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**Rhondda Cynon Taf County Borough Council****Statement of Accounts 2003/04**

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## **Explanatory Foreword**

### **1. Introduction**

Rhondda Cynon Taf County Borough Council came into existence 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, serving an area in the South Wales Valleys covering 42,000 hectares, stretching from the Brecon Beacons National Park in the North to the Capital City of Cardiff in the South.

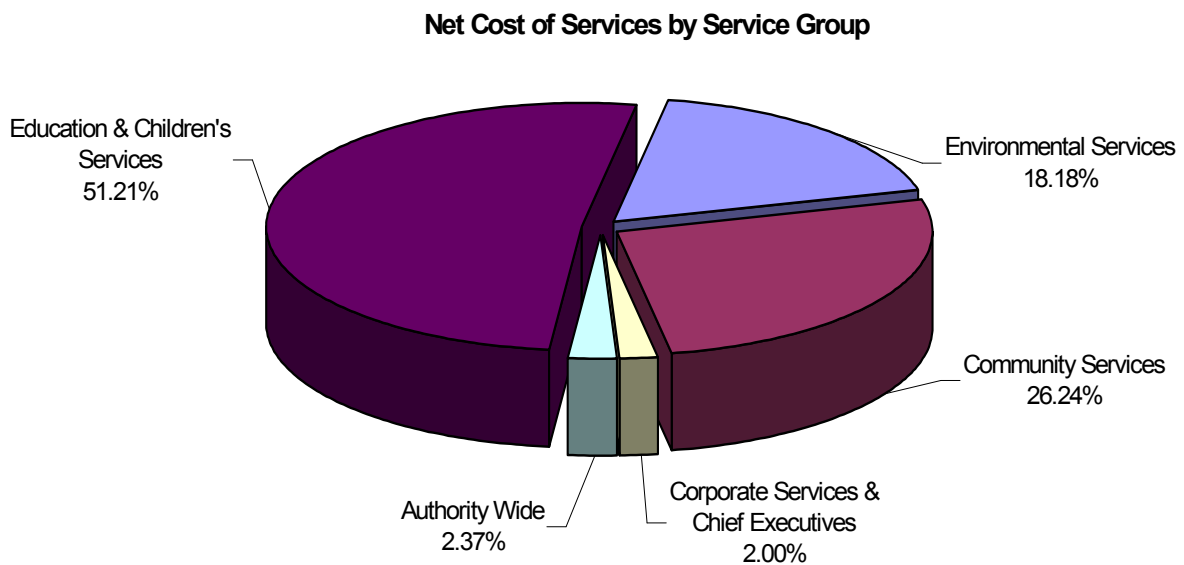
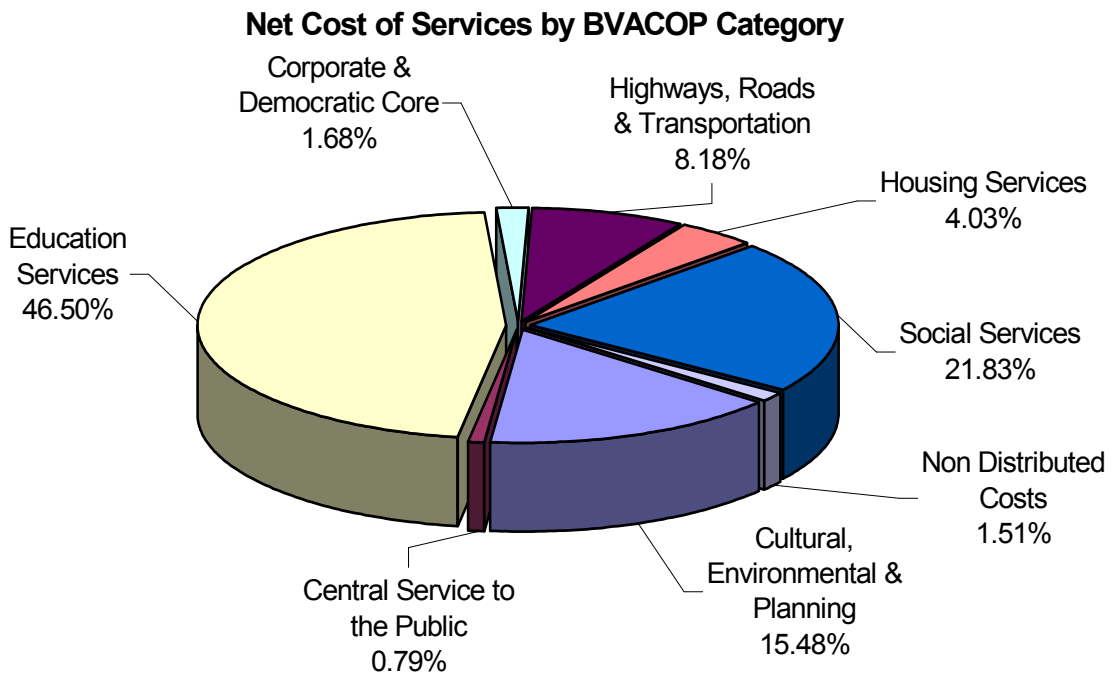
The accounts for 2003/04 have been prepared in accordance with current legislation and recommended accounting practice. The form of accounts for all Local Authorities has been prescribed under the Accounts and Audit Regulations 1996, as amended in 1997 and 2001. The Code of Practice on Local Authority Accounting in Great Britain 2003 prescribes the form and contents of accounts from 1<sup>st</sup> April 2003.

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

The accounts set out on pages 2-80 comply with the Codes of Practice other than where specific reference is made to the contrary.

**2. General Fund Revenue Account 2003/04**

The Consolidated Revenue Account provides an analysis of the Council's gross revenue expenditure and income and shows how this has been funded. The chart below provides an analysis of the Net Cost of Services (£330m) by Best Value Accounting Code of Practice Service Expenditure Analysis Area. For information purposes, the net cost is also analysed by current service group operational within the Council.



The following table details each of the five groups' actual performance and budget during 2003/04:

<b>Service Group</b>	<b>Budget £'000</b>	<b>Spend £'000</b>	<b>Variance £'000</b>
Education & Children's Services	156,007	156,458	451
Community Services	72,524	72,403	(121)
Environmental Services	42,631	42,484	(147)
Chief Executives	5,765	5,795	30
Corporate Services	13,306	12,695	(611)
Authority Wide	32,952	30,700	(2,252)
<b>Total</b>	<b>323,185</b>	<b>320,535</b>	<b>(2,650)</b>

	<b>£'000</b>
<b>General Fund Reserves as at 31<sup>st</sup> March 2003</b>	<b>(8,174)</b>
Revenue Budget Out-turn (Variance as above)	(2,650)
<b>General Fund Reserves as at 31<sup>st</sup> March 2004</b>	<b>(10,824)</b>

Capital reserves as at 31<sup>st</sup> March 2004 totalled £534.8m (of which £11.9m can be used to support capital spending).

Gross Expenditure on Services amounted to £542m, this can be analysed over the following expenditure categories: -

<b>Type of Expenditure</b>	<b>£'m</b>	<b>%</b>
Employees	227	42
Premises	32	6
Transport	18	3
Supplies and Services	81	15
Payments to Third Parties	51	9
Transfer Payments	47	9
Capital Charges (e.g. interest)	56	10
Other Operating Costs (e.g. support services)	30	6
<b>Total Gross Expenditure</b>	<b>542</b>	<b>100</b>

Income during the year totalled £544m and came from the following sources:-

<b>Income Analysis</b>	<b>£'m</b>	<b>%</b>
<u>Direct Service Income</u>		
Specific Grants	88	16
Sales, Fees & Charges	29	5
HRA	45	8
Other Income	50	9
<b>Sub-total Direct Service Income</b>	<b>212</b>	<b>38</b>
<u>Other Income</u>		
General Government Grants	221	41
National Non Domestic Rates	47	9
Council Tax	64	12
<b>Total Income</b>	<b>544</b>	<b>100</b>

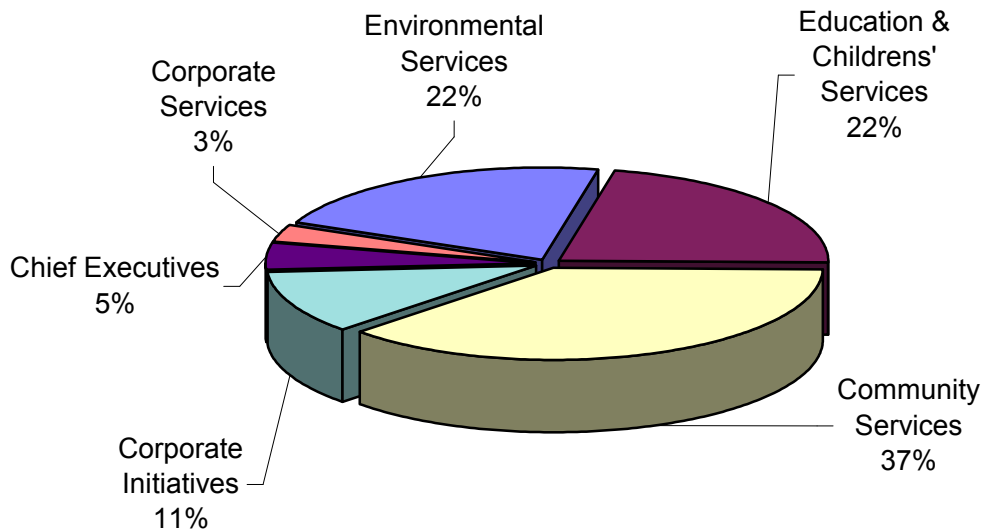
### 3. Housing Revenue Account

The Housing Revenue Account shows income and expenditure in relation to the provision of Council housing. This includes administration, rent rebates and capital financing costs, and how these are met by rents, subsidy and other income. The Housing Revenue Account is shown on page 59.

### 4. Capital Expenditure and Income 2003/04

During the year the Council spent £52.4m on capital expenditure, as summarised below: -

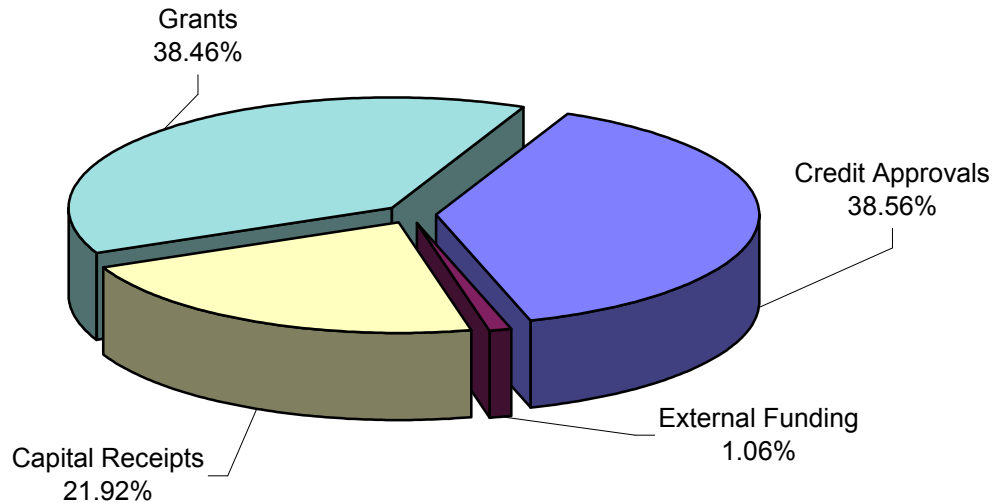
Group	£'000	%
Corporate Initiatives	5,873	11
Corporate Services	1,636	3
Chief Executives	2,364	5
Education & Children's Services	11,472	22
Community Services	19,779	37
Environmental Services	11,308	22
<b>Total</b>	<b>52,432</b>	<b>100</b>



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

Expenditure on Fixed Assets	£'m	%
Fixed Assets	36.6	70
Deferred Charges	15.8	30
<b>Total</b>	<b>52.4</b>	<b>100</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: -

Ysgol Henfelin (former Rhondda Special School)  
Communities First Play Areas  
Broadband Network Infrastructure

Major commitments over the next two years in respect of capital schemes as at 31<sup>st</sup> March 2004 included the following schemes: -

Scheme	£'000
Coed-Y-Lan Comprehensive	4,032
Cefn-Yr-Hendy Site	2,161
Porth Plaza	2,401
Hawthorn High School	1,869

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

## 5. Borrowing Arrangements and Sources of Funds

Each year, in accordance with the Local Authorities (Capital Expenditure) Regulations 1990, the Council has to set limits in relation to: -

- Overall borrowing limit for the year;
- Short term borrowing limit for the year;
- Proportion of total amount of interest payable, which is at variable interest rates.

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

Overall borrowing limit	£397m
Short term borrowing limit	£25m
Limit on variable rate interest	20% of total interest payable

As can be seen from the Consolidated Balance Sheet, overall borrowing totalled £296m. Long Term Borrowing totalled £279m at 31<sup>st</sup> March 2004. The limit for short term borrowing relates to the maximum amount the Council can borrow to cover a shortfall in cashflows. It does not relate to long term PWLB or market loans with maturity of less than a year.

Note 11 to the Consolidated Balance Sheet demonstrates that the majority of external borrowing (£259.5m) was from the Public Works Loan Board (PWLB). The balance comprises £35m from market loans and individual lenders in the form of local bonds and £1.2m from other sources.

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

## **6. Pensions Asset/Liability**

As a result of Financial Reporting Standard 17 "Retirement Benefits", local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the balance sheet date. In prior years the requirement has been to simply include contributions paid in the Consolidated Revenue Account.

Please refer to Consolidated Revenue Account note 8, Balance Sheet note 29 and Statement of Total Movement on Reserves note 2 for further details.

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

	<b>£'000</b>
Net Assets excluding Pensions Reserve	572,232
Net Assets as per Balance Sheet	305,532

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## **7. Introduction to Accounting Statements**

### **Statement of Accounting Policies**

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

### **Consolidated Revenue Account**

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

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

### **Consolidated Balance Sheet**

This statement shows the Council's financial position as at 31<sup>st</sup> March 2004. It includes the assets and liabilities of all activities of the Council, the balances and reserves at the Council's disposal, its long term indebtedness, and the fixed and net current assets employed in the Council's operations.

### **Statement of Total Movements in Reserves**

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

### **Cashflow Statement**

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

### **Housing Revenue Account**

This reflects a statutory obligation to account separately for the provision of council housing as defined in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure (repairs and maintenance, supervision and management, rent



rebates and capital financing costs) and how these are met by rents, subsidy and other income.

### **Summary Pension Fund Accounts**

As administering authority responsible for the Rhondda Cynon Taf County Borough Council Pension Fund, the Council has an obligation to include a summary of the Pension Fund Accounts within its own Statement of Accounts. The statement is prepared in accordance with the Statement of Recommended Practice No.1 (SORP1), Pension Scheme Accounts.

### **Statement on the System of Internal Financial Control**

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

### **Statement of Responsibilities for the Statement of Accounts**

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

### **Certificate of the Group Director - Corporate Services**

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

### **Auditor's Report and Certificate**

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

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## Statement of Accounting Policies

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2003, issued by CIPFA, together with the guidance notes on the application of accounting standards. Under the Accounts and Audit Regulations 1996, the guidance notes are recognised by statute as representing proper accounting practices. The Council has complied with the code in all areas other than where specifically noted. The Council has also implemented and complied with the Best Value Accounting Code of Practice (2003 edition).

The main accounting principles adopted are outlined below.

### 1. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accrual basis in the accounts. Fixed assets have been recorded in accordance with the Code of Practice on Accounting for Fixed Assets.

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

Community assets, with the exception of Aberdare Park and allotments (valued on a rental income basis), are recorded at a notional cost. Aberdare Park was revalued in 1999 as part of the Council's revaluation exercise and has been valued on a depreciated replacement cost basis (DRC). The nursery section within the Park is valued at EUV.

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

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

The Council carried out impairment reviews of its assets during 2003/04, and identified a number of council dwellings where a permanent diminution in value had occurred. This impairment related to council dwellings which had been earmarked for demolition and had a net book value of £1.2m as at 31<sup>st</sup> March 2003.

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

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

## **2. Deferred Charges**

Deferred Charges relate to capital expenditure that is not represented by a tangible fixed asset. They include renovation grants and contributions towards expenditure incurred by other parties.

Where the Council benefits from such payments over a number of years the Deferred Charge is written down by equal annual amounts over that period. In all other cases the whole of the amount of the Deferred Charge is written-off to the appropriate revenue account in the year in which the expenditure is incurred.

In order to ensure that the amortised Deferred Charges have no impact on Council taxpayers, an adjustment is made through the capital financing reserve.

## **3. Government Grants**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation on the asset to which it relates.

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

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

## **4. Capital Receipts**

Capital receipts are derived from the sale of fixed assets. Part IV of the Local Government and Housing Act 1989 identifies a "usable" part, which can be

used to finance further capital spend, and a "reserved" part to be set aside to repay existing debt.

The usable portion of receipts is set at 25% in respect of council house sales and 100% for all other receipts. The usable portion is credited to the usable capital receipts reserve until used to finance new capital expenditure.

## **5. Basis of Charges for Use of Fixed Assets**

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

- Notional interest, which is charged at a rate specified annually by the Government. The rates for 2003/04 were 3.5% for assets at current value and 4.625% for assets carried at historic cost.
- Depreciation is charged on a straight-line basis on all fixed assets with a finite useful life, excluding non-depreciable land. Council dwellings have an asset life of 50 years. Estate garages and shops have a 15 year and 30 year asset life respectively. All other assets' lives have been identified on an individual basis.

## **6. Minimum Revenue Provision**

The Local Government and Housing Act 1989 requires each Local Authority to set aside a Minimum Revenue Provision (MRP) for debt redemption. This is 2% of the adjusted credit ceiling at the beginning of the year for the Housing Revenue Account and 4% for the General Fund.

## **7. Leases**

Operating Leases are charged to revenue in the year during which the costs are incurred.

Assets acquired under Finance Lease arrangements are capitalised together with a liability to pay future rentals and treated as a deferred liability in the Council's balance sheet. Interest costs are charged to the Asset Management Revenue Account (AMRA) and the amount of principal outstanding at the commencement of the lease will be treated as a fixed asset addition in the year the transaction occurred. For 2003/04, the Council has no Finance Leases.

## **8. Long Term Contracts**

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

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**9. Debtors and Creditors**

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

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

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

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

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

**10. Stocks and Work in Progress**

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

**11. Cost of Support Services**

All central support costs have been fully allocated to services apart from an amount chargeable to Corporate Democratic Core. The basis of the charges for 2003/04 has been based on information supplied by the Support Services Divisions.

**12. Pensions**

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

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

advantage of the exemption within FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Other employees - Rhondda Cynon Taf administer a fund on behalf of employees under the Local Government Pension Scheme Regulations 1997, 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 fully funding of the overall liability of the Fund. The latest valuation was at 31<sup>st</sup> March 2001. Resulting changes in contribution rates have taken effect from 1<sup>st</sup> April 2002. Refer to Note 8 of the Consolidated Revenue Account for further details.

Up until the publication of FRS17 "Retirement Benefits", local authorities have not been required to follow UK Generally Accepted Accounting Practices (GAAP) in accounting for pensions costs. The interaction of council tax and pension scheme legislation meant that SSAP24 "Accounting for Pensions Costs" was never fully incorporated into the SORP, and charges to revenue have been based on employer contributions payable in the year.

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

This change has had the following effect in 2003/04, and the prior year figures have been adjusted to allow for direct comparisons:

- Employer contributions of £24.92m (£18.1m in 2002/03) have been deducted from the cost of individual services and trading activities and been replaced by £15.51m (£15.3m in 2002/03) annual service costs.
- In addition the net effect of interest due on Pension Fund future liabilities and return on assets, results in an additional cost of £13.94m (£3.3m in 2002/03).
- The overall effect is a £4.53m (£0.5m in 2002/03) reduction in the Net Operating Expenditure line on the Consolidated Revenue Account, which is matched by a contribution from the new Pension Fund Reserve, to ensure that the change in accounting treatment has no direct impact on the amount to be met from Government Grants and Local Taxpayers.

### **13. Interest Receivable**

The Council invests temporary surpluses for short-term periods, which may range from overnight to 364 days. The interest is credited to the General Fund, Housing Revenue Account and other smaller funds proportionately.

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**14. Interest Payable**

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

**15. Foreign Currency**

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

**16. Bad Debt Provisions**

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

**17. Investments**

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

**18. Value Added Tax**

The Council is reimbursed Value Added Tax (VAT) incurred on expenditure. Therefore the Consolidated Revenue Account has been prepared exclusive of VAT. The only exception is VAT incurred in connection with the purchase of certain motor vehicles.

**19. Reserves and Provisions**

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

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

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

## **20. Associated and Subsidiary Companies**

Under accounting standards, the Council has to identify any interests in associated and subsidiary companies and determine whether this is of sufficient significance to be included in the Council's Consolidated Balance Sheet. Details are given in note 24 to the Consolidated Balance Sheet.

## **21. Redemption of Debt**

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

## **22. Contingent Assets/Contingent Gains**

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

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

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

## **23. Contingent Liabilities**

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

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



**24. Estimation Techniques**

A change in estimation technique in respect of insurance provisions has occurred in 2003/04. In previous years, we have provided for the full value of all claims received as at the year end. During 2003/04 an exercise was undertaken to examine claim settlement patterns. As a result, it was decided to reduce the liability claims provision reflecting a more realistic liability. The effect of this change in estimation technique has been to reduce the provision by £2,559k. Please refer to Balance Sheet note 13.1 for further details.

## Consolidated Revenue Account for the year ended 31<sup>st</sup> March 2004

2002/03		2003/04		
Net Exp		Gross Exp	Gross Income	Net Exp
£'000		£'000	£'000	£'000
	<b>Continuing Operations</b>			
1,319	Central Services to the Public	19,360	(16,756)	2,604
53,640	Cultural, Environmental and Planning	71,697	(20,645)	51,052
148,415	Education Services	205,148	(51,789)	153,359
32,906	Highways, Roads and Transportation	37,569	(10,598)	26,971
15,948	Housing Services	87,531	(74,242)	13,289
67,077	Social Services	103,280	(31,284)	71,996
6,694	Corporate and Democratic Core	11,880	(6,323)	5,557
5,931	Non Distributed Costs	5,259	(290)	4,969
<b>331,930</b>	<b>Net Cost of Services</b>	<b>541,724</b>	<b>(211,927)</b>	<b>329,797</b>
	Precepts: -			
6,189	South Wales Police Authority	7,190	0	7,190
1,136	Community Councils	1,094	0	1,094
10,401	Levies	10,718	0	10,718
(2,441)	Interest and Investment Income	0	(1,227)	(1,227)
(410)	(Surplus)/Deficit on Trading Activities	28,646	(30,183)	(1,537)
(18,003)	Net Income Asset Management Revenue a/c	0	(10,076)	(10,076)
(15)	(Gains)/Losses on the Repurchase of Borrowing	0	(26)	(26)
3,300	Pensions Interest Cost and Expected Return on Pensions Assets	13,940	0	13,940
<b>332,087</b>	<b>Net Operating Expenditure</b>	<b>603,312</b>	<b>(253,439)</b>	<b>349,873</b>
(642)	Transfer of HRA Surplus/(Deficit) to Reserves			672
2	Transfer to/(from) Insurance Reserve			(1,410)
(25,294)	Release of Capital Financing Reserve			(22,301)
(740)	Net Contributions to/(from) Earmarked Reserves			7,619
(500)	Contribution from Pensions Reserve			(4,530)
<b>304,913</b>	<b>Amount to be met from Government Grants/Local Taxpayers</b>			<b>329,923</b>
(196,934)	General Government Grants			(221,200)
(46,767)	NNDR Pool Contribution			(47,054)
(60,063)	Net Proceeds of Council Tax			(64,319)
<b>1,149</b>	<b>Net General Fund (Surplus) / Deficit</b>			<b>(2,650)</b>
(9,323)	Balance on General Fund Brought Forward			(8,174)
0	Movement Between Reserves			0
<b>(8,174)</b>	<b>Balance on General Fund Carried Forward</b>			<b>(10,824)</b>

## Notes to the Consolidated Revenue Account

### 1.0 Trading Activities

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

Former DLO Trading Activities	2002/03	2003/04		
	(Surplus) / Deficit	Exp	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Highways Maintenance	(147)	7,284	(7,713)	(429)
Building Cleaning	(16)	1,006	(995)	11
Housing Maintenance Unit	(93)	5,544	(5,746)	(202)
Education and Welfare Catering	88	8,825	(9,299)	(474)
<b>Total</b>	<b>(168)</b>	<b>22,659</b>	<b>(23,753)</b>	<b>(1,094)</b>

Other Trading Activities	2002/03	2003/04		
	(Surplus) / Deficit	Exp	Income	(Surplus) / Deficit
	£'000	£'000	£'000	£'000
Property Consultancy	(47)	1,087	(1,057)	30
Building Maintenance	(2)	0	0	0
Other Catering	39	231	(179)	52
Creative Design and Print	(38)	1,146	(1,226)	(80)
Fleet Services	(23)	3,172	(3,196)	(24)
Commercial Waste (formerly Trade Waste)	(37)	351	(393)	(42)
Controlled Companies Income	(134)	0	(379)	(379)
<b>Total</b>	<b>(242)</b>	<b>5,987</b>	<b>(6,430)</b>	<b>(443)</b>

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

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

FRS17 "Retirement Benefits" applies to trading activities. The effect of this has been to increase the total trading activity surplus by £816k. The reported surpluses for 2002/03 have also been restated to take account of FRS17. This has resulted in a reduction in the total trading activity surplus of £154k.

The surplus on the Housing Maintenance Unit has been transferred to the Housing Revenue Account reserve. The Welsh Assembly Government has

approved this treatment. The credit balance of £202k relates to adjustments for FRS17 "Retirement Benefits".

BVACOP states that dividends from Companies need to be disclosed within Trading Activities. The Council received £379k from Amgen Companies in respect of dividends. Further details of these companies can be found in Balance Sheet note 24.

## 2.0 Publicity

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

During 2003/04 the Council spent a total of £2.1m in respect of the following:-

Category	2002/03 £'000	2003/04 £'000
Recruitment advertising	1,284	1,172
General advertising	403	589
Other publicity	219	321
<b>Total</b>	<b>1,906</b>	<b>2,082</b>

## 3.0 Agency Arrangements

The Council undertakes no work on an agency basis.

## 4.0 Road User Charging

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

## 5.0 Local Authorities Goods and Services Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. During 2003/04 financial year the Council undertook the following work under the provisions of this Act: -

Category of supply	Client	2002/03 £'000	2003/04 £'000
Supply of Goods or Materials	City & County of Cardiff	1	0
	North Glamorgan Health Trust	5	0
	Pontypridd & Rhondda NHS Trust	12	0
	Powys County Borough Council	228	4
	South Wales Fire Service	22	6
	South Wales Police Authority	0	2
		<b>268</b>	<b>12</b>
<i>Continued overleaf.....</i>			

Provision of Administrative, Professional or Technical Services	Aberdare College	144	147
	Bridgend County Borough Council	6	6
	Bristol City Council	28	24
	Bro Taf Health Authority	417	591
	Caerphilly County Borough Council	123	53
	City & County of Cardiff	0	38
	Merthyr Tydfil College	0	35
	Merthyr Tydfil Council	9	4
	Mid Glamorgan Careers Service	5	0
	North Glamorgan NHS Trust	8	0
	Pontypridd & Rhondda NHS Trust	11	4
	Pontypridd College	618	568
	Pontypridd Town Council	0	1
	Powys County Council	16	0
	South Wales Fire Service	50	46
	South Wales Police Authority	126	130
	University of Glamorgan	41	38
Ystrad Mynach College	7	8	
	<b>1,609</b>	<b>1,693</b>	
Use of vehicles, plant or apparatus	Aberdare College	8	1
	Caerphilly County Borough Council	4	4
	South Wales Police Authority	0	5
	<b>12</b>	<b>10</b>	
	<b>Total</b>	<b>1,889</b>	<b>1,715</b>

## 6.0 Officers' Emoluments

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

During 2003/04 the Council paid an average of 13,600 staff, paying total salaries of £213m. Within this, the following salary payments were made within the categories specified: -

Remuneration Band	2002/03	2003/04		
	No. of employees	No. of employees		
	Total	At 31/03/04	Left in year	Total
£40,000 - £49,999	67	122	6	128
£50,000 - £59,999	16	21	5	26
£60,000 - £69,999	4	6	4	10
£70,000 - £79,999	0	0	1	1
£80,000 - £89,999	4	4	0	4
£90,000 - £99,000	1	0	0	0
£100,000 - £109,999	0	1	0	1
£110,000 - £119,999	0	0	1	1
<b>Total</b>	<b>92</b>	<b>154</b>	<b>17</b>	<b>171</b>

## 7.0 Members' Allowances

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

During 2003/04 the Council paid a total of £1.2m (£1m in 2002/03) in respect of basic allowances, special responsibility allowances and dependant care allowances to 75 members (excluding travelling, subsistence, employers national insurance and other associated costs).

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

## 8.0 Pensions

The Council participates in two pension schemes: -

- Teachers - This is an unfunded scheme administered by the Teachers' Pension Agency (TPA). The pension cost charged to the accounts is the contribution rate set by the TPA on the basis of a notional fund. In 2003/04 the Council paid £10.1m (£6.02m in 2002/03) to the Agency in respect of teachers' pension costs, which represents 13.5% (8.35% in 2002/03) of pensionable pay. In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with related increases. In 2003/04 these amounted to £784k (£749k in 2002/03).
- Other employees - Subject to certain qualifying criteria, other employees contribute to the Local Government Pension Scheme (LGPS). The LGPS is a Defined Benefit scheme. The pension costs that are charged to the Council's accounts are defined by FRS17 "Retirement Benefits".

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being as at 31<sup>st</sup> March 2001. The next valuation is to be completed in 2004 (as at 31<sup>st</sup> March 2004). Changes to contributions will take effect from 1<sup>st</sup> April 2005.

The amounts charged to the Consolidated Revenue Account are:

	<b>£'000</b>
Current Service Cost	13,560
Past Service Cost	1,950
<b>Total Charged to Net Cost of Services</b>	<b>15,510</b>
Expected Return on Pension Fund Assets	(21,530)
Interest on Pension Scheme Liabilities	35,470
<b>Net Charge to Interest Cost and Expected Returns</b>	<b>13,940</b>

Balance Sheet note 29 and Statement of Total Movement in Reserves note 2 also relate to FRS17 "Retirement Benefits".

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

Further information can be found in the Pension Fund Annual Report which is available on request from The Group Director - Corporate Services, Bronwydd House, Porth, Rhondda, CF39 9DL. A summary of this report can be found on pages 61 to 77.

## **9.0 Levies by Joint Committees and Other Bodies**

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

Contributions made under these arrangements are given below: -

<b>Organisation Name</b>	<b>2002/03 £'000</b>	<b>2003/04 £'000</b>
South Wales Fire Service	8,761	9,099
Magistrates' Courts	390	470
Coroner	256	251
South Wales Sea Fisheries	51	0
Glamorgan Archives	157	166
Registrars	106	91
National Rivers Authority	638	704
Brecon Beacons National Park	42	47
Refund on Overpayment of Probation Fees	0	(110)
<b>Total</b>	<b>10,401</b>	<b>10,718</b>

## **10.0 Leases**

### **10.1 Operating Leases**

The following table shows future obligations in respect of operating leases:-

	<b>Paid 2003/04 £'000</b>	<b>2004/05 £'000</b>	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>	<b>2007- end of lease £'000</b>
ICT Equipment	423	74	0	0	0
Creative Design, Print & Despatch	68	0	0	0	0
Valleys Innovation Centre	2	0	0	0	0
Photocopiers	61	56	54	29	26
Vending	4	4	4	3	0
School Equipment	687	537	436	247	171
Education Equipment	82	76	50	2	0
Catering Equipment	0	0	0	0	0
Mail Equipment	3	1	1	1	0
Refuse & Cleansing Vehicles	446	365	0	0	0
Housing Maint. & other Vehicles	8	8	0	0	0
<b>Total</b>	<b>1,784</b>	<b>1,121</b>	<b>545</b>	<b>282</b>	<b>197</b>

## 10.2 Finance Leases

During 2003/04 no payments were charged to the Consolidated Revenue Account in respect of Finance Leases.

## 11.0 Long Term Contracts

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

<b>Details</b>	<b>2004/05 £'000</b>	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>	<b>2007-End £'000</b>
Residential Care	18,637	18,637	18,637	Ongoing
Supported Living	7,753	7,753	7,753	Ongoing
Domiciliary Care	1,622	1,622	1,622	Ongoing
Grants to Voluntary Sector	1,725	1,725	1,725	Ongoing
Transport	963	963	963	Ongoing
<b>Total</b>	<b>30,700</b>	<b>30,700</b>	<b>30,700</b>	<b>Ongoing</b>

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

## 12.0 Minimum Revenue Provision

The Local Government and Housing Act 1989 requires the Council to set aside a minimum revenue provision (MRP) for debt redemption (2% of the opening debt outstanding in respect of housing and 4% for other services with the exception of borrowing approvals granted for Local Government Reorganisation (LGR) purposes).

For 2003/04 these limits have been calculated as follows: -



	Credit Ceiling	M.R.P.	Credit Ceiling	M.R.P.
	2002/03		2003/04	
	£'000	£'000	£'000	£'000
Housing Revenue Account	133,209	2,664	131,159	2,623
General Fund	214,248	9,196	222,067	8,939
Less Commutation Adjustment		(5,744)		(5,130)
<b>Total</b>	<b>347,457</b>	<b>6,116</b>	<b>353,226</b>	<b>6,432</b>

The adjustment for commutation compensates Local Authorities for the timing effects of the premature repayment by the Welsh Assembly Government of Housing Improvement Grants.

### 13.0 Asset Management Revenue Account

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

Movements on the account for 2003/04 are summarised below: -

	2002/03 £'000	2003/04 £'000
Depreciation and Impairment	15,863	16,401
External Interest	21,034	17,232
<b>Total Debit</b>	<b>36,897</b>	<b>33,633</b>
HRA Item 8 Credits	(10,855)	(9,577)
Capital Charges:		
Deferred Grants		(1,006)
Interest	(31,395)	(20,872)
Depreciation	(12,650)	(12,254)
<b>Total Credit</b>	<b>(54,900)</b>	<b>(43,709)</b>
<b>Net Credit</b>	<b>(18,003)</b>	<b>(10,076)</b>

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

	2002/03		2003/04	
	£'000	£'000	£'000	£'000
Minimum Revenue Provision (CRA Note 12)	6,116		6,432	
Less Depreciation and Impairment Charges	(15,863)	(9,747)	(16,401)	(9,969)
Direct Revenue Financing		790		0
Deferred Govt Grants		0		1,006
Investment written back		(2,310)		(14)
<b>Total Debit</b>		<b>(11,267)</b>		<b>(8,977)</b>
Deferred Charge (CBS Note 2)		(14,027)		(13,324)
<b>Total Contribution from Capital Reserves</b>		<b>(25,294)</b>		<b>(22,301)</b>

#### 14.0 Council Tax

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

The Council tax base for 2003/04 was calculated to be £69,456.46 (compared with £68,885.15 for 2002/03). This represents the anticipated yield for every £1 of Council tax levied.

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

Band	A*	A	B	C	D	E	F	G	H
No of properties	117	25,590	17,230	10,130	7,348	7,170	3,000	1,320	70
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

The resultant number of band D properties was finally reduced by a percentage to reflect anticipated losses on collection.

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

<b>Council Tax Analysis</b>	<b>2002/03 £'000</b>	<b>2003/04 £'000</b>
Council tax billed	60,063	64,319
<b>Net proceeds from Council Tax</b>	<b>60,063</b>	<b>64,319</b>
Less payable		
South Wales Police Authority	(6,189)	(7,190)
Community Councils	(1,136)	(1,094)
<b>Total</b>	<b>52,738</b>	<b>56,035</b>

## **15.0 National Non-Domestic Rates**

Indebtedness for National Non-Domestic Rates (NNDR) is based on a "multiplier" set nationally by the government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year. The multiplier for 2003/04 was 44.0p (43.3p for 2002/03). The total rateable value as at 31<sup>st</sup> March 2004 was £96.1m (£97.5m as at 31<sup>st</sup> March 2003).

The Council is responsible for collecting these business rates in its area and pays the proceeds into the NNDR pool administered by the Welsh Assembly Government. The Welsh Assembly Government redistributes total collections back to local authorities on the basis of a fixed amount per head of population. Total NNDR collected from ratepayers is £35.2m (£36.3m in 2002/03). The contribution back to the Council from the pool in the year amounted to £47.1m (£46.8m in 2002/03) and the amount paid to the pool amounted to £34.2m (£33.1m in 2002/03).

## **16.0 Related Party Transactions**

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

### **Central Government**

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

### **Precepts and Levies**

Details of precepts collected on behalf of other organisations are provided in the Consolidated Revenue Account. An analysis of amounts levied on this Council by other bodies can be found at note 9 to the Consolidated Revenue Account.

### **Chief Officers and Members**

Details of Officers' emoluments and Members allowances are provided in Consolidated Revenue Account notes 6 and 7 respectively. Interests of Members are maintained in the Register of Members Interests.

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

Organisation	Nature of Payment / (Receipt)	2002/03 £'000	2003/04 £'000
Engineering & Mechanical Services	Vehicle Hire, Repairs & Maintenance	7	9
National Health Service Trusts & Support Groups	Goods and Services	86	200
National Health Service Trusts & Support Groups	Grant Payments	0	(273)
Housing Associations	Goods and Services	12	0
Housing Associations	Grant Payments	210	0
Public Houses, Halls & Institutes	Goods and Services	12	0
Public Houses, Halls & Institutes	Grant Payments	188	20
Town Revival Strategies	Goods and Services	0	(4)
Town Revival Strategies	Grant Payments	62	124
Sports & Social Clubs	Goods and Services	(15)	20
Sports & Social Clubs	Grant Payments	0	21
Community Associations	Goods and Services	0	(61)
Community Associations	Grant Payments	100	124
Childrens' Clubs	Goods and Services	0	5
Childrens' Clubs	Grant Payments	20	83
Educational Establishments	Goods and Services	0	2

### 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 £1m in respect of administration and support during financial year 2003/04. Specific details relating to contributions to the Pension Fund can be found in note 8 to the Consolidated Revenue Account. The amount owed to the Pension Fund from the Council as at 31<sup>st</sup> March 2004 is £32m.

### Amgen Cymru, Amgen Rhondda and The Model House

The nature of the Council's relationship with these Associated Companies is disclosed in note 24 to the Consolidated Balance Sheet.

### Glamorgan Archives Joint Committee

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

During 2003/04, this Council contributed to the Joint Committee an amount of £166k. This was calculated proportionately based upon population. The Council holds cash balances relating to Glamorgan Archives as at 31<sup>st</sup> March 2004 of £692k.

## **Glamorgan Engineering Consultancy**

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

During 2003/04, this Council was charged £4.0m in respect of Consultancy Fees incurred. The Council holds cash balances relating to Glamorgan Engineering Consultancy as at 31<sup>st</sup> March 2004 of £2.5m.

## **Llwydcoed Crematorium**

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council. During 2003/04, the Council charged Llwydcoed Crematorium £14k in respect of Central Establishment Charges. The Council holds cash balances relating to the Crematorium as at 31<sup>st</sup> March 2004 of £429k.

### **17.0 Audit Fees**

In 2003/04 the Council incurred the following fees relating to external audit and inspection:

<b>Category</b>	<b>2002/03 £'000</b>	<b>2003/04 £'000</b>
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	423	381
Fees payable to the Audit Commission in respect of statutory inspection	68	68
Fees payable to the Audit Commission for the certification of grant claims and returns	370	334
Fees payable in respect of other services provided by the appointed auditor	0	0
<b>Total</b>	<b>861</b>	<b>783</b>

### **18.0 Building Control**

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

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

The first three-year period began 1<sup>st</sup> April 1999.

The following statement shows the total cost of operating the building control unit for 2003/04 divided between chargeable and non-chargeable activities.

<b>Trading Account For Building Control</b>						
	<b>2002/03</b>			<b>2003/04</b>		
	<b>Charge-able (63%) £'000</b>	<b>Non-charge-able (37%) £'000</b>	<b>Total Building Control £'000</b>	<b>Charge-able (69%) £'000</b>	<b>Non-charge-able (31%) £'000</b>	<b>Total Building Control £'000</b>
Employee Expenses	190	85	275	201	91	292
Transport	19	9	28	19	8	27
Supplies & Services	0	0	0	2	1	3
Cent & Sup Serv Charges	157	71	228	133	60	193
<b>Total Expenditure</b>	<b>366</b>	<b>165</b>	<b>531</b>	<b>355</b>	<b>160</b>	<b>515</b>
	<b>Charge-able (100%) £'000</b>	<b>Non-charge-able £'000</b>	<b>Total Building Control £'000</b>	<b>Charge-able (100%) £'000</b>	<b>Non-charge-able £'000</b>	<b>Total Building Control £'000</b>
Building Reg Charges	(368)	0	(368)	(420)	0	(420)
<b>Total Income</b>	<b>(368)</b>	<b>0</b>	<b>(368)</b>	<b>(420)</b>	<b>0</b>	<b>(420)</b>
<b>(Surplus)/Deficit for Year</b>	<b>(2)</b>	<b>165</b>	<b>163</b>	<b>(65)</b>	<b>160</b>	<b>95</b>

The delayed replacement Regulations are currently under review by the Office of the Deputy Prime Minister to be implemented with effect from 1<sup>st</sup> April 2005 at the earliest.

## **19.0 Private Finance Initiative**

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

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

**Consolidated Balance Sheet as at 31<sup>st</sup> March 2004**

31/03/03 £'000		Note	31/03/04	
			£'000	£'000
	<b>Fixed Assets</b>			
135,443	Operational Assets	1		
262,506	Council Dwellings		291,137	
3,781	Other Land & Buildings		304,741	
233,732	Vehicles, Plant & Equipment		3,680	
443	Infrastructure Assets		233,107	
	Community Assets		1,090	
	<b>Non Operational Assets</b>	1		
3,816	Miscellaneous Properties		5,094	
158	Investment Properties		395	
3,305	Surplus Assets		19,332	
8,898	Assets Under Construction		13,892	
<b>652,082</b>				<b>872,468</b>
515	Deferred Charges	2	3,029	
54	Long Term Investments		50	
3,062	Investment in Companies	24	3,048	
2,955	Long Term Debtors	3	2,423	8,550
<b>658,668</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>881,018</b>
776	<b>Current Assets</b>			
36,693	Stocks & Work in Progress	4	844	
61,041	Debtors	5	31,199	
165	Short Term Investments	6	54,940	
	Cash In Hand	7	169	87,152
<b>757,343</b>	<b>TOTAL ASSETS</b>			<b>968,170</b>
(23,187)	<b>Current Liabilities</b>			
(55,125)	Short Term Borrowing	8	(16,961)	
(3,162)	Creditors	9	(86,465)	
	Bank Overdraft	10	(1,888)	(105,314)
<b>675,869</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>862,856</b>
(295,056)	<b>Long Term Liabilities</b>			
(2,045)	Long Term Borrowing	11	(278,674)	
(16,057)	Deferred Liabilities	12	607	
(291,300)	Provisions	13	(12,557)	
	Defined Pension Scheme Liability	29	(266,700)	(557,324)
<b>71,411</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>305,532</b>
	<b>Represented by :-</b>			
(222,844)	<b>Capital Reserves</b>			
(72,419)	Fixed Asset Restatement Reserve	14	(423,039)	
(1,659)	Capital Financing Reserve	15	(67,058)	
(20,343)	Deferred Capital Receipts Reserve	16	(1,325)	
(17,119)	Usable Capital Receipts Reserve	17	(11,890)	
	Government Grants Deferred	18	(31,481)	
<b>(334,384)</b>				<b>(534,793)</b>
291,300	<b>Revenue Reserves</b>			
(8,174)	Pensions Reserve	29	266,700	
(3,687)	General Fund Balances	19	(10,824)	
(1,230)	General Fund Insurance	20	(2,277)	
(6,277)	Housing Revenue A/C	21	(1,902)	
(8,540)	Delegated Schools	22	(6,122)	
(197)	Earmarked Reserves	22	(16,314)	
(222)	Special Funds	23	0	
	Trust Funds	23	0	229,261
<b>(71,411)</b>	<b>TOTAL EQUITY</b>			<b>(305,532)</b>

## Notes to Consolidated Balance Sheet

### 1.0 Fixed Assets

#### 1.1 Movements in Fixed Assets

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

<u>Operational Assets</u>	<b>Council Dwellings</b> £'000	<b>Other Land &amp; Buildings</b> £'000	<b>Vehicles, Plant &amp; Equip.</b> £'000	<b>Infra-structure</b> £'000	<b>Communi-ty Assets</b> £'000	<b>Total</b> £'000
<b>Certified Valuation as at 31<sup>st</sup> March 2003</b>	<b>144,130</b>	<b>278,017</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
Accumulated Depreciation	(8,687)	(15,511)	N/a	N/a	N/a	N/a
<b>Net Book Value as at 31<sup>st</sup> March 2003</b>	<b>135,443</b>	<b>262,506</b>	<b>3,781</b>	<b>233,732</b>	<b>443</b>	<b>635,905</b>
<u>Movement in 2003/04</u>						
Additions	6,230	11,949	1,674	6,235	0	26,088
Disposals	(5,405)	(15)	(37)	0	0	(5,457)
Revaluations/ Reclassifications	165,186	44,694	269	0	655	210,804
Non-Enhancement of Assets	(6,230)	(8,972)	(940)	(1,106)	0	(17,248)
Depreciation	(2,916)	(5,421)	(1,067)	(5,754)	(8)	(15,166)
Impairments	(1,171)	0	0	0	0	(1,171)
<b>Net Book Value as at 31<sup>st</sup> March 2004</b>	<b>291,137</b>	<b>304,741</b>	<b>3,680</b>	<b>233,107</b>	<b>1,090</b>	<b>833,755</b>

<u>Non-Operational Assets</u>	<b>Land Awaiting Dev.</b> £'000	<b>Misc. Properties</b> £'000	<b>Surplus Assets</b> £'000	<b>Investment Properties</b> £'000	<b>Assets Under C'struction</b> £'000	<b>Total</b> £'000
<b>Certified Valuation as at 31<sup>st</sup> March 2003</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
Accumulated Depreciation	N/a	N/a	N/a	N/a	N/a	N/a
<b>Net Book Value as at 31<sup>st</sup> March 2003</b>	<b>125</b>	<b>3,816</b>	<b>3,305</b>	<b>33</b>	<b>8,898</b>	<b>16,177</b>
<u>Movement in 2003/04</u>						
Additions	0	0	0	0	10,506	10,506
Disposals	0	(15)	(193)	0	0	(208)
Revaluations/ Reclassifications	115	1,293	16,284	122	(5,512)	12,302
Non-Enhancement of Assets	0	0	0	0	0	0
Depreciation	0	0	(64)	0	0	(64)
Impairments	0	0	0	0	0	0
<b>Net Book Value as at 31<sup>st</sup> March 2004</b>	<b>240</b>	<b>5,094</b>	<b>19,332</b>	<b>155</b>	<b>13,892</b>	<b>38,713</b>



The Non Operational Miscellaneous Properties balance includes £2.9m in respect of the WJEC offices in Western Avenue, Cardiff. The Council retains ownership of the premises, as the lead Authority for the former Mid Glamorgan County Council which formerly held them on behalf of Welsh County Councils, now on behalf of all Welsh Unitary Authorities. The property was last valued in 2000/01.

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

The Council's property assets are subject to a five yearly revaluation. The revaluation of the Council's Land & Buildings was completed by Chestertons on 31<sup>st</sup> March 2004. A land review was undertaken by Cooke & Arkwright and the Balance Sheet encompasses this review. Council Dwellings were revalued internally on 31<sup>st</sup> March 2004 by a RICS qualified Senior Estates Surveyor of the Council's Corporate Estates Division, using the Beacons Principle.

A summary of the schedule itemising the main Fixed Assets of the Council is given on page 34.

Fixed Asset additions were funded from the following sources: -

	£'000
Fixed Assets	36,594
Deferred Charges	15,838
<b>Total Capital Expenditure</b>	<b>52,432</b>

Funding Source	£'000
Credit Approvals	20,220
Capital Receipts	11,494
Contributions	0
Grants	20,165
External Funding	553
Revenue Funding	0
Insurance	0
<b>Total Funding</b>	<b>52,432</b>

## 1.2 **Major Items of Capital Expenditure 2003/04**

As can be seen from note 1.1, additions to fixed assets during the year totalled £36.6m. In addition to the £6.2m on Infrastructure i.e. transport systems, land and environment improvements, the major items included in this total are listed below:

Scheme	£'000
Communities First Play Areas	1,177
Broadband Network Infrastructure	2,927
Playground Remodelling	995
Ysgol Henfelin (former Rhondda Special School)	1,870

### 1.3 Capital Commitments

Major commitments over the next two years in respect of capital schemes as at 31<sup>st</sup> March 2004 included the following schemes: -

<b>Scheme</b>	<b>31/03/03 £'000</b>	<b>31/03/04 £'000</b>
Broadband (including Community Access)	6,830	0
Communities First Play Areas	1,360	0
Penyreglyn Community School	1,266	0
Porth Plaza	2,840	2,401
Cefn-Yr-Hendy Site	1,450	2,161
Coed-Y-Lan Comprehensive	3,130	4,032
Hawthorn High School	0	1,869

### 1.4 Analysis of Fixed Assets as at 31<sup>st</sup> March 2004

During 2003/04 a number of assets were re-categorised following a review of the asset types managed by the Council's Divisions. Assets leased under short-term lease agreements were also identified and have now been removed from the Fixed Asset analysis.

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

<b>Asset type</b>	<b>31/03/03</b>	<b>31/03/04</b>
Council Dwellings	11,267	10,631
Sheltered Housing	739	744
Estate Shops	8	8
Caravans	3	3
Municipal Offices Operational	51	33
Municipal Offices Non Operational	34	30
Adult Education Centres	10	5
Schools - Nursery	39	38
- Primary	87	85
- Primary Welsh	14	14
- Secondary	14	15
- Secondary Welsh	5	4
- Special	8	7
Education Youth Centres	16	13
Other Education Establishments	10	10
Libraries	28	27
Homes for the Elderly	13	13
Children's Homes	9	8
Day Centres	31	33
Physical Disability Establishments	3	3
Garden Centre	1	1
Special Sites	6	5
Leisure Centres	8	8
Other Leisure Facilities	33	28
Pools	7	7
Parks/Play Areas	228	212
Community Centres	31	30
Cemeteries	13	13
<i>Continued overleaf...</i>		

Country Park	1	1
Industrial Estate	1	1
Depots/Stores	6	6
Tourism – Museum/Theatre	6	6
Dog Pound	1	1
Heritage	2	2
War Memorials	20	20
Car Parks	68	63
Allotments	4	4
Social Centres	3	3
Miscellaneous Housing Establishments	7	6
Works of Art/Exhibits and Statues	2	2
Assets Under Construction	7	12
<b>Infrastructure: -</b>		
Principal Roads	166.7km	174.34km
Other Roads	1046.15km	1042.39km
Trunk Roads	29.0km	37.5km

## 1.5 Valuation of Fixed Assets

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

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

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

Community Assets were valued on an historic basis with exception to allotments (rental income valuation) and Aberdare Park which was valued on a DRC basis and OMV for the café and shop.

## 2.0 Deferred Charges

Deferred charges are being amortised to revenue over an appropriate period which represents the continuing benefit that will accrue to the Council, with one exception being Grants to Third Parties. These are written off to revenue in the year of expenditure.

	31/03/03	Exp. in 2003/04	Annual Write down	Written off	31/03/04
	£'000	£'000	£'000	£'000	£'000
Grants	0	12,597	0	(12,597)	0
Software	450	953	(45)	0	1,358
Assets not belonging to RCT	24	1,390	(6)	(245)	1,163
Other	41	898	(10)	(421)	508
<b>Total</b>	<b>515</b>	<b>15,838</b>	<b>(61)</b>	<b>(13,263)</b>	<b>3,029</b>

### 3.0 Long Term Debtors

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

31/03/03 £'000		31/03/04 £'000
1,004	Private mortgages	811
1,659	Council house mortgages	1,325
286	Other local authorities	283
6	Other advances	4
<b>2,955</b>	<b>Total</b>	<b>2,423</b>

### 4.0 Stocks and Work in Progress

Consumable stocks held, to be used in 2004/05, and work in progress as at 31<sup>st</sup> March 2004 are as follows: -

31/03/03 £'000		31/03/04 £'000
768	Stocks	802
8	Work in progress	42
<b>776</b>	<b>Total</b>	<b>844</b>

### 5.0 Debtors

This represents amounts due to the Council at 31<sup>st</sup> March 2004, less a provision for potentially uncollectable debts, analysed as follows: -

<b>31/03/03</b> <b>£'000</b>		<b>31/03/04</b> <b>£'000</b>
12,776	Government departments	10,904
6,255	Ratepayers / chargepayers	6,495
816	Housing rents (Current Tenants)	570
23,782	Sundry debtors	20,552
101	Housing advances	94
<b>43,730</b>		<b>38,615</b>
(7,324)	Less provision for doubtful debt	(7,595)
<b>36,406</b>		<b>31,020</b>
287	Amounts due after one year:- Car loans to employees	179
<b>36,693</b>	<b>Total</b>	<b>31,199</b>

## 6.0 Short Term Investments

This represents monies received in advance of expenditure requirements. Such sums are invested on a short term basis until required. As can be seen from the balance sheet the value of Short Term Investments as at 31<sup>st</sup> March 2004 was £54.9m (£61.0m as at 31<sup>st</sup> March 2003).

## 7.0 Cash In Hand

The balance of £169k represents Cash Floats of £14k and Petty Cash balances totalling £155k.

## 8.0 Short Term Borrowing

As can be seen from the balance sheet the short term borrowing balance as at 31<sup>st</sup> March 2004 was £17m (£23.2m as at 31<sup>st</sup> March 2003). This comprises PWLB loans with maturity of less than one year, market and temporary loans.

## 9.0 Creditors

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

<b>31/03/03</b> <b>£'000</b>		<b>31/03/04</b> <b>£'000</b>
1,707	Glam. Engineering Consultancy	2,467
5,930	Government departments	6,099
795	Ratepayers / chargepayers	1,357
367	Housing rents	501
144	Housing advances	108
45,788	Sundry creditors	43,320
394	MGCC Realisation a/c	394
0	Pensions	32,219
<b>55,125</b>	<b>Total</b>	<b>86,465</b>

The MGCC Realisation account relates to balances due to other authorities from the disaggregation of affairs of the former Mid Glamorgan County Council.

## 10.0 Bank Overdraft

The balance of £1,888k shown in the balance sheet represents actual bank balances less unpresented cheques. Any surplus cash is invested daily and shown in Short Term Investments.

## 11.0 Long Term Borrowing

Borrowing is classified as long term if it matures one year after the balance sheet date. Total borrowing is £296m, of which £279m is long term. This represents borrowing to finance capital expenditure. Generally borrowing is from the Public Works Loan Board (£259.5m), market loans (£35m), and other borrowing (£1.2m).

PWLB and market loan balances at 31<sup>st</sup> March 2004 may be analysed as follows: -

<b>Maturity</b>	<b>31/03/03 £'000</b>	<b>31/03/04 £'000</b>
Within one year	22,154	16,123
One to two years	18,123	4,430
Two to five years	29,833	15,476
Five to ten years	24,411	6,136
Ten to fifteen years	56,762	57,710
More than fifteen years	165,593	194,593
<b>Total</b>	<b>316,876</b>	<b>294,468</b>

PWLB and Market Loan amounts due within one year and other borrowing (£17m) are classed within Short Term Borrowing on the Balance Sheet.

## 12.0 Deferred Liabilities

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

Debt rescheduling relates to discount received or premia incurred on prematurely repaid loans from the Public Works Loan Board as a result of rescheduling debt. The debt rescheduling HRA premia relates specifically to HRA debt. Previously, debt rescheduling, discount and premia were shown in the Deferred Capital Receipts reserve.

<b>Liability</b>	<b>31/03/03 £'000</b>	<b>31/03/04 £'000</b>
Vale of Glamorgan CBC	942	891
Caerphilly CBC	513	503
HRA Premia	0	(2,547)
Debt Rescheduling Net Discounts	590	546
<b>Total</b>	<b>2,045</b>	<b>(607)</b>

### 13.0 Provisions

Provisions are amounts set-aside for specific future expenses, 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. Provision is made in respect of the following: -

<b>Provisions</b>	<b>31/03/03 £'000</b>	<b>31/03/04 £'000</b>
Insurance	11,637	11,051
WDA Land Reclamation Schemes	2,555	511
Works in Default	23	9
HRA Disrepairs	787	174
MGCC Mileage Claims	1	0
MGCC Disaggregation	812	812
Welsh Church Act Fund	242	0
<b>Total</b>	<b>16,057</b>	<b>12,557</b>

### 13.1 Insurance

Rhondda Cynon Taf operates an insurance provision within the General Fund of the Council in order to provide for expected losses or negligent acts. The insurance provision is credited with premium payments charged to service committees, and debited with the costs of meeting claims. It either insures with outside companies or covers the risk itself.

<b>Fund</b>	<b>Provision for Outstanding Claims £'000</b>	<b>Insurance Reserve £'000</b>	<b>Total £'000</b>
Mid Glamorgan	485	2,277	2,762
Taff Ely	9	0	9
Rhondda Cynon Taf	10,557	0	10,557
<b>Total</b>	<b>11,051</b>	<b>2,277</b>	<b>13,328</b>

Each of the funds above can be split into the Rhondda Cynon Taf share and the elements that relate to other authorities as follows: -

<b>Fund</b>	<b>Rhondda Cynon Taf £'000</b>	<b>Other Authorities £'000</b>	<b>Total £'000</b>
Mid Glamorgan	1,213	1,549	2,762
Taff Ely	8	1	9
Rhondda Cynon Taf	10,557	0	10,557
<b>Total</b>	<b>11,778</b>	<b>1,550</b>	<b>13,328</b>

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The insurance reserve falls within revenue reserves in the balance sheet.

If the Mid Glamorgan provision and reserve were no longer required, amounts would be credited to the successor authorities.

### **13.2 Welsh Development Agency (WDA) Claims**

For further details of the WDA Claims provision, please refer to the Consolidated Balance Sheet Note 26.1 regarding Contingent Liabilities.

### **13.3 Works in Default**

A provision of £9k exists to provide for future costs in respect of maintenance of retaining walls in the vicinity of the highway. Payments are due to be made during 2004/05.

### **13.4 HRA Disrepairs**

The provision has been set up to provide for the cost of outstanding disrepair actions made against the Council. Tenants can take legal action where the Council has failed to carry out statutory duties of keeping properties in a satisfactory condition. The likely costs to be incurred have been based on information provided by the Council's Claim Handlers. All claims are expected to be settled in 2004/05.

### **13.5 MGCC Mileage Claims**

There is no longer a provision for MGCC Mileage Claims. The provision related to payments of arrears of mileage expenses to former employees of Mid Glamorgan County Council. The final payments were made in 2003/04. Any future claims will be paid from revenue reserves.

### **13.6 MGCC Disaggregation**

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

### **13.7 Welsh Church Act Fund Reimbursement**

A provision existed for the reimbursement of costs of a collapsed property. This provision is no longer needed as the costs incurred as a result of the collapse are to be met from Welsh Church Act funds.



**14.0 Fixed Asset Restatement Reserve**

This reserve represents the balance of the surpluses or deficits as a result of the periodical revaluation of fixed assets. This arises from the difference between the value of fixed assets recorded at net book value (the basis of accounting for fixed assets previously) and their revaluation to open market value for non-operational assets and investment properties, to existing use value for social housing for Council dwellings or to existing use value for other land and buildings, in accordance with the current capital accounting requirements. The Fixed Asset Restatement Reserve provides the matching entry when fixed assets are restated, either upon revaluation or disposal.

	<b>£'000</b>
Balance as at 1 <sup>st</sup> April 2003	(222,844)
Revaluation of Assets	(223,106)
Disposal of Fixed Assets	5,665
Non-Enhancement of Assets	17,246
<b>Balance as at 31<sup>st</sup> March 2004</b>	<b>(423,039)</b>

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

**15.0 Capital Financing Reserve**

This balance of £67.1m is represented by an amount of £53.1m, which is the reserved proportion of capital receipts, and £14m relating to capital financing transactions.

	<b>£'000</b>	<b>£'000</b>
Balance as at 1 <sup>st</sup> April 2003		(72,419)
Reserved Capital Receipts		(6,749)
Usable Capital Receipts		(11,494)
Third Party Contributions		(550)
Council Mortgages Written Down		193
HRA Transferred Assets Written Down		(61)
Government Grants		(4,797)
Payment of Premia		6,518
<u>Appropriations to CRA</u>		
Investment Write Back	14	
Minimum Revenue Provision	(6,432)	
Depreciation and Impairment	16,401	
Deferred Government Grants	(1,006)	
Deferred Charges Written off to CRA	13,324	22,301
<b>Balance as at 31<sup>st</sup> March 2004</b>		<b>(67,058)</b>

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

- Amounts set aside from capital receipts and revenue for the repayment of external loans;
- The amount of Capital Expenditure financed from Capital Receipts, revenue and reserves;
- The difference between amounts provided for depreciation and that

required by statute to be charged to revenue to repay the principal element of external loans.

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

### **Movements in the Provision for Credit Liabilities**

	<b>£'000</b>
Balance at 31/03/03	Nil
Receipts set aside	(6,749)
Minimum Revenue Provision	(6,432)
Less Repayment of General Fund Premia	6,518
Less Repayment of External Debt	6,663
<b>Balance at 31/03/04</b>	<b>Nil</b>

The Provision for Credit Liabilities (PCL) is a memorandum account and must be reproduced within this Statement in order to comply with the requirements of the Local Government and Housing Act 1989. The PCL should detail the movements in liabilities of the Council. There is a requirement to credit this account with the reserved elements of the capital receipts in the year, the minimum revenue provision and the European Grants received. It is debited with repayments of external debt to bring the balance on the memorandum account to zero.

### **16.0 Deferred Capital Receipts Reserve**

Deferred Receipts represent the deferred sale proceeds of council houses sold to tenants and financed by the granting of mortgages. It is balanced by a similar amount in long term debtors, being the mortgages outstanding. The balance at 1<sup>st</sup> April 2003 of £1.7m was reduced by repayments of £334k, leaving a balance at 31<sup>st</sup> March 2004 of £1.3m. As mortgage repayments are made, deferred capital receipts are reduced and usable capital receipts become available.

### **17.0 Usable Capital Receipts**

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:

	<b>£'000</b>
Balance as at 1 <sup>st</sup> April 2003	(20,343)
<u>Receipts During the Year:</u>	
Sale of Assets	(2,514)
Mortgage Repayments	(527)
<u>Application During the Year:</u>	
Financing of Capital Expenditure	11,494
<b>Balance as at 31<sup>st</sup> March 2004</b>	<b>(11,890)</b>

**18.0 Government Grants Deferred**

The account recognises any capital grants and contributions which have been applied to finance the acquisition or enhancement of those fixed assets which are subject to depreciation. The grants and contributions are released to revenue in line with depreciation.

	<b>£'000</b>
Balance as at 1 <sup>st</sup> April 2003	(17,119)
Grants/Contributions applied in year	(15,368)
Transfer to Asset Management Revenue Account	1,006
<b>Balance as at 31<sup>st</sup> March 2004</b>	<b>(31,481)</b>

**19.0 General Fund Balances**

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

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

	<b>£'000</b>
Balance as at 31/03/03	8,174
Increase/(decrease) in reserve	2,650
<b>Balance as at 31/03/04</b>	<b>10,824</b>

**20.0 General Fund Insurance Fund Balances**

Please refer to note 13.1 for further details.

**21.0 Housing Revenue Account**

Housing Revenue Account balance relate to the "ring fenced" council housing accounts. Please refer to pages 59 – 60 for further details.

**22.0 Earmarked Reserves**

Earmarked Reserves are amounts set aside from revenue reserves in 2003/04 to meet the Council's committed service initiatives which will result in expenditure being incurred after 31<sup>st</sup> March 2004.

Balances are as follows:

<b>Reserve</b>	<b>Purpose</b>	<b>31/03/03 £'000</b>	<b>Movement £'000</b>	<b>31/03/04 £'000</b>
Customer Care	To deliver the Council's Customer Care Strategy.	95	143	238
E-Government / Service Re-engineering	Delivery of the Council's E-Government Strategy, system replacements and service re-engineering.	1,162	68	1,230
Interest Equalisation	To smooth the revenue account consequences of the commutation adjustment and the impact of interest rate volatility.	0	1,200	1,200
Financial Management	Amounts set aside as financial cover for specific contingent liabilities.	57	600	657
Development Fund	To deliver high impact visible improvements to key services as an outcome of the Whole Authority Assessment carried out under the Wales Programme for Improvement.	0	3,348	3,348
Social Inclusion	To fund activities and projects carried out to improve social inclusion.	1,500	(477)	1,023
Capital Developments	Resources required to be set-aside for the funding of the Council's approved 3 year capital programme.	0	4,868	4,868
Prior Year Commitments	Carry forward of funding to finance projects for which commitments have already been made in the prior year.	1,538	(284)	1,254
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.	4,188	(1,692)	2,496
<b>Total</b>		<b>8,540</b>	<b>7,774</b>	<b>16,314</b>
Delegated Schools	Please see note 22.1 below for details.	6,277	(155)	6,122
<b>Total</b>		<b>14,817</b>	<b>7,619</b>	<b>22,436</b>

## 22.1 Delegated Schools Reserve

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

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

<b>Type of school</b>	<b>31/03/02 £'000</b>	<b>2002/03 Movement £'000</b>	<b>31/03/03 £'000</b>	<b>2003/04 Movement £'000</b>	<b>31/3/04 £'000</b>
Primary	3,757	(768)	2,989	(686)	2,303
Secondary	3,123	(260)	2,863	675	3,538
Special	359	66	425	(144)	281
<b>Total</b>	<b>7,239</b>	<b>(962)</b>	<b>6,277</b>	<b>(155)</b>	<b>6,122</b>

## 23.0 Trust Funds and Special Funds

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31<sup>st</sup> March 2004 are shown as follows and are not included in the Council's Consolidated Balance Sheet. The Audit Commission in Wales opinion on the Welsh Church Act Fund is still outstanding. The Education and Social Services Trust Funds and the Pontypridd & District Institute for the Blind are audited by the Council's Internal Audit section. The audit opinion is outstanding.

	<b>31/03/03</b> <b>£'000</b>	<b>31/03/04</b> <b>£'000</b>
Education & Social Services	68	77
Pontypridd & Districts Institute for the Blind	184	185
Welsh Church Act Fund	6,563	7,069

The Welsh Church Act Fund balance is subject to amendment upon completion of the final agreement of the disaggregation position with the Vale of Glamorgan Council.

Trust Funds of £222k and Special Funds of £197k were moved to Creditors in the Balance Sheet during 2003/04.

## 24.0 Associated and Subsidiary Companies

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

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

	Amgen Cymru		Amgen Rhondda		Model House	
	May 2003 £'000	May 2004 £'000	May 2003 £'000	May 2004 £'000	2002/03 £'000	2003/04 £'000
Shareholding	2,806	2,806	256	242	0	0
Net Current Assets	570	1,146	256	242	60	31
Total Assets less Curr Liab's	3,652	3,925	256	242	89	53
Net Assets	3,508	3,886	256	242	89	53
(Loss)/Profit Before Tax	166	372	60	(13)	(30)	(36)
(Loss)/Profit After Tax	166	378	60	(13)	(30)	(36)
Registration No.	2660628		3687641		2208104	
Registered Office / Location of Accounts	Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX		Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX		Model House Craft & Design Centre Bull Ring Llantrisant CF72 8EB	
Auditors	KTS Owens Thomas Ltd		KTS Owens Thomas Ltd		Exempt from Audit	
Audit Opinion	True & Fair		Fundamental Uncertainty			

The Audit Opinion for the Amgen companies relates to the accounts for May 2004.

### **Amgen Cymru**

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

Royalties of £251k were billed by the Council to Amgen Cymru. At 31<sup>st</sup> March 2004 £19k was outstanding and the Council owed Amgen Cymru £236k.

### **Amgen Rhondda**

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

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

Since the site closed and tipping has ceased, no royalties have been paid or

are owed as royalties were based on tipping tonnages. At 31<sup>st</sup> March 2004, the Council owed Amgen Rhondda £48k in respect of site management. This was paid in April 2004. Amgen Rhondda has paid Site Management Fees of £150k in 2003/04 to Amgen Cymru.

The “fundamental uncertainty” in the Audit report relates to the inability to estimate the ultimate cost or funding of remediation work at the landfill site.

### **Model House Llantrisant Ltd**

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

The accounts for Model House Llantrisant have been prepared for the year ended 31<sup>st</sup> March 2004, copies of which are available from the Group Director – Corporate Services, Finance Division, Bronwydd House, Porth, Rhondda, CF39 9DL.

## **25.0 Contingent Gains/Assets**

### **25.1 Litigation Case**

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

### **25.2 Rhondda Waste Disposal in Administration**

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

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

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

## **26.0 Contingent Liabilities**

### **26.1 Land Reclamation**

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

Three projects, which commenced prior to Local Government Reorganisation have been qualified by the Audit Commission in Wales. The amount of expenditure subject to qualification on these schemes is £2.8m. The Council is still awaiting a final decision from the WDA on how these claims are to be treated. Based upon previous WDA decisions, it is anticipated that clawback will not be sought on these grants.

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

### **26.2 Community Services**

Prior to 1999, this Council charged clients under S117 of the Mental Health Act 1983. A recent court case involving another local authority, ruled in favour of the claimant who was claiming reimbursement of such charges. As a result of this ruling, the Council has concluded that full reimbursement of its clients would cost approximately £200k. An earmarked reserve has been established to cover any costs.

### **26.3 Mid Glamorgan Disaggregation**

The Local Government Reorganisation of 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 possible Post Balance Sheet Events relating to Mid Glamorgan County Council have been identified. The Section 56 agreement between unitary authorities



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includes a mechanism for dealing with Post Balance Sheet Events.

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

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

#### **26.4 Insurance**

The Council is liable for insurance claims made against it in respect of certain events. A provision is made in respect of claims received as at the 31<sup>st</sup> March 2004. 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.

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

#### **27.0 Post Balance Sheet Events**

There are no post balance sheet events.

#### **28.0 Euro Costs**

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

#### **29.0 Retirement Benefits**

The financial year 2003/04 is the first year where local authorities are required to disclose information fully in accordance with FRS17. The purpose of FRS17 is to provide information on future benefits payable in the year the Council is committed to providing them. For further notes relating to FRS17, please refer to the Consolidated Revenue Account note 8 and the Statement of Total Movement in Reserves note 2.

The Rhondda Cynon Taf Pension Fund is a Local Government Pension Scheme, which is a multi employer defined benefit scheme. The most recent full actuarial valuation was at 31<sup>st</sup> March 2001 upon which the assumptions for the following disclosures are based:

	Start of Valuation Period %	31/03/03 %	31/03/04 %
Inflation	1.70	2.50	2.90
Rate of increase in salaries	3.50	4.30	4.70
Rate of increase pensions in payment and deferred pensions	1.70	2.50	2.90
Rate used to discount liabilities (3.5% real)	5.25	6.10	6.40

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

	Fair Value (RCT Element)		Proportion		Rate of Return	
	31/03/03 £'m	31/03/04 £'m	31/03/03 %	31/03/04 %	31/03/03 %	31/03/04 %
Equities	201.53	286.90	70	80	8.5	7.7
Property	0	0	0	0	7.0	6.7
Bonds	63.34	57.38	22	16	5.1	4.7
Other	23.03	14.34	8	4	4.0	4.2
<b>Total</b>	<b>287.90</b>	<b>358.62</b>	<b>100</b>	<b>100</b>	<b>7.4</b>	<b>7.1</b>

The fair value of attributable scheme assets is £358.62m and the present value of the scheme liabilities based on actuarial assumptions is £625.32m. This results in a net fund liability of £266.70m.

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

	£m
Surplus (Deficit) 31/03/03	(291.30)
Contributions Paid	22.49
Contributions Towards Unfunded Liabilities	2.43
Current Service Cost	(13.56)
Past Service Cost	(1.95)
Settlement Cost	-
Curtailment Cost	-
Interest Cost	(35.47)
Expected Return on Assets	21.53
<b>Actuarial Gains and Losses:</b>	
Difference between actual and expected returns on assets	43.04
Experience gains and losses arising on scheme liabilities	(5.54)
Effect of changes in demographic & financial assumptions	(8.37)
<b>Surplus (Deficit) 31/03/04</b>	<b>(266.70)</b>

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

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

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

## Statement of Total Movements in Reserves 2003/04

2002/03		2003/04	
		£'000	£'000
(1,149)	Surplus / (deficit) for the year		
(642)	- General Fund	2,650	
(738)	- Housing Revenue Account	672	
(500)	Add back movements on specific revenue reserves – (earmarked reserves)	6,209	
(103,700)	Deduct Appropriation from Pension Reserve	(4,530)	
	Actuarial Gains and Losses relating to Pensions (Note 2)	29,130	
<b>(106,729)</b>	<b>Total increase / (decrease) in revenue reserves</b>		<b>34,131</b>
12,247	Increase / (decrease) in usable capital receipts	(8,453)	
0	Increase / (decrease) in unapplied capital grants and contributions	0	
<b>12,247</b>	<b>Total increase / (decrease) in realised capital resources (Note 3.0)</b>		<b>(8,453)</b>
(14,306)	Gains / (losses) on revaluation of fixed assets	205,860	
12	Repayment of finance leases	0	
(2,702)	Impairment losses on fixed assets due to general changes in prices	0	
<b>(16,996)</b>	<b>Total increase / (decrease) in unrealised value of fixed assets (Note 4.0)</b>		<b>205,860</b>
<b>(20,205)</b>	<b>Value of assets sold, disposed of or decommissioned (Note 5.0)</b>		<b>(5,665)</b>
8,960	Capital receipts set aside	18,243	
(22,305)	Revenue resources set aside	(23,604)	
17,119	Movement on Government Grant Deferred	14,362	
(497)	Movement on Deferred Capital Receipts	(334)	
<b>3,277</b>	<b>Total increase / (decrease) in amounts set aside to finance capital investment (Note 6.0)</b>		<b>8,667</b>
<b>(128,406)</b>	<b>Total Recognised Gains / (Losses)</b>		<b>234,540</b>

Note: Prior year adjustments:

The effect of FRS17 is reflected in the 2002/03 comparators. The effect of this is to increase the total recognised loss by £104,200k. For further information on FRS17, please refer to Explanatory Foreword note 6, Accounting Policies note 12, Consolidated Revenue Account note 8 and Consolidated Balance Sheet note 29.

The Movement on Government Grants Deferred has now been classed as a Capital Reserve for 2003/04 (Long Term Liabilities for 2002/03), and therefore needs to be included in this statement.

Previously discounts and premia on debt rescheduling was shown in the Deferred Capital Receipts Reserve. The effect of this is to decrease the balance on the reserve from £2,249k to £1,659k at 31/03/03.

## Notes to the Statement of Total Movements in Reserves

### 1.0 Movements in Revenue Resources

Please refer to the Consolidated Revenue Account note 9 and Balance Sheet note 29 for further details.

	<b>General Fund Balances £'000</b>	<b>HRA Balances £'000</b>	<b>Specific Revenue Reserves £'000</b>	<b>Pensions Reserve £'000</b>
Surplus/ (Deficit) for 2003/04	2,650	672	0	0
Appropriations to/from Revenue	0	0	6,209	(4,530)
Actuarial Gains and Losses relating to Pensions	0	0	0	29,130
	<b>2,650</b>	<b>672</b>	<b>6,209</b>	<b>24,600</b>
Balance as at 01/04/2003	8,174	1,230	18,504	(291,300)
<b>Balance as at 31/03/2004</b>	<b>10,824</b>	<b>1,902</b>	<b>24,713</b>	<b>(266,700)</b>

### 2.0 Actuarial Gains and Losses

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

<b>2002/03 £'000</b>		<b>2003/04 £'000</b>
(103,700)	Difference between actual and expected returns on assets	43,040
	Experience gains and losses on Pensions liabilities	(5,540)
	Changes in assumptions underlying the present value of liabilities	(8,370)
<b>(103,700)</b>	<b>Total Actuarial Gains &amp; Losses</b>	<b>29,130</b>

The difference between actual and expected return on assets expressed as a percentage of the scheme assets as at balance sheet date is 12%.

Experience Gains and Losses arising on the scheme liabilities as a percentage of the scheme liabilities as at the balance sheet date is 0.9%.

The effect of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities as a percentage of the scheme liabilities as at the balance sheet date is 1.3%.

**3.0 Movements in Realised Capital Resources**

<b>2002/03 £'000</b>		<b>2003/04 £'000</b>
Usable Capital Receipts		Usable Capital Receipts
16,947	Amounts receivable	3,041
(4,700)	Amounts applied to finance new capital investment	(11,494)
<b>12,247</b>	<b>Total increase / (decrease) in realised capital resources</b>	<b>(8,453)</b>
8,096	Balance brought forward	20,343
<b>20,343</b>	<b>Balance carried forward</b>	<b>11,890</b>

**4.0 Movements in Unrealised Value of Fixed Assets**

<b>2002/03 £'000</b>		<b>2003/04 £'000</b>
Fixed Asset Restatement Reserve		Fixed Asset Restatement Reserve
(14,306)	Gains / (losses) on revaluation of fixed assets	205,860
12	Repayment of finance leases	0
(2,702)	Impairment losses on fixed assets due to general price changes	0
<b>(16,996)</b>	<b>Balance carried forward</b>	<b>205,860</b>

**5.0 Value of Assets Sold, Disposed of or Decommissioned**

<b>2002/03 £'000</b>		<b>2003/04 £'000</b>
Fixed Asset Restatement Reserve		Fixed Asset Restatement Reserve
(16,996)	From Note 4.0	205,860
<b>(20,205)</b>	<b>Amounts written off fixed asset balances for disposals</b>	<b>(5,665)</b>
(37,201)	Total movement on reserve	200,195
260,045	Balances brought forward	222,844
<b>222,844</b>	<b>Balance carried forward</b>	<b>423,039</b>

**6.0 Movements in Amounts Set Aside to Finance Capital Investment**

2002/03				2003/04		
£'000	£'000	£'000		£'000	£'000	£'000
Capital Financing Reserve	Deferred Capital Receipts	Govt Grants Deferred		Capital Financing Reserve	Deferred Capital Receipts	Govt Grants Deferred
4,260	(497)		Capital receipts set aside	6,749	(334)	
4,700			- reserved receipts	11,494		
<b>8,960</b>			- usable receipts applied	<b>18,243</b>		
			- deferred capital receipts			
			<b>Total cap. receipts set aside</b>			
880			Revenue resources set aside	550		
(23,185)			- capital exp. Financed from conts.	4,797		
0			- Government Grants	(6,518)		
<b>(22,305)</b>			- Payment of Premia	(22,301)		
			- release of CFR	(132)		
			- Other	0		
			- capital advances redeemed	<b>(23,604)</b>		
			<b>Total revenue resources set aside</b>			
		17,119	Grants applied to capital investment			15,368
		0	Amounts credited to AMRA			(1,006)
		<b>17,119</b>	<b>Movement on Govt Grants Deferred</b>			<b>14,362</b>
<b>(13,345)</b>	<b>(497)</b>	<b>17,119</b>	<b>Movement on reserves</b>	<b>(5,361)</b>	<b>(334)</b>	<b>14,362</b>
85,764	2,156	0	Balance brought forward	72,419	1,659	17,119
<b>72,419</b>	<b>1,659</b>	<b>17,119</b>	<b>Balance carried forward</b>	<b>67,058</b>	<b>1,325</b>	<b>31,481</b>

## Cashflow Statement 2003/04

2002/03		2003/04	
£'m		£'m	£'m
	<b><u>Revenue activities</u></b>		
	<b><u>Cash Outflows</u></b>		
237.4	Cash paid to and on behalf of employees	235.9	
158.4	Other operating cash payments	188.9	
45.8	Housing benefit paid out	25.8	
36.3	National non-domestic rate payments to national pool	36.3	
7.3	Precepts paid	8.3	495.2
	<b><u>Cash Inflows</u></b>		
(9.1)	Rents (after rebates)	(8.8)	
(60.1)	Council tax receipts	(52.6)	
(47.0)	National non-domestic rate receipts from national pool	(50.2)	
(36.9)	Non-domestic rate receipts	(37.3)	
(196.9)	Revenue support grant	(214.9)	
(36.7)	DSS grants for benefits	(36.5)	
(62.2)	Other government grants	(79.6)	
(43.5)	Cash received for goods and services	(51.0)	
(26.7)	Other operating cash receipts	(25.7)	(556.6)
<b>(33.9)</b>	<b>Net Cash Inflow from Revenue Activities</b>		<b>(61.4)</b>
	<b><u>Returns on Investments and Servicing of Finance</u></b>		
22.0	Interest paid	18.4	
(2.8)	Interest received	(1.2)	17.2
	<b><u>Capital activities</u></b>		
	<b><u>Cash Outflows</u></b>		
41.6	Purchase of fixed assets	46.1	46.1
	<b><u>Cash Inflows</u></b>		
(21.5)	Sale of fixed assets	(8.8)	
(19.1)	Capital grants received	(19.8)	
(0.4)	Other capital cash receipts	(0.5)	(29.1)
<b>(14.1)</b>	<b>Net cash outflow before financing</b>		<b>(27.2)</b>
	<b><u>Financing</u></b>		
	<b><u>Cash Outflows</u></b>		
64.5	Repayments of amounts borrowed	63.0	
	<b><u>Cash Inflows</u></b>		
(56.4)	New loans raised	(31.0)	32.0
<b>(6.0)</b>	<b>(Increase)/decrease in cash &amp; equivalents</b>		<b>4.8</b>



## Notes to the Cashflow Statement

### 1.0 Reconciliation of Consolidated Revenue Account to Cash flow

2002/03 £'m		2003/04 £'m
1.1	Consolidated revenue A/C (surplus) / deficit	(2.7)
9.7	Depreciation/MRP adjustment	(16.4)
(28.7)	Net transfers from reserves	14.9
3.9	(Increase)/Decrease in creditors	(37.4)
(0.6)	Increase/(Decrease) in debtors	(6.1)
(0.1)	Increase/(Decrease) in stocks	0
0	(Increase)/Decrease in provisions	3.5
(19.2)	Financing items	(17.2)
<b>(33.9)</b>	<b>Cash inflow from revenue items</b>	<b>(61.4)</b>

### 2.0 Movements in Cash and Cash Equivalents

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

	31/03/03 £'m	31/03/04 £'m	Movement £'m
Cash in Hand	0.2	0.2	0
Bank balance (o/d)	(3.2)	(1.9)	1.3
S/term investments	61.0	54.9	(6.1)
<b>Total</b>	<b>58.0</b>	<b>53.2</b>	<b>(4.8)</b>

### 3.0 Net Financing 2003/04

The net decrease in financing of £32m shown in the statement is derived from the movements in both short and long term borrowing as reflected in the consolidated balance sheet: -

	31/03/03 £'m	31/03/04 £'m	Movement £'m
Long term borrowing	295.0	278.7	(16.3)
Short term borrowing	23.2	16.9	(6.3)
<b>Total</b>	<b>318.2</b>	<b>295.6</b>	<b>(22.6)</b>

Also included within the financing section of the statement is £9.6m premia paid resulting from a debt rescheduling exercise.

**4.0 Government Grants**

Government grants shown in the statement are analysed below: -

2002/03 £'m		2003/04 £'m
	<b><u>Revenue</u></b>	
20.1	Housing Subsidy	18.4
0.2	Mandatory Awards	2.0
3.0	GEST	3.0
38.9	Other	56.2
<b>62.2</b>	<b>Total</b>	<b>79.6</b>
	<b><u>Capital</u></b>	
0.8	Transport Grant	2.3
8.7	Other grants	9.3
1.3	ERDF	0
8.3	Capital Grant	8.2
<b>19.1</b>	<b>Total</b>	<b>19.8</b>

**5.0 Reconciliation of Net Cashflow to Movement in Net Debt**

	£'m
(Decrease) / increase in cash	(4.8)
Cash to reduce net debt	53.7
Cash to (increase) net debt	(31.0)
Non cash movement	0
Change in net debt	17.9
Net Debt 01/04/03	(260.3)
<b>Net Debt 31/03/04</b>	<b>(242.4)</b>

**6.0 Analysis of Changes in Net Debt**

	01/04/03 £'m	Cashflows £'m	Other £'m	31/03/04 £'m
Short term investments	61.0	(5.8)	(0.3)	54.9
Short term borrowing	(23.2)	22.1	(15.8)	(16.9)
Bank overdraft	(3.2)	1.3	0	(1.9)
Cash in hand	0.2	0	0	0.2
Long term borrowing	(295.1)	0.3	16.1	(278.7)
<b>Total</b>	<b>(260.3)</b>	<b>17.9</b>	<b>0</b>	<b>(242.4)</b>

## Housing Revenue Account

	2002/03 £'000	2003/04 £'000
<b>INCOME</b>		
Dwelling Rents	26,018	25,161
Non Dwelling Rents	423	458
Charges for Services and Facilities	596	1,351
Housing Subsidy	19,456	18,377
Housing Maintenance Unit Surplus	434	66
Mortgage Interest	126	99
Interest on Cash Balances	72	43
<b>Total Income</b>	<b>47,125</b>	<b>45,555</b>
<b>EXPENDITURE</b>		
Repairs and Maintenance	(9,509)	(8,476)
Supervision and Management	(7,805)	(7,303)
Rents, Rates, Taxes and Other Charges	(215)	(268)
Rent Rebates	(18,602)	(18,425)
Provision in respect of Bad or Doubtful Debts	(636)	(198)
Capital Financing Costs	(11,000)	(10,213)
Capital Expenditure Charged to Revenue	0	0
<b>Total Expenditure</b>	<b>(47,767)</b>	<b>(44,883)</b>
<b>Net (Deficit)/Surplus for Year</b>	<b>(642)</b>	<b>672</b>
<b>Reserve Balance brought forward</b>	<b>1,872</b>	<b>1,230</b>
<b>Reserve Balance carried forward</b>	<b>1,230</b>	<b>1,902</b>

## Notes to the Housing Revenue Account

### 1. Rental Income

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

### 2. Dwelling Rents

This represents rent income due from tenants. The average rent per week as at 31<sup>st</sup> March 2004 was £43.87 (less voids) compared with £43.34 (less voids) per week as at 31<sup>st</sup> March 2003. The Welsh Assembly Government sets the maximum level of rent increase for each authority. The Guideline Rent increase for the Council was £1.34 in 2003/04.

### 3. Rent Arrears

Rent arrears as at 31<sup>st</sup> March 2004 amount to some £1.4m (£1.1m as at 31<sup>st</sup> March 2003). The provision for bad debts in respect of these rent arrears is £1.07m (£1.0m as at 31<sup>st</sup> March 2003).

#### 4. Rent Rebates (Housing Benefits)

Assistance with rent is available under the Housing Benefits scheme for those on low income. As at 31<sup>st</sup> March 2004 some 71% of the Council's tenants were receiving help with the cost of rent.

#### 5. Reimbursement of Housing Benefits

Housing Benefit is administered by the Council. The cost of providing benefit during 2003/04 was £18.4m compared to £18.6m during 2002/03. This is substantially reimbursed by the government through housing subsidy.

#### 6. Housing Stock

The Council was responsible for managing, on average, some 11,690 dwellings during 2003/04 (12,186 during 2002/03).

The total number of dwellings held at 31<sup>st</sup> March 2004 was 11,378, made up as follows:

Type	1 Bed room	2 Bed room	3 Bed room	4 Bed room	6 Bed room	Total
Bungalow	155	100	12	0	0	267
Bedsit	223	0	0	0	0	223
Caravan	3	0	0	0	0	3
Flat	1,934	1,817	189	0	0	3,940
House	35	1,512	5,285	113	0	6,945
<b>Total</b>	<b>2,350</b>	<b>3,429</b>	<b>5,486</b>	<b>113</b>	<b>0</b>	<b>11,378</b>

As at the 31<sup>st</sup> March 2004 94% of properties were available for letting compared with 93% as at 31<sup>st</sup> March 2003.

#### 7. Housing Maintenance Unit

Material balances of HRA-related trading operations should be repatriated to or from the HRA in line with the general principles of the Best Value Accounting Code of Practice. The Housing Maintenance Unit produced a profit of £66k during 2003/04 (£434k during 2002/03).

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## **Summary Pension Fund Accounts**

### **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.

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

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

### **Administration**

The Rhondda Cynon Taf CBC Pension Section 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 Account**

2002/03 £'000		2003/04		
		£'000	£'000	£'000
	<b>Contributions &amp; Benefits</b>			
	<b>Contributions Receivable</b>			
(47,415)	From Employers	(53,925)		
(15,687)	From Employees	(17,464)		
			(71,389)	
(12,616)	<b>Transfers In</b>		(11,367)	
	<b>Other Income</b>			
(506)	Reimbursements Re Former Glam CC	(467)		
(1,974)	Other Reimbursements	(1,769)		
(10)	Other Income	(34)	(2,270)	
				<b>(85,026)</b>
	<b>Benefits Payable</b>			
49,070	Pensions	50,613		
5,770	Lump Sums	5,759		
			56,372	
	<b>Payments To Leavers</b>			
398	Refunds	472		
8,270	Transfers Out	8,666		
			9,138	
	<b>Administration Expenses</b>			
1,665	Investment	1,721		
1,121	Administration	1,173	2,894	<b>68,404</b>
<b>(11,914)</b>	<b>Net Withdrawals/(Additions) from Dealings with Members</b>			<b>(16,622)</b>
	<b>Returns On Investments</b>			
(20,840)	Investment Income: Fixed Interest & Equities	(25,637)		
(2,246)	Investment Income: Cash	(1,683)	(27,320)	
50,000	Realisation Of Investments		(1,527)	
152,747	Change In Market Value Of Investments		(120,753)	
1,149	Investment Management Expenses		1,021	
<b>180,810</b>	<b>Net Returns On Investments</b>			<b>(148,579)</b>
<b>168,896</b>	<b>Net (Increase)/Decrease In Fund In Year</b>			<b>(165,201)</b>
<b>(843,978)</b>	<b>Opening Net Assets</b>			<b>(675,082)</b>
<b>(675,082)</b>	<b>Closing Net Assets</b>			<b>(840,283)</b>

**Net Assets Statement**

31/03/03 £'000		31/03/04	
		£'000	£'000
	<b><u>Investment Assets</u></b>		
	<b>Fixed Interest Securities</b>		
22,329	UK – Public Sector	94,541	
35,131	UK – Index Linked Securities	0	
0	UK – Corporate Bonds	6,209	
42,604	International	30,422	
			131,172
	<b>Equities</b>		
314,080	UK	408,182	
155,317	Foreign	232,647	
			640,829
	<b>Unit Trusts</b>		
45,417	UK Bonds	0	
159	Investment Trusts	156	
			156
2,096	<b>Property Unit Trusts</b>		227
617,133			772,384
	<b><u>Net Current Assets &amp; Liabilities</u></b>		
	Current Assets:		
48,007	Short Term Investments	22,642	
6,801	Debtors	10,301	
7,478	Cash In Hand	5,275	
0	Amounts Due (To) / From RCT	32,219	
			70,437
	Current Liabilities:		
(776)	Creditors	(2,538)	
(3,561)	Amounts Due (To) / From RCT	0	
			(2,538)
0	Long Term Liabilities: Creditors		0
<b>675,082</b>	<b>Total Assets</b>		<b>840,283</b>

The market value of long term investments quoted is at 31<sup>st</sup> March of the appropriate year.

## **1.0 Introduction**

The accounts summarise the transactions and net assets of the Pension Fund, and comply in all material respects with Statement of Recommended Practice No. 1 (SORP1), Pension Scheme Accounts. They do not take account of liabilities to pay pensions and other benefits in future. The actuarial position, which does take account of such liabilities, is set out in Note 3 below, and these accounts should be read in conjunction with it.

## **2.0 Accounting Policies**

The Pension Fund accounts are prepared on an accruals basis unless otherwise stated below.

### **2.1 Contributions**

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

### **2.2 Investment Income**

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

### **2.3 Transfers**

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

### **2.4 Benefits**

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

### **2.5 Investment Management and Administration Costs**

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

### **2.6 Investment Valuation**

Listed securities are valued at mid market prices as at 31<sup>st</sup> March 2004 supplied by FT Interactive Data and obtained by them from recognised Stock Exchanges. Unit Trust and Property Unit Trust valuations are based on the latest valuations supplied by the Unit Trust Management Companies.



## 2.7 Future Liabilities

The financial statements do not take into account the Fund's liabilities to pay pensions and other benefits in future periods. These liabilities are reported separately by an actuarial valuation undertaken every three years. The result of the latest valuation is set out in Note 3 below.

## 2.8 Foreign Currency

Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31<sup>st</sup> March 2004 supplied by FT Interactive Data.

## 2.9 Additional Voluntary Contributions (AVC's)

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

## 3.0 Actuarial Position

An actuarial valuation of the Fund was carried out as at 31<sup>st</sup> March 2004. The results of this valuation are due in December 2004 and any resultant changes in contribution rates will take effect from 1<sup>st</sup> April 2005. The previous actuarial valuation of the Fund was carried out as at 31<sup>st</sup> March 2001. The information that follows relates to that valuation.

The market value of the Fund's assets at the valuation date was £866.4m, representing 76% of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rates have been calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:

Discount rate after retirement for periods	5.90% per annum
Discount rate before retirement for periods	6.75% per annum
Rate of general pay increases	4.25% per annum
Rate of increases to pensions in payment	2.50% per annum
(In excess of GMP's) (Valuation of assets taken at market value).	

The valuation showed that the required level of contributions for the Fund as a whole with effect from 1<sup>st</sup> April 2002 was 340% of members' contributions. The required level of contributions found to be payable by the participating Unitary Authorities with effect from the same date are set out below:

Authority	%
Bridgend County Borough Council	320
Rhondda Cynon Taf County Borough Council	345
Merthyr Tydfil County Borough Council	405

These rates of contribution are rates that, in addition to the contributions paid by the members, are sufficient to meet: -

- 100% of the liabilities arising in respect of service after the valuation date;
- An adjustment over a period equal to the average future working life of the employed members to reflect the shortfall of the value of each participating employers' notional share of the fund's assets over 100% of its accrued liabilities, allowing, in the case of members in service, for future pay increases.

The rates of contribution paid by the Unitary Authorities over the years 2002/03 and 2003/04 were: -

<b>Authority</b>	<b>2002/03</b>	<b>2003/04</b>
	<b>%</b>	<b>%</b>
Bridgend County Borough Council	320	320
Rhondda Cynon Taf County Borough Council	323	341
Merthyr Tydfil County Borough Council	365	395

The overall effect of the valuation was that the employer contributions to the fund needed to rise, on average, by some 40% of employee contributions with effect from 1<sup>st</sup> April 2002. The overall funding level deteriorated a little from 79% in 1998 to 76% in 2001. This was mainly due to poor investment performance relative to the 1998 valuation assumptions.

Participating employers are: -

<b>Administering Body:</b>	Rhondda Cynon Taf County Borough Council
<b>Scheduled Bodies:</b>	Amgen Cymru Brackla Community Council Bridgend College Bridgend County Borough Council Bridgend Town Council Coleg Morgannwg Coychurch Crematorium Joint Committee ESIS Gelligaer Community Council Llanbradach Community Council (No active members at present) Llanharry Community Council (No active members at present) Llantrisant Community Council Llantwit Fardre Community Council Llwydcoed Crematorium Joint Committee Maesteg Town Council Merthyr College Merthyr Tydfil County Borough Council National Probation Service Pontyclun Community Council Pontypridd Town Council South Wales Fire Authority South Wales Police Authority South Wales Sea Fisheries South Wales Valuation Tribunal
<i>Continued overleaf...</i>	

	Tonyrefail Community Council University of Glamorgan Ystrad Mynach College
Admitted Bodies:	Academi Care Council for Wales Council of Museums in Wales Care Standards Inspectorate for Wales (CSIW) Finance Wales Investment Local Government Data Unit Maesteg Town Hall Merthyr Tydfil Institute for the Blind Mid Glamorgan Careers Ltd Penywaun Enterprise Partnership SEWOCN Valley Arts Marketing (VAM) Valleys to Coast Housing Welsh Development Agency (WDA) WJEC WJEC/CBAC Services

#### **4.0 Investment Strategy**

Investment strategy is considered and agreed by a panel consisting of two Council Members, the Group Director – Corporate Services, the Senior Divisional Director of Finance, the Head of Accounting Services, the Group Accountant, the Investment Manager, the Pensions Manager, the Pension Fund Accountant and two independent investment advisors. The Panel meets quarterly to determine policy in the light of market movements and economic indicators. Two equity fund managers and a specialist bond manager carry out the actual day-to-day investment management of the Fund:

Deutsche Asset Management  
F & C Management Ltd.  
Isis Asset Management (Bond portfolio)

#### **5.0 Capital Commitments**

At 31<sup>st</sup> March 2004, the Fund has commitments on part paid venture fund investments of £48.8k.

#### **6.0 Fund Manager/Advisor Fees (Investment Management Expenses)**

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

## 7.0 Costs of Acquiring Investments

Acquisition costs are included within original book value. However, at the end of the year, the investments on the balance sheet are valued at market value. The difference is recorded on the Fund Account as "Change in Market Value of Investments".

## 8.0 Analysis of Investments

	2002/03		2003/04	
	£'000	£'000	£'000	£'000
<b>UK Equities &amp; Convertibles</b>				
Listed	314,080		408,182	
Unlisted	0		0	
		314,080		408,182
<b>Foreign Equities</b>				
Listed	155,317		232,647	
Unlisted	0		0	
		155,317		232,647
<b>Bonds</b>				
UK	102,877		100,750	
Foreign	42,604		30,422	
		145,481		131,172
<b>UK Property Unit Trusts</b>				
UK Investment Trusts	159		156	
UK Investment/Unit Trusts	2,096		227	
		2,255		383
<b>Total Long Term Investments</b>		<b>617,133</b>		<b>772,384</b>
Cash/Short Term Investments		55,485		27,917
<b>Market Value of Investments</b>		<b>672,618</b>		<b>800,301</b>

## 9.0 Movement in Market Value of Investments

The market value of the pension fund's investments (excluding cash) increased from £617m to £772m during 2003/04. This movement is summarised in the following table:

	£'000	£'000
Opening Investments at Market Value 2003/04		617,133
Total Purchases	631,369	
Total Sales	(598,487)	
		32,882
Stock Dividends		699
Increase in reserve debtors		(863)
Increase in reserve creditors		1,780
Reverse unrecognised loss in previous year		97,389
Unrecognised profit this year		23,364
<b>Closing Investments at Market Value 2003/04</b>		<b>772,384</b>

**10.0 Details of Fund Managers**

The Fund is managed by two balanced Fund Managers (Deutsche Asset Management and Foreign and Colonial Management Ltd.) and a specialist Bond Manager (Isis Asset Management). These companies are UK registered.

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

Fund Manager	Market Value		Proportion of Fund	
	31/03/03 £'000	31/03/04 £'000	31/03/03 %	31/03/04 %
Deutsche Asset Mgt	446,181	330,121	66.33	41.25
F&C Management	203,988	330,681	30.33	41.32
Isis Asset Mgt	0	135,122	0	16.88
Internally managed	22,449	4,377	3.34	0.55
<b>Total</b>	<b>672,618</b>	<b>800,301</b>	<b>100.00</b>	<b>100.00</b>

No single investment accounted for more than 10% of the Fund's assets.

The book value of investments at 31<sup>st</sup> March 2004 was £749m (excluding short-term loans and cash) with a market value of £772m, £23m above costs.

**11.0 Contingencies**

There is a contingent liability of £374k (£318k in 2002/03) in respect of potentially refundable contributions for leavers who have not yet claimed refunds.

**12.0 Membership of The Fund**

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

	2002/03	2003/04
Employing Bodies	44	44
Contributors	18,745	18,816
Pensioners	11,921	11,987
Dependants	2,288	2,285
Deferred Beneficiaries	5,620	6,100

**13.0 Purchases and Sales**

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

<b>Quarter</b>	<b>Purchases £'000</b>	<b>Sales £'000</b>
June 2003	79,384	70,727
September 2003	282,578	270,061
December 2003	120,200	113,506
March 2004	116,959	116,634
<b>Total</b>	<b>599,121</b>	<b>570,928</b>

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

**14.0 Statement of Investment Principles**

The Local Government Pension Scheme (Management & Investment of Funds)(Amendment) Regulations 1999 require administering authorities, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a "written statement of investment principles governing their decisions about investments".

The Statement must cover the policy on: -

- (a) The types of investments to be held;
- (b) The balance between different types of investments;
- (c) Risk;
- (d) The expected return on investments;
- (e) The realisation of investments;
- (f) The extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
- (g) The exercise of the rights (including voting rights) attached to investments, if they have any such policy.

The statement has been prepared in consultation with the Pension Fund Investment Advisory Panel. It will be reviewed annually.

**15.0 Contributions Receivable and Benefits Payable**

The Pension Fund is made up of a number of bodies, as identified in Note 3 to these accounts. These bodies can be divided into three categories - administering authority, admitted bodies and scheduled bodies. The contributions received and benefits paid, analysed between each category in 2003/04 are shown in the following table:

Type of Body	Employee Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2002/03 £'000	2003/04 £'000	2002/03 £'000	2003/04 £'000	2002/03 £'000	2003/04 £'000
Administering	5,672	6,332	18,518	21,039	4,946	5,522
Admitted	1,717	2,113	4,373	5,633	2,320	2,565
Scheduled	8,298	9,019	24,524	27,253	47,574	48,285
<b>Total</b>	<b>15,687</b>	<b>17,464</b>	<b>47,415</b>	<b>53,925</b>	<b>54,840</b>	<b>56,372</b>

## 16.0 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 £1.0m (£1.0m in 2002/03). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

At the year end contributions outstanding from the Employing Bodies in the Fund amounted to £4.4m (£2.9m in 2002/03).

## 17.0 Stock Lending

There has been no stock lending arrangements during the period.

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# Rhondda Cynon Taf County Borough Council Pension Fund

## Statement of Investment Principles

### 1. Overall Responsibility

Rhondda Cynon Taf County Borough Council is the designated statutory body responsible for administering the Rhondda Cynon Taf County Borough Council Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. The Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out regular reviews and monitoring of investments.

The Council has appointed the Group Director - Corporate Services with Section 151 responsibilities to act as adviser to the Council in respect of its Pension Fund responsibilities. An Investment Advisory Panel has been formed to advise him in this capacity. This is made up of:

- Two Councillors;
- Senior Divisional Director of Finance;
- Head of Accounting Services;
- Group Accountant;
- Two independent advisors;
- Investment Manager;
- Pensions Manager;
- Pension Fund Accountant.

The Panel meets quarterly. The Council is not strictly a trustee (technically, this is the Office of the Deputy Prime Minister) but acts in a quasi - trustee role.

### 2. Primary Objective

The Fund's objective is to provide for members' pension and lump sum benefits on their retirement or for the dependants benefits on death before or after retirement, on a defined basis.

### 3. Funding Objectives

Rhondda Cynon Taf should manage the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the actuarial value of the Fund's assets and that an appropriate level of contribution is agreed by the Authority to meet the cost of future benefits arising.

The assumptions used for this test correspond with the assumptions used in the latest Actuarial Valuation. This position will be reviewed at least at each



triennial Actuarial Valuation. The Investment Advisory Panel will be advised of any material changes to the Fund during the inter-valuation period.

#### **4. Investment Objectives**

The Fund's objective is to achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding objectives on an ongoing basis.

The Investment Advisory Panel will ensure that one or more investment managers are appointed who are authorised under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 to manage the assets of the Fund. Contracts/mandates are in place giving instructions to the Managers as to how the investment portfolio is to be managed.

The Investment Advisory Panel may give specific directions as to the strategic asset allocations and will ensure the suitability of assets in relation to the needs of the Fund. The investment managers (each of which will have a benchmark and target to reflect their mandate) will be given full discretion over the choice of individual stocks and are expected to maintain a diversified portfolio.

#### **5. Types Of Investments To Be Held**

A management agreement is in place for each investment manager which sets out the relevant benchmark, performance target, asset allocation ranges and any restrictions as determined by the Investment Advisory Panel.

Distribution of assets for the balanced equity fund managers must be maintained within the following ranges: -

<b>Asset Class</b>	<b>Range (Percentage of Portfolio)</b>
UK Equities	Minimum 40%
Cash	0 - 10%

Percentage ranges are broad so as not to restrict the fund managers' diversification.

The Investment Advisory Panel has agreed a benchmark which provides an efficient balance between risk and return.

The Investment Advisory Panel has agreed not to invest in private equity. The Fund's internal portfolio includes investments in venture funds.

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**6. Policy On Risk**

The adoption of an asset allocation benchmark and the monitoring of performance relative to a performance target constrains the investment managers from deviating significantly from the intended approach, while permitting flexibility to manage the Fund in such a way to enhance returns.

The appointment of more than one investment manager introduces a meaningful level of diversification of manager risk.

Each manager is expected to maintain a diversified portfolio of investments and adhere to restrictions imposed within their agreement.

**7. Expected Return On Investments**

The overall investment objective is to maximise investment returns and to minimise employer contributions over the long term within agreed risk tolerances.

The statutory requirement is to move towards 100% funding over a period of time. This is agreed with the Actuary as the average expected future working lifetime of the scheme membership. The funding level is computed triennially, following an actuarial review.

The Fund's assets are managed on an active basis and are expected to outperform their benchmarks over the long term. In this way the investment performance achieved by the Fund is expected to exceed the rate of return assumed by the Actuary in funding the Fund on an ongoing basis.

The Fund's investment managers have been given weighted average benchmarks and targets to reflect their mandates. Both asset allocation and stock selection is monitored.

Review of the investment managers is ongoing based on the quarterly and annual performance data supplied to the Panel by the WM Company.

**8. Realisation Of Investments**

Fund Managers are required to hold only assets that are readily realisable. Any investment within a pooled fund that is not readily tradeable requires specific approval. Property Unit Trusts, which are relatively illiquid, currently make up a small proportion of the Fund's assets.

**9. Socially Responsible Investments**

The Investment Advisory Panel has discussed Socially Responsible Investment in the context of the investment strategy. It has been decided that the overriding principle of the Fund's investment policy is to obtain the

best possible return using the full range of investments authorised under the Local Government Pension Scheme regulations.

The Panel has adopted a critical engagement policy as a means of being socially responsible. By adopting corporate governance principles the Fund will be attempting to encourage corporate social responsibility.

#### **10. Exercise Of Voting Rights**

The Investment Advisory Panel has agreed a voting template on how Fund Managers should base their voting actions. An independent voting agency has been employed to monitor the actions of the Managers.

Critical engagement is a means of being socially responsible. Managers are required to use their voting rights as a way of being constructively critical of a company.

#### **11. Custody**

Rhondda Cynon Taf has appointed global custodians. All the investments are held by the custodians to the account of the Pension Fund. The Council holds a modest working cash balance.

#### **12. Advisors**

Rhondda Cynon Taf has appointed two independent advisors. The Advisors are employed to give advice to the Council on investment matters.

#### **13. Actuary**

Rhondda Cynon Taf has appointed an independent actuary. The main purpose of the actuary is to ascertain the Fund's financial position.

#### **14. Administration**

On behalf of Rhondda Cynon Taf County Borough Council, the Group Director - Corporate Services exercises continual monitoring of the managers' investment related actions and administration. This includes:

- Maintaining the investment ledger and suitable accounting procedures for the Fund's assets;
- Preparing a quarterly report to the Investment Advisory Panel;
- Preparing an audited annual report and accounts;
- Maintaining an up to date record of in-house managed cash balances to ensure surplus cash is invested promptly or that resources are available to cover benefits payments.

**15. Fees Of Advisors And Fund Managers**

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

**16. Review Of Structure**

The Investment Advisory Panel reviews its structure and composition on a three – yearly basis.

**17. Annual Business Plan**

Rhondda Cynon Taf produces annual business plans for all areas of service including, at present, in separate plans, Pensions Administration (Exchequer Business Plan) and Fund Investment (Accountancy Business Plan). It is though proposed that work will be undertaken to produce a composite Pension Fund Business Plan.

### **Actuaries' Report**

We have undertaken a valuation of the Fund as at 31<sup>st</sup> March 2001, in compliance with Regulation 77. The valuation shows assets held at the valuation were sufficient to cover 76% of the accrued liabilities assessed on an on-going basis, a decrease of 3% compared to the level found in 1998.

The revised contribution arrangements that are effective from 1st April 2002 are set out in the Rates and Adjustments Certificate required by Regulation 77 that is appended to the full Report as Appendix G. This is available from the Pension Section.

It should be noted that contribution rates are subject to review under Regulation 78(3)(b) if the need arises and, in any case, rates for years from 2005/06 onwards will be reviewed at the next valuation.

In the normal course of events, it would be expected that the funding level would increase by the time of the next valuation at 31<sup>st</sup> March 2004, largely because the rates of contribution to be paid contain an element to liquidate the deficiency found at this valuation. The residual deficiency would then be respread at the next valuation (Amortising early retirement costs as they arise means that future redundancies should have no effect on the position of the Fund). However, any increase in the funding level is dependent on the assumptions made being borne out in practice, the main areas where variations might be expected being increases in pay and investment returns in excess of price inflation.

**Watson Wyatt Partners**  
**Actuaries and Consultants**

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

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## Statement on the System of Internal Financial Control

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

Our system of internal financial control includes:

- Comprehensive on-line financial management system.
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts.
- Setting targets to measure financial and other performance.
- Monthly reporting on Key Performance Indicators.
- The preparation of regular financial reports that indicate actual expenditure against the forecasts for both capital and revenue expenditure.
- The establishment of a "Medium Term Financial Planning Group".
- As preparation for compliance with the Prudential Code, the Council has had to forecast Capital Expenditure, Capital Financing and Treasury Management Activities to ensure our activities are affordable, prudent and sustainable. From April 2004, we will be monitoring our Capital and Treasury Management activities against limits set in our Prudential Indicators.
- Corporate Accountancy maintains a register of key monthly and quarterly reconciliations. The reconciliations are reviewed and challenged by senior management.
- At the end of the financial year, every balance sheet code is reconciled by a responsible officer. The reconciliations are independently reviewed prior to the production of the Statement of Accounts. This enhances balance sheet integrity.
- "Section 151" meetings occur monthly. These meetings enable Corporate senior management to monitor and challenge significant

budget issues. This is supplemented by a service manager Finance “call in” process.

- The Audit Committee, Overview & Scrutiny Committee and Scrutiny Task Teams contribute to the System of Internal Financial Control. All budget monitoring reports are reported through the scrutiny process.
  - Clearly defined capital expenditure guidelines.
  - Ad hoc reviews of “hot spots” identified as part of a Risk Management approach to budgetary control.
  - As appropriate, formal project management disciplines.
4. Recent improvements to the System of Internal Financial Control are:
- Development of a formal Scheme of Delegation.
  - Establishment of a Financial Procedure Rules Working Group and senior management training.
  - Revised budgetary control reporting format to include responsible officer and management action for key variances.
  - Closing of Accounts training for financial and non financial staff.
5. The aims and objectives of the Internal Audit Service are driven by the CIPFA Code of Practice for Internal Audit and by the S151 responsibilities of the Group Director for Corporate Services. Internal Audit’s Strategic and Operational Plans are regularly reviewed based on risk assessments undertaken in consultation with Group and Divisional Directors.

Internal Audit reports independently on the adequacy and effectiveness of the system of internal financial control. Because of its independence, the Internal Audit Manager is able to report directly on any matter to the Chief Executive, all levels of management and directly to elected Members. Also, progress reports on audit coverage and other key Internal Audit reports are regularly provided to Audit Committee, which meets on a six weekly cycle.

Internal Audit’s performance is formally assessed by the Audit Commission in Wales on an annual basis against the standards set by the CIPFA Code of Practice. The 2003/04 assessment recognised the fact that key financial systems were reviewed during the year.

No significant weaknesses were identified on key financial systems reviews. Work has still to be undertaken on key revenues systems. This has been postponed due to new systems implementation. The pending reviews will focus upon the new systems. There was also broad coverage of all other high-risk areas across the four service groups of the Council.

6. Our review of the effectiveness of the system of internal financial control is informed by:
- The work of managers within the Council;
  - The work of the internal auditors as described above;
  - The external auditors in their annual audit letter and other reports, and

- WPI process and annual Risk Assessment.

By order of the Authority.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Steve Merritt**

**Acting Chief Finance Officer**

Bronwydd House

Porth

CF39 9DL



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## Statement of Responsibilities for preparation of Statement of Accounts

### The Council's Responsibilities

The Council is required: -

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

### The Group Director - Corporate Services' Responsibilities

The Group Director is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2004.

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

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

### The Group Director has also throughout the financial year:

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

### Certificate of the Group Director - Corporate Services Rhondda Cynon Taf C.B.C. on the accounts of Rhondda Cynon Taf C.B.C for 2003/04

I certify that the accounts set out on the pages 2 to 80 present fairly the financial position of Rhondda Cynon Taf C.B.C. at 31<sup>st</sup> March 2004 and its income and expenditure for the year then ended.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Steve Merritt**

**Acting Chief Finance Officer**

Bronwydd House

Porth

CF39 9DL

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## **Independent Auditor's Report to Rhondda Cynon Taf C.B.C. for 2003/04**

We have audited the statement of accounts on pages 2 to 60 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 10 to 17 and the Pension Fund accounts, on pages 61 to 76 which have been prepared in accordance with the accounting policies applicable to pension funds set out on pages 64 to 65.

This report is made solely to Rhondda Cynon Taf C.B.C. in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective responsibilities of Chief Financial Officer and Auditors**

As described on page 81 the Group Director - Corporate Services is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the UK 2003 ("the SORP"). Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

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

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

We review whether the statement on the system of internal financial control on pages 78 to 80 reflects compliance with the requirements of the SORP. We report if it does not meet the requirements of the SORP or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on the system of internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

### **Basis of opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires

compliance with relevant auditing standards issued by the Auditing Practices Board.

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

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

### **Opinion on the Council's accounts**

In our opinion the statement of accounts present fairly the financial position of Rhondda Cynon Taf County Borough Council as at 31<sup>st</sup> March 2004 and its income and expenditure for the year then ended.

### **Opinion on the Pension Fund accounts**

In our opinion the financial statements present fairly the financial transactions of Rhondda Cynon Taf County Borough Council Pension Fund during the year ended 31<sup>st</sup> March 2004, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

### **Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**John Dwight**

**Audit Commission in Wales**

2-4 Park Grove

Cardiff

CF1 3PA

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

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

**Agency Services**

Agency services are services provided by an outside organisation.

**Amortisation**

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

**Audit**

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

**Balance Sheet**

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

**Best Value Accounting Code of Practice (BVACOP)**

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

**Budget**

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

**Capital Expenditure**

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

**Capital Financing Reserve (CFR)**

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

**Capital Receipt**

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

**Cashflow Statement**

This statement summarises the movements in cash during the year.

**Chartered Institute of Public Finance Accountants (CIPFA)**

CIPFA is responsible for issuing financial guidance to public bodies.

**Consolidated Balance Sheet (CBS)**

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

**Consolidated Revenue Account (CRA)**

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

**Contingent Liabilities**

A Contingent Liability is a possible obligation that arises from past events on whose existence will be confirmed by the occurrence of uncertain future events.

**Corporate and Democratic Core (CDC)**

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

**Corporate Management (CM)**

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

**Creditor**

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

**Current Assets**

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

**Current Liabilities**

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

**Debtor**

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

**Deferred Grants**

The Government Grants Deferred account represents the balance of grants applied to the financing of fixed assets awaiting amortisation to the asset

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management revenue account (AMRA) to match the depreciation of the relevant assets.

**Defined Benefit**

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

**Delegated Schools**

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

**Democratic Representation and Management (DRM)**

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

**Depreciated Replacement Cost (DRC)**

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

**Depreciation**

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

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

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

**Earmarked Reserves**

These are reserves set aside for a specific purpose.

**Financial Year**

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

**Finance Leases**

Finance leases are used to finance purchases where the Council takes on most of the risks associated with owning the asset.

**Fixed Asset**

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

**Fixed Asset Restatement Reserve (FARR)**

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

**Financial Reporting Standard (FRS)**

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

**Housing Revenue Account (HRA)**

This account contains all council housing income and spending.

**Leasing**

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

**Liability**

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

**Minimum Revenue Provision (MRP)**

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

**National Non-Domestic Rates (NNDR)**

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

**Net Realisable Value**

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

**Non Distributable Costs (NDC)**

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

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

**Open Market Value in Existing Use (OMVEU)**

OMVEU is a basis for valuation of fixed assets

**Operating Assets**

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

**Operating Leases**

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

**Post Balance Sheet Events**

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



**Precepts**

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

**Prior Year Adjustment**

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

**Provision**

A provision is an obligation to transfer economic benefits as a result of past events where a reliable estimate can be made of the obligation.

**Provision for Credit Liabilities (PCL)**

This is money set aside to repay debt. This forms part of the capital financing reserve (CFR).

**Public Works Loan Board (PWLB)**

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

**Related Party Transactions**

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

**Statement of Standard Accounting Practice (SSAP)**

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

**Statement of Total Movements in Reserves**

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

**Statement on the System of Internal Financial Control**

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

**Stocks**

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

**Temporary Borrowing or Investment**

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

**Trust Fund**

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

**Voids**

Voids are empty properties.

**Wales Programme for Improvement (WPI)**

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

**Work in Progress (WIP)**

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