Depreciated Replacement Cost

Community Assets are valued on an historic cost basis with exception to allotments, which are based on rental income valuation, and Aberdare Park, which was revalued in 2004 using the following methods:

- Main Park - Depreciated Replacement Cost
- Café and Shop - Open Market Value
- Other Buildings - Existing Use Value

Non operational assets are valued on the basis of open market value with the exception of Assets Under Construction which are valued at cost.

3.0 Long Term Debtors

These generally relate to mortgages and items due from other local authorities from previous local government reorganisations. They are analysed as follows: -

31/03/04 £'000		31/03/05 £'000
811	Private Mortgages	640
1,325	Council House Mortgages	1,024
283	Other Local Authorities	279
4	Other Advances	23
2,423	Total	1,966

4.0 Stocks and Work in Progress

Consumable stocks held, to be used in 2005/06, and work in progress as at 31st March 2005 are as follows: -

31/03/04 £'000		31/03/05 £'000
802	Stocks	873
42	Work in Progress	128
844	Total	1,001

5.0 Debtors

This represents amounts due to the Council at 31st March 2005, less a provision for potentially uncollectable debts, analysed as follows: -

31/03/04 £'000		31/03/05 £'000
10,904	Government Departments	12,806
6,495	Ratepayers / Chargepayers	8,248
570	Housing Rents (Current Tenants)	706
20,552	Sundry Debtors	16,529
94	Housing Advances	67
38,615		38,356
(7,595)	Less Provision for Doubtful Debt	(7,082)
31,020		31,274
179	Amounts due after one year:- Car Loans to Employees	175
31,199	Total	31,449

6.0 Short Term Investments

This represents monies received in advance of expenditure requirements. Such sums are invested on a short term basis until required. As can be seen from the balance sheet the value of Short Term Investments as at 31st March 2005 was £49.9m (£54.9m as at 31st March 2004).

7.0 Cash In Hand

The balance of £171k represents Cash Floats of £14k and Petty Cash balances totalling £157k.

8.0 Short Term Borrowing

As can be seen from the balance sheet the Short Term Borrowing balance as at 31st March 2005 was £5m (£17m as at 31st March 2004). This comprises PWLB loans with maturity of less than one year and temporary loans.

9.0 Creditors

This represents amounts owed by the Council to third parties as follows: -

31/03/04		31/03/05
£'000		£'000
2,467	Glam. Engineering Consultancy	2,043
6,099	Government departments	5,942
1,357	Ratepayers / chargepayers	1,435
501	Housing rents	453
108	Housing advances	111
43,320	Sundry creditors	48,790
394	MGCC Realisation a/c	0
32,219	Pensions	6,447
86,465	Total	65,221

The MGCC Realisation account related to balances due to other authorities from the disaggregation of affairs of the former Mid Glamorgan County Council. These balances have now been repaid.

10.0 Bank Overdraft

The balance of £5,043k shown in the balance sheet represents actual bank balances less unrepresented cheques. Any surplus cash is invested daily and shown in Short Term Investments.

11.0 Long Term Borrowing

Borrowing is classified as long term if it matures one year after the balance sheet date. Total borrowing is £325m, of which £320m is long term. This represents borrowing to finance capital expenditure. Current borrowing is from the Public Works Loan Board (£236m), market loans (£88m), and other borrowing (£1m).

PWLB, market loan balances and other borrowing as at 31st March 2005 may be analysed as follows: -

Maturity	31/03/04 £'000	31/03/05 £'000
Repayable on demand	1,167	878
Within one year	16,123	4,379
One to two years	4,430	821
Two to five years	15,476	0
Five to ten years	6,136	0
Ten to fifteen years	57,710	52,527
More than fifteen years	194,593	266,273
Total	295,635	324,878

PWLB amounts due within one year and other borrowing (£5m) are classed within Short Term Borrowing on the Balance Sheet.

12.0 Deferred Liabilities

The majority of this liability relates to discount received or premia incurred on prematurely repaid loans from the Public Works Loan Board as a result of rescheduling debt. The General Fund's share of the net premia is charged to revenue over the life of the replacement loans, whereas the HRA's share is charged to the HRA over unexpired period of the loans redeemed, up to a maximum of 10 years.

Some of this liability relates to the Council's debt in respect of the former Taff Ely Borough Council's housing stock. This debt is owed to Caerphilly and the Vale of Glamorgan County Borough Councils. The loan management rests with these authorities as a consequence of the Local Government Reorganisation on 1st April 1974.

Liability	31/03/04 £'000	31/03/05 £'000
Vale of Glamorgan CBC	891	841
Caerphilly CBC	503	493
Net Premia on Debt Rescheduled	(2,001)	(8,427)
Total	(607)	(7,093)

13.0 Provisions

Provisions are amounts set-aside for specific future costs, which are certain to be incurred, but the amount or timing of which cannot be determined accurately. Provisions for bad debts are shown as a deduction from debtors.

Provisions are made in respect of the following: -

Provisions	31/03/04 £'000	31/03/05 £'000
RCTCBC Insurance	10,566	7,990
MGCC Insurance	485	871
WDA Land Reclamation Schemes	511	305
Works in Default	9	8
HRA Disrepairs	174	0
MGCC Disaggregation	812	812
Total	12,557	9,986

13.1 Rhondda Cynon Taf Insurance

Rhondda Cynon Taf self insures against a number of risks and has established an insurance provision within the General Fund of the Council in order to provide for expected losses or negligent acts. The value of the provision required is calculated using actuarial techniques, and as required by FRS12 is based on the probable ultimate cost of the reported losses at the balance sheet date. The value of the provision as at 31st March 2005 was £7.99m.

During 2004/05 the Council established an earmarked reserve which will be used to help fund the cost of claims incurred but not yet received. See Consolidated Balance Sheet note 22.0 for further details.

13.2 Mid Glamorgan Insurance Provision and Reserve

The council holds an insurance provision and reserve for the cost of claims relating to the former Mid Glamorgan County Council. The values held are:

MGCC	£'000
Provision for Outstanding Claims	871
Insurance Reserve	1,779
Total	2,650

If, at some future point, the Mid Glamorgan provision and reserve are deemed to be no longer required, amounts would be distributed to the successor authorities.

13.3 Works in Default

A provision of £8k exists to provide for future costs in respect of maintenance of retaining walls in the vicinity of the highway. Works on the project were completed in 2003/04 but the final invoice is being disputed with the contractor.

13.4 HRA Disrepairs

The provision was set up to provide for the cost of outstanding disrepair actions made against the Council. All outstanding claims were resolved during 2004/05 and therefore this provision is no longer required.

13.5 MGCC Disaggregation

The provision relates to amounts the Council estimates it will pay to other local authorities in respect of MGCC post balance sheet events. Exact values and the timing of payments is uncertain. Please refer to Balance Sheet note 26.3 for further details.

14.0 Fixed Asset Restatement Account

This account represents the balance of the surpluses or deficits as a result of the periodical revaluation of fixed assets. This arises from the difference between the value of fixed assets recorded at net book value (the basis of accounting for fixed assets previously) and their revaluation to:

- existing use value for social housing for council dwellings,
- existing use value for other land and buildings,
- open market value for land awaiting development, investment properties, miscellaneous properties and surplus assets,
- at cost for assets under construction.

This is in accordance with the current capital accounting requirements. The Fixed Asset Restatement Account provides the matching entry when fixed assets are restated, either upon revaluation or disposal.

	£'000
Balance as at 1 st April 2004	(423,039)
Revaluation of Assets	(3,552)
Disposal of Fixed Assets	16,056
Non-Enhancement of Fixed Assets	19,449
Balance as at 31st March 2005	(391,086)

The balance on this account cannot be used to support spending.

15.0 Capital Financing Account

This balance of £64.7m is represented by an amount of £59.1m, which is the reserved proportion of capital receipts, and £5.6m relating to capital financing transactions.

	£'000	£'000
Balance as at 1 st April 2004		(67,058)
Reserved Capital Receipts		(5,925)
Usable Capital Receipts		(15,594)
Third Party Contributions		(601)
Private Mortgages Written Down		171
HRA Transferred Assets Written Down		(62)
HRA Direct Revenue Financing		(710)
<u>Appropriations to CRA</u>		
Investment Write Back	121	
Minimum Revenue Provision	(8,378)	
Depreciation and Amortisation	25,216	
Deferred Government Grants	(3,805)	
Deferred Charges Written off to CRA	11,935	25,089
Balance as at 31st March 2005		(64,690)

This account brings together all capital financing transactions. It includes:

- Amounts set aside from capital receipts and revenue for the repayment of external loans;
- The amount of Capital Expenditure financed from Capital Receipts, revenue and reserves;
- The difference between amounts provided for depreciation and that required by statute to be charged to revenue to repay the principal element of external loans.

The balance on this account cannot be used to support spending.

16.0 Deferred Capital Receipts Reserve

Deferred Receipts represent the deferred sale proceeds of council houses sold to tenants and financed by the granting of mortgages. It is balanced by a similar amount in long term debtors, being the mortgages outstanding. The balance at 1st April 2004 of £1.325m was reduced by repayments of £301k, leaving a balance at 31st March 2005 of £1.024m. As mortgage repayments are made, deferred capital receipts are reduced and usable capital receipts become available.

17.0 Usable Capital Receipts Reserve

The Usable Capital Receipts reserve is the proportion of capital receipts that may be used to finance capital expenditure.

Under the Local Government Act 2003, as from 1st April 2004 Local Authorities now have the option in setting aside housing capital receipts to repay debt. The Council has continued to set aside 75% of Right to Buy receipts and 50% of other housing receipts in accordance with the current Housing Subsidy regulations. The Act also states that from 1st April 2004 housing capital receipts can only be used to finance housing capital expenditure.

The movements on the reserve are as follows:

	General Fund	Housing Revenue Account	Total
	£'000	£'000	£'000
Balance as at 1 st April 2004	(11,890)	0	(11,890)
<u>Receipts During the Year:</u>			
Sale of Assets	(5,558)	(7,611)	(13,169)
Mortgage Repayments	(171)	(301)	(472)
Set aside	0	5,925	5,925
<u>Application During the Year:</u>			
Financing of Capital Expenditure	13,607	1,987	15,594
Balance as at 31st March 2005	(4,012)	0	(4,012)

18.0 Government Grants Deferred

The account recognises any grants and contributions which have been applied to finance capital expenditure. For assets which are depreciated an annual contribution to revenue is made from the account, for the useful economic life of the asset, to offset the depreciation charged. Where an asset is financed by grant or contribution but is not depreciated the balance remains in the account.

	£'000
Balance as at 1 st April 2004	(31,481)
Grants/Contributions applied in year	(30,234)
Grants/Contributions written down in year	2,045
Transfer to Asset Management Revenue Account	1,760
Balance as at 31st March 2005	(57,910)

19.0 General Fund Balances

Revenue balances are accumulated working balances held as general reserves. General fund balances relate to general fund services and exclude "ring fenced" Council services such as Housing Revenue Account and Delegated Schools.

Movements in General Fund revenue balances during the year are summarised as follows:-

	£'000
Balance as at 31/03/04	10,824
Increase/(Decrease) in Reserve	(297)
Balance as at 31/03/05	10,527

20.0 Mid Glamorgan County Council Insurance Reserve

Please refer to note 13.2 for further details.

21.0 Housing Revenue Account

Housing Revenue Account balance relates to the “ring fenced” council housing accounts. Please refer to pages 61 – 63 for further details.

22.0 Earmarked Reserves

Earmarked Reserves are amounts set aside from revenue reserves in 2004/05 to meet the Council’s committed service initiatives which will result in expenditure being incurred after 31st March 2005.

Balances are as follows:

Reserve	Purpose	31/03/04 £'000	Movement £'000	31/03/05 £'000
Customer Care	To deliver the Council's Customer Care Strategy.	238	(175)	63
E-Government / Service Re-engineering	Delivery of the Council's E-Government Strategy, system replacements and service re-engineering.	1,230	(39)	1,191
Interest Equalisation	To smooth the revenue account consequences of the commutation adjustment and the impact of interest rate volatility.	1,200	(59)	1,141
Financial Management	Amounts set aside as financial cover for potential liabilities.	657	329	986
Development Fund	To deliver high impact visible improvements to key services as an outcome of the Whole Authority Assessment carried out under the Wales Programme for Improvement.	3,348	(2,852)	496
Social Inclusion	To fund activities and projects carried out to improve social inclusion.	1,023	(362)	661
Capital Developments	Resources required to be set-aside for the funding of the Council's approved 3 year capital programme.	4,868	(1,477)	3,391
Job Evaluation	Resources set aside for the financial implications of the job evaluation process.	0	4,800	4,800
Base Budget 2005/06	Amount set aside in the 2005/06 budget setting process.	0	765	765
Prior Year Commitments	Carry forward of funding to finance projects for which commitments have already been made in the prior year.	1,254	123	1,377
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.	2,496	(754)	1,742
Insurance Reserve	To provide for estimated costs of incidents which have occurred during the policy year but have not yet resulted in a claim being lodged.	0	1,273	1,273
Total		16,314	1,572	17,886
Delegated Schools	Please see note 22.1 for details.	6,122	1,109	7,231
Total		22,436	2,681	25,117

22.1 Delegated Schools Reserve

Delegated schools are those which are managed independently. As such, these balances are committed to be spent on delegated services and are not available to the Council for General Fund use.

The following details illustrate the movement on these balances, and any resulting over or under spend. Overspend figures are shown in brackets.

Type of school	31/03/03 £'000	2003/04 Movement £'000	31/03/04 £'000	2004/05 Movement £'000	31/03/05 £'000
Primary	2,989	(686)	2,303	614	2,917
Secondary	2,863	675	3,538	424	3,962
Special	425	(144)	281	71	352
Total	6,277	(155)	6,122	1,109	7,231

23.0 Trust Funds and Special Funds

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31st March 2005 are shown as follows and are not included in the Council's Consolidated Balance Sheet. The 2004/05 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council's Internal Audit for the others).

	31/03/04 £'000	31/03/05 £'000
Education & Social Services	77	157
Pontypridd & Districts Institute for the Blind	185	178
Welsh Church Act Fund	7,073	5,867

The Welsh Church Act Fund balance is subject to amendment upon completion of the final agreement of the disaggregation position with the Vale of Glamorgan Council. The net assets of the Fund have been reduced to reflect the disaggregation.

24.0 Associated and Subsidiary Companies/Investment in Companies

The Council is required to disclose interests in its associated and subsidiary companies within the Statement of Accounts. The Companies Act defines a parent/subsidiary relationship as being where an organisation owns, directly or indirectly a majority of the shares (51-100%) or where the organisation effectively controls the company (or has a dominant influence) through some other means. The criteria for an associated company is that of significant influence, which is generally taken as ownership of between 20-50% of the shares of the company.

The Council has a material interest in 3 companies, details of which are as follows:

	Amgen Cymru		Amgen Rhondda		Model House	
	May 2004 £'000	May 2005 Draft £'000	May 2004 £'000	May 2005 Draft £'000	2003/04 £'000	2004/05 £'000
Shareholding	2,806	2,806	242	121	0	0
Net Current Assets	1,146	866	242	121	31	21
Total Assets less Curr Liab's	3,925	4,823	242	121	53	38
Net Assets	3,886	4,366	242	121	53	38
(Loss)/Profit Before Tax	372	506	(13)	(121)	(36)	(15)
(Loss)/Profit After Tax	378	481	(13)	(121)	(36)	(15)
Registration No.	2660628		3687641		2208104	
Registered Office / Location of Accounts	Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX		Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX		Model House Craft & Design Centre Bull Ring Llantrisant CF72 8EB	
Auditors	KTS Owens Thomas Ltd		KTS Owens Thomas Ltd		Exempt from Audit	
Audit Opinion	Not Yet Issued		Not Yet Issued			

The accounts will be finalised at the companies' Annual General Meeting in November.

Amgen Cymru

This company was set up by the former Cynon Valley Borough Council under the 1990 Environment Act as an "arms length" company. It is registered as "Cynon Valley Waste Disposal" but trades as "Amgen Cymru". The principal activity of the company is to provide facilities for the disposal of waste. The Council has a 100% interest in the company of £2.8m.

Royalties of £288k were chargeable by the Council to Amgen Cymru.

Amgen Rhondda

Amgen Rhondda was set up during September 1999 as a wholly owned subsidiary of Amgen Cymru. The principal activity of the company is the stewardship of waste management and waste disposal facilities. The company has taken over the running of Nantygwyddon Landfill Site from Rhondda Waste Disposal Limited, which went into liquidation during the year ending 31st March 1999.

During 2001/02 the Nantygwyddon Landfill Site was closed for the disposal of all refuse. Amgen Rhondda is now responsible for the appropriate remedial works to bring the site to a satisfactory termination.

Since the site closed for the disposal of waste, no royalties have been paid or are owed (royalties were based on tipping volumes).

During 2004/05 the Council's investment in Amgen Rhondda has been written down by £121k to reflect the revised value of the net assets of the company.

The audit opinion for the Amgen Rhondda 2004 accounts was qualified due to a fundamental uncertainty regarding the funding of remedial work at the landfill site. This fundamental uncertainty has been removed from the draft accounts for May 2005 given the Council's commitment of £2.5m to fund further remedial work.

Model House Llantrisant Ltd

This company is registered as limited by guarantee. All the members of the Council are members of the company and guarantee to contribute £1 in the event of liquidation. On 15th January 1991 it became a registered charity (No: 1001533). The Council has an "influence" over the company as 4 out of the 9 Directors are Councillors of Rhondda Cynon Taf County Borough Council. The principal activity of the company is to operate a regional centre of excellence in the field of contemporary craft and design.

The accounts for Model House Llantrisant have been prepared for the year ended 31st March 2005, copies of which are available from the Group Director – Corporate Services, Finance Division, Bronwydd House, Porth, Rhondda, CF39 9DL.

25.0 Contingent Gains/Assets

25.1 Litigation Case

The Council is currently in the process of attempting to recover the legal costs which it incurred with regard to a successful litigation case. Costs have been agreed at £750k plus interest. To date approximately £200k of the £750k has been received. There remains significant uncertainty as to our ability to fully recover the costs and, accordingly, these have not been included within the accounts.

25.2 Rhondda Waste Disposal in Administration

Rhondda Waste Disposal Ltd went into administration during the year ended 31st March 1999. Details of the Rhondda Waste Disposal Ltd balance sheet at that date are as follows:

Rhondda Waste Disposal as at 31st March 1998		£'000
Net Current Assets		505
Total Assets less Current Liabilities		2,925
Net Assets		513
(Loss)/Profit Before Tax		(731)
(Loss)/Profit After Tax		(578)
Registration No.	2630483	
Registered Office	3 Hilliards Court, Chester Business Park, Wrexham Road, Chester CH4 9QX.	
Auditors	Deloittes & Touche	
Audit Opinion	True and fair	

The Council is advised that the administration process is drawing to a close, the outcome of which is unlikely to have a material effect upon the Council.

26.0 Contingent Liabilities

26.1 Land Reclamation

Grant income is receivable from the Welsh Development Agency (WDA) to fully fund Land Reclamation schemes.

Four projects, which commenced prior to Local Government Reorganisation have been qualified by the Wales Audit Office. The amount of expenditure subject to qualification on these schemes is £3.3m, the Council is still awaiting a final decision from the WDA on how these claims are to be treated. Based upon previous WDA decisions, it is anticipated that clawback will not be sought on these grants.

The Council is working closely with the WDA and the Wales Audit Office to bring this matter to a close.

26.2 Community Services

Prior to 1999, this Council charged clients under S117 of the Mental Health Act 1983. A recent court case involving another local authority, ruled in favour of the claimant who was claiming reimbursement of such charges. As a result of this ruling, the Council has concluded that similar claims could be received from its clients and an earmarked reserve has been established towards potential costs.

26.3 Mid Glamorgan Disaggregation

The Local Government Reorganisation on 1st April 1996 resulted in the debts and liabilities of the former Mid Glamorgan County Council passing to the successor new unitary authorities. Since this date a number of possible Post Balance Sheet Events relating to Mid Glamorgan County Council have been identified. The Section 56 agreement between unitary authorities

includes a mechanism for dealing with Post Balance Sheet Events.

A number of the issues identified by the successor authorities have been settled. The respective responsible Finance Officers now need to agree to include or exclude these items from the disaggregation process. The accounts of Rhondda Cynon Taf include a provision for the relevant share of the settled claims as it is currently assumed likely that these items will be accepted by the Finance Officers.

Successor authorities have also identified claims that are currently in progress and have yet to be settled. Due to the uncertainty regarding amounts, timing and likelihood of success of the claims, it is not considered appropriate to provide for the costs.

26.4 Insurance

The Council is liable for insurance claims made against it in respect of certain events. A provision is made in respect of claims received as at the 31st March 2005. There is a further contingent liability in respect of events which will have occurred but which have not resulted in a claim being made as at the date of the accounts. The "statute of limitation" sets out the timescale by which a claim will have to be made in respect of such past events. An earmarked reserve has been set up in 2004/05 towards the costs of these incidents.

Due to the volume and differing circumstances of each potential claim, it is impractical to provide an estimate of the possible financial effect. Similarly, it is impractical to provide an indication of uncertainties relating to the amount and timing of such liabilities.

27.0 Post Balance Sheet Events

There are no post balance sheet events.

28.0 Euro Costs

The Council has a group set up to discuss the progress and future action required pending the introduction of the Euro single currency. To date there has been no expenditure incurred or committed.

29.0 Retirement Benefits

The purpose of FRS17 is to provide information on future benefits payable in the year the Council is committed to providing them. For further notes relating to FRS17, please refer to the Consolidated Revenue Account note 8.0 and the Statement of Total Movement in Reserves note 2.0.

The Rhondda Cynon Taf Pension Fund is a Local Government Pension Scheme, which is a multi employer defined benefit scheme. The most recent full actuarial valuation was at 31st March 2004, upon which the assumptions for the following disclosures are based.

The fair value of attributable assets held by the scheme and the expected rate of return are as follows:

	Fair Value (RCT Element)		Proportion		Rate of Return	
	31/03/04	31/03/05	31/03/04	31/03/05	31/03/04	31/03/05
	£'m	£'m	%	%	%	%
Equities	286.90	251.15	80	77	7.7	7.7
Property	0	0	0	0	6.7	6.7
Bonds	57.38	55.45	16	17	4.7	4.7
Other	14.34	19.57	4	6	4.2	4.8
Total	358.62	326.17	100	100	7.1	7.0

The fair value of attributable scheme assets is £326.17m and the present value of the scheme liabilities based on actuarial assumptions is £699.79m. This results in a net fund liability of £373.62m.

An analysis of the movements in the surplus or deficit in the scheme during the period is as follows:

	£m
Surplus (Deficit) 31/03/04	(266.70)
Contributions Paid	27.78
Contributions Towards Unfunded Liabilities	0
Current Service Cost	(21.79)
Past Service Cost	(1.10)
Settlement Cost	-
Curtailment Cost	-
Interest Cost	(40.00)
Expected Return on Assets	25.44
Actuarial Gains and Losses:	
Difference between actual and expected returns on assets	5.38
Experience gains and losses arising on scheme liabilities	25.51
Effect of changes in demographic & financial assumptions	(128.14)
Surplus (Deficit) 31/03/05	(373.62)

The only element of the deficit calculation to have an effect upon general reserves is "Contributions Paid".

Where the payments made for the year in accordance with the scheme requirements do not match the change in the Council's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised from Council Tax. This is represented by an appropriation to or from the Pensions Reserve, which equals the net change in the Pensions Liability recognised in the Consolidated Revenue Account.

This note is concerned only with the Rhondda Cynon Taf County Borough Council element of the fund. Please refer to the Summary Pension Fund Accounts within this document for further details on the fund as a whole.

Statement of Total Movements in Reserves 2004/05

2003/04		2004/05	
		£'000	£'000
2,650	Surplus / (deficit) for the year		
672	- General Fund	(297)	
	- Housing Revenue Account	(228)	
6,209	Add back movements on specific revenue reserves –		
	earmarked reserves & MGCC insurance reserve	2,183	
(4,530)	Deduct Appropriation from Pension Reserve	(9,670)	
29,130	Actuarial Gains and (Losses) relating to Pensions (Note 2.0)	(97,250)	
34,131	Total increase / (decrease) in revenue reserves		(105,262)
(8,453)	Increase / (decrease) in usable capital receipts	(7,878)	
0	Increase / (decrease) in unapplied capital grants and contributions	0	
(8,453)	Total increase / (decrease) in realised capital resources (Note 3.0)		(7,878)
205,860	Gains / (losses) on revaluation of fixed assets	(15,897)	
0	Impairment losses on fixed assets due to general changes in prices	0	
205,860	Total increase / (decrease) in unrealised value of fixed assets (Note 4.0)		(15,897)
(5,665)	Value of assets sold, disposed of or decommissioned (Note 5.0)		(16,056)
18,243	Capital receipts set aside	21,519	
(23,604)	Revenue resources set aside	(23,887)	
14,362	Movement on Government Grant Deferred	26,429	
(334)	Movement on Deferred Capital Receipts	(301)	
8,667	Total increase / (decrease) in amounts set aside to finance capital investment (Note 6.0)		23,760
234,540	Total Recognised Gains / (Losses)		(121,333)

Notes to the Statement of Total Movements in Reserves

1.0 Movements in Revenue Resources

Please refer to the Consolidated Revenue Account note 8.0 and Balance Sheet note 29.0 for further details on actuarial gains and losses.

	General Fund Balances £'000	HRA Balances £'000	Specific Revenue Reserves £'000	Pensions Reserve £'000
Surplus/ (Deficit) for 2004/05	(297)	(228)	0	0
Appropriations to/from Revenue	0	0	2,183	(9,670)
Actuarial Gains and Losses relating to Pensions	0	0	0	(97,250)
Balance as at 01/04/2004	(297) 10,824	(228) 1,902	2,183 24,713	(106,920) (266,700)
Balance as at 31/03/2005	10,527	1,674	26,896	(373,620)

2.0 Actuarial Gains and Losses

Actuarial Gains and Losses identified as movements on the Pensions Reserve can be analysed as follows:-

2003/04 £'000		2004/05 £'000
43,040	Difference between actual and expected returns on assets	5,380
(5,540)	Experience gains and losses on Pensions liabilities	25,510
(8,370)	Changes in assumptions underlying the present value of liabilities	(128,140)
29,130	Total Actuarial Gains & Losses	(97,250)

The difference between actual and expected return on assets expressed as a percentage of the scheme assets as at balance sheet date is 1.6%.

Experience Gains and Losses arising on the scheme liabilities as a percentage of the scheme liabilities as at the balance sheet date is 3.6%.

The effect of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities as a percentage of the scheme liabilities as at the balance sheet date is -18.3%.

3.0 Movements in Realised Capital Resources

2003/04 £'000		2004/05 £'000
Usable Capital Receipts		Usable Capital Receipts
3,041	Amounts receivable	13,641
0	Amounts set aside	(5,925)
(11,494)	Amounts applied to finance new capital investment	(15,594)
(8,453)	Total increase / (decrease) in realised capital resources	(7,878)
20,343	Balance brought forward	11,890
11,890	Balance carried forward	4,012

4.0 Movements in Unrealised Value of Fixed Assets

2003/04 £'000		2004/05 £'000
Fixed Asset Restatement Account		Fixed Asset Restatement Account
205,860	Gains / (losses) on revaluation of fixed assets	(15,897)
0	Impairment losses on fixed assets due to general price changes	0
205,860	Balance carried forward	(15,897)

5.0 Value of Assets Sold, Disposed of or Decommissioned

2003/04 £'000		2004/05 £'000
Fixed Asset Restatement Account		Fixed Asset Restatement Account
205,860	From Note 4.0	(15,897)
(5,665)	Amounts written off fixed asset balances for disposals	(16,056)
200,195	Total movement on reserve	(31,953)
222,844	Balances brought forward	423,039
423,039	Balance carried forward	391,086

6.0 Movements in Amounts Set Aside to Finance Capital Investment

2003/04				2004/05		
£'000	£'000	£'000		£'000	£'000	£'000
Capital Financing Account	Deferred Capital Receipts	Govt Grants Deferred		Capital Financing Account	Deferred Capital Receipts	Govt Grants Deferred
6,749	(334)		Capital receipts set aside	5,925	(301)	
11,494			- reserved receipts	15,594		
18,243			- usable receipts applied	21,519		
			- deferred capital receipts			
			Total capital receipts set aside			
0			Revenue resources set aside	710		
550			- capital exp. financed from revenue	601		
4,797			- capital exp. financed from conts.	0		
(6,518)			- Government Grants	0		
(22,301)			- Payment of Premia	(25,089)		
(132)			- release of CFA	(109)		
(23,604)			- Other			
			Total revenue resources set aside	(23,887)		
		15,368	Grants applied to capital investment			30,234
		(1,006)	Amounts credited to AMRA			(3,805)
		14,362	Movement on Govt Grants Deferred			26,429
(5,361)	(334)	14,362	Movement on reserves	(2,368)	(301)	26,429
72,419	1,659	17,119	Balance brought forward	67,058	1,325	31,481
67,058	1,325	31,481	Balance carried forward	64,690	1,024	57,910

Cashflow Statement 2004/05

2003/04		2004/05	
£'m		£'m	£'m
	<u>Revenue Activities</u>		
	<u>Cash Outflows</u>		
235.9	Cash paid to and on behalf of employees	295.9	
188.9	Other operating cash payments	282.0	
25.8	Housing benefit paid out	26.5	
36.3	National non-domestic rate payments to national pool	37.3	
8.3	Precepts paid	9.3	651.0
	<u>Cash Inflows</u>		
(8.8)	Rents (after rebates)	(7.9)	
(52.6)	Council tax receipts	(54.2)	
(50.2)	National non-domestic rate receipts from national pool	(49.5)	
(37.3)	Non-domestic rate receipts	(37.4)	
(214.9)	Revenue support grant	(218.0)	
(36.5)	DSS grants for benefits	(59.2)	
(79.6)	Other government grants	(62.0)	
(76.7)	Cash received for goods and services	(154.0)	(642.2)
(61.4)	Net Cash (Inflow)/Outflow from Revenue Activities		8.8
	<u>Returns on Investments and Servicing of Finance</u>		
18.4	Interest paid	15.0	
(1.2)	Interest received	(1.7)	13.3
	<u>Capital activities</u>		
	<u>Cash Outflows</u>		
46.1	Purchase of fixed assets	56.9	56.9
	<u>Cash Inflows</u>		
(8.8)	Sale of fixed assets	(13.8)	
(19.8)	Capital grants received	(33.7)	
(0.5)	Other capital cash receipts	(1.1)	(48.6)
(27.2)	Net Cash (Inflow)/Outflow before Financing		30.4
	<u>Financing</u>		
	<u>Cash Outflows</u>		
63.0	Repayments of amounts borrowed	77.8	
	<u>Cash Inflows</u>		
(31.0)	New loans raised	(100.0)	(22.2)
4.8	(Increase)/Decrease in cash & equivalents		8.2

Notes to the Cashflow Statement

1.0 Reconciliation of Consolidated Revenue Account to Cash flow

2003/04 £'m		2004/05 £'m
(2.7)	Consolidated revenue A/C (surplus) / deficit	0.3
(16.4)	Depreciation/MRP adjustment	(8.4)
14.9	Net transfers from reserves	(2.0)
(37.4)	(Increase)/Decrease in creditors	23.5
(6.1)	Increase/(Decrease) in debtors	3.3
0	Increase/(Decrease) in stocks	0.2
3.5	(Increase)/Decrease in provisions	2.6
(17.2)	Financing items	(13.2)
0	Other items	2.5
(61.4)	Cash (inflow)/outflow from revenue items	8.8

2.0 Movements in Cash and Cash Equivalents

This can be derived from the consolidated balance sheet as follows: -

	31/03/04 £'m	31/03/05 £'m	Movement £'m
Cash in Hand	0.2	0.2	0
Bank balance (o/d)	(1.9)	(5.1)	(3.2)
S/term investments	54.9	49.9	(5.0)
Total	53.2	45.0	(8.2)

3.0 Net Financing 2004/05

The net decrease in financing of £22.2m shown in the statement is derived from the movements in both short and long term borrowing as reflected in the consolidated balance sheet: -

	31/03/04 £'m	31/03/05 £'m	Movement £'m
Long term borrowing	278.7	319.9	41.2
Short term borrowing	16.9	4.9	(12.0)
Total	295.6	324.8	29.2

Also included within the financing section of the statement is £7m premia paid resulting from a debt rescheduling exercise.

4.0 Government Grants

Government grants shown in the statement are analysed below: -

2003/04 £'m		2004/05 £'m
	<u>Revenue</u>	
18.4	Housing Subsidy	0.1
2.0	Mandatory Awards	1.5
3.0	GEST	2.0
56.2	Other	58.4
79.6	Total	62.0
	<u>Capital</u>	
2.3	Transport Grant	7.7
9.3	Other grants	11.2
0	Objective 1/LRF	4.5
8.2	Capital Grant	2.7
0	Major Repairs Allowance	7.6
19.8	Total	33.7

5.0 Reconciliation of Net Cashflow to Movement in Net Debt

	£'m
(Decrease) / increase in cash	(8.2)
Cash to reduce net debt	(29.2)
Cash to (increase) net debt	0
Non cash movement	0
Change in net debt	(37.4)
Net Debt 01/04/04	(242.4)
Net Debt 31/03/05	(279.8)

6.0 Analysis of Changes in Net Debt

	01/04/04 £'m	Cashflows £'m	Other £'m	31/03/05 £'m
Short term investments	54.9	(5.0)	0	49.9
Short term borrowing	(16.9)	28.1	(16.1)	(4.9)
Bank overdraft	(1.9)	(3.2)	0	(5.1)
Cash in hand	0.2	0	0	0.2
Long term borrowing	(278.7)	(57.3)	16.1	(319.9)
Total	(242.4)	(37.4)	0	(279.8)

Housing Revenue Account 2004/05

	2003/04 £'000	2004/05 £'000
INCOME		
Dwelling Rents	25,161	25,141
Non Dwelling Rents	458	389
Charges for Services and Facilities	1,351	1,408
Housing Subsidy Receivable	18,377	0
Housing Maintenance Unit Surplus	66	0
Mortgage Interest	99	79
Interest on Cash Balances	43	77
Total Income	45,555	27,094
EXPENDITURE		
Repairs and Maintenance	(8,476)	(8,069)
Supervision and Management	(7,303)	(8,408)
Housing Subsidy Payable	0	(107)
Rents, Rates, Taxes and Other Charges	(268)	(240)
Rent Rebates	(18,425)	0
Provision in respect of Bad or Doubtful Debts	(198)	(201)
Sums directed by the Secretary of State or Welsh Assembly Government	0	(196)
Capital Financing Costs	(10,213)	(9,391)
Capital Expenditure Charged to Revenue	0	(710)
Total Expenditure	(44,883)	(27,322)
Net (Deficit)/Surplus for Year	672	(228)
Reserve Balance brought forward	1,230	1,902
Reserve Balance carried forward	1,902	1,674

Notes to the Housing Revenue Account

1. Rental Income

This represents the total rental income figure due for the year after allowance has been made for void property.

2. Dwelling Rents

This represents rent income due from tenants. The average rent per week as at 31st March 2005 was £45.70 (less voids) compared to £43.87 (less voids) per week as at 31st March 2004. The Welsh Assembly Government sets the maximum level of rent increase for each authority. The Guideline Rent increase for the Council was £1.83 in 2004/05.

3. Rent Arrears

Rent arrears as at 31st March 2005 amount to some £1.6m (£1.4m as at 31st March 2004). The provision for bad debts in respect of these rent arrears is £1.14m (£1.07m as at 31st March 2004).

4. Rent Rebates (Housing Benefits)

Assistance with rent is available under the Housing Benefits scheme for those on low income. As at 31st March 2005 some 73% of the Council's tenants were receiving help with the cost of rent.

From the financial year 2004/05 onwards, policy and administration responsibility for subsidising rent rebates in respect of HRA dwellings passes to the Department for Work and Pensions (DWP).

From 2004/05 rent rebates in respect of HRA dwellings are removed from the HRA and accounted for instead in the Council Fund.

5. Sums Directed by the Welsh Assembly Government (WAG)

Ministers have decided that, for a two-year period, authorities should be permitted to make transfers up to a specified amount between their HRA and Council Fund.

These transfers will allow the authority to phase in the impact on their Council Fund of any additional costs arising from the transfer of rent rebates from the HRA to the Council Fund.

6. Housing Stock

The Council was responsible for managing, on average, some 11,099 dwellings during 2004/05 (11,690 during 2003/04).

The total number of dwellings held at 31st March 2005 was 10,825, made up as follows:

Type	1 Bed room	2 Bed room	3 Bed room	4 Bed room	6 Bed room	Total
Bungalow	150	98	10	0	0	258
Bedsit	220	0	0	0	0	220
Caravan	3	0	0	0	0	3
Flat	1,863	1,759	91	0	0	3,713
House	41	1,433	5,048	107	2	6,631
Total	2,277	3,290	5,149	107	2	10,825

As at the 31st March 2005 95% of properties were available for letting compared with 94% as at 31st March 2004.

7. Housing Maintenance Unit

Following a number of operational changes, from 2004/05 the Housing Maintenance Unit is no longer classed as a trading activity. As a result the costs of the HMU are now included in the relevant expenditure category in the Housing Revenue Account, and no surplus/deficit figure is calculated.

Summary Pension Fund Accounts

The Fund

The Rhondda Cynon Taf County Borough Council Pension Fund was established with effect from 1st April 1996, upon the reorganisation of Local Government in Wales under the Local Government Pension Scheme (Local Government Reorganisation in Wales) Regulations, 1995.

With the exception of teachers, police and fire-fighters, who have their own schemes, the Local Government Pension Scheme applies to all other employees of local authorities and to employers of certain other bodies providing public services.

The Rhondda Cynon Taf Pension Fund provides pension benefits for employees of Rhondda Cynon Taf, Bridgend and Merthyr Tydfil County Borough Councils, together with the employees of more than 40 other scheduled or admitted bodies.

Fund Administration

Rhondda Cynon Taf CBC has responsibility for the interpretation of pension legislation, the creation and maintenance of records, the calculation and payment of benefits and the provision of information to employees, employers and other relevant bodies.

Fund Investments

Investment strategy is considered and agreed by the Rhondda Cynon Taf Pension Fund Investments Panel. The panel consists of two Rhondda Cynon Taf Council Members, the Chief Finance Officer, the Deputy Chief Finance Officer, the Head of Accounting Services, the Group Accountant, the Investments Officer, the Pensions Manager, the Pension Fund Accountant and two investment advisors.

The Panel meets quarterly to determine policy in the light of market movements and to question and challenge the Investment Managers on their performance. The Fund has two fund managers that carry out the actual day-to-day investment management of the Fund:

Baillie Gifford & Co.
F & C Management Ltd.

Fund Account

2003/04 £'000		2004/05		
		£'000	£'000	£'000
	<u>Dealings with Members, Employers and others directly involved in the scheme</u>			
	Contributions Receivable			
(53,925)	From Employers	(59,126)		
(17,464)	From Members	(18,743)		
			(77,869)	
(11,367)	Transfers In		(11,656)	
(2,270)	Other Income		(2,211)	
				(91,736)
	Benefits Payable			
50,613	Pensions	52,203		
4,941	Lump Sum Retirement Benefits	5,219		
818	Lump Sum Death Benefits	671		
			58,093	
	Payments to and on account of leavers			
306	Refunds of Contributions	257		
166	State Scheme Premiums	144		
8,666	Transfers out	6,134		
			6,535	
1,172	Administrative Expenses		1,472	66,100
(18,344)	Net (Additions) / Withdrawals from Dealings With Members			(25,636)
	<u>Returns On Investments</u>			
	Investment Income			
(25,799)			(27,456)	
	Change in Market Value of Investments			
(1,527)	Realised Gains	(35,297)		
(120,753)	Unrealised Gains	(26,063)		
			(61,360)	
	Investment Management Expenses			
1,021	Fund Management Fees	996		
201	Investment Administration Expenses	258		
			1,254	
(146,857)	Net Returns On Investments			(87,562)
(165,201)	Net (Increase)/Decrease In Fund during the Year			(113,198)
(675,082)	Opening Net Assets			(840,283)
(840,283)	Closing Net Assets			(953,481)

Net Assets Statement

31/03/04		31/03/05	
		£'000	£'000
	<u>Investment Assets</u>		
	Fixed Interest Securities		
124,730	Public Sector	145,531	
6,442	Corporate Bonds	12,818	158,349
509,623	Equities		611,536
0	Index Linked Securities		4,103
	Pooled Investment Vehicles		
84,530	Open Ended Investment Companies	54,276	
46,676	Managed Funds	54,185	
156	Unit Trusts	0	
227	Property Unit Trusts	227	108,688
772,384			882,676
22,642	Cash Deposits		50,283
	Other Investment Balances		
5,635	Investment Debtors	4,431	
(2,182)	Investment Creditors	(2,403)	
86	Tax Recoverable	56	2,084
798,565			935,043
	<u>Net Current Assets and Liabilities</u>		
4,391	Contributions Due from Employers	4,211	
5,275	Cash Balances	7,475	
32,219	Amounts Owed from RCT	6,429	
(167)	Other Current Assets and Liabilities	323	18,438
840,283	Total Assets		953,481

The market value of investment assets is quoted at 31st March of the appropriate year.

1.0 Introduction

These accounts have been prepared in accordance with the requirements of Recommended Accounting Practice of the Pensions SORP, The Financial Reports of Pension Schemes. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position, which does take account of such liabilities, is set out in the latest Actuarial Report, the main conclusions of which are summarised in note 3.0 below.

In accordance with the Pensions SORP there are minor presentational changes to the format of this year's accounts. Consequently some of the comparator figures for 2003/04 within the Net Assets Statement and Fund Account have required amendment.

2.0 Accounting Policies

The accounts have been prepared on an accruals basis except where stated otherwise below.

2.1 Contributions

Fund contributions from employers and employees are included in the accounts on an accruals basis.

2.2 Investment Income

Investment Income is accounted for on an accruals basis except for income from Venture Funds and Property Unit Trusts, which is included in the accounts on a payments basis.

2.3 Transfers

Transfers to and from other pension funds are included in the accounts on a payments basis.

2.4 Benefits

Benefits paid to scheme members are included in the accounts on an accruals basis.

2.5 Investment Management and Administration Costs

Investment management fees and fund administration costs are accounted for on an accruals basis.

Fund Managers' fees are charged on a reducing scale based upon the market value of the fund. Advisors' fees are fixed and paid quarterly.

2.6 Investment Valuation

Listed securities are valued at mid market prices as at 31st March 2005 supplied by FT Interactive Data and obtained by them from recognised Stock Exchanges. Unit Trust and Property Unit Trust valuations are based on the latest valuations supplied by the Unit Trust Management Companies.

2.7 Future Liabilities

The financial statements do not take into account the Fund's liabilities to pay pensions and other benefits in future periods. These liabilities are reported separately by an actuarial valuation undertaken every three years. The result of the latest valuation is set out in note 3.0 below.

2.8 Foreign Currency

Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31st March 2005 supplied by FT Interactive Data.

2.9 Additional Voluntary Contributions (AVC's)

Scheme members may elect to make additional voluntary pension contributions from their salaries. These AVC's are paid directly to the AVC provider, by the member's employer and do not form part of the Rhondda Cynon Taf County Borough Council Pension Fund.

2.10 Costs of Acquiring Investments

Acquisition costs are included within original book value. However, at the end of the year, investments in the Net Assets Statement are valued at market value. The difference is recorded in the Fund Account as "Unrealised Gains".

3.0 Actuarial Position

The Fund's Actuary, Hewitt Bacon & Woodrow carried out an actuarial valuation of the Fund as at 31st March 2004, as required by Regulation 77 of the Local Government Pension Scheme Regulations 1997.

The funding objective is that all accrued benefits be fully covered by the actuarial value of the Fund's assets and that an appropriate level of contribution be agreed to meet the cost of future benefits that arise.

The result of the valuation is shown in the following table:

	£'m	£'m
Total Liabilities		1,417.8
Market Value of the Assets	840.7	
Smoothing Adjustment*	44.7	
Total Assets		885.4
Funding Deficit		532.4
Funding Ratio		62%

*In order to reduce volatility in the level of contributions payable, asset values are smoothed over a three-year period rather than taking the snapshot value at the valuation date.

The funding ratio as at the previous valuation in 2001 was 76%. The main reasons for the deterioration in the funding level have been the poor performance of the equity market and changes in gilt yields. The UK equity market, as measured by the FTSE All-Share Index, shows a five year annualised return of -1.7% (Europe -2.5%, North America -6.2%, Japan -9.8%).

In order to increase the funding ratio to meet the funding objective, the Actuary has recommended new levels of Employer contributions as shown in the table below. In recognition of the impact of raising contribution rates, the increases have been stepped over a maximum period of four years.

Employer	% Members' Contributions Year Commencing 1 st April		
	2005	2006	2007
Administering Body			
Rhondda Cynon Taf CBC	372	385	398
Scheduled Bodies			
Amgen Cymru	302	339	376
Brackla Community Council	240	270	300
Bridgend College	257	284	311
Bridgend County Borough Council	346	372	398
Bridgend Town Council	269	273	277
Coleg Morgannwg	257	284	311
Coychurch Crematorium	300	320	340
ESIS	303	342	380
Gelligaer Community Council	284	288	292
Llantrisant Community Council	300	320	340
Llantwit Fardre Community Council	297	314	331
Llwydcoed Crematorium	304	328	352
Maesteg Town Council	232	234	236
Merthyr College	257	284	311
Merthyr Tydfil County Borough Council	435	445	455
National Probation Service	280	280	280
Pontyclun Community Council	287	294	301
Pontypridd Town Council	319	358	397
South Wales Fire Authority	267	304	341
South Wales Police Authority	301	317	333
South Wales Sea Fisheries	291	302	313

Continued Overleaf...

South Wales Valuation Tribunal	306	332	358
Tonyrefail Community Council	310	340	370
University of Glamorgan	271	297	323
Ystrad Mynach College	257	284	311
Admitted Bodies			
Academi	287	344	401
Care Council for Wales	162	189	216
Care Standards Inspectorate for Wales	304	378	452
Finance Wales Investment	185	185	185
Local Government Data Unit	250	250	250
Maesteg Town Hall	278	326	374
Merthyr Tydfil Institute for the Blind	286	292	298
Mid Glamorgan Careers Ltd	285	305	325
Penywaun Enterprise Partnership	234	238	242
SEWOCN	240	240	240
Valleys Arts Marketing	170	200	230
Valleys to Coast Housing	234	253	272
Welsh Development Agency	276	287	298
Welsh Joint Education Committee	307	334	361
WJEC/CBAC Services Ltd	245	260	275

Contribution rates were calculated using the projected unit actuarial method for most employers. For employers closed to new entrants the attained age method was used.

The main actuarial assumptions made are listed below:

	Assumed % per annum
Price inflation	2.9
Pay increases	4.4
Pension increases	2.9
Discount rate for active members whilst in service	6.2
Discount rate for members after retirement (or not in service but before retirement):	
• Admitted Bodies	5.2
• Other Employers	6.2
Investment return on bonds to the next valuation	5.2
Investment return on equity and property to the next valuation	7.7

The actuarial valuation also assumed the implementation of changes to the Local Government Pension Scheme which came into force on 1st April 2005. However, these changes have since been revoked. Since the Government has stated that employers will not bear the costs of this revocation and new negotiations are underway for changes now expected to take effect from 1st April 2006, a revision to the actuarial valuation is not being sought.

4.0 Analysis of Investments

	2003/04		2004/05	
	£'000	£'000	£'000	£'000
<u>Equities</u>				
UK	393,606		422,794	
Overseas	116,017		188,742	
		509,623		611,536
<u>Fixed Interest</u>				
UK	100,750		117,335	
Overseas	30,422		41,014	
		131,172		158,349
<u>Index-Linked</u>				
UK	0		4,103	
Overseas	0		0	4,103
		0		4,103
<u>Pooled Investments</u>				
UK	14,577		27,302	
Overseas	116,629		81,159	
UK Unit Trusts	156		0	
UK Property Unit Trusts	227		227	
		131,589		108,688
Total Long-Term Investments		772,384		882,676

All the investments are 'quoted' investments i.e. they are traded on a recognised investment exchange.

5.0 Movement in Market Value of Investments

The market value of the pension fund's investments (excluding cash) increased from £772m to £883m during 2004/05. This movement is summarised in the following table:

	£'000	£'000
Opening Investments at Market Value 2004/05		772,384
Total Purchases	579,179	
Total Sales	(498,049)	
		81,130
Stock Dividends		1,662
Decrease in reserve debtors		1,544
Decrease in reserve creditors		(107)
Reverse unrecognised profit in previous year	(23,364)	
Unrecognised profit this year	49,427	
Cumulative unrecognised profit		26,063
Closing Investments at Market Value 2004/05		882,676

6.0 Details of Fund Managers

The Fund is managed by two Fund Managers, Baillie Gifford and F&C Asset Management. The equity portfolio is split equally between these two managers and F&C also manage the bond portfolio. Both of these companies are UK registered.

Details of the Fund Managers and the market value of investments held by them are detailed in the following table: -

Fund Manager	Market Value		Proportion of Fund	
	31/03/04 £'000	31/03/05 £'000	31/03/04 %	31/03/05 %
Deutsche	330,121	0	41.25	0.00
Baillie Gifford	0	367,459	0.00	39.20
F&C (equities)	330,681	378,264	41.32	40.35
F&C (bonds)	135,122	165,878	16.88	17.69
Internally managed	4,377	25,905	0.55	2.76
Total	800,301	937,506	100.00	100.00

No single investment accounted for more than 5% of the Fund's assets.

The book value of investments at 31st March 2005 was £833m (excluding short-term loans and cash) with a market value of £883m, £50m above cost.

7.0 Contingencies

There is a contingent liability of £417k (£374k in 2003/04) in respect of potentially refundable contributions for leavers who have not yet claimed refunds.

8.0 Membership of The Fund

Fund membership at 31st March is as follows: -

	2003/04	2004/05
Employing Bodies	42	41
Contributors	18,816	21,110
Pensioners	11,987	12,087
Dependants	2,285	2,296
Deferred Beneficiaries	6,100	6,609

9.0 Purchases and Sales

Rhondda Cynon Taf is obliged to make quarterly returns to the Office for National Statistics regarding transactions in financial assets undertaken by the Pension Fund. These are summarised in the following table: -

Quarter	Purchases £'000	Sales £'000
June 2004	104,462	82,299
September 2004	96,141	89,999
December 2004	50,736	49,778
March 2005	327,876	263,742
Total	579,215	485,818

The figures in the table above are shown at their historic value throughout the year, whereas the accounts show investments at their market value at 31st March 2005.

10.0 Statement of Investment Principles

As the local authority responsible for the administration of the Rhondda Cynon Taf Pension Fund, the Council has prepared, maintains and publishes a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2002.

The SIP provides details of responsibility, funding and investment objectives, risk policy and other operational factors of relevance to the management of the Pension Fund. It also provides a Statement of Compliance with the 10 investment principles contained in the CIPFA document "Principles for Investment Decision Making in the Local Government Pension Scheme" published in April 2002 (Myners).

The full SIP is published in the Pension Fund Annual Report and is available on the Pension Fund website (www.rhondda-cynon-taff.gov.uk).

11.0 Contributions Receivable and Benefits Payable

The Pension Fund is made up of a number of bodies, as identified in note 3.0 to these accounts. These bodies can be divided into three categories - administering authority, admitted bodies and scheduled bodies. The contributions received and benefits paid, analysed between each category in 2004/05 are shown in the following table:

Type of Body	Employee Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2003/04 £'000	2004/05 £'000	2003/04 £'000	2004/05 £'000	2003/04 £'000	2004/05 £'000
Administering	6,332	6,750	21,039	23,957	5,522	7,754
Admitted	2,113	2,369	5,633	6,004	2,565	3,162
Scheduled	9,019	9,624	27,253	29,165	48,285	47,177
Total	17,464	18,743	53,925	59,126	56,372	58,093

12.0 Transactions with Related Parties

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.2m (£1.0m in 2003/04). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

At the year end contributions outstanding from the Employing Bodies in the Fund amounted to £4.2m (£4.4m in 2003/04).

13.0 Stock Lending

The Pension Fund Investments Panel has decided that the Fund will not enter into any stock lending arrangements. The Panel will review this decision periodically.

14.0 Other Income

In the Fund Account 'Other Income' comprises of the following:

	2003/04 £'000	2004/05 £'000
Capital cost of early access to retirement benefits	1,764	1,804
Reimbursements re former Glamorgan CC	467	401
Other	39	6
Total 'Other Income'	2,270	2,211

15.0 Investment Income

In the Fund Account 'Investment Income' comprises of the following:

	2003/04 £'000	2004/05 £'000
Interest from fixed interest securities	5,834	7,940
Dividends from equities	15,624	16,004
Income from index linked securities	0	0
Income from pooled investment vehicles	2,658	1,472
Interest on cash deposits	1,683	2,040
Total Investment income	25,799	27,456

Actuaries' Report

We have carried out a valuation of the Rhondda Cynon Taf County Borough Council Pension Fund (the Fund) as at 31 March 2004. The main purposes of the actuarial valuation are to review the financial position of the Fund and to recommend the rates of contributions payable to the Fund in the future.

The main conclusions from our valuation are that:

- On the basis of our long term assumptions there is a past service deficit against our funding target of £532.4 million which corresponds to a funding target ratio of 62%.
- The long-term rate of Employer contributions for all Employers combined, disregarding the Fund deficit, is 210% of members' contributions.
- In the light of the past service deficit, and taking account of higher assumed investment income on equity and property assets over the next three years, we recommend that employers contribute at the rates set out in the Regulation 77 Actuary's Certificate, at Appendix I of the Valuation Report.
- Recognising the impact of increasing contribution rates, and having regard to Regulation 77(5)(b) of the Local Government Pension Scheme Regulations 1997, we have agreed with the Administering Authority that increases to Employer contribution rates will be stepped over a maximum period of 4 years.
- If our assumptions are borne out in practice, the rate of contribution for each Employer would be expected to continue stepping up to the end of the relevant stepping period. The rate would then increase, due to cessation of the assumed short term additional investment return, and continue at the resultant level for the balance of the relevant recovery period before reverting to the relevant long term rate. In practice, the rate will be reviewed at the next valuation due as at 31 March 2007 and further assumptions may be made at that time concerning short term additional investment returns.
- The Administering Authority requires separate funding of all early retirements in normal health as they occur by means of special contributions paid over a maximum period of three years. These special contributions should be paid in addition to the standard contribution rate since this valuation makes no allowance for the extra liabilities arising from such retirements.

Hewitt Bacon & Woodrow Actuaries

A full version of the Rhondda Cynon Taf County Borough Council Pension Fund accounts is provided within the Pensions Annual Report, available from the Group Director - Corporate Services, Finance Division, Bronwydd House, Porth, Rhondda, CF39 9DL.

Statement on the System of Internal Financial Control

1. This statement is given in respect of the statement of accounts for Rhondda Cynon Taf County Borough Council. The Council acknowledges its responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework outlined in the Constitution. The primary documents within the Constitution relating to internal financial control are Financial Procedure Rules (and subsidiary documents), Contract Procedure Rules and the Scheme of Delegation. A training programme to disseminate the contents of these documents has been devised and is being delivered to staff on an ongoing basis. A Procedure Rules Working Group has been established to ensure the documents remain up to date.

Our system of internal financial control includes:

- Comprehensive on-line budgeting systems.
- Regular (quarterly) formal authority wide revenue and capital budgetary control reports, with monthly exception reporting.
- Setting targets to measure financial and other performance.
- Monthly reporting on Key Performance Indicators.
- The preparation of regular financial reports that indicate actual expenditure against the forecasts for both capital and revenue expenditure.
- Robust revenue and capital budget setting processes and the establishment of a "Medium Term Financial Planning Group".
- Capital expenditure plans which are affordable, prudent and sustainable in accordance with pre-determined Prudential Indicators.
- The maintenance of a register of key monthly and quarterly reconciliations. The reconciliations are reviewed and challenged by senior management.
- At the end of the financial year, a responsible officer reconciles every balance sheet code. The reconciliations are independently reviewed prior to the production of the Statement of Accounts. This enhances balance sheet integrity.
- "Section 151" meetings occur monthly. The purpose of these meetings is for Corporate Services senior management to monitor and challenge significant budget issues.
- The Audit Committee, Overview & Scrutiny Committee and Service Group Scrutiny Committees contribute to the System of Internal Financial Control. All budget monitoring reports are reported through the scrutiny process.
- Clearly defined capital expenditure guidelines.

-
- Ad hoc reviews of “hot spots” identified as part of Risk Management (eg, Benefit Fraud Investigation).
 - As appropriate, formal project management disciplines.
4. The CIPFA Code of Practice for Internal Audit drives the aims and objectives of the Internal Audit Service, as do the S151 responsibilities of the Group Director for Corporate Services. Internal Audit’s Strategic and Operational Plans are regularly reviewed based on risk assessments undertaken in consultation with Group and Divisional Directors.
- Internal Audit report independently on the adequacy and effectiveness of the system of internal financial control. Because of its independence, the Head of Internal Audit & Risk Management is able to report directly on any matter to the Chief Executive. Also, progress reports on audit coverage are regularly made to Audit Committee, which meets on a six weekly cycle.
- On an annual basis Internal Audit review key financial systems, and in its most recent assessments no significant weaknesses have been identified. There is also broad coverage of other high-risk areas across the four service groups of the Council. Internal Audit’s performance is formally assessed by the Wales Audit Office against the standards set by the CIPFA Code of Practice. The 2004/05 assessment showed that the service continues to improve and clearly meets the majority of the CIPFA Internal Audit standards from the Code.
5. Our review of the effectiveness of the system of internal financial control is informed by:
- The work of managers within the Council;
 - The work of the internal auditors as described above, and
 - The external auditors in their annual audit letter and other reports.

By order of the Authority.

Signature: _____ **Date:** _____

Steve Merritt

Group Director – Corporate Services
Bronwydd House
Porth
CF39 9DL

Statement of Responsibilities for Preparation of Statement of Accounts

The Council's Responsibilities

The Council is required: -

- 1) 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 Council, that officer is the Group Director - Corporate Services.
- 2) To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- 3) Approve the Statement of Accounts.

The Group Director - Corporate Services' Responsibilities

The Group Director is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2005.

In preparing this statement of accounts, the Group Director has: -

- 1) Selected suitable accounting policies and applied them consistently.
- 2) Made judgements and estimates that were reasonable and prudent.
- 3) Complied with the code.

The Group Director has also throughout the financial year:

- 1) Maintained proper accounting records that were kept up to date.
- 2) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Group Director - Corporate Services Rhondda Cynon Taf C.B.C. on the accounts of Rhondda Cynon Taf C.B.C for 2004/05

I certify that the accounts set out on the pages 2 to 77 present fairly the financial position of Rhondda Cynon Taf C.B.C. at 31st March 2005 and its income and expenditure for the year then ended.

Signature: _____ Date: _____

Steve Merritt

Group Director – Corporate Services
Bronwydd House
Porth
CF39 9DL

Independent Auditor's Report to Rhondda Cynon Taf C.B.C. for 2004/05

We have audited the statement of accounts on pages 2 to 63 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to 18 and the Pension Fund accounts, on pages 64 to 74 which have been prepared in accordance with the accounting policies applicable to pension funds set out on pages 67 to 68.

This report is made solely to Rhondda Cynon Taf C.B.C. in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose.

Respective Responsibilities of Chief Financial Officer and Auditors

As described on page 78 the Group Director – Corporate Services is responsible for the preparation of the Statement of Accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the UK 2004 (“the SORP”). Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession’s ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly:

- the financial position of the Council and its income and expenditure for the year,
- the financial transactions of its Pension Fund during the year and the amount and disposition of the Fund’s assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

We review whether the statement on the System of Internal Financial Control on pages 76 to 77 reflects compliance with the requirements of the SORP. We report if it does not meet the requirements of the SORP or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on the System of Internal Financial Control covers all risks and controls, or to form an opinion on the effectiveness of the authority’s system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the Statement of Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

We conducted our audit in accordance with the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement of Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the statement of accounts present fairly the financial position of Rhondda Cynon Taf County Borough Council as at 31st March 2005 and its income and expenditure for the year then ended.

In our opinion the financial statements present fairly the financial transactions of Rhondda Cynon Taf County Borough Council Pension Fund during the year ended 31st March 2005, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Audit Commission.

Signature: _____ **Date:** _____

John Dwight

Wales Audit Office
2-4 Park Grove
Cardiff
CF1 3PA

The maintenance and integrity of the Rhondda Cynon Taf County Borough Council web site is the responsibility of the Group Director - Corporate Services; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Glossary of Terms

Accrual

An accrual is a sum shown in the accounts representing income or expenditure for the accounting period but which was not actually received or paid as at the date of the balance sheet.

Actuary

An actuary is an organisation that calculates insurance and pension premiums, taking into account factors such as life expectancy.

Agency Services

Agency services are services provided by an outside organisation.

Amortisation

Reduction in value of capital expenditure which has not created an asset, through charges to revenue.

Audit

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

Balance Sheet

This is a statement of our assets, liabilities and other balances at the date of the end of the accounting period.

Best Value Accounting Code of Practice (BVACOP)

The Best Value Accounting Code of Practice modernises the system of Local Authority accounting and reporting to ensure it meets the needs of modern local government, in particular the duty to secure and demonstrate Best Value in the provision of services to the community.

Budget

A budget (or estimate) is a plan of income and spending, based upon which council tax is set. Actual expenditure is subsequently monitored against this plan.

Capital Expenditure

Capital expenditure is spending on fixed assets. These are assets that will be used for several years in the provision of services and are items such as buildings, equipment and vehicles.

Capital Financing Account

This is money set aside in the Council's accounts for capital spending and to repay loans.

Capital Receipt

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

Cashflow Statement

This statement summarises the movements in cash during the year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is responsible for issuing financial guidance to public bodies.

Consolidated Balance Sheet (CBS)

The balance sheet combines the assets, liabilities and other balances of all our services, at the end of the financial year, 31st March.

Consolidated Revenue Account (CRA)

This account records day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

Contingent Liabilities

A Contingent Liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence of uncertain future events not wholly within the organisation's control.

Corporate and Democratic Core (CDC)

CDC is a service defined by the Best Value Accounting Code of Practice representing costs relating to Member activity (Democratic Representation and Management) and costs that provide the infrastructure to ensure that services can be provided (Corporate Management).

Corporate Management (CM)

CM is a division of service within Corporate and Democratic Core. It represents costs that provide the infrastructure to ensure that services can be provided. Specifically it contains costs of Chief Executive, maintaining statutory registers, provision of public information, treasury and bank charges and completing, publishing and auditing statutory returns.

Creditor

A creditor is an organisation / someone owed money by the Council at the end of the financial year for goods / services received.

Current Assets

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

Current Liabilities

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

Debtor

A debtor is an organisation / someone who owes the Council money at the end of the financial year for goods / services received.

Deferred Grants

The Government Grants Deferred account recognises any grants and contributions which have been applied to finance capital expenditure. For assets which are depreciated an annual contribution to revenue is made from the account, for the useful economic life of the asset, to offset the depreciation charged. Where an asset is financed by grant or contribution but is not depreciated the balance remains in the account.

Defined Benefit

A defined benefit pension scheme is one that bases retirement benefits upon final salary.

Delegated Schools

A Delegated School is one managed independently. The funds of these schools are held outside of the Council's General Fund balances.

Democratic Representation and Management (DRM)

DRM is a division of service within Corporate and Democratic Core. It represents all costs relating to Member activity (eg allowances, officer support time).

Depreciated Historic Cost

Depreciated Historic Cost is obtained by recording the purchase price of an asset and writing this down over its useful economic life.

Depreciated Replacement Cost (DRC)

DRC is an estimation of the market value for existing use plus current gross replacement costs less allowances for deterioration.

Depreciation

Depreciation is the estimated loss in value of fixed assets that are presented in the Balance Sheet.

Direct Labour Organisation or Direct Service Organisation (DLO or DSO)

This was a term referring to parts of the Council's own organisation. It consisted of workers directly employed (including supervisory staff), accommodation, equipment etc used to carry out specified tasks for the Council.

Earmarked Reserves

These are reserves set aside for a specific purpose.

Financial Year

This is the accounting period. For local authorities it starts on 1st April and finishes on 31st March of the following year.

Fixed Asset

These are long-term assets that are used in the provision of services (usually for more than one year).

Fixed Asset Restatement Account

This represents the balance resulting from periodical revaluations of fixed assets and cannot be used for reinvestment.

Financial Reporting Standard (FRS)

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

Housing Revenue Account (HRA)

This account contains all council housing income and spending.

Impairment Review

Impairment occurs when the value of a fixed asset falls below the value it is currently held at in the Balance Sheet and Asset Register.

Leasing

This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

Liability

A liability is an obligation to transfer economic benefits as a result of past transactions or events.

Minimum Revenue Provision (MRP)

This is an amount that has been set aside to repay loans.

National Non-Domestic Rates (NNDR)

The NNDR, or Business Rate, is the charge to occupiers of business premises. NNDR is set by central government and is a percentage of rateable values. The percentage is the same throughout Wales. The total collected is split between individual authorities in proportion to their adult populations.

Net Realisable Value

The selling price of an asset, reduced by the relevant (direct) cost of selling it.

Non Distributable Costs (NDC)

NDC is a category of costs defined by the Best Value Accounting Code of Practice. It represents: -

- costs of unused I.T. facilities,
- costs of long term unused, unrealisable assets,
- certain pension fund costs

Open Market Value in Existing Use (OMVEU)

OMVEU is a basis for valuation of fixed assets

Operating Assets

These are assets used in the running / provision of services.

Operating Leases

These are leases where risks of ownership of the asset remain with the owner.

Post Balance Sheet Events

Post Balance Sheet items are those that arise after the Balance Sheet date. These are items that did not exist at the time the Balance Sheet was prepared but should be disclosed if they are relevant to the fair presentation of the accounts.

Precepts

This is the amount paid to a non-rating body (for example a community council).

Prior Year Adjustment

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Provision

A provision is an obligation to transfer economic benefits as a result of past events where a reliable estimate can be made of the obligation, but the amount or timing of which cannot yet be determined accurately.

Public Works Loan Board (PWLB)

This is a Government agency which provides longer term loans to local authorities. It charges interest rates only slightly higher than those at which the Government can borrow.

Related Party Transactions

These are the transfer of assets or liabilities or the performance of services by, to or for a related party. A related party exists where there is control or influence over, or by the Council.

Statement of Standard Accounting Practice (SSAP)

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

Statement of Total Movements in Reserves

The purpose of the statement is to show all gains and losses recognised in a period, to reflect the Council's financial performance during the year.

Statement on the System of Internal Financial Control

This statement sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit.

Stocks

Stocks are raw materials purchased for day to day use. The value of these items that have not been used at the end of the financial year are shown as current assets in the balance sheet.

Temporary Borrowing or Investment

This is money borrowed or invested for an initial period of less than one year.

Trust Fund

Trust funds hold money on behalf of an individual or organisation. Trustees administer the funds for the owners.

Voids

Voids are empty properties.

Wales Programme for Improvement (WPI)

As part of the requirement of the Wales Programme for Improvement, all Welsh Councils have to produce an annual Improvement Plan. This plan sets the Council's priorities for the coming year, identifies where improvements can be made and explains how performance can be measured.

Work in Progress (WIP)

Work in progress is the value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account.