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**Rhondda Cynon Taf County Borough Council****Statement of Accounts 2011/12**

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## Explanatory Foreword

### 1. Introduction

Rhondda Cynon Taf County Borough Council was established on 1<sup>st</sup> 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 2011/12 have been prepared in accordance with:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on International Financial Reporting Standards (IFRS).
- Local Government Act 2003.
- The Service Reporting Code of Practice for Local Authorities 2011/12 (SeRCOP).
- 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 145 comply with the above other than where specific reference is made to the contrary.

### 2. Prior Period Adjustments and the Introduction of SeRCOP and FRS30 Heritage Assets

The introduction of SeRCOP and FRS 30 Heritage Assets has had an impact upon the Council's Statement of Accounts, Core Financial Statements and notes within.

The introduction of FRS 30 Heritage Assets is a change in accounting policy that requires additional notes to the Core Financial Statements. These changes are shown in note 1.1.

SeRCOP requires that a presentational change be made to the Comprehensive Income and Expenditure Statement (CI&ES), and that prior year comparators are restated. These changes are shown in note 1.2.

### 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 Government 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 £10.458m. 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**

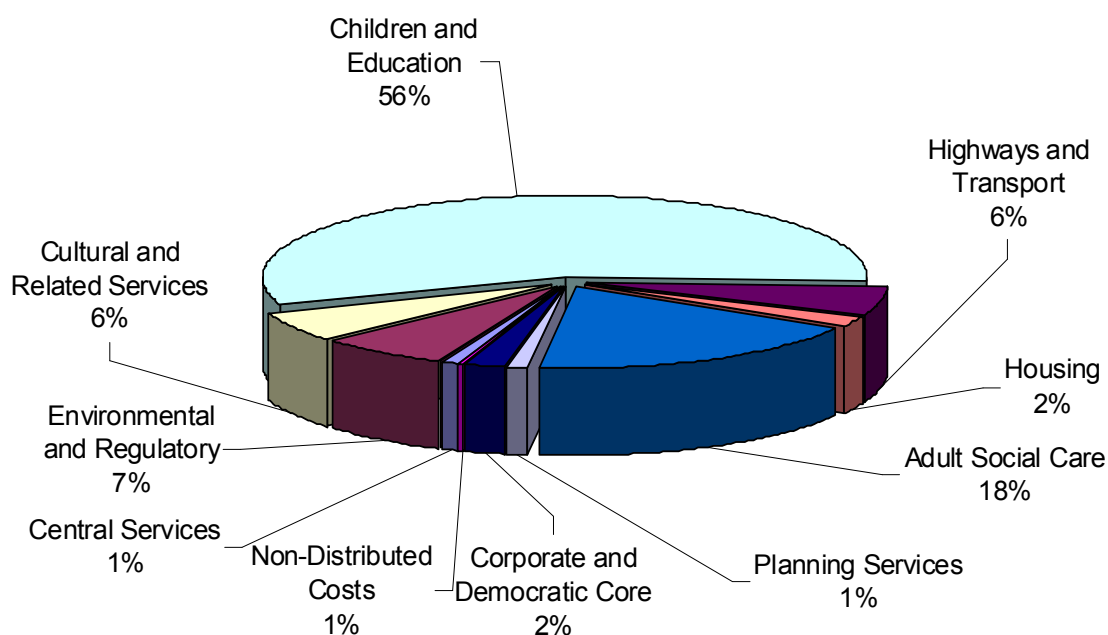
The Statement of Accounts that follow this Explanatory Foreword contains the following Core Financial Statements:

- **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 Statement**– analyses the movement in cash and cash equivalents for the year.

## 5. Comprehensive Income and Expenditure 2011/12

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 (£416m) by Service Reporting Code of Practice (SeRCOP) Service Expenditure Analysis Area.

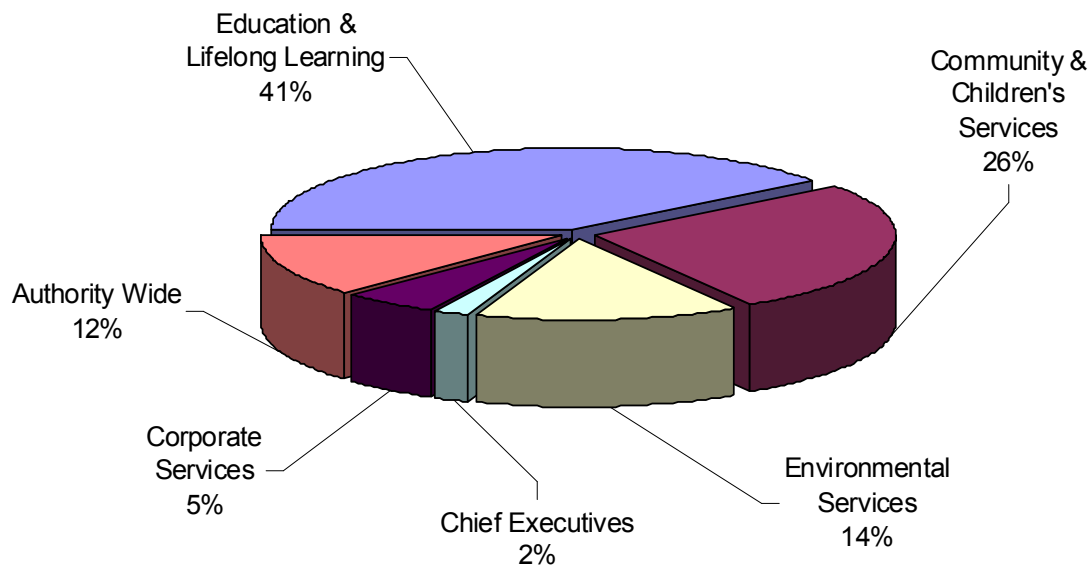
**Net Cost of Services by SeRCOP Category**



The Council monitors performance in terms of service groups as opposed to the SeRCOP service expenditure analysis. The following table details each of the service groups' actual net expenditure and budget during 2011/12. 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	170,489	170,368	(121)
Community & Children's Services	112,529	113,237	708
Environmental Services	61,191	61,089	(102)
Chief Executives	8,605	8,484	(121)
Corporate Services	22,881	22,547	(334)
Authority Wide	52,225	52,280	55
<b>Total</b>	<b>427,920</b>	<b>428,005</b>	<b>85</b>

### Net Expenditure by Service Group



	£'000
<b>Council Fund Reserves as at 31<sup>st</sup> March 2011</b>	<b>(10,543)</b>
Revenue Budget Out-turn (Variance as above)	85
<b>Council Fund Reserves as at 31<sup>st</sup> March 2012</b>	<b>(10,458)</b>

Gross Expenditure on Services amounted to £685m, this can be analysed over the following expenditure categories:

Type of Expenditure	£'m	%
Employees	276	40
Premises	29	4
Transport	27	4
Supplies and Services	97	14
Payments to Third Parties	94	14
Transfer Payments	77	11
Capital Charges	52	8
Other Operating Costs (e.g. Support Services)	33	5
<b>Total Gross Expenditure</b>	<b>685</b>	<b>100</b>



Income during the year for Continuing Operations totalled £739m and came from the following sources:

<b>Income Analysis</b>	<b>£'m</b>	<b>%</b>
Direct Service Income		
Specific Grants	165	22
Sales, Fees & Charges	34	5
Other Income	69	9
<b>Sub-Total Direct Service Income</b>	<b>268</b>	<b>36</b>
Other Income		
Council Tax	97	13
National Non-Domestic Rates	55	8
Non-Ring Fenced Government Grants	295	40
Capital Grants and Contributions	24	3
<b>Total Income</b>	<b>739</b>	<b>100</b>

## **6. 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 Government settlement announcements.

A summary of the latest Capital Programme agreed by Members in March 2012 is as follows:

	2012/13	2013/14	2014/15	Total
Group	£'000	£'000	£'000	£'000
Chief Executive	11,749	3,135	1,547	16,431
Corporate Services	1,871	1,005	1,005	3,881
Corporate Initiatives	1,897	1,200	1,130	4,227
Education & Lifelong Learning Services	21,410	14,703	5,749	41,862
Community & Children's Services	9,608	9,158	9,158	27,924
Environmental Services	16,974	8,849	3,341	29,164
<b>Total</b>	<b>63,509</b>	<b>38,050</b>	<b>21,930</b>	<b>123,489</b>

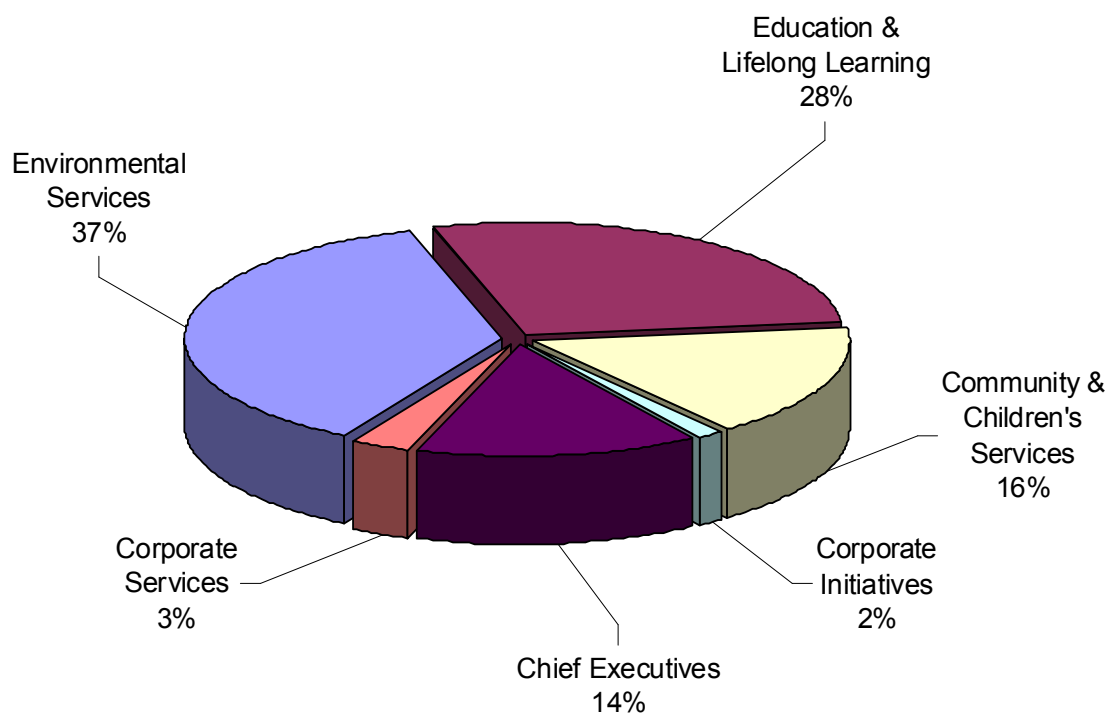
A summary of the Council's revenue budget for 2012/13 (agreed in February 2012) is outlined below:

	£'000
Authority Wide	51,492
Individual Schools Budget	140,438
Community & Children's Services	118,162
Corporate Services and Chief Executive Division	31,263
Education & Lifelong Learning	32,898
Environmental Services	62,668
<b>Total</b>	<b>436,921</b>

## 7. Capital Expenditure and Income 2011/12

During the year the Council spent £60.8m on capital, as summarised below:

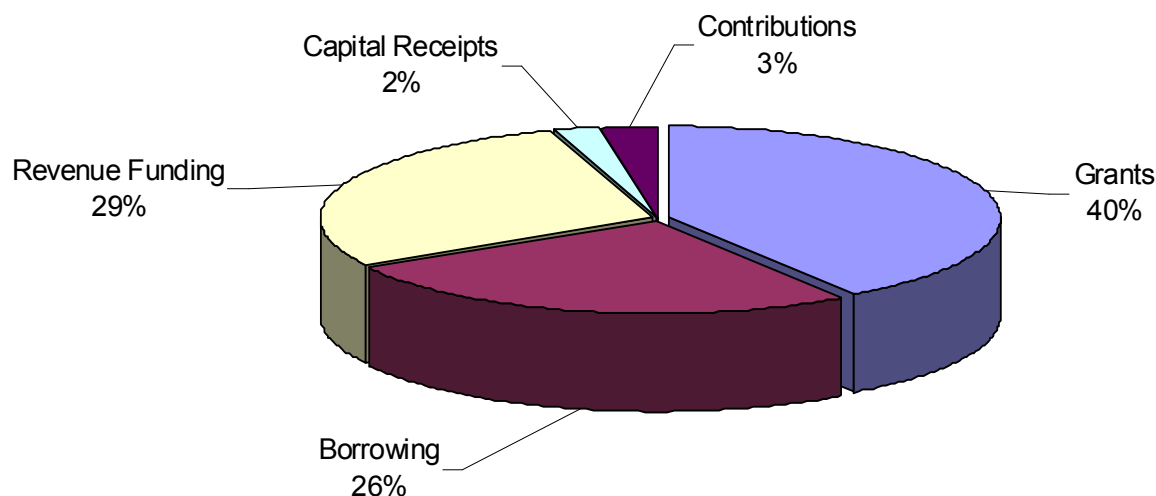
Group	£'000	%
Corporate Initiatives	912	2
Corporate Services	1,889	3
Chief Executives	8,747	14
Education & Lifelong Learning	16,991	28
Community & Children's Services	9,857	16
Environmental Services	22,403	37
<b>Total</b>	<b>60,799</b>	<b>100</b>



In addition, the Council's share of capital expenditure incurred by Joint Committees in which it has an interest was £14k. The type of capital expenditure incurred during the year is summarised below:

<b>Expenditure on Long-Term Assets</b>	<b>RCT</b>	<b>Joint Committees</b>	<b>Totals</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Tangible Long-Term Assets	48,214	6	48,220
Intangible Long-Term Assets	758	0	758
Revenue Expenditure Funded from Capital under Statute	11,827	8	11,835
<b>Total</b>	<b>60,799</b>	<b>14</b>	<b>60,813</b>

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 Assistance (MRAs)
- Fleet Vehicles
- Highways Improvements
- Neighbourhood Renewal Areas
- Pontypridd Town Centre (Convergence)
- Williamstown Primary School
- Penywaun Primary School

As at 31<sup>st</sup> March 2012, major capital commitments over the next three years (per the Capital Programme 2012 – 2015) include the following schemes:

<b>Scheme</b>	<b>31/03/12</b>
	<b>£'000</b>
Disabled Facilities Grants/Adaptations (DFGs)	11,850
Maintenance Repair Assistance (MRAs)	7,050
Home Improvement Zones/Renovation Grants	3,600
Community Regeneration	3,174
Ynysboeth Community Primary School	4,423
Ysgol Gynradd Gymraeg Llanhari (Primary School)	2,163
Cwmbach Primary School	6,614
Abercynon Area - New Primary School	10,698
Fleet Vehicles	9,679
Highways Improvements	8,817
Drainage Improvements	3,592
Aberdare Town Centre (Convergence)	4,802
Pontypridd Town Centre (Convergence)	4,786
LIF Business Finance Grant (Convergence)	1,450
Asbestos Remediation Works	6,797

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 40.0 to the Core Financial Statements for further details.

## 8. **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 and treasury indicators.

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

<b>Authorised borrowing limit</b>	£304.6m
<b>Interest Rate Exposure – Borrowing</b>	<b>Range</b>
Limits on total % of borrowing at fixed interest rates	55% - 90%
Limits on total % of borrowing at variable interest rates	10% - 45%
<b>Interest Rate Exposure – Investments</b>	<b>Range</b>
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 £208.2m, of which £196.5m is long-term and £11.7m is short-term. The majority of external borrowing was from the Public Works Loan Board (£119.2m). The remaining balance comprises £87.5m from market loans and £1.4m from other sources.

The Council also has PFI liabilities of £28.3m, £27.2m is a Long-Term Liability and £1.1m is due within one 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.

## 9. **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.

Related investment income has been fully impaired. The latest estimate indicates a base case return to creditors of between 86 and 90 pence in the pound. As at the Balance Sheet date, this Council has received dividend payments of £2.0m.

## 10. 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 18.4 and 42.0 to the Core Financial Statements for further details.

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

	<b>£'000</b>
Net Assets excluding Pensions Reserve	771,572
Net Assets as per Balance Sheet	168,132


## 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 ensure 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.

I confirm that these accounts were approved by Council on 26<sup>th</sup> September 2012.

Signature:  Date: 26/9/2012

**Cllr. Roger Turner**

**C**

### Chair of Council 26<sup>th</sup> September 2012

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 and the Rhondda Cynon Taff CBC Pension Fund for 2011/12**

I certify that the accounts set out on pages 2 to 145 present a true and fair view of the financial position of Rhondda Cynon Taf CBC and the Rhondda Cynon Taf CBC Pension Fund at 31<sup>st</sup> March 2012 and its income and expenditure for the year.

Signature:  Date: 26/9/12

**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.

### Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2012

	Council Fund	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	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
<b>Notes:</b>	17.1	17.2	17.2	17.3	17.4	17.5	17.6		18.0	
<b>Balance at 1<sup>st</sup> April 2011</b>	(10,543)	(34,828)	(61,779)	(6,015)	(19)	(1,830)	(1,791)	(116,805)	(136,101)	(252,906)
<b>Movement in reserves during 2011/12</b>										
(Surplus) or deficit on the provision of services (accounting basis)	434	0	(90)	0	0	0	0	344	0	344
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	84,431	84,431
<b>Total comprehensive income and expenditure</b>	434	0	(90)	0	0	0	0	344	84,431	84,775
<b>Adjustments between accounting basis and funding under regulations:</b>										
<b>Adjustments primarily involving the Capital Adjustment Account:</b>										
<b>Reversal of items debited/credited to CI&amp;ES:</b>										
Charges for depreciation and impairment of non-current assets	(42,384)	0	(91)	0	0	0	0	(42,475)	42,476	1
Revaluation losses on property, plant & equipment	0	0	0	0	0	0	0	0	0	0
Amortisation of intangible assets	(2,208)	0	0	0	0	0	0	(2,208)	2,208	0
Revenue expenditure funded from capital under statute	(15,107)	0	(8)	0	0	0	0	(15,115)	15,115	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(2,071)	0	0	0	(1,145)	0	0	(3,216)	3,214	(2)
										<b>Continued Overleaf...</b>





## **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 31<sup>st</sup> March 2012

2010/11 Restated					2011/12		
Gross Exp	Gross Income	Net Exp		Note:	Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
28,695	(25,391)	3,304	Central Services to the Public		30,106	(26,706)	3,400
35,066	(8,221)	26,845	Cultural and Related Services		34,417	(8,131)	26,286
50,408	(20,135)	30,273	Environmental and Regulatory		49,666	(20,845)	28,821
19,585	(11,367)	8,218	Planning Services		16,830	(11,651)	5,179
360,801	(68,507)	292,294	Children's and Education Services		302,560	(69,298)	233,262
36,379	(13,155)	23,224	Highways and Transport Services		38,323	(14,784)	23,539
82,210	(71,709)	10,501	Housing Services		86,996	(77,118)	9,878
109,889	(35,323)	74,566	Adult Social Care		114,597	(38,433)	76,164
13,792	(1,440)	12,352	Corporate and Democratic Core		9,577	(1,218)	8,359
(121,228)	(150)	(121,378)	Non-Distributed Costs		1,699	(91)	1,608
<b>615,597</b>	<b>(255,398)</b>	<b>360,199</b>	<b>Cost of Services</b>		<b>684,771</b>	<b>(268,275)</b>	<b>416,496</b>
			<b>Other Operating Expenditure</b>				
12,573	0	12,573	Precepts	37.3	13,214	0	13,214
12,140	0	12,140	Levies	37.3	12,040	0	12,040
1,749	0	1,749	(Gains) or Losses on Disposal of Non-Current Assets		2,060	0	2,060
			<b>Financing and Investment Income and Expenditure</b>				
11,562	0	11,562	Interest Payable and Similar Charges	10.2	11,347	0	11,347
55,133	(36,477)	18,656	Pensions Interest Cost and Expected Return on Pensions Assets	42.0	55,183	(39,463)	15,720
0	(313)	(313)	Interest Receivable and Similar Income	10.2	0	(257)	(257)
18,111	(18,114)	(3)	Trading Operations	26.0	17,742	(17,026)	716
			<b>Taxation and Non-Specific Grant Income</b>				
0	(93,751)	(93,751)	Council Tax Income	35.0	0	(96,691)	(96,691)
0	(65,341)	(65,341)	NNDR Distribution	34.0	0	(54,964)	(54,964)
0	(289,660)	(289,660)	Non-Ring Fenced Government Grants		0	(294,731)	(294,731)
0	(56,428)	(56,428)	Capital Grants and Contributions		0	(24,606)	(24,606)
<b>726,865</b>	<b>(815,482)</b>	<b>(88,617)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>796,357</b>	<b>(796,013)</b>	<b>344</b>

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0	(99,952)	(99,952)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets		0	(26,499)	(26,499)
0	(13,824)	(13,824)	Actuarial (Gains) or Losses on Pension Assets & Liabilities		110,930	0	110,930
<b>0</b>	<b>(113,776)</b>	<b>(113,776)</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>110,930</b>	<b>(26,499)</b>	<b>84,431</b>
<b>726,865</b>	<b>(929,258)</b>	<b>(202,393)</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>907,287</b>	<b>(822,512)</b>	<b>84,775</b>

## Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council at the financial year end. The net assets (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 Usable 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 31<sup>st</sup> March 2012

31/03/11 Restated £'000			Note:	31/03/12	
				£'000	£'000
	<b>Long-Term Assets</b>	Property, Plant & Equipment:	7.0		
536,825		Other Land & Buildings		565,165	
322,352		Infrastructure		412,656	
12,648		Vehicles, Plant & Equipment		10,896	
3,691		Community Assets		3,672	
91,270		Assets Under Construction		4,409	
145		Heritage Assets	8.0	145	
2,715		Intangible Assets	9.0	2,356	
382		Long-Term Investments		0	
3,563		Investment in Associates and Joint Ventures		3,348	
1,120		Long-Term Debtors		975	
<b>974,711</b>		<b>TOTAL LONG-TERM ASSETS</b>			<b>1,003,622</b>
	<b>Current Assets</b>	Short-Term Investments		29,333	
30,137		Assets Held for Sale	13.0	3,993	
5,989		Inventories		1,029	
946		Short-Term Debtors	11.0	42,491	
48,375		Cash and Cash Equivalents	12.0	4,474	
4,655		<b>TOTAL CURRENT ASSETS</b>			<b>81,320</b>
<b>90,102</b>					
(10,045)	<b>Current Liabilities</b>	Cash and Cash Equivalents	12.0	(12,185)	
(8,561)		Short-Term Borrowing		(11,663)	
(154)		Short-Term Provisions	15.0	(4,162)	
(67,007)		Short-Term Creditors	14.0	(48,954)	
<b>(85,767)</b>		<b>TOTAL CURRENT LIABILITIES</b>			<b>(76,964)</b>
	<b>Long-Term Liabilities</b>	Long-Term Provisions	15.0	(7,059)	
(8,197)		Long-Term Borrowing		(196,511)	
(204,694)		Other Long-Term Liabilities	16.0	(635,218)	
(512,191)		Donated Asset Account		(1,058)	
(1,058)		<b>TOTAL LONG-TERM LIABILITIES</b>			<b>(839,846)</b>
<b>(726,140)</b>					
<b>252,906</b>	<b>NET ASSETS</b>				<b>168,132</b>

Continued Overleaf...

(10,543)	<b>Usable</b>	Council Fund Balance	17.1	(10,458)	
	<b>Reserves</b>	Earmarked Reserves:	17.2		
(34,828)		Capital, Treasury and Insurance Reserves	17.2	(34,984)	
(61,779)		Other Revenue Related Reserves	17.2	(72,410)	
(6,015)		Delegated Schools Reserve	17.3	(5,484)	
(19)		Usable Capital Receipts Reserve	17.4	0	
(1,830)		Capital Grant Unapplied Account	17.5	(3,397)	
(1,791)		MGCC Insurance Reserve	17.6	(1,040)	
<b>(116,805)</b>		<b>TOTAL USABLE RESERVES</b>			<b>(127,773)</b>
(171,411)	<b>Unusable</b>	Revaluation Reserve	18.1	(192,197)	
(197)	<b>Reserves</b>	Deferred Capital Receipts Reserve		(139)	
(461,779)		Capital Adjustment Account	18.2	(463,572)	
6,479		Financial Instruments Adjustment Account	18.3	5,969	
483,347		Pensions Reserve	18.4	603,440	
3,512		Unequal Pay Back Pay Account	18.5	616	
3,948		Short-Term Accumulating Compensated Absence Account	18.6	5,524	
<b>(136,101)</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>(40,359)</b>
<b>(252,906)</b>		<b>TOTAL RESERVES</b>			<b>(168,132)</b>

## **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 2011/12

2010/11 Restated			2011/12	
£'000		<i>Note:</i>	£'000	£'000
(88,617)	Net (Surplus) or Deficit on the Provision of Services		344	
(10,398)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	19.0	(69,419)	
54,679	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	20.0	22,546	
<b>(44,336)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(46,529)</b>
44,326	Investing Activities	22.0	42,879	
164	Financing Activities	23.0	5,971	48,850
<b>154</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>2,321</b>
5,236	Cash and Cash Equivalents at the Beginning of the Reporting Period	12.0		5,390
<b>5,390</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	12.0		<b>7,711</b>

## Notes to the Core Financial Statements

### 1.0 Accounting Policies

#### 1.1 Heritage Assets: Change in Accounting Policy Required by the Code of Practice for Local Authority Accounting in the United Kingdom

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for Heritage Assets whereby the Council is required to recognise Heritage Assets at valuation or historic cost as detailed in the Heritage Assets policy. In applying the new policy, two assets previously held in Community Assets within Property, Plant and Equipment have been reclassified as Heritage Assets on a historic cost basis.

The effect of the change on the opening Balance Sheet is as follows:

	31 <sup>st</sup> March 2011 (Audited)	Restatement	31 <sup>st</sup> March 2011 (Restated)
	£'000	£'000	£'000
Property, Plant and Equipment	966,931	(145)	966,786
Heritage Assets	0	145	145
<b>Long Term Assets</b>	<b>966,931</b>	<b>0</b>	<b>966,931</b>

Heritage Assets which are in operational use continue to be classed as assets within Property, Plant and Equipment.

A change in accounting policy requires the opening balances of the earliest period presented to be revised as though the revised policy had always been in place. However, as the restatement of Heritage Assets is not material to the accounts, a Balance Sheet as at the 1<sup>st</sup> April 2010 is not required.

#### 1.2 Impact of Service Reporting Code of Practice for Local Authorities 2011/12 (SeRCOP)

The introduction of SeRCOP requires that a presentational change be made to the Comprehensive Income and Expenditure Statement, and that prior year comparators are restated,

The affect of the change in on the Comprehensive Income and Expenditure Statement is as follows:

	2010/11 Original			Restatement			2010/11 Restated		
	Gross Exp	Gross Inc	Net Exp	Gross Exp	Gross Inc	Net Exp	Gross Exp	Gross Inc	Net Exp
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cultural Environmental Regulatory and Planning	105,059	(39,723)	65,336	(105,059)	39,723	(65,336)	0	0	0
Cultural & Related Services	0	0	0	35,066	(8,221)	26,845	35,066	(8,221)	26,845
Environmental & Regulatory Services	0	0	0	50,408	(20,135)	30,273	50,408	(20,135)	30,273
Planning Services	0	0	0	19,585	(11,367)	8,218	19,585	(11,367)	8,218

### **1.3 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 the balance sheet date falls between supplies receipt and 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.

### **1.4 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 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 payments are made.

### **1.5 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.

## **1.6 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.

## **1.7 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 44.

## **1.8 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 4.8%.
- 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 or credited to the Pensions Reserve.

- o 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 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.

## **1.9 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 30<sup>th</sup> June following financial year-end.

Regulations require the audited Statement of Accounts to be published by 30<sup>th</sup> 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).

### **1.10 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.

### **1.11 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, or,
- 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).

### **1.12 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 "smooths" 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.

### **1.13 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.

### **1.14 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.

### **1.15 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.

### **1.16 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 the 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.

### 1.17 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.

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

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

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## 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.

Heritage Assets are recognised as such if they are material non-operational assets that are held purely for cultural or knowledge gaining purposes. These assets are recognised at cost or market value, are reviewed for impairment but not depreciated.

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 1<sup>st</sup> 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 most property, plant and equipment. All asset lives have been identified on an individual basis.

Exceptions are made for:

- Heritage Assets
- Assets without a determinable finite useful life such as freehold land
- 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.

Depreciation is calculated in the year of acquisition and not in the year of disposal.

### **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.

The criteria for recognising assets as being held for sale are:

- Available for immediate sale in present condition
- Sale highly probable
- Actively marketed
- Sale completion expected within 12 months.

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.

### **1.18 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.

### **1.19 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 Long-Term 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 to the Council Fund Balance from the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

### **1.20 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.

### **1.21 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.

### **1.22 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 Financing Requirement (for assets which are operational).

**Unsupported Borrowing:** MRP is charged to the Council Fund Balance as follows:

- Charge in equal instalments (or to match the benefits derived) over the life of the asset created;
- Annuity method; or
- Charge in accordance with the depreciation of the asset.

**PFI and Finance Leases:** In accordance with MRP guidance issued by the Welsh 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).

### **1.23 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.

Long-Term 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 (Children's and Education 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 (Children's and Education 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.

### **1.24 Cost of Support Services**

The cost of overheads and support services have been allocated to service areas (in accordance with SeRCOP) 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.

### **1.25 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.

### **1.26 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.

### **1.27 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 consolidated within the Group Accounts financial statements on this basis, and also are represented within Long-Term Assets in the Balance Sheet of the single entity financial statements.

Capita Glamorgan Consultancy Ltd meets the criteria of an associated company and is accounted for as such in the Group Accounts 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 Archives
- Coychurch Crematorium
- Catalogue Supplies Service
- Education School Improvement Service (ESIS)
- South East Wales Transport Alliance (SEWTA)

### **2.0 Accounting Standards Issued, Not Adopted**

For 2011/12, the only accounting policy change relating to Accounting Standards issued, yet not adopted by the Code of Practice, that needs to be disclosed, is IFRS 7 Financial Instruments. IFRS 7 is to be adopted from 1<sup>st</sup> April 2012, and requires that disclosure be made on transfers of financial assets. It is unlikely that the application of IFRS 7 will be material to the Council as such transfers relate to circumstances where an authority retains ownership, substantially all risk and rewards but contracts to reassign or pay over cashflows generated by the instrument.

### **3.0 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:

#### **3.1 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. Related investment income has been fully impaired. The latest estimate indicates a base case return to creditors of between 86 and 90 pence in the pound. As at the Balance Sheet date, this Council has received dividend payments of £2.0m.

#### **3.2 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 £24.4m. The value of liabilities for the term of the contract is also within long-term and current liabilities on the Balance Sheet.

#### **3.3 Employers Liability Trigger Litigation & Municipal Mutual Insurance**

During March 2012, the Supreme Court concluded its judgement relating to an appeal on Employers Liability Trigger Litigation. This is to clarify responsibility for liabilities arising from mesothelioma (asbestos inhalation condition) Employer Liability claims. It was found that the insurer liable for any damages is the insurer on risk at the point the injured was exposed to asbestos. This decision was not in favour of insurers such as MMI – 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 30<sup>th</sup> 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.

Given the recent Supreme Court decision, the Council has entered into dialogue with MMI to assess the likelihood of the Scheme of Arrangement being triggered. Although MMI confirmed they will continue to pay claims received, they are unable to give an indication of the impact of the Supreme Court decision at this point.

Due to the uncertainty relating to both the obligation and value, the issue continues to be disclosed as a Contingent Liability. The Council continues to closely monitor the situation.

### **3.4 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.

### **3.5 Mid Glamorgan County Council Disaggregation**

The Local Government Reorganisation on 1<sup>st</sup> 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.

### **3.6 Voluntary Aided and Voluntary Controlled Schools**

There is ongoing debate as to whether voluntary aided/voluntary controlled schools should be on or off local authorities' balance sheets.

Previous CIPFA invitations to comment on consultation documents have failed to achieve a consensus view in terms of the recognition criteria for schools non-current assets. A review group is being established by CIPFA/LASAAC and it is anticipated that further guidance will be available for the 2012/13 Statement of Accounts.

For 2011/12, there are no valuations in the Balance Sheet for the eight voluntary aided schools within Rhondda Cynon Taf, as the Council does not own the assets and does not have control over the economic benefits of the schools. Exceptions are land at St Margaret's Catholic School and playing fields at both St John Baptist Church in Wales High School and Cardinal Newman Catholic Comprehensive School, whereby ownership lies with the Council. When reviewing the existing criteria, the Council does not consider it has any voluntary controlled schools.

#### **4.0 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 31<sup>st</sup> March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

##### **4.1 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 2011/12, AON Hewitt advised that the net pensions liability had increased by £8.75m as a result of estimates being corrected as a result of experience and increased by £74.84m attributable to updating of assumptions. Refer to note 42.0 for further details.

##### **4.2 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. Refer to note 15.3 for further details.
- 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. Refer to note 17.2 for further details.

#### **5.0 Material Items of Income and Expense**

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

## 6.0 Events After the Balance Sheet Date

6.1 The Statement of Accounts was authorised for issue by the Group Director – Corporate Services, as Chief Finance Officer, following Council approval on 26<sup>th</sup> September 2012. 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 31<sup>st</sup> March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events that took place after 31<sup>st</sup> March 2012 requiring disclosure providing information that is relevant to an understanding of the Council's financial position.

## 7.0 Property, Plant and Equipment

### 7.1 Movements on Balances

#### Movements in 2011/12:

	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
<b>Cost or Valuation</b>							
At 1 <sup>st</sup> April 2011 Restated	641,837	388,290	29,711	3,967	91,283	<b>1,155,088</b>	26,819
Joint Committees Opening Balance	1,117	0	281	0	0	<b>1,398</b>	0
Additions	17,936	21,273	4,536	242	4,233	<b>48,220</b>	0
Donations	0	0	0	0	0	<b>0</b>	0
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	37,192	0	313	0	0	<b>37,505</b>	0
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the	0	0	0	0	0	<b>0</b>	0
Derecognition – Disposals	(1,716)	0	(2,560)	0	0	<b>(4,276)</b>	0
Assets Reclassified (to)/from Held for Sale	933	0	0	0	0	<b>933</b>	0
Other Reclassifications	6,997	83,914	0	(19)	(90,892)	<b>0</b>	0
<b>At 31<sup>st</sup> March 2012</b>	<b>704,296</b>	<b>493,477</b>	<b>32,281</b>	<b>4,190</b>	<b>4,624</b>	<b>1,238,868</b>	<b>26,819</b>

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<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2011 Restated	(105,988)	(65,938)	(17,101)	(276)	(13)	<b>(189,316)</b>	(2,069)
Joint Committees Opening Balance	(141)	0	(243)	0	0	<b>(384)</b>	0
Depreciation Charge	(12,244)	(13,117)	(4,543)	0	0	<b>(29,904)</b>	(400)
Impairment (Losses) Recognised in the Revaluation Reserve	(13,024)	0	(10)	0	0	<b>(13,034)</b>	0
Impairment Reversals Recognised in the Revaluation Reserve	0	0	0	0	0	<b>0</b>	0
Impairment (Losses) Recognised in the Surplus/Deficit on the Provision of Services	(11,942)	(1,766)	(1,882)	(242)	(202)	<b>(16,034)</b>	0
Impairment Reversals Recognised in the Surplus/Deficit on the Provision of Services	3,786	0	0	0	0	<b>3,786</b>	0
Derecognition – Disposals	470	0	2,394	0	0	<b>2,864</b>	0
Assets Reclassified (to)/from Held for Sale	(48)	0	0	0	0	<b>(48)</b>	0
Other Reclassifications	0	0	0	0	0	<b>0</b>	0
<b>At 31<sup>st</sup> March 2012</b>	<b>(139,131)</b>	<b>(80,821)</b>	<b>(21,385)</b>	<b>(518)</b>	<b>(215)</b>	<b>(242,070)</b>	<b>(2,469)</b>
<b>Net Book Value:</b>							
<b>At 31<sup>st</sup> March 2012</b>	<b>565,165</b>	<b>412,656</b>	<b>10,896</b>	<b>3,672</b>	<b>4,409</b>	<b>996,798</b>	<b>24,350</b>
<b>At 31<sup>st</sup> March 2011</b>	<b>536,825</b>	<b>322,352</b>	<b>12,648</b>	<b>3,691</b>	<b>91,270</b>	<b>966,786</b>	<b>24,750</b>

## 7.2 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.

## 7.3 Capital Commitments

At 31<sup>st</sup> March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years, budgeted to cost £19.8m. Similar commitments at 31<sup>st</sup> March 2011 were £13.3m.

The total contract values as at 31<sup>st</sup> March 2012 are:

<b>Scheme</b>	<b>£'000</b>
Ysgol Gynradd Gymraeg Llanhari (Primary School)	2,581
Aberdare Town Centre	2,580
Pontypridd Town Centre	5,119
Rhydyfelin Flood Alleviation	2,142
Highways Improvements	7,063

## 7.4 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:

	<b>Other Land and Buildings</b>
	<b>£'000</b>
Valued at Fair Value as at:	
31 <sup>st</sup> March 2012	147,051
31 <sup>st</sup> March 2011	358,914
31 <sup>st</sup> March 2010	32,216
31 <sup>st</sup> March 2009	77,504
31 <sup>st</sup> March 2008	115,166
<b>Total Cost or Valuation</b>	<b>730,851</b>

## 8.0 Heritage Assets

### 8.1 Reconciliation of the Carrying Value of Heritage Assets Held by the Council

There are two Heritage Assets that have been transferred in 2011/12 from the Community Assets category to the Heritage Assets category in the Balance Sheet. These are the Unity Ship in Pontypridd and the Gateway Monument, "Confluence", in Porth. These are classed as Heritage Assets as they are intended to be preserved for future generations because of their cultural and historical associations. They have been valued at historical cost as they are recent build projects. These assets are not subject to annual depreciation, but will be part of the Council's impairment review. The 2010/11 Balance Sheet has been restated to reflect Heritage Assets.

### 8.2 Other Heritage Assets

The Council holds other non-material Heritage Assets such as war memorials and civic regalia. These are not recognised in the Balance Sheet as they are not material, and there is no open market value for such assets.

## 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 £143k 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 2011/12 was £1.1m.

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

	2010/11	2011/12		
	Total	Purchased Software Licences	Licences, Trade Marks and Artistic Originals	Total
	£'000	£'000	£'000	£'000
Balance at start of year				
Gross Carrying Amounts	7,076	4,055	3,624	7,679
Accumulated Amortisation	(4,032)	(3,540)	(1,424)	(4,964)
<b>Net carrying amount at start of year</b>	<b>3,044</b>	<b>515</b>	<b>2,200</b>	<b>2,715</b>
Additions: Purchases	603	103	654	757
Amortisation for the Period	(932)	(262)	(854)	(1,116)
<b>Net Carrying Amount at end of year</b>	<b>2,715</b>	<b>356</b>	<b>2,000</b>	<b>2,356</b>
Gross Carrying Amounts	7,679	4,158	4,278	8,436
Accumulated Amortisation	(4,964)	(3,802)	(2,278)	(6,080)
	<b>2,715</b>	<b>356</b>	<b>2,000</b>	<b>2,356</b>

It is not practicable to analyse amortisation of intangible assets over SeRCOP 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	
	31/03/11	31/03/12	31/03/11	31/03/12
	£'000	£'000	£'000	£'000
Investments: Loans and Receivables	382	0	30,137	29,333
Debtors: Financial Assets Carried at Contract Amounts	1,120	975	48,375	42,491
<b>Total</b>	<b>1,502</b>	<b>975</b>	<b>78,512</b>	<b>71,824</b>

Liabilities:	Long-Term		Current	
	31/03/11	31/03/12	31/03/11	31/03/12
	£'000	£'000	£'000	£'000
Borrowings: Financial Liabilities at Amortised Cost	204,694	196,511	8,561	11,663
Other Liabilities: PFI and finance lease liabilities	28,840	27,777	1,022	1,063
Creditors: Financial Liabilities at Amortised Cost	0	0	13,223	13,324
<b>Total</b>	<b>233,534</b>	<b>224,288</b>	<b>22,806</b>	<b>26,050</b>

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

	2010/11			2011/12		
	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	11,461	0	11,461	11,347	0	11,347
Impairment Losses	0	101	101	0	0	0
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>11,461</b>	<b>101</b>	<b>11,562</b>	<b>11,347</b>	<b>0</b>	<b>11,347</b>
Interest Income	0	(146)	(146)	0	(139)	(139)
Interest Income Accrued on Impaired Financial Assets	0	(167)	(167)	0	(118)	(118)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(313)</b>	<b>(313)</b>	<b>0</b>	<b>(257)</b>	<b>(257)</b>
<b>Net Gain/(Loss) for the Year</b>	<b>11,461</b>	<b>(212)</b>	<b>(11,249)</b>	<b>11,347</b>	<b>(257)</b>	<b>11,090</b>

## 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 a financial 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:

	31/03/11		31/03/12	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	124,237	139,159	119,238	156,800
Market Debt	87,588	100,877	87,581	118,592
Other Debt	1,430	1,430	1,355	1,355
PFI and Finance Lease	29,862	29,862	28,840	28,840
Trade Creditors	13,223	13,223	13,324	13,324
	<b>256,340</b>	<b>284,551</b>	<b>250,338</b>	<b>318,911</b>

	31/03/11		31/03/12	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	30,700	30,700	29,333	29,333

#### **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 required 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 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.

	<b>31/03/12</b>	<b>Historical Experience of Default</b>	<b>Adjustment for Market Conditions at 31/03/12</b>	<b>Estimated Maximum Exposure to Default at 31/03/12</b>	<b>Estimated Maximum Exposure to Default at 31/03/11</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(a*c)</b>	
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Deposits With Government Departments & Local Authorities	29,333	0	0	0	0
Trade	8,268	0.77	0.77	64	60

The 0.77% Historical Experience of Default represents debt written off in 2011/12 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. Related investment income has been fully impaired. The latest estimate indicates a return to creditors of between 86 and 90 pence in the pound. At the Balance Sheet date, the Council has received dividend payments of £2.0m.

The Council does not generally allow credit for its trade debtors, such that £2.9m of the £8.3m balance is past its due date for payment. The past due date can be analysed as follows:

	<b>31/03/11</b>	<b>31/03/12</b>
	<b>£'000</b>	<b>£'000</b>
Less than 3 months	1,410	606
3 – 6 months	434	397
6 months to 1 year	597	362
More than 1 year	2,108	1,565
<b>Total</b>	<b>4,549</b>	<b>2,930</b>

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:

	31/03/11	31/03/12
	£'000	£'000
Less than 1 year	6,874	9,812
Between 1 and 2 years	9,217	1,237
Between 2 and 5 years	2,580	5,954
Between 5 and 10 years	8,694	7,058
More than 10 years	213,917	210,931
<b>Total</b>	<b>241,282</b>	<b>234,992</b>

The maturity analysis of financial assets is as follows:

	31/03/11	31/03/12
	£'000	£'000
Maturity less than one year	29,513	29,333

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	8
Increase in interest receivable on variable rate investments	N/A
Impact on Comprehensive Income and Expenditure Statement	8
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	46,444

The approximate impact of a 1% fall in interest rates would also be as above.

**11.0 Short-Term Debtors**

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

<b>31/03/11</b>		<b>31/03/12</b>
<b>£'000</b>		<b>£'000</b>
7,996	Central Government Bodies	18,988
640	Other Local Authorities	607
2	NHS Bodies	0
28	Public Corporations and Trading Funds	80
39,709	Other Entities and Individuals	22,816
<b>48,375</b>	<b>Total</b>	<b>42,491</b>

**12.0 Cash and Cash Equivalents**

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

<b>31/03/11</b>		<b>31/03/12</b>
<b>£'000</b>		<b>£'000</b>
4,655	Cash held by the Council	4,474
(10,045)	Bank Current Accounts	(12,185)
<b>(5,390)</b>	<b>Total Cash and Cash Equivalents</b>	<b>(7,711)</b>

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 31<sup>st</sup> March 2012 adjusted for unrepresented cheques.

**13.0 Assets Held for Sale**

The movement on Assets Held for Sale is as follows:

	<b>Current</b>	
	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance Outstanding at Start of Year</b>	<b>5,873</b>	<b>5,989</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	880	2,237
Revaluation Gains	1,132	2,257
Impairment Losses	(305)	(1,565)
Assets Declassified as Held for Sale:		
Property, Plant and Equipment	0	(3,122)
Assets Sold	(1,591)	(1,803)
<b>Balance Outstanding at Year-End</b>	<b>5,989</b>	<b>3,993</b>

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:

<b>31/03/11</b>		<b>31/03/12</b>
<b>£'000</b>		<b>£'000</b>
(3,489)	Central Government Bodies	(2,547)
(805)	Other Local Authorities	(302)
(756)	NHS Bodies	(894)
(152)	Public Corporations and Trading Funds	(131)
(61,805)	Other Entities and Individuals	(45,080)
<b>(67,007)</b>	<b>Total</b>	<b>(48,954)</b>

**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:

<b>Provision</b>	<b>Homecare Fairer Charge - Learning Disability Clients (Short-Term Provision)</b>	<b>Land Purchases and Part 1 Claims - Land Costs (Short-Term Provision)</b>	<b>Insurance Claims (Long-Term Provision)</b>	<b>MGCC Disaggregation (Long-Term Provision)</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1<sup>st</sup> April 2011</b>	<b>154</b>	<b>0</b>	<b>7,443</b>	<b>754</b>	<b>8,351</b>
Additional provisions made in 2011/12	0	4,008	0	39	4,047
Amounts used in 2011/12	0	0	0	0	0
Unused amounts reversed in 2011/12	0	0	(1,177)	0	(1,177)
<b>Balance at 31<sup>st</sup> March 2012</b>	<b>154</b>	<b>4,008</b>	<b>6,266</b>	<b>793</b>	<b>11,221</b>

**15.1 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.

## 15.2 Land Purchases and Part 1 Claims - Land Costs

The provision represents amounts set aside to fund the cost of Land Purchases and Part 1 Claims relating to transport schemes. The final cost is unknown as at 31<sup>st</sup> March 2012. Given the degree of uncertainty regarding both the timing and the value of future payments, a provision rather than a liability has been established in the Balance Sheet.

## 15.3 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 17.2 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.

31/03/11		31/03/12
£'000		£'000
6,805	Rhondda Cynon Taf	5,096
638	Mid Glamorgan	1,170
<b>7,443</b>	<b>Insurance Provision</b>	<b>6,266</b>

## 15.4 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 44.1 for further details.

## 16.0 Other Long-Term Liabilities

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

31/03/11		31/03/12
£'000		£'000
483,347	Pension Liability (IAS19)	603,440
28,277	PFI	27,215
567	Finance Leases	563
0	Tower Colliery Redevelopment	4,000
<b>512,191</b>	<b>Total</b>	<b>635,218</b>

**17.0 Usable Reserves**

<b>31/03/11</b>			<b>31/03/12</b>
<b>£'000</b>			<b>£'000</b>
(10,543)	Council Fund Balance	17.1	(10,458)
(34,828)	Capital, Treasury and Insurance Reserves	17.2	(34,984)
(61,779)	Other Revenue Related Reserves	17.2	(72,410)
(6,015)	Delegated Schools Reserve	17.3	(5,484)
(19)	Usable Capital Receipts Reserve	17.4	0
(1,830)	Capital Grant Unapplied Account	17.5	(3,397)
(1,791)	MGCC Insurance Reserve	17.6	(1,040)
<b>(116,805)</b>	<b>Total Usable Reserves</b>		<b>(127,773)</b>

**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:

	<b>£'000</b>
Balance as at 31 <sup>st</sup> March 2011	<b>(10,543)</b>
(Increase)/Decrease in Reserve	85
<b>Balance as at 31<sup>st</sup> March 2012</b>	<b>(10,458)</b>

**17.2 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 2011/12. All earmarked reserves are deemed to be revenue reserves.

**Capital, Treasury and Insurance Reserves**

<b>Reserve</b>	<b>Purpose</b>	<b>Balance at 31/03/11</b>	<b>Transfers Out</b>	<b>Transfers In</b>	<b>Balance at 31/03/12</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Developments</b>	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme	<b>24,285</b>	(7,879)	5,611	<b>22,017</b>
<b>Treasury Management Reserve</b>	Funding for known and potential future pressures upon the Capital Financing budget	<b>6,600</b>	(1,354)	32	<b>5,278</b>
<b>Insurance Reserve</b>	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received	<b>3,943</b>	0	3,746	<b>7,689</b>
<b>Total</b>		<b>34,828</b>	<b>(9,233)</b>	<b>9,389</b>	<b>34,984</b>

**Other Revenue Related Reserves**

<b>Reserve</b>	<b>Purpose</b>	<b>Balance at 31/03/11 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31/03/12 £'000</b>
<b>Private Finance Initiative</b>	Balance of excess Welsh Government support over unitary charge payments to reflect the differing expenditure and income profiles	<b>6,577</b>	(14)	587	<b>7,150</b>
<b>Revenue Budget Strategy 2012/13</b>	Earmarked Reserves released in line with 2012/13 Budget Setting Risk	<b>0</b>	0	5,158	<b>5,158</b>
<b>Joint Committee Reserve</b>	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest	<b>1,469</b>	0	235	<b>1,704</b>
<b>Revenue Grant Reserves (IFRS)</b>	Carry forward of Revenue Grants not yet applied to spend, required accounting treatment to comply with International Financial Reporting Standards	<b>5,296</b>	(5,296)	7,519	<b>7,519</b>
<b>E-Government/ Service Re-engineering</b>	Delivery of the Council's E-Government Strategy, system replacements and service re-engineering	<b>339</b>	0	0	<b>339</b>
<b>Financial Management and Human Resources Risk Management</b>	Resources set aside to cover for future liabilities relating to various risks identified and being managed	<b>26,657</b>	(1,084)	6,193	<b>31,766</b>
<b>Development Fund</b>	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	<b>842</b>	(37)	0	<b>805</b>
<b>Social Inclusion</b>	To fund activities and projects carried out to improve social inclusion	<b>131</b>	0	0	<b>131</b>
<b>Job Evaluation</b>	Resources set-aside to cover potential liabilities and costs incurred following the implementation of Job Evaluation and changes to other terms and conditions of employment across the Council (including payment of equal pay claims)	<b>6,690</b>	(5,190)	0	<b>1,500</b>
<b>Prior Year Commitments</b>	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year	<b>8,790</b>	(3,425)	5,750	<b>11,115</b>
<b>Other Specific Reserves</b>	Represents a number of reserves held for specific and identified purposes	<b>3,031</b>	(382)	617	<b>3,266</b>
<b>Medium-Term High Risk Financial Issues</b>	Amounts set aside to help offset the major funding risks likely to impact on the Council in the short to medium term (including the consequences of the European and UK waste management	<b>1,957</b>	0	0	<b>1,957</b>
<b>Total</b>		<b>61,779</b>	<b>(15,428)</b>	<b>26,059</b>	<b>72,410</b>

**17.3 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 use.

At the end of 2011/12, 18 of the Councils 139 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 121 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	31/03/11	2011/12 Movement	31/03/12
	£'000	£'000	£'000
Primary	3,936	281	4,217
Secondary	1,435	(764)	671
Special	512	(10)	502
Nursery	132	(38)	94
<b>Total</b>	<b>6,015</b>	<b>(531)</b>	<b>5,484</b>

#### **17.4 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:

2010/11		2011/12
£'000		£'000
<b>(2,887)</b>	<b>Balance as at 1<sup>st</sup> April</b>	<b>(19)</b>
	Receipts During the Year:	
(1,256)	Sale of assets	(1,145)
(29)	Mortgage repayments	(44)
(69)	Repayment of discount (Right to Buys)	(59)
	Application during the Year:	
4,222	Financing of capital expenditure	1,267
<b>(19)</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>0</b>

#### **17.5 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.

2010/11		2011/12
£'000		£'000
<b>(3,094)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(1,830)</b>
(56,315)	Grants received	(27,940)
57,579	Grants utilised to fund capital expenditure	26,373
<b>(1,830)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(3,397)</b>



**17.6 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 note 15.0 for details of claims received.

2010/11		2011/12
£'000		£'000
(1,924)	Balance at 1 <sup>st</sup> April	(1,791)
133	(Increase)/Decrease in Reserve	751
(1,791)	Balance at 31 <sup>st</sup> March	(1,040)

**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.

31/03/11			31/03/12
£'000			£'000
(171,411)	Revaluation Reserve	18.1	(192,197)
(197)	Deferred Capital Receipts Reserve		(139)
(461,779)	Capital Adjustment Account	18.2	(463,572)
6,479	Financial Instruments Adjustment Account	18.3	5,969
483,347	Pensions Reserve	18.4	603,440
3,512	Unequal Pay Back Pay Account	18.5	616
3,948	Short-Term Accumulating Compensated Absence Account	18.6	5,524
(136,101)	<b>Total Unusable Reserves</b>		<b>(40,359)</b>

**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 1<sup>st</sup> 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.

2010/11		2011/12	
£'000		£'000	£'000
<b>(77,372)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(171,411)</b>	
(109,828)	Upward revaluation of assets	(39,744)	
9,876	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	13,035	
<b>(177,324)</b>	<b>Surplus or Deficit on revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>(198,120)</b>
5,111	Difference between Fair Value Depreciation and Historical Cost Depreciation	4,673	
802	Accumulated Gains on Assets sold or scrapped	1,250	
<b>5,913</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>5,923</b>
<b>(171,411)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(192,197)</b>

## 18.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to 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 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

2010/11		2011/12	
£'000		£'000	£'000
<b>(494,622)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(461,779)</b>	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
95,335	Charges for depreciation and impairment of Non-Current Assets	42,351	
3,018	Revaluation losses on Property, Plant and Equipment	0	
1,685	Amortisation of Intangible Assets	2,208	
10,915	Revenue Expenditure Funded from Capital Under Statute	15,115	
<b>Continued Overleaf...</b>			

(815)	Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,214	
3	Adjusted items written out of the Revaluation Reserve	(5,467)	
<b>(384,481)</b>	<b>Net written out amount of the cost of Non-Current Assets consumed in the year</b>		<b>(404,358)</b>
	Capital Financing Applied in the Year:		
(4,222)	Use of the Capital Receipts Reserve to finance new Capital Expenditure	(1,267)	
(56,315)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital	(27,940)	
(1,264)	Application of grants to capital financing from the Capital Grants Unapplied Account	1,567	
(16,257)	Statutory provision for the financing of capital investment charged against the Council Fund	(14,287)	
731	Capital Expenditure charged against the Council Fund	(17,331)	
29	Private mortgage repayments	44	
<b>(77,298)</b>			<b>(59,214)</b>
<b>(461,779)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(463,572)</b>

### 18.3 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.

2010/11		2011/12
£'000		£'000
<b>6,682</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>6,479</b>
(203)	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	(510)
<b>6,479</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>5,969</b>

**18.4 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 are due to be paid.

2010/11		2011/12
£'000		£'000
<b>606,255</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>483,347</b>
(13,824)	Actuarial gains or losses on Pensions Assets and Liabilities	110,930
(80,060)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	41,759
(29,024)	Employer's pensions contributions and direct payments to pensioners payable in the year	(32,596)
<b>483,347</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>603,440</b>

**18.5 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.

2010/11		2011/12	
£'000		£'000	£'000
<b>1,048</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>3,512</b>
2,464	Increase in Provision for Back Pay in relation to Equal Pay cases	300	
0	Cash settlements paid in the year	(3,196)	
2,464	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		(2,896)
<b>3,512</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>616</b>

**18.6 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 31<sup>st</sup> 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.

2010/11		2011/12	
£'000		£'000	£'000
<b>3,751</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>3,948</b>
(3,751)	Settlement or cancellation of accrual made at the end of the preceding year	(3,948)	
3,948	Amounts accrued at the end of the current year	5,524	
<b>197</b>	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		<b>1,576</b>
<b>3,948</b>			<b>5,524</b>

**19.0 Cash Flow Statement – Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements**

2010/11		2011/12
£'000		£'000
(100,533)	Depreciation & Impairment	(42,476)
(1,685)	Amortisation	(2,208)
(13,750)	(Increase)/Decrease in Creditors	6,476
9,511	Increase/(Decrease) in Debtors	(6,029)
24	Increase/(Decrease) in Stock	83
108,100	Movement in Pension Liability	(9,120)
576	Contribution to Provisions	(2,870)
(195)	Holiday Pay Accrual	(1,576)
873	Revenue Grant Earmarked Reserves	7,519
(1,264)	Capital Grants Unapplied	1,567
(10,915)	Revenue Expenditure Funded from Capital Under Statute	(11,827)
(1,140)	Other non-cash items charged to the Net Surplus or Deficit on the Provision of Services	(8,958)
<b>(10,398)</b>	<b>Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(69,419)</b>

**20.0 Cash Flow Statement - Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities**

2010/11		2011/12
£'000		£'000
(1,749)	Proceeds from the sale of Property, Plant & Equipment, investment property and intangible assets	(2,060)
56,428	Any other items for which the cash effects are investing or financing cash flows	24,606
<b>54,679</b>		<b>22,546</b>

**21.0 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.

2010/11		2011/12
£'000		£'000
(117)	Interest received	(142)
11,329	Interest paid	11,289
<b>11,212</b>	<b>Interest within Operating Activities</b>	<b>11,147</b>

**22.0 Cash Flow Statement - Investing Activities**

2010/11		2011/12
£'000		£'000
83,184	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	65,989
15,587	Purchase and Redemption of Short-Term and Long-Term Investments	(1,304)
(1,354)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,248)
(53,091)	Other receipts from Investing Activities	(20,558)
<b>44,326</b>	<b>Net Cash Flows from Investing Activities</b>	<b>42,879</b>

**23.0 Cash Flow Statement - Financing Activities**

2010/11		2011/12
£'000		£'000
(819)	Cash receipts of Short and Long-Term Borrowing	(51)
983	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases and on Balance Sheet PFI contracts	1,022
0	Repayments of Short and Long-Term Borrowing	5,000
<b>164</b>	<b>Net Cash Flows from Financing Activities</b>	<b>5,971</b>

## 24.0 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 SeRCOP. 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 2011/12	Education	Community & Children's	Environmental	Chief Executive	Corporate	Authority Wide	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	(70,381)	(62,059)	(48,881)	(8,737)	(39,789)	(100,004)	(329,851)
Costs							
Employees	166,202	70,332	36,096	8,495	22,715	4,431	308,271
Premises	22,142	3,819	6,144	66	5,004	(2,175)	35,000
Transport	1,434	3,550	22,607	124	214	1	27,930
Supplies & Services	47,232	14,076	24,312	3,767	7,002	25,018	121,407
Third Party Payments	2,167	80,579	12,304	(546)	(73)	12,264	106,695
Transfers	431	2,141	15	0	1	75,009	77,597
Other Costs e.g. Support	(291)	633	5,659	5,112	26,576	151	37,840
Capital Charges	1,432	165	2,833	203	898	37,585	43,116
Net Controllable Costs	170,368	113,236	61,089	8,484	22,548	52,280	428,005
<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>							
Add amounts included in Comprehensive Income and Expenditure Statement Net Cost of Services but not included as reported controllable costs							78,687
Remove amounts included within reported controllable costs but not included within Comprehensive Income and Expenditure Statement							(90,196)
<b>Net Cost of Services</b>							<b>416,496</b>
Reconciliation to Subjective 2011/12	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	(111,810)	0	0	39,614	(72,196)	(17,027)	(89,223)
Surplus or Deficit on Associates and Joint Ventures	0	62	0	0	62	0	62
Interest and Investment	(255)	0	255	0	0	(257)	(257)
Income from Council Tax	(2,246)	0	2,246	0	0	(96,691)	(96,691)
							<i>Continued Overleaf...</i>

Government Grants and Contributions	(215,540)	(5,557)	3,006	0	(218,091)	(374,301)	(592,392)
<b>Total Income</b>	<b>(329,851)</b>	<b>(5,495)</b>	<b>5,507</b>	<b>39,614</b>	<b>(290,225)</b>	<b>(488,276)</b>	<b>(778,501)</b>
Employee Expenses	308,271	24,482	(32,340)	0	<b>300,413</b>	21,798	<b>322,211</b>
Other Service Expenses	356,377	0	(25,350)	0	<b>331,027</b>	9,334	<b>340,361</b>
Support Service Recharges	37,840	0	0	(39,614)	<b>(1,774)</b>	1,774	<b>0</b>
Depreciation, Amortisation and Impairment	0	59,700	0	0	<b>59,700</b>	557	<b>60,257</b>
Interest Payments	43,116	0	(25,761)	0	<b>17,355</b>	11,347	<b>28,702</b>
Precepts & Levies	12,252	0	(12,252)	0	<b>0</b>	25,254	<b>25,254</b>
Gain/Loss on Disposal of Long Term Assets	0	0	0	0	<b>0</b>	2,060	<b>2,060</b>
<b>Total Operating Expense:</b>	<b>757,856</b>	<b>84,182</b>	<b>(95,703)</b>	<b>(39,614)</b>	<b>706,721</b>	<b>72,124</b>	<b>778,845</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>428,005</b>	<b>78,687</b>	<b>(90,196)</b>	<b>0</b>	<b>416,496</b>	<b>(416,152)</b>	<b>344</b>

## 25.0 Acquired and Discontinued Operations

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

## 26.0 Trading Operations

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

Trading Operations	2010/11	2011/12		
	(Surplus) /Deficit	Exp	Income	(Surplus) /Deficit
	£'000	£'000	£'000	£'000
Highways Maintenance	434	5,655	(5,170)	485
Building Cleaning	35	1,058	(1,013)	45
Education and Welfare Catering	(470)	9,254	(9,334)	(80)
Other Catering	53	277	(225)	52
Commercial Waste	(9)	973	(841)	132
Carelink/Out of Hours	(46)	525	(443)	82
<b>Total</b>	<b>(3)</b>	<b>17,742</b>	<b>(17,026)</b>	<b>716</b>

In accordance with the SeRCOP, surplus/deficits on trading operations 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 reappropriation of trading operation surplus/deficits would be unwieldy, due to multiple users of the services. It is also considered that it would not have a material restatement of current expenditure levels (this treatment is consistent with the Council's Annual Improvement Plan).



IAS 19 “Employee Benefits” applies to trading activities. Excluding IAS 19, the deficit was £939k.

### **27.0 Agency Services**

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

### **28.0 Road Charging Schemes**

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

### **29.0 Pooled Budgets**

The Council has not participated in any pooled budget arrangements during the year.

### **30.0 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 their 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).

	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Allowances	1,367	1,382
Expenses	25	26
<b>Total</b>	<b>1,392</b>	<b>1,408</b>

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.

### **31.0 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 2011/12 the Council paid 12,444 employees (12,367 2010/11), paying total salaries of £248m (excluding employer's national insurance and pension contributions) (£248m 2010/11). Within this, the following salary payments were made within the categories specified:

Remuneration Band	2010/11	2011/12		
	No. of Employees	No. of Employees		
	Total	At 31/03/12	Left in Year	Total
£60,000 - £64,999	39	32	1	33
£65,000 - £69,999	22	19	1	20
£70,000 - £74,999	13	7	1	8
£75,000 - £79,999	14	9	1	10
£80,000 - £84,999	12	7	2	9
£85,000 - £89,999	9	3	2	5
£90,000 - £94,999	4	2	0	2
£95,000 - £99,999	2	1	1	2
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	1	0	0	0
£110,000 - £114,999	4	0	0	0
£115,000 - £119,999	1	0	0	0
£120,000 - £124,999	1	0	1	1
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	1	0	0	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	1	0	0	0
£150,000 - £154,999	1	0	0	0
<b>Total</b>	<b>125</b>	<b>80</b>	<b>10</b>	<b>90</b>

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

The following table sets out the remuneration 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. Employer pension contributions are not included.

Post Holder Information (Post Title)	2010/11	2011/12		
	Total Remuneration	Salary	Taxable Benefits in Kind	Total Remuneration
	£'000	£'000		
Chief Executive	142	142	0	142
Chief Executive – Returning Officer	11	17	0	17
Group Director Corporate Services (Deputy Chief Executive)	122	122	0	122
Group Director Environmental Services	114	113	0	113
Group Director Community & Children's Services	113	113	0	113
Director of Legal & Democratic Services	92	92	0	92
Director of Legal & Democratic Services – Returning Officer	2	2	0	2
Director of Human Resources	92	92	0	92
Director of Education & Lifelong Learning	93	107	0	107

### 32.0 Severance Costs

This note provides details of the cost of severance to the Council in respect of employees who have left the employment of the Council during the financial year (costs do not reflect payments made to individuals). All costs incurred are in line with the Councils relevant and applicable schemes of termination and as required under relevant Pension Fund Regulations where applicable, with each decision being based upon and supported by a business case.

During 2011/12, the cost to the Council of terminating employee contracts amounted to £2,761k (£7,533k 2010/11) with a reduction in payroll costs of £5,475k (£9,932k 2010/11).

The number and costs (in bandings) of compulsory and other terminations are set out in the table below (note, compulsory terminations relate to teachers/school based staff only).

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Cost of Severance	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	£'000	
£	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	16	6	222	122	238	128	1,261	607
£20,001 - £40,000	1	4	49	33	50	37	1,404	978
£40,001 - £60,000	0	2	30	3	30	5	1,462	256
£60,001 - £80,000	0	0	14	5	14	5	972	360
£80,001 - £100,000	0	0	6	1	6	1	508	94
£100,001 - £150,000	0	0	13	4	13	4	1,613	466
£150,001 - £200,000	0	0	2	0	2	0	313	0
<b>Total</b>	<b>17</b>	<b>12</b>	<b>336</b>	<b>168</b>	<b>353</b>	<b>180</b>	<b>7,533</b>	<b>2,761</b>

### 33.0 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:

	2010/11	2011/12
	£'000	£'000
<b>Fees Payable to Wales Audit Office</b>		
External audit services carried out by the Appointed Auditor for the year	260	260
Statutory Inspections	157	155
Certification of Grant Claims and Returns for the year	215	195
Other services provided by Wales Audit Office during the year	0	0
	<b>632</b>	<b>610</b>

### 34.0 National Non-Domestic Rates

The level of National Non-Domestic Rates (NNDR) is based on a "multiplier" set nationally by the Welsh 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 2011/12 was 42.8p (40.9p for 2010/11). The total rateable value as at 31<sup>st</sup> March 2012 was £136.1m (£134.8m as at 31<sup>st</sup> March 2011).

The Council is responsible for collecting the business rates in its area and pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh 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 2011/12 rates is £45.8m (£44.3m in 2010/11). The contribution back to the Council from the pool in the year amounted to £55.0m (£65.3m in 2010/11) and the amount paid to the pool amounted to £50.1m (£48.1m in 2010/11). As the Council acts as an agent collecting income on behalf of the Welsh Government, the income collected is not recognised as income in the Comprehensive Income and Expenditure Statement.

### 35.0 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 2011/12 was calculated to be £72,472.87 (compared with £72,154.10 for 2010/11). 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	255	38,128	21,270	13,988	7,663	5,196	2,818	1,020	166	26
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 2011/12 was 97%.

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

<b>Council Tax Analysis</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax Collectable	93,751	96,691
<b>Net Proceeds from Council Tax</b>	<b>93,751</b>	<b>96,691</b>
Less Payable:		
South Wales Police Authority	(11,088)	(11,694)
Community Councils	(1,485)	(1,520)
<b>Total</b>	<b>81,178</b>	<b>83,477</b>

### 36.0 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

#### 36.1 Credited to Services

A number of grants and contributions have been recognised as income within Net Cost of Services. This income amounts to £165m in 2011/12 (in 2010/11 these grants and contributions amounted to £167m).

#### 36.2 Capital Grants Receipts in Advance

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

### 36.3 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.

	31/03/11	31/03/12
	£'000	£'000
Noddfa House Day Centre	681	681
Other Donations	377	377
<b>Total</b>	<b>1,058</b>	<b>1,058</b>

### 37.0 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.

#### 37.1 Welsh Government

The Welsh 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).

	2010/11	2011/12
	£'000	£'000
Non-Ringfenced Government Grants	(289,660)	(294,731)
Capital Grants and Contributions	(56,428)	(24,606)
Credited to Services	(166,860)	(164,886)
	<b>(512,948)</b>	<b>(484,223)</b>

#### 37.2 Chief Officers and Members

Details of Members allowances and Officers' remunerations are provided in the Core Financial Statements notes 30.0 and 31.0 respectively. There is one Chief Officer related party transaction for £6k with Care Council for Wales.

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

<b>Category of Organisation</b>	<b>2010/11</b>	<b>2011/12</b>	<b>Outstanding Balance as at 31/03/12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Charitable Organisations	2,324	2,075	(36)
Community Councils, Associations & Services	1,864	2,587	167
Educational & Cultural Establishments	(464)	(155)	(8)
Engineering & Mechanical Services	16	16	1
Government Bodies, Associations & Staff	(101)	(71)	(46)
National Health Service Bodies & Support Groups	4,107	(601)	(899)
Private Companies	(295)	(210)	(37)
Public Houses, Halls & Institutes	1	0	0
Sports & Social Clubs	44	46	18

### **37.3 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:

	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
South Wales Police Authority	11,088	11,694
Community Councils	1,485	1,520
<b>Total</b>	<b>12,573</b>	<b>13,214</b>

An analysis of levies is given in the following table:

	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
South Wales Fire and Rescue Service	11,776	11,539
Coroner	463	446
Brecon Beacons National Park	56	55
Glamorgan Archives Joint Committee	(155)	0
<b>Total</b>	<b>12,140</b>	<b>12,040</b>

### **37.4 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 £1.3m (£1.5m in 2010/11) in respect of administration and support during financial year 2011/12. The amount owed from the Council to the Pension Fund as at 31<sup>st</sup> March 2012 is £423k (£2.3m in 2010/11).

### **37.5 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 2011/12 the following related party transactions took place with these companies.

#### **Amgen Cymru Ltd.**

Royalties of £528k (£272k in 2010/11) were billed by the Council to Amgen Cymru. At 31st March 2012 £134k (£60k in 2010/11) was outstanding.

The Council paid Amgen Cymru £6,448k (£4,209k in 2010/11) in respect of waste management and waste disposal charges, with £622k (£687k in 2010/11) due to the company at the year-end.

Amgen Cymru paid the Council £1,391k (£277k in 2010/11) in respect of goods and services, with £165k (£162k in 2010/11) due to the Council at the year-end.

#### **Amgen Rhondda Ltd.**

The Council paid Amgen Rhondda £50k (£250k in 2010/11) in respect of site management fees, with £5k (£25k in 2010/11) outstanding at 31<sup>st</sup> March 2012.

#### **Capita Glamorgan Consultancy Ltd.**

Capita Glamorgan Consultancy Ltd 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 2011/12, the Council was charged £5,945k (£4,677k in 2010/11) in respect of goods, services and capital works. The balance owed to Capita Glamorgan Consultancy Ltd at 31<sup>st</sup> March 2012 was £613k (£381k in 2010/11).

Capita Glamorgan Consultancy Ltd paid the Council £4k (£28k in 2010/11) in respect of goods and services, with £2k (£0k in 2010/11) due to the Council at the year-end.

### **37.6 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 2011/12, the Council contributed to the Joint Committee an amount of £212k (£384k in 2010/11). 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 2011/12, the Council charged Llwydcoed Crematorium £22k (£20k in 2010/11) in respect of central establishment charges. As at 31<sup>st</sup> March 2012 the Council held cash balances relating to the Crematorium of £500k (£371k in 2010/11). 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 2011/12, the Council incurred expenditure of £2,358k (£2,395k in 2010/11) with ESIS in respect of advisory and training services. As at 31<sup>st</sup> March 2012, an amount of £105k (£279k in 2010/11) was owed by the Council to ESIS.

### **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 2011/12, the Council purchased goods of £2,223k (£1,994k in 2010/11) from Catalogue Supplies Service. At year-end, the Council owed £222k (£283k in 2010/11) 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.

### 38.0 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.

	2010/11	2011/12
	£'000	£'000
Opening Capital Financing Requirement	338,079	345,084
<b>Capital Investment:</b>		
Property, Plant & Equipment	68,730	48,214
Intangible Assets	602	758
Revenue Expenditure Funded from Capital Under Statute	17,472	15,106
<b>Sources of Finance:</b>		
Capital Receipts	(4,222)	(1,267)
Government Grants and Other Contributions	(57,579)	(26,373)
<b>Sums Set Aside from Revenue:</b>		
Direct Revenue Contributions	(4,285)	(17,332)
Minimum Revenue Payment	(13,713)	(14,278)
<b>Closing Capital Financing Requirement</b>	<b>345,084</b>	<b>349,912</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	1,981	(1,521)
Increase in underlying need to borrowing (unsupported by government financial assistance)	6,013	7,372
Finance Leases	(6)	(1)
PFI	(983)	(1,022)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>7,005</b>	<b>4,828</b>

**39.0 Leases**

The following disclosures relate to the Council as a lessee.

**39.1 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:

	31/03/11	31/03/12
	£'000	£'000
Other Land and Buildings	449	389

These assets are part of the Council's impairment review.

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:

	31/03/11	31/03/12
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Non-Current	562	562
Finance costs payable in future years	1,870	1,840
<b>Minimum Lease Payments</b>	<b>2,433</b>	<b>2,403</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/11	31/03/12	31/03/11	31/03/12
	£'000	£'000	£'000	£'000
Less than 1 year	30	30	1	1
1 to 5 years	152	152	4	5
Greater than 5 years	2,251	2,221	558	557
	<b>2,433</b>	<b>2,403</b>	<b>563</b>	<b>563</b>

**39.2 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 and faxes.

	31/03/11			31/03/12		
		Restated				
	Other Land & Buildings	Vehicles, Plant & Equipment	Totals	Other Land & Buildings	Vehicles, Plant & Equipment	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year	92	62	154	285	109	394
1 to 5 years	2,553	2,915	5,468	2,700	1,797	4,497
Greater than 5 years	4,540	1,477	6,017	3,173	1,377	4,550
	<b>7,185</b>	<b>4,454</b>	<b>11,639</b>	<b>6,158</b>	<b>3,283</b>	<b>9,441</b>

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

	31/03/11	31/03/12
	£'000	£'000
Minimum Lease Payments	2,058	2,197

### 39.3 Sub-Leases

The Council has sub-let office accommodation at Ty Pennant. Non-cancellable sub-lease payments of £266k per annum is expected to be received until expiry of the lease agreement, as shown in the table below.

	2010/11	2011/12
	£'000	£'000
Less than 1 year	266	266
1 to 5 years	1,599	1,064
Greater than 5 years	266	535
	<b>2,131</b>	<b>1,865</b>

### 40.0 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 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:

<b>PFI Assets</b>	<b>Property, Plant &amp; Equipment</b>
	<b>£'000</b>
<b>Cost or Valuation</b>	
At 1 <sup>st</sup> April 2011 (Restated)	26,819
Revaluations	0
<b>At 31<sup>st</sup> March 2012</b>	<b>26,819</b>
<b>Depreciation and Impairments</b>	
At 1 <sup>st</sup> April 2011 (Restated)	(2,069)
Charge for 2011/12	(400)
<b>At 31<sup>st</sup> March 2012</b>	<b>(2,469)</b>
<b>31<sup>st</sup> March 2012</b>	<b>24,350</b>
<b>1<sup>st</sup> April 2011</b>	<b>24,750</b>

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:

<b>PFI Liabilities</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
<b>Liability as at 1<sup>st</sup> April</b>	<b>30,282</b>	<b>29,299</b>
Repayments during the year	(983)	(1,022)
<b>Liability as at 31<sup>st</sup> March</b>	<b>29,299</b>	<b>28,277</b>

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:

<b>Period</b>	<b>Principal</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within 1 year	1,063	1,128	2,137	4,328
2 – 5 years	4,691	4,072	9,095	17,858
6 – 10 years	6,997	3,957	12,708	23,662
11 – 15 years	8,509	2,445	14,378	25,332
16 – 20 years	7,017	650	11,184	18,851
<b>Total</b>	<b>28,277</b>	<b>12,252</b>	<b>49,502</b>	<b>90,031</b>

The Council meets the costs of the Unitary Charge from its own resources and funding from the Welsh Government. The profile of funding from the Welsh Government 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 31<sup>st</sup> March 2012 the balance on the PFI equalisation earmarked reserve is £7.2m.

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.

#### **41.0 Impairment Losses**

During 2011/12, the Council has recognised an impairment loss of £25.3m (a loss of £81.8m in 2010/11) in relation to its Long-Term Assets. The impairment is analysed between categories of Long-Term Assets in note 7.1.

#### **42.0 Retirement Benefits - Defined Benefit Schemes**

##### **42.1 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 43.0.
- 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.

##### **42.2 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	2010/11	2011/12		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Cost of Services:				
Current Service Cost	25,656	25,090	218	25,308
Past Service Cost	(124,372)	730	0	730
Financing and Investment Income and Expenditure:				
Interest Cost	55,500	54,630	553	55,183
Expected Return on Scheme Assets	(36,844)	(38,980)	(482)	(39,462)
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>(80,060)</b>	<b>41,470</b>	<b>289</b>	<b>41,759</b>
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement: Actuarial (Gains) and Losses	(13,824)	109,690	1,240	110,930
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(93,884)</b>	<b>151,160</b>	<b>1,529</b>	<b>152,689</b>
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	80,060	(41,470)	(289)	(41,759)
Actual amount charged against the Council Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	29,024	32,340	256	32,596

The total actuarial gains and losses recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2012 is a loss of £110.9m (£13.8m gain in 2010/11).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the year ending 31st March 2012 is a loss of £272.6m.

Following the UK Government's announcement on 22<sup>nd</sup> June 2010, the inflation index used for pension increases has changed from the Retail Price Index (RPI) to the Consumer Price Index (CPI). CPI is expected to be less than RPI over the long-term which means that the obligation to pay pensions has reduced. This has given rise to a negative past service cost in 2010/11.

**42.3 Reconciliation of Present Value of the Scheme Liabilities**

	2010/11	2011/12		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Opening balance at 1<sup>st</sup> April</b>	<b>1,137,650</b>	<b>1,012,700</b>	<b>10,084</b>	<b>1,022,784</b>
Current service cost	25,656	25,090	218	25,308
Interest cost	55,500	54,630	553	55,183
Contributions by scheme participants	8,412	8,390	73	8,463
Actuarial (gains) and losses	(40,645)	84,670	931	85,601
Benefits paid	(39,717)	(36,730)	(350)	(37,080)
Past service costs	(124,372)	730	0	730
Business combinations	300	0	0	0
<b>Closing Balance at 31<sup>st</sup> March</b>	<b>1,022,784</b>	<b>1,149,480</b>	<b>11,509</b>	<b>1,160,989</b>

**42.4 Reconciliation of Fair Value of the Scheme Assets**

	2010/11	2011/12		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Opening Balance at 1<sup>st</sup> April</b>	<b>531,395</b>	<b>532,840</b>	<b>6,597</b>	<b>539,437</b>
Expected rate of return	36,844	38,980	482	39,462
Actuarial gains/(losses)	(26,521)	(25,020)	(309)	(25,329)
Employer contributions	27,934	32,340	256	32,596
Contributions by scheme participants	8,412	8,390	73	8,463
Benefits paid	(38,627)	(36,730)	(350)	(37,080)
<b>Closing Balance at 31<sup>st</sup> March</b>	<b>539,437</b>	<b>550,800</b>	<b>6,749</b>	<b>557,549</b>

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 a gain of £14.1m (£10.3m gain in 2010/11).



**42.5 Scheme History**

	2007/08	2008/09	2009/10	2010/11	2011/12
		Inc Joint Comm's	Inc Joint Comm's	Inc Joint Comm's	Inc Joint Comm's
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	(760,580)	(835,018)	(1,137,650)	(1,022,784)	(1,160,989)
Fair Value of Assets	471,040	N/A	N/A	N/A	N/A
<b>Surplus/(Deficit)</b>	<b>(289,540)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Restated Fair Value of Asset (Bid Price)	470,610	381,901	531,395	539,437	557,549
<b>Restated Surplus/(Deficit)</b>	<b>(289,970)</b>	<b>(453,117)</b>	<b>(606,255)</b>	<b>(483,347)</b>	<b>(603,440)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £603.4m 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.

**42.6 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 31<sup>st</sup> March 2012.

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 31<sup>st</sup> 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:

	31/03/11	31/03/12
Long-Term Expected Rate of Return on Assets in the Scheme:		
Equity investments	8.4%	8.1%
Property	7.9%	7.6%
Government bonds	4.4%	3.1%
Corporate bonds	5.1%	3.7%
Other	1.5%	1.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.1	23.2
Women	24.4	24.5
Longevity at 65 for future pensioners:		
Men	25.0	25.1
Women	26.4	26.5
Rate of inflation (RPI)	3.7%	3.6%
Rate of inflation (CPI)	2.8%	2.6%
Rate of increase in salaries	5.2%	5.1%
Rate of increase in pensions	2.8%	2.6%
Rate for discounting scheme liabilities	5.4%	4.8%
Take-up of option to convert annual pension into retirement lump sum:		
Post-2010 Service	75%	75%
Pre-2010 Service	50%	50%

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

	31/03/11	31/03/12
	%	%
Equity Investments	68.3	65.6
Property	6.8	6.8
Government Bonds	10.3	10.5
Corporate Bonds	12.3	13.3
Other	2.3	3.8
	<b>100</b>	<b>100</b>

#### **42.7 Contributions for the Accounting Period Ending 31st March 2013**

The Employer's regular contributions to the Fund for the accounting period 31<sup>st</sup> March 2013 are estimated to be £29.8m. In addition, "strain on fund" contributions may be required.

#### **42.8 History of Experience Gains and Losses**

The actuarial gains and losses identified as movements on the Councils element of the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2012:

	2007/08	2008/09		2009/10		2010/11		2011/12	
		Funded	Unfunded	Funded	Unfunded	Funded	Unfunded	Funded	Unfunded
	%	%	%	%	%	%	%	%	%
Difference Between Expected and Actual Return on	(0.6)	(35.6)	N/A	22.7	N/A	(5.1)	N/A	(4.5)	N/A
Experience Gains and Losses on Liabilities	(3.1)	(0.4)	(1.2)	0.9	3.1	5.6	0.1	(0.8)	(2.3)

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.

#### **43.0 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 2011/12, the Council paid £11.6m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £11.8m 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 2011/12 these amounted to £863k (£859k in 2010/11).

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.

## **44.0 Contingent Liabilities**

### **44.1 Mid Glamorgan County Council Disaggregation**

The Local Government Reorganisation on 1<sup>st</sup> 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 in note 3.5.

### **44.2 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 31<sup>st</sup> March 2012. 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 in note 4.2.

### **44.3 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 30<sup>th</sup> 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 note 3.3 for further detail.

## 45.0 Trust Funds

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31<sup>st</sup> March 2012 are shown as follows and are not included in the Council's Balance Sheet. The 2011/12 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council's Internal Audit for the other Funds).

	Description	31/03/11	31/03/12
		£'000	£'000
Education & Miscellaneous	Various funds established for educational and community benefits	177	102
Rhondda Cynon Taf Charity for the Visually Impaired	Fund established for the benefit of visually impaired citizens	182	250
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	10,319	10,680

From December 2011, Pontypridd & District Institute for the Blind and Social Services charities have been amalgamated into a new charity called Rhondda Cynon Taf Charity for the Visually Impaired.

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 31<sup>st</sup> March 2012 is £180k (31<sup>st</sup> March 2011 £164k).

## 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 2011/12 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 31<sup>st</sup> March 1999. In April 2005 the company entered into a formal

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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 4<sup>th</sup> 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 1<sup>st</sup> 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.

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## **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. For this reason 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 1<sup>st</sup> January to 31<sup>st</sup> 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.



**Group 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) or 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 31<sup>st</sup> March 2012

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	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								
<b>Balance at 1<sup>st</sup> April 2011</b>	(10,543)	(34,828)	(61,779)	(6,015)	(19)	(1,830)	(1,791)	(116,805)	(138,321)	(255,126)	(337)	(255,463)								
<b>Movement in reserves during 2011/12</b>																				
(Surplus) or deficit on the provision of services (accounting basis)	(5,331)	0	(90)	0	0	0	0	(5,421)	0	(5,421)	5,993	572								
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	84,431	84,431	(77)	84,354								
Total comprehensive income and expenditure	(5,331)	0	(90)	0	0	0	0	(5,421)	84,431	79,010	5,916	84,926								
<b>Adjustments between Group Accounts and Authority Accounts</b>	5,551	0	0	0	0	0	0	5,551	0	5,551	(5,551)	0								
<b>Net Increase or decrease before transfers</b>	220	0	(90)	0	0	0	0	130	84,431	84,561	365	84,926								
<b>Adjustments between accounting basis and funding under</b>																				
<b>Adjustments primarily involving the Capital Adjustment Account</b>																				
<b>Reversal of items debited / credited to CI&amp;ES</b>																				
Charges for depreciation and impairment of non-current assets	(42,170)	0	(91)	0	0	0	0	(42,261)	42,262	1	0	1								

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## Group Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup> March 2012

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.

2010/11 Restated					2011/12		
Gross Exp	Gross Income	Net Exp		Note:	Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
28,695	(25,391)	3,304	Central Services to the Public		30,106	(26,706)	3,400
35,066	(8,221)	26,845	Cultural and Related Services		34,417	(8,131)	26,286
52,270	(22,680)	29,590	Environmental and Regulatory Services	G 1.0	50,533	(21,480)	29,053
19,585	(11,367)	8,218	Planning Services		16,830	(11,651)	5,179
360,801	(68,507)	292,294	Children's and Education Services		302,559	(69,297)	233,262
36,379	(13,155)	23,224	Highways and Transport Services		38,323	(14,784)	23,539
82,210	(71,709)	10,501	Housing Services		86,996	(77,118)	9,878
109,889	(35,323)	74,566	Adult Social Care		114,597	(38,433)	76,164
13,792	(1,440)	12,352	Corporate and Democratic Core		9,577	(1,218)	8,359
(121,228)	(150)	(121,378)	Non-Distributed Costs		1,699	(91)	1,608
<b>617,459</b>	<b>(257,943)</b>	<b>359,516</b>	<b>Cost of Services</b>		<b>685,637</b>	<b>(268,909)</b>	<b>416,728</b>
			<b>Other Operating Expenditure</b>				
12,573	0	12,573	Precepts		13,214	0	13,214
12,140	0	12,140	Levies		12,040	0	12,040
1,749	0	1,749	(Gains) or Losses on Disposal of Non-Current Assets		2,060	0	2,060
			<b>Financing and Investment Income and Expenditure</b>				
11,564	0	11,564	Interest Payable and Similar Charges		11,350	0	11,350
55,133	(36,477)	18,656	Pensions Interest Cost and Expected Return on Pensions Assets		55,183	(39,463)	15,720
0	(319)	(319)	Interest Receivable and Similar		0	(264)	(264)
18,111	(18,114)	(3)	Trading Activities		17,742	(17,026)	716

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			<b>Taxation and Non-Specific Grant Income</b>				
0	(93,751)	(93,751)	Council Tax Income	0	(96,691)	(96,691)	
0	(65,341)	(65,341)	NNDR Distribution	0	(54,964)	(54,964)	
0	(289,660)	(289,660)	Non-Ring Fenced Government Grants	0	(294,731)	(294,731)	
0	(56,428)	(56,428)	Capital Grants and Contributions	0	(24,606)	(24,606)	
<b>728,729</b>	<b>(818,033)</b>	<b>(89,304)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>797,226</b>	<b>(796,654)</b>	<b>572</b>	
0	(85)	(85)	<b>Associates and Joint Ventures Accounted for on an Equity Basis</b>	0	(106)	(106)	
			<b>Tax Expenses</b>				
0	(30)	(30)	Taxation of Group Entities	0	0	0	
23	0	23	Share of Taxation of Associates and Joint Ventures	29	0	29	
<b>728,752</b>	<b>(818,148)</b>	<b>(89,396)</b>	<b>Group (Surplus) or Deficit</b>	<b>797,255</b>	<b>(796,760)</b>	<b>495</b>	
0	(99,952)	(99,952)	<b>(Surplus) or Deficit on Revaluation of Property, Plant &amp; Equipment</b>	0	(26,499)	(26,499)	
0	(13,824)	(13,824)	<b>Actuarial (Gains) or Losses on Pension Assets &amp; Liabilities</b>	110,930	0	110,930	
<b>0</b>	<b>(113,776)</b>	<b>(113,776)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>110,930</b>	<b>(26,499)</b>	<b>84,431</b>	
<b>728,752</b>	<b>(931,924)</b>	<b>(203,172)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>908,185</b>	<b>(823,259)</b>	<b>84,926</b>	

## Group Balance Sheet as at 31<sup>st</sup> March 2012

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.

31/03/11			31/03/12		
Restated					
£'000			Note:	£'000	£'000
	<b>Long-Term</b>	Property, Plant & Equipment	G 2.0		
539,591	<b>Assets</b>	Other Land & Buildings		567,653	
322,352		Infrastructure		412,656	
14,419		Vehicles, Plant & Equipment		12,878	
765		Landfill Cells		539	
3,691		Community Assets		3,672	
91,270		Assets Under Construction		4,409	
145		Heritage Assets		145	
2,715		Intangible Assets		2,356	
382		Long-Term Investments		0	
94		Investment in Associates and Joint Ventures		170	
1,120		Long-Term Debtors		975	
<b>976,544</b>		<b>TOTAL LONG-TERM ASSETS</b>			<b>1,005,453</b>
30,137	<b>Current</b>	Short-Term Investments		29,333	
5,989	<b>Assets</b>	Assets Held for Sale		3,993	
946		Inventories		1,029	
49,357		Short-Term Debtors	G 13.0	43,575	
7,196		Cash and Cash Equivalents		7,017	
<b>93,625</b>		<b>TOTAL CURRENT ASSETS</b>			<b>84,947</b>
(10,045)	<b>Current</b>	Cash and Cash Equivalents		(12,185)	
(8,561)	<b>Liabilities</b>	Short-Term Borrowing		(11,663)	
(68,532)		Short-Term Creditors	G 14.0	(50,272)	
(154)		Provisions	G 15.0	(4,162)	
0		Capital Grants Receipts in Advance		0	
<b>(87,292)</b>		<b>TOTAL CURRENT LIABILITIES</b>			<b>(78,282)</b>
(9,109)	<b>Long-Term</b>	Provisions	G 15.0	(8,527)	
(204,694)	<b>Liabilities</b>	Long-Term Borrowing		(196,511)	
(512,553)		Other Long-Term Liabilities		(635,223)	
0		Government Grants Deferred		(261)	
(1,058)		Donated Asset Account		(1,058)	
<b>(727,414)</b>		<b>TOTAL LONG-TERM LIABILITIES</b>			<b>(841,580)</b>
<b>255,463</b>		<b>NET ASSETS</b>			<b>170,538</b>



(10,543)	<b>Usable</b>	Council Fund Balance		(10,458)	
	<b>Reserves</b>	Earmarked Reserves:			
(34,828)		Capital, Treasury and Insurance Reserves		(34,984)	
(61,779)		Other Revenue Related Reserves		(72,410)	
(6,015)		Delegated Schools Reserve		(5,484)	
(19)		Usable Capital Receipts Reserve		0	
(1,830)		Capital Grant Unapplied Account		(3,397)	
(1,791)		MGCC Insurance Reserve		(1,040)	
<b>(116,805)</b>		<b>TOTAL USABLE RESERVES</b>			<b>(127,773)</b>
(171,411)	<b>Unusable</b>	Revaluation Reserve		(192,197)	
(197)	<b>Reserves</b>	Deferred Capital Receipts Reserve		(139)	
(463,999)		Capital Adjustment Account	G 6.0	(466,006)	
6,479		Financial Instruments Adjustment Account		5,969	
483,347		Pensions Reserve		603,440	
3,512		Unequal Pay Back Pay Account		616	
3,948		Short Term Accumulating Compensated Absence Account		5,524	
(337)		Group Companies Reserve	G 3.0	28	
<b>(138,658)</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>(42,765)</b>
<b>(255,463)</b>		<b>TOTAL RESERVES</b>			<b>(170,538)</b>

## Group Cash Flow Statement 2011/12

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

2010/11			2011/12	
£'000		<i>Note:</i>	£'000	£'000
(89,304)	Net (Surplus) or Deficit on the Provision of Services		572	
(11,356)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	<i>G 7.0</i>	(70,277)	
54,675	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	<i>G 8.0</i>	22,546	
<b>(45,985)</b>	<b>Net Cash Flows from Operating</b>			<b>(47,159)</b>
45,382	Investing Activities	<i>G 10.0</i>	43,507	
164	Financing Activities	<i>G 11.0</i>	5,971	49,478
<b>(439)</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>2,319</b>
3,288	Cash and Cash Equivalents at the Beginning of the Reporting Period			2,849
<b>2,849</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>			<b>5,168</b>

## 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.

### G 1.0 Segmental Analysis (Subsidiary Companies)

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

### G 2.0 Long-Term Assets

#### G 2.1 Property, Plant and 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
<b>Cost or Valuation</b>							
At 1 <sup>st</sup> April 2011	646,883	388,290	32,979	1,414	3,967	91,283	1,164,816
Restated							
Joint Committees	1,117	0	281	0	0	0	1,398
Opening Balance							
Additions	17,936	21,273	5,164	0	242	4,233	48,848
Donations	0	0	0	0	0	0	0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	37,192	0	313	0	0	0	37,505
Revaluation Increases/ (Decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition – Disposals	(1,716)	0	(2,576)	0	0	0	(4,292)
Assets reclassified (to)/from held for Sale	933	0	0	0	0	0	933
Other reclassifications	6,997	83,914	0	0	(19)	(90,892)	0
<b>At 31<sup>st</sup> March 2012</b>	<b>709,342</b>	<b>493,477</b>	<b>36,161</b>	<b>1,414</b>	<b>4,190</b>	<b>4,624</b>	<b>1,249,208</b>

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<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2011 Restated	(108,268)	(65,938)	(18,598)	(649)	(276)	(13)	(193,742)
Joint Committees Opening Balance	(141)	0	(243)	0	0	0	(384)
Depreciation charge	(12,522)	(13,117)	(4,882)	(226)	0	0	(30,747)
Impairment (Losses) recognised in the Revaluation Reserve	(13,024)	0	(10)	0	0	0	(13,034)
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	(11,942)	(1,766)	(1,960)	0	(242)	(202)	(16,112)
Impairment reversals recognised in the Surplus/Deficit on the Provision of Services	3,786	0	0	0	0	0	3,786
Derecognition – disposals	470	0	2,410	0	0	0	2,880
Assets reclassified (to)/from held for Sale	(48)	0	0	0	0	0	(48)
Other reclassifications	0	0	0	0	0	0	0
<b>At 31<sup>st</sup> March 2012</b>	<b>(141,689)</b>	<b>(80,821)</b>	<b>(23,283)</b>	<b>(875)</b>	<b>(518)</b>	<b>(215)</b>	<b>(247,401)</b>
<b>Balance Sheet Amount at 31<sup>st</sup> March</b>	<b>567,653</b>	<b>412,656</b>	<b>12,878</b>	<b>539</b>	<b>3,672</b>	<b>4,409</b>	<b>1,001,807</b>
<b>Balance Sheet Amount at 1<sup>st</sup> April</b>	<b>539,591</b>	<b>322,352</b>	<b>14,419</b>	<b>765</b>	<b>3,691</b>	<b>91,270</b>	<b>972,088</b>

## G 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

**G 3.0 Subsidiary Companies Reserve**

Movements in the Group Companies Reserve are summarised as follows:

	<b>Amgen Cymru</b>	<b>Amgen Rhondda</b>	<b>Capita Glam.</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance as at 31<sup>st</sup> March 2011</b>	<b>(2,463)</b>	<b>2,220</b>	<b>(94)</b>	<b>(337)</b>
(Increase)/Decrease 2011/12	228	214	(77)	365
<b>Balance as at 31<sup>st</sup> March 2012</b>	<b>(2,235)</b>	<b>2,434</b>	<b>(171)</b>	<b>28</b>

**G 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.

	<b>Amgen Cymru</b>		<b>Amgen Rhondda</b>	
	<b>March 2011</b>	<b>March 2012</b>	<b>March 2011</b>	<b>March 2012</b>
		<b>Draft</b>		<b>Draft</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shareholding	2,806	2,806	679	542
Net Current Assets	1,633	2,253	575	456
Total Assets less Current Liabilities	6,753	7,175	679	542
Net Assets	5,017	5,041	679	542
(Loss)/Profit Before Tax	508	24	(18)	(136)
(Loss)/Profit After Tax	464	24	(19)	(136)
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 for Year Ended 31 <sup>st</sup> March 2012		Not Yet Given for Year Ended 31 <sup>st</sup> March 2012	

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

**G 5.0 Associate Company Statutory Accounts**

A summary of the statutory accounts for Capita Glamorgan Consultancy Ltd 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).

	<b>Capita Glamorgan Consultancy Ltd</b>	
	<b>31<sup>st</sup> December 2010</b>	<b>31<sup>st</sup> December 2011</b>
		<b>Draft</b>
	<b>£'000</b>	<b>£'000</b>
Shareholding	27.93%	27.93%
Net Current Assets	139	426
Total Assets less Current Liabilities	345	617
Net Assets	335	611
(Loss)/Profit Before Tax	303	381
(Loss)/Profit After Tax	222	276
Registration No.	6638751	
Registered Office/Location of Accounts	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Auditors	KPMG Audit Plc	
Audit Opinion	Not Yet Given for Year Ended 31 <sup>st</sup> December 2011	

**G 6.0 Consolidation Adjustments****G 6.1 Capital Adjustment Account**

	<b>£'000</b>
<b>Balance as at 31<sup>st</sup> March 2011</b>	<b>(463,999)</b>
(Gains)/Losses in Single Entity Accounts	(2,007)
<b>Balance as at 31<sup>st</sup> March 2012</b>	<b>(466,006)</b>

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 £2,434k.

**G 7.0 Cash Flow Statement – Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements**

2010/11		2011/12
£'000		£'000
(101,172)	Depreciation & Impairment	(43,319)
(1,685)	Amortisation	(2,208)
(14,581)	(Increase)/Decrease in Creditors	7,394
10,006	Increase/(Decrease) in Debtors	(6,182)
24	Increase/(Decrease) in Stock	83
108,100	Movement in Pension Liability	(9,120)
970	Contribution to Provisions	(3,426)
(195)	Holiday Pay Accrual	(1,576)
873	Revenue Grant Earmarked Reserves	7,519
(1,264)	Capital Grants Unapplied	1,567
(10,915)	Revenue Expenditure Funded from Capital Under	(11,827)
(12,432)	Other non-cash items charged to the net surplus or deficit on the provision of services	(9,182)
<b>(22,271)</b>	<b>Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(70,277)</b>

**G 8.0 Cash Flow Statement - Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities**

2010/11		2011/12
£'000		£'000
(1,749)	Proceeds from the sale of Property, Plant and Equipment, investment property and intangible assets	(2,060)
56,424	Any other items for which the cash effects are investing or financing cash flows	24,606
<b>54,675</b>		<b>22,546</b>

**G 9.0 Cash Flow Statement – Interest within Operating Activities**

The cash flows for operating activities include the following items:

2010/11		2011/12
£'000		£'000
(123)	Interest received	(145)
11,331	Interest paid	11,296
<b>11,208</b>	<b>Net Cash Flows from Operating Activities relating to Interest</b>	<b>11,151</b>

**G 10.0 Cash Flow Statement - Investing Activities**

2010/11		2011/12
£'000		£'000
84,240	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	66,617
15,587	Purchase and Redemption of Short-Term and Long-Term Investments	(1,304)
(1,354)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,248)
(53,091)	Capital Grants Received	(20,558)
<b>45,382</b>	<b>Net Cash Flows from Investing Activities</b>	<b>43,507</b>

**G 11.0 Cash Flow Statement - Financing Activities**

2010/11		2011/12
£'000		£'000
(819)	Cash Receipts of Short-Term and Long-Term	(51)
983	Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases and On-Balance Sheet PFI Contracts	1,022
0	Repayments of Short-Term and Long-Term Borrowing	5,000
<b>164</b>	<b>Net Cash Flows from Financing Activities</b>	<b>5,971</b>

**G 12.0 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.

2010/11		2011/12
£'000		£'000
(250)	Amgen Rhondda supplies to the Council	(50)
(4,209)	Amgen Cymru supplies to the Council	(6,448)
548	Council supplies to Amgen Cymru	947
<b>(3,911)</b>	<b>Net Expenditure</b>	<b>(5,551)</b>



**G 13.0 Debtors**

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

<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
7,996	Central Government Bodies	18,988
692	Other Local Authorities	607
2	NHS Bodies	0
28	Public Corporations and Trading Funds	80
40,639	Other Entities and Individuals	23,900
<b>49,357</b>	<b>Total</b>	<b>43,575</b>

**G 14.0 Creditors**

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

<b>2010/11</b>		<b>2011/12</b>
<b>£'000</b>		<b>£'000</b>
(4,508)	Central Government Bodies	(3,689)
(805)	Other Local Authorities	(302)
(756)	NHS Bodies	(894)
(152)	Public Corporations and Trading Funds	(131)
(62,311)	Other Entities and Individuals	(45,256)
<b>(68,532)</b>	<b>Total</b>	<b>(50,272)</b>

**G 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	Homecare Fairer Charge - Learning Disability Clients (Short-Term Provision)	Land Purchases and Part 1 Claims - Land Costs (Short-Term Provision)	Insurance Claims (Long-Term Provision)	MGCC Disaggregation (Long-Term Provision)	Amgen Cymru – Landfill Aftercare (Long-Term Provision)	Amgen Cymru – Deferred Tax (Long-Term Provision)	Amgen Cymru – HMRC Provision (Long-Term Provision)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2011</b>	154	0	7,443	754	912	0	0	9,263
Additional provisions made in 2011/12	0	4,008	0	39	196	42	636	4,921
Amounts used in 2011/12	0	0	0	0	(318)	0	0	(318)
Unused amounts reversed in 2011/12	0	0	(1,177)	0	0	0	0	(1,177)
<b>Balance at 31<sup>st</sup> March 2012</b>	<b>154</b>	<b>4,008</b>	<b>6,266</b>	<b>793</b>	<b>790</b>	<b>42</b>	<b>636</b>	<b>12,689</b>

#### **G 15.1 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 (2010/11 £2 per tonne) in order to provide for this.

#### **G 15.2 Amgen Cymru – Deferred Tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax is also recognised where transactions or events have occurred at the balance sheet date that will result in an obligation to pay more, or a right to pay less, or to receive more tax.

#### **G 15.3 Amgen Cymru – HMRC Provision**

The provision relates to a tax repayment received from HMRC during the year in respect of a repayment of landfill tax. The company is currently awaiting the outcome of pending legal advice and confirmation from HMRC that the repayment is a realisable benefit to Amgen Cymru. The outcome of this will provide clarification as to whether the repayment should be released to the Comprehensive Income and Expenditure Statement.

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## Rhondda Cynon Taf Pension Fund Accounts

### **Background to the Fund**

The Rhondda Cynon Taf County Borough Council Pension Fund was established with effect from 1<sup>st</sup> 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**

2010/11 £'000		Note	2011/12	
			£'000	£'000
	<b>Contributions</b>			
(81,755)	Employer contributions	8.0	(82,693)	
(25,367)	Member contributions	8.0	(25,874)	
<b>(107,122)</b>				<b>(108,567)</b>
	<b>Transfers in from other pension funds</b>			
(6,779)			(69,253)	
(5,133)	Other income		(5,313)	
<b>(11,912)</b>				<b>(74,566)</b>
	<b>Benefits</b>			
71,901	Pensions		79,987	
23,008	Commutation of pensions and lump sum retirement benefits		23,497	
2,044	Lump sum death benefits		1,959	
<b>96,953</b>		8.0		<b>105,443</b>
	<b>Payments to and on account of leavers</b>			
6,810	Transfers out to other pension funds		4,175	
13	Other payments		13	
<b>6,823</b>				<b>4,188</b>
<b>1,952</b>	<b>Administrative expenses</b>	9.0		<b>1,689</b>
<b>(13,306)</b>	<b>Net (Additions)/Withdrawals from Dealings With Members</b>			<b>(71,813)</b>
	<b>Investment income</b>			
(24,324)	Income from fixed interest securities		(26,572)	
(25,525)	Dividends from equities		(23,475)	
(338)	Income from index-linked securities		(58)	
(1,936)	Income from pooled investment vehicles		(5,634)	
(55)	Interest on cash deposits		(89)	
<b>(52,178)</b>				<b>(55,828)</b>
(84,392)	<b>(Profits) and losses on disposal of investments and changes in the value of investments</b>		(7,221)	
				<b>(7,221)</b>
3,775	Investment Management Expenses	9.0		4,337
1,200	Taxes on Income			1,403
<b>(131,595)</b>	<b>Net Returns on Investments</b>			<b>(57,309)</b>
<b>(144,901)</b>	<b>Net (increase)/decrease in net assets available for benefits during the year</b>			<b>(129,122)</b>
<b>(1,511,003)</b>	<b>Opening Net Assets</b>			<b>(1,655,904)</b>
<b>(1,655,904)</b>	<b>Closing Net Assets</b>			<b>(1,785,026)</b>

**Net Assets Statement**

31/03/11 £'000		Note	31/03/12	
			£'000	£'000
	<b><u>Investment Assets</u></b>			
	<b>Fixed interest securities</b>			
163,861	Public sector		171,967	
197,654	Corporate bonds		226,954	
		4.0		<b>398,921</b>
896,216	<b>Equities</b>	4.0		<b>884,706</b>
	<b>Index linked securities</b>			
3,796	Public sector		8,066	
		4.0		<b>8,066</b>
	<b>Pooled investment vehicles</b>			
64,505	Open ended investment companies		66,394	
163,293	Managed funds		172,112	
111,615	Property		116,783	
		4.0		<b>355,289</b>
<b>36,906</b>	<b>Cash deposits</b>			<b>58,204</b>
	<b>Other investment balances</b>			
6,781	Accrued interest		6,670	
26,331	Investment debtors		9,093	
1,628	Tax recoverable		558	
				<b>16,321</b>
<b>1,672,586</b>				<b>1,721,507</b>
	<b><u>Investment Liabilities</u></b>			
(22,949)	Investment creditors			<b>(6,055)</b>
<b>1,649,637</b>	<b>Net investment assets</b>			<b>1,715,452</b>
	<b><u>Current Assets</u></b>			
4,969	Contributions due from employers	10.0	5,002	
843	Cash balances		853	
0	Amount owed from RCTCBC		423	
3,996	Other current assets		65,267	
				<b>71,545</b>
	<b><u>Current Liabilities</u></b>			
(2,325)	Amount owed to RCTCBC		0	
(1,216)	Current liabilities		(1,971)	
				<b>(1,971)</b>
<b>1,655,904</b>	<b>Net assets of the scheme available to fund benefits at the period end</b>			<b>1,785,026</b>

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 2011/12, and the Pension Fund SORP (Financial Reports of Pension Schemes – A Statement of Recommended Practice (Revised May 2007)). 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**

Where material, accruals are made for employee and employer fund contributions, investment income, benefits paid, administration costs, investment management fees and advisors fees. Transfer values are accounted for on a cash basis, with the exception of material group transfers.

### **2.2 Investment Valuation**

Listed securities are valued in accordance with IAS 39, using bid prices as at 31<sup>st</sup> March 2012 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 31<sup>st</sup> March 2012. 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 £1,056k (£952k in 2010/11) and the market value of separately invested AVCs at the balance sheet date was £5,374k (£5,304k in 2010/11).

### **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 2011/12 amounted to £0.7m (£1.5m in 2010/11).

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.

## 2.5 Taxation

As a registered public service scheme the pension fund is exempt from UK income tax and capital gains tax. Overseas investment income suffers withholding tax in the country of origin unless exemption is granted.

Irrecoverable tax is accounted for as an expense in the Fund Account, with any recoverable tax shown as an asset in the Net Assets Statement.

There is a small liability to income tax on refunds of contributions and compounded pensions (small pensions converted into lump sums). These amounts are paid to HMRC on a quarterly basis.

VAT is recoverable on all activities, so the accounts are shown exclusive of VAT.

## 3.0 Actuarial Position

The Fund's Actuary, AON Hewitt carried out an actuarial valuation of the Fund as at 31<sup>st</sup> 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	31/03/2007
	£'m	£'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. The key financial assumptions made are listed below:

	<b>2010 Valuation</b>	<b>2007 Valuation</b>
<b>Assumption</b>	<b>% p.a.</b>	<b>% p.a.</b>
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 <sup>th</sup> April 1988	2.7	2.7
GMPs Accrued Before 6 <sup>th</sup> April 1988	0.0	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 also requires the disclosure of the actuarial present value of promised retirement benefits for the whole fund, using projected salary levels in accordance with IAS 19. These will be updated at each triennial valuation, or if there are material changes in fund membership or actuarial assumptions.

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

The change from RPI to CPI for pension increases in the June 2010 Emergency Budget has had a significant impact on the value of future benefits. Had the change been implemented from 31<sup>st</sup> 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

	2010/11		2011/12	
	£'000	£'000	£'000	£'000
<b><u>Equities</u></b>				
UK	248,220		247,775	
Overseas	647,996		636,931	
		<b>896,216</b>		<b>884,706</b>
<b><u>Fixed interest</u></b>				
UK	350,017		394,750	
Overseas	11,498		4,171	
		<b>361,515</b>		<b>398,921</b>
<b><u>Index linked</u></b>				
UK	3,796		8,066	
Overseas	0		0	
		<b>3,796</b>		<b>8,066</b>
<b><u>Pooled investments</u></b>				
UK - property	89,174		96,479	
Overseas - property	22,441		20,305	
UK – other	88,109		98,305	
Overseas - other	139,689		140,200	
		<b>339,413</b>		<b>355,289</b>
<b>Total long-term investments</b>		<b>1,600,940</b>		<b>1,646,982</b>

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	
	31/03/11 £'000	31/03/12 £'000	31/03/11 %	31/03/12 %
Baillie Gifford (Equities)	331,789	339,447	20.2	19.8
Baillie Gifford (High Alpha Equities)	299,052	305,057	18.3	17.8
Newton (High Alpha Equities)	259,035	248,035	15.8	14.5
Invesco (UK Equities)	74,643	83,880	4.6	4.9
BlackRock (UK Equities)	82,708	84,883	5.0	5.0
L&G (Passive Equities)	86,686	86,587	5.3	5.1
F&C (Bonds)	372,539	423,204	22.7	24.7
CBRE (Property)	112,680	118,585	6.9	6.9
Internal	19,501	22,612	1.2	1.3
<b>Total</b>	<b>1,638,633</b>	<b>1,712,290</b>	<b>100.0</b>	<b>100.0</b>

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 £1,496k (£4,684k in 2010/11) of lump sums potentially payable to retiring members, and a contingent liability of £349k (£355k in 2010/11) 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 2011/12 are shown below.

Fund manager	Market Value 01/4/11	Purchases	Sales	Change in Market Value	Market Value 31/03/12
	£'000	£'000	£'000	£'000	£'000
Baillie Gifford (Equities)	330,189	47,494	(40,259)	(9,507)	327,917
Baillie Gifford (High Alpha Equities)	295,785	45,986	(32,410)	(8,635)	300,726
Newton (High Alpha Equities)	256,644	108,666	(109,678)	(14,447)	241,185
Invesco (UK Equities)	74,643	975	0	8,262	83,880
BlackRock (UK Equities)	80,066	10,405	(7,642)	88	82,917
L&G (Passive Equities)	86,686	0	0	(100)	86,586
F&C (Bonds)	372,092	1,322,809	(1,297,252)	16,008	413,657
CBRE (Property)	111,616	5,898	(1,120)	390	116,784
<b>Total</b>	<b>1,607,721</b>	<b>1,542,233</b>	<b>(1,488,361)</b>	<b>(7,941)</b>	<b>1,653,652</b>

The market value of bonds shown includes accrued interest.

## 8.0 Contributions Receivable and Benefits Payable

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

Type of Body	Member Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	8,337	8,385	26,911	28,117	21,701	20,532
Admitted	3,004	2,816	13,009	11,046	10,705	9,102
Scheduled	14,026	14,673	41,835	43,530	64,547	75,809
<b>Total</b>	<b>25,367</b>	<b>25,874</b>	<b>81,755</b>	<b>82,693</b>	<b>96,953</b>	<b>105,443</b>

Included in employer contributions are £59k of augmented contributions (£3,422k in 10/11).

Employers' contributions include deficit funding contributions, values for which cannot be readily 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 2011/12 are set out below:

	2010/11	2011/12
	£'000	£'000
Fund management expenses	3,317	4,019
Investment administration expenses	458	318
Pensions administration expenses	1,952	1,689
<b>Total</b>	<b>5,727</b>	<b>6,026</b>

This represents 0.34% (0.35% in 2010/11) of the value of the Pension Fund as at 31<sup>st</sup> March 2012.

## 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 £1.3m (£1.5m in 2010/11). 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 (£5.0m in 2010/11), of which £3.8m related to employer contributions and £1.2m to employee contributions.

## 11.0 Membership of the Fund

Fund membership at 31<sup>st</sup> March is as follows:

	2011	2012
Active employers	44	42
Contributors	23,510	23,396
Pensioners	13,854	14,378
Dependants	2,567	2,622
Deferred beneficiaries	16,607	15,821

## 12.0 Prior Period Adjustment

The PRAG publication "Financial Reports of Pension Schemes: A Statement of Recommended Practice (Revised May 2007)", states that irrecoverable withholding tax should be shown separately as a tax charge in the Fund Account.

This has been amended with effect from 2011/12 and a prior period adjustment has been made on 2010/11 comparators, increasing 'dividends from equities' by

£1,200k and including 'taxes on income' of the same amount. There is no net effect upon the Fund Account.

### **13.0 Group Transfers**

A transfer of £1,687k was received in respect of the Royal Welsh College of Music and Drama. A transfer payment of £206k was made in respect of the Higher Education Funding Council for Wales. The Fund is also currently in the process of determining transfers into the Fund in respect of the Wales Probation Trust, estimated at £60m - £65m in total, for which an accrual has been made.

### **14.0 Nature and Extent of Risks Arising From Financial Instruments**

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability (or equity instrument) of another entity. There are three main ways in which the Pension Fund is exposed to risk from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

The overall objective is to minimise the risk of a reduction in the value of the Fund, and to maximise the opportunity for gains within reasonable risk parameters.

The Funding Strategy Statement identifies key risks to the Pension Fund together with the countermeasures undertaken to mitigate the risks.

#### **14.1 Credit Risk**

Credit risk is the possibility that a counterparty will fail to discharge its obligation to the Pension Fund, causing a financial loss. Counterparties considered are banks and financial institutions with whom investments are placed, employers within the Fund and investment managers. The risk of counterparties failing to discharge obligations is managed in a number of ways:

- Counterparties for cash investments made by the Administering Authority must meet the strict credit criteria set out in the Rhondda Cynon Taf CBC Treasury Management Strategy.
- Participating employers may be required to provide a bond to cover the risk to the Fund should they be unable to meet their pension contribution obligations.
- Investment Managers manage funds that are held in the name of the Pension Fund, not in the name of the investment managers. In the event of the investment manager being unable to fulfil their obligations the Fund's investments will not be considered part of their asset portfolio.

The Pension Fund has had no experience of counterparty default in the last five years. Cash deposits held by the Administering Authority for the Pension Fund as at 31<sup>st</sup> March 2012 amounted to £21.68m with the following institutions:

Institution	Balance at 31/3/12 £'000	Maturity Date
Leeds City Council	6,100	02/04/12
Leeds City Council	2,460	03/04/12
Blaenau Gwent County Borough Council	1,000	12/04/12
Blaenau Gwent County Borough Council	4,500	04/04/12
Blaenau Gwent County Borough Council	500	04/04/12
Neath Port Talbot County Borough Council	4,000	13/04/12
Salford City Council	1,700	10/04/12
Newport City Council	1,000	05/04/12
Gosport Borough Council	420	02/04/12
<b>Total</b>	<b>21,680</b>	

The Treasury Management strategy sets a limit of £15m for cash deposits with individual Local Authorities.

## 14.2 Liquidity Risk

Liquidity risk is the risk that the Pension Fund will not be able to meet its financial obligations as they fall due. This risk is managed by:

- Maintaining a robust cashflow monitoring and forecasting model.
- Ensuring that the Pension Fund has access to cash in the short and medium-term to pay pensions by managing cashflow from money-market investments.
- Taking actuarial advice to set employer contribution rates at triennial valuations in order to meet the long-term funding requirements to pay pensions and other commitments.

The Administering Authority has immediate access to internally managed Pension Fund cash balances held with its own bank, Barclays. The Authority also invests Pension Fund cash in short-term deposits with the Debt Management Office or other UK public bodies for periods normally less than 3 months.

## 14.3 Market Risk

Market risk is the risk of a loss in the value of investment assets from movements in investment markets e.g. asset prices, interest rates and currency exchange rates. This risk is managed by:

- Ensuring that the Fund invests in a broad range of assets diversified by Investment Manager, asset class and geographical region.

Following analysis of historic data, State Street, the Fund's custodian, have provided a view of potential market movements for 2012/13. The possible impact of movements is shown in the following tables:

Asset type	31/3/12 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
UK Equities	346,080	13.5	392,801	299,359
Overseas Equities	777,131	15.3	896,032	658,230
UK Bonds	394,750	4.8	413,698	375,802
Overseas Bonds	4,171	10.4	4,605	3,737
Index Linked	8,066	6.9	8,623	7,509
Property	116,784	6.1	123,908	109,660
<b>Total</b>	<b>1,646,982</b>		<b>1,839,667</b>	<b>1,454,297</b>

The Fund's interest rate risk is monitored regularly with the advice of the Administering Authority's treasury advisors. Interest rates changes can affect Fund income and asset values.

A movement in interest rates of 1% for the 2012/13 financial year would have the following effect:

Asset type	31/3/12 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Fixed interest securities	406,987	411,057	402,917
Cash deposits	58,204	58,786	57,622
Cash balances	853	862	844
<b>Total</b>	<b>466,044</b>	<b>470,705</b>	<b>461,383</b>

Currency risk is the risk to income and investment asset values from changes in foreign exchange rates. The Fund is exposed to this risk from non-sterling denominated investments in a range of assets.

A movement in currency exchange rates of 9.6% would have the following effect:

Asset type	31/3/12 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Equities	777,131	851,736	702,526
Overseas Fixed Interest	4,171	4,571	3,771
Overseas Pooled Property	20,305	22,254	18,356
<b>Total</b>	<b>801,607</b>	<b>878,561</b>	<b>724,653</b>

## RHONDDA CYNON TAF

### ANNUAL GOVERNANCE STATEMENT

<b>1.</b>	<b>Scope of Responsibility</b>
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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.

<b>2.</b>	<b>The purpose of the governance framework</b>
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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 have been in place within the Council for the 2011/12 financial year.

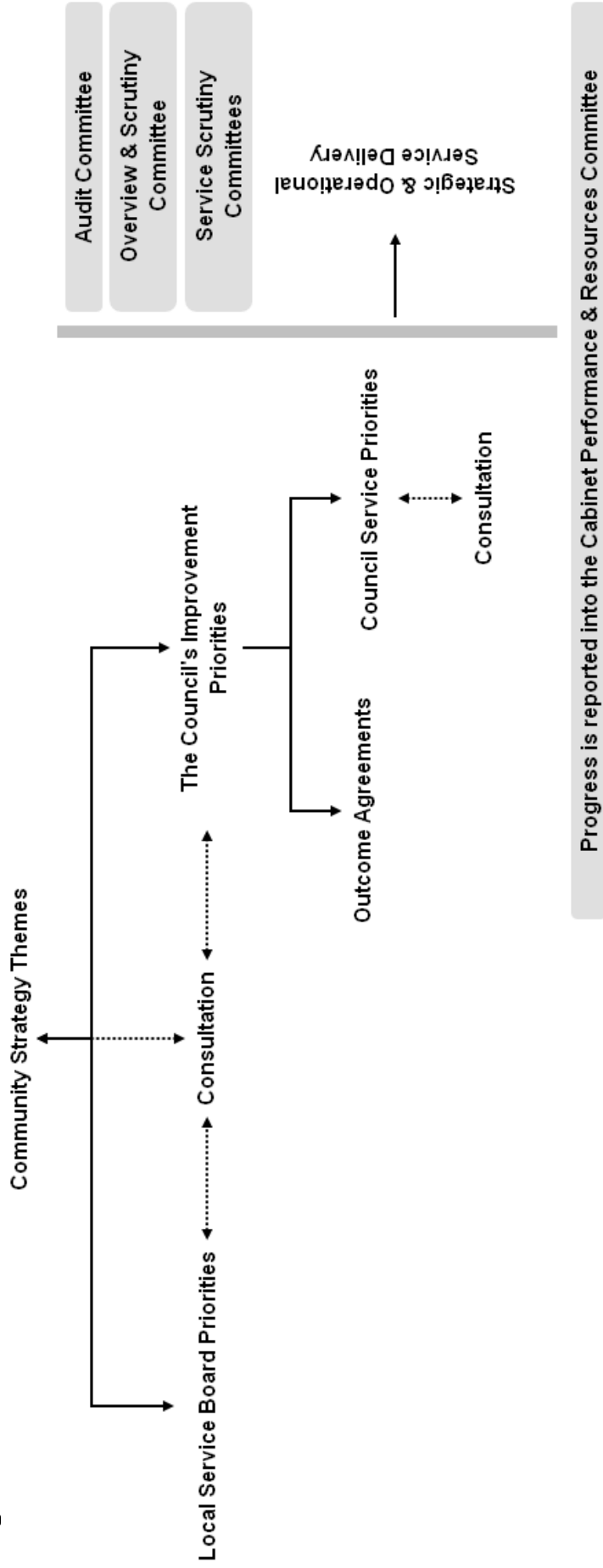
<b>3.</b>	<b>The Governance Framework</b>
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- 3.1 The CIPFA/SOLACE governance framework sets out six fundamental principles of corporate governance:
- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing 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 2011/12 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 Improvement Priorities for the Council that help deliver the long term vision for the local area.

Diagram 1:



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- 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 Part 3 (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, skills and lifelong learning' and 'Health, Social Care and Well-being'. 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 Division 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).

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- 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 (incorporating the requirements of the Bribery Act 2010);
  - Whistleblowing Policy;
  - Human Resources policies regarding the disciplining of staff involved in such incidents.
- 3.17 The Public Service Ombudsman Wales 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 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 Full Council is also responsible for approving, on an annual basis, the Improvement Priorities for the Authority. On the 20<sup>th</sup> April 2011, Full Council approved the following improvement priorities for the 2011/12 financial year;

- Medium Term Service Planning
- Education
- Street Care Services and the Natural Environment
- Children and Family Centred Services
- Maintaining People's Independence
- Enforcement and Regulation
- Regeneration of our Communities
- Better Customer Contact

Each priority contains key performance indicators and actions for improvement on areas deemed to be of highest importance to local people. Progress reports are produced on a quarterly basis for review at an officer level and thereafter, scrutiny by the Cabinet Performance and Resources Committee and the Council's 5 scrutiny committees. This information also forms part of the Council's corporate risk management arrangements, with plans in place to further develop this area during the forthcoming year.

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

3.24 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. They allow citizens to have a greater say in Council matters by holding inquiries into matters of local concern. A decision made by the Cabinet, an individual Member of the Cabinet or a Committee of the Cabinet can only be implemented after 5 clear working days following publication of the decision unless it can be demonstrated that any delay could seriously prejudice the Council's or public interest. A decision can be 'called in' by the Overview & Scrutiny Committee or one of the four service scrutiny committees if a prescribed Call in Form is received by the Monitoring Officer within the 5 day period which is signed by 3 Members of that Committee (from at least two political groups) and which sets out the reasons why they think the matter should be re-

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considered. For the 2011/12 financial year, there was one call in of a Cabinet Decision, namely, Controlling Problematic Consumption Of Alcohol which related to the proposal to introduce a county borough wide Designated Public Place Order. The original decision was made by the Cabinet on the 26<sup>th</sup> September 2011 and the decision called in for review by the Community Safety Partnership Scrutiny Committee on the 26<sup>th</sup> October 2011. The outcome from the 26<sup>th</sup> October 2011 meeting was that the matter not be referred back to the Cabinet for reconsideration and that the Cabinet decision taken on the 26<sup>th</sup> September 2011 takes effect as from the 26<sup>th</sup> October 2011.

- 3.25 As well as the ongoing Scrutiny processes, Council Officers also report regularly to Full Council, the Cabinet and the Cabinet Performance & Resources Committee.
- 3.26 Members and citizens of the County Borough are also able to raise questions at Council.
- 3.27 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.

- 3.28 **Developing the capacity and capability of members and officers to be effective**
- 3.29 The Council aims to ensure that Members and employees 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 employees undertake an induction to familiarise them with protocols, procedures, values and aims of the Council.
- 3.30 **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.
- 3.31 The Authority was recognised by the Review Team as laying down extensive foundations for Member development and support.
- 3.32 The Development/Training programme is refreshed on an annual basis, following Members feedback.
- 3.33 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.
- 3.34 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.
- 3.35 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. The working group did not meet during the financial year 2011/12.
- 3.36 **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.

- 3.37 “Learning and development” includes all activities by which employees 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.
- 3.38 The Strategy provides clarity for managers and members of staff around responsibilities and also provides guidance on the application of the document.
- 3.39 Workforce Development  
In addition to staff training and development, the Council has a Workforce Development Strategy. Throughout 2011/12 the Council continued to implement sound workforce planning arrangements to support future service delivery.



- 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](http://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.
- 3.52 Compliments received should be acknowledged and brought to the attention of the manager and staff member(s) concerned. Comments received should be acknowledged and once evaluated, used to improve service delivery (if possible), the manager will write to the sender, advising of the outcome. Complaints are dealt with in three stages (the third stage escalating to the Chief Executive), in the event that the customer is dissatisfied after the third stage, customers are advised to refer to the Public Services Ombudsman For Wales.

<b>4.</b>	<b>Review of Effectiveness</b>
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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 recommendations made by the external auditor and other review agencies and inspectorates.
- 4.2 Throughout 2011/12 the Council has routinely reviewed its system of internal control in a number of ways. These are set out below.
- 4.3 Internal Audit:**  
During 2011/12 the Council's Internal Audit Service complied with the requirements and principles of the following two Publications:
- CIPFA Code of Practice for Internal Audit 2006 – Service Standards;
  - CIPFA Role of Head of Internal Audit in Local Government.
- 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 Arrangements**  
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 2011/12 incorporates the status of previously agreed audit recommendations.
- 4.7 **Audit Committee**  
The Council's Audit Committee met on a cyclical basis during 2011/12.

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 2011/12. In addition, the Committee will receive an Annual Report for 2011/12 on the 10<sup>th</sup> April 2012 from Internal Audit within which an opinion on the Council's overall control environment will be provided.

#### 4.8 External Audit – Wales Audit Office

Each year, external audit and relevant Welsh inspectorates review the performance of local authorities in Wales in accordance with their statutory responsibilities.

Key reports published during the 2011/12 financial year are set out below.

- Audit of Financial Statements Report (issued September 2011)

The above report was presented to Full Council on the 28<sup>th</sup> September 2011. A direct extract from the report stated:

"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 31 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."

- Annual Improvement Report (issued January 2012)

External audit must report on how well Welsh Councils are planning for improvement and delivering their services. For Rhondda Cynon Taf, this is set out in the above mentioned report, a direct extract from which is set out below:

- "We found that the Council's commitment to driving improvement is clear and it is focusing its improvement agenda more clearly on services and outcomes that are important to citizens;
- We also found that there are some weaknesses in the Council's performance in some key service areas such as services to children and young people and education standards but it is demonstrating sustained improvement in waste management;
  - the Council has strength in its strategic and corporate arrangements and it needs to use these more effectively to drive the pace of change and improvement, particularly

- in respect of services to children and young people;
- the Council and its schools are performing inconsistently in relation to some key educational standards across the county borough and between schools, particularly in relation to school attendance; and
- waste management is a recognised priority for the Council and, building upon its sound performance in recycling through effective community engagement, the Council has a continued challenge to reduce the amount of waste it sends to landfill.
- Finally, the report sets out our views on the Council's own assessment of its performance and arrangements. We concluded that the Council produced a comprehensive assessment of its performance but has yet to effectively evaluate how well it is delivering its improvement priorities and assess their impact upon citizens of Rhondda Cynon Taf."

4.9 In addition, external audit have also undertaken a review of 'Information Management:

- **Information Management Review** (issued February 2012) – concluding comments by the external auditor were;

*"The Council has focused on the governance and management of electronic information and has not yet fully addressed the issues and risks associated with paper information; when strengthened and broadened to cover the entire information asset the arrangements have the potential to support improvement."*

The above report provides proposals for improvement – all of which have been accepted fully by management.

Key steps taken by the Council during 2011/12 in respect of Information Governance have been:

- Senior Information Risk Owner responsibility has been designated to the Director of Customer Care & ICT.
- Information Management has been allocated to the Portfolio of a Cabinet Member.
- A temporary Information Management Officer appointment has been made.
- Regular Information Management Bulletins are sent across the whole Council to raise awareness.
- A detailed action plan is in place and is monitored by an Information Governance Project Group.

#### **4.10 Cabinet Performance & Resources Committee**

Throughout 2011/12 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.

#### **4.11 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 allowed opportunity for more targeted discussion to understand the reasons for under performance together with the steps to be taken to support improvement.

#### **4.12 Financial Management**

Strong financial leadership continued to be at the centre of service delivery and improvement during 2011/12, This is reinforced by the Council's Chief Finance Officer (i.e. the Group Director Corporate Services) being a permanent member of the Council's Corporate Management Team.

4.13 The role of the Chief Financial Officer at Rhondda Cynon Taf is compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.

4.14 The importance of financial leadership at the Council is also reflected in the lead role it plays within one of the Council's improvement priorities – Medium Term Service Planning. This priority area drives medium to long term financial and service planning and underpinned by robust in-year financial management arrangements. In addition, in recognising the need to improve links between the use of resources and outcomes, the priority also focuses on people and physical assets, partnerships and performance management.

4.15 More specifically, proactive financial management supports all of the Council's activities. During 2011/12 the Council continued to demonstrate:

- A robust system of budget setting and monitoring consisting of:
  - A comprehensive and regularly updated forward looking financial plan from which to construct a balanced budget
  - Arrangements to equality impact assess budget proposals to ensure they met the requirements of the Public Sector Equality Duties and in doing so, took account of the likely impact of the decision in terms of equality and discrimination
  - Rigorous financial management support to services, the results of which reported to the Corporate Management Team on a monthly basis (and used to inform the Council's corporate risk management arrangements)
  - 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

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- Citizen engagement during the revenue budget setting process for 2011/12
- 4.16 The introduction of the International Financial Reporting Standards imposed significant additional demands on the Council's finance staff. Despite these additional pressures, the accounts were prepared by the statutory deadline and to a good standard.
- 4.17 Performance Management Framework**  
The key elements of the Performance Management Framework that were in place during 2011/12 were as follows:
- Community Strategy Themes setting out the long term vision for the County Borough
  - 8 Council Improvement Priorities
  - A comprehensive suite of strategic and operational business plans supporting the Council's Improvement Priorities and contributing to the delivery of the Community Strategy themes
  - Outcome Agreement, a formal agreement with the Welsh Government where payment of a designated grant is based upon performance.
- All of the above were monitored and scrutinised 2011/12 as part of the Council's quarterly performance reporting arrangements.
- 4.18 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.
- 4.19 *Authorised Officers* - A Chief Officer with functions delegated to him or her can authorise an officer to take decisions on his or her behalf.
- 4.20 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 2011/12.
- 4.21 BACS Approved Bureau Scheme – Triennial Inspection**  
During September 2011 a BACS Inspector reviewed the following areas of the Council's BACS operations:
- Bureau Organisation and Financial Information
  - Physical Security
  - Computer Operations
  - Applications and Systems Support
  - BACS Processing and Operations
- In all areas, the BACS Inspector rated the Council as Excellent.

**5.****Significant Governance Issues**

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

5.1 Overall, the anticipated reduction in revenue and capital funding from the Welsh Government represents the most significant challenge to the Council in its drive to help improve outcomes for local people. This outlook will 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.

To meet this challenge, the Council has put in place robust arrangements to enable the business to be effectively and efficiently managed into the medium to long term, a key part of which embraces collaboration with others. The overall arrangements are supported by 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 specific challenges that will require sound governance arrangements if the best possible outcomes are to be delivered for local people. The key areas are;

- Raising education standards in schools – in terms of literacy and numeracy and increasing attendance levels. Work will focus upon supporting effective leadership in schools, robust and timely performance information and where appropriate, intervention by the Council, to help schools make necessary improvement. To further inform this area, the Council has been subject to an Estyn Inspection in March 2012, the outcome of which will be known during quarter 1 of the forthcoming financial year;
- Increased numbers of children on the Child Protection Register and becoming looked after - attention will focus on the delivery of a robust performance management framework to monitor and report the progress being made by the Council and the impact it is having, together with supporting the work of the Local Children's Safeguarding Board;
- An ageing population and changing needs of vulnerable groups – work will centre on reinforcing collaborative arrangements and associated governance arrangements to ensure outcomes and responsibilities are clear.
- The delivery of an effective and efficient Waste Management Service, including meeting European Union landfill targets – work





will focus on sound contract award / management arrangements for the delivery of a food waste treatment plant;

The above areas have been identified by the Council as Significant Governance Issues and as such, have been incorporated into the Authority's proposed priority areas for improvement for 2012/13. If approved by Council, quarterly progress up dates will be made public for Member and Stakeholder scrutiny. This approach aims to continue 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.

	
<p>Leader</p>	<p>Chief Executive</p>

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## **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 31<sup>st</sup> March 2012 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 and the Cash Flow Statement.

Rhondda Cynon Taf County Borough Council's 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 2011-12 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 15 to 16, 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 and 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 31<sup>st</sup> March 2012 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 2011/12.

### **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 31<sup>st</sup> March 2012 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 2011/12.

### **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 31<sup>st</sup> March 2012 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **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.



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## 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.

### **Audit**

An audit is an independent examination of activities.

### **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.

### **Corporate and Democratic Core (CDC)**

CDC is a service defined by the Service Reporting 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 Reporting Standard (FRS)**

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

**Financial Year**

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

**GMP**

Guaranteed Minimum Pension.

**HMRC**

Her Majesty's Revenue and Customs.

**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.

**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.

**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).

**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 Service Reporting 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.

**SeRCOP**

The Service Reporting Code of Practice for Local Authorities 2011/12.



**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.

**Sub Lessor**

A sublease is a lease between a tenant who already holds a lease to a commercial space or property and someone (the sublessee) who wants to use part or all of the tenant's space.

**Trust Fund**

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

**Voluntary Aided School**

Voluntary aided schools are mainly religious or faith schools, although anyone can apply for a place. The governing body employs the staff and sets admissions criteria. School land and buildings are normally owned by a charitable foundation, often a religious organisation, and the governing body contributes to building and maintenance costs.

**Voluntary Controlled School**

Voluntary controlled schools are similar to voluntary controlled schools, but are run by the local authority. The local authority employs the school's staff and sets the admissions criteria. School land and buildings are normally owned by a charity, often a religious organisation, which also appoints some of the members of the governing body.

**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.