
Rhondda Cynon Taf County Borough Council**Statement of Accounts 2010/11**

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Explanatory Foreword

1. Introduction

Rhondda Cynon Taf County Borough Council was established 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 (2001 Census), serving an area in the South Wales Valleys covering 424 square kilometres, stretching from the Brecon Beacons National Park in the north to the Capital City of Cardiff in the south.

The accounts for 2010/11 have been prepared in accordance with:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards (IFRS).
- Local Government Act 2003.
- The Best Value Accounting Code of Practice (BVACOP).
- Accounts and Audit (Wales) Regulations 2005 (as amended).
- Sections 41 and 42 of the Local Government and Housing Act 1989.

The accounts set out on pages 2 to 146 comply with the above other than where specific reference is made to the contrary.

2. Prior Period Adjustments and the Introduction of International Financial Reporting Standards (IFRS)

The Introduction of International Financial Reporting Standards in Local Government accounting has had a significant impact upon the Council's Statement of Accounts and the Core Financial Statements and notes within.

In particular, changes in accounting for grants and contributions, employee benefits and long-term assets have required that all prior year comparators are restated together with a restated 2008/09 Balance Sheet.

A summary of the movements between the original audited statements and the IFRS compliant statements are at Note 2.

The move from UK Generally Accepted Accounting Practice to International Financial Reporting Standards has not impacted upon resources available for use by the Council, the changes are merely presentational.

3. Impact of Current Economic Climate

The impact of the current economic climate has been a significant challenge for this and all other local authorities. Welsh Assembly Government (WAG) settlements have reduced year on year to unprecedented levels and is a reflection of the global economic crisis and severe economic downturn. Council officers and

Members continue to take their fiduciary duty extremely seriously and this has been demonstrated by the setting of prudent and fair budgets. The financial results and position demonstrated in this Statement of Accounts reflect sound financial stewardship despite continuing financial pressures.

It is the Chief Financial Officer's view that the Council should continue to maintain £10m as a working balance, as has been the case for a number of years. This is reflected in the Balance Sheet which demonstrates Council Fund balances of £10.543m. This is set in the context of the need for strong financial management being essential to ensure the Council maintains financial flexibility and stability going forward.

4. Explanation of Core Financial Statements

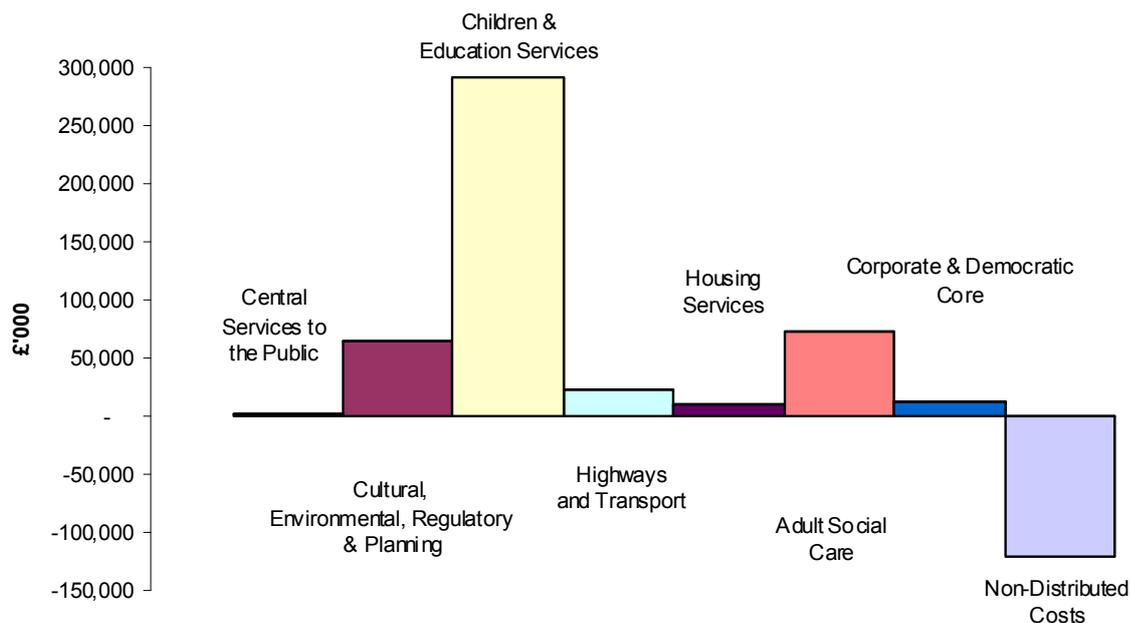
The Statement of Accounts that follow this Explanatory Foreword contains the following Core Financial Statements:

- **Movement in Reserves Statement (MiRS)** – represents the movement in each usable and unusable reserve.
- **Comprehensive Income and Expenditure Statement (CI&ES)** – reflects income and expenditure in accordance with IFRS.
- **Balance Sheet** – reflects all assets, liabilities and reserves of the Council i.e. reflects the year-end financial position.
- **Cash Flow** – analyses movement in cash and cash equivalents for the year.

5. Comprehensive Income and Expenditure 2010/11

The Comprehensive Income and Expenditure Statement provides an analysis of the Council's gross revenue expenditure and income in accordance with International Financial Reporting Standards. The chart below provides an analysis of the Net Cost of Services for Continuing Operations (£360m) by Best Value Accounting Code of Practice (BVACOP) Service Expenditure Analysis Area.

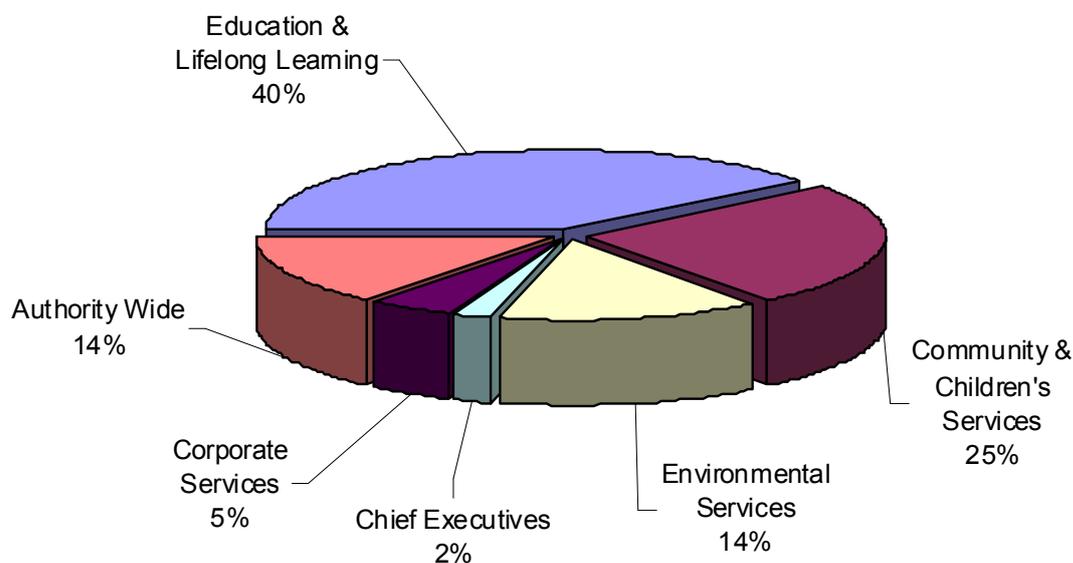
Net Cost of Services by BVACOP Category



The Council monitors performance in terms of service groups as opposed to the BVACOP service expenditure analysis. The following table details each of the service groups' actual net expenditure and budget during 2010/11. This represents the net revenue expenditure of the Council in line with the statutory provisions that need to be taken into account when setting local taxes. The variance against budget reconciles to the movement on the Council Fund Balance:

Service Group	Budget	Spend	Variance
	£'000	£'000	£'000
Education & Lifelong Learning	169,530	169,480	(50)
Community & Children's Services	107,819	108,305	486
Environmental Services	61,996	61,845	(151)
Chief Executives	8,759	8,561	(198)
Corporate Services	20,978	20,710	(268)
Authority Wide	60,888	60,996	108
Total	429,970	429,897	(73)

Net Expenditure by Service Group



	£'000
Council Fund Reserves as at 31st March 2010	(10,470)
Revenue Budget Out-turn (Variance as above)	(73)
Council Fund Reserves as at 31st March 2011	(10,543)

Gross Expenditure on Services for Continuing Operations amounted to £616m (Net Controllable Costs), this can be analysed over the following expenditure categories:

Type of Expenditure	£'m	%
Employees	156	25
Premises	30	5
Transport	27	4
Supplies and Services	100	16
Payments to Third Parties	85	14
Transfer Payments	73	12
Capital Charges (e.g. Interest)	109	18
Other Operating Costs (e.g. Support Services)	36	6
Total Gross Expenditure	616	100

Income during the year for Continuing Operations totalled £761m and came from the following sources:

Income Analysis	£'m	%
Direct Service Income		
Specific Grants	167	22
Sales, Fees & Charges	31	4
Other Income	57	8
Sub-Total Direct Service Income	255	34
Other Income		
Council Tax	94	12
National Non-Domestic Rates	65	9
Non Ring Fenced Government Grants	290	38
Capital Grants and Contributions	57	7
Total Income	761	100

The decision by Central Government to uplift public sector pensions, including the Local Government Pension Scheme (LGPS), using the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) has had the effect of reducing the Pension Fund liability as required to be reflected in the Balance Sheet by International Accounting Standard 19. This has resulted in a material credit to the Comprehensive Income and Expenditure Statement within Non-Distributed Costs of £124m. This does not impact upon the Council Fund Balance as regulations require the reduction in liability to be credited to the Pension Reserve.

6. Housing Revenue Account

On 10th December 2007 the Council transferred its Housing Stock to RCT Homes, a Community Mutual Trust.

During 2009/10, the Welsh Assembly Government issued an Item 10 Direction giving the Council consent to transfer £2m from the Housing Revenue Account (HRA) to Council Fund Balances.

In addition, during 2009/10, the 2007/08 Housing Revenue Account Subsidy was finalised and audited. Subsequently, in March 2010, the Welsh Assembly Government gave consent under section 74(4) of the Local Government and Housing Act 1989 for the Housing Revenue Account to be closed and for the residual balance to be transferred to the Council Fund.

There were no HRA transactions during 2010/11.

7. Summary of Future Revenue and Capital Plans

The Community Strategy sets out the plans and ambitions for the future of the County Borough for the next 10 years. The strategy is owned by the Local Service Board which brings together various public service organisations of which this Council is one. The Community Strategy is supported by medium term (3-year) strategic plans across statutory partnerships (for example, the Children & Young People's (Fframwaith) Partnership and the Community Safety Partnership) and

these all involve partnership input from across the Public Sector within the County Borough. For the Council specifically, these ambitions and strategic plans drive the production of an annual Improvement Plan that sets out the Council's own priorities for the next 12 months. All of these plans and ambitions need to be underpinned by robust financial management. Members and officers are continually working towards achieving goals at all planning levels and these documents are key drivers in allocating resources.

Capital and revenue budgets are approved annually by full Council. The Capital Programme is approved for a rolling 3-year period and updated annually. Revenue budgets are set annually in line with the Welsh Assembly Government settlement announcements.

A summary of the latest Capital Programme agreed by Members in March 2011 is as follows:

	2011/12	2012/13	2013/14	Total
Group	£'000	£'000	£'000	£'000
Chief Executives	12,464	9,574	3,564	25,602
Corporate Services	1,958	1,496	1,005	4,459
Corporate Initiatives	1,786	1,213	1,200	4,199
Education & Lifelong Learning	14,248	5,719	5,446	25,413
Community & Children's Services	9,643	9,158	9,158	27,959
Environmental Services	15,158	5,991	5,350	26,499
Total	55,257	33,151	25,723	114,131

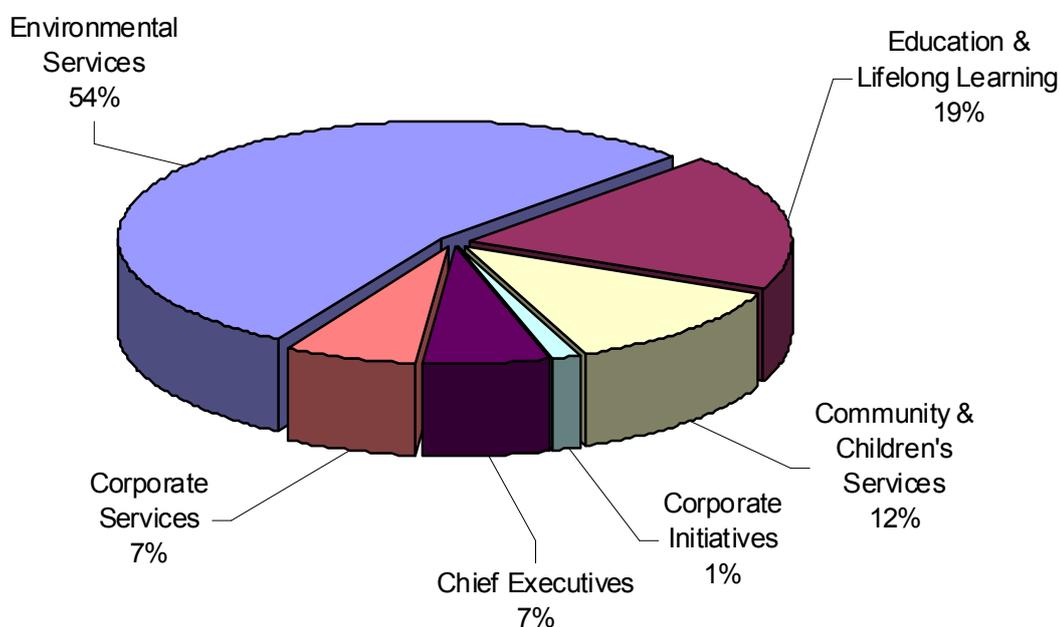
A summary of the Council's revenue budget for 2011/12 (agreed in March 2011) is outlined below:

	£'000
Authority Wide	58,456
Individual Schools Budget	138,101
Community & Children's Services	115,021
Corporate Services and Chief Executive Division	29,397
Education & Lifelong Learning	32,234
Environmental Services	61,130
Less: Job Evaluation and Terms & Conditions	(6,419)
Total	427,920

8. Capital Expenditure and Income 2010/11

During the year the Council spent £84.2m on capital expenditure, as summarised below:

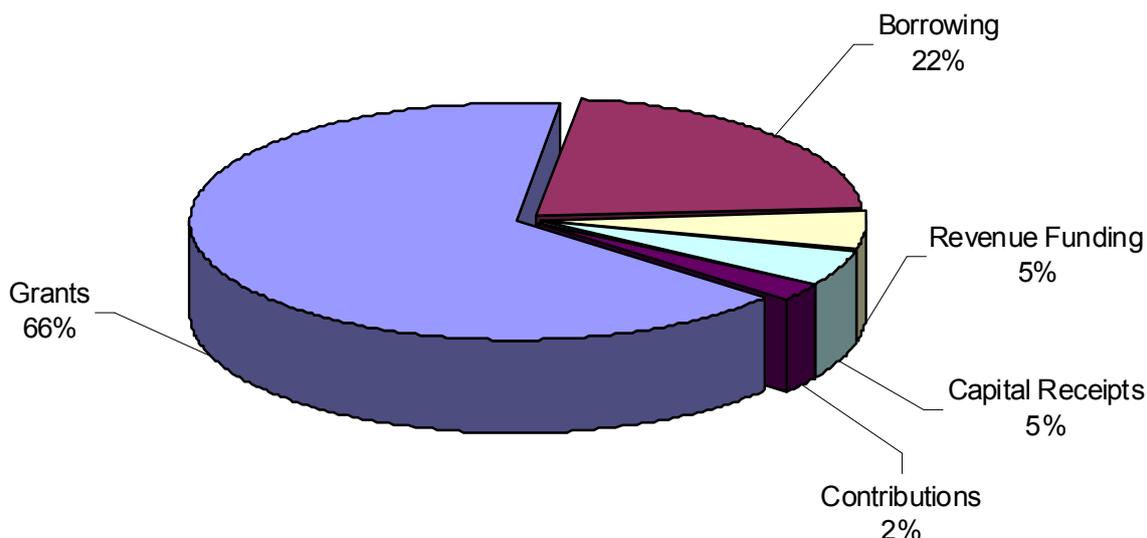
Group	£'000	%
Corporate Initiatives	1,197	1
Corporate Services	5,560	7
Chief Executives	5,456	7
Education & Lifelong Learning	16,138	19
Community & Children's Services	10,023	12
Environmental Services	45,869	54
Total	84,243	100



In addition, the Council's share of capital expenditure incurred by Joint Committees in which it has an interest was £172k. The type of Capital Expenditure made during the year is summarised below:

Expenditure on Long-Term Assets	RCT	Joint Committees	Totals
	£'000	£'000	£'000
Tangible Long-Term Assets	72,725	172	72,897
Intangible Long-Term Assets	603	0	603
Revenue Expenditure Funded from Capital under Statute	10,915	0	10,915
Total	84,243	172	84,415

This expenditure was financed as follows:



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

- Disabled Facilities Grants/Adaptations (DFGs)
- Maintenance Repair Allowance (MRAs)
- Porth Inner Relief Road
- Abercynon Park & Ride
- Fleet Vehicles
- Church Village Bypass
- Neighbourhood Renewal Areas
- Pontypridd Town Centre (Convergence)
- Purchase of Ty Trevithick
- Williamstown Primary School
- Maerdy Infant & Junior Schools Merger
- Penywaun Primary School

As at 31st March 2011, major capital commitments over the next three years (per the Capital Programme 2011 – 2014) include the following schemes:

Scheme	31/03/11
	£'000
Disabled Facilities Grants/Adaptations (DFGs)	11,850
Maintenance Repair Assistance (MRAs)	7,050
Home Improvement Zones/Renovation Grants	3,600
Community Regeneration	3,024
Williamstown Primary School	2,994
School Modernisation	3,873
Penywaun Primary School	2,151
Fleet Vehicles	6,542
Highways Improvements	8,050
Drainage Improvements	3,112
Aberdare Town Centre (Convergence)	6,525
Pontypridd Town Centre (Convergence)	7,684
LIF Business Finance Grant (Convergence)	4,783
Asbestos Remediation Works	6,502

The Council is also contracted to a Private Finance Initiative (PFI) scheme - a Lifelong Learning Campus at Garth Olwg. The commitment is for £113.8m over a period of 25 years. See Note 37.0 to the Core Financial Statements for further details.

9. 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	£340.0m
Interest Rate Exposure – Borrowing	Range
Limits on total % of borrowing at fixed interest rates	55% - 90%
Limits on total % of borrowing at variable interest rates	10% - 45%
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%

The Council's borrowing totals £213.3m, of which £204.7m is long-term and £8.6m is short-term. The majority of external borrowing was from the Public Works Loan Board (£124.2m). The remaining balance comprises £87.6m from market loans and £1.5m from other sources.

The Council also has PFI liabilities, £28.3m is a Long-Term Liability and £1m is disclosed within creditors as it is due within a year. In addition there are Finance Lease liabilities of £0.6m in Other Long-Term Liabilities.

The Council is required to prepare a Treasury Management Strategy for the forthcoming year. The Council's Treasury Management Practices allow the Council to raise funds from a variety of sources, including the PWLB and the money market. 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.

10. Investments

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £3m invested in the sector at this time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements as specified in CIPFA's LAAP bulletin 82. The impact of the principal invested has been mitigated in the accounts in accordance with Government regulations. Related investment income has been fully impaired. The latest estimate continues to indicate a base case return to creditors of between 79 and

85 pence in the pound. As at the Balance Sheet date, this Council has received dividend payments of £1.5m.

11. Pensions Assets and Liabilities

As a result of International Accounting Standard 19 "Employee Benefits", local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the Balance Sheet date. Please refer to Notes 18.5 and 40.0 to the Core Financial Statements for further details.

The effect of IAS 19 upon the reserves of the Council is as follows:

	£'000
Net Assets excluding Pensions Reserve	736,253
Net Assets as per Balance Sheet	252,906

12. Welsh Government

The Welsh Government is the devolved Government for Wales. Throughout this document, the devolved administration is referred to as Welsh Assembly Government as this was the appropriate title during 2010/11. The title has changed with effect from 2011/12.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Group Director - Corporate Services.
- To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Signature: _____

Sylvia Jones

Date: _____

28/9/11

Cllr. Sylvia Jones

Mayor

Civic Offices
Municipal Buildings
Gelliwastad Road
Pontypridd
CF37 2DP

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 Code of Practice on Local Authority Accounting in the United Kingdom, is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year.

In preparing this Statement of Accounts, the Group Director has:

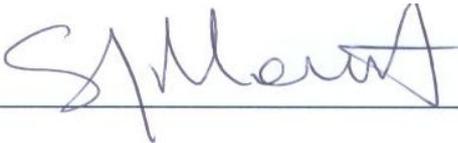
- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the code.

The Group Director has also throughout the financial year:

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

Certificate of the Group Director - Corporate Services Rhondda Cynon Taf CBC on the Accounts of Rhondda Cynon Taf CBC for 2010/11

I certify that the accounts set out on pages 2 to 146 present a true and fair view of the financial position of Rhondda Cynon Taf CBC and the Rhondda Cynon Taf CBC Pension Fund at 31st March 2011 and its income and expenditure for the year.

Signature:  Date: 28/09/11

Steve Merritt

Group Director - Corporate Services
Bronwydd House
Porth
CF39 9DL

Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and “unusable reserves”. The (Surplus) or Deficit on the Provision of Services line shows the economic cost of providing the Council’s services on an International Financial Reporting Standards basis, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance for Council Tax setting. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

As 2010/11 is the first year of local authority accounts being prepared on an IFRS basis, there are two Movement in Reserves Statements disclosed, the first being 2010/11 and the second for the prior year, 2009/10.

Movement in Reserves Statement for the year ended 31st March 2010

	Council Fund Balance	Housing Revenue Account	Farmarked Council Fund Reserves	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Notes:	17.1	17.2	17.3	17.4	17.5	17.6	17.7		18.0	
Balance At 1st April 2009	(10,120)	(2,180)	(50,575)	(6,690)	(4,572)	(1,873)	(1,816)	(77,826)	(88,505)	(166,331)
Movement in reserves during 2009/10										
Surplus or deficit on the provision of services (accounting basis)	(13,577)	0	0	0	0	0	0	(13,577)	0	(13,577)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	131,275	131,275
Total comprehensive income and expenditure	(13,577)	0	0	0	0	0	0	(13,577)	131,275	117,698
Adjustments between accounting basis and funding under regulations										
Adjustments primarily involving the Capital Adjustment Account										
Reversal of items debited/credited to CI&ES										
Charges for depreciation and impairment of non-current assets	(65,216)	0	0	0	0	0	0	(65,216)	64,054	(1,162)
Government grant deferred adjustment	65,789	0	0	0	0	0	0	65,789	0	65,789
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(265)	0	0	0	0	0	0	(265)	348	83
Insertion of items not debited/credited to CI&ES										
Statutory provision for the financing of capital investment	13,070	0	0	0	0	0	0	13,070	(13,070)	0
Capital expenditure charged against the Council Fund Balances	845	0	0	0	0	0	0	845	(845)	0
										Continued Overleaf...

Comprehensive Income and Expenditure Statement (CI&ES)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement for the year ended 31st March 2011

2009/10 Restated				Note:	2010/11		
Gross Exp	Gross Income	Net Exp			Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
29,238	(24,121)	5,117	Central Services to the Public		28,695	(25,391)	3,304
94,211	(27,773)	66,438	Cultural, Environmental, Regulatory and Planning Services		105,059	(39,723)	65,336
276,441	(50,941)	225,500	Children's and Education Services		360,801	(68,507)	292,294
33,014	(8,432)	24,582	Highways and Transport Services		36,379	(13,155)	23,224
75,934	(66,355)	9,579	Housing Services		82,210	(71,709)	10,501
106,939	(32,740)	74,199	Adult Social Care		109,889	(35,323)	74,566
9,805	(3,392)	6,413	Corporate and Democratic Core		13,792	(1,440)	12,352
6,542	(171)	6,371	Non-Distributed Costs		(121,228)	(150)	(121,378)
632,124	(213,925)	418,199	Cost of Services		615,597	(255,398)	360,199
			Other Operating Expenditure				
11,978	0	11,978	Precepts	34.3	12,573	0	12,573
13,467	0	13,467	Levies	34.3	12,140	0	12,140
1,245	(962)	283	(Gains) or Losses on Disposal of Non-Current Assets		1,749	0	1,749
			Financing and Investment Income and Expenditure				
11,467	0	11,467	Interest Payable and Similar Charges	10.2	11,562	0	11,562
32,930	(242)	32,688	Pensions Interest Cost and Expected Return on Pensions Assets	40.0	55,133	(36,477)	18,656
0	(462)	(462)	Interest Receivable and Similar Income	10.2	0	(313)	(313)
16,693	(16,844)	(151)	Trading Activities	24.0	18,111	(18,114)	(3)
87	0	87	(Profit) or Loss on Discontinued Operations		0	0	0
			Taxation and Non Specific Grant Income	33.1			
0	(89,488)	(89,488)	Council Tax Income	32.0	0	(93,751)	(93,751)
0	(62,653)	(62,653)	NNDR Distribution	31.0	0	(65,341)	(65,341)
0	(281,982)	(281,982)	Non-Ring Fenced Government Grants		0	(289,660)	(289,660)
0	(67,010)	(67,010)	Capital Grants and Contributions		0	(56,428)	(56,428)
719,991	(733,568)	(13,577)	(Surplus) or Deficit on the Provision of Services		726,865	(815,482)	(88,617)

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0	(218)	(218)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	0	(99,952)	(99,952)
131,493	0	131,493	Actuarial (Gains) or Losses on Pension Assets & Liabilities	0	(13,824)	(13,824)
131,493	(218)	131,275	Other Comprehensive Income and Expenditure	0	(113,776)	(113,776)
851,484	(733,786)	117,698	Total Comprehensive Income and Expenditure	726,865	(929,258)	(202,393)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement section 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet as at 31st March 2011

01/04/09 Restated	31/03/10 Restated			31/03/11
£'000	£'000		Note:	£'000
		Long-Term	Property, Plant & Equipment:	8.0
506,135	494,863	Assets	Other Land & Buildings	536,825
324,235	323,634		Infrastructure	322,352
15,983	13,765		Vehicles, Plant & Equipment	12,648
82	3,820		Community Assets	3,836
35,476	62,362		Assets Under Construction	91,270
2,994	3,044		Intangible Assets	9.0 2,715
0	814		Long-Term Investments	382
3,470	3,503		Investment in Associates and Joint Ventures	3,563
1,346	1,221		Long-Term Debtors	1,120
889,721	907,026		TOTAL LONG-TERM ASSETS	974,711
		Current	Short-Term Investments	30,137
23,947	14,051	Assets	Assets Held for Sale	13.0 5,989
1,936	5,873		Inventories	946
886	922		Short-Term Debtors	11.0 48,375
44,583	38,763		Cash and Cash Equivalents	12.0 4,655
570	966		TOTAL CURRENT ASSETS	90,102
71,922	60,575			
(15,543)	(6,202)	Current	Cash and Cash Equivalents	12.0 (10,045)
(10,586)	(3,538)	Liabilities	Short-Term Borrowing	(8,561)
0	0		Short-Term Provisions	15.0 (154)
(62,640)	(52,339)		Short-Term Creditors	14.0 (67,007)
(88,769)	(62,079)		TOTAL CURRENT LIABILITIES	(85,767)
(9,778)	(8,927)	Long-Term	Long-Term Provisions	15.0 (8,197)
(211,866)	(209,011)	Liabilities	Long-Term Borrowing	(204,694)
(483,964)	(636,118)		Other Long-Term Liabilities	16.0 (512,191)
(935)	(935)		Donated Asset Account	(1,058)
(706,543)	(854,991)		TOTAL LONG-TERM LIABILITIES	(726,140)
166,331	50,531	NET ASSETS		252,906

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(10,120)	(10,470)	Usable	Council Fund Balance	17.1	(10,543)
(2,180)	0	Reserves	Housing Revenue Account	17.2	0
(50,575)	(72,463)		Earmarked Reserves	17.3	(96,607)
(6,690)	(5,169)		Delegated Schools Reserve	17.4	(6,015)
(4,572)	(2,887)		Usable Capital Receipts Reserve	17.5	(19)
(1,873)	(3,094)		Capital Grant Unapplied Account	17.6	(1,830)
(1,816)	(1,924)		MGCC Insurance Reserve	17.7	(1,791)
(77,826)	(96,007)		TOTAL USABLE RESERVES		(116,805)
(80,240)	(77,372)	Unusable	Revaluation Reserve	18.1	(171,411)
(337)	(266)	Reserves	Deferred Capital Receipts Reserve	18.2	(197)
(473,954)	(494,622)		Capital Adjustment Account	18.3	(461,779)
6,991	6,682		Financial Instruments Adjustment Account	18.4	6,479
453,117	606,255		Pensions Reserve	18.5	483,347
1,063	1,048		Unequal Pay Back Pay Account	18.6	3,512
4,855	3,751		Short-Term Accumulating Compensated Absence Account	18.7	3,948
(88,505)	45,476		TOTAL UNUSABLE RESERVES		(136,101)
(166,331)	(50,531)	TOTAL RESERVES			(252,906)

Cash Flow Statement

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

Cash Flow Statement 2010/11

2009/10 Restated		Note:	2010/11	
			£'000	£'000
(13,577)	Net (Surplus) or Deficit on the Provision of Services		(88,617)	
(89,990)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements		(10,398)	
66,727	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		54,679	
(36,840)	Net Cash Flows from Operating Activities	<i>19.0</i>		(44,336)
16,167	Investing Activities	<i>20.0</i>	44,326	
10,936	Financing Activities	<i>21.0</i>	164	44,490
(9,737)	Net Increase or Decrease in Cash or Cash Equivalents			154
14,973	Cash and Cash Equivalents at the Beginning of the Reporting Period	<i>12.0</i>		5,236
5,236	Cash and Cash Equivalents at the End of the Reporting Period	<i>12.0</i>		5,390

Notes to the Core Financial Statements

1.0 Accounting Policies

1.1 Impact of International Financial Reporting Standards (IFRS) on Accounting Policies

As a result of the introduction of IFRS in Local Government Statement of Accounts, the Council has amended key accounting policies as follows:

Short-Term Accumulating Compensated Absences

The Council accrues for holidays earned but not taken by the end of the financial year. The cost of the accrual is mitigated by regulations allowing a credit in the Movement in Reserves Statement and charge to the Short-Term Accumulating Compensated Absences Account.

Grant and Contribution Income

Such income (capital and revenue) is recognised in the Comprehensive Income and Expenditure Statement when there is reasonable assurance that the conditions associated with the grant will be complied with and there is reasonable assurance that the income will be received. Previously, income was recognised when it was used to fund expenditure.

Long-Term Assets

Under IFRS, Fixed Assets are renamed "Long-Term Assets". There have been changes to the categorisation of Long-Term Assets such as the removal of the category "Surplus Assets" and the introduction of "Assets Held for Sale".

Impairment

Under IFRS, all Long-Term Asset impairments are to utilise any Revaluation Reserve balance before charging the cost to the Comprehensive Income and Expenditure Statement. Previously, any impairment arising from the clear consumption of economic benefits of an asset was required to be charged to the Comprehensive Income and Expenditure Statement regardless of whether a Revaluation Reserve balance existed for the particular asset.

Component Accounting

From 1st April 2011, when valuing Long-Term Assets, the Council separately identifies asset components where it is deemed depreciation may be materially misstated if no componentisation takes place.

Leases

Lease definitions have been revised resulting in the likelihood of more leased property being reflected within the Balance Sheet.

Inventories

The valuation of inventories has been amended under IFRS although the change is not deemed to be material for this Council.

1.2 Accruals of Expenditure and Income

The accounts of the Council have been prepared on an accrual of income and expenditure basis in accordance with the Code of Practice on Local Authority Accounting. This ensures activity is accounted for in the year that it takes place not when cash payments are made or received.

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

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

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

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure in the Comprehensive Income and Expenditure Statement on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract. Statutory adjustments relating to interest are reflected in the Movement in Reserves Statement.

Capital transactions are also recorded on an accrual basis, as prescribed by the Code of Practice.

1.3 Back Pay Arising from Unequal Pay Claims

The Council provides for the estimated costs of outstanding back pay claims made against it under the Equal Pay Act 1970. Regulations introduced by the Welsh Assembly Government give the Council discretion not to charge this cost to the Council Fund until payments have been made. This is achieved by reversing the charge in the Movement in Reserves Statement and establishing a reserve called Unequal Pay Back Pay Account. The Council has taken advantage of this discretion. The balance on the Unequal Pay Back Pay Account will be debited to the Council Fund via the Movement in Reserves Statement in future years as further payments are made.

1.4 Cash and Cash Equivalents

Cash and Cash Equivalents are sums of money available for immediate use by the Council. Such items are deemed to be cash balances held in the Council's bank

accounts less un-presented cheques, any overdrawn bank balance and petty cash balances.

Short-term investments are not deemed to be cash and cash equivalents as these are not readily available without incurring penalties.

1.5 Contingent Assets

A contingent asset is a possible gain 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.

In accordance with the concept of prudence, contingent assets are not recognised in the Comprehensive Income and Expenditure Statement or the Balance Sheet because the gain might never be realised but disclosed in the Notes to the Core Financial Statements where it is probable there will be an inflow of economic benefit or service potential.

1.6 Contingent Liabilities

A contingent liability is a possible item of expenditure 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.

Such contingent liabilities are not reflected in Provisions in the Balance Sheet as it may not be probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Material contingent liabilities are disclosed in notes to the Core Financial Statements at Note 42.

1.7 Employee Benefits

All costs relating to employee benefits are accounted for on an accruals basis.

Termination Benefits

These are amounts payable by the Council as a result of a decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. Such costs are charged on an accruals basis to the Comprehensive Income and Expenditure Statement.

When terminations involve the enhancement of pensions, statutory provisions require the Council Fund to be charged with the amount payable by the Council. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional entries for pension enhancements and replace them with amounts paid and payable.

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 sets contribution rates on the basis of a notional fund. 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 accounted for its contributions to the scheme as if it were a defined contribution scheme.

Other employees - Rhondda Cynon Taf CBC 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 Local Government Scheme is accounted for as a Defined Benefit Scheme.

- The liabilities of the Rhondda Cynon Taf Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.4%.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

Quoted Securities	–	Current Bid Price
Unitised Securities	–	Current Bid Price
Property	–	Market Value
- The change in the net pensions liability is analysed into seven components:
 - Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
 - Expected Return On Assets – the annual investment return on the fund assets attributable to the Council based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

- Gains or Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Contributions Paid to the Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense in the Comprehensive Income and Expenditure Statement.

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

Discretionary Benefits

The Council is able to make discretionary awards of retirement benefits in the event of early retirements. Any such liabilities arising are accrued in the year of decision to make the award.

Accumulated Absences

The Council accrues for staff holidays earned but not taken at each year-end. The Welsh Assembly Government has issued regulations to mitigate the impact of this charge upon Councils. This Council has taken advantage of the regulations and charged the additional costs to the Short-Term Accumulating Compensated Absences Account in Unusable Reserves.

1.8 Events After the Balance Sheet Date

Events after the reporting period are those both favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

The financial statements are authorised for issue in accordance with the Accounts and Audit Regulations (Wales) 2005 (as amended). Regulations state the Statement of Accounts shall be authorised for issue when certified by the Responsible Finance Officer. Certification of unaudited accounts takes place by 30th June following financial year-end.

Regulations require the audited Statement of Accounts to be published by 30th September. The published Statement of Accounts shall reflect events after the reporting period up to the date the accounts were authorised for issue. This is the date the Responsible Finance Officer re-certifies the accounts.

Two types of events can be identified;

- a) those that provide evidence of conditions existing at the end of the reporting period (adjusting events that shall be recognised in the financial statements),
- b) those that are indicative of conditions that arose after the reporting period (non-adjusting events that are not reflected in accounting statements but where material, disclosure is made in the notes to the Core Financial Statements).

1.9 Exceptional Items

Exceptional items are material items that are within the normal course of duties of the Council but are exceptional because of their size or incidence. Exceptional items may be disclosed on the face of the financial statements if their omission could distort readers understanding of the accounts. Alternatively, details of such transactions may be disclosed within the notes to the Core Financial Statements.

1.10 Prior Period Adjustments

Prior period comparators are adjusted from the original audited accounts if either of the following two circumstances are apparent;

- a) when there is a requirement to correct a material error. An error is deemed material if its omission or misstatement influences decisions or assessments of users of the financial statements,
- b) a change of accounting policy. In this circumstance, the opening balances of the earliest period presented are revised as though the revised policy had always been applied, except to the extent that it is impracticable to do so.

Changes in estimates are not deemed to necessitate a prior period adjustment unless the estimate change is due to a change in measurement basis (change in policy).

1.11 Financial Instruments

Financial Instruments consist of Financial Liabilities and Financial Assets.

Financial Liabilities

Financial Liabilities are carried at amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Where a loan has a single rate of interest over its term, it results in the amount presented in the Balance Sheet being the outstanding principal repayable, and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable in the loan agreement. Where loans have a rate that is lower in the initial years, the effective interest rate charge to the Comprehensive Income and Expenditure Statement "smoothes" the interest rate

differential. The difference between the effective interest rate charge and actual interest paid is adjusted in the Movement in Reserves Statement.

For most borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains (discounts) and losses (premiums) on the repurchase or early settlement of borrowing are credited/debited to the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase/early settlement is deemed to be a modification of existing instruments, the discounts/premiums are incorporated into the value of the instrument and written down to the Comprehensive Income and Expenditure Statement over the life of the loan via an adjustment to the effective interest rate.

Where premiums have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years equal to the life of the replaced or replacement loan. Where discounts have been credited to the Comprehensive Income and Expenditure Statement, regulations require the impact to be spread over the life of the replacement loan or ten years, if earlier.

Financial Assets

Financial Assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Rhondda Cynon Taf CBC holds only “Loans and Receivables”.

Loans and Receivables are initially recognised at fair value and subsequently carried at amortised cost. Interest and Investment Income in the Comprehensive Income and Expenditure Statement is based upon the carrying amount of the asset multiplied by the effective interest rate for the instrument. This means that the value in the Balance Sheet is the principal plus any accrued income, and the income recognised in the Comprehensive Income and Expenditure Statement is based upon the rate quoted in the loan agreement.

Interest that is due but unpaid at year-end is categorised in the Balance Sheet as current assets or liabilities. This is the case even if the financial asset or liability it relates to is a long-term instrument.

1.12 Foreign Currency Translation

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

When transactions are required to be undertaken in a foreign currency, they are converted at the prevailing rate on the day of the transaction. The Council undertakes very few transactions of this nature.

1.13 Intangible Assets

Intangible assets are those Long-Term Assets that do not have physical substance but are identifiable by the access to future economic benefits that are controlled by the Council 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.

An asset is tested for impairment whenever there is an indication that the asset may be impaired. Any losses are posted to the relevant service line.

Any gain or loss arising on the disposal or abandonment of an intangible asset is reflected in the Other Operating Expenditure section in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an effect upon Council Fund Balance and are reversed in the Movement in Reserves Statement.

1.14 Inventories

Inventories of stock are measured at the lower of cost and net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount shall be recognised as an expense when the income (if any) is recognised.

Where inventories are acquired in a non-exchange transaction (i.e. not paid for), the stock needs to be measured at fair value at the point of acquisition. The increase in value shall be recognised in the Donated Inventories Account. When the inventories are sold, the Donated Inventories Account credits are recognised in the Comprehensive Income and Expenditure Statement as income.

Where inventories are held for distribution at no charge or for a nominal charge, they are measured at the lower of cost or current replacement cost. When such inventories are used, the carrying amount is charged as an expense.

1.15 Leases

Whether a lease is a finance or operating lease depends upon the substance of the transaction rather than the legal form.

Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

- Transfer of ownership at the end of lease contract.
- Option to purchase asset at a price lower than fair value.

- Lease term is for major part of economic life of asset.
- Present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset.
- Leased assets are specialist and only lessee can use them without major modifications.

Leases of land and buildings are considered separately for the purpose of lease classification.

Finance Leases

A finance lease is one which transfers substantially all the risks and rewards incidental to ownership of an asset.

Where the Council is lessee, an asset and liability is recognised at lease inception. The asset is subsequently depreciated and revalued as though it were the legal property of the Council. The liability reduces as lease payments are made.

Where the Council is lessor, repayment of principal is recognised as capital receipts with the interest element of the payment being recognised in the Comprehensive Income and Expenditure Statement. No asset is recognised.

Operating Leases

An operating lease is deemed to be any lease other than a Finance Lease.

Where the Council is lessee, lease payments are recognised as an expense in the Comprehensive Income and Expenditure Statement on a straight-line basis unless another systematic basis is more representative of the benefits received.

Where the Council is lessor, the income should be recognised on a straight-line basis unless another systematic basis is more representative of the benefits received. Assets leased out under an operating lease will be subject to depreciation in the same manner as other assets within the same category.

1.16 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. 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.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income section of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Tangible Long-Term 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). Property, Plant and Equipment assets are generally valued on the basis of existing use value (EUV) which is deemed to be "fair value". Specialist items are valued on a depreciated replacement cost basis (DRC). 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. These have no determinable useful life and are assets that the Council intend to hold in perpetuity. Examples of community assets are parks and memorials.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their

fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed throughout the year as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is charged on a straight-line basis on all property, plant and equipment. All asset lives have been identified on an individual basis.

An exception is made for assets without a determinable finite useful life such as freehold land and assets that are not yet available for use i.e. assets under construction, and assets held for sale.

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

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

In 2010/11 the Council changed the way depreciation is estimated.

In previous years depreciation was not charged in the year of acquisition but was charged in the year of disposal. In 2010/11, depreciation has now been calculated in the year of acquisition and not in the year of disposal.

This change in estimating the depreciation charge has impacted upon Long-Term Assets and the Capital Adjustment Account (Unusable Reserve). The change does not impact upon depreciation charges over the life of the asset but results in timing differences of charges between years.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure section in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Usable Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement.

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

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

1.17 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. To ensure this isn't a charge against Council Fund Balance, the expenditure is funded via an adjustment in the Movement in Reserves Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

1.18 Revenue Expenditure Funded from Capital Under Statute

This is expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset. It is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council funds such expenditure from capital resources, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.19 Government Grants and Other Contributions

Grants and other contributions relating to capital and revenue expenditure shall be accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement when there is reasonable assurance that;

- the conditions for their receipt have been/will be complied with, and

- the grant or contribution will be received.

Monies advanced where there is no reasonable assurance of the above two criteria, are held as creditors in the Balance Sheet.

Revenue grants are credited to the relevant service and capital grants are credited to the Taxation and Non Specific Grant Income section of the Comprehensive Income and Expenditure Statement.

Where a revenue grant has been recognised in the Comprehensive Income and Expenditure Statement but not yet used to fund expenditure, it is set aside as an Earmarked Reserve.

Where a capital grant has been recognised as income but not yet used to finance capital expenditure, it is credited to Capital Grants Unapplied via the Movement in Reserves Statement. Subsequently, when the funds are used, the grant is transferred from Capital Grants Unapplied to Capital Adjustment Account.

Where a claim has yet to be signed off by the Wales Audit Office, Balance Sheet values in relation to grants are included on an unaudited draft claim basis.

1.20 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Long-Term Assets during the year;

- depreciation attributable to the assets used by the relevant service,
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. Therefore these charges to the Comprehensive Income and Expenditure Statement are reversed in the Movement in Reserves Statement.

1.21 Minimum Revenue Provision/Provision for the Repayment of Debt

The Local Government Act 2003 requires each local authority to set aside a Minimum Revenue Provision (MRP) for debt redemption. In accordance with the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 {S.I.2008/588 (W.59)} the Council's accounting treatment is as follows:

Supported Borrowing: MRP is charged to the Council Fund Balance at 4% of the Capital Finance Reserve (for assets which are operational).

Unsupported Borrowing: MRP is charged either in equal instalments over the life of the asset/capital expenditure or in accordance with depreciation.

PFI: In accordance with MRP guidance issued by the Welsh Assembly Government, MRP for the PFI scheme, and finance leases, represents the principal element of repayments made by the Council. (Refer to PFI and Lease policies).

1.22 Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor during the contract term. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

This Council has one PFI scheme which is the Lifelong Learning Campus at Garth Olwg.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into four elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement (Education and Children's Services).
- Finance cost – an interest charge of 3.99% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – debited to Comprehensive Income and Expenditure Statement (Education and Children's Services) as part of the service charge each year as the actual costs are borne by the private contractor and are not separately identifiable.

Third party income – profit is shared equally between the Council and the private contractor once the minimum guaranteed amount (which is set in the contract) is exceeded each year.

1.23 Cost of Support Services

The cost of overheads and support services have been allocated to service areas (in accordance with BVACOP) based on a projected out-turn basis. The balance of unallocated costs has been classified as Non-Distributed Costs.

All overhead and support costs are recharged with the exception of:

- Corporate and Democratic Core.
- Non Distributed Costs.

1.24 Value Added Tax

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

1.25 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

1.26 Interests in Companies and Other Entities

The Council has interests in companies and other entities which are required to be included in both single entity and group accounts.

Amgen Cymru Ltd. and Amgen Rhondda Ltd. meet the criteria of subsidiaries and are included within the Group Accounts financial statements on this basis.

Capita Glamorgan meets the criteria of an associated company and is accounted for as such in the Group Accounts financial statements.

These companies are represented within Long-Term Assets in the Balance Sheet of the single entity financial statements.

Within the single entity financial statements, the Council reflects its share of transactions of the various Joint Committee arrangements in which it participates.

The accounts of the Joint Committees have been consolidated into the Council's financial statements on a line-by-line basis, calculated using a reasonable apportionment methodology. The Joint Committees consolidated are:

- Llwydcoed Crematorium
- Glamorgan Record Office
- Coychurch Crematorium
- Catalogue Supplies Service
- Education School Improvement Service (ESIS)
- South East Wales Transport Alliance (SEWTA)

2.0 Transition From GAAP to IFRS

As a result of the introduction of International Financial Reporting Standards, the Council has been required to restate its 2009/10 Performance Statement (now named Comprehensive Income and Expenditure Statement). The Council is also required to restate the prior year Balance Sheet as at 31/03/10 and the Balance Sheet at the start of the preceding period as at 01/04/09.

Comprehensive Income and Expenditure Statement Restatement

	2009/10 Totals	Long-Term Assets Adj.	Grant Adj.	Holiday Pay Accrual	Revised 2009/10 Totals
	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	397,394	3,325	18,610	(1,130)	418,199
Other Operating Expenditure	25,728	0	0	0	25,728
Financing and Investment Income and Expenditure	43,486	30	0	26	43,542
Profit or Loss on Discontinued Operations	87	0	0	0	87
Taxation and Non Specific Grant Income	(434,123)	0	(67,010)	0	(501,133)
Surplus or Deficit on the Provision of Services	32,572	3,355	(48,400)	(1,104)	(13,577)
Surplus or deficit on Revaluation of Non Current Assets	(218)	0	0	0	(218)
Actuarial Gains or Losses on Pension Assets & Liabilities	131,493	0	0	0	131,493
Other Comprehensive Income and Expenditure	131,275	0	0	0	131,275
Total Comprehensive Income and Expenditure	163,847	3,355	(48,400)	(1,104)	117,698

Balance Sheet – Transition Balance Sheet Items as at 1st April 2009

	Audited Accounts as at 31/03/09	Reallocate Surplus Assets from Assets Held for Sale	Reallocate due to Strict Investment Properties Definition	Move Govt Grants Deferred to CAA	Operating Lease to Finance Lease (RCT Lessee)	PFI Adjustments	NDR Changes - WAG as Agency	Holiday Pay Accrual	Capital Grants	Donated Asset Finance Leases	Balance Sheet 01/04/09 Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Long-Term Assets	870,611	(4,399)	(81)	0	476	23,114	0	0	0	0	889,721
Current Assets	70,358	1,934	2	0	0	(945)	(581)	0	209	0	71,922
Current Liabilities	(85,214)	0	0	0	0	(30,282)	581	(4,855)	1,664	0	(88,769)
Long-Term Liabilities	(854,669)	0	0	179,908	(565)	(30,282)	0	0	0	(935)	(706,543)
Usable Reserves	(78,693)	0	0	0	0	2,740	0	0	(1,873)	0	(77,826)
Unusable Reserves	77,607	2,465	79	(179,908)	89	5,373	0	4,855	0	935	(88,505)

Balance Sheet – IFRS Adjustments as at 31st March 2010

	Audited Accounts as at 31/03/10	Surplus Asset Adjustment	Move Govt Grants Deferred to CAA	Government Grants Deferred 2009/10 Restatement	Operating Lease to Finance Lease (RCT Lessee)	Holiday Pay Accrual	Capital Grants	Revenue Grants	Donated Asset Finance Leases	Balance Sheet 31/03/10 Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Long-Term Assets	916,422	(9,861)	0	0	465	0	0	0	0	907,026
Current Assets	54,493	5,873	0	0	0	(3,752)	209	0	0	60,575
Current Liabilities	(65,635)	0	0	0	0	(3,752)	2,885	4,423	0	(62,079)
Long-Term Liabilities	(1,076,156)	0	179,908	42,756	(564)	0	0	0	(935)	(854,991)
Usable Reserves	(88,490)	0	0	0	0	3,752	(3,094)	(4,423)	0	(96,007)
Unusable reserves	259,366	3,988	(179,908)	(42,756)	99	3,752	0	0	935	45,476

3.0 Accounting Standards Issued, Not Adopted

For 2010/11, the only accounting policy change relating to Accounting Standards issued, yet not adopted by the Code of Practice, that needs to be disclosed, is FRS 30 Heritage Assets. The Council maintains an inventory of heritage assets which are to be valued by external valuers during 2011/12. The Council is unable to disclose the impact of implementation of FRS 30 on the financial statements until the external valuations have taken place. These assets will be reflected in the 2011/12 Balance Sheet.

4.0 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in Note 1, the Council has had to make certain judgements about complex transactions and those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

4.1 Heritable Bank

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £3m invested in the sector at this time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements as specified in CIPFA's LAAP bulletin 82. The impact on the principal invested has been mitigated in the accounts in accordance with Government regulations. Related investment income has been fully impaired. The latest estimate continues to indicate a base case return to creditors of between 79 and 85 pence in the pound. As at the Balance Sheet date, this Council has received dividend payments of £1.5m.

4.2 Private Finance Initiative

The Council is deemed to control the services provided under a Private Finance Initiative arrangement for the provision of a Lifelong Learning Campus at Garth Olwg. The value of the assets of the scheme are held within Property, Plant & Equipment and valued at £24.8m. The value of liabilities for the term of the contract is also within long-term and current liabilities on the Balance Sheet.

4.3 Employers Liability Trigger Litigation & Municipal Mutual Insurance

The Supreme Court is due to hear a case relating to an appeal on Employers Liability Trigger Litigation. This is to clarify responsibility for liabilities arising from mesothelioma (asbestos inhalation condition) Employers Liability claims. If the appeal results in claims being paid by insurers on risk at the time that the injury is sustained (deemed to be 5 years prior to symptoms being apparent), our insurers will not bear the cost of such cases affected by the ruling and we will have to return any monies received. These are funds previously paid to us for costs of claims against the Council and former Mid Glamorgan County Council. If the Supreme Court rules that the costs should be borne by insurers at the time the person was

exposed to asbestos fibres, our insurers such as Municipal Mutual Insurance Ltd. will bear the costs and no monies need to be returned by the Council.

The former authorities of Rhondda Borough Council, Cynon Valley Borough Council, Taff Ely Borough Council and Mid Glamorgan County Council are creditors of Municipal Mutual Insurance Ltd. (MMI). MMI ceased to write new insurance business from 30th September 1992 and a Scheme of Arrangement was put in place in January 1994. The Scheme was set up to ensure an orderly run off of claims in the event of MMI not being solvent. As creditors of MMI, the Council is legally bound by the Scheme and in the event of MMI not being solvent, the Council would be liable to repay a proportion of claims being defined within the terms of the Scheme. The Board of MMI are currently of the opinion that a solvent run off can be achieved if the Supreme Court rules in favour of MMI and the other insurers involved in the action. If the Supreme Court rules against MMI, the Scheme of Arrangement may be triggered. The latest available financial information indicates that MMI's financial position is weakening. At present, the Council is unable to quantify the impact this could have, particularly due to the uncertainty surrounding the Supreme Court outcome. The Council continues to closely monitor the situation.

4.4 Grants and Contribution Conditions

Judgements are made in terms of conditions attached to both capital and revenue grants. Grants are recognised as income when received/receivable. Unless there are assumptions that conditions of the grant are breached, a return obligation is not recognised. As a result, capital grants received, with no expected return obligation are reflected in Capital Grants Unapplied until they are used to fund the Capital Programme. Similarly, revenue grants received with no expected return obligation that are to be used to fund future years expenditure are reflected in Earmarked Reserves in the Balance Sheet.

4.5 Mid Glamorgan County Council 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 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 these.

The accounts of Rhondda Cynon Taf include a provision for the relevant share of settled claims as it is currently assumed likely that these items will be accepted as Post Balance Sheet Events.

Successor authorities have also identified claims that remain unresolved. Due to the uncertainty regarding amounts, timing and likelihood of success of the claims, it is not considered appropriate to provide for these costs.

5.0 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

This Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31st March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

5.1 Pensions Liability

- Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. AON Hewitt is engaged to provide the Council with advice about the assumptions to be applied.
- The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2010/11, AON Hewitt advised that the net pensions liability had decreased by £56.2m as a result of estimates being corrected as a result of experience and decreased by £14.8m attributable to updating of the assumptions.

5.2 Insurance Provision

- The Council makes provision for all claims received but not yet paid according to the "reserve" value attached to that claim. The reserve value represents the most likely value to settle the claim, not taking into account probability of settlement. Reserve values are provided by the Council's in house insurance team, claims handlers and loss adjusters depending on the claim type and estimated value of the claim. Motor and property claims are provided for at 100% of the reserve value. Liability claims are provided for at 70% of the reserve value. This reflects that not all claims received are paid. Some are successfully repudiated.
- The risks attached to misstatement are that existing claims will change in value (increase or decrease) or be successfully repudiated. An earmarked reserve is established to meet the additional costs relating to the impact of these potential changes in estimates. The earmarked reserve also funds claims or incidents that have occurred but claims are yet to be received.

6.0 Material Items of Income and Expense

The Council has no material items of income or expense that require separate disclosure.

7.0 Events After the Balance Sheet Date

7.1 The Statement of Accounts was authorised for issue by the Group Director – Corporate Services, as Chief Finance Officer, following Council approval on 28th September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31st March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There is one event that took place after 31st March 2011 requiring disclosure providing information that is relevant to an understanding of the Council's financial position. This is detailed below.

7.2 As outlined in note 3 to the Pension Fund accounts, the decision to uplift public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent to the review finding against the Government have not been assessed.

8.0 Property, Plant and Equipment

8.1 Movements on Balances

Movements in 2010/11:

	Other Land & Buildings	Infrastructure	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 st April 2010 (Restated)	684,934	376,988	44,723	4,312	67,990	1,178,947	33,668
Joint Committees Opening Balance	950	0	338	0	0	1,288	0
Additions	25,037	11,302	7,272	9	29,277	72,897	0
Donations	123	0	0	0	0	123	0
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	105,413	0	0	25	0	105,438	1,397

Continued Overleaf...

Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – Disposals	(891)	0	(2,975)	0	0	(3,866)	0
Assets Reclassified (to)/from Held for Sale	(855)	0	0	(25)	(367)	(1,247)	0
Other Reclassifications	349	0	0	8	10	367	0
At 31st March 2011	815,060	388,290	49,358	4,329	96,910	1,353,947	35,065
Accumulated Depreciation and Impairment							
At 1 st April 2010 (Restated)	(191,000)	(53,354)	(31,017)	(492)	(5,628)	(281,491)	(8,246)
Joint Committees Opening Balance	(21)	0	(279)	0	0	(300)	0
Depreciation Charge	(10,950)	(9,572)	(5,371)	0	0	(25,893)	(427)
Impairment (Losses) Recognised in the Revaluation Reserve	(5,546)	0	0	0	0	(5,546)	0
Impairment Reversals Recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment (Losses) Recognised in the Surplus/Deficit on the Provision of Services	(73,492)	(3,012)	(2,420)	(1)	(12)	(78,937)	(1,642)
Impairment Reversals Recognised in the Surplus/Deficit on the Provision of Services	2,710	0	0	0	0	2,710	0
Derecognition – Disposals	64	0	2,377	0	0	2,441	0
At 31st March 2011	(278,235)	(65,938)	(36,710)	(493)	(5,640)	(387,016)	(10,315)
Net Book Value:							
At 31st March 2011	536,825	322,352	12,648	3,836	91,270	966,931	24,750
At 31st March 2010 (Restated)	494,863	323,634	13,765	3,820	62,362	898,444	25,422

Comparative Movements in 2009/10:

	Other Land & Buildings	Infrastructure	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 st April 2009 (Restated)	669,059	366,623	40,682	568	38,806	1,115,738	33,668
Joint Committees Opening Balance	894	0	330	0	0	1,224	0
Additions	20,721	9,240	3,345	63	37,688	71,057	0
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	1,672	0	450	0	0	2,122	0
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – Disposals	0	0	(1,337)	0	0	(1,337)	0
Other Reclassifications	(7,330)	1,124	1,500	3,576	(8,622)	(9,752)	0
At 31st March 2010	685,016	376,987	44,970	4,207	67,872	1,179,052	33,668
Accumulated Depreciation and Impairment							
At 1 st April 2009 (Restated)	(163,818)	(42,388)	(24,789)	(486)	(3,330)	(234,811)	(7,815)
Joint Committees Opening Balance	0	0	(240)	0	0	(240)	0
Depreciation Charge	(7,650)	(9,220)	(4,794)	0	0	(21,664)	(431)
Impairment (Losses) Recognised in the Revaluation Reserve	(1,687)	0	0	0	0	(1,687)	0
Impairment Reversals Recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment (Losses) Recognised in the Surplus/(Deficit) on the Provision of Services	(18,223)	(1,745)	(2,519)	(6)	(2,298)	(24,791)	0

Continued Overleaf...

Impairment Reversals Recognised in the Surplus/(Deficit) on the Provision of Services	1,225	0	73	105	118	1,521	0
Derecognition – Disposals	0	0	1,064	0	0	1,064	0
At 31st March 2010	(190,153)	(53,353)	(31,205)	(387)	(5,510)	(280,608)	(8,246)
Net Book Value:							
At 31st March 2010	494,863	323,634	13,765	3,820	62,362	898,444	25,422
At 1st April 2009 (Restated)	506,135	324,235	15,983	82	35,476	881,911	25,853

8.2 Depreciation

Depreciation is charged on a straight-line basis on all tangible assets with a finite useful life, excluding non-depreciable land. Asset lives have been identified on an individual basis.

8.3 Capital Commitments

At 31st March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years, budgeted to cost £13.3m. Similar commitments at 31st March 2010 were £8.6m. The total contract values as at 31st March 2011 are:

Scheme	£'000
Tonyrefail Comprehensive Lower School	310
Park Lane Special School	588
Abernant Primary School	60
Maerdy Infants & Junior Merger	1,274
Williamstown Primary School	7,104
Penywaun Primary School	2,898
Taff Trail Rhydyfelin	413
Dare Valley Country Park Coach Park	166
Beddau Caravan Park	546

8.4 Effects of Changes in Estimates

In 2010/11 the Council changed the way depreciation is estimated.

In previous years, depreciation was not charged in the year of acquisition but was charged in the year of disposal. In 2010/11, depreciation has now been charged in the year of acquisition and not in the year of disposal.

This change in estimating the depreciation charge has impacted upon Long-Term Assets and the Capital Adjustment Account (Unusable Reserve). The change does not impact upon depreciation charges over the life of the asset but results in timing differences of charges between years.

8.5 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out by the Council's appointed valuer. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Valuations include the cost of construction on a modern equivalent basis.
- The cost has been depreciated to account for the age and future economic life of the buildings.
- Valuations are subject to the prospect and viability of the continuance of the occupation and use of the property.

The Gross Book Value of Land and Buildings revalued by the external valuer during the last five years is as follows:

	Other Land and Buildings
	£'000
Carried at Historical Cost	
Valued at Fair Value as at:	
31 st March 2011	358,914
31 st March 2010	32,216
31 st March 2009	77,504
31 st March 2008	115,166
31 st March 2007	176,646
Total Cost or Valuation	760,446

9.0 Intangible Assets

The Council accounts for its software and licences as intangible assets, to the extent that the software and licences are not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

The Council pays for licences and software in respect of three key financial systems being the payroll system, the accounting system and the revenues systems. The cost of these systems is written off over five years. The annual amortisation of these costs ranges from £1k to £121k and is not considered material for individual disclosure purposes.

All software and licences are given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying

amount of intangible assets is amortised on a straight-line basis. The amortisation charge for intangible assets during 2010/11 was £932k.

The movement on Intangible Asset balances during the year is as follows:

	2008/09	2009/10	2010/11		
	Total	Total	Purchased Software Licences	Licences, Trade Marks and Artistic Originals	Total
	£'000	£'000	£'000	£'000	£'000
Balance at start of year					
Gross Carrying Amounts	5,100	6,071	3,937	3,139	7,076
Accumulated Amortisation	(2,097)	(3,077)	(2,933)	(1,099)	(4,032)
Net carrying amount at start of year	3,003	2,994	1,004	2,040	3,044
Additions: Purchases	971	1,005	118	485	603
Amortisation for the Period	(980)	(955)	(607)	(325)	(932)
Net Carrying Amount At End Of Year	2,994	3,044	515	2,200	2,715
Gross Carrying Amounts	6,071	7,076	4,055	3,624	7,679
Accumulated Amortisation	(3,077)	(4,032)	(3,540)	(1,424)	(4,964)
	2,994	3,044	515	2,200	2,715

It is not practicable to analyse amortisation of intangible assets over BVACOP service expenditure analysis levels due to support services recharges. There are no items of capitalised intangible assets that are individually material to the financial statements.

10.0 Financial Instruments

10.1 Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Assets:	Long-Term		Current	
	31/03/10	31/03/11	31/03/10	31/03/11
	£'000	£'000	£'000	£'000
Investments: Loans and Receivables	814	382	14,051	30,137
Debtors: Financial Assets Carried at Contract Amounts	1,221	1,120	38,763	48,375
Total	2,035	1,502	52,814	78,512

Liabilities:	Long-Term		Current	
	31/03/10	31/03/11	31/03/10	31/03/11
	£'000	£'000	£'000	£'000
Borrowings: Financial Liabilities at Amortised Cost	209,011	204,694	3,538	8,561
Other Liabilities: PFI and finance lease liabilities	29,862	28,840	983	1,022
Creditors: Financial Liabilities at Amortised Cost	0	0	10,670	13,223
Total	238,873	233,534	15,191	22,806

The value of creditors in the table relates to invoices authorised for payment by the Council but remaining unpaid at year end. This balance is included within the Balance Sheet heading *Short-Term Creditors*.

10.2 Income, Expense, Gains and Losses

	2009/10			2010/11		
	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	11,492	0	11,492	11,461	0	11,461
Impairment Losses	0	(25)	(25)	0	101	101
Total Expense in Surplus or Deficit on the Provision of Services	11,492	(25)	11,467	11,461	101	11,562
Interest Income	0	(295)	(295)	0	(146)	(146)
Interest Income Accrued on Impaired Financial Assets	0	(167)	(167)	0	(167)	(167)
Total Income in Surplus or Deficit on the Provision of Services	0	(462)	(462)	0	(313)	(313)
Net Gain/(Loss) for the Year	11,492	(487)	11,005	11,461	(212)	(11,249)

10.3 Fair Value of Assets and Liabilities

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

- PWLB and market debt – premature repayment rate used as discount rate.
- No early repayment or impairment is recognised.

- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair values calculated are as follows:

	31/03/10		31/03/11	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	124,236	135,525	124,236	139,159
Market Debt	87,594	97,817	87,588	100,877
Other Debt	719	719	1,430	1,430
PFI and Finance Lease	30,846	30,846	29,862	29,862
Trade Creditors	10,670	10,670	13,223	13,223
	254,065	275,577	256,339	284,551

	31/03/10		31/03/11	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	14,865	14,865	30,700	30,700

10.4 Nature and Extent of Risks Arising from Financial Instruments

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

Key Risks

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Refinancing and Maturity Risk – the possibility that the Council may be requiring to renew a financial instrument on maturity at less favourable interest rates or terms.
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

10.5 Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise these risks. The procedures for risk management are defined in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. This Council complies with these requirements by:

- Formally adopting the requirements of the Code of Practice.
- By adopting a Treasury Management Policy Statement and Treasury Management Clauses being incorporated into Financial Procedure Rules.
- Approving annually in advance Prudential and Treasury Indicators for the following three years.
- Approving an Investment Strategy for the forthcoming year setting out criteria for both investing and selecting investment counterparties in compliance with guidance from the Welsh Assembly Government.

These are required to be reported and approved before the start of the year to which they relate. The Treasury Management Strategy outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported in a mid year review to Members.

These policies are implemented by a corporate Treasury Management team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). The TMPs are a requirement of the Code of Practice and are reviewed periodically.

The Treasury Management Strategy is available on the Council's website.

10.6 Credit Risk

Credit Risk arises from deposits with banks and financial institutions as well as credit exposures to the Council's customers.

This risk is minimised through the Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. Such criteria include credit ratings assigned by Fitch, Moody's and Standard & Poors Credit Ratings Services. The Investment Strategy also imposes a maximum amount and duration to be invested with a financial institution. In addition, at the point of an investment being made with a counterparty, it will not exceed 10% of the Council's overall investment portfolio at the time of making the investment (excluding the Government backed Debt Management Office and deposits made with public bodies). Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. There are also other criteria and controls in place regarding counterparty selection, further details of which can be found in the approved Treasury Management Strategy.

The following analysis summarises the Council's potential maximum exposure to credit risk. The default rates give details of the Council's experience of its customer collection levels.

	31/03/11	Historical Experience of Default	Adjustment for Market Conditions at 31/03/11	Estimated Maximum Exposure to Default at 31/03/11	Estimated Maximum Exposure to Default at 31/03/10
	(a)	(b)	(c)	(a*c)	
	£'000	%	%	£'000	£'000
Deposits With Government Departments & Local Authorities	30,519	0.00	0.00	0	0
Trade Debtors	8,838	0.68	0.68	60	52

The '0.68% Historical Experience of Default' represents debt written off in 2010/11 expressed as a percentage of invoices raised during that year. This percentage is not the basis of the Bad Debt Provision, which is calculated using various percentages designed to reflect the risk of debts of various ages not being collectable, as opposed to the far lower rate of actual write-offs for the year.

Investments with the Debt Management Office and other Government backed public bodies have the rating applicable to Government borrowing (AAA).

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £3m invested in the sector at this time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements as specified in CIPFA's LAAP bulletin 82. The impact of the principal invested has been mitigated in the accounts in accordance with Government regulations. Related investment income has been fully impaired. The latest estimate continues to indicate a return to creditors of between 79 and 85 pence in the pound. At the Balance Sheet date, the Council has received dividend payments of £1.5m.

The Council does not generally allow credit for its trade debtors, such that £4.5m of the £8.8m balance is past its due date for payment. The past due date can be analysed as follows:

	31/03/10	31/03/11
	£'000	£'000
Less than 3 months	847	1,410
3 – 6 months	449	434
6 months to 1 year	467	597
More than 1 year	2,077	2,108
Total	3,840	4,549

During the reporting period the Council held no collateral as security.

10.7 Liquidity Risk

The Council manages its liquidity position through effective cash flow management procedures.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and whilst the PWLB provides access to longer-term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to produce a balanced budget in accordance with the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

10.8 Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits set on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central Treasury team manage operational risks within approved parameters.

This includes;

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of the principal value of the Rhondda Cynon Taf CBC element of financial liabilities is as follows:

	31/03/10	31/03/11
	£'000	£'000
Less than 1 year	636	6,874
Between 1 and 2 years	5,005	9,217
Between 2 and 5 years	8,003	2,580
Between 5 and 10 years	2,000	8,694
More than 10 years	194,872	213,917
Total	210,516	241,282

The financial liabilities of 2010/11 due to mature within one year, were not repaid during 10/11. The liabilities were deemed to be short-term as they are repayable upon demand.

The maturity analysis of financial assets is as follows:

	31/03/10	31/03/11
	£'000	£'000
Maturity less than one year	13,470	29,513

The investment held in Heritable Bank and Trade Debtors are not included in the table above.

10.9 Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact upon the Council, depending how variable and fixed rates move across differing financial instrument periods.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From the strategy, a treasury indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team, together with the appointed Treasury Management Advisors, monitor market and forecast interest rates within the year to adjust the Council's exposures appropriately.

If all interest rates had been 1% higher (with all other variables being constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	6
Increase in interest receivable on variable rate investments	N/A
Impact on Comprehensive Income and Expenditure Statement	6
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	36,718
Increase in interest payable on variable rate borrowings	0

The approximate impact of a 1% fall in interest rates would be as above but with the same methodology as used in the note of Fair Value of Assets and Liabilities.

11.0 Short-Term Debtors

An analysis of Short-Term Debtors in the Balance Sheet is as follows:

01/04/09	31/03/10		31/03/11
£'000	£'000		£'000
10,072	10,879	Central Government Bodies	7,996
3,853	5,960	Other Local Authorities	640
108	77	NHS Bodies	2
0	3	Public Corporations and Trading Funds	28
30,550	21,844	Other Entities and Individuals	39,709
44,583	38,763	Total	48,375

12.0 Cash and Cash Equivalents

The Cash and Cash Equivalents is made up of the following elements:

01/04/09	31/03/10		31/03/11
£'000	£'000		£'000
570	966	Cash Held by the Council	4,655
(15,543)	(6,202)	Bank Current Accounts	(10,045)
(14,973)	(5,236)	Total Cash and Cash Equivalents	(5,390)

Short-term cash surpluses are invested on the money markets and represented in the Balance Sheet as "Short-Term Investments". Bank Current Accounts represent the position of the bank account as at 31st March 2011 adjusted for unrepresented cheques.

13.0 Assets Held for Sale

The movement on Assets Held for Sale is as follows:

	Current		
	2008/09	2009/10	2010/11
	£'000	£'000	£'000
Balance Outstanding at Start of Year	36,623	1,936	5,873
Assets newly classified as held for sale:			
Property, Plant and Equipment	0	23,566	880
Revaluation Gains	6,690	1,651	1,132
Impairment Losses	(1,796)	(5,693)	(305)
Assets Declassified as Held for Sale:			
Property, Plant and Equipment	(37,873)	(14,850)	0
Assets Sold	(1,708)	(737)	(1,591)
Balance Outstanding at Year-End	1,936	5,873	5,989

Assets held for sale are those projected receipts the Council uses in its forecasts of funding for the capital programme. Actual receipts may vary from those levels projected.

14.0 Short-Term Creditors

An analysis of Short-Term Creditors in the Balance Sheet is as follows:

01/04/09	31/03/10		31/03/11
£'000	£'000		£'000
(837)	(2,649)	Central Government Bodies	(3,489)
(995)	(972)	Other Local Authorities	(805)
(237)	(553)	NHS Bodies	(756)
0	0	Public Corporations and Trading Funds	(152)
(60,571)	(48,165)	Other Entities and Individuals	(61,805)
(62,640)	(52,339)	Total	(67,007)

15.0 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.

Movements in provisions during the year were:

Provision	Housing Disrepair Claims	Unequal Pay Costs	Housing Benefits	Integrated Community Equip.	Homecare Fairer Charge - Learning Disability Clients (Short-Term Provision)	Insurance Claims (Long-Term Provision)	MGCC Disaggregation (Long-Term Provision)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1st April 2009	41	1,063	8	4	0	7,938	724	9,778
Additional provisions made in 2009/10	0	327	0	0	0	0	28	355
Amounts used in 2009/10	0	(342)	0	0	0	(824)	0	(1,166)
Unused amounts reversed in 2009/10	(28)	0	(8)	(4)	0	0	0	(40)
Balance at 1st April 2010	13	1,048	0	0	0	7,114	752	8,927
Additional provisions made in 2010/11	0	0	0	0	154	329	2	485
Amounts used in 2010/11	0	(1,048)	0	0	0	0	0	(1,048)
Unused amounts reversed in 2010/11	(13)	0	0	0	0	0	0	(13)
Balance at 31st March 2011	0	0	0	0	154	7,443	754	8,351

15.1 Housing Disrepair Claims

This provision had been set up to cover the potential costs of claims made against the Council. During 2010/11, the liability for outstanding cases was no longer valid and consequently the provision has been written back to Council Fund Balances.

15.2 Unequal Pay Costs

The liability for Unequal Pay Costs is now held within short-term creditors on the Balance Sheet.

15.3 Homecare Fairer Charge - Learning Disability Clients

The provision has been set aside to cover the potential repayment of income received from a specific number of service users. The original basis in which the financial assessment of the service users ability to pay for non-residential care services may need to be revised and backdated to reflect the contribution each service user makes to the household fund.

15.4 Insurance Claims

The Council is liable for liability, property and motor insurance claims which are not covered by insurance policies i.e. below excess. An insurance provision is established for these costs. The provision is based on the probable ultimate cost of the reported losses at the Balance Sheet date.

An earmarked reserve is set aside to contribute towards the cost of claims incurred but not yet received. See Note 17.3 to the Core Financial Statements for further details.

The Council also retains an insurance provision and reserve for the cost of claims relating to the former Mid Glamorgan County Council. If, at some future point, the Mid Glamorgan provision and reserve were deemed to be no longer required, amounts would be distributed to the successor authorities.

01/04/09	31/03/10		31/03/11
£'000	£'000		£'000
7,269	6,590	Rhondda Cynon Taf	6,805
669	524	Mid Glamorgan	638
7,938	7,114	Insurance Provision	7,443

15.5 Mid Glamorgan County Council (MGCC) Disaggregation

The provision relates to estimated liabilities due to other local authorities in respect of MGCC Post Balance Sheet Events. The exact values and timing of payments is uncertain. Refer to Note 42.1 for further details.

16.0 Other Long-Term Liabilities

An analysis of Other Long-Term Liabilities is given in the following table:

01/04/09	31/03/10		31/03/11
£'000	£'000		£'000
453,117	606,255	Pension Liability (IAS19)	483,347
30,282	29,299	PFI	28,277
565	564	Finance Leases	567
483,964	636,118	Total	512,191

17.0 Usable Reserves

01/04/09	31/03/10		31/03/11
£'000	£'000		£'000
(10,120)	(10,470)	Council Fund Balance	(10,543)
(2,180)	0	Housing Revenue Account	0
(50,575)	(72,463)	Earmarked Reserves	(96,607)
(6,690)	(5,169)	Delegated Schools Reserve	(6,015)
(4,572)	(2,887)	Usable Capital Receipts Reserve	(19)
(1,873)	(3,094)	Capital Grant Unapplied Account	(1,830)
(1,816)	(1,924)	MGCC Insurance Reserve	(1,791)
(77,826)	(96,007)	Total Usable Reserves	(116,805)

17.1 Council Fund Balance

Council Fund Balances are accumulated working balances and relate to general fund services. These exclude "ring-fenced" Council services such as Delegated Schools.

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

	£'000
Balance as at 31 st March 2010	(10,470)
(Increase)/Decrease in Reserve	(73)
Balance as at 31st March 2011	(10,543)

17.2 Housing Revenue Account

On 10th December 2007 the Council transferred its Housing Stock to RCT Homes, a Community Mutual Trust.

The Welsh Assembly Government issued an Item 10 Direction (February 2009) giving the Council consent to transfer £2m from Housing Revenue Account to Council Fund balances during 2009/10.

In addition, during 2009/10 the 2007/08 Housing Revenue Account Subsidy was finalised and audited. Subsequently, in March 2010, the Welsh Assembly Government gave consent under section 74(4) of the Local Government and Housing Act 1989 for the Housing Revenue Account to be closed and for the residual balance to be transferred to Council Fund.

17.3 Earmarked Reserves

This note sets out the amounts set aside from the Council Fund Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure in 2010/11. All earmarked reserves are deemed to be revenue reserves.

Reserve	Balance at	Transfers	Transfers	Balance at	Transfers	Transfers	Balance at
	01/04/09	Out	In	31/03/10	Out	In	31/03/11
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
E-Government/ Service Re- engineering	81	(81)	0	0	0	339	339
Delivery of the Council's E-Government Strategy, system replacements and service re-engineering.							
Treasury Management Reserve	6,600	0	0	6,600	0	0	6,600
Funding for known and potential future pressures upon the Capital Financing budget.							
Financial Management and Human Resources Risk Management	7,275	(2,604)	4,839	9,510	(669)	17,816	26,657
Amounts set aside as financial cover for future liabilities.							
Private Finance Initiative	5,295	(65)	997	6,227	(191)	541	6,577
Balance of excess Welsh Assembly Government support over unitary charge payments to reflect the differing expenditure and income profiles.							
Development Fund	1,799	(753)	54	1,100	(258)	0	842
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.							
Social Inclusion (Revenue)	131	0	0	131	0	0	131
To fund activities and projects carried out to improve social inclusion.							
Capital Developments	12,841	0	6,572	19,413	(1,245)	6,117	24,285
Resources required to be set-aside for the funding of the Council's approved 3-year capital programme.							
Job Evaluation	6,590	(15)	6,690	13,265	(13,265)	6,690	6,690
Costs associated with the implementation of Job Evaluation and changes to other terms and conditions of employment across the Council (including payment of equal pay claims).							
Prior Year Commitments	2,894	(2,109)	3,072	3,857	(1,215)	6,148	8,790
Carry forward of funding to finance projects for which commitments have already been made in the prior year.							
Other Specific Reserves	2,860	(368)	822	3,314	(5,733)	5,450	3,031
Represents a number of reserves held for specific and identified purposes.							
Medium-Term High Risk Financial Issues	0	0	1,957	1,957	0	0	1,957
<i>Continued Overleaf...</i>							

Amount set aside to help offset the major risks likely to impact on the Council in the short to medium term (including the consequences of the European and UK waste management legislation).							
Insurance Reserve	994	0	304	1,298	0	2,645	3,943
To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.							
Joint Committee Reserve	1,810	(442)	0	1,368	0	101	1,469
Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.							
South Wales Fire and Rescue Service Reserve	1,405	(1,405)	0	0	0	0	0
Represents the Council's share of the South Wales Fire and Rescue Service Reserves.							
Revenue Grant Reserves (IFRS)	0	0	4,423	4,423	0	873	5,296
Carry forward of Revenue Grants not yet applied to spend, required accounting treatment to comply with International Financial Reporting Standards.							
Total	50,575	(7,842)	29,730	72,463	(22,576)	46,720	96,607

17.4 Delegated Schools Reserve

Delegated schools are those that 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.

At the end of 2010/11, 16 of the Councils 143 schools were in deficit. In accordance with Section 4.5 and Section 4.8 of the Schools Standards and Framework Act 1998, each of these schools has financial plans illustrating how the deficit will be recouped. The 127 remaining schools have surplus funds, which are to be managed as part of ongoing budgetary control.

The following details illustrate the movement on these balances, and any resulting over or under spend.

Type of School	01/04/09	2009/10 Movement	31/03/10	2010/11 Movement	31/03/11
	£'000	£'000	£'000	£'000	£'000
Primary	3,789	(498)	3,291	645	3,936
Secondary	2,194	(594)	1,600	(165)	1,435
Special	616	(456)	160	352	512
Nursery	91	27	118	14	132
Total	6,690	(1,521)	5,169	846	6,015

17.5 Usable Capital Receipts Reserve

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

The movements on the reserve are as follows:

2009/10		2010/11
£'000		£'000
(4,572)	Balance as at 1st April	(2,887)
	Receipts During the Year:	
(792)	Sale of assets	(1,256)
(37)	Mortgage repayments	(29)
(71)	Repayment of discount (Right to Buys)	(69)
	Application during the Year:	
2,585	Financing of capital expenditure	4,222
(2,887)	Balance as at 31st March	(19)

17.6 Capital Grant Unapplied Account

The Capital Grant Unapplied Account consists of Capital Grants and Contributions received and credited to Comprehensive Income and Expenditure Statement but not yet applied to fund capital expenditure. It represents resources available to fund future capital expenditure. It is assumed that the conditions of grants held within this account will be met.

2009/10		2010/11
£'000		£'000
(1,873)	Balance at 1st April	(3,094)
(67,010)	Grants received	(56,315)
65,789	Grants utilised to fund capital expenditure	57,579
(3,094)	Balance at 31st March	(1,830)

17.7 MGCC Insurance Reserve

This reserve is to fund the cost of insurance claims not yet received and movement in the value of received claims. These claims relate to the period when Mid Glamorgan County Council was in existence, prior to Local Government Reorganisation in 1996. Please refer to Provisions note for details of claims received.

2009/10		2010/11
£'000		£'000
(1,816)	Balance at 1st April	(1,924)
(108)	(Increase)/Decrease in Reserve	133
(1,924)	Balance at 31st March	(1,791)

18.0 Unusable Reserves

These are reserves established as a result of various regulations to ensure costs chargeable to Council Tax are appropriate. They do not represent resources available for the general use of the Council.

01/04/09 £'000	31/03/10 £'000		31/03/11 £'000
(80,240)	(77,372)	Revaluation Reserve	(171,411)
(337)	(266)	Deferred Capital Receipts Reserve	(197)
(473,954)	(494,622)	Capital Adjustment Account	(461,779)
6,991	6,682	Financial Instruments Adjustment Account	6,479
453,117	606,255	Pensions Reserve	483,347
1,063	1,048	Unequal Pay Back Pay Account	3,512
4,855	3,751	Short-Term Accumulating Compensated Absence Account	3,948
(88,505)	45,476	Total Unusable Reserves	(136,101)

18.1 Revaluation Reserve

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

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

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

2009/10 £'000		2010/11	
		£'000	£'000
(80,240)	Balance at 1st April	(77,372)	
(4,341)	Upward revaluation of assets	(109,828)	
7,053	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	9,876	
(77,528)	Surplus or Deficit on revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services		(177,324)
(122)	Difference between Fair Value Depreciation and Historical Cost Depreciation	5,111	
278	Accumulated Gains on Assets sold or scrapped	802	
156	Amount written off to the Capital Adjustment Account		5,913
(77,372)	Balance at 31st March		(171,411)

18.2 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. As mortgage repayments are made, deferred capital receipts are reduced and usable capital receipts become available. The repayments relate to Right to Buy (RTB) mortgages and the transfer into Usable Capital Receipts is shown in the table on Note 17.5.

2009/10 £'000		2010/11 £'000
(337)	Balance at 1st April	(266)
71	Repayments during the year	69
(266)	Balance at 31st March	(197)

18.3 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

This account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

2009/10 £'000		2010/11	
		£'000	£'000
(473,954)	Balance at 1st April	(494,622)	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
47,724	Charges for depreciation and impairment of Non-Current Assets	95,335	
2,082	Revaluation losses on Property, Plant and Equipment	3,018	
1,568	Amortisation of Intangible Assets	1,685	
(65,788)	Deferred Government Grants	0	
12,980	Revenue Expenditure Funded from Capital Under Statute	10,915	
(2,745)	Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(815)	
0	Adjusted items written out of the Revaluation Reserve	3	
(478,133)	Net written out amount of the cost of Non-Current Assets consumed in the year		(384,481)
	Capital Financing Applied in the Year:		
(2,613)	Use of the Capital Receipts Reserve to finance new Capital Expenditure	(4,222)	
Continued Overleaf...			

0	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(56,315)	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,264)	
(13,069)	Statutory provision for the financing of capital investment charged against the Council Fund	(16,257)	
(845)	Capital Expenditure charged Against the Council Fund	731	
38	Private mortgage repayments	29	
(16,489)			(77,298)
(494,622)	Balance at 31st March		(461,779)

18.4 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account represents the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the accumulated financing costs required in accordance with regulations to be charged to the Council Fund Balance.

2009/10		2010/11
£'000		£'000
6,991	Balance at 1st April	6,682
(309)	Difference between finance costs charged in the Comprehensive Income and Expenditure Statement and finance costs to be charged against the Council Fund Balance in accordance With statutory requirements	(203)
6,682	Balance at 31st March	6,479

18.5 Pensions Reserve

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

2009/10		2010/11
£'000		£'000
453,117	Balance at 1st April	606,255
131,493	Actuarial gains or losses on Pensions Assets and Liabilities	(13,824)
53,445	Reversal of items relating to retirement benefits debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(80,060)
(31,800)	Employer's pensions contributions and direct payments to pensioners payable in the year	(29,024)
606,255	Balance at 31st March	483,347

18.6 Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account recognises the differences between the amounts which the Council provides for as potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the Council Fund Balance until such time as cash might be paid out to claimants.

2009/10		2010/11	
£'000		£'000	£'000
1,063	Balance at 1st April		1,048
14	Increase in Provision for Back Pay in relation to Equal Pay cases	2,464	
(29)	Cash settlements paid in the year	0	
(15)	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		2,464
1,048	Balance at 31st March		3,512

18.7 Short-Term Accumulating Compensated Absence Account

The Short-Term Accumulating Compensated Absence Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year. The only "compensated absences" accrued for are Holiday Pay i.e. annual leave entitlement carried forward at 31st March. Statutory arrangements require that such holiday pay accruals do not impact upon the Council Fund Balance but are charged to this Short-Term Accumulating Compensated Absence Account.

2009/10		2010/11	
£'000		£'000	£'000
4,855	Balance at 1st April		3,751
(4,855)	Settlement or cancellation of accrual made at the end of the preceding year	(3,751)	
3,751	Amounts accrued at the end of the current year	3,948	
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(1,104)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		197
3,751	Balance at 31st March		3,948

19.0 Cash Flow Statement – Interest within Operating Activities

The following table details interest received and interest paid included within 'Net Cash Flows from Operating Activities' on the Cash Flow Statement.

2009/10		2010/11
£'000		£'000
(400)	Interest received	(117)
11,646	Interest paid	11,329
11,246	Interest within Operating Activities	11,212

20.0 Cash Flow Statement - Investing Activities

2009/10		2010/11
£'000		£'000
81,059	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	83,184
814	Purchase of Short-Term and Long-Term Investments	15,587
(900)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,354)
(64,806)	Other receipts from Investing Activities	(53,091)
16,167	Net Cash Flows from Investing Activities	44,326

21.0 Cash Flow Statement - Financing Activities

2009/10		2010/11
£'000		£'000
0	Cash receipts of Short- and Long-Term Borrowing	(819)
945	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases and on-Balance Sheet PFI contracts	983
9,991	Repayments of Short and Long-Term Borrowing	0
10,936	Net Cash Flows from Financing Activities	164

22.0 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across groups. These reports are prepared on a different basis from the accounting policies used in the financial statements. The following reconciles controllable costs to Net Cost of Services and to the (Surplus)/Deficit on Provision of Services.

Service Information for 2010/11	Education	Community & Children's	Environmental	Chief Executive	Corporate	Authority Wide	Totals
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	(66,056)	(58,436)	(47,524)	(7,935)	(38,854)	(96,404)	(315,209)
Costs							
Employees	165,163	69,593	37,550	8,730	21,758	1,477	304,271
Premises	19,766	4,792	7,500	95	4,142	2,441	38,736
Transport	1,530	4,176	22,268	172	298	49	28,493
Supplies & Services	46,367	12,422	24,490	3,229	7,789	43,225	137,522
Third Party Payments	2,068	72,113	12,716	72	11	12,524	99,504
Transfers	389	3,074	5	0	1	70,210	73,679
Other Costs e.g. Support Services	253	571	4,840	4,198	25,563	656	36,081
Capital Charges	0	0	0	0	2	26,818	26,820
Net Controllable Costs	169,480	108,305	61,845	8,561	20,710	60,996	429,897
Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement							
Add amounts included in Comprehensive Income and Expenditure Statement Net Cost of Services but not included as reported controllable costs							(11,543)
Remove amounts included within reported controllable costs but not included within Comprehensive Income and Expenditure Statement							(58,155)
Net Cost of Services							360,199

Reconciliation to Subjective 2010/11	Service Analysis	Not Reported to Management	Not Included in CI&ES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(100,806)	0	(313)	41,829	(59,290)	(18,114)	(77,404)
Surplus or Deficit on Associates and Joint Ventures	0	(985)	0	0	(985)	0	(985)
Interest and Investment Income	(313)	0	313	0	0	(313)	(313)
Income from Council Tax	(2,625)	0	2,625	0	0	(93,751)	(93,751)
							<i>Continued Overleaf...</i>

Government Grants and Contributions	(211,465)	(873)	3,585	0	(208,753)	(411,429)	(620,182)
Total Income	(315,209)	(1,858)	6,210	41,829	(269,028)	(523,607)	(792,635)
Employee Expenses	304,272	(126,296)	2,280	0	180,256	6,783	187,039
Other Service Expenses	365,410	14	(28,069)	0	337,355	9,186	346,541
Support Service Recharges	36,080	2,526	0	(40,218)	(1,612)	1,611	(1)
Depreciation, Amortisation and Impairment	0	112,460	0	0	112,460	531	112,991
Interest Payments	26,820	0	(26,052)	0	768	30,218	30,986
Precepts & Levies	12,524	0	(12,524)	0	0	24,713	24,713
Gain / Loss on Disposals of Long-Term Assets	0	0	0	0	0	1,749	1,749
Total Operating Expenses	745,106	(11,296)	(64,365)	(40,218)	629,227	74,791	704,018
(Surplus)/Deficit on Provision of Services	429,897	(13,154)	(58,155)	1,611	360,199	(448,816)	(88,617)

As a result of the impact of IFRS on the prior year comparator Balance Sheet and Comprehensive Income and Expenditure Statement, it is necessary to present the prior year service information in the prescribed format.

Service Information for 2009/10	Education	Community & Children's	Environmental	Chief Executive	Corporate	Authority Wide	Totals
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	(56,358)	(58,702)	(40,937)	(8,104)	(40,180)	(90,818)	(295,099)
Costs							
Employees	160,958	71,903	38,807	9,237	21,993	1,196	304,094
Premises	19,870	5,097	5,947	58	3,342	46	34,360
Transport	1,391	4,032	21,960	167	296	0	27,846
Supplies & Services	37,345	11,263	19,771	2,444	6,691	39,123	116,637
Third Party Payments	1,984	70,068	10,832	324	0	12,287	95,495
Transfers	347	3,076	15	0	7	65,374	68,819
Other Costs e.g. Support Services	201	516	3,310	4,539	27,383	283	36,232
Capital Charges	481	2,293	293	27	1,366	25,522	29,982
Net Controllable Costs	166,219	109,546	59,998	8,692	20,898	53,013	418,366
Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement							
Add amounts included in Comprehensive Income and Expenditure Statement Net Cost of Services but not included as reported controllable costs							39,315
Remove amounts included within reported controllable costs but not included within Comprehensive Income and Expenditure Statement							(39,482)
Net Cost of Services							418,199

Reconciliation to Subjective 2009/10	Service Analysis	Not Reported to Management	Not Included in CI&ES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(104,951)	0	(462)	40,790	(64,623)	(17,193)	(81,816)
Surplus or Deficit on Associates and Joint Ventures	0	691	0	0	691	0	691
Interest and Investment Income	(462)	0	462	0	0	(462)	(462)
Income from Council Tax	(2,251)	0	2,251	0	0	(89,488)	(89,488)
Government Grants and Contributions	(187,897)	(834)	0	0	(188,731)	(411,645)	(600,376)
Total Income	(295,561)	(143)	2,251	40,790	(252,663)	(518,788)	(771,451)
Employee Expenses	304,094	(15,389)	0	0	288,705	6,631	295,336
Other Service Expenses	342,681	1,304	(17,934)	0	326,051	8,697	334,748
Support Service Recharges	36,232	2,933	0	(40,790)	(1,625)	1,625	0
Depreciation, Amortisation and Impairment	0	47,285	0	0	47,285	176	47,461
Interest Payments	30,444	(19)	(23,323)	0	7,102	44,155	51,257
Precepts & Levies	476	0	(476)	0	0	25,445	25,445
Gain / Loss on Disposals of Long-Term Assets	0	3,344	0	0	3,344	283	3,627
Total Operating Expenses	713,927	39,458	(41,733)	(40,790)	670,862	87,012	757,874
(Surplus)/Deficit on Provision of Services	418,366	39,315	(39,482)	0	418,199	(431,776)	(13,577)

23.0 Acquired and Discontinued Operations

There have been no acquired or discontinued operations in the year.

24.0 Trading Operations

The Council operates the following activities on a trading account basis:

Trading Activities	2009/10	2010/11		
	(Surplus) /Deficit £'000	Exp £'000	Income £'000	(Surplus) /Deficit £'000
Highways Maintenance	532	5,244	(4,810)	434
Building Cleaning	(19)	1,079	(1,044)	35
Education and Welfare Catering	(418)	10,198	(10,668)	(470)
Other Catering	(8)	234	(181)	53
Commercial Waste	(25)	819	(828)	(9)
Carelink/Out of Hours	(139)	537	(583)	(46)
Central Print Unit	(28)	0	0	0
Creative Design	(46)	0	0	0
Total	(151)	18,111	(18,114)	(3)

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).

The Central Print Unit and Creative Design are no longer managed as a trading activity.

IAS 19 "Employee Benefits" applies to trading activities. Excluding IAS 19, the deficit was £102k.

25.0 Agency Services

The Council collects National Non Domestic Rates (NNDR) on an agency basis for the Welsh Assembly Government. These monies are then redistributed to all Welsh Local Authorities.

26.0 Road Charging Schemes

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

27.0 Pooled Budgets

The Council has not entered into any pooled budget arrangements under s.31 of the Health Act 1999.

28.0 Members' Allowances

The Local Authorities (Allowances for Members of County and County Borough Councils and National Parks Authorities) (Wales) Regulations 2002, require authorities to make public schemes for Members' allowances and to disclose annually amounts paid to each Member under such schemes.

During the year the Council paid the following amounts in respect of basic allowances, special responsibility allowances and dependent care allowances to 75 Members (excluding employer's national insurance contributions, employer's pension contribution and other associated costs).

	2009/10	2010/11
	£'000	£'000
Allowances	1,434	1,367
Expenses	23	25
Total	1,457	1,392

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

29.0 Officers' Remuneration

Under the Accounts and Audit (Wales) Regulations 2005 (as amended), 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 £5,000 commencing at £60,000 (excluding employer pension contributions). The disclosure includes redundancy payments.

During 2010/11 the Council paid 12,367 employees (12,806 2009/10), paying total salaries of £248m (excluding employer's national insurance and pension contributions) (£247m 2009/10). Within this, the following salary payments were made within the categories specified:

Remuneration Band	2009/10	2010/11		
	No. of Employees	No. of Employees		
	Total	At 31/03/11	Left in Year	Total
£60,000 - £64,999	26	31	8	39
£65,000 - £69,999	19	17	5	22
£70,000 - £74,999	11	9	4	13
£75,000 - £79,999	12	10	4	14
£80,000 - £84,999	7	2	10	12
£85,000 - £89,999	8	5	4	9
£90,000 - £94,999	1	2	2	4
£95,000 - £99,999	4	1	1	2
£100,000 - £104,999	0	0	0	0

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£105,000 - £109,999	0	0	1	1
£110,000 - £114,999	3	0	4	4
£115,000 - £119,999	1	0	1	1
£120,000 - £124,999	0	0	1	1
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	0	0	1	1
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	0	0	1	1
£150,000 - £154,999	0	0	1	1
£155,000 - £159,999	0	0	0	0
£160,000 - £164,999	0	0	0	0
£165,000 - £169,999	0	0	0	0
£170,000 - £174,999	0	0	0	0
£175,000 - £179,999	1	0	0	0
Total	93	77	48	125

The above table excludes specific Senior Officers, as detailed below.

The following table sets out the remuneration disclosures for specific Senior Officers whose salary is less than £150k but greater than £60k. There are no Senior Officers whose salary is greater than £150k.

Post Holder Information (Post Title)	A	B	C	D (=B+C)	E	F (=D+E)
	Total Remuneration (Including Pensions Conts)	Salary	Taxable Benefits in Kind	Total Remuneration	Employer Pension Contributions	Total Remuneration (Including Pensions Conts)
	2009/10 £'000	2010/11 £'000				
Chief Executive	171	142	0	142	29	171
Chief Executive – Returning Officer	10	11	0	11	3	14
Group Director Corporate Services (Deputy Chief Executive)	147	122	0	122	25	147
Group Director Environmental Services	137	113	1	114	23	137
Group Director Community & Children's Services	136	113	0	113	23	136
Director of Legal & Democratic Services	111	92	0	92	19	111

Continued Overleaf...

Director of Legal & Democratic Services – Returning Officer	4	4	0	4	0	4
Director of Human Resources	111	92	0	92	19	111
Director of Education & Lifelong Learning	112	92	1	93	19	112

B = Actual Salary Paid

C = Taxable Benefits in Kind (e.g. Taxable Car Allowance)

E = Costs to the Employer of Pension Fund Contributions

30.0 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to other services provided by the Council's external auditors:

Fees Payable to Wales Audit Office	2009/10	2010/11
	£'000	£'000
External Audit Services Carried Out by the Appointed Auditor for the Year	260	260
Statutory Inspections	65	157
Certification of Grant Claims and Returns for the Year	161	215
Other Services Provided by Wales Audit Office During the Year	0	0
	486	632

31.0 National Non-Domestic Rates

The level of National Non-Domestic Rates (NNDR) is based on a "multiplier" set nationally by the Welsh Assembly 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 2010/11 was 40.9p (48.9p for 2009/10). The total rateable value as at 31st March 2011 was £134.8m (£136.2m as at 31st March 2010).

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 in respect of 2010/11 rates is £44.3m (£47.6m in 2009/10). The contribution back to the Council from the pool in the year amounted to £65.3m (£62.7m in 2009/10) and the amount paid to the pool amounted to £48.1m (£46.6m in 2009/10). As the Council acts as an agent collecting income on behalf of the Welsh Assembly Government, the income collected is not recognised as income in the Comprehensive Income and Expenditure Statement.

32.0 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 2010/11 was calculated to be £72,154.10 (compared with £74,084.12 for 2009/10). This represents the anticipated yield for every £1 of council tax levied.

The base is calculated by placing properties in ten bands (A*-I). 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	I
No. of Properties	141	25,422	16,499	12,347	7,608	6,288	4,014	1,673	330	63
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

The resultant number of Band D properties is reduced by a percentage to reflect anticipated non-collection. The target collection rate for 2010/11 was 97%.

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

Council Tax Analysis	2009/10 £'000	2010/11 £'000
Council Tax Collectable	89,488	93,751
Net Proceeds from Council Tax	89,488	93,751
Less Payable		
South Wales Police Authority	(10,517)	(11,088)
Community Councils	(1,461)	(1,485)
Total	77,510	81,178

33.0 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

33.1 Credited to Taxation and Non-Specific Grant Income

	2009/10 £'000	2010/11 £'000
Council Tax Income	(89,488)	(93,751)
Non-Domestic Rates	(62,653)	(65,341)
Non-Ringfenced Government Grants	(281,982)	(289,660)
Capital Grants and Contributions	(67,010)	(56,428)
	(501,133)	(505,180)

33.2 Credited to Services

In addition to the grants included within the £505m in note 33.1, there are a number of grants and contributions that have been recognised as income within Net Cost of Services. This income amounts to £167m (in 2009/10 these grants and contributions amounted to £152m).

33.3 Capital Grants Receipts in Advance

All Capital Grants received have been recognised as income within the Comprehensive Income and Expenditure Statement.

33.4 Donated Assets Account

The transfer of assets for nil consideration or less than fair value are credited to a donated assets account, where any conditions of the transfer have not been met. The donated assets below consist of leased in properties where the transfer of the asset has been at less than fair value.

	31/03/10	31/03/11
	£'000	£'000
Noddfa House Day Centre	681	681
Other Donations	254	377
Total	935	1,058

34.0 Related Parties

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

34.1 Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits).

	2009/10	2010/11
	£'000	£'000
Non-Ringfenced Government Grants	(281,982)	(289,660)
Capital Grants and Contributions	(67,010)	(56,428)
Credited to Services	(151,979)	(166,860)
	(500,971)	(512,948)

34.2 Chief Officers and Members

Details of Members allowances and Officers' remunerations are provided in the Core Financial Statements Notes 28.0 and 29.0 respectively. There are no Chief Officer related party transactions.

Interests of Members are maintained in a register. The register is available for public inspection by appointment. Members are nominated to represent Rhondda Cynon Taf Council on various bodies, for example, RCT Homes and Cwm Taf Health Board. The following organisations are related parties (by virtue of Member interest in them) with whom the Council has had dealings.

Category of Organisation	Nature of Payment / (Receipt)	2009/10	2010/11	Outstanding Balance as at 31/03/11
		£'000	£'000	£'000
Charitable Organisations	Goods and services	2,150	1,806	14
	Grant payments	458	517	0
	Vehicle hire, repairs & maintenance	1	1	0
Community Councils, Associations & Services	Goods and services	1,485	1,273	(39)
	Grant payments	1,047	575	0
	Vehicle hire, repairs & maintenance	5	16	0
Educational & Cultural Establishments	Goods and services	(543)	(701)	(194)
	Grant payments	193	248	2
	Vehicle hire, repairs & maintenance	0	(11)	(7)
Engineering & Mechanical Services	Goods and services	3	2	0
	Vehicle hire, repairs & maintenance	9	14	1
Government Bodies, Associations & Staff	Goods and services	(179)	(38)	4
	Grant payments	(150)	(63)	0
National Health Service Bodies & Support Groups	Goods and services	106	3,714	397
	Grant payments	53	393	24
Private Companies	Goods and services	(426)	(219)	(50)
	Grant payments	2	(36)	(0)
	Vehicle hire, repairs & maintenance	(123)	(40)	0
Public Houses, Halls & Institutes	Goods and services	(1)	1	1
Sports & Social Clubs	Goods and services	10	39	(5)
	Grant payments	22	5	0

34.3 Precepts and Levies

Details of precepts collected on behalf of other organisations are provided in the Comprehensive Income and Expenditure Statement.

An analysis of precepts is given in the following table:

	2009/10	2010/11
	£'000	£'000
South Wales Police Authority	10,517	11,088
Community Councils	1,461	1,485
Total	11,978	12,573

An analysis of levies is given in the following table:

	2009/10	2010/11
	£'000	£'000
South Wales Fire and Rescue Service	12,992	11,776
Coroner	419	463
Brecon Beacons National Park	56	56
Glamorgan Record Office	0	(155)
Total	13,467	12,140

34.4 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 £1.5m in respect of administration and support during financial year 2010/11. The amount owed from the Council to the Pension Fund as at 31st March 2011 is £2.3m.

34.5 Associated and Subsidiary Companies

The Council has an interest in three companies, these being; Amgen Cymru Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd. Further details are given in the Group Accounts section of this document. During 2010/11 the following related party transactions took place with the associated companies and Joint Committees:

Amgen Cymru Ltd.

Royalties of £272k (£365k in 2009/10) were billed by the Council to Amgen Cymru. At 31st March 2011 £60k (£38k in 2009/10) was outstanding.

The Council paid Amgen Cymru £4,209k (£3,723k in 2009/10) in respect of waste management and waste disposal charges, with £687k (£1,210k in 2009/10) due to the company at the year-end.

Amgen Cymru paid the Council £277k in respect of goods and services, with £162k due to the Council at the year-end.

Amgen Rhondda Ltd.

The Council paid Amgen Rhondda £250k (£250k in 2009/10) in respect of site management fees, with £25k (£24k in 2009/10) outstanding at 31st March 2011.

Capita Glamorgan Consultancy Ltd.

Capita Glamorgan Consultancy is a Joint Venture between Capita Symonds and Bridgend, Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils. The Council owns 27.93% of the shares of the company, and holds voting rights to this value on the board.

During 2010/11, the Council was charged £4,677k in respect of goods, services and capital works. The balance owed to Capita Glamorgan Consultancy at 31st March 2011 was £381k.

Capita Glamorgan Consultancy paid the Council £28k in respect of goods and services, with no outstanding payments to the Council at the year-end.

34.6 Joint Committees

The remainder of this note refers to Related Party transactions with Joint Committees in which the Council participates.

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 19 members in total, of which 16 are elected members with voting rights. There are 4 Rhondda Cynon Taf CBC Members on the Joint Committee. The Council consolidates 25% of the assets, liabilities and transactions of Glamorgan Record Office into its financial statements.

During 2010/11, the Council contributed to the Joint Committee an amount of £384k (£224k in 2009/10). This was calculated proportionately based upon population. As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated.

Llwydcoed Crematorium

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taf CBC and Merthyr Tydfil CBC. The Council consolidates 53.37% of the assets, liabilities and transactions of Llwydcoed Crematorium into its financial statements.

During 2010/11, the Council charged Llwydcoed Crematorium £20k (£22k in 2009/10) in respect of central establishment charges. As at 31st March 2011 the Council held cash balances relating to the Crematorium of £371k (£202k in 2009/10). As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated.

Education School Improvement Service (ESIS)

ESIS is administered by a Joint Committee comprising Bridgend, Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils. It provides training and advisory services to both the local education authorities and schools in each of its joint

authority areas, as well as providing such services and undertaking inspection work on behalf of other public sector bodies such as ESTYN, General Teaching Council for Wales (GTCW) and Welsh Local Government Association (WLGA). Rhondda Cynon Taf consolidates 39.52% of transactions, assets and liabilities into its financial statements eliminating transactions between the Council and the Joint Committee.

During 2010/11, the Council incurred expenditure of £2,395k (£2,754k in 2009/10) with ESIS in respect of advisory and training services. As at 31st March 2011, an amount of £279k (£336k in 2009/10) was owed by the Council to ESIS and there was no amount owed by ESIS to the Council (£5k in 2009/10).

Catalogue Supplies Service

Catalogue Supplies Service is administered by Bridgend County Council and supplies goods such as stationery. The Council consolidates 40.04% of the assets, liabilities and transactions of Catalogue Supplies Service into its financial statements.

During 2010/11, the Council purchased goods of £1,994k (£2,138k in 2009/10) from Catalogue Supplies Service. At year-end, the Council owed £283k (£211k in 2009/10) to the Joint Committee. These transactions have been eliminated from the financial statements.

Coychurch Crematorium

The Council consolidates 18% of the assets, liabilities and transactions of Coychurch Crematorium into its financial statements. There were no transactions between the Council and the Crematorium during the year.

South East Wales Transport Alliance (SEWTA)

The Council consolidates 10% of the assets, liabilities and transactions of SEWTA into its financial statements. There were no transactions between the Council and SEWTA during the year.

35.0 Capital Expenditure and Capital Financing

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

	2009/10	2010/11
	£'000	£'000
Opening Capital Financing Requirement	335,367	338,079
Capital Investment		
Property, Plant & Equipment	69,580	68,730
Intangible Assets	1,005	602
Revenue Expenditure Funded from Capital Under Statute	14,384	17,472
Sources of Finance		
Capital Receipts	(2,585)	(4,222)
Government Grants and Other Contributions	(65,789)	(57,579)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(813)	(4,285)
Minimum Revenue Payment	(13,070)	(13,713)
Closing Capital Financing Requirement	338,079	345,084
Explanation of Movements in Year		
Increase in underlying need to borrowing (supported by government financial assistance)	1,986	1,981
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,677	6,013
Minimum Revenue Payment	(6)	(6)
PFI	(945)	(983)
Increase/(Decrease) in Capital Financing Requirement	2,712	7,005

36.0 Leases

The following disclosures relate to the Council as a lessee.

36.1 Finance Leases

The Council has a number of properties arranged under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31/03/10	31/03/11
	£'000	£'000
Other Land and Buildings	463	449

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

	31/03/10	31/03/11
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Non-Current	563	562
Finance costs payable in future years	1,900	1,870
Minimum Lease Payments	2,464	2,433

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/10	31/03/11	31/03/10	31/03/11
	£'000	£'000	£'000	£'000
Less than 1 year	30	30	1	1
1 to 5 years	152	152	4	4
Greater than 5 years	2,282	2,251	559	558
	2,464	2,433	564	563

36.2 Operating Leases

The future minimum lease payments due under non-cancellable operating leases in future years are demonstrated in the table below. Examples of such assets utilised under operating lease arrangements are photocopiers, faxes and automated toilets.

	31/03/10			31/03/11		
	Other Land & Buildings	Vehicles, Plant & Equipment	Totals	Other Land & Buildings	Vehicles, Plant & Equipment	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year	18	153	171	94	46	140
1 to 5 years	1,165	777	1,942	564	910	1,474
Greater than 5 years	321	33	354	99	79	178
	1,504	963	2,467	757	1,035	1,792

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31/03/10 £'000	31/03/11 £'000
Minimum Lease Payments	2,964	2,058

37.0 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 Campus at Garth Olwg. The facilities provided comprise a Nursery, Primary School, Secondary School, Lifelong Learning Centre, Library and Youth Centre. The arrangement will run until September 2030. There is a commitment of £113.8m 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.

The value of the assets held under the PFI contract on the Council's balance sheet, and the movement in those values are as follows:

PFI Assets	Property, Plant & Equipment
	£'000
Cost or Valuation	
At 1 st April 2010	33,668
Revaluations	1,397
At 31st March 2011	35,065
Depreciation and Impairments	
At 1 st April 2010	(8,246)
Charge for 2010/11	(2,069)
At 31st March 2011	(10,315)
31st March 2011	24,750
1st April 2010	25,422

The value of liabilities for the term of the contract has also been recorded in the Council's Balance Sheet. An analysis of the movements is as follows:

PFI Liabilities	2009/10	2010/11
	£'000	£'000
Liability as at 1st April	31,227	30,282
Repayments during the year	(945)	(983)
Liability as at 31st March	30,282	29,299

The service charge element of the annual payment will vary each year depending on RPI. The latest estimated commitments for future years' payments on a cash basis and taking account of estimated inflation are as follows:

Period	Principal	Interest	Service Charges	Total
	£'000	£'000	£'000	£'000
Within 1 year	1,022	1,169	2,085	4,276
2 – 5 years	4,511	4,252	8,873	17,636
6 – 10 years	6,729	4,225	12,398	23,352
11 – 15 years	8,182	2,772	14,027	24,981
16 – 20 years	8,855	1,003	14,204	24,062
Total	29,299	13,421	51,587	94,307

The Council meets the costs of the Unitary Charge from its own resources and funding from the Welsh Assembly Government. The profile of funding from the Assembly reduces annually until the expiry of the contract term whereas the unitary charge payable by the Council increases annually over the same period. This results in a "surplus" of resources for PFI when compared to payments for the initial period of the contract. These surplus amounts are set-aside in an earmarked reserve to fund the later part of the contract period where annual payments are greater than annual resources. As at 31st March 2011 the balance on the PFI equalisation earmarked reserve is £6.6m.

The Council has rights of access to the whole site for the provision of educational services during the agreed core hours and extended core hours.

The Council is not aware of being exposed to any significant risks under this arrangement, other than those common with the provision of educational services.

At the end of the agreement, the contractor's rights of access to the site will terminate and all assets, including buildings, equipment and materials previously provided and maintained under the contract will transfer to the Council at no cost.

38.0 Impairment Losses

During 2010/11, the Council has recognised an impairment loss of £81.8m (a loss of £25.0m in 2009/10) in relation to its Long-Term Assets. The impairment is analysed between categories of Long-Term Assets on the Property, Plant and Equipment note.

39.0 Termination Benefits

During 2010/11, the Council terminated employee contracts incurring liabilities of £6,608k (£3,521k in 2009/10).

40.0 Retirement Benefits - Defined Benefit Schemes

40.1 Participation in Pension Schemes

As part of their terms and conditions Members and Officers are offered retirement benefits by the Council. Although these benefits will not actually be payable until retirement, the Council has a commitment to make these payments. The liability for these payments needs to be accounted for at the time the future entitlement is earned.

The Council participates in two pension schemes:

- Teachers - Please refer to Note 41.0.
- Other employees and Members - The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit final salary scheme, meaning that the Council and participants pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Council's accounts are defined by IAS 19 "Employee Benefits".

Llwydcoed Crematorium and the ESIS Joint Committees charge pension costs to their accounts in line with IAS 19. The Rhondda Cynon Taf CBC share of these entries is consolidated into the main accounts, and disclosed in the following notes.

The remaining Joint Committees are unable to produce IAS 19 compliant accounts as they are not treated as separate employers in the relevant Pension Fund. However, where the employees of the Joint Committee contribute to the Rhondda Cynon Taf

CBC pension fund, the resultant assets and liabilities are included within the Rhondda Cynon Taf CBC accounts.

40.2 Transactions Relating to Post-Employment Benefits

The cost of retirement benefits is recognised in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the Council Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Council Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	2009/10	2010/11		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Cost of Services:				
Current Service Cost	19,446	25,430	226	25,656
Past Service Cost	1,310	(123,280)	(1,092)	(124,372)
Financing and Investment Income and Expenditure				
Interest Cost	54,980	54,970	530	55,500
Expected Return on Scheme Assets	(22,292)	(36,450)	(394)	(36,844)
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	53,444	(79,330)	(730)	(80,060)
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement				
Actuarial (Gains) and Losses	131,493	(13,460)	(364)	(13,824)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	184,937	(92,790)	(1,094)	(93,884)
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(53,444)	79,330	730	80,060
Actual amount charged against the Council Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	31,800	28,770	254	29,024

The total actuarial gains and losses recognised in Other Comprehensive Income and Expenditure to the 31st March 2011 is a gain of £13.8m (£131.5m loss in 2009/10).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the year ending 31st March 2011 is a loss of £161.7m.

40.3 Reconciliation of Present Value of the Scheme Liabilities

	2009/10	2010/11		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Opening balance at 1st April	835,018	1,127,210	10,440	1,137,650
Current service cost	19,446	25,430	226	25,656
Interest cost	54,980	54,970	530	55,500
Contributions by scheme participants	8,588	8,340	72	8,412
Actuarial (gains) and losses	252,010	(40,800)	155	(40,645)
Benefits paid	(33,702)	(39,470)	(247)	(39,717)
Past service costs	1,310	(123,280)	(1,092)	(124,372)
Business contributions	0	300	0	300
Closing Balance at 31st March	1,137,650	1,012,700	10,084	1,022,784

40.4 Reconciliation of Fair Value of the Scheme Assets

	2009/10	2010/11		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Opening Balance at 1st April	381,901	525,790	5,605	531,395
Expected rate of return	22,292	36,450	394	36,844
Actuarial gains/(losses)	120,517	(27,040)	519	(26,521)
Employer contributions	28,740	27,680	254	27,934
Contributions by scheme participants	8,588	8,340	72	8,412
Benefits paid	(30,643)	(38,380)	(247)	(38,627)
Closing Balance at 31st March	531,395	532,840	6,597	539,437

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £10.3m (gain) (£142.8m gain in 2009/10).

40.5 Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	Inc Joint Comm's £'000	Inc Joint Comm's £'000	Inc Joint Comm's £'000
Present Value of Liabilities	(849,090)	(760,580)	(835,018)	(1,137,650)	(1,022,784)
Fair Value of Assets	451,560	471,040	N/A	N/A	N/A
Surplus/(Deficit)	(397,530)	(289,540)	N/A	N/A	N/A
Restated Fair Value of Asset (Bid Price)	451,140	470,610	381,901	531,395	539,437
Restated Surplus/(Deficit)	(397,950)	(289,970)	(453,117)	(606,255)	(483,347)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £483.3m has a substantial impact on the Net Worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council is not impacted upon. The deficit on the local government scheme will be made good in line with actuarial assumptions.

40.6 Basis for Estimating Assets and Liabilities

Rhondda Cynon Taf CBC employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as 31st March 2011.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council Fund liabilities have been assessed by AON Hewitt, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the scheme as at 31st March 2010.

The liability in the Balance Sheet has decreased significantly over the year mainly as a result of changes to actuarial assumptions. The principal assumptions used by the actuary have been:

	31/03/10	31/03/11
Long-Term Expected Rate of Return on Assets in the Scheme:		
Equity investments	8.0%	8.4%
Property	8.5%	7.9%
Government bonds	4.5%	4.4%
Corporate bonds	5.5%	5.1%
Other	0.7%	1.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.2	23.1
Women	23.6	24.4
Longevity at 65 for future pensioners:		
Men	23.5	25.0
Women	25.8	26.4
Rate of inflation (RPI)	3.9%	3.7%
Rate of inflation (CPI)	N/A	2.8%
Rate of increase in salaries	5.4%	5.2%
Rate of increase in pensions	3.9%	2.8%
Rate for discounting scheme liabilities	5.5%	5.4%
Take-up of option to convert annual pension into retirement lump sum:		
Post-2008 Service	75%	75%
Pre-2008 Service	50%	50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31/03/10	31/03/11
	%	%
Equity Investments	66.8	68.3
Property	5.9	6.8
Government Bonds	14.1	10.3
Corporate Bonds	10.1	12.3
Other	3.1	2.3
	100.0	100.0

40.7 Contributions for the Accounting Period Ending 31st March 2012

The Employer's regular contributions to the Fund for the accounting period 31st March 2012 are estimated to be £30.6m. In addition, "strain on fund" contributions may be required.

40.8 History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Councils element of the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011:

	2006/07	2007/08	2008/09		2009/10		2010/11	
	%	%	Funded %	Unfunded %	Funded %	Unfunded %	Funded %	Unfunded %
Difference Between Expected and Actual Return on Assets	(2.0)	(0.6)	(35.6)	N/A	22.7	N/A	(5.1)	N/A
Experience Gains and Losses on Liabilities	(0.3)	(3.1)	(0.4)	(1.2)	0.9	3.1	5.6	0.1

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

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.

41.0 Retirement Benefits - Defined Contribution Schemes

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

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

In 2010/11, the Council paid £11.8m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £11.7m and 14.1 %. There were no contributions remaining payable at the year-end. In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with related increases. In 2010/11 these amounted to £859k (£881k in 2009/10).

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

42.0 Contingent Liabilities

42.1 Mid Glamorgan County Council 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 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 these.

A number of the issues identified by the successor authorities have now been settled. The respective authorities 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 as Post Balance Sheet Events.

Successor authorities have also identified claims that remain unresolved. Due to the uncertainty regarding amounts, timing and likelihood of success of the claims, it is not considered appropriate to provide for these costs.

Mid Glamorgan disaggregation is also referenced within the Note 4.5 "Critical Judgements in Applying Accounting Policies".

42.2 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 31st March 2011. 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 to provide 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.

Insurance claims are also referenced within the Note 5.2 “Assumptions made about the Future and Other Sources of Estimation Uncertainty”

42.3 Municipal Mutual Insurance Ltd.

The former authorities of Rhondda Borough Council, Cynon Valley Borough Council, Taff Ely Borough Council and Mid Glamorgan County Council are creditors of Municipal Mutual Insurance Ltd. (MMI). MMI ceased to write new insurance business from 30th September 1992 and a Scheme of Arrangement was put in place in January 1994. The Scheme was set up to ensure an orderly run off of claims in the event of MMI not being solvent. As creditors of MMI, the Council is legally bound by the Scheme and in the event of MMI not being solvent, the Council would be liable to repay a proportion of claims being defined within the terms of the Scheme.

Refer to Employers Liability Trigger Litigation and Municipal Mutual Insurance sections within the Note 4.3 “Critical Judgements in Applying Accounting Policies” for further detail.

43.0 Trust Funds

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31st March 2011 are shown as follows and are not included in the Council’s Balance Sheet. The 2010/11 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council’s Internal Audit for the other Funds).

	Description	31/03/10	31/03/11
		£’000	£’000
Education & Social Services	Various funds established for educational and community benefits.	178	177
Pontypridd & Districts Institute for the Blind	Fund established for the benefit of visually impaired citizens	182	182
Welsh Church Act Fund	Fund established under the Welsh Church Act for various charitable aims within the counties of Rhondda Cynon Taf, Merthyr Tydfil and Bridgend.	9,939	10,319

The Council also participates on the Board of Trustees for “The Rhondda Trust”. This is a charity established by a manufacturing company following the closure of its factory in the Rhondda valleys. The charity’s aims are to improve skills and education in the area. The Council has administrative responsibility for the fund. However, decisions are made by the Board of Trustees. The balance held on behalf of the trustees by the Council at 31st March 2011 is £164k (31st March 2010 £203k).

Housing Revenue Account 2010/11 Income and Expenditure Account

2009/10		2010/11	
£'000		£'000	£'000
	EXPENDITURE		
87	Housing Subsidy Payable	0	
87	Net Cost of HRA Services		0

Statement of Movement on the Housing Revenue Account Balance 2010/11

2009/10		2010/11	
£'000		£'000	£'000
	(Increase)/Decrease in the Housing Revenue Account Balance comprising:		
87	(Surplus)/Deficit for year on the HRA Income and Expenditure Account		0
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the Year:		
2,000	Transfer to Council Fund – Item 10 Direction	0	
93	Transfer HRA balance to Council Fund	0	0
2,180	HRA (Surplus)/Deficit for the year		0
(2,180)	Reserve Balance b/fwd as at 1 st April 2010		0
0	Reserve Balance c/fwd as at 31st March 2011		0

Notes to the Housing Revenue Account

1.0 Discontinued Operations

On 10th December 2007 the Council transferred its Housing Stock to RCT Homes, a Community Mutual Trust.

During 2009/10, the Welsh Assembly Government issued an Item 10 Direction giving the Council consent to transfer £2m from the Housing Revenue Account to Council Fund balances.

In addition, during 2009/10 the 2007/08 Housing Revenue Account Subsidy was finalised and audited. Subsequently, in March 2010, the Welsh Assembly Government gave consent under section 74(4) of the Local Government and Housing Act 1989 for the Housing Revenue Account to be closed and for the residual balance to be transferred to the Council Fund.

Group Accounts

1. Introduction

To reflect the changing nature of service provision in the public sector, all local authorities are required to prepare a full set of group financial statements, in addition to their single entity accounts, where they hold material interests in subsidiaries, associates or joint ventures.

The Group Accounts Statements comprise:

- Statement of Group Accounting Policies.
- Group Movement in Reserves Statement.
- Group Comprehensive Income and Expenditure Statement.
- Group Balance Sheet.
- Group Cash Flow Statement.

2. Basis of Consolidation

It is a requirement that Group Accounts are prepared using consistent accounting policies, which can differ between company and local authority accounts. The main differences between these accounts are:

- Entities must fully implement IAS 19 (Employee Benefits) into their accounting statements.
- Long-term asset valuations should be based on the measurement principles given in the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards, which generally means assets are carried at a current valuation.

3. Bodies Consolidated

Following a review of the Council's activities, the following have been identified as group companies and have been consolidated into the group financial statements:

- **Amgen Cymru Ltd.** - This company was set up by the former Cynon Valley Borough Council as an arms length company under the 1990 Environment Act. It is registered as "Cynon Valley Waste Disposal" but trades as "Amgen Cymru Ltd.". The principal activities of the company are the provision of waste management services and waste disposal facilities. The Council has a 100% interest in the company of £2.8m. The company is a subsidiary of the Council.
- **Amgen Rhondda Ltd.** - This company was set up during September 1999 as a wholly owned subsidiary of Amgen Cymru Ltd. The principal activity of the company is the stewardship of waste management and waste disposal facilities. The company has taken over the management of Nantygwyddon Landfill site from Rhondda Waste Disposal Limited, which went into administration during the year ended 31st March 1999. In April 2005 the company entered into a formal

stewardship agreement with Rhondda Cynon Taf CBC, which provides for the remediation and long-term stewardship of the facility in conjunction with the shareholder.

Rhondda Cynon Taf CBC holds 100% of the voting rights of Amgen Cymru Ltd., who in turn hold 100% of the voting rights of Amgen Rhondda, and is therefore classed as a subsidiary.

The Council also holds 100% of the allotted preference shares in Amgen Rhondda Ltd.

- **Capita Glamorgan Consultancy Ltd.** - This company was incorporated on 4th July 2008 following the transfer of the former Glamorgan Engineering Consultancy (Rhondda Cynon Taf, Bridgend and Merthyr Tydfil Councils) to a new joint venture with Capita Symonds. The company commenced trading on 1st September 2008 providing highways, transportation, structures and environmental management services across South Wales. The Council holds 27.93% of the shares in the company, and has been identified as an associate.

No subsidiaries, associates or joint ventures have been excluded from consolidation into the group accounts.

Statement of Group Accounting Policies

The group financial statements have been prepared in accordance with the accounting policies adopted for the single entity accounts, with the exception of the following items:

1. Long-Term Assets (Subsidiary Companies)

The long-term assets of Amgen Cymru Ltd. and Amgen Rhondda Ltd. are valued in the company balance sheets at depreciated historical cost. This accounting policy is not consistent with that used by the Council. However, as the land and buildings are specialist assets used in the running of a waste disposal facility, and in the case of landfill cells a distinct class of asset not currently held by the Council, they have been consolidated into the Group Balance Sheet on this basis.

2. Basis of Charges for Use of Long-Term Assets

Depreciation is charged to services on a straight-line basis and included within the Cost of Services in the Group Comprehensive Income and Expenditure Statement.

3. Pensions

Amgen Cymru Ltd. makes pension contributions in respect of defined benefit and defined contribution schemes. Due to the small number of members in the defined benefit scheme it is considered that the disclosures required under IAS 19 for the company would not have a material impact on the group accounts. Amgen Rhondda Ltd. makes contributions in respect of a defined contribution scheme only. For these reasons the pension costs charged to the Group Comprehensive Income and Expenditure Statement in respect of the Amgen companies represent the actual contributions paid in the year.

4. Basis of Consolidation

Subsidiary Companies are consolidated into the group statements using the acquisition method. Associate Companies are consolidated using the equity method.

5. Accounting Periods

The financial year-end of Amgen Cymru Ltd. and Amgen Rhondda Ltd. correspond with that of the Council.

The financial year of Capita Glamorgan Consultancy Ltd. runs from 1st January to 31st December. As the year-end is not more than three months before that of the Council, FRS 9 (Associates and Joint Ventures) permits consolidation of the statutory accounts into the group financial statements without further adjustment.

Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Group, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and “unusable reserves”. The Surplus or (Deficit) on the Provision of Services line shows the economic cost of providing the Group’s services on an International Financial Reporting Standards basis, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance for Council Tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

Group Movement in Reserves Statement for the year ended 31st March 2011

	Council Fund Balance	Housing Revenue Account	Farmarked Council Fund Reserves	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council	Council's share of Reserves of Subsidiaries, Associates & Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1st April 2010	(10,470)	0	(72,463)	(5,169)	(2,887)	(3,094)	(1,924)	(96,007)	43,196	(52,811)	501	(52,310)
Movement in reserves during 2010/11												
(Surplus) or deficit on the provision of services (accounting basis)	(92,469)	0	0	0	0	0	0	(92,469)	0	(92,469)	3,165	(89,304)
Other comprehensive income and expenditure		0	0	0	0	0	0	0	(113,776)	(113,776)	(92)	(113,868)
Total comprehensive income and expenditure	(92,469)	0	0	0	0	0	0	(92,469)	(113,776)	(206,245)	3,073	(203,172)
Adjustments between Group Accounts and Authority Accounts	3,911	0	0	0	0	0	0	3,911	0	3,911	(3,911)	0
Net Increase or decrease before transfers	(88,558)	0	0	0	0	0	0	(88,558)	(113,776)	(202,334)	(838)	(203,172)
Adjustments between accounting basis and funding under regulations												
Adjustments primarily involving the Capital Adjustment Account												
Reversal of items debited / credited to CI&ES												
Charges for depreciation and impairment of non-current assets	(100,550)	0	(42)	0	0	0	0	(100,592)	113,041	12,449	0	12,449

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Group Movement in Reserves Statement for the year ended 31st March 2010

	Council Fund Balance	Housing Revenue Account	Farmarked Council Fund Reserves	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council	Council's share of Reserves of Subsidiaries, Associates & Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1st April 2009	(10,120)	(2,180)	(50,575)	(6,690)	(4,572)	(1,873)	(1,816)	(77,826)	(90,819)	(168,645)	(219)	(168,864)
Movement in reserves during 2009/10												
(Surplus) or deficit on the provision of services (accounting basis)	(17,153)	0	0	0	0	0	0	(17,153)	0	(17,153)	4,353	(12,800)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	131,275	131,275	(24)	131,251
Total comprehensive income and expenditure	(17,153)	0	0	0	0	0	0	(17,153)	131,275	114,122	4,329	118,451
Adjustments between Group Accounts and Authority Accounts	3,609	0	0	0	0	0	0	3,609	0	3,609	(3,609)	0
Net increase or decrease before transfers	(13,544)	0	0	0	0	0	0	(13,544)	131,275	117,731	720	118,451
Adjustments between accounting basis and funding under regulations												
Adjustments primarily involving the Capital Adjustment Account												
Reversal of items debited / credited to CI&ES												
Charges for depreciation and impairment of non-current assets	(65,249)	0	0	0	0	0	0	(65,249)	64,088	(1,161)	0	(1,161)

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Group Comprehensive Income and Expenditure Statement for the year ended 31st March 2011

This Statement shows the accounting cost in the year of providing services by the Group in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10 Restated				Note:	2010/11		
Gross Exp	Gross Income	Net Exp			Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
29,238	(24,121)	5,117	Central Services to the Public		28,695	(25,391)	3,304
97,190	(29,973)	67,217	Cultural, Environmental, Regulatory and Planning Services	1.0	106,921	(42,268)	64,653
276,441	(50,941)	225,500	Children's and Education Services		360,801	(68,507)	292,294
33,014	(8,432)	24,582	Highways and Transport Services		36,379	(13,155)	23,224
75,934	(66,355)	9,579	Housing Services		82,210	(71,709)	10,501
106,939	(32,740)	74,199	Adult Social Care		109,889	(35,323)	74,566
9,805	(3,392)	6,413	Corporate and Democratic Core		13,792	(1,440)	12,352
6,542	(171)	6,371	Non-Distributed Costs		(121,228)	(150)	(121,378)
635,103	(216,125)	418,978	Cost of Services		617,459	(257,943)	359,516
			Other Operating Expenditure				
11,978	0	11,978	Precepts		12,573	0	12,573
13,467	0	13,467	Levies		12,140	0	12,140
1,245	(962)	283	(Gains) or Losses on Disposal of Non Current Assets		1,749	0	1,749
			Financing and Investment Income and Expenditure				
11,469	0	11,469	Interest Payable and Similar Charges		11,564	0	11,564
32,930	(242)	32,688	Pensions Interest Cost and Expected Return on Pensions Assets		55,133	(36,477)	18,656
0	(466)	(466)	Interest Receivable and Similar Income		0	(319)	(319)
16,693	(16,844)	(151)	Trading Activities		18,111	(18,114)	(3)
87	0	87	(Profit) or Loss on Discontinued Operations		0	0	0

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			Taxation and Non Specific Grant Income				
0	(89,488)	(89,488)	Council Tax Income	0	(93,751)	(93,751)	
0	(62,653)	(62,653)	NNDR Distribution	0	(65,341)	(65,341)	
0	(281,982)	(281,982)	Non Ring Fenced Government Grants	0	(289,660)	(289,660)	
0	(67,010)	(67,010)	Capital Grants and Contributions	0	(56,428)	(56,428)	
722,972	(735,772)	(12,800)	(Surplus) or Deficit on the Provision of Services	728,729	(818,033)	(89,304)	
0	(44)	(44)	Associates and Joint Ventures Accounted for on an Equity Basis	0	(85)	(85)	
			Tax Expenses				
0	0	0	Taxation of Group Entities	0	(30)	(30)	
20	0	20	Share of Taxation of Associates and Joint Ventures	23	0	23	
722,992	(735,816)	(12,824)	Group (Surplus) or Deficit	728,752	(818,148)	(89,396)	
0	(218)	(218)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	0	(99,952)	(99,952)	
131,493	0	131,493	Actuarial (Gains) or Losses on Pension Assets & Liabilities	0	(13,824)	(13,824)	
131,493	(218)	131,275	Other Comprehensive Income and Expenditure	0	(113,776)	(113,776)	
854,485	(736,034)	118,451	Total Comprehensive Income and Expenditure	728,752	(931,924)	(203,172)	

Group Balance Sheet as at 31st March 2011

The Group Balance Sheet summarises the financial position of the Council and its subsidiaries and associates as a whole. It shows the value of the group assets and liabilities at the end of the financial year.

01/04/09 Restated £'000	31/03/10 Restated £'000		Note	31/03/11 £'000
		Long-Term Assets		
509,457	497,907	Property, Plant & Equipment	2.0	
324,235	323,634	Other Land & Buildings		539,591
17,869	15,538	Infrastructure		322,352
225	67	Vehicles, Plant & Equipment		14,419
82	3,820	Landfill Cells		765
35,476	62,362	Community Assets		3,836
0	0	Assets Under Construction		91,270
2,994	3,044	Investment Properties		0
0	814	Intangible Assets		2,715
8	32	Long-Term Investments		382
1,346	1,221	Investment in Associates and Joint Ventures		94
		Long-Term Debtors		1,120
891,692	908,439	TOTAL LONG-TERM ASSETS		976,544
		Current Assets		
23,947	14,051	Short-Term Investments		30,137
1,936	5,873	Assets Held for Sale		5,989
886	922	Inventories		946
45,769	39,464	Short-Term Debtors	11.0	49,357
2,624	2,914	Cash and Cash Equivalents		7,196
75,162	63,224	TOTAL CURRENT ASSETS		93,625
		Current Liabilities		
(15,543)	(6,202)	Cash and Cash Equivalents		(10,045)
(10,586)	(3,538)	Short-Term Borrowing		(8,561)
(64,209)	(53,429)	Short-Term Creditors	12.0	(68,532)
0	0	Provisions	13.0	(154)
(90,338)	(63,169)	TOTAL CURRENT LIABILITIES		(87,292)
		Long-Term Liabilities		
(10,323)	(9,657)	Provisions	13.0	(9,109)
(211,866)	(209,011)	Long-Term Borrowing		(204,694)
(484,528)	(636,581)	Other Long-Term Liabilities		(512,553)
(935)	(935)	Donated Asset Account		(1,058)
(707,652)	(856,184)	TOTAL LONG-TERM LIABILITIES		(727,414)
168,864	52,310	NET ASSETS		255,463

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(10,120)	(10,470)	Usable	Council Fund Balance		(10,543)
(2,180)	0	Reserves	Housing Revenue Account		0
(50,575)	(72,463)		Earmarked Reserves (Capital & Revenue)		(96,607)
(6,690)	(5,169)		Delegated Schools Reserve (Revenue)		(6,015)
(4,572)	(2,887)		Usable Capital Receipts Reserve		(19)
(1,873)	(3,094)		Capital Grant Unapplied Account		(1,830)
(1,816)	(1,924)		MGCC Insurance Reserve (Revenue)		(1,791)
(77,826)	(96,007)		TOTAL USABLE RESERVES		(116,805)
(80,240)	(77,372)	Unusable	Revaluation Reserve		(171,411)
(337)	(266)	Reserves	Deferred Capital Receipts Reserve		(197)
(476,268)	(496,902)		Capital Adjustment Account	6.0	(463,999)
6,991	6,682		Financial Instruments Adjustment Account		6,479
453,117	606,255		Pensions Reserve		483,347
1,063	1,048		Unequal Pay Back Pay Account		3,512
4,855	3,751		Short Term Accumulating Compensated Absence Account		3,948
(219)	501		Group Companies Reserve	3.0	(337)
(91,038)	43,697		TOTAL UNUSABLE RESERVES		(138,658)
(168,864)	(52,310)	TOTAL RESERVES			(255,463)

Group Cash Flow Statement 2010/11

The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiaries and associates during the year.

2009/10 Restated		Note	2010/11	
			£'000	£'000
(12,800)	Net (Surplus) or Deficit on the Provision of Services		(89,304)	
(91,313)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements		(11,356)	
66,724	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	7.0	54,675	
(37,389)	Net Cash Flows from Operating Activities			(45,985)
16,822	Investing Activities	8.0	45,382	
10,936	Financing Activities	9.0	164	45,546
(9,631)	Net Increase or Decrease in Cash or Cash Equivalents			(439)
12,919	Cash and Cash Equivalents at the Beginning of the Reporting Period			3,288
3,288	Cash and Cash Equivalents at the End of the Reporting Period			2,849

Notes to the Group Accounts

These notes should be read in conjunction with the notes to the Council's Core Financial Statements. Unless specifically identified below, the information provided for the single entity accounts also applies to the group statements.

1.0 Segmental Analysis (Subsidiary Companies)

The operating income and expenditure of Amgen Cymru Ltd. and Amgen Rhondda Ltd. has been included within Cultural, Environmental, Regulatory and Planning services.

2.0 Long-Term Assets

2.1 Property, Plant & Equipment

Movements in long-term assets during the year were as follows:

	Other Land & Buildings	Infra-structure	Vehicles, Plant & Equipment	Landfill Cells	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 st April 2010 (Restated)	689,980	376,988	47,658	691	4,312	67,990	1,187,619
Joint Committees Opening Balance	950	0	338	0	0	0	1,288
Additions	25,037	11,302	7,604	723	9	29,277	73,952
Donations	123	0	0	0	0	0	123
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	105,413	0	0	0	25	0	105,438
Revaluation Increases/ (Decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – Disposals	(891)	0	(2,975)	0	0	0	(3,866)
Assets reclassified (to)/from held for Sale	(855)	0	0	0	(25)	(367)	(1,247)
Other reclassifications	349	0	0	0	8	10	367
At 31st March 2011	820,106	388,290	52,625	1,414	4,329	96,910	1,363,674

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Accumulated Depreciation and Impairment							
At 1 st April 2010 (Restated)	(193,002)	(53,354)	(32,179)	(624)	(492)	(5,628)	(285,279)
Joint Committees Opening Balance	(21)	0	(279)	0	0	0	(300)
Depreciation charge	(11,228)	(9,572)	(5,705)	(25)	0	0	(26,530)
Impairment (Losses) recognised in the Revaluation Reserve	(5,546)	0	0	0	0	0	(5,546)
Impairment reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment (Losses) recognised in the Surplus/Deficit on the Provision of Services	(73,492)	(3,012)	(2,420)	0	(1)	(12)	(78,937)
Impairment reversals recognised in the Surplus/Deficit on the Provision of Services	2,710	0	0	0	0	0	2,710
Derecognition – disposals	64	0	2,377	0	0	0	2,441
At 31st March 2011	(280,515)	(65,938)	(38,206)	(649)	(493)	(5,640)	(391,441)
Balance Sheet Amount at 31st March 2011	539,591	322,352	14,419	765	3,836	91,270	972,233
Restated Balance Sheet Amount at 1st April 2010	497,907	323,634	15,538	67	3,820	62,362	903,328

2.2 Valuation of Long-Term 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
Other Land & Buildings (Excl. Amgen)	Rolling Programme	EUV
Amgen Land & Buildings	N/A	DHC
Specialist Building	Rolling Programme	DRC
Vehicles, Plant & Equip	N/A	DHC
Infrastructure	N/A	DHC
Community Assets	N/A	DHC
Landfill Cells	N/A	DHC

EUV - Existing Use Value

DRC - Depreciated Replacement Costs

DHC - Depreciated Historic Cost

3.0 Subsidiary Companies Reserve

Movements in the Group Companies Reserve are summarised as follows:

	Amgen Cymru £'000	Amgen Rhondda £'000	Capita Glam. £'000	Total £'000
Balance as at 31st March 2010	(1,746)	2,279	(32)	501
(Increase)/Decrease 2010/11	(717)	(59)	(62)	(838)
Balance as at 31st March 2011	(2,463)	2,220	(94)	(337)

4.0 Subsidiary Companies Statutory Accounts

A summary of the statutory accounts for the Amgen group is given in the following table. These accounts have been prepared in accordance with the Financial Reporting Standards for Smaller Entities.

	Amgen Cymru		Amgen Rhondda	
	March 2010	March 2011	March 2010	March 2011
	£'000	£'000	£'000	£'000
Shareholding	2,806	2,806	697	697
Net Current Assets	1,071	1,823	488	175
Total Assets less Current Liabilities	5,745	6,942	697	757
Net Assets	4,552	5,269	697	757
(Loss)/Profit Before Tax	(814)	687	40	60
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(Loss)/Profit After Tax	(814)	717	40	60
Registration No.	2660628		3687641	
Registered Office/Location of Accounts	Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX		Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX	
Auditors	KTS Owens Thomas Ltd		KTS Owens Thomas Ltd	
Audit Opinion	Not Yet Given		Not Yet Given	

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

5.0 Associate Company Statutory Accounts

A summary of the statutory accounts for Capita Glamorgan Consultancy is given in the following table. These accounts have been prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

	Capita Glamorgan Consultancy	
	31st December 2009 18 Month Accounts £'000	31st December 2010 Draft £'000
Shareholding	27.93%	27.93%
Net Current Assets	(107)	139
Total Assets less Current Liabilities	125	345
Net Assets	113	335
(Loss)/Profit Before Tax	184	303
(Loss)/Profit After Tax	113	222
Registration No.	06638751	
Registered Office/Location of Accounts	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Auditors	KPMG Audit Plc	
Audit Opinion	Not Yet Given	

6.0 Consolidation Adjustments

6.1 Capital Adjustment Account

	£'000
Balance as at 31st March 2010	(496,902)
(Gains)/Losses in Single Entity Accounts	32,903
Balance as at 31st March 2011	(463,999)

In the Council's accounts the value of the shareholding in Amgen Rhondda Ltd. is written down to the value of the net assets of the company. To allow consolidation of the accounts the value of shareholding must be reinstated, which results in a credit to the Capital Adjustment Account of £2,220k.

7.0 Cash Flow Statement – Interest within Operating Activities

The cash flows for operating activities include the following items:

2009/10		2010/11
£'000		£'000
(405)	Interest received	(123)
11,648	Interest paid	11,331
11,243	Net Cash Flows from Operating Activities relating to Interest	11,208

8.0 Cash Flow Statement - Investing Activities

2009/10		2010/11
£'000		£'000
81,880	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	84,240
814	Purchase of Short-Term and Long-Term Investments	15,587
(1,066)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,354)
(64,806)	Other receipts from Investing Activities	(53,091)
16,822	Net Cash Flows from Investing Activities	45,382

9.0 Cash Flow Statement - Financing Activities

2009/10		2010/11
£'000		£'000
0	Cash Receipts of Short- and Long-Term Borrowing	(819)
0	Other Receipts from Financing Activities	0
945	Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases and On-Balance Sheet PFI Contracts	983
9,991	Repayments of Short- and Long-Term Borrowing	0
10,936	Net Cash Flows from Financing Activities	164

10.0 Adjustments Between Group Accounts and Council Accounts in the Group Movements in Reserves Statement

The adjustments between Group Accounts and the Council's Accounts in the Group Movements in Reserves Statement relate to Sales and Purchases between the Council and subsidiaries.

11.0 Debtors

An analysis of Short-Term Debtors in the Balance Sheet is as follows:

31/03/10		31/03/11
£'000		£'000
10,879	Central Government Bodies	7,996
6,007	Other Local Authorities	692
77	NHS Bodies	2
3	Public Corporations and Trading Funds	28
22,498	Other Entities and Individuals	40,639
39,464	Total	49,357

12.0 Creditors

An analysis of Short-Term Creditors in the Balance Sheet is as follows:

31/03/10		31/03/11
£'000		£'000
(3,328)	Central Government Bodies	(4,508)
(972)	Other Local Authorities	(805)
(553)	NHS Bodies	(756)
0	Public Corporations and Trading Funds	(152)
(48,576)	Other Entities and Individuals	(62,311)
(53,429)	Total	(68,532)

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.

Movements in provisions during the year were:

Provision	Housing Disrepair Claims	Unequal Pay Costs	Housing Benefits	Integrated Community Equip.	Homecare Fairer Charge - Learning Disability Clients (Short-Term Provision)	Insurance Claims (Long-Term Provision)	MGCC Disaggregation (Long-Term Provision)	Amgen Cymru – Landfill Aftercare (Long-Term Provision)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1st April 2009	41	1,063	8	4	0	7,938	724	545	10,323
Additional provisions made in 2009/10	0	327	0	0	0	0	28	259	614
Amounts used in 2009/10	0	(342)	0	0	0	(824)	0	(74)	(1,240)
Unused amounts reversed in 2009/10	(28)	0	(8)	(4)	0	0	0	0	(40)
Balance at 31st March 2010	13	1,048	0	0	0	7,114	752	730	9,657
Additional provisions made in 2010/11	0	0	0	0	154	329	2	191	676
Amounts used in 2010/11	0	(1,048)	0	0	0	0	0	(9)	(1,057)
Unused amounts reversed in 2010/11	(13)	0	0	0	0	0	0	0	(13)
Balance at 31st March 2011	0	0	0	0	154	7,443	754	912	9,263

13.1 Amgen Cymru – Landfill Aftercare

The Company is required by the shareholders agreement to provide for future aftercare cost such as landfill capping and restoration. During the year the Company provided £2 per tonne (2009/10 £2 per tonne) in order to provide for this.

Rhondda Cynon Taf Pension Fund Accounts

Background to 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.

The Local Government Pension Scheme is open to all employees in Local Government apart from teachers, who have their own scheme. It is also open to employees of other organisations that have been accepted into the fund.

The Rhondda Cynon Taf Pension Fund provides pension benefits for employees of Rhondda Cynon Taf, Bridgend and Merthyr Tydfil County Borough Councils, together with employees from around 40 other 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 Pension Fund Investments Panel, which is chaired by the Rhondda Cynon Taf Group Director Corporate Services and consists of two Rhondda Cynon Taf Council Members, two independent investment advisors and other senior finance officers.

The Panel meets quarterly to determine policy in the light of market movements and to question and challenge the Investment Managers on their activities and performance. At the balance sheet date there were seven Investment Managers carrying out the actual day-to-day investment management of the Fund's assets:

Baillie Gifford
Newton
BlackRock
Invesco
Legal & General
F & C
ING Real Estate

Fund Account

2009/10 £'000		Note	2010/11	
			£'000	£'000
	Contributions			
(77,448)	Employer contributions	8.0	(81,755)	
(25,383)	Member contributions	8.0	(25,367)	
(102,831)				(107,122)
(21,622)	Transfers in from other pension funds		(6,779)	
(6,720)	Other income		(5,133)	
(28,342)				(11,912)
67,608	Benefits			
	Pensions		71,901	
14,689	Commutation of pensions and lump sum retirement benefits		23,008	
1,578	Lump sum death benefits		2,044	
83,875		8.0		96,953
17,368	Payments to and on account of leavers			
18	Transfers out to other pension funds		6,810	
	Other payments		13	
17,386				6,823
6,044	Administrative expenses	9.0	5,727	
				5,727
	Investment income			
(19,500)	Income from fixed interest securities		(24,324)	
(24,238)	Dividends from equities		(24,325)	
(830)	Income from index-linked securities		(338)	
(947)	Income from pooled investment vehicles		(1,936)	
(91)	Interest on cash deposits		(55)	
(45,606)				(50,978)
(329,824)	(Profits) and losses on disposal of investments and changes in the value of investments		(84,392)	
				(84,392)
(399,298)	Net (increase)/decrease in the net assets available for benefits during the year			(144,901)
(1,111,705)	Opening net assets			(1,511,003)
(1,511,003)	Closing net assets			(1,655,904)

Net Assets Statement

01/04/09 £'000	31/03/10 £'000		Note	31/03/11	
				£'000	£'000
		<u>Investment assets</u>			
		Fixed interest securities			
183,450	187,044	Public sector		163,861	
89,866	148,419	Corporate bonds		197,654	
			4.0		361,515
645,036	939,215	Equities	4.0		896,216
		Index linked securities			
10,786	20,968	Public sector		3,796	
			4.0		3,796
		Pooled investment vehicles			
32,462	59,700	Open ended investment companies		64,505	
1,066	1,746	Managed funds		163,293	
40,414	0	Forward foreign exchange contracts		0	
46,848	87,973	Property		111,615	
			4.0		339,413
49,153	58,128	Cash deposits			36,906
		Other investment balances			
4,894	6,549	Accrued interest		6,781	
5,119	8,237	Investment debtors		26,331	
648	1,304	Tax recoverable		1,628	
					34,740
1,109,742	1,519,283				1,672,586
		<u>Investment liabilities</u>			
(4,668)	(16,836)	Investment creditors			(22,949)
1,105,074	1,502,447	Net investment assets			1,649,637
		<u>Current assets</u>			
5,270	5,482	Contributions due from employers	10.0	4,969	
1,600	693	Cash balances		843	
648	625	Amount owed from RCT		0	
163	3,013	Other current assets		3,996	
					9,808
		<u>Current liabilities</u>			
0	0	Amount owed to RCT		(2,325)	
(1,050)	(1,257)	Current liabilities		(1,216)	
					(3,541)
1,111,705	1,511,003	Net assets of the scheme available to fund benefits at the period end			1,655,904

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

A summary of the actuarial position of the scheme, which takes account of these obligations, is included in note 3. These accounts should be read in conjunction with that report.

1.0 Introduction

These accounts have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2010/11. This code is the first to be based on International Financial Reporting Standards (IFRSs) and has resulted in some changes to the layout of the accounts and the disclosures included. A more detailed Pension Fund Annual Report is available on request from the Corporate Services Group Director.

2.0 Accounting Policies

2.1 Accruals Concept

All material categories of income and expenditure are accounted for using the accruals concept, except transfer values that are recognised on a cash basis. These categories include fund contributions, investment income, benefits paid, administration costs, investment management fees and advisors fees.

2.2 Investment Valuation

Listed securities are valued in accordance with IAS 39, using bid prices as at 31st March 2011 obtained from recognised Stock Exchanges. Fixed interest securities are valued "clean", excluding accrued interest. Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31st March 2011. Property valuations are represented by unit prices, based on underlying independent professional valuations.

2.3 Additional Voluntary Contributions (AVCs)

Scheme members may elect to make additional voluntary pension contributions from their salaries. These AVCs are not included in the Pension Fund Accounts in accordance with regulation 5(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

The amount of AVC contributions paid during the year amounted to £952k (£939k in 2009/10) and the market value of separately invested AVCs at the balance sheet date was £5,304k (£4,718k in 2009/10).

2.4 Acquisition and Disposal Costs

Transaction costs incurred in acquiring or disposing of investments are included as part of the purchase cost or netted off against sales proceeds, as appropriate. Transaction costs include fees, commissions and duties. Transaction costs incurred during 2010/11 amounted to £1.5m (£0.9m in 2009/10).

In addition to the direct costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

3.0 Actuarial Position

The Fund's Actuary, AON Hewitt carried out an actuarial valuation of the Fund as at 31st March 2010, as required by Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Where a valuation reveals a deficiency (or surplus), employer contribution rates are adjusted to seek restoration of a 100% funding ratio. The recovery period for each employer is set by the Administering Authority in consultation with the Actuary.

The funding policy of the scheme is to ensure that:

- Employer contribution rates are kept as nearly constant as possible and at reasonable cost to the employers and taxpayers.
- Sufficient resources are available to meet all liabilities as they fall due.
- Employers' liabilities are managed effectively by seeking regular actuarial advice.
- Income from investments is maximised within reasonable risk parameters.

The result of the 2010 valuation is shown in the table below.

	31/03/2010 £'m	31/03/2007 £'m
Funding Target	2,229.0	1,908.6
Market Value of Assets	1,568.9	1,327.3
Funding Deficit	660.1	581.3
Funding Ratio	70%	70%

The aggregate employer contribution rate for future service (benefits accruing after the valuation date) is calculated to be 13.1%. In order to restore the funding ratio to 100% using a recovery period of 25 years the aggregate employer contribution rate is calculated to be 20.4%.

Rates of contribution payable by individual scheme employers vary depending on their particular circumstances. Some employers will also phase in contribution increases over a maximum period of 6 years. Full details are available in the actuarial report.

Contribution rates have been calculated using the Projected Unit Method for most employers. The Attained Age Method has been used for some employers who do not permit new employees to join the Fund.

In the June 2010 Emergency Budget it was announced that public sector pensions would in future be linked to increases in the Consumer Prices Index (CPI), rather

than the Retail Prices Index (RPI). This change has been incorporated within the actuary's calculations.

The Independent Public Service Pension Commission chaired by Lord Hutton reported its findings in March 2011, and proposed a number of changes to the Local Government Pension Scheme. However, since no specific changes have yet been announced or incorporated into the relevant regulations no allowance for these proposals has been made.

The key financial assumptions made are listed below:

	2010 Valuation	2007 Valuation
Assumption	% p.a.	% p.a.
Fixed Interest Gilt Yields	4.5	4.7
Index-Linked Gilt Yields	0.7	1.5
RPI Price Inflation	3.8	3.2
CPI Price Inflation	3.1	n/a
Pension Increases in Excess Of GMPs	3.1	3.2
GMPs Accrued After 5 th April 1988	2.7	2.7
GMPs Accrued Before 6 th April 1988	0	0
General Pay Increases	5.3	4.7
In Service Discount Rate (Scheduled Bodies)	7.1	6.2
In Service Discount Rate (Admitted Bodies)	6.25	6.2
Left Service Discount Rate (Scheduled Bodies)	7.1	6.2
Left Service Discount Rate (Admitted Bodies)	4.75	5.2

The key demographic assumption is member mortality. Since the previous valuation, research has generally shown that life expectancy is improving much faster than previous research envisaged, so the Fund's mortality assumptions have been revised to reflect this.

The CIPFA Code of Practice on Local Authority Accounting 2010/11 also requires the disclosure of the actuarial present value of promised retirement benefits for the whole fund, using projected salary levels in accordance with IAS19.

	Value as at 31/3/2010	Value as at 31/3/2007
	£'m	£'m
Actuarial present value of promised retirement benefits	3,103.3	2,242.3

The switch from RPI to CPI has a significant impact on the value of future benefits. Had the change been implemented from 31st March 2010 the actuarial present value of promised benefits at that date would have reduced by £351.7m to £2,751.6m.

The accounting assumptions made in this calculation (distinct from the funding assumptions above) are shown below.

Assumption	31/3/2010	31/3/2007
	(% p.a.)	(% p.a.)
Discount Rate	5.5	5.3
RPI Inflation	3.9	3.2
CPI Inflation	3.0	n/a
Rate of Increase: Pensions in Payment	3.9	3.2
Rate of Increase: Deferred Pensions	3.9	3.2
Rate of General Increase in Salaries	5.4	4.7

4.0 Analysis of Investments

	2008/09		2009/10		2010/11	
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Equities</u>						
UK	251,144		355,478		248,220	
Overseas	393,892		583,737		647,996	
		645,036		939,215		896,216
<u>Fixed interest</u>						
UK	254,724		314,417		350,017	
Overseas	18,592		21,046		11,498	
		273,316		335,463		361,515
<u>Index linked</u>						
UK	10,786		6,218		3,796	
Overseas	0		14,750		0	
		10,786		20,968		3,796
<u>Pooled investments</u>						
UK - property	5,957		60,207		89,174	
Overseas - property	40,891		27,766		22,441	
UK – forward forex	40,414		0		0	
UK – other	3,103		6,489		88,109	
Overseas - other	30,425		54,957		139,689	
		120,790		149,419		339,413
Total long-term investments		1,049,928		1,445,065		1,600,940

The Investments Panel has decided that the Fund will not enter into any stock lending arrangements. All investments held are 'quoted' investments.

5.0 Fund Manager Asset Allocation

The market values of investments held by the fund managers employed by the fund are detailed in the following table.

Fund Manager	Market Value			Proportion of Fund		
	01/04/09 £'000	31/03/10 £'000	31/03/11 £'000	01/04/09 %	31/03/10 %	31/03/11 %
Baillie Gifford	187,792	292,971	331,789	17.1	19.6	20.2
Baillie Gifford (global alpha)	170,151	266,219	299,052	15.5	17.9	18.3
Newton	177,599	240,434	259,035	16.2	16.1	15.8
F&C (equities)	160,697	217,309	0	14.6	14.6	0.0
Invesco	0	0	74,643	0.0	0.0	4.6
BlackRock	0	0	82,708	0.0	0.0	5.0
Legal & General	0	0	86,686	0.0	0.0	5.3
F&C (bonds)	287,277	355,086	372,539	26.1	23.8	22.7
ING (property)	49,912	94,298	112,680	4.5	6.3	6.9
Record (currency)	40,414	0	0	3.7	0.0	0.0
Internal	25,421	25,358	19,501	2.3	1.7	1.2
Total	1,099,263	1,491,675	1,638,633	100.0	100.0	100.0

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

The market value of investments shown in this table includes short-term investments such as cash balances and money deposits, and so differs from the total of long-term investments only, as shown in note 4.0.

Investment risk is mitigated by employing a number of fund managers to diversify manager risk, with mandates covering a variety of assets including equities, bonds and property. Managers must maintain a diversified portfolio of investments and comply with the LGPS investment regulations, and any additional restrictions set by the Investments Panel. The underlying investments are further diversified by country and industry sector.

Each manager's performance is monitored quarterly by the Investments Panel against a target linked to an asset allocation benchmark, effectively constraining managers from deviating significantly from the intended approach, while still permitting some flexibility to enhance returns.

6.0 Contingencies

There are £4,684k of lump sums potentially payable to retiring members, and a contingent liability of £355k (£353k in 2009/10) in respect of refundable contributions for leavers who have not yet claimed refunds.

7.0 Purchases and Sales

The value of purchases and sales during 2010/11 are shown below.

Fund Manager	Purchases £'000	Sales £'000
Baillie Gifford (Equities)	50,388	30,670
Baillie Gifford (High Alpha Equities)	52,743	36,894
Newton (High Alpha Equities)	135,879	113,018
F&C (UK Equities)	5,536	7,611
Invesco (UK Equities)	624	0
Blackrock (UK Equities)	13,444	10,040
Legal & General (Passive Equities)	10,000	0
F&C (Bonds)	2,120,591	2,110,651
ING (Property)	24,629	6,017
Total	2,413,834	2,314,901

8.0 Contributions Receivable and Benefits Payable

Contributions received and benefits paid are shown in the table below.

Type of Body	Employee Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000
Administering	8,514	8,337	27,475	26,911	15,044	21,701
Admitted	3,152	3,004	9,714	13,009	6,630	10,705
Scheduled	13,717	14,026	40,259	41,835	62,201	64,547
Total	25,383	25,367	77,448	81,755	83,875	96,953

Included in employer contributions are £3,422k of augmented contributions (£199k in 09/10).

Employers' contributions include deficit funding contributions, values for which are not separately identified, but the breakdown for the whole fund (as a percentage of pensionable pay) is available.

Employers' contributions (as a percentage of pensionable pay) include normal contributions for current service benefit accruals (13.1%), plus deficit funding contributions for past service benefit accruals (7.3%).

9.0 Administration Expenses

The administration costs borne by the Fund in 2010/11 are set out below:

	2009/10	2010/11
	£'000	£'000
Fund management expenses	3,841	3,317
Investment administration expenses	488	458
Pensions administration expenses	1,715	1,952
Total	6,044	5,727

This represents 0.35% (0.40% in 2009/10) of the value of the Pension Fund as at 31st March 2011.

10.0 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 £1.5m (£1.3m in 2009/10). 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 £5.0m (£5.5m in 2009/10), of which £3.8m related to employer contributions and £1.2m to employee contributions.

11.0 Prior Period Adjustment

11.1 Fixed Interest Income Accounting

The Pensions Research Accountants Group (PRAG) publication "Financial Reports of Pension Schemes: A Statement of Recommended Practice (Revised May 2007)", states that fixed interest stocks should be accounted for "clean", i.e. analysed between the capital and income elements. Prior to 2010/11, the Rhondda Cynon Taf Pension Fund accounts accounted for such transactions "dirty" i.e. combining both elements. This resulted in some elements of fixed interest income being recognised as market value gains and losses instead of investment income.

This has been corrected with effect from 2010/11 and a Prior Period Adjustment has been undertaken on the 2009/10 comparators. This adjustment has no impact upon the Net Asset Statement of the Pension Fund, it only impacts upon categorisation of income in the Fund Account.

11.2 Pension Strain Costs

The prior period of 2009/10 has been amended to recognise income relating to pension strain costs. Previously, income was recognised as the employers refunded the pension fund for the additional costs (generally over a three year period). The accounts have now been adjusted to recognise the income in the year the employer agrees to the retirement. The value of the adjustment to the 2009/10 statements is £2,987k.

RHONDDA CYNON TAF

ANNUAL GOVERNANCE STATEMENT

1.	Scope of Responsibility
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- 1.1 Rhondda Cynon Taf County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In addition, the introduction of the Local Government (Wales) Measure 2009 identifies that the Authority has a 'general duty to improve'.
- 1.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.
- 1.3 Rhondda Cynon Taf County Borough Council has several policies and processes that are consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.
- 1.4 This Annual Governance Statement explains how the Authority has complied with the various elements of the framework.

2.	The purpose of the governance framework
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- 2.1 The governance framework comprises the systems and processes, and cultural values, by which the Authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of the Council's aims and objectives, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.

- 2.4 The following paragraphs summarise the governance framework and the system of internal control, which has been in place within the Council for the year ended 31st March 2011.

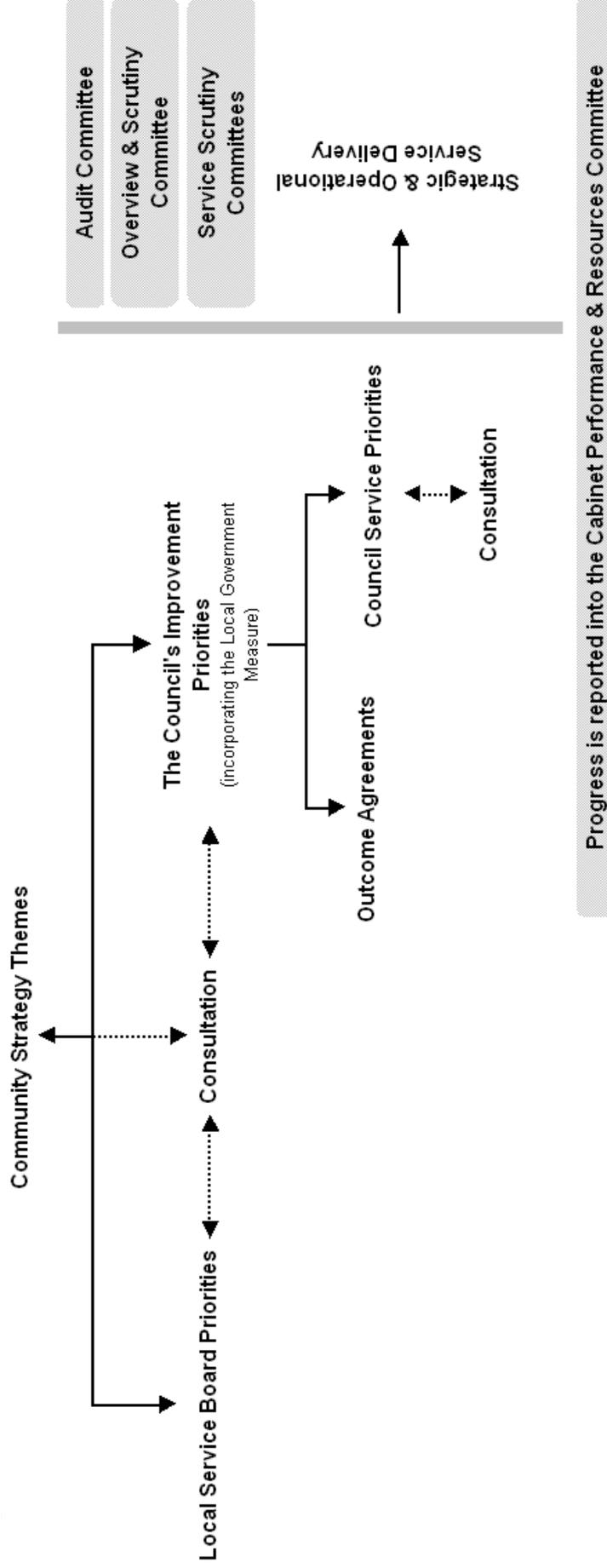
3.	The Governance Framework
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- 3.1 The CIPFA/SOLACE governance framework sets out six fundamental principles of corporate governance:-
- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - Making informed and transparent decisions which are subject to effective scrutiny and managing risk.
 - Developing the capacity and capability of members and officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.2 Rhondda Cynon Taf County Borough Council has used these principles to demonstrate that governance arrangements within the Authority during 2010/11 were robust.

3.3 Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.

The Council sets and monitors its priorities in line with Diagram 1 below, with Full Council having the key responsibility to review and if deemed appropriate, approve the Strategic Priorities for the Council that help create and implement a vision for the local area.

Diagram 1:



3.4 *Members and officers working together to achieve a common purpose with clearly defined functions and roles.*

- 3.5 The Constitution is at the heart of the Council's business. It allocates functions and responsibility within the Authority. It also regulates the behaviour of individuals (Members & Officers) and groups through codes of conduct, protocols and rules of procedure.
- 3.6 The Cabinet is made up of the Leader, Deputy Leader and 8 other Executive Members who take key and significant decisions, whose role is to:
- Provide leadership
 - Propose the annual budget to Council
 - Implement Policy through Chief Officers
- 3.7 The Cabinet's Terms of Reference are set out in Section 3A of the Council's Constitution. Cabinet Members are Councillors with special responsibilities over an area of the Council's activities such as education, transport or social services. Their area of responsibility is known as their portfolio.
- 3.8 All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. The Performance Management Co-ordinator has a clear set of responsibilities and is the link between the Executive and Scrutiny. The Audit Committee provides assurance to the Council on the effectiveness of the Authority's governance arrangements and the Council's internal control environment.
- 3.9 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Corporate Management Team.
- 3.10 All staff have clear conditions of employment and job descriptions which set out their roles and responsibilities. The Human Resources Service oversees terms and conditions of employment.
- 3.11 The Group Director Corporate Services, as the Officer appointed under Section 151 of the Local Government Act 1972, carries overall responsibility for the financial administration of the Council. A corporate finance function provides support to Service Groups and determines the budget preparation and financial monitoring process.
- 3.12 The Monitoring Officer (the Director of Legal & Democratic Services) carries overall responsibility for legal compliance and his staff work closely with Service Groups to advise on requirements in this respect.
- 3.13 The Council's Scheme of Delegation ensures Officers understand and accept the specific decision making powers aligned to their post(s).

3.14 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

3.15 The Council supports a culture of behaviour based on the codes & protocols set out in Part 5 of the Constitution. This guides Members and Officers in their day-to-day work.

3.16 The Council takes fraud, corruption and maladministration very seriously and has the following policies, which aim to prevent or deal with such occurrences;

- Financial Procedure Rules
- Contract Procedure Rules
- Anti-Fraud and Corruption Policy
- Whistleblowing Policy
- Human Resources policies regarding the disciplining of staff involved in such incidents.

3.17 The Public Service Ombudsman and the Council's Standards Committee monitor the conduct of Members and also investigate allegations of misconduct by Members.

3.18 A complaints procedure is in place for the Council to receive and investigate any complaint made against it, including its Members and Officers.

3.19 In addition, the Audit Committee raises the profile of internal control, risk management and financial reporting issues within the Council. It enhances public trust and confidence in the financial governance of the Council. The Terms of Reference in place for the Committee are consistent with the core functions as recommended by CIPFA.

3.20 Making informed and transparent decisions which are subject to effective scrutiny and managing risk.

3.21 The Council's Constitution sets out how the Council operates and the process for policy and decision-making. The Full Council approves or adopts the policy framework, the budget and the Constitution. Most day-to-day decisions are the responsibility of Cabinet; Cabinet meetings are generally open to the public except where items are exempt under the Access to Information Procedure Rules.

3.22 All decisions made by Cabinet are taken on the basis of written reports. Consultation is an integral part of the process.

- 3.23 The decision-making process is scrutinised by five Scrutiny Committees (i.e. an Overview & Scrutiny Committee plus four Service Scrutiny Committees), who scrutinise the work of the Cabinet as Executive and the Council as a whole. They allow citizens to have a greater say in Council matters by holding inquiries into matters of local concern. Scrutiny Committees monitor the decisions of the Cabinet and can “call in” a decision that has been made by the Cabinet thereby enabling them to consider whether the decision is appropriate, following this they may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and on the development of policy.
- 3.24 As well as the ongoing Scrutiny processes, Council Officers also report regularly to Council and the Cabinet Performance & Resources Committee.
- 3.25 Members and citizens of the County Borough are also able to raise questions at Council.
- 3.26 The Audit Committee receives regular reports from the Council’s Group Director Corporate Services (Finance and Internal Audit Service), and its External Auditor to enable the Committee to monitor financial probity and overall governance arrangements.
- 3.27 *Annual Service Assessments*
A team of Council Officers undertake annual service assessments (prior to April 2010, called the Wales Programme for Improvement Annual Joint Risk Assessments). The annual service assessment comprises of:
Service Level
- A **‘Backward Look’** assessing individual service improvement and performance over the previous financial year. Following an assessment the service would be rated as either **Performing Well, Performing Adequately** or **Not Performing Adequately**, the rationale for which aims to better take account of the agreed direction of travel set for service areas and in doing so, recognise limitations on financial resources.
 - A **‘Forward Look’** setting out risks and opportunities for improvement into the future.
- Corporate Level - assessing how efficiently and effectively the Council is working corporately, and with partners, to improve services and deliver improved outcomes for local people.
- 3.28 In order to ensure that the approach to the Service and Corporate Assessment is as robust as possible, the initial findings are presented to Cabinet and the Overview and Scrutiny Committee and the four Service Scrutiny Committees in order to receive Members’ comments on the approach taken and to seek their views on the assessment findings.

3.29 Developing the capacity and capability of members and officers to be effective.

3.30 The Council aims to ensure that Members and Officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well-trained and competent people in effective service delivery. All new Members and staff undertake an induction to familiarise them with protocols, procedures, values and aims of the Council.

3.31 Member Training & Development

Rhondda Cynon Taf County Borough Council was awarded the first level Charter for Member Support and Development in 2007 and was awarded the Advanced Charter in November 2010 by the Welsh Local Government Association.

3.32 The Authority was recognised by the Review Team as laying down extensive foundations for Member development and support.

3.33 The Development/Training programme is refreshed on an annual basis, following Members feedback.

3.34 The Personal Development Review process is offered to all elected Members, not just those Members who receive a Special Responsibility Allowance and there are opportunities for follow up reviews to discuss progress. There is a clear corporate and individual commitment to the process, which is exemplified by the personal commitment of the former and current Member Champion in the process. The Personal Development Review approach is responsive to political sensitivities and offers flexibility regarding choice of Reviewers thus encouraging a range of potential options for Members in different political groups.

3.35 The programme has been refreshed in response to the findings from the Personal Development Reviews and includes new sessions such as media training, training in mentoring and Welsh lessons. The Training Programme also reflects individuals' different learning styles and preferences.

3.36 The Cross Party Member/Officer Working Group comprising the Leaders of all the political groups and the Cabinet Member for Community Engagement and Council Business is a key vehicle for informing and shaping the ongoing Member Training programme and plays a significant role not only in promoting Member Development but in maintaining Cross Party dialogue and managing effective corporate governance within the Authority.

3.37 Officer Training & Development

The Council has a 'Training, Learning & Development Strategy' that describes the Council's approach to ensure the fair and effective management of learning and development, ensuring that learning and development activities contribute to improving the performance of the Council.

3.38 “Learning and development” includes all activities by which staff acquire or develop competencies that are necessary or desirable in enabling them to achieve their performance targets effectively, or to prepare them to achieve future performance targets. Learning and development therefore includes induction and career management activities.

3.39 The Strategy provides clarity for managers and members of staff around responsibilities and also provides guidance on the application of the document.

3.40 **Workforce Development**

In addition to staff training and development, the Council has a Workforce Development Strategy. Rollout of the strategy is in its infancy within Rhondda Cynon Taf County Borough Council however the main objective of the strategy is to ensure that the Council develops and maintains a motivated, appropriately skilled, diverse and outward-looking workforce capable of delivering high-quality services to the Community it serves. It aims to draw together workforce and demographic data, examine the future needs of the community and identify and develop the workforce the Council will need in the short, medium and long term. Further rollout of the strategy is planned for 2011/12 with a suite of ‘toolkits’ devised by Human Resources that are aimed at helping and assisting managers in this process.

3.41 **Engaging with local people and other stakeholders to ensure robust public accountability.**

3.42 **Programme of citizen engagement and consultation**

The Council’s Consultation Strategy aims to proactively seek and promote continuous and meaningful engagement with all stakeholders in Rhondda Cynon Taf, to shape and improve service delivery.

3.43 Rhondda Cynon Taf County Borough Council carry out consultations with various stakeholders throughout the year - most notably when planning the annual revenue budget requesting stakeholders views, including where the Council should be allocating resources and what stakeholders consider to be their priorities.

3.44 The Council also has a Citizen Panel consisting of a cross section of approximately 800 people, who are chosen to represent the overall characteristics of the residents of Rhondda Cynon Taf. The main aim of the Citizen Panel is to bring a central focus to the Council’s consultation needs and provide a credible public voice.

3.45 The Council has a Cabinet Member with responsibility for community engagement.

3.46 **Customer Care Charter**

The Council’s Customer Care Charter sets out the standards the

Council seeks to achieve when dealing with customers. The Charter includes key aims and also includes a suite of measurable 'Service Standards' by which customers can assess the Council in terms of the service it has delivered.

- 3.47 The Customer Care Charter is reviewed annually with performance against the charter being continuously monitored throughout the year in the form of quarterly satisfaction results across the multi-channel access service provision, namely:
- Telephone (Contact Centre)
 - Face-to-Face (One4all Centres)
 - Internet (www.rctcbc.gov.uk)

- 3.48 This key management information is monitored and analysed to help drive improvements within the Council's front & back office services.

- 3.49 A summary of performance results for the service is published quarterly as part of the Council's Performance report and annually in the Council's Improvement Plan.

3.50 Customer Feedback: Policy Aims and Commitments.

The Council's Customer Feedback Scheme is designed to inform service improvements, raise the profile and reputation of the Council, and develop more responsive ways of working that puts the customer at the heart of everything through encouraging feedback from customers whether comments, compliments or complaints.

- 3.51 The Council is committed to:
- Using customer feedback to improve the quality of our services;
 - Improving our relationships with our customers;
 - Identifying our failures and resolving them reasonably and quickly;
 - Monitoring and identifying trends in complaints to inform and improve service delivery;
 - Ensuring our customers and employees are aware of and can access our Customer Feedback Scheme.

4.	Review of Effectiveness
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- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of Internal Audit and Chief Officers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

- 4.2 Throughout 2010/11 the Council has routinely reviewed its system of internal control in a number of ways:

- 4.3 **Internal Audit:**
Internal Audit has completed a programme of work reviewing the

Council's internal control environment. The programme of work contained planned, as well as unplanned, reviews. Each review contained an opinion on the respective control environments.

4.4 Fraud and Irregularity

Internal Audit undertakes investigative work in respect of fraud / irregularity with the exception of Housing Benefit related fraud and irregularity, which is investigated within the Operational Finance Section of the Financial Services Division.

4.5 The Council's Anti-Fraud & Corruption Policy along with the Council's Whistle-Blowing Policy have a prominent position on the Council's web site and have been cascaded throughout the Council.

4.6 Follow Up

The Internal Audit Service follows-up all agreed recommendations to ensure that they have been implemented within the timeframe agreed at the time the report was distributed. The provision and monitoring of this information is targeted at Group and Service Director level – and in turn receives the full support of all Group Directors. The provision of this information to Members (via Audit Committee) helps them in monitoring the Council's overall control environment and also ensures that the overall assurance statement at the end of 2010/11 incorporates the status of previously agreed audit recommendations.

4.7 Audit Committee

The Council's Audit Committee met on a cyclical basis during 2010/11. It monitored the performance of Internal Audit in relation to productivity, efficiency and quality. It also received regular reports on individual Audit Assignments and progress in delivering the Annual Audit Plan for 2010/11. In addition, the Committee will receive an Annual Report for 2010/11 on the 18th April 2011 from Internal Audit within which an opinion on the overall control environment within the Council will be provided.

4.8 **External Audit**

The Code of Audit Practice issued by the Auditor General for Wales requires the Wales Audit Office to:

- Provide an audit opinion on the accounting statements;
- Review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources;
- Consider whether the Improvement Plan is prepared and published in accordance with statutory requirements; and
- Issue a certificate confirming that they have completed the audit of the accounts.

4.9 On the 30th September 2010, External Audit issued an unqualified audit opinion on the accounting statements (for 2009/10 accounts), confirming that they present a true and fair view of the Council's and the Pension Fund's financial transactions.

4.10 Additionally, the Annual Audit Letter confirmed that the Council's

Improvement Plan for 2010-2011 met statutory requirements.

- 4.11 In October 2010, the Auditor General for Wales produced a Corporate Assessment Report setting out how the Council is organised and managed. The main conclusion of the Auditor was that the Council is well managed and has a clear and realistic strategic approach to improvement.
- 4.12 During January 2011, the Auditor General for Wales issued the Council's Annual Improvement Report. The report provided a favourable overview of how the Council is managed and monitored and made reference to the Annual Audit Letter and Corporate Assessment. The Auditor General for Wales concluded:
- 'We do not consider that there is a need to recommend Ministerial intervention, nor do we consider there should be a special inspection or formal recommendations for improvement. Instead we think the Council needs to consider the following proposals to help it improve:*
- *Develop more outcome measures that enable the Council to identify the impact of its activity for its communities and service users;*
 - *Review its improvement priorities in the context of reduced resource availability; and*
 - *Publish its improvement priorities and plans to achieve them in accordance with statutory timescales to ensure that citizens can be clear on what the Council intends to focus its activity on, what beneficial outcomes they can expect, and how they may propose new improvement objectives during the year.'*

4.13 Cabinet Performance & Resources Committee

Throughout 2010/11 the Cabinet Performance & Resources Committee received quarterly reports providing Members with an overview of the Council's performance, both from a financial and operational perspective.

4.14 Overview & Scrutiny and Service Scrutiny Committees

In scrutinising services, Members received quarterly reports that provided detailed information on both service and financial performance, together with a summary of key issues and exceptions. This allowed Members to focus on under performing areas and provided the opportunity for more targeted discussion to understand the reasons for under performance together with the steps to be taken to support improvement.

4.15 Financial Management

Effective, prudent and proactive financial management underpins all the Council's activities. During 2010/11 the Council continued to demonstrate:

- A robust system of budget setting and monitoring consisting of:
 - Clear links between financial and operational performance in the form of regular reports to Cabinet Performance & Resources Committee
 - Effective Internal Financial Procedures where compliance

was monitored through internal audit programmes.

- Citizen engagement during the revenue budget setting process for 2011/12

4.16 Performance Management Framework

The key elements of the Performance Management Framework that were in place during 2010/11 are as follows (underpinned by the Local Government (Wales) Measure 2009):

- Community Strategy Themes
- Improvement Plan Priorities
- Council Service Priorities
- Outcome Agreements

All of the above 'drivers' for improvement were monitored during 2010/11 by:

- Performance Monitoring & Reporting
- The Annual Service Assessment

4.17 The Council's Scheme of Delegation

Council/Executive functions falling with the responsibility of Chief Officers are delegated from Council and Cabinet to Chief Officers for decision.

4.18 *Authorised Officers* - A Chief Officer with functions delegated to him or her can authorise an officer to take decisions on his or her behalf.

4.19 This procedure is set out in the Council's Constitution and is regularly reviewed by the Monitoring Officer. This framework provides an assurance that all decisions taken comply with relevant policies, procedures, laws and regulations. The framework continued to operate during 2010/11.

5.	Significant Governance Issues
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Significant Governance Issues

Definition of Governance: Governance is a set of policies, roles, responsibilities and processes that set the way an organisation is directed, administrated and controlled.

5.1 Overall, the reduced revenue and capital funding from the Welsh Assembly Government will be the single biggest governance issue that the Council faces during 2011/12 and beyond. This may require the Council to transform certain services to continue to meet the changing and increasing needs of individuals and communities throughout the County Borough in an effective and affordable way.

Against this very challenging back-drop, the Council has put in place robust foundations to enable the business to be effectively and efficiently managed into the medium to long term. These arrangements are in the form of a clear plan that sets out the ambition for the County Borough over the next 10 years together with comprehensive and well embedded financial and performance

management processes to direct and support operational service delivery.

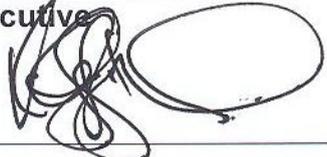
Allied with the direct effects of reduced funding, the Council also faces challenges in the form of:

- **Raising education standards:**
 - Literacy
 - Numeracy
 - Increasing attendance levels
- **Increased numbers of Looked after Children and an ageing population**
- **The delivery of an effective and efficient Waste Management Service, including meeting European Union landfill targets**

The above themes have been identified by the Council as Significant Governance Issues and as such, have been incorporated into the Authority's priority areas for improvement moving forward. The Council has established detailed plans that set out the actions to be taken to address these areas, with quarterly progress up dates being made public for Member and Stakeholder scrutiny. This approach aims to build on the Council's open and transparent approach to public accountability with the ultimate aim of improving the quality of life for local people.

Monitoring

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements.

Leader 	Chief Executive 
Date: 29-6-11	Date: 29.06.11.

Independent Auditor's Report to the Members of Rhondda Cynon Taf County Borough Council

I have audited the accounting statements and related notes of:

- Rhondda Cynon Taf County Borough Council; and
- Rhondda Cynon Taf County Borough Council Group; and
- Rhondda Cynon Taf Pension Fund

for the year ended 31st March 2011 under the Public Audit (Wales) Act 2004.

Rhondda Cynon Taf County Borough Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

Rhondda Cynon Taf County Borough Council Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

Rhondda Cynon Taf Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the Responsible Financial Officer and the Independent Auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 12 to 13, the responsible financial officer is responsible for the preparation of the statement of accounts, including group and pension fund accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Rhondda Cynon Taf County Borough Council's, Rhondda Cynon Taf County Borough Council Group's and Rhondda Cynon Taf Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Rhondda Cynon Taf County Borough Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Rhondda Cynon Taf County Borough Council as at 31st March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Opinion on the accounting statements of Rhondda Cynon Taf County Borough Council Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Rhondda Cynon Taf County Borough Council Group as at 31st March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Opinion on the accounting statements of Rhondda Cynon Taf Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Rhondda Cynon Taf Pension Fund during the year ended 31st March 2011 and of the amount and disposition of the fund's assets and liabilities as at that date, and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Opinion on other matters

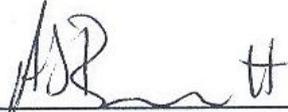
In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Rhondda Cynon Taf County Borough Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Signature:  Date: 30 September 2011

Anthony Barrett

Wales Audit Office

24 Cathedral Road, Cardiff, CF11 9LJ

The maintenance and integrity of the Rhondda Cynon Taf County Borough Council web site is the responsibility of the local government body; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.

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 individual or organisation that calculates insurance and pension premiums and liabilities.

Agency Services

Agency services are services provided by an external organisation, or services that the Council provides for an external organisation.

Amortisation

Charges to revenue for the reduction in the value of an asset.

Attained Age Method

An actuarial method of calculating the liabilities of a pension scheme that is closed to new entrants.

Audit

An audit is an independent examination of activities.

Best Value Accounting Code of Practice (BVACOP)

The Best Value Accounting Code of Practice ensures the system of Local Authority accounting and reporting:

- Represents best practice.
- Facilitates accurate comparisons between services and authorities.
- Strengthens recharging of support services.

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 long-term 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 Receipt

Capital receipts are proceeds from the sale of long-term assets such as land or buildings.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is responsible for issuing financial guidance to public bodies.

Cohort

A generational demographic group.

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).

Creditor

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

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.

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 long-term assets that are presented in the Balance Sheet.

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.

Inventories

Inventories 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.

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 long-term asset falls below the value it is currently held at in the Balance Sheet and Asset Register.

International Accounting Standard (IAS)

Financial Regulations to be followed as set by the International Accounting Standards Board (IASB).

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are produced by the IASB (International Accounting Standards Board) with the aim of ensuring consistency within the countries adopting the standards.

Leasing

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

Lessee

User or renter of the leased asset or property. In case of capital leases, the lessee is also the 'debtor' to the lessor.

Lessor

Owner or the title holder of the leased asset or property. The lessor is also the lender and secured party in case of capital leases and operating leases.

Liability

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

Long-Term Asset

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

Medium Cohort Improvements

A future average mortality scenario which assumes current faster rates of improvements to life expectancy will continue until 2020.

Minimum Revenue Provision (MRP)

MRP is a charge against revenue resources representing a repayment of debt.

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-Distributed Costs (NDC)

NDC is a category of costs defined by the Best Value Accounting Code of Practice. It includes;

- 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 long-term assets.

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 understanding of the accounts.

Precepts

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

Prior Year Adjustment

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

Projected Unit Method

An actuarial method of calculating the liabilities of a pension scheme which allows for projected future increases in pensionable pay up to retirement or date of leaving service.

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 that provides loans to local authorities for periods between 1 and 50 years.

Related Party

A related party exists where there is control or influence by one party over another.

Strain on Funds

When an employee retires early and is immediately paid a pension, without actuarial reduction, the lost contribution income and interest cost arising from the associated earlier increased cash flow is referred to as pension strain cost. The pension strain cost is determined by actuarial calculation.

Trust Fund

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

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.