



Statement of Accounts 2017/18



Rhondda Cynon Taf County Borough Council**Statement of Accounts 2017/18**

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Narrative Report

1. Introduction

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

Rhondda Cynon Taf is the third largest Council in Wales with a population of 238,306 (Mid Year 2016 Census), serving an area in the South Wales Valleys covering 424 square kilometres, stretching from the Brecon Beacons National Park in the north to the Capital City of Cardiff in the south.

The accounts for 2017/18 have been prepared in accordance with:

- Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 based on International Financial Reporting Standards (IFRS).
- Accounts and Audit (Wales) Regulations 2014 (as amended).

The accounts set out on pages 1 to 155 comply with the above.

2. Impact of Current Economic Climate

The economic climate continues to be a significant challenge for this and all other local authorities. In his letter of 21st December 2016 to local authorities providing details of the 2017/18 local government revenue and capital settlements, the then Cabinet Secretary for Finance and Local Government (Mark Drakeford, AM) announced an increase in the average funding for local authorities in Wales for the year 2017/18, with a modest increase for Rhondda Cynon Taf of 0.4%. Council Officers and Members continue to take their fiduciary duty extremely seriously and this has been demonstrated by the setting of prudent, equitable and fair budgets. The financial results and position demonstrated in this Statement of Accounts reflect sound financial stewardship despite continuing financial pressures.

Given the continuing financial pressures the Council is working under, it remains the view of the Section 151 Officer that the Council should hold a minimum of £10m as General Fund Balances (i.e. its working balance). This level is set given the context of the need for continued strong financial management that is felt to be essential to ensure that the Council maintains financial flexibility and stability going forward. This is reflected in the Balance Sheet which demonstrates Council Fund Balances of £10.720m.

3. Medium Term Financial Plan 2017-18 to 2020-21

As reported to Cabinet on 18th July 2017, the Council has set out assumptions within its [Medium Term Financial Plan 2017/18 to 2020/21](#). The Medium Term Financial Plan is the cornerstone of good governance and is an enabler of service delivery and service improvement within the constraints of available resources. The Public Sector continues to face a prolonged period of ongoing austerity with national forecasts pointing to challenging times for services across local

government. This is coupled with increasing demand and costs associated with many services, in particular Social Care Services.

Locally, this Council has demonstrated its ability and willingness to invest in services, linked to our Corporate Plan priorities, in order to meet the changing needs of our people and communities. Significant additional investment of £16m agreed by Members in 2017/18 is providing real improvements across many areas including leisure, roads and information technology.

Whilst investment through the use of one-off funds has been very positive, the Council recognises that it must still address base budget shortfalls and take appropriate decisions to balance its ongoing revenue budget into the medium term.

The Council continues to focus on an estimated budget gap over the medium term and has successfully implemented a strategy of early identification and delivery of base budget reducing measures in-year. This has enabled the Council to deliver financial savings early and to replenish the Medium Term Financial Planning and Service Transformation Reserve which has been used proactively as part of the budget strategy for a number of years.

4. The Council's Corporate Plan 2016-2020

For 2017/18 [The Council's Corporate Plan 2016-2020](#) was the key strategic plan, focusing on 3 priorities:

- Economy – Building a strong economy.
- People – Promoting independence and positive lives for everyone.
- Place – Creating neighbourhoods where people are proud to live and work.

In order to meet these priorities, 4 key principles have been set:

- Providing essential services well - In the coming years, there will be less money available and the Council will have to make sure the money is spent where the need is greatest.
- Helping people and communities help themselves - Giving people and communities the support they need to manage their community assets and have more control over the services in their community.
- Building a sustainable County Borough, supporting initiatives that stimulate economic growth and create jobs within the Borough.
- Living within our means – Our priorities need to focus on minimising running costs without affecting front line services. Financially, the Council has to make difficult decisions in order to manage the budget and ensure value for money for our residents.



The Council's [Corporate Performance Report 2018/19](#) outlined the progress made on our 2017/18 priorities and sets out the 2018/19 strategic plans for ECONOMY, PEOPLE, and PLACE.

Each quarter, Cabinet received an update of progress made against the agreed Corporate Plan priorities to confirm whether they were satisfied with the progress being made and, following this, the updates were reported to the Council's Finance and Performance Scrutiny Committee for review and challenge. The Council performance report for Quarter 4 as at 31st March 2018 went to Cabinet 17th July 2018 [Council Performance Report 31st March 2018 \(Quarter 4\)](#)

The Council's Corporate Plan priorities were also formally adopted as the Council's Well-being objectives for 2017/18 at a meeting of Cabinet on 9th March 2017, [Well-being of future Generations Act - the Council's Wellbeing Objectives](#)

In September 2017 Cabinet agreed that the Council will focus on five workstreams to improve the essential services provided:

- Digitalisation - in line with the Council's Digital Plan approved by Cabinet on 22nd June 2017:
 - Working with residents to improve their digital skills and access to technology to empower more people to interact digitally with the Council; and
 - Enabling more of the Council's workforce to be agile to help further boost productivity and reduce the need for office space.
- Commercialisation - creating the conditions within the Council in terms of capacity and capability to widen opportunities to trade with external organisations.
- Early Intervention and Prevention - investing in preventative services to support the delivery of savings in the medium term, in particular:
 - The creation of community hubs to bring similar services together and create economies of scale in terms of staffing and building costs, which will enable the Council to continue to provide a comprehensive range of services within key communities; and

- Introducing new approaches that support resilient families who will not require statutory intervention and also a new approach to reducing the number of victims and perpetrators of domestic abuse.
- Independence - modernising and reshaping services to ensure independence is promoted for vulnerable residents; this includes building extra care facilities and linking into community hub provision.
- Efficient and Effective Organisation - challenging on-going service delivery and driving out further efficiencies through bringing together similar back-office functions, reducing administration costs and also the size of the property portfolio.

In addition to these modernisation changes, the Council has committed to a strategic capital investment programme, a number of which will link in with and complement the Cardiff Capital Region City Deal:

- Highways and Transportation Infrastructure;
- 21st Century Schools Programme;
- New Housing e.g. independent living and bringing empty properties back into use;
- Community Assets e.g. community hubs, parks and playgrounds, leisure centres and library facilities; and
- Town Centre and Economic Regeneration projects e.g. Taf Vale Development

The Council is also a key partner in the Cwm Taf Public Services Board (PSB) and agreed the [Cwm Taf Wellbeing Plan](#) for the areas of Rhondda Cynon Taf and Merthyr Tydfil for the period 2018-2023 at its meeting on 28th February 2018 (Note: the Plan is also subject to approval through the governance arrangements of the individual statutory partners of the Public Services Board). This plan replaced the Single Integrated Plan and introduced four Well-being Objectives which the partnership will work together on to improve the Economic, Social, Environmental and Cultural Well-being of the people and communities of Cwm Taf.

The Cwm Taf Well-being Objectives are:

- Thriving Communities;
- Healthy People;
- Strong Economy; and
- Tackling Loneliness and Isolation.

The objectives set out in the Council's Corporate Plan and the Cwm Taf Well-being Plan will help the Council and Cwm Taf Public Services Board to contribute to the seven national Well-being goals, as set out in the Well-being of Future Generations Act:

- A globally responsible Wales;
- A prosperous Wales;
- A resilient Wales;
- A healthier Wales;

- A more equal Wales;
- A Wales of cohesive communities; and
- A Wales of vibrant culture and thriving Welsh Language.

5. Explanation of Core Financial Statements

The Statement of Accounts that follow this Narrative Report contains the following Core Financial Statements:

- **Movement in Reserves Statement (MiRS)** – analyses the movement in usable and unusable reserves.
- **Comprehensive Income and Expenditure Statement (CI&ES)** – reflects income and expenditure in accordance with IFRS and is analysed into service areas which reflect the way in which services operate and performance is managed.
- **Balance Sheet** – reflects all assets, liabilities and reserves of the Council as at the end of the financial year.
- **Cash Flow Statement** – analyses the movement in cash and cash equivalents for the year.

The Annual Governance Statement is included within the Statement of Accounts. This statement details the Council's governance arrangements and reviews its effectiveness.

In the financial statements for 2017/18, two joint committees are consolidated:

- Central South Consortium Joint Education Service (CSCJES); and
- Cardiff Capital Region City Deal (CCRCD).

6. Revenue Income and Expenditure 2017/18

The Comprehensive Income and Expenditure Statement provides an analysis of the Council's gross revenue expenditure and income in accordance with IFRS.

The broad objectives of [The Council's 2017/2018 Revenue Budget Strategy](#) were to:

- Support the delivery of our key strategic priorities, particularly around the need to build a strong economy, promote people's independence and create a County Borough where people are proud to live and work.
- Retain the support of the Wales Audit Office for the approach the Council has adopted to securing strong financial management.
- Continue with the delivery of our key services and protect as many local jobs as possible even with diminishing financial resources.
- Take a responsible attitude towards agreeing the level of the Council Tax.

The Council monitors performance across the following service areas:

- **Education & Lifelong Learning Services** - Providing School and Community Learning Services, Libraries, Welsh Language Services, Access, Engagement & Inclusion Services, Asset Management and Catering Services.
- **Community & Children's Services** - Providing Community Care Services, Community Housing Services, Health and Social Care, Children's Services, the Communities First Programme, Public Health & Protection, Leisure, Parks & Countryside and Heritage & Museums.
- **Corporate & Frontline Services** - Providing the frontline services of Highways, Transport and Strategic Projects, Streetcare Services (including Waste and Street Cleansing), Customer Care, Housing Benefit and Council Tax administration together with key support services of Finance, ICT, Corporate Estates Management and Procurement.
- **Chief Executive's Division** - Providing the Authority wide functions of Human Resources, Cabinet & Public Relations, Legal & Democratic Services and Regeneration & Planning Services.

The following table details each of the service groups' actual net expenditure and budget during 2017/18. Further details can be found on the Council's website (from July 2018) within the Council Performance Report. This represents the net revenue expenditure of the Council in line with the statutory provisions that need to be taken into account when setting local taxes.

The variance against budget contributes to the movement on the Council Fund Balance:

Service Group	Budget	Spend	Variance
	£'000	£'000	£'000
Education & Lifelong Learning	177,855	178,078	223
Community & Children's Services	137,904	138,233	329
Chief Executive's Division	11,872	11,881	9
Corporate & Frontline Services	61,123	60,807	(316)
Authority Wide Budgets	70,186	69,555	(631)
Total	458,940	458,554	(386)
Net Underspend set aside to fund Investment in Winter Maintenance	0	386	386
Total	458,940	458,940	0

	£'000
Council Fund Reserves as at 31st March 2017	10,720
Revenue Budget Out-turn (Variance as above)	0
Council Fund Reserves as at 31st March 2018	10,720

Expenditure on services amounted to £704m, this can be analysed over the following expenditure categories:

Type of Expenditure	£'m	%
Employees	305	43
Premises	28	4
Transport	19	3
Supplies and Services	76	11
Payments to Third Parties	115	16
Transfer Payments	98	14
Capital Charges	59	8
Other Operating Costs (e.g. Support Services)	4	1
Total Gross Expenditure	704	100

Income during the year totalled £757m and came from the following sources:

Income Analysis	£'m	%
<u>Direct Service Income</u>		
Specific Grants	161	21
Sales, Fees & Charges	43	6
Other Income	45	6
Sub-Total Direct Service Income	249	33
<u>Other Income</u>		
Council Tax	124	16
Non-Domestic Rates	76	10
Non-Ringfenced Government Grants	279	37
Capital Grants and Contributions	29	4
Total Income	757	100

7. Capital Expenditure and Income 2017/18

During the year the Council incurred £101.8m of capital expenditure, as summarised below:

Group	£'000
Corporate Initiatives	1,175
Corporate & Frontline Services	24,532
Chief Executive's Division	7,474
Education & Lifelong Learning Services	54,921
Community & Children's Services	13,659
Total	101,761

The type of capital expenditure incurred during the year is summarised below:

Capital Expenditure	£'000
Tangible Long-Term Assets	88,033
Intangible Long-Term Assets	1,267
Revenue Expenditure Funded from Capital under Statute	12,461
Total	101,761

This expenditure was financed as follows:

Capital Financing	£'000
Revenue Funding	28,235
Capital Receipts	1,068
Capital Development Fund	1,562
Borrowing	35,567
Grants	30,572
Third Party Contributions	4,757
Total	101,761

Significant expenditure was incurred on:

- Aberdare School & Sports Centre;
- Cwmaman Community Primary School;
- Porth Community School;
- Tonypandy Community School Modernisation (Ysgol Nantgwyn);
- Tonyrefail Community School Modernisation; and
- Treorchy Comprehensive School Modernisation.

8. Summary of Future Capital and Revenue Plans

The priorities included within the Council's Corporate Plan need to be underpinned by robust financial management. Forward looking financial and service planning arrangements are critical in ensuring the Council's priorities are affordable and lead the work to become more efficient, transform services and deliver investment priorities.

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

A summary of the latest Capital Programme agreed by Council in February 2018 is as follows:

Group Expenditure	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
Chief Executive's Division	39,368	24,509	6,128	70,005
Corporate & Frontline Services	27,914	8,136	5,560	41,610
Corporate Initiatives	1,044	850	850	2,744
Education & Lifelong Learning Services	43,209	8,391	5,046	56,646
Community & Children's Services	7,043	1,100	1,100	9,243
Total	118,578	42,986	18,684	180,248

Estimated Resources Required to Fund Capital Programme	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
Supported Borrowing	6,972	6,972	6,972	20,916
Unsupported Borrowing	41,928	17,962	0	59,890
Capital Grants	21,074	8,006	4,242	33,322
Third Party Contributions	1,261	0	0	1,261
General Fund Capital Resources	11,595	4,817	4,720	21,132
Revenue Contributions	35,748	5,229	2,750	43,727
Total	118,578	42,986	18,684	180,248

As at 31st March 2018, major capital commitments over the next three years (per the Capital Programme 2018-2021) include the following schemes:

Scheme	£'000
Disabled Facilities Grants/Adaptations (DFGs)	12,000
Taff Vale Development	46,825
Fleet Vehicles	10,156
Highways Improvements	6,408
Structures	8,094
Transportation Infrastructure	10,772
Schools Modernisation Rhondda and Tonyrefail	29,765

A summary of the Council's revenue budget for 2018/19 (agreed in February 2018) is outlined below:

Service Area	£'000
Authority Wide	69,850
Individual Schools Budget	148,950
Community & Children's Services	144,930
Corporate & Frontline Services and Chief Executive's Division	76,013
Education & Lifelong Learning Services	31,857
Total	471,600

9. Borrowing Arrangements and Sources of Funds

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

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

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

Authorised borrowing limit £440.0m
(This was increased to £460.0m in the Mid Year Strategy Report)

Interest Rate Exposure – Borrowing **Range**
Limits on total % of borrowing at fixed interest rates 45% - 100%
Limits on total % of borrowing at variable interest rates 0% - 55%

Interest Rate Exposure – Investments	Range
Limits on total % of investments at fixed interest rates	0% - 25%
Limits on total % of investments at variable interest rates	75% - 100%

The Council's borrowing totals £272.8m, of which £193.9m is long-term and £78.9m is short-term. This external borrowing is from the Public Works Loan Board (PWLb) £111.0m, £161.8m from market loans and other sources.

The Council is required to prepare a Treasury Management Strategy for the forthcoming year. The Council's Treasury Management Practices allow the Council to raise funds from a variety of sources, including the PWLB and the money market. The Group Director Corporate & Frontline Services is authorised to take the most appropriate form of borrowing from approved sources within the overall borrowing limits set by Council.

10. Pensions Assets and Liabilities

As a result of International Accounting Standard (IAS) 19 "Employee Benefits", local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the Balance Sheet date. Please refer to notes 17.4 and 38.0 to the Core Financial Statements for further details. The effect of IAS 19 upon the reserves of the Council is as follows:

	£'000
Net Assets excluding Pensions Reserve	798,822
Net Assets as per Balance Sheet	186,964

11. Cardiff Capital Region City Deal (CCRCD)

On 15th March 2016, the ten Council Leaders in South East Wales, the First Minister, the Welsh Government Minister for Finance and Government Business, the Secretary of State for Wales and the Chief Secretary to the Treasury signed the Cardiff Capital Region City Deal, an agreement between the UK Government, the Welsh Government and the ten leaders. It includes:

- A £1.2 billion investment in the Cardiff Capital Region's infrastructure through a 20-year Investment Fund;
- The creation of a non-statutory Regional Transport Authority to coordinate transport planning and investment, in partnership with the Welsh Government;
- The development of capabilities in Compound Semiconductor Applications;
- The creation of a Cardiff Capital Region Skills and Employment Board;
- The Cardiff Capital Region and the Welsh Government will work with the Department for Work and Pensions to co-design the future employment support from 2017 for people with a health condition or disability and/or long term unemployed;
- A Cardiff Capital Region Business Organisation will be established to ensure that there is a single voice for business to work with local authority leaders; and

- The Welsh Government and the Cardiff Capital Region commit to a new partnership approach to housing development and regeneration. This will ensure the delivery of sustainable communities, through the use and re-use of property and sites.

A Special Purpose Vehicle company, CSC Foundry Ltd, has been established by the 10 partner authorities in order to implement and contract with IQE Silicon Compounds Ltd to deliver the CSC (Compound Semi Conductor) project. For 2017/18 the joint committee accounts of CCRC (which includes the subsidiary company CSC Foundry Ltd) have been consolidated into the Council's accounts based upon the population figures as specified in the Joint Working Agreement approved by Council on 25th January 2017. The Draft Joint Working Agreement Business Plan (Cardiff Capital Region Strategic Business Plan) was approved by Council on 28th March 2018.

12. Wales Pension Partnership (WPP)

On the 15th March 2017 Council approved the establishment of a Joint Governance Committee to oversee the pooling of the investments of the eight Local Government Pension Scheme (LGPS) funds in Wales. The link to the report can be found here: [All Wales Pension Fund Investment pooling-joint Governance Committee and Inter Authority Agreement](#). The Wales Pension Partnership has appointed Link Fund Solutions Ltd (Link) to establish and run a collective investment vehicle for the sole use of the LGPS in Wales. This will enable the pooling of assets across a range of asset classes. The LGPS funds will retain full control over strategic asset allocation decisions. As at 31st March 2018, no assets have yet transferred into the new collective investment vehicle.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

I confirm that these accounts were approved by Council on 19th September 2018.

Signature:  Date: 19 09 2018.

Cllr. Steve Powderhill

Mayor

Civic Offices, Municipal Buildings
Gelliwastad Road
Pontypridd
CF37 2DP

The Group Director Corporate & Frontline Services' Responsibilities

The Group Director is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year.

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

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

The Group Director has also throughout the financial year:

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

Movement in Reserves Statement (MiRS)

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

Movement in Reserves Statement for the year ended 31st March 2017

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Notes:	16.1	16.2	16.2		16.3	16.4			17.0	
Balance at 1st April 2016	10,720	59,868	60,504	3,587	485	6,623	344	142,131	141,565	283,696
Movement in reserves during 2016/17:										
Total Comprehensive Income and Expenditure	(18,366)	0	(3,146)	0	0	0	0	(21,512)	(55,920)	(77,432)
Adjustments between accounting basis and funding under regulations:										
Adjustments primarily involving the Capital Adjustment Account:										
Reversal of items debited/credited to CI&ES:										
Charges for depreciation and impairment of long-term assets	44,575	0	0	0	0	0	0	44,575	(44,575)	0
Revaluation losses on property, plant & equipment	13,982	0	1,773	0	0	0	0	15,755	(15,755)	0
Amortisation of intangible assets	1,385	0	0	0	0	0	0	1,385	(1,385)	0
Movement in the Donated Assets Account	(254)	0	0	0	0	0	0	(254)	254	0
Revenue expenditure funded from capital under statute	8,476	0	0	0	0	0	0	8,476	(8,476)	0

Continued Overleaf...

Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	0	0	0	0	0	0	0	0	0	0	0
Insertion of items not debited/ credited to CI&ES:											
Statutory provision for the financing of capital investment	(11,732)	0	0	0	0	0	0	(11,732)	11,732	0	0
Capital expenditure charged against the Council Fund Balances	(28,777)	0	0	0	0	0	0	(28,777)	28,777	0	0
Adjustments primarily involving the Capital Grants Unapplied Account:											
Capital grants and contributions unapplied credited to CI&ES	(22,637)	0	0	0	0	22,637	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(20,688)	0	(20,688)	20,688	0	0
Adjustments involving the Capital Receipts Reserve:											
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&ES	(1,824)	0	0	0	4,347	0	0	2,523	(2,523)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(3,401)	0	0	(3,401)	3,401	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	12	0	0	12	(12)	0	0
Adjustments involving the Financial Instruments Adjustment Account:											
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(47)	0	0	0	0	0	0	(47)	47	0	0
Adjustments involving the Pensions Reserve:											
Reversal of items relating to retirement benefits debited or credited to the CI&ES	49,730	0	10	0	0	0	0	49,740	(49,740)	0	0
<i>Continued Overleaf...</i>											

Employer's pensions contributions and direct payments to pensioners payable in the year	(30,700)	0	(132)	0	0	0	0	(30,832)	30,832	0
Adjustment involving the Unequal Pay Back Pay Adjustment Account:										
Amount by which amounts charged for equal pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	31	0	0	0	0	0	0	31	(31)	0
Adjustment involving the Accumulated Absences Account:										
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,559	0	(4)	0	0	0	0	1,555	(1,555)	0
Other adjustments include:										
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Depreciation of long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0
Net increase or (decrease) before transfers to Earmarked Reserves	5,401	0	(1,499)	0	958	1,949	0	6,809	(84,241)	(77,432)
Transfers to or from Earmarked Reserves	(5,401)	2,910	4,148	(1,457)	0	0	(200)	0	0	0
Increase or (decrease) in the year	0	2,910	2,649	(1,457)	958	1,949	(200)	6,809	(84,241)	(77,432)
Balance at 31st March 2017	10,720	62,778	63,153	2,130	1,443	8,572	144	148,940	57,324	206,264

Movement in Reserves Statement for the year ended 31st March 2018

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Notes:	16.1	16.2	16.2		16.3	16.4			17.0	
Balance at 1st April 2017	10,720	62,778	63,153	2,130	1,443	8,572	144	148,940	57,324	206,264
Movement in reserves during 2017/18:										
Total Comprehensive Income and Expenditure	(5,457)	3,720	(55)	0	0	0	0	(1,792)	(17,508)	(19,300)
Adjustments between accounting basis and funding under regulations:										
Adjustments primarily involving the Capital Adjustment Account:										
Reversal of items debited/credited to CI&ES:										
Charges for depreciation and impairment of long-term assets	40,629	0	0	0	0	0	0	40,629	(40,629)	0
Revaluation losses on property, plant & equipment	8,159	0	0	0	0	0	0	8,159	(8,159)	0
Amortisation of intangible assets	1,266	0	0	0	0	0	0	1,266	(1,266)	0
Movement in the Donated Assets Account	0	0	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	9,182	0	0	0	0	0	0	9,182	(9,182)	0
<i>Continued Overleaf...</i>										

Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	938	0	0	0	725	0	0	1,663	(1,663)	0
Insertion of items not debited/ credited to CI&ES:										
Statutory provision for the financing of capital investment	(11,054)	0	0	0	0	0	0	(11,054)	11,054	0
Capital expenditure charged against the Council Fund Balances	(29,797)	0	0	0	0	0	0	(29,797)	29,797	0
Adjustments primarily involving the Capital Grants Unapplied Account:										
Capital grants and contributions unapplied credited to CI&ES	(34,152)	0	0	0	0	34,152	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(35,328)	0	(35,328)	35,328	0
Adjustments involving the Capital Receipts Reserve:										
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&ES	0	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(1,068)	0	0	(1,068)	1,068	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	27	0	0	27	(27)	0
Adjustments involving the Financial Instruments Adjustment Account:										
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(63)	0	0	0	0	0	0	(63)	63	0
Adjustments involving the Pensions Reserve:										
Reversal of items relating to retirement benefits debited or credited to the CI&ES	56,650	0	314	0	0	0	0	56,964	(56,964)	0
Continued Overleaf...										

Employer's pensions contributions and direct payments to pensioners payable in the year	(36,180)	0	(160)	0	0	0	0	0	(36,340)	36,340	0
Adjustment involving the Unequal Pay Back Pay Adjustment Account:											
Amount by which amounts charged for equal pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(98)	0	0	0	0	0	0	0	(98)	98	0
Adjustment involving the Accumulated Absences Account:											
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	776	0	0	0	0	0	0	0	776	(776)	0
Other adjustments include:											
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0
Depreciation of long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0	0
Net increase or (decrease) before transfers to Earmarked Reserves	799	3,720	99	0	(316)	(1,176)	0	3,126	(22,426)	(19,300)	
Transfers to or from Earmarked Reserves	(799)	(1,402)	905	1,267	0	0	29	0	0	0	
Increase or (decrease) in the year	0	2,318	1,004	1,267	(316)	(1,176)	29	3,126	(22,426)	(19,300)	
Balance at 31st March 2018	10,720	65,096	64,157	3,397	1,127	7,396	173	152,066	34,898	186,964	

Comprehensive Income and Expenditure Statement (CI&ES)

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

Comprehensive Income and Expenditure Statement for the year ended 31st March 2018

2016/17				2017/18			
Gross Exp	Gross Income	Net Exp		Note:	Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
108,271	(27,140)	81,131	Corporate & Frontline Services		102,702	(26,136)	76,566
17,972	(6,267)	11,705	Chief Executive's Division		17,648	(4,174)	13,474
237,858	(47,668)	190,190	Education & Lifelong Learning Services		235,758	(46,042)	189,716
222,712	(79,837)	142,875	Community & Children's Services		237,981	(86,948)	151,033
104,006	(76,302)	27,704	Authority Wide Budgets		103,932	(79,537)	24,395
(359)	3,504	3,145	Joint Committees		5,968	(5,794)	174
690,460	(233,710)	456,750	Cost of Services		703,989	(248,631)	455,358
			Other Operating Expenditure				
17,220	0	17,220	Precepts	34.3	18,192	0	18,192
11,371	0	11,371	Levies	34.3	11,685	0	11,685
0	(1,824)	(1,824)	(Gains) or Losses on Disposal of Non-Current Assets		938	0	938
			Financing and Investment Income and Expenditure				
10,446	0	10,446	Interest Payable and Similar Charges	9.2	9,760	0	9,760
17,511	0	17,511	Net Interest on Net Defined Liability (Asset)	38.2	14,590	(1)	14,589
0	(123)	(123)	Interest Receivable and Similar Income	9.2	0	(117)	(117)
			Taxation and Non-Specific Grant Income				
0	(119,893)	(119,893)	Council Tax Income	32.0	0	(123,802)	(123,802)
0	(70,451)	(70,451)	NDR Distribution	31.0	0	(76,412)	(76,412)
0	(283,324)	(283,324)	Non-Ringfenced Government Grants		0	(279,035)	(279,035)
0	(16,170)	(16,170)	Capital Grants and Contributions		0	(29,364)	(29,364)
747,008	(725,495)	21,513	(Surplus) or Deficit on the Provision of Services		759,154	(757,362)	1,792
0	11,327	11,327	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets		7,493	(2,171)	5,322
0	44,592	44,592	Remeasurement of the Net Defined Benefit Liability		0	12,186	12,186
0	55,919	55,919	Other Comprehensive Income and Expenditure		7,493	10,015	17,508
747,008	(669,576)	77,432	Total Comprehensive Income and Expenditure		766,647	(747,347)	19,300

Balance Sheet

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

Balance Sheet as at 31st March 2018

31/03/17				31/03/18	
£'000			Note:	£'000	£'000
	Long-Term Assets	Property, Plant & Equipment:	7.0		
587,997		Other Land & Buildings		576,234	
431,023		Infrastructure		431,638	
9,615		Vehicles, Plant & Equipment		8,263	
4,078		Community Assets		3,677	
15,620		Assets Under Construction		64,050	
145		Heritage Assets		145	
2,797		Long-Term Intangible Assets	8.0	2,962	
1,000		Long-Term Investments	9.1	4,750	
2,940		Investment in Subsidiaries		2,989	
1,385		Long-Term Debtors		1,259	
1,056,600		TOTAL LONG-TERM ASSETS			1,095,967
	Current Assets	Short-Term Investments	9.1	14,591	
13,752		Assets Held for Sale	12.0	3,179	
4,215		Short-Term Intangible Assets		498	
730		Inventories		627	
725		Short-Term Debtors	10.0	53,397	
51,185		Cash and Cash Equivalents	11.0	7,382	
2,399					
73,006		TOTAL CURRENT ASSETS			79,674
	Current Liabilities	Cash and Cash Equivalents	11.0	(14,352)	
(16,646)		Short-Term Borrowing	9.1	(78,926)	
(39,997)		Other Short-Term Liabilities		(388)	
(379)		Short-Term Provisions	14.0	(2,120)	
(3,308)		Short-Term Creditors	13.0	(78,244)	
(79,135)					
(139,465)		TOTAL CURRENT LIABILITIES			(174,030)
	Long-Term Liabilities	Long-Term Creditors		(6,433)	
0		Long-Term Provisions	14.0	(1,950)	
(703)		Long-Term Borrowing	9.1	(193,889)	
(193,872)		Other Long-Term Liabilities	15.0	(612,252)	
(589,179)		Donated Asset Account		(123)	
(123)					
(783,877)		TOTAL LONG-TERM LIABILITIES			(814,647)
	NET ASSETS				
206,264					186,964

Continued Overleaf...

10,720	Usable Reserves	Council Fund Balance	16.1	10,720	
		Earmarked Reserves:	16.2		
62,778		Capital, Treasury and Insurance Reserves	16.2	65,096	
63,153		Other Revenue Related Reserves	16.2	64,157	
2,130		Delegated Schools Reserve		3,397	
1,443		Usable Capital Receipts Reserve	16.3	1,127	
8,572		Capital Grant Unapplied Account	16.4	7,396	
144		MGCC Insurance Reserve		173	
148,940			TOTAL USABLE RESERVES		
196,695	Unusable Reserves	Revaluation Reserve	17.1	172,236	
11		Deferred Capital Receipts Reserve		6	
450,463		Capital Adjustment Account	17.2	485,926	
(5,719)		Financial Instruments Adjustment Account	17.3	(5,656)	
(579,048)		Pensions Reserve	17.4	(611,858)	
(98)		Unequal Pay Back Pay Account		0	
(4,980)		Short-Term Accumulating Compensated Absence Account		(5,756)	
57,324		TOTAL UNUSABLE RESERVES			34,898
206,264		TOTAL RESERVES			186,964

Cash Flow Statement

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

Cash Flow Statement 2017/18

2016/17			2017/18	
£'000		<i>Note:</i>	£'000	£'000
21,513	Net (Surplus) or Deficit on the Provision of Services		1,792	
(72,943)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	18.0	(72,628)	
20,517	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	19.0	30,089	
(30,913)	Net Cash Flows from Operating Activities			(40,747)
47,795	Investing Activities	21.0	74,452	
(12,494)	Financing Activities	22.0	(40,982)	33,470
4,388	Net Increase or Decrease in Cash or Cash Equivalents			(7,277)
9,859	Cash and Cash Equivalents at the Beginning of the Reporting Period	11.0		14,247
14,247	Cash and Cash Equivalents at the End of the Reporting Period	11.0		6,970

Expenditure and Funding Analysis

The Expenditure and Funding Analysis brings together the Council's performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the Council Fund.

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pension benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis;

- shows for each of the Council's services a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two.

This analysis promotes accountability and stewardship by providing a direct link with the annual decision making process of the Council and its budget i.e. the Council Fund. It follows the performance framework of the Council.

Expenditure and Funding Analysis Statement for the year ended 31st March 2017

	2016/17		
	Income and Expenditure Chargeable to the Council Fund	Adjustments Between Funding and Accounting Basis	Net Expenditure for the Equivalent Amounts for CI&ES
	£'000	£'000	£'000
Corporate & Frontline Services	59,467	21,664	81,131
Chief Executive's Division	11,480	225	11,705
Education & Lifelong Learning Services	175,552	14,638	190,190
Community & Childrens Services	133,865	9,010	142,875
Authority Wide Budgets	74,471	(46,767)	27,704
Joint Committees	0	3,145	3,145
Cost of Services	454,835	1,915	456,750
Other Income and Expenditure	(454,835)	19,598	(435,237)
(Surplus) or Deficit	0	21,513	21,513
Opening Council Fund at 31 st March 2016	(10,720)		
Less (Surplus) Deficit on Council Fund in Year	0		
Closing Council Fund at 31st March 2017	(10,720)		

Expenditure and Funding Analysis Statement for the year ended 31st March 2018

	2017/18		
	Income and Expenditure Chargeable to the Council Fund	Adjustments Between Funding and Accounting Basis	Net Expenditure for the Equivalent Amounts for CI&ES
	£'000	£'000	£'000
Corporate & Frontline Services	60,807	15,759	76,566
Chief Executive's Division	11,881	1,593	13,474
Education & Lifelong Learning Services	178,078	11,638	189,716
Community & Childrens Services	138,233	12,800	151,033
Authority Wide Budgets	69,941	(45,546)	24,395
Joint Committees	0	174	174
Cost of Services	458,940	(3,582)	455,358
Other Income and Expenditure	(458,940)	5,374	(453,566)
(Surplus) or Deficit	0	1,792	1,792
Opening Council Fund at 31 st March 2017	(10,720)		
Less (Surplus) Deficit on Council Fund in Year	0		
Closing Council Fund at 31st March 2018	(10,720)		

Notes to the Core Financial Statements

1.0 Significant Accounting Policies

1.1 Accruals of Expenditure and Income

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

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

Supplies are recorded as expenditure when they are consumed. Where the Balance Sheet date falls between supplies receipt and consumption, where significant, they are carried as inventories on the Balance Sheet.

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

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

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

1.2 Cash and Cash Equivalents

Cash and Cash Equivalents are sums of money available for immediate use by the Council. Such items are deemed to be cash balances held in the Council's bank accounts (less unpresented cheques), any overdrawn bank balance and petty cash balances.

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

1.3 Contingent Liabilities

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

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

Material contingent liabilities are disclosed in Notes to the Core Financial Statements.

1.4 Employee Benefits

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

Termination Benefits

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

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

Pensions

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

Teachers - This is an unfunded scheme administered by Teachers' Pensions on behalf of the Department of Education. Contribution rates are set on the basis of a notional fund. Whilst this is a Defined Benefit Scheme, Teachers' Pensions is unable to identify the Council's share of the underlying assets and liabilities and accordingly, the Council has accounted for its contributions to the scheme as if it were a Defined Contribution Scheme.

Other employees - Rhondda Cynon Taf CBC administer a fund on behalf of employees under the Local Government Pension Scheme Regulations, under which contribution rates are set by the Fund's actuary based on triennial actuarial valuations. Under the regulations, contribution rates are set in order to lead to full funding of the overall liability of the Fund over time. The Local Government Scheme is accounted for as a Defined Benefit Scheme.

- The liabilities of the Rhondda Cynon Taf Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% in 2017/18 (2.6% in 2016/17).

- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

Quoted Securities	–	Current Bid Price
Unitised Securities	–	Current Bid Price
Property	–	Market Value

- The change in the net pensions liability is analysed as follows:
 - Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked plus administration expenses.
 - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
 - Expected Return On Assets – the annual investment return on the fund assets attributable to the Council based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
 - Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their financial, demographic or experience assumptions – debited or credited to the Pensions Reserve.
 - Contributions Paid to the Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense in the Comprehensive Income and Expenditure Statement.

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

Discretionary Benefits

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

Accumulated Absence

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

1.5 Events after the Balance Sheet Date

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

The financial statements are authorised for issue in accordance with the Accounts and Audit (Wales) Regulations 2014 (as amended). Regulations state the Statement of Accounts shall be authorised for issue when certified by the Responsible Finance Officer. Regulations require certification of unaudited accounts takes place by 30th June following financial year-end.

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

Two types of events can be identified;

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

1.6 Financial Instruments

Financial Instruments consist of Financial Liabilities and Financial Assets.

Financial Liabilities

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

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

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

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

Financial Assets

Financial Assets are classified into two types:

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

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

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

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

1.7 Intangible Assets

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

Software and Licences are capitalised at cost and are amortised over their economic lives, which are reviewed at the end of each reporting period and revised if necessary.

An asset is tested for impairment whenever there is an indication that the asset may be impaired. Any losses are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

1.8 **Leases**

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

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

- Transfer of ownership at the end of lease contract.
- Option to purchase asset at a price lower than fair value.
- Lease term is for a major part of the economic life of asset.
- Present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset.
- Leased assets are specialist and only the lessee can use them without major modifications.

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

Finance Leases

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

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

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

Operating Leases

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

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

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

1.9 **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Depreciation is charged on a straight-line basis on most tangible assets with a finite useful life, excluding non-depreciable land. Asset lives have been identified on an individual basis.

1.9.1 Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council, and the cost of the item can be measured reliably. The Council operates a £10k de-minimis policy for recognising such expenditure as capital. Expenditure on assets not owned by the Council, but where continuing benefit is received, is also capitalised on an accruals basis. Although capitalised, this expenditure is amortised in the year it is incurred.

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

Asset Type	£'000
Land & Buildings	20
Vehicles	10
Plant & Equipment	10
Infrastructure	20
Community Assets	Nil

1.9.2 Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs.

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

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

Tangible Long-Term assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Property, Plant and Equipment assets are generally valued on the basis of existing use value (EUV) which is deemed to be "current value". Specialist items (e.g. schools and cemeteries) are valued on a depreciated replacement cost basis (DRC). This method of valuation calculates the cost of constructing modern equivalent buildings and structures, depreciating them to account for the age and future economic life. This cost calculation is known as Modern Equivalent Valuation (MEV). 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. Adopted roads, built by private developers, are deemed to have zero historical cost to the Council and therefore are not recognised in the Statement of Accounts.

Where assets are not in use but do not meet the criteria for Assets Held for Sale, then they are classed as Surplus Assets within the Property, Plant and Equipment and Other Land and Building categories. Surplus Assets are valued at fair value. Fair value is the price that would be received between willing market participants. The highest and best use of the asset needs to be considered. Inputs to the valuation techniques in respect of these assets are categorised as the following hierarchy levels:

Level 1 – quoted prices in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 – inputs other than quoted prices that are observable for the asset or liability. For example, market conditions; recent sale prices.

Level 3 – unobservable inputs, for example, assumptions about rent growth; discount rates, etc.

Fair value measurement differentiates between measurements that are recurring i.e. at the end of each period, for example surplus assets and those that are non-recurring measured on particular circumstances, for example assets held for sale.

In the accounts there are approximately 137 Surplus Assets with a recurring fair value of £2.8m. Most of the assets are valued at level 2 inputs, with the exception of one asset which has been valued at £800k using level 3 inputs. For this asset an

adjustment has been made to the level 2 inputs to take into account the condition of the asset.

Community assets are valued on an historic cost basis. These have no determinable useful life and are assets that the Council intend to hold in perpetuity. Examples of community assets are parks and memorials.

Assets under Construction are valued at historic cost until they become operational. When they are brought into use they are revalued on the relevant basis.

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

1.9.3 Impairment

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

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

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

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

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

1.9.4 Depreciation

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

Exceptions are made for:

- Heritage Assets.
- Assets without a determinable finite useful life such as freehold land.
- Assets that are not yet available for use i.e. assets under construction, and assets held for sale.

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

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

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

1.9.5 Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. These assets are measured at the lower of the value they had when it was agreed they would be sold and fair value less costs to sell.

The valuation in the balance sheet can be split as follows:

	£'000
Fair value	842
Carrying value	2,337
Total value in Balance Sheet	3,179

The non-recurring fair value is measured using level 2 in the input hierarchy (refer to note 1.9.2 for explanation of levels). Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) or Deficit on

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. The criteria for recognising assets as being held for sale are:

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

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

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

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

1.10 Reserves

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

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

1.11 Revenue Expenditure Funded from Capital Under Statute

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

1.12 Government Grants and Other Contributions

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

- the conditions for their receipt have been/will be complied with; and
- the grant or contribution will be received.

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

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

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

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

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

1.13 Charges to Revenue for Long-Term Assets

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of Intangible Assets attributable to the service.

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

1.14 Minimum Revenue Provision/Provision for the Repayment of Debt

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

Supported Borrowing: The MRP on supported borrowing is written off on a straight line basis over 40 years, linked (broadly) to the lives of the Council's assets.

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

- Charge in equal instalments (or to match the benefits derived) over the life of the asset created (asset life must be applied for any expenditure capitalised under a Capitalisation Direction).
- Annuity method.
- Charge in accordance with the depreciation of the asset; or
- An alternative appropriate method permitted by the guidance.

Finance Leases: In accordance with MRP guidance issued by the Welsh Government, MRP for finance leases, represents the principal element of repayments made by the Council (refer to Lease policies).

1.15 Provisions

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

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

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

1.16 Interests in Companies and Other Entities

The Council has interests in companies and other entities which are required to be included in the financial statements.

Amgen Cymru Ltd. and Amgen Rhondda Ltd. meet the criteria of subsidiaries and are represented within Long-Term Assets in the Balance Sheet of the financial statements.

Capita Glamorgan Consultancy Ltd. meets the criteria of an associated company.

Due to materiality, Group financial statements have not been produced. The accounts for Amgen Cymru Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd. will be available separately once audited.

The Council participates in various Joint Committee arrangements. In line with materiality considerations, only two of these Joint Committees, Central South Consortium Joint Education Service (CSCJES) and Cardiff Capital Region City Deal (CCRCD), have been included within the Council's financial statements. The consolidation has been done on a line-by-line basis, calculated using a reasonable apportionment methodology.

2.0 Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The additional disclosures that will be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2018/19 Code are:

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers.
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The 2018/19 Code requires implementation from 1st April 2018 and there is therefore no impact on the 2017/18 Statement of Accounts.

The other narrow scope amendments and IFRIC included in the consultation on the 2018/19 Code listed below:

- IAS40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-16 Cycle, and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

The above were not adopted by the EU in time for inclusion in the 2018/19 Code and therefore they have been rolled forward into the development programme for the 2019/20 Code.

It is not anticipated that the above amendments will have a material impact on the Council's Statement of Accounts.

3.0 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in note 1.0, the Council has had to make certain judgements about complex transactions and those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

3.1 Grants and Contribution Conditions

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

3.2 Voluntary Aided and Voluntary Controlled Schools

The Code confirms that the accounting treatment of local authority maintained schools in England and Wales depends on the balance of control. For voluntary aided schools any long-term assets that are not owned by the Council but by another legal body, such as the Diocese, are not to be shown on the Balance Sheet.

The Balance Sheet includes land at St Margaret's Catholic School and playing fields at both St John Baptist Church in Wales High School and Cardinal Newman Comprehensive School, as ownership lies with the Council. When reviewing the existing criteria, the Council does not consider it has any voluntary controlled schools.

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

This Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

4.1 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. AON Hewitt is engaged to provide the Council with advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2017/18, AON Hewitt advised that the funded proportion of the Council's net pensions liability had decreased by £8.1m due to estimates being corrected as a result of experience and decreased by £28.6m attributable to updating of financial assumptions. Refer to note 38.0 for further details.

4.2 Insurance Provision

The Council makes provision for all claims received (but not yet paid) according to the "reserve" value attached to that claim. The reserve value represents the most likely value to settle the claim, not taking into account probability of settlement. Reserve values are provided by the Council's in-house insurance team, claims handlers and loss adjusters depending on the claim type and estimated value of the claim. Motor and property claims are provided for at 100% of the reserve value. Liability claims are provided for at a percentage based on the length of time a claim remains unresolved. This reflects that not all claims received are paid. Some are successfully repudiated. Refer to note 14.0 for further details.

The risks attached to misstatement are that existing claims will change in value (increase or decrease) or be successfully repudiated. An earmarked reserve is established to meet the additional costs relating to the impact of these potential changes in estimates. The earmarked reserve also funds claims or incidents that have occurred but claims are yet to be received. Refer to note 16.2 for further details.

4.3 Property, Plant and Equipment

External valuers undertake formal valuations within a maximum of a 5 year rolling programme to ensure that assets in the Balance Sheet are represented at "current value". Valuations are undertaken in accordance with guidance issued by the Royal Institute of Chartered Surveyors (RICS). Within the computation of the current value valuation, assumptions are made upon the useful lives of assets which could be subject to change in future years.

5.0 Material Items of Income and Expense

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

6.0 Events After the Balance Sheet Date

The draft, unaudited Statement of Accounts was authorised for issue by the Group Director Corporate & Frontline Services, as Chief Finance Officer, on 31st May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31st March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events that took place after 31st March 2018 requiring disclosure providing information that is relevant to an understanding of the Council's financial position.

7.0 Property, Plant and Equipment**7.1 Movements on Balances****Movements in 2017/18:**

	Other Land & Buildings	Infrastructure	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 st April 2017	650,879	592,367	37,627	4,556	15,620	1,301,049
Joint Committees Opening Balance	0	0	0	0	0	0
Additions	20,464	17,365	4,621	265	48,430	91,145
Donations	0	0	0	0	0	0
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	(1,584)	0	0	(326)	0	(1,910)
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(5,583)	0	(90)	(101)	0	(5,774)
Derecognition – Disposals	(2,907)	0	(3,914)	0	0	(6,821)
Derecognition – Other	(1,911)	0	(1,439)	0	0	(3,350)
Assets Reclassified (to)/from Held for Sale	1,000	0	0	0	0	1,000
Other Reclassifications	(26)	(442)	0	26	0	(442)
Other Movements in Cost or Valuation	0	0	0	0	0	0
At 31st March 2018	660,332	609,290	36,805	4,420	64,050	1,374,897

Continued Overleaf...

Accumulated Depreciation and Impairment						
At 1 st April 2017	(62,882)	(161,344)	(28,012)	(478)	0	(252,716)
Joint Committees Opening Balance	0	0	0	0	0	0
Depreciation Charge	(12,600)	(16,308)	(4,452)	0	0	(33,360)
Depreciation Written Out of the Revaluation Reserve	3,105	0	0	0	0	3,105
Depreciation Written Out to the Surplus/Deficit on the Provision of Service	586	0	90	0	0	676
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	(6,486)	0	0	0	0	(6,486)
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	(8,455)	0	(1,440)	(265)	0	(10,160)
Derecognition – Disposals	1,109	0	3,833	0	0	4,942
Derecognition – Other	1,525	0	1,439	0	0	2,964
Assets Reclassified (to)/from Held for Sale	0	0	0	0	0	0
Other Reclassifications	0	0	0	0	0	0
Other Movements in Cost or Valuation	0	0	0	0	0	0
At 31st March 2018	(84,098)	(177,652)	(28,542)	(743)	0	(291,035)
Net Book Value:						
At 31st March 2018	576,234	431,638	8,263	3,677	64,050	1,083,862
At 31st March 2017	587,997	431,023	9,615	4,078	15,620	1,048,333

7.2 Capital Commitments

At 31st March 2018 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years, budgeted to cost £74.5m. Similar commitments at 31st March 2017 were £54.0m.

The material contract values as at 31st March 2018 are:

Scheme	£'000
Porth Community School	3,009
Treorchy Comprehensive School	3,214
Tonypandy Community School (Ysgol Nantgwyn)	10,186
Tonyrefail Community School	20,934
Taff Vale Development	37,171
Total	74,514

7.3 Revaluations

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

The significant assumptions applied in estimating the current values are:

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

8.0 Long-Term Intangible Assets

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

The Council pays for licences and software in respect of two key financial systems: the payroll system and the accounting system. The cost of these systems is written off over five years.

All software and licences are given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of Long-Term Intangible Assets is amortised on a straight-line basis. The amortisation charge for Long-Term Intangible Assets during 2017/18 was £1.3m.

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

	2016/17	2017/18			
	Total	Purchased Software Licences	Licences, Trade Marks and Artistic Originals	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000	£'000
Balance at start of year					
Gross Carrying Amounts	13,284	5,800	8,725	128	14,653
Accumulated Amortisation	(10,658)	(4,988)	(6,868)	0	(11,856)
Net carrying amount at start of year	2,626	812	1,857	128	2,797
Additions: Purchases	1,746	41	1,226	0	1,267
Transfers	(377)	291	0	(128)	163
Amortisation for the Period	(1,198)	(295)	(970)	0	(1,265)
Net Carrying Amount at end of year	2,797	849	2,113	0	2,962
Gross Carrying Amounts	14,653	6,132	9,951	0	16,083
Accumulated Amortisation	(11,856)	(5,283)	(7,838)	0	(13,121)
Total	2,797	849	2,113	0	2,962

There are no items of capitalised Long-Term Intangible Assets that are individually material to the financial statements.

9.0 Financial Instruments

9.1 Categories of Financial Instruments

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

Assets	Long-Term		Current	
	31/03/17	31/03/18	31/03/17	31/03/18
	£'000	£'000	£'000	£'000
Investments: Loans and Receivables	1,000	4,750	13,752	14,591
Debtors: Financial Assets Carried at Contract Amounts	1,385	1,259	51,185	53,397
Total	2,385	6,009	64,937	67,988

Liabilities	Long-Term		Current	
	31/03/17	31/03/18	31/03/17	31/03/18
	£'000	£'000	£'000	£'000
Borrowings: Financial Liabilities at Amortised Cost	193,872	193,889	39,997	78,926
Finance Lease Liabilities	386	385	1	1
Creditors: Financial Liabilities at Amortised Cost	0	0	14,750	11,565
Total	194,258	194,274	54,748	90,492

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

9.2 Income, Expense, Gains and Losses

	2016/17			2017/18		
	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	10,446	0	10,446	9,760	0	9,760
Impairment Losses	0	0	0	0	0	0
Total Expense in (Surplus) or Deficit on the Provision of Services	10,446	0	10,446	9,760	0	9,760
Interest Income	0	(123)	(123)	0	(117)	(117)
Interest Income Accrued on Impaired Financial Assets	0	0	0	0	0	0
Total Income in (Surplus) or Deficit on the Provision of Services	0	(123)	(123)	0	(117)	(117)
Net (Gain)/Loss for the Year	10,446	(123)	10,323	9,760	(117)	9,643

9.3 Fair Value of Assets and Liabilities

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

- Loans borrowed by the Council have been valued by discounting the contractual cashflows over the whole life of the instrument at the appropriate market rate for Local Authority loans.

- No early repayment or impairment is recognised.
- Where a financial instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair values calculated are as follows:

	31/03/17		31/03/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	111,060	180,213	111,060	173,225
Market Debt	87,547	144,250	85,539	136,001
Local Authority Debt	35,016	35,018	76,078	76,078
Other Debt	246	246	138	138
Finance Lease	387	387	386	386
Trade Creditors	14,750	14,750	11,565	11,565
Total	249,006	374,864	284,766	397,393

	31/03/17		31/03/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	14,660	14,752	19,336	19,341

The fair values for PWLB debt and market debt have been calculated using level 2 in the fair value hierarchy. Please see note 1.9.2 in the accounting policies for the explanation of these levels.

9.4 Nature and Extent of Risks Arising from Financial Instruments

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

Key Risks

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

9.5 Overall Procedures for Managing Risk

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

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

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

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

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

9.6 Credit Risk

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

This risk is minimised through the Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. Such criteria include credit ratings assigned by credit ratings agencies. The Investment Strategy also imposes a maximum amount and duration to be invested with a financial institution. The Council undertakes appropriate due diligence and puts in place appropriate security arrangements when lending to organisations. There are also other criteria and controls in place regarding counterparty selection, further details of which can be found in the approved Treasury Management Strategy.

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

	31/03/18	Historical Experience of Default	Adjustment for Market Conditions at 31/03/18	Estimated Maximum Exposure to Default at 31/03/18	Estimated Maximum Exposure to Default at 31/03/17
	(a)	(b)	(c)	(a*c)	
	£'000	%	%	£'000	£'000
Deposits with Government Departments & Local Authorities	19,341	0	0	0	0
Trade Debtors	11,155	0.57	0.57	64	57

The 0.57% Historical Experience of Default represents debt written off in 2017/18 expressed as a percentage of invoices raised during that year. This percentage is not the basis of the Bad Debt Provision, which is calculated using various percentages designed to reflect the risk of debts of various ages not being collectable, as opposed to the far lower rate of actual write-offs for the year.

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

The Council does not generally allow credit for its trade debtors. However, £3.2m of the £11.2m balance is debt greater than 30 days old. This debt can be analysed as follows:

	31/03/17	31/03/18
	£'000	£'000
Less than 3 months	803	908
3 – 6 months	299	793
6 months to 1 year	313	254
More than 1 year	1,125	1,288
Total	2,540	3,243

9.7 Liquidity Risk

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

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

9.8 Refinancing and Maturity Risk

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

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

This includes;

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

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

	31/03/17	31/03/18
	£'000	£'000
Less than 1 year	38,649	76,133
Between 1 and 2 years	1	6
Between 2 and 5 years	6	2
Between 5 and 10 years	552	552
More than 10 years	194,627	194,627
Total	233,835	271,320

The maturity analysis of financial assets is as follows:

	31/03/17	31/03/18
	£'000	£'000
Maturity greater than one year	5,000	4,750
Maturity less than one year	9,660	14,586
Total	14,660	19,336

Trade Debtors are not included in the table above.

9.9 Market Risk

Interest Rate Risk

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

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

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

	£'000
Increase in interest payable on variable rate borrowings	2
Increase in interest receivable on variable rate investments	N/A
Impact on Comprehensive Income and Expenditure Statement	2
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	52,665

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

10.0 Short-Term Debtors

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

31/03/17		31/03/18
£'000		£'000
27,543	Central Government Bodies	25,748
3,407	Other Local Authorities	4,453
3,643	NHS Bodies	4,329
59	Public Corporations and Trading Funds	1,257
16,533	Other Entities and Individuals	17,610
51,185	Total	53,397

11.0 Cash and Cash Equivalents

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

31/03/17		31/03/18
£'000		£'000
2,399	Cash Held by the Council	7,382
(16,646)	Bank Current Accounts	(14,352)
(14,247)	Total Cash and Cash Equivalents	(6,970)

Short-term cash surpluses are invested in line with investment strategy and are represented in the Balance Sheet as "Short-Term Investments". Bank Current Accounts represent the position of the bank account as at 31st March 2018 adjusted for unrepresented cheques.

12.0 Assets Held for Sale

The movement on Assets Held for Sale is as follows:

	2016/17	2017/18
	£'000	£'000
Balance at 1st April	5,411	4,215
Assets Newly Classified as Held for Sale:		
Property, Plant and Equipment	0	0
Revaluation Gains	1,593	17
Impairment Losses	(2)	0
Assets Declassified as Held for Sale:		
Property, Plant and Equipment	(532)	(1,000)
Assets Sold	(2,255)	(53)
Balance at 31st March	4,215	3,179

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

13.0 Short-Term Creditors

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

31/03/17		31/03/18
£'000		£'000
(13,400)	Central Government Bodies	(8,487)
(5,936)	Other Local Authorities	(10,173)
(1,789)	NHS Bodies	(1,692)
(37)	Public Corporations and Trading Funds	(11)
(57,973)	Other Entities and Individuals	(57,881)
(79,135)	Total	(78,244)

14.0 Provisions

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

Movements in provisions during the year were:

Short-Term Provision	Land Purchases and Part 1 Claims	Insurance Claims	Equal Pay	Total
	£'000	£'000	£'000	£'000
Balance at 1st April 2017	(908)	(2,302)	(98)	(3,308)
Additional provisions made in 2017/18	(5)	(1,580)	0	(1,585)
Amounts used in 2017/18	373	1,709	75	2,157
Unused amounts reversed in 2017/18	0	593	23	616
Balance at 31st March 2018	(540)	(1,580)	0	(2,120)

Long-Term Provision	Insurance Claims	Joint Committees	Total
	£'000	£'000	£'000
Balance at 1st April 2017	(703)	0	(703)
Additional provisions made in 2017/18	(3,236)	(284)	(3,520)
Amounts used in 2017/18	1,976	0	1,976
Unused amounts reversed in 2017/18	297	0	297
Balance at 31st March 2018	(1,666)	(284)	(1,950)

15.0 Other Long-Term Liabilities

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

31/03/17		31/03/18
£'000		£'000
(579,048)	Pension Liability (IAS19)	(611,858)
(8,304)	Opencast Works Redevelopment Bonds	0
(1,827)	Other	(394)
(589,179)	Total	(612,252)

16.0 Usable Reserves

31/03/17			31/03/18
£'000			£'000
10,720	Council Fund Balance		10,720
62,778	Capital, Treasury and Insurance Reserves	16.2	65,096
63,153	Other Revenue Related Reserves	16.2	64,157
2,130	Delegated Schools Reserve		3,397
1,443	Usable Capital Receipts Reserve	16.3	1,127
8,572	Capital Grant Unapplied Account	16.4	7,396
144	MGCC Insurance Reserve		173
148,940	Total Usable Reserves		152,066

16.1 Council Fund Balance

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

There were no movements in the Council Fund Balance during 2017/18.

16.2 Earmarked Reserves

This note sets out the amounts set aside from the Council Fund Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure in 2017/18. All earmarked reserves are deemed to be revenue reserves.

Capital, Treasury and Insurance Reserves

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/17	Out	In	31/03/18
		£'000	£'000	£'000	£'000
Capital Developments	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.	47,006	(16,098)	22,792	53,700
Treasury Management Reserve	Funding for known and potential future pressures upon the Capital Financing budget.	2,452	0	13	2,465
Insurance Reserve	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.	13,320	(4,491)	102	8,931
Total		62,778	(20,589)	22,907	65,096

Other Revenue Related Reserves

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/17	Out	In	31/03/18
		£'000	£'000	£'000	£'000
Revenue Budget Strategy 2017/18	Medium Term Financial Planning & Service Transformation (transitional funding) released to fund the 2017/18 budget.	1,433	(1,433)	0	0
Revenue Budget Strategy 2018/19	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2018/19 budget.	0	0	1,022	1,022
Joint Committee Reserve	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.	121	(85)	87	123
Revenue Grant Reserves (IFRS)	Carry forward of Revenue Grants not yet applied to spend - required accounting treatment to comply with International Financial Reporting Standards.	2,515	(2,515)	3,021	3,021
Financial Management and Human Resources Risk Management	Resources set aside as cover for future liabilities relating to various risks identified and being managed.	34,519	(17,442)	12,689	29,766
Investment / Infrastructure	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough	3,628	(3,628)	6,855	6,855
Prior Year Commitments	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.	12,127	(5,282)	5,112	11,957
Medium Term Financial Planning and Service Transformation	Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements.	5,484	(1,022)	203	4,665
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.	3,326	(1,693)	2,059	3,692
Invest to Save	Funding identified (pump priming) to support Invest to Save opportunities as and when they arise.	0	0	3,056	3,056
Total		63,153	(33,100)	34,104	64,157

16.3 Usable Capital Receipts Reserve

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

The movements on the reserve are as follows:

2016/17		2017/18
£'000		£'000
485	Balance as at 1st April	1,443
	<u>Receipts during the year:</u>	
4,347	Sale of assets	725
1	Mortgage repayments	22
11	Repayment of discount (Right to Buys)	5
	<u>Application during the year:</u>	
(3,401)	Financing of capital expenditure	(1,068)
1,443	Balance as at 31st March	1,127

16.4 Capital Grant Unapplied Account

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

2016/17		2017/18
£'000		£'000
6,623	Balance at 1st April	8,572
22,637	Grants received	34,152
(20,688)	Grants utilised to fund capital expenditure	(35,328)
8,572	Balance at 31st March	7,396

17.0 Unusable Reserves

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

31/03/17			31/03/18
£'000			£'000
196,695	Revaluation Reserve	17.1	172,236
11	Deferred Capital Receipts Reserve		6
450,463	Capital Adjustment Account	17.2	485,926
(5,719)	Financial Instruments Adjustment Account	17.3	(5,656)
(579,048)	Pensions Reserve	17.4	(611,858)
(98)	Unequal Pay Back Pay Account		0
(4,980)	Short-Term Accumulating Compensated Absence Account		(5,756)
57,324	Total Unusable Reserves		34,898

17.1 Revaluation Reserve

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

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

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

2016/17 £'000		2017/18	
		£'000	£'000
214,171	Balance at 1st April	196,695	
13,346	Upward revaluation of assets	13,583	
(24,697)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(18,905)	
202,820	Surplus or Deficit on revaluation of Long-Term Assets not posted to the Surplus or Deficit on the Provision of Services		191,373
0	Adjustment between the Capital Adjustment Account and the Revaluation Reserve	(13,013)	
(5,199)	Difference between Current Value Depreciation and Historical Cost Depreciation	(4,781)	
(926)	Accumulated Gains on Assets sold or scrapped	(1,343)	
(6,125)	Amount written off to the Capital Adjustment Account		(19,137)
196,695	Balance at 31st March		172,236

17.2 Capital Adjustment Account

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

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

2016/17 £'000		2017/18	
		£'000	£'000
452,176	Balance at 1st April	450,463	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(44,575)	Charges for depreciation and impairment of Long-Term Assets*	(40,629)	
(15,755)	Revaluation losses on Property, Plant and Equipment	(8,159)	
(1,385)	Amortisation of Intangible Assets	(1,266)	
(8,476)	Revenue Expenditure Funded from Capital Under Statute	(9,182)	
(2,522)	Amounts of Long-Term Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,663)	
24	Adjusted items written out of revenue for joint committees	0	
6,125	Adjusted items written out of the Revaluation Reserve	19,137	
385,612	Net written out amount of the cost of Long-Term Assets consumed in the year		408,701
	Capital Financing Applied in the Year:		
3,401	Use of the Capital Receipts Reserve to finance new Capital Expenditure	1,068	
22,637	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,152	
(1,949)	Application of grants to capital financing from the Capital Grants Unapplied Account	1,176	
11,732	Statutory provision for the financing of capital investment charged against the Council Fund	11,054	
28,777	Capital Expenditure charged against the Council Fund	29,797	
(1)	Private mortgage repayments	(22)	
64,597			77,225
254	Movement in the Donated Assets Account Credited to the Comprehensive Income and Expenditure Statement		0
450,463	Balance at 31st March		485,926

* Charges for depreciation and impairment of long-term assets include credits representing reversal of accumulated depreciation and impairment, and debits representing in year changes.

17.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account represents the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the accumulated financing costs required in accordance with regulations to be charged to the Council Fund Balance. As at 31st March 2018 there was a credit balance of £5.7m (credit balance of £5.7m as at 31st March 2017).

17.4 Pensions Reserve

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

2016/17		2017/18
£'000		£'000
(515,545)	Balance at 1st April	(579,048)
(44,592)	Actuarial gains or (losses) on Pensions Assets and Liabilities	(12,186)
(49,740)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(56,964)
30,829	Employer's pensions contributions and direct payments to pensioners payable in the year	36,340
(579,048)	Balance at 31st March	(611,858)

18.0 Cash Flow Statement – Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements

2016/17		2017/18
Restated		
£'000		£'000
(60,330)	Depreciation and Impairment	(48,788)
(1,385)	Amortisation	(1,266)
2,533	(Increase)/Decrease in Creditors	(3,565)
862	Increase/(Decrease) in Debtors	2,086
15	Increase/(Decrease) in Stock	(98)
(15,991)	Movement in Pension Liability	(20,624)
2,067	Contribution to Provisions	(59)
(1,554)	Short-Term Accumulated Absence Accrual	(776)
(2,522)	Carrying amount of Long-Term Assets and Assets Held For Sale, sold or derecognised	(1,663)
3,362	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	2,125
(72,943)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	(72,628)

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

2016/17		2017/18
£'000		£'000
4,347	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	725
16,170	Any other items for which the cash effects are investing or financing cash flows	29,364
20,517		30,089

20.0 Cash Flow Statement – Interest within Operating Activities

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

2016/17		2017/18
£'000		£'000
(123)	Interest received	(117)
10,446	Interest paid	9,760
10,323	Interest within Operating Activities	9,643

21.0 Cash Flow Statement - Investing Activities

2016/17		2017/18
£'000		£'000
85,692	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	103,738
(14,002)	Purchase and Redemption of Short-Term and Long-Term Investments	4,603
(4,347)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(725)
(19,548)	Other receipts from Investing Activities	(33,164)
47,795	Net Cash Flows from Investing Activities	74,452

22.0 Cash Flow Statement - Financing Activities

2016/17		2017/18
£'000		£'000
(74,900)	Cash receipts of Short and Long-Term Borrowing	(402,660)
22,361	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	1
40,045	Repayments of Short and Long-Term Borrowing	361,677
(12,494)	Net Cash Flows from Financing Activities	(40,982)

23.0 Notes to the Expenditure and Funding Analysis**23.1 Adjustments between Funding and Accounting Basis 2016/17**

Adjustments from Council Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000s	£'000s	£'000s	£'000s
Corporate & Frontline Services	9,683	2,137	9,143	20,963
Chief Executive's Division	364	(47)	(440)	(123)
Education & Lifelong Learning Services	16,067	(241)	621	16,447
Community & Childrens Services	11,232	(327)	(1,746)	9,159
Authority Wide Budgets	(16,159)	(2)	(31,516)	(47,677)
Joint Committees	0	0	3,145	3,145
Net Cost of Services	21,187	1,520	(20,793)	1,914
Other income and expenditure from the Expenditure and Funding Analysis	(17,994)	17,510	20,082	19,598
Difference between Council Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	3,193	19,030	(711)	21,512

Adjustments between Funding and Accounting Basis 2017/18

Adjustments from Council Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000s	£'000s	£'000s	£'000s
Corporate & Frontline Services	10,641	1,069	4,049	15,759
Chief Executive's Division	(47)	377	1,263	1,593
Education & Lifelong Learning Services	11,080	1,907	(1,349)	11,638
Community & Childrens Services	11,292	2,526	(1,018)	12,800
Authority Wide Budgets	(19,387)	2	(26,161)	(45,546)
Joint Committees	0	0	174	174
Net Cost of Services	13,579	5,881	(23,042)	(3,582)
Other income and expenditure from the Expenditure and Funding Analysis	(24,625)	14,589	15,410	5,374
Difference between Council Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	(11,046)	20,470	(7,632)	1,792

Details of the total adjustments above are within the Movement in Reserves Statement.

23.2 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

	2016/17	2017/18
Expenditure	£'000	£'000
Employee Benefits Expenses	313,498	318,965
Other Services Expenses	326,066	336,512
Depreciation, Amortisation and Impairment	68,407	63,102
Interest Payments	10,446	9,760
Precepts and Levies	28,591	29,877
Loss on the Disposal of Assets	0	938
Total Expenditure	747,008	759,154
Income		
Fees, Charges and Other Service Income	(233,709)	(248,631)
Interest and Investment Income	(123)	(117)
Income from Council Tax and NNDR	(190,345)	(200,215)
Gain on the Disposal of Assets	(1,824)	0
Government Grants and Contributions	(299,494)	(308,399)
Total Income	(725,495)	(757,362)
(Surplus) or Deficit on the Provision of Services	21,513	1,792

24.0 Acquired and Discontinued Operations

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

25.0 Agency Services

The Council collects Non-Domestic Rates (NDR) on an agency basis for the Welsh Government. These monies are then redistributed to all Welsh Local Authorities. Please refer to note 31.0 for further details on NDR.

26.0 Road Charging Schemes

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

27.0 Members' Allowances

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

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

	2016/17	2017/18
	£'000	£'000
Allowances	1,262	1,285
Expenses	12	12
Total	1,274	1,297

Details of all remuneration and allowances paid annually by the Council to each Councillor and Co-opted Member will be published on the Council's website following the end of each financial year.

28.0 Officers' Remuneration

Statutory guidance issued by Welsh Ministers recommends the use of pay multipliers as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010).

Rhondda Cynon Taf's remuneration ratio is 1:7 with the median salary being £20,138. This is the ratio between the Chief Executive's pay and the median earnings of the workforce within the Council, using current pay levels.

Under the Accounts and Audit (Wales) Regulations 2014 (as amended), local authorities must disclose in their accounts the number of employees whose remuneration in the year fell in each bracket of a scale in multiples of £5,000 commencing at £60,000 (excluding employer pension contributions). The disclosure includes redundancy payments.

During 2017/18 the average number of employees paid per month by the Council was 10,213 (10,452 2016/17), paying total remuneration of £220m (excluding employer's national insurance and pension contributions) (£221m 2016/17). Within this, the following remuneration payments were made within the categories specified:

Remuneration Band	2016/17	2017/18		
	No. of Employees	No. of Employees		
	Total	At 31/03/18	Left in Year	Total
£60,000 - £64,999	58	59	3	62
£65,000 - £69,999	24	24	1	25
£70,000 - £74,999	11	11	0	11
£75,000 - £79,999	3	7	1	8
£80,000 - £84,999	9	0	0	0
£85,000 - £89,999	3	8	0	8
£90,000 - £94,999	3	3	0	3
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	0	1	1
£105,000 - £109,999	3	0	0	0
£110,000 - £114,999	0	1	0	1
£115,000 - £119,999	0	1	0	1
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £169,999	0	0	0	0
Total	114	114	6	120

Officers employed by Voluntary Aided Schools have been excluded.

Salary costs for Joint Committees are not included in the above note, but can be found in the relevant Joint Committee Statement of Accounts.

However, a percentage of Joint Committee salaries has been consolidated into the Net Cost of Services within the Comprehensive Income and Expenditure Statement.

The above table excludes specific Senior Officers, disclosed in the following table.

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

Post Holder Information (Post Title)	2016/17			2017/18				
	Total Remuneration	Total Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions	Salary	Taxable Benefits in Kind	Total Remuneration	Total Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions
	£'000			£'000				
Acting Chief Executive wef 01/09/2015	101	22	123	0	0	0	0	0
Chief Executive wef 16/12/2016	42	9	51	145	0	145	36	181
Group Director, Community & Children's Services	114	25	139	116	0	116	29	145
Group Director Corporate & Frontline Services	114	25	139	116	0	116	29	145
Temporary Director of Education & Lifelong Learning	86	0	86	87	0	87	0	87
Director of Human Resources to 30/11/2017	55	12	67	38	0	38	9	47
Director of Human Resources wef 01/12/2017	0	0	0	31	0	31	8	39
Director of Legal & Democratic Services to 31/12/2016	70	15	85	0	0	0	0	0
Director of Legal & Democratic Services from 01/01/2017	23	5	28	94	0	94	23	117
Director of Legal & Democratic Services Returning Officer	21	0	21	6	0	6	0	6

Continued Overleaf...

Service Director - Legal Services to 31/12/2016	56	12	68	0	0	0	0	0
Director of Regeneration & Planning	86	19	105	89	0	89	22	111
Director - Highways and Streetcare Services	85	19	104	86	1	87	21	108
Director of Corporate Estates & Procurement	93	20	113	93	1	94	23	117
Service Director - Cabinet Office & Public Relations	66	14	80	66	0	66	17	83
Service Director - Public Health & Protection to 30/11/2017	75	16	91	50	0	50	13	63
Director of Public Health, Protection & Community Services wef 01/12/2017	0	0	0	29	0	29	7	36

The table above represents the Senior Leadership Team for Rhondda Cynon Taf CBC. Disclosure of Senior Officer remuneration of Joint Committees are included in the relevant Joint Committee Statement of Accounts.

29.0 Severance Costs

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

The number and costs (in bandings) of compulsory and other terminations are set out in the table below

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Cost of Severance	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	£'000	
£	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	15	18	235	186	250	204	1,792	1,212
£20,001 - £40,000	8	2	71	40	79	42	2,160	1,215
£40,001 - £60,000	1	2	9	11	10	13	517	677
£60,001 - £80,000	2	1	9	4	11	5	791	329
£80,001 - £100,000	1	1	3	6	4	7	349	647
£100,001 - £150,000	3	1	2	7	5	8	649	940
£150,001 - £200,000	2	0	0	4	2	4	360	666
Total	32	25	329	258	361	283	6,618	5,686

During 2017/18, the Council saved annual payroll costs of £3,823k (£5,437k 2016/17) through Voluntary Redundancy and Voluntary Early Retirement.

Severance Costs for Joint Committees are not included in the above note, but can be found in the relevant Joint Committee Statement of Accounts.

However, a percentage of Joint Committee severance costs has been consolidated into the Net Cost of Services within the Comprehensive Income and Expenditure Statement.

30.0 External Audit Costs

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

	2016/17	2017/18
	£'000	£'000
Fees Payable to the Auditor General for Wales		
External audit services carried out by the Statutory Auditor for the year	255	250
Local Government Measure Work	94	94
Certification of Grant Claims and Returns for the year	100	71
Total	449	415

31.0 Non-Domestic Rates

The level of Non-Domestic Rates (NDR) is based on a “multiplier” set nationally by the Welsh Government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year. The multiplier for 2017/18 was 49.9p (48.6p for 2016/17). The total rateable value as at 31st March 2018 was £129.3m (£129.0m as at 31st March 2017).

The Council is responsible for collecting the business rates in its area and pays the proceeds into the NDR pool administered by the Welsh Government. The Welsh Government redistributes total collections back to local authorities on the basis of a fixed amount per head of population. Total NDR collected from ratepayers in respect of 2017/18 rates is £48.8m (£52.3m in 2016/17). The contribution back to the Council from the pool in the year amounted to £76.4m (£70.5m in 2016/17) and the amount paid to the pool amounted to £49.4m (£53.6m in 2016/17). As the Council acts as an agent collecting income on behalf of the Welsh Government, the income collected is not recognised as income in the Comprehensive Income and Expenditure Statement.

32.0 Council Tax

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

The Council Tax base for 2017/18 was calculated to be £74,978.22 (compared with £74,301.87 for 2016/17). This represents the anticipated yield for every £1 of council tax levied.

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

Band	A*	A	B	C	D	E	F	G	H	I
No. of Properties	227	37,937	21,387	14,420	8,130	5,993	3,050	1,057	172	29
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

The resultant number of Band D properties is reduced by a percentage to reflect anticipated non-collection. The target collection rate for 2017/18 was 97.5%.

An analysis of the net proceeds from Council Tax is shown as follows:

Council Tax Analysis	2016/17	2017/18
	£'000	£'000
Council Tax Collectable	119,893	123,802
Net Proceeds from Council Tax	119,893	123,802
Less Payable:		
Police and Crime Commissioner for South Wales	(15,444)	(16,363)
Community Councils	(1,776)	(1,829)
Total	102,673	105,610

33.0 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

33.1 Credited to Services

A number of grants and contributions have been recognised as income within Net Cost of Services. This income amounts to £202m in 2017/18 (in 2016/17 these grants and contributions amounted to £157m).

33.2 Capital Grants Receipts in Advance

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

34.0 Related Parties

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

34.1 Welsh Government

The Welsh Government is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills).

	2016/17	2017/18
	£'000	£'000
Non-Ringfenced Government Grants	(283,324)	(279,035)
Capital Grants and Contributions	(16,170)	(26,697)
Credited to Services	(138,046)	(141,431)
Total	(437,540)	(447,163)

34.2 Chief Officers and Members

Members of the Council

Under the Code of Conduct incorporated in the Council's Constitution, Members are required to record in the Register of Members Interests any financial and other personal interests, together with any gift, hospitality, material benefit or advantage. The Register is open to inspection by the public and is available on an individual Member basis on the Council website.

Members of the Council are nominated to serve on numerous outside bodies some of which either receive funding from the Council or issue levies and precepts to be paid by the Council. When sitting on these bodies Members are expected to act independently and not to represent the views of the County Council. Membership details are available from the Director of Legal & Democratic Services, The Pavilions, Clydach Vale.

During 2017/18 there were no Members identified as having a controlling interest in any company commissioned to supply works or services to the Council of any material value. However, Members have identified interests with organisations with which the Council has had financial transactions during 2017/18. The value of these transactions amounted to payments of £1,398k, of which £9k was outstanding at year end, and receipts of £185k, of which £37k was outstanding at year end.

Chief Officers (Senior Leadership Team)

Under the Employees' Code of Conduct, Officers are required to declare potential conflicts of interest arising from employment arrangements together with gifts or hospitality and offers thereof and, under Section 117 of the 1972 Local Government Act, contractual arrangements where there is a conflict of interest. Most professional bodies also have codes of professional conduct to which members of those bodies are expected to adhere.

During 2017/18, the Council has transactions with a company that provides specialist support to people with disabilities. A member of the Senior Leadership Team of the Council declared that a relative is one of the trustees of the company. Payments to the company amounts to £1,127k (£1,139 in 2016/17) with no payments outstanding at year end (nil in 2016/17) and receipts of £178k (£534k in 2016/17), of which £2k was outstanding (nil in 2016/17). The Officer did not take part in any discussion, decision or administration relating to the services.

There were no other transactions of material value.

34.3 Precepts and Levies

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

An analysis of precepts is given in the following table:

	2016/17	2017/18
	£'000	£'000
Police and Crime Commissioner for South Wales	15,444	16,363
Community Councils	1,776	1,829
Total	17,220	18,192

An analysis of levies is given in the following table:

	2016/17	2017/18
	£'000	£'000
South Wales Fire and Rescue Service	10,789	11,033
Coroner	369	440
Brecon Beacons National Park	48	48
Glamorgan Archives Joint Committee	165	164
Total	11,371	11,685

34.4 Rhondda Cynon Taf Pension Fund

The Group Director Corporate & Frontline Services is also the responsible Finance Officer to the Rhondda Cynon Taf Pension Fund. The Council charged the Pension Fund an amount of £1.6m (£1.5m in 2016/17) in respect of administration and support during financial year 2017/18. The amount owed from the Council to the Pension Fund as at 31st March 2018 is nil (£20k as at 31st March 2017).

34.5 Associated and Subsidiary Companies

The Council has an interest in three companies, namely; Amgen Cymru Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd. Officers of the Council are directors of Amgen Cymru Ltd and Amgen Rhondda Ltd. During 2017/18 the following related party transactions took place with these companies.

Amgen Cymru Ltd.

The Council paid Amgen Cymru £7,199k (£7,367k in 2016/17) in respect of waste management and waste disposal charges, with £560k (£109k in 2016/17) due to the company at the year-end.

Amgen Cymru paid the Council £487k (£403k in 2016/17) in respect of goods and services, with £164k (£13k in 2016/17) due to the Council at the year-end.

Amgen Rhondda Ltd.

The Council paid Amgen Rhondda £175k (£175k in 2016/17) in respect of site management fees, with nil (nil in 2016/17) outstanding at 31st March 2018.

Capita Glamorgan Consultancy Ltd.

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

During 2017/18, the Council was charged £1,404k (£1,544k in 2016/17) in respect of goods, services and capital works. The balance owed to Capita Glamorgan Consultancy Ltd at 31st March 2018 was £347k (£133k in 2016/17).

Capita Glamorgan Consultancy Ltd paid the Council £1.9k (£2k in 2016/17) in respect of goods and services, with nil (nil in 2016/17) due to the Council at the year-end.

34.6 Joint Committees

The Council participates in the following Joint Committees.

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 16 members in total. There are 4 Rhondda Cynon Taf CBC Members on the Joint Committee.

During 2017/18, the Council contributed to the Joint Committee an amount of £164k (£165k in 2016/17). This was calculated proportionately based upon population.

Llwydcoed Crematorium

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taf CBC and Merthyr Tydfil CBC.

During 2017/18, the Council charged Llwydcoed Crematorium £32k (£20k in 2016/17) in respect of central establishment charges. As at 31st March 2018 the Council held cash balances relating to the Crematorium of £1,586k (£1,072k in 2016/17).

Education School Improvement Service (ESIS)

ESIS became non-operational from 1st September 2012 and was administered by a Joint Committee comprising Bridgend, Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils.

Exit agreement negotiations are ongoing.

Central South Consortium Joint Education Service (CSCJES)

The Central South Consortium Joint Education Service provides a range of school improvement services within the local authority areas of Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan.

The Council consolidates 28.32% of the assets, liabilities and transactions of CSCJES into its financial statements.

During 2017/18, the Council received income of £118k from CSCJES (received income of £1,183k in 2016/17) in respect of advisory and training services, along with grants of £19,114k (£18,482k in 2016/17), and charged CSCJES £118k (£116k in 2016/17) in respect of central establishment charges. The Council also paid CSEC expenditure of £1,060k (£1,150k in 2016/17). As at 31st March 2018 the Council owed cash balances of £12,275k relating to CSCJES (the Council owed cash balances to CSCJES of £6,004k as at 31st March 2017). As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated. CSCJES distributes grants to participating authorities on behalf of Welsh Government.

Coychurch Crematorium

Coychurch Crematorium is owned and operated by a Joint Committee on behalf of Bridgend CBC, the Vale of Glamorgan Council and Rhondda Cynon Taf CBC.

At year-end there were no balances outstanding between the Council and Coychurch Crematorium.

Vale, Valleys and Cardiff Regional Adoption Collaborative (VVC)

The Vale, Valleys and Cardiff Regional Adoption Collaborative (VVC) became operational on 1st June 2015 and is administered by the Vale of Glamorgan Council. It is comprised of the adoption services of the Vale of Glamorgan Council, Rhondda Cynon Taf CBC, Merthyr Tydfil CBC and Cardiff City and County Council. It is one of five regional Collaboratives which form part of the National Adoption Service in Wales (NAS).

During 2017/18, the Council contributed £460k to the Vale, Valleys and Cardiff Regional Adoption Collaborative (£350k in 2016/17).

Cardiff Capital Region City Deal (CCRCD)

The Council approved to formally establish Cardiff Capital Region ('CCR') Joint Cabinet (the 'Regional Cabinet'), as a joint committee, to oversee the Region's economic growth and to deliver the commitments set out in the CCR City Deal. To ensure that the right investments are made to achieve significant economic growth, the CCR City Deal has set a small number of key targets, which are; the creation of 25,000 new jobs by 2036; and leveraging £4 billion of private sector investment as a result of the £1.2 billion public sector investment. This CCR City Deal Investment Fund comprises 2 distinct elements:

£734m - METRO scheme. This will comprise £503m, Welsh Government funding provided over the first seven years of the Investment Fund, from 2016/17 to 2022/23; £106m from the European Development Fund (which is committed and guaranteed following Brexit by both UK and Welsh Government); and £125m from UK Government. This element will be the direct responsibility of Welsh Government.

£495m – Regional Cabinet Fund, comprising the ten constituent councils' commitment to borrow £120m over the 20 year period of the Investment Fund, together with the £375m from UK Government, for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. This element will be the responsibility of the CCR Regional Cabinet.

Wales Pension Partnership

On the 15th March 2017 the Council approved the establishment of a Joint Governance Committee (JGC) to oversee the pooling of the investments of the eight Local Government Pension Scheme (LGPS) funds in Wales. An inter authority agreement has been developed as the legal framework and sets out the governance arrangements for the Pool, the rights and obligations of the eight constituent authorities and the powers and responsibilities delegated to the JGC. All costs associated with the JGC will be divided equally between the eight authorities (excluding investment management costs).

34.7 Partnership Agreement

Biogen Tomorrow's Valley Food Waste Plant

The Biogen Food Waste Plant became fully operational on the 19th July 2015. The 3 local authorities who form the Hub (Rhondda Cynon Taf CBC, Merthyr CBC and Newport City Council) send a combined annual contracted guaranteed minimum tonnage of 13,500 tonnes to be treated at the facility. In 2017/18 a total amount of £958k associated costs have been incurred by the parties, with Welsh Government contributing £124k of grant funding.

34.8 Other Related Parties

Trivallis

Trivallis is one of Wales' largest registered social landlords providing homes for thousands of families in Rhondda Cynon Taf. There are 3 Rhondda Cynon Taf CBC Members and 1 officer on the board of Trivallis.

During 2017/18, the Council paid Trivallis £1,201k (£1,414k in 2016/17) and received income of £1,235k (£218k in 2016/17). At year-end, Trivallis owed £116k to the Council (the Council owed £11k to Trivallis in 2016/17).

In line with the Council's agreed Investment Strategy, following appropriate due diligence and subject to appropriate and acceptable security arrangements being put in place, the Council entered into a commercially agreed loan arrangement with Trivallis, for an amount of £5,250k. As at 31st March 2018 £5,000k was outstanding.

35.0 Capital Expenditure and Capital Financing

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

	2016/17	2017/18
	£'000	£'000
Opening Capital Financing Requirement	391,914	411,081
Capital Investment:		
Property, Plant & Equipment	73,541	88,033
Intangible Assets	1,746	1,267
Revenue Expenditure Funded from Capital Under Statute	8,476	12,461
	83,763	101,761
Sources of Finance:		
Capital Receipts	(3,401)	(1,068)
Government Grants and Other Contributions	(20,686)	(35,328)
	(24,087)	(36,396)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(28,777)	(29,797)
Minimum Revenue Payment	(11,732)	(11,054)
	(40,509)	(40,851)
Closing Capital Financing Requirement	411,081	435,595
Explanation of Movements in Year		
Increase in underlying need to borrowing (supported by government financial assistance)	145	13
Increase in underlying need to borrowing (unsupported by government financial assistance)	20,266	24,502
Finance Leases	(1)	(1)
Private Finance Initiative (PFI)	(1,243)	0
Increase/(Decrease) in Capital Financing Requirement	19,167	24,514

36.0 Leases

The following disclosures relate to the Council as a lessee.

36.1 Finance Leases

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

	31/03/17	31/03/18
	£'000	£'000
Other Land and Buildings	144	136

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

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable in future years while the liability

remains outstanding. The minimum lease payments are made up of the following amounts:

	31/03/17	31/03/18
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Long-Term	386	385
Finance costs payable in future years	1,276	1,254
Minimum Lease Payments	1,663	1,640

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/17	31/03/18	31/03/17	31/03/18
	£'000	£'000	£'000	£'000
Less than 1 year	23	23	1	1
1 to 5 years	113	113	4	4
Greater than 5 years	1,527	1,504	382	381
Total	1,663	1,640	387	386

The Council also acts as a lessor for 8 vehicles:

	31/03/17	31/03/18
	£'000	£'000
Finance Lease Receivables:		
Current	111	120
Long-Term	414	286
Finance costs receivable in future years	101	61
Minimum Lease Receivables	626	467

	Minimum Lease Receivables		Finance Lease Assets	
	31/03/17	31/03/18	31/03/17	31/03/18
	£'000	£'000	£'000	£'000
Less than 1 year	147	147	111	120
1 to 5 years	479	320	414	286
Greater than 5 years	0	0	0	0
Total	626	467	525	406

36.2 Operating Leases

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

	31/03/17			31/03/18		
	Other Land & Buildings	Vehicles, Plant & Equip.	Totals	Other Land & Buildings	Vehicles, Plant & Equip.	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year	467	1,223	1,690	612	1,195	1,807
1 to 5 years	1,318	1,954	3,272	2,002	1,369	3,371
Greater than 5 years	6,128	637	6,765	8,253	566	8,819
Total	7,913	3,814	11,727	10,867	3,130	13,997

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

	31/03/17	31/03/18
	£'000	£'000
Minimum Lease Payments	2,363	2,362

36.3 Sub-Leases

The Council has sub-let office accommodation at Valleys Innovation Centre. Non-cancellable sub-lease payments of £60k per annum are expected to be received until expiry of the lease agreement, as shown in the table below:

	2016/17	2017/18
	£'000	£'000
Less than 1 year	92	60
1 to 5 years	119	59
Greater than 5 years	0	0
Total	211	119

37.0 Impairment Losses

During 2017/18, the Council has recognised an impairment loss of £20.5m (a loss of £25.2m in 2016/17) in relation to its Long-Term Assets. This impairment charge is included within the Long-Term Asset note 7.1, which also includes reversal of impairment from previous years.

38.0 Retirement Benefits - Defined Benefit Schemes

38.1 Participation in Pension Schemes

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

The Council participates in two pension schemes:

- Teachers - Please refer to note 39.0.
- Other Employees and Members - The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit career average scheme. The Council and participants pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Council's accounts are defined by IAS 19 "Employee Benefits".

The CSCJES Joint Committee charges pension costs to their accounts in line with IAS 19. The Rhondda Cynon Taf CBC share of these entries is consolidated into the main accounts, and disclosed in the following notes.

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

38.2 Transactions Relating to Post-Employment Benefits

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

	2016/17	2017/18		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement:				
Cost of Services:				
Current Service Cost	30,149	40,980	279	41,259
Past Service Cost	2,281	1,080	37	1,117
Consolidation Adjustment	(201)	0	(1)	(1)
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest Expense	17,511	14,590	(1)	14,589
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	49,740	56,650	314	56,964
Remeasurement of the Net Defined Benefit Liability Comprising:				
Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	(129,257)	(24,140)	(150)	(24,290)
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(57,736)	0	0	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	306,542	28,480	127	28,607
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(74,899)	8,030	32	8,062
Net Increase in Liabilities from Disposals/Aquisitions on Liabilities - Experience	(58)	0	(193)	(193)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	94,332	69,020	130	69,150
Movement in Reserves Statement:				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(49,740)	(56,650)	(314)	(56,964)
Actual amount charged against the Council Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	30,832	36,180	160	36,340

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31st March 2018 is a loss of £12.2m (£44.6m loss in 2017/18).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the year ending 31st March 2018 is a loss of £143.0m.

38.3 Reconciliation of Present Value of the Scheme Liabilities

	2016/17	2017/18		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Balance at 1st April	1,349,822	1,558,200	6,360	1,564,560
Current Service Cost	30,149	40,980	279	41,259
Interest Cost on Defined Obligation	46,619	40,010	162	40,172
Contributions by scheme participants	8,098	8,200	82	8,282
Remeasurement (Gains) and Losses				
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(57,736)	0	0	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	306,542	28,480	127	28,607
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(74,899)	8,030	32	8,062
Benefits paid	(47,528)	(47,610)	(310)	(47,920)
Past service costs	2,281	1,080	37	1,117
Business combinations	0	0	0	0
Net Increase in Liabilities from Disposals/Aquisitions	1,945	0	0	0
Consolidation Adjustment	(733)	0	(17)	(17)
Balance at 31st March	1,564,560	1,637,370	6,752	1,644,122

38.4 Reconciliation of Fair Value of the Scheme Assets

	2016/17	2017/18		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Balance at 1st April	834,277	979,280	6,232	985,512
Interest Income	29,108	25,420	163	25,583
<i>Remeasurement (Gains) and Losses:</i>				
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	129,257	24,140	150	24,290
Employer contributions	30,832	36,180	160	36,340
Contributions by scheme participants	8,098	8,200	82	8,282
Benefits paid	(47,528)	(47,610)	(310)	(47,920)
Net Increase in Assets from Disposals/Aquisitions	2,003	0	193	193
Consolidation Adjustment	(535)	0	(16)	(16)
Balance at 31st March	985,512	1,025,610	6,654	1,032,264

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £49.87m (£158.4m gain in 2016/17).

38.5 Scheme History

	2013/14	2014/15	2015/16	2016/17	2017/18
	Inc Joint Comm's				
	£'000	£'000	£'000	£'000	£'000
Present Value of the Defined Obligation	(1,234,997)	(1,399,724)	(1,349,822)	(1,564,560)	(1,644,122)
Fair Value of Plan Assets	712,031	811,839	834,277	985,512	1,032,264
Surplus/(Deficit)	(522,966)	(587,885)	(515,545)	(579,048)	(611,858)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £611.9m has a substantial impact on the Net Worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council is not impacted upon. The deficit on the local government scheme will be made good in line with actuarial assumptions.

38.6 Local Government Pension Scheme Assets

As at 31st December 2017, the Rhondda Cynon Taf Pension Fund Assets used in IAS19 calculations comprised of:

Fair Value of Scheme Assets		
	2016/17	2017/18
	£'000	£'000
UK Equities	595,905	657,668
Overseas Equities	1,459,349	1,775,137
UK Fixed Interest Gilts	259,370	274,407
UK Index Linked Gilts	0	0
UK Corporate Bonds	255,420	276,825
Overseas Government Bonds	8,326	2,735
Overseas Corporate Bonds	28,693	29,407
Property	167,239	175,043
Cash and Net Current Assets	60,748	61,066
Total	2,835,050	3,252,288

38.7 Basis for Estimating Assets and Liabilities

Rhondda Cynon Taf CBC employs a “building block” approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as 31st March 2018.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council Fund liabilities have been assessed by AON Hewitt, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the funded scheme as at 31st March 2016, and the unfunded scheme as at 31st March 2018.

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

	31/03/17	31/03/18
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	4.5%	4.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.8	22.9
Women	24.9	25.0
Longevity at 65 for future pensioners:		
Men	25.0	25.1
Women	27.2	27.3
Rate of inflation (RPI)	3.1%	3.2%
Rate of inflation (CPI)	2.0%	2.1%
Rate of increase in salaries	3.25%	3.35%
Rate of increase in pensions	2.0%	2.1%
Rate for discounting scheme liabilities	2.6%	2.6%
Take-up of option to convert annual pension into retirement lump sum:		
Post-2010 Service	80%	80%
Pre-2010 Service	80%	80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	RCT		Joint Committes		Total	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£'000	£'000	£'000	£'000	£'000	£'000
Longevity (Increase or Decrease in 1 Year)	48,940	(48,570)	203	(202)	49,143	(48,772)
Rate of Increase in Salaries (Increase or Decrease by 0.1%)	6,530	(6,470)	31	(31)	6,561	(6,501)
Rate of Increase in Pensions (Increase or Decrease by 0.1%)	24,400	(24,010)	103	(101)	24,503	(24,111)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 0.1%)	(30,420)	31,000	(132)	134	(30,552)	31,134

38.8 Contributions for the Accounting Period ending 31st March 2019

The Employer's regular contributions to the Fund for the accounting period 31st March 2019 are estimated to be £36.3m. In addition, "strain on fund" contributions may be required.

Further information can be found in the Pension Fund Annual Report, which is available on request from the Group Director Corporate & Frontline Services, Bronwydd House, Porth, Rhondda, CF39 9DL.

39.0 Retirement Benefits - Defined Contribution Schemes

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

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

In 2017/18, the Council paid £12.8m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2016/17 were £12.8m, also representing 16.48% 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 2017/18 these amounted to £838k (£870k in 2016/17).

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

40.0 Contingent Liabilities

40.1 Private Finance Initiative

During 2003/04 financial year, the council entered into a Private Finance Initiative (PFI) arrangement for the provision of a Lifelong Learning Campus at Garth Olwg. The facilities provided comprise a Nursery, Primary School, Secondary School, Lifelong Learning Centre, Library and Youth Centre. The arrangement was originally contracted to be in place until September 2030. The original commitment was £113.8m over the duration of the contract, funded by a combination of former PFI Credits, agreed by the Welsh Government, and Council/Delegated School resources.

The Council determined in December 2015 to voluntarily terminate the PFI agreement. The final termination notice was issued to the contractor on 28th July 2016, and the agreement terminated on 25th January 2017.

Elements of the termination payment are subject to ongoing discussions with the contractor.

The Council anticipates concluding these discussions during the 2018/19 financial year.

40.2 Insurance

The Council is liable for insurance claims made against it in respect of certain events. A provision is made in respect of claims received as at 31st March 2018. There is a further contingent liability in respect of events which will have occurred but which have not resulted in a claim being made as at the date of the accounts. The "statute of limitation" sets out the timescale by which a claim will have to be made in respect of such past events. An earmarked reserve has been set up to provide towards the costs of these incidents.

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

Insurance claims are also referenced in note 4.2.

40.3 Municipal Mutual Insurance Ltd.

The former authorities of Rhondda Borough Council, Cynon Valley Borough Council, Taff Ely Borough Council and Mid Glamorgan County Council are creditors of Municipal Mutual Insurance Ltd. (MMI). MMI ceased to write new insurance business from 30th September 1992 and a Scheme of Arrangement was put in place in January 1994. The scheme was set up to ensure an orderly run off of claims in the event of MMI not being solvent. As creditors of MMI, the Council is legally bound by the Scheme and in November 2012, the scheme was triggered.

Future claim settlements by MMI will be made at a level of 75% with the funding of the remaining 25% being met from the former authorities' funds. Correspondence from the scheme administrator states that it is not possible to guarantee that the initial and second levy, paid in February 2014 and May 2016, will be sufficient but they are the best estimates given the current position. The scheme requires the administrator to review the Levy at least once a year. Given the uncertainty regarding how sufficient the initial clawback will be, a contingent liability exists as the Council could be subject to further clawback dependent upon the resources of MMI, the insurer.

41.0 Trust Funds

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31st March 2018 are shown as follows and are not included in the Council's Balance Sheet. The 2017/18 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council's Internal Audit Section for the other funds).

	Description	31/03/17	31/03/18
		£'000	£'000
Education & Miscellaneous	Various funds established for educational and community benefits	248	251
Rhondda Cynon Taf Charity for the Visually Impaired	Fund established for the benefit of visually impaired citizens	109	76
Welsh Church Act Fund	Fund established under the Welsh Church Act for various charitable aims within the counties of Rhondda Cynon Taf, Merthyr Tydfil and Bridgend	12,292	12,253

The Council also participates on the Board of Trustees for "The Rhondda Trust". This is a charity established by a manufacturing company following the closure of its factory in the Rhondda Valleys. The charity's aims are to improve skills and education in the area. The Council has administrative responsibility for the fund. However, decisions are made by the Board of Trustees. The balance held on behalf of the trustees by the Council at 31st March 2018 is £16k (£52k at 31st March 2017). The Rhondda Trust is independently audited by RH Jeffs and Rowe Ltd.

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2017/18

1. **INTRODUCTION**

1.1 The Council's Corporate Plan 2016 - 2020 sets the overall direction for the Authority describing the vision, purpose and priorities to be delivered.

1.2 The Council's agreed Vision, purpose and priorities are:

- Vision – For a County Borough that has high aspirations, is confident and promotes opportunity for all.
- Purpose – to provide strong community leadership and effective services for the people of Rhondda Cynon Taf to enable them to fulfil their potential and prosper.
- Priorities:
 - Economy - Building a strong economy;
 - People - Promoting independence and positive lives for everyone;
 - Place - Creating neighbourhoods where people are proud to live and work;
and
 - Living within our means.

1.3 The Council's Annual Governance Statement sets out for the community, service users, tax payers and other stakeholders the Council's governance arrangements together with a review of their effectiveness in managing risks of failure in delivering Corporate Plan priorities.

2. **SCOPE OF RESPONSIBILITY**

2.1 Rhondda Cynon Taf County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.

- 2.3 The Council, in compiling the Annual Governance Statement, has adopted the *Delivering Good Governance in Local Government: framework (2016)* developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). In doing so, the Annual Governance Statement meets the Council's legal duty as set out in the Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.
- 2.4 The Council's Annual Governance Statement aims to provide an accurate representation of the governance arrangements in place for financial year ending 31st March 2018.

3. **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 3.1 The governance framework comprises the systems, processes and cultural values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 3.2 For Rhondda Cynon Taf County Borough Council, governance is about ensuring that the Council does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 3.3 The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 3.4 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's priorities, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 3.5 The governance framework outlined below has been in place at Rhondda Cynon Taf County Borough Council for the year ended 31st March 2018 (and up to the date of approval of the 2017/18 Statement of Accounts).

4. **THE GOVERNANCE FRAMEWORK**

4.1 The Council has a range of governance arrangements in place, in line with the *Delivering Good Governance in Local Government: framework*, many of which are set out within its Constitution. Table 1 provides examples of the key systems, processes and documents in place within the Council during 2017/18.

Table 1 – Examples of the key elements of the Council’s governance arrangements

Good Governance Principles	Examples of key systems, processes and documents in place within the Council
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<ul style="list-style-type: none"> • <u>Elected Councillor and Officer Codes of Conduct</u> - setting out the standards of behaviour to be followed based on the principles of integrity, honesty, impartiality and objectivity. • <u>Rules of Procedure</u> – covering Council, Open Government, Access to Information, Budget and Policy Framework, Executive, Overview and Scrutiny, Officer Employment and Contract and Financial Procedure Rules. The rules set out arrangements to be followed by elected Councillors and Officers when conducting the Council’s business with the aim of publicly demonstrating accountability and openness. • <u>Standards Committee</u> - the role of which includes, amongst other things, promoting and maintaining high standards of conduct by elected Councillors. • <u>Whistle-blowing Policy</u> – promoting the highest possible standards of service and setting out how workers can bring information about a wrongdoing to the attention of the Council. • Anti-fraud, Bribery & Corruption Strategy. • Gifts and hospitality Policy. • <u>Comments, Compliments and Complaints</u> – setting out how the Council handles and responds to the feedback (complaints, compliments and comments). • Officer Guide.

Good Governance Principles	Examples of key systems, processes and documents in place within the Council
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Performance Management Framework. • Corporate Plan and Service Delivery Plans. • Quarterly Performance Report (including Risk Register up dates). • Risk Management Strategy.
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> • Annual Revenue Budget Strategy and three year Capital Programme. • Medium Term Financial Plan. • Scrutiny Committees.
Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> • Corporate and Service Self Assessment process. • Corporate Plan. • Programme of elected Councillor and Officer training and development. • Workforce Plan 2017-22. • Schemes of Delegation.
Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> • Corporate and Service Self Assessment process. • Risk Management Strategy. • Service Delivery Planning. • Quarterly Performance Report (including Risk Register up dates). • Corporate Performance Report (i.e. year-end annual report). • Audit Committee and an Internal Audit function. • Information Management Plan (including General Data Protection Regulation). • Budget and Policy Framework Procedure Rules and Contract and Financial Procedure Rules. • Medium Term Financial Plan.

Good Governance Principles	Examples of key systems, processes and documents in place within the Council
Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	<ul style="list-style-type: none"> • Reporting protocols and calendars. • Statement of Accounts. • Annual Governance Statement. • Production of Annual Reports on key areas of business e.g. Corporate Parenting, Annual Equality Report. • Internal Audit external assessment and Charter. • Pension Fund Committee.

- 4.2 The *Delivering Good Governance in Local Government: framework* supports the principle for local authorities to develop and maintain an up-to-date local code of governance. In the case of the Council, its arrangements comprise of a number of codes and documents rather than a local code.

Proposal for Improvement

- 4.3 In line with the national framework, the Council should document and publish its arrangements within a local code of governance, following review and approval by elected Councillors.

5. **REVIEW OF EFFECTIVENESS**

5.1 The Council has responsibility for conducting, at least annually, an assessment of its governance framework including the system of internal control. The review of effectiveness has been led by the Group Director – Corporate and Frontline Services and supported by the Service Director – Performance and Improvement and Head of Internal Audit and Procurement Development Programmes.

5.2 The exercise has entailed reviewing the activities in place around the Council's main governance arrangements, discussing governance arrangements with senior officers across services and taking account of the findings from the Council's corporate assessment findings and external auditor reports.

5.3 The findings and proposals for improvement have been reviewed and challenged by the Council's Senior Leadership Team and Audit Committee, and have been set out below in line with the *Delivering Good Governance in Local Government: Framework (2016)*.

5.4 **PROGRESS MADE TO IMPLEMENT PROPOSALS FOR IMPROVEMENT REPORTED IN THE 2016/17 ANNUAL GOVERNANCE STATEMENT**

5.4.1 The 2016/17 Annual Governance Statement made 7 proposals for improvement. An up date on progress was reported to the Council's Audit Committee on 27th November 2017 and following consideration the Committee **RESOLVED:** '*That progress in respect of implementing the areas for improvement was to the satisfaction of Committee.*'

5.4.2 As at 31st March 2018, progress had been made against 6 of the 7 proposals:

- 4 recommendations had been fully completed;
- 1 recommendation was partly completed with further work required during 2018/19;
- 1 recommendation had a target date of 30th June 2018 and preparatory work is on schedule for completion within this timescale; and
- The target date for 1 recommendation is to be revised in line with receipt of up dated guidance from CIPFA.

5.4.3 It is considered that sufficient progress has been made in delivering the 2016/17 proposals for improvement with the requirement for further work to be completed in 2018/19. A detailed position statement is set out at Appendix A.

5.5 BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW

Behaving with integrity

Elected Councillors

5.5.1 Following the Local Government elections held on 4th May 2017, all elected Councillors were provided with an induction and an on-going programme of support that included an overview of the Council's Code of Conduct.

5.5.2 The Council's Scrutiny Committee meeting minutes were examined to determine whether proceedings were conducted in line with the Council's Code of Conduct. This identified that out of 42 meetings in 2017/18, all Minutes showed that declarations of interest were sought and declarations were made by elected Councillors, where appropriate. In addition, a Standards Committee was in place during 2017/18 and received no complaints in respect of the conduct of elected Councillors.

Council employees

5.5.3 All officers who started employment within the Council were provided with a local induction and an Individual Performance Review process was in place to support the personal development of officers.

Policies and Strategies

5.5.4 Whistle-blowing arrangement - the Council included a payslip insert to all employees in May 2017 providing information on how Council employees could access the Whistle-blowing Policy. During the year, 5 referrals were made via the Council's whistle-blowing arrangements, all were investigated and the outcomes from which were:

- 4 referrals were not founded and therefore no further action was taken; and
- 1 referral was founded and action was taken.

5.5.5 The Council also has a legal duty¹ to report annually on whistle-blowing disclosures and the report must be published annually on the employer's website or by other means appropriate for bringing the report to the attention of the public. For Rhondda Cynon Taf, this requirement was met via a report to Audit Committee on 30th April 2018.

5.5.6 Anti-fraud, Bribery & Corruption Strategy - the Council reviewed and updated its Anti-Fraud, Bribery & Corruption Strategy, and was reported and approved by Audit Committee on 27th November 2017. At this time, the Audit Committee also supported the requirement to raise awareness via a payroll insert to all staff and it is noted that this is planned for May 2018.

¹ Whistle-blowing – under The Prescribed Persons (Reports on Disclosures of Information) Regulations 2017 (SI 2017/507)

- 5.5.7 During the year, 565 referrals were made via the Council's anti-fraud, bribery & corruption arrangements. The majority, over 99%, were in relation to suspected fraud against the benefit / income support system and were accordingly passported to the Department for Work and Pensions Fraud and Error Service (FES) for further investigation.
- 5.5.8 An annual report was presented to the Council's Audit Committee on 30th April 2018 setting out an update of activities carried out in relation to the prevention, detection and investigation of potential fraud during 2017/18, together with the associated outcomes. The report included a forward plan of targeted activity for 2018/19, to ensure the Council continues to operate within an effective anti-fraud culture across the organisation, with resilient preventive measures capable of identifying and addressing new threats.
- 5.5.9 Gifts and Hospitality Policy - the Council has a Gifts and Hospitality Policy and arrangements were in place, via registers, to record gifts and hospitality in line with the Policy.
- 5.5.10 Clear progress has been made to review and up date the above mentioned Policies and Strategies, and steps taken to raise awareness within the Council. The level of awareness and understanding of Council Officers should now be assessed to provide assurance that the documents, including induction arrangements, continue to be fit for purpose.

Comments, Compliments and Complaints

- 5.5.11 A report was presented to Cabinet on 19th September 2017 setting out an overview of the Council's statutory Social Services complaints procedure for the period April 2016 and March 2017. The report detailed that a total of 184 complaints were received, an increase of 28 compared to the previous year, and remains low in comparison to the number of people that come into contact with Social Services annually.
- 5.5.12 The Report also detailed that 59.5% of stage one complaints were responded to within the required timescale compared to 58% in the previous year, and is identified as an area for improvement. In addition, the Report included lessons learned to be addressed in 2017/18; a review of these demonstrated that a number had been completed (for example, the delivery of guidance and training for managers on subject access requests, the development of an information pack for parents of adults making the transition to supported living and a review of the Special Guardianship Order Financial Policy) and a number by their nature are on-going (for example, the need to assess the ability of recipients to maintain the confidentiality of sensitive reports linked to Child Protection Case Conferences).
- 5.5.13 In terms of non-social services comments, compliment and complaints, an up date is in the process of being compiled for reporting by 30th June 2018. It is however noted that no regular analysis is produced and provided to

Services to support performance management arrangements, for example, the number and type of complaints, and recurring themes. This should be an area for improvement in 2018/19.

Demonstrating a strong commitment to ethical values

- 5.5.14 In January 2018 an up dated 'Officer Guide' was issued that included, amongst other things, revised templates for Cabinet Reports and Officer Delegated Decisions to document how proposed decisions support the Well-being of Future Generations Act (Wales) 2015 (WFG Act). A review of Cabinet Reports presented in February and March 2018 confirmed the revised template had been implemented and showed a clear commitment to ethical values through consideration of the sustainable development principle² (five ways of working).
- 5.5.15 Following the local government elections in May 2017, all elected Members received induction training on the Member's Code of Conduct that supports the principle of ethical values.

Respecting the rule of law

- 5.5.16 The Chief Executive (as Head of Paid Service) led the Council's officers and chaired the Senior Leadership Team (SLT). The SLT comprises, in addition to other key posts, the statutory roles of Chief Finance Officer (allocated to the post Group Director, Corporate & Frontline Services) and Monitoring Officer (allocated to the post Director of Legal and Democratic Services).
- 5.5.17 With specific regard to the Chief Finance Officer position within the Council during 2017/18, the role complied with the principles outlined in the CIPFA document 'The Role of Chief Finance Officer' because the Chief Finance Officer:
- *Was a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;*
 - *Was actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and*
 - *Leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.*

To deliver these responsibilities the Chief Financial Officer:

² Sustainable Development principle - the WFG Act sets out for public bodies 5 ways of working: long term, integration, involvement, collaboration and prevention

- *Led and directed a finance function that was resourced to be fit for purpose; and*
- *Is professionally qualified and suitably experienced.*

Proposals for Improvement

- 5.5.18 Policies and Strategies - undertake engagement within the Council to assess the level of awareness and understanding of the Whistle-blowing Policy, Anti-fraud, Bribery and Corruption Strategy, Gifts and Hospitality Policy and induction arrangements.
- 5.5.19 Comments, compliments and complaints (non-social services) – introduce arrangements to enable regular complaint analysis to be provided to Services.

5.6 ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Openness

A commitment to openness

- 5.6.1 The Council agreed and published an annual report in July 2017, called the Corporate Performance Report, setting out its financial and performance results for the 2016/17 financial year and plans for 2017/18. In addition, Council approved the Well-being Plan 2018-2023 on 28th February 2018; the priorities set out within this document complemented the Council's Corporate Plan priorities.
- 5.6.2 The Council operated a Freedom of Information (FOI) Act 2000 publication scheme in accordance with legislative requirements. During 2017/18 the Council received 1,027 FOI/Environmental Information Regulations (EIR) requests. Response statistics and any complaints investigated by the Information Commissioner's Office concerning FOI/EIR requests are reported through the Information Management Board's quarterly meeting highlight reports and allows the Board to maintain an overview of the Council's compliance with the relevant legislation.
- 5.6.3 The Council's website provided information on the Freedom of Information Act 2000 and a Publication Scheme was in place to advise citizens how to request public information the Authority holds.
- 5.6.4 In terms of the Publication Scheme, from a sample of items selected from the Scheme and checked to the Council's website, all were found to be available.
- 5.6.5 The Council had in place a forward plan of Committee meetings together with the matters to be considered, where appropriate:
- The 17th May 2017 Council meeting agreed and published a calendar of meetings for the 2017/18 municipal year for Cabinet, Council, Licensing Committee, Audit Committee and the Planning & Development Committee, in line with its Constitution;
 - Cabinet published its work programme on 22nd June 2017 for the 2017/18 municipal year and refreshed this on three occasions: 19th September 2017, 19th December 2017 and 22nd March 2018; and
 - Scrutiny Committees agreed work programmes and these were publicly available on a stand alone Scrutiny Work Programme page on the Council's website, in line with a proposal for improvement made by the Wales Audit Office.

Decision making and scrutiny of decisions made

5.6.6 Cabinet is a key decision making body within the Council. From a review of reports presented to Cabinet during 2017/18:

- All reports were in the required format;
- A total of 95 reports were presented, 88 of which were made publicly available and 7 were excluded from the press / public on the grounds that the items of business involved the likely disclosure of exempt information, for example, commercially sensitive information; and
- For all decisions made by Cabinet during the year, 'Decision Notices' were published on the Council's website and did not become effective (i.e. implementable) until the expiry of 'five working days'³ after the Decision Notices were published.

5.6.7 Decisions taken by designated officers in 2017/18, called Delegated Decisions, and were published on the Council's website. A total of 32 Delegated Decisions were published, none were called in and did not become effective (i.e. implementable) until the expiry of 'five working days'⁴ after the Decision Notices were published.

Engagement with residents / stakeholders

5.6.8 The Council set out its commitment to engage with residents and stakeholders in its 'Corporate Plan 2016 – 2020' to help achieve the outcome of 'more involved and resilient communities'.

5.6.9 This commitment is supported through a dedicated Consultation page on the Council's and a wider commitment by the Council to engagement via the Public Services Board .

5.6.10 During the year, the Council undertook 28 consultation exercises, some in partnership with other public sector organisation. The results of consultation activity and engagement with local community groups have been included within reports to Cabinet, where relevant, to inform decision making. Examples include:

- Public Spaces Protection Order – agreed by Cabinet on 22nd June 2017 to introduce dog controls across Rhondda Cynon Taf;
- Transfer of St Mairs Day Centre, Aberdare to Age Connects Morgannwg – agreed by Cabinet on 19th September 2017 via the Council's RCT Together Community Participation Programme; and

³ Five working days – this is called the 'call in period', as per the Council's Constitution, and provides opportunity for Councillors who are not members of the Cabinet to challenge the decisions that Cabinet make before they become eligible for implementation.

- Secondary Care Substance Misuse Services in Cwm Taf – agreed by Cabinet on 19th September 2017.

5.6.11 From reviewing a sample of consultation reports produced during 2017/18, a broad range of communication methods were on offer to encourage stakeholders to express their views. One of the largest consultation exercises during the year was the Annual Budget Consultation that engaged via social media (including a Youtube video), elected Councillor led engagement events, an on-line budget simulator, town centre road-shows, targeting specific groups such as the Older Persons Forum, RCT wide Youth Forum and the Disability Forum, and engaging directly with users of Council Services at Leisure Centres and Libraries. The impact of this approach is showing a trend of increased engagement, for example, the budget consultation exercise for 2018/19 ran from the 6th of November 2017 to the 18th of December 2017 and over 1,500 people were involved in the process (compared to 900 in 2017/18). The results of the consultation were attached at Appendix 2 to the report to Full Council.

5.7 **DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS**

5.7.1 The 'Corporate Plan – 2016 – 2020' sets out the Council's priorities and outcomes to be delivered and arrangements were in place during the year to test if these continued to be relevant:

- The 2017/18 Budget Consultation process received feedback from 178 consultees on whether they thought the existing priorities were the right ones; 131 (73.6%) indicated they thought that they were;
- The key actions to be delivered, as identified by the 2017/18 Service Self Assessments and operational Service Delivery Plans, complemented the priorities set out within the Council's Corporate Plan; and
- Corporate Plan priority up dates were published during the year and reviewed and scrutinised by Cabinet and the Finance and Performance Scrutiny Committee.

5.7.2 A review of the three Corporate Plan action plans in place for 2017/18 identified:

- Actions were generally in line with the WFG Act sustainable development principle, for example,
 - Economy – a focus on collaborating with other South East Wales Councils over the long term (10 years) to maximise the economic benefits from the Cardiff Capital Region City Deal;
 - People – an on-going programme of investment in Leisure facilities, informed through consultation with residents, to support the well being of local people;
 - Place – working with partners to deliver training and awareness raising around the prevention of terrorism and radicalisation.
- The extent that performance indicator targets were 'stretching' was mixed, albeit, the on-going reduction in the level of resources available was a clear influencing factor. It is considered that for 2018/19, pre-scrutiny of target setting and draft action plans, will help test these arrangements; and
- Progress reports were presented to Cabinet and the Finance and Performance Scrutiny Committee on a quarterly basis during the year that included an agreed set of actions and suite of performance indicators (including benchmarking information where available) and an analysis of targets set.

- 5.7.3 There was clear evidence that Corporate Plan priorities were aligned with the Council's Medium Term Financial Plan and areas for additional investment, and were supporting the delivery of defined outcomes. Examples noted are set out below.

Medium Term Financial Plan

- 5.7.3.1 The Council's latest Medium Term Financial Plan covered the period 2017/18 to 2020/21 and indicated that 84% of the 2017/18 revenue budget and 98% of the three year Capital Programme (2017/18 to 2019/20) were allocated to Corporate Plan priority areas.

Investment

- 5.7.3.2 Additional investment was approved for delivery in 2017/18: 1st March 2017 Council amounting to £7.514M and 29th November 2017 Council amounting to £7M, and were aligned to the Economy, People and Place priorities to further improve infrastructure and the local environment, and also supporting apprenticeships jobs within the Council.

Delivery of defined outcomes

- 5.7.3.3 Table 2 shows performance against the delivery of a selection of defined outcomes.

Table 2 – Delivery against defined outcomes

Corporate Plan Priority	Defined Outcome	2017/18 Performance ⁵
Economy	Work with Communities First (and other partners) to...reduce unemployment	No. of people supported that have entered employment (Communities First) – 334 against a target of 238.
People	More residents being supported to live in their own homes;	% of adults who completed a period of reablement & have no package of care & support 6 months later - 77.84% against a target of 77.23%.
Place	Rhondda Cynon Taf's streets will be kept clean and tidy	% of highways inspected of a high or acceptable standard of cleanliness – 99.8% against a target of 95%

⁵ 2017/18 performance – based on the Council's quarter 3 Performance Report

Proposal for improvement

- 5.7.4 Draft Corporate Plan priority action plans for 2018/19 should be subject to pre-scrutiny to assess, amongst other things, the basis of performance indicator targets and whether the actions included will help to deliver defined outcomes.

5.8 DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

Determining and planning interventions

- 5.8.1 The Council's decision making arrangements during 2017/18 were based on written reports in an agreed format, as set out in Section 5.6, having regard to financial, legal and consultation matters, and alignment with the WFG Act (this includes, for example, Council and Cabinet reports).
- 5.8.2 A review of Cabinet Reports during year showed that the suite of information to inform decisions was comprehensive. One decision approved by Cabinet on 19th September 2017 was called in: *Review of the Council's Senior and Associated Management Post Structure* and this matter was considered by the Overview and Scrutiny Committee on 2nd October 2017. At this time, the Committee determined that the '*matter not be referred back and that the decision taken on the 19th September, 2017 take effect as from the close of this meeting*'.
- 5.8.3 Of the approaches or interventions used by the Council during the year, overall, these are making a positive contribution to the delivery of outcomes in line with Corporate Plan priorities. The key interventions noted are set out below.

Cabinet and the Senior Leadership Team (SLT)

- 5.8.3.1 The Cabinet and SLT have jointly planned the work programme of items to be reported during the year and required timescales, with this informing the pace of progress and outcomes being delivered. This has included:
- Economy priority – a focus on regenerating the County Borough, for example, progressing the Taff Vale Development in Pontypridd town centre, as reported to Cabinet on 28th September 2017;
 - People – the commencement of a medium term programme of work to develop extracare facilities across the County Borough to help improve outcomes for those adults who require support to live independently, as reported to Cabinet on 28th September 2017; and
 - Place – the on-going delivery of a highways investment programme to further improve the condition of the roads to help keep the economy moving. The on-going investment is making a positive impact where the percentage of principal (A) roads, non-principal (B) roads and non-principal (C) roads that are in overall poor condition was 8.6% in 2015/16, 7.2% in 2016/17 and 5.7%⁶ in 2017/18.

⁶ Condition of roads (5.7% in 2017/18) - subject to year end validation process

Scrutiny Committees

5.8.3.2 Scrutiny Committees have undertaken discrete areas of work that have supported changes to service provision. This has included:

- Children and Young People Scrutiny Committee - Free Sanitary Provisions in schools that was supported by Council on 28th February 2018 and it is noted that Cabinet at its meeting on 19th April 2018 agreed a plan to enable the initiative to be implemented.
- Finance and Performance Scrutiny Committee – Bereavement fees and charges for war veterans and men and women. This was reviewed by the Committee on 18th December 2017 who helped formulate a pilot scheme to reduce the total costs of all bereavement services provided by the Council for war veterans by 25%. This was included within the 2018/19 Revenue Budget Strategy Report presented to Council on 28th February 2018 (Appendix 3).
- Public Service Delivery, Communities and Prosperity Scrutiny Committee – following a review of the Cabinet Work Programme, the Committee pre-scrutinised the area of ‘Increasing Recycling Performance’ and reported proposals to Cabinet. These were endorsed at its meeting on 15th February 2018.
- Overview and Scrutiny Committee - following a review of the Cabinet Work Programme, the Committee pre-scrutinised ‘the Corporate Plan – The Way Ahead’ and ‘Transforming Adult Social Care – development of extra care housing’. With regard to the latter, the final report to Cabinet was reinforced, following the pre-scrutiny process, to clarify site location.
- Health and Wellbeing Scrutiny Committee – the Committee reviewed and supported for the provision of defibrillators to be made available within specific Council buildings across the County Borough (as reviewed by the Committee on 20th February 2018).

Quarterly Performance Report

5.8.3.3 Performance Reports for quarters 1 to 3 provided updates on financial performance; progress against Corporate Plan priorities (including performance indicators and investment); staffing including sickness absence; and strategic risks, and provided electronic links to more detailed information. With specific regard to financial performance, Corporate Plan priority and strategic risk up dates, exceptions were highlighted, explained and the corrective action to be taken included within reports. There was evidence of scrutiny challenge around financial and performance results and requesting further information to be included within reports to aid the reader’s understanding.

Fees and Charges

- 5.8.3.4 Cabinet agreed Fees and Charges for 2017/18 on 9th February 2017 that included 'no increases' for specific areas that linked to Corporate Plan priorities, for example, car parking, summer and winter fees (sports clubs), domiciliary care, trade refuse (recycling), meals on wheels and schools meals.

Optimising achievement of intended outcomes

- 5.8.4 On 28th September 2017 Cabinet agreed a way forward to deliver the Corporate Plan in a climate of further funding reductions by investing in Rhondda Cynon Taf's future and by improving and delivering essential services in a different way. This involved the creation of 5 workstreams to invest in to improve essential services: Digitalisation, Commercialisation, Early Intervention and Prevention, Independence and Efficient and Effective Organisation.
- 5.8.5 Table 3 notes respondents feedback when asked whether they thought the Council should focus on these key areas as part of the 2018/19 Budget Consultation exercise.

Table 3 – Respondents feedback

	Yes (%)	No (%)	Don't Know (%)
Digitisation	78	16	6
Early Intervention and Prevention	89	4	7
Commercialisation	64	23	13
Efficient and Effective	89	5	6
Independence	67	20	13

5.9 DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

Developing the entity's capacity

5.9.1 The Council has continued to undertake a 'corporate self assessment' and complete 'individual service self assessments' to assess the organisation's current position and areas for improvement, the latter being incorporated into service planning processes.

5.9.2 The above self assessment and planning arrangements, supported by the 2017/18 Revenue Budget Strategy and an on-going programme of investment, continues to evidence that the Council is developing its capacity in priority areas albeit in the context of reducing funding levels for the Council as a whole. Examples were noted within each Corporate Plan priority area and are set out below.

5.9.2.1 Economy – working collaboratively with other South East Wales Councils as part of the Cardiff Capital Region City Deal and the Council leading the transportation and housing themes of this programme. Working in partnership was also evident with the Central South Consortium Joint Education Service to improve education attainment and closing the attainment gap between those children eligible for free school meals and their peers.

5.9.2.2 People – working with the Health Service to put permanent hospital based social workers in place and implementing the new 'Stay well at home' service, both of which are having a positive impact on reducing the number of delayed transfers of care from hospital and helping to rehabilitate more people to maintain their independence. A new Resilient Families Programme has also been created to support the increasing number of families with complex needs and requiring support, this being a key risk area for the Council. The primary aim of the new service is to prevent statutory intervention by the Council, for example, preventing the need to bring children into the care of the Council.

5.9.2.3 Place – working with the Police and Crime Commissioner to run a *Divert Project* that focuses on first time offenders aged 18-25 to reduce re-offending and antisocial behaviour. Since the start of the programme, 96% had not re-offended 6 months after completion of the intervention.

5.9.3 Capacity building was also noted as a key principle in other areas of the Council's work. This included:

- Working with local groups to help them become providers of services / activities in communities, via the Council's RCT Together initiative. Examples noted were provision at Maerdy and Beddau Libraries with in excess of 1,300 and 900 members respectively, and the Feel Good Factory with nearly 80 members who use the facility to exercise.
- Investment in digitisation to enable agile working and support further improvement in productivity, work / life balance and utilisation of space within

Council buildings. It was noted that agile working is currently in place within Adult Services and the Public Health and Protection Service, and a programme is being devised to roll-out to other service areas in 2018/19. The Council's approach to digitisation has also focussed on the customer, with on-line transactions now representing around 50% of all transactions.

- A focus on improving attendance through targeting areas with high levels of sickness. The Council publishes its sickness information on a quarterly basis; the latest position as at 31st December 2017 showed a slightly improving trend: 4.34% at December 2017 compared to 4.42% in December 2016.
- Investment in apprentice and graduate jobs in professions the Council has identified need to be developed. During 2017/18, 33 apprentices and 13 graduates were appointed covering areas such as engineering (civil / electrical / mechanical), IT, Digital Services, Accounting, mechanic and aquatics.

Developing the capability of the entity's leadership and other individuals

- 5.9.4 Part 3(i) of the Council's Constitution, 'Responsibilities for Functions', sets out the responsibilities of the Leader of the Council, the Cabinet and designated employees of the Senior Leadership Team (Section 3A) and is kept under on-going review, for example, an up date to the Leader's Scheme of Delegation of Executive Functions was published on 18th July 2017.

Developing the capabilities of councillor

- 5.9.5 Following the local government elections in May 2017, a programme of training commenced for elected Councillors to ensure they were equipped with the appropriate skills, knowledge and support to fulfil their roles. Areas of training delivered were:
- How the Council Works - providing an understanding of the Executive and Scrutiny arrangements within the authority;
 - Code of Conduct;
 - Welsh Language – Setting the Standards;
 - The Modern Member – focusing on practical casework and advocacy skills to assist Members in managing challenging constituents and difficult situations;
 - Local Government Pension Scheme;
 - Meeting with Officers of the Senior Leadership Team – newly elected Members were given the opportunity to meet with the Chief Executive and Senior Officers and received a brief overview of each of their respective areas of responsibility;
 - Scrutiny Training – including 'Making a Difference through Scrutiny', 'Effective Questioning and Listening Skills', 'Achieving Effective

Scrutiny of Children's Services' (delivered to Members of the Children & Young People Scrutiny Committee) and 'Local Government Finance' (delivered to Members of the Finance & Performance Scrutiny Committee);

- An Introduction to Local Authority Licensing – covering Taxi Licensing, Licensing Act 2003 including Police Reform and Social Responsibility Act, changes, reviews, offences and appeals; and
- Charing Skills – for the Chairs and Vice-Chairs of the Planning & Development Committee, Licensing Committee and Scrutiny Committees, and the Chair of the Democratic Services Committee.

5.9.6 It was noted that evaluation forms are provided at sessions; however, to date limited feedback is received.

Developing the capabilities of employees

5.9.7 The Council put in place a Workforce Plan 2017-22, following engagement with services, and was approved by Cabinet on 15th February 2018. The plan has set priorities that align to the Council's Corporate Plan:

- Developing a flexible and agile workforce that shares organisational knowledge;
- Recruiting and retaining the best talent to create a diverse workforce;
- Leadership and management development;
- Enabling a high performing, engaged and committed workforce; and
- Supporting health and wellbeing to maximise attendance.

5.9.8 Staff development has been supported through induction sessions, Leadership and Middle Management Development Programmes, Manager Briefings, 'Joint Cabinet and Manager meetings' and a range of operational training such as health and safety, information management and dignity at work. This was supported by a new Training Compendium that brought together all training available within the Council. It was also noted that evaluation forms are provided at training sessions; however to date, limited feedback is received.

Proposal for Improvement

5.9.10 In view of the limited level of training event feedback provided, engage with attendees to identify alternative methods of obtaining feedback to ensure that training resources provide maximum benefit for attendees.

5.10 MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

Managing risk

- 5.10.1 The Council has a Risk Management Strategy that was approved by Cabinet in March 2014 and set out the overall purpose and framework for risk management within the organisation.
- 5.10.2 It was noted that the Council's risk management arrangements were reviewed in consultation with the Group Director, Corporate & Frontline Services and the Chief Executive during the first quarter of 2017/18. Following review, the format of the Strategic Risk Register was changed to provide more specific information to stakeholders in respect of controls and actions in place to manage the individual risks. Risk up dates form part of the Council's Performance Report that was published on a quarterly basis throughout the year.
- 5.10.3 During 2017/18, the Council complied with the strategy because it up dated its Strategic Risk Register at the start of the year to align with Corporate Plan priority areas, aligned risks to risk holders and incorporated strategic risk up dates into quarterly Performance Reports. To assess whether the current Risk Management Strategy document remains fit for purpose, this should be reviewed and if appropriate up dated during 2018/19.

Managing performance

- 5.10.4 The Council has taken steps to strengthen its performance management arrangements during the year through Service Self Assessment / Service Delivery Planning 'challenge sessions' with the Chief Executive and designated Cabinet Member. The outcome of this work is supporting an overall improvement in the content of the documents via more clearly defined outcomes and measures being set. Steps have also been taken to introduce revised and proportionate individual performance management arrangements to all staff.
- 5.10.5 The Council is using partnerships to help deliver its own strategic plans and manage performance, with priorities based on a sound understanding of local needs, for example, Population Needs Assessment and the Well-being Assessment and Local Housing Market Assessment 2017/18 - 2022/23. Shared priorities, in particular, are benefiting from closer partnership working around areas such as the 'Stay well at home service' and the new early intervention service supporting the two A&E hospitals having significant success to date, in particular over the winter months, reducing delayed discharges and ensuring significantly less elective surgeries were cancelled during the period than in prior years.

Robust internal control

- 5.10.6 The membership and meeting frequency of the Council's Audit Committee (6 meetings) during 2017/18 was in line with the Council's Constitution and legal requirements.
- 5.10.7 The Council's Head of Internal Audit presented the Internal Audit Annual Report 2017/18 to Audit Committee on 30th April 2018 setting out the work of Internal Audit over this period. Based on the information provided to Audit Committee during the year, it concluded that '...the overall system of internal control within the Council operated effectively during 2017/18 with some areas identified for improvement – particularly within the comprehensive school sector.
- 5.10.8 A review of a sample of Audit Committee meeting minutes identified:
- A number of internal audit opinions concluded that the standard of internal control at specific establishments was insufficient and require improvement, mainly in relation to the school sector;
 - As a result, Audit Committee requested 'follow up visits' to determine whether the required improvements in internal control had been made;
 - 6 of the 8 'follow up visits' were completed in 2017/18 and all demonstrated satisfactory improvement in the standard of internal control. It is noted that the remaining 2 visits will be finalised in the first quarter of the 2018/19 financial year; and
 - It is also noted that Audit Committee have requested more thematic reviews to be undertaken of secondary schools in 2018/19, following consideration of reports received in 2017/18, focussing on areas of highest risk.
- 5.10.9 The CIPFA 'Audit Committees: Practical Guidance for Local Authorities and Police. 2013 Edition' provides an overview of the core functions of an Audit Committee. A review of compliance against the Guidance was incorporated into the workplan of Audit Committee during 2017/18. The CIPFA Guidance was due to be updated and re-published during quarter 4 of 2017/18; however, at the time of this annual governance statement, an update had not been released. It is noted that this work will now take place during 2018/19 (further to receipt of up dated guidance).

Managing data

- 5.10.10 An Information Management Plan is in place that sets out the framework, including legal requirements, for information management within the Council.
- 5.10.11 A review of the arrangements in place during 2017/18 identified they were in line with the agreed governance structure:
- Key responsibilities were designated within the Council: The Council's designated Senior Information Management Risk Officer (SIRO) is the Group Director, Corporate & Frontline Services and there was a

Information Management & Data Protection Act Officer who reports to the Head of Information Technology;

- An Information Management Board was in operation, Chaired by the SIRO, with the Board being supported by an Information Management Working Group;
- Information was available on the Council's website in respect of Data Protection and Freedom of Information, and has set out in Section 5.6 a Publication Scheme was in place in accordance with the Council's responsibilities under the Freedom of Information Act 2000; and
- The Council continued to secure its annual accreditation to the Public Service Network (PSN) in September 2017 i.e. The 'PSN' is the Council's connection to the wider public sector network (Council to Council, Council to Government e.g. Department for Work and Pensions) to enable the Council to communicate and share data securely across all public bodies.

5.10.12 It was noted that alongside the above activity, the Information Commissioner's Office (ICO) investigated 8 referrals (2 self referrals and 6 external). No further action was taken in each case and the ICO determined the following:

- 3 cases were likely to have been the result of a breach of the Data Protection Act (DPA);
- 3 cases were unlikely to have been the result of a breach of the DPA;
- 1 case did not meet the threshold for investigation; and
- 1 case was withdrawn.

General Data Protection Regulation (GDPR)

5.10.13 In addition to the normal business of the Information Management requirements placed upon the Council, the General Data Protection Regulation (Regulation (EU) 2016/679) comes into effect on 25th May 2018.

5.10.14 The GDPR is a regulation intended to strengthen and unify data protection for all individuals within the European Union (EU). The primary objectives of the GDPR are to give individuals greater control of their personal data and to simplify the regulatory environment. When the GDPR takes effect, it will replace the Data Protection Directive 1995 (under which the UK Data Protection Act 1998 was made).

5.10.15 A Report was presented to Cabinet at the meeting held on 22nd March 2018 providing an overview of the preparatory work being undertaken in readiness for the 25th May 2018 and agreeing a Data Protection Policy and to designate the post of Data Protection Officer to an existing member of staff.

Public Services Ombudsman for Wales

- 5.10.16 During the 2017/18 financial year, no investigations were undertaken by the Public Services Ombudsman for Wales in respect of the Council. It was noted that 10 referrals⁷ were considered through the Council's Complaints and Concerns Procedure the outcomes from which were: no further action deemed necessary for 8 and 2 referrals are currently being reviewed (received in March 2018).
- 5.10.17 It was also noted that an 'early resolution' procedure was made, via the Public Services Ombudsman for Wales, in respect of a further complaint. This was settled via a letter of apology from the Council and a small payment in recognition of this.

Strong public financial management

- 5.10.18 The Council has publicly demonstrated its commitment to strong and responsible financial planning and management, and has supported this through the delivery of sound financial performance during a period of reducing budgets. This is because:
- A key cross-cutting principle within the Council's Corporate Plan is '*Live within our means*', in effect setting out the importance of sound financial planning and management within the organisation;
 - The Council has a suite of protocols supporting strong financial planning and management, for example, 'Budget and Policy Framework Procedure Rules' and the 'Financial Procedure Rules'. In the case of the latter, it was noted that the document has not been up dated in the past 2 years and therefore requires review;
 - The Council set a Revenue Budget in 2017/18 after taking account of a significant budget gap, with savings being delivered from areas that did not affect frontline services. The Council also continued to take a responsible approach to Council Tax increases, having regard to residents feedback as part of the revenue budget consultation process, and set a 2.25% Council Tax increase which was lower than the all Wales average increase of 3.04% and in line with the ambition set out in the Corporate Plan;
 - Financial performance results were publicly reported every three months during the year and scrutinised by elected Councillors. The latest financial performance results, for the period April 2017 to December 2017, forecast that the Council will deliver a £0.487Million underspend on its revenue budget against a total budget of £458.940Million (a 0.1% variance);

⁷ Referrals – referrals are where members of the public complain to the Ombudsman without exhausting the local authority's complaints procedure first. The Ombudsman therefore refers these back to the local authority to be considered in line with their complaints procedure

- The Council kept its finances under on-going review throughout 2017/18 and was able to release £7.0M of resources from earmark reserves. This was approved by Council on 29th November 2017 and supported investment in Corporate Plan priority areas. It is noted that the release of one-off funding as a result of early identification of savings or from assessing the Council's specific reserves has been a consistent approach in enabling significant additional investment in recent years;
- The Council is financially stable as a result of it: maintaining General Reserve balances at the minimum level as at 31st March 2017 (as assessed by the Council's Chief Finance Officer); having a track record over a number of years of setting and delivering balanced revenue budgets; and having 'clean bills of health' on its year end accounts when audited by the Wales Audit Office. It was noted that the Council is also taking steps to meet the requirements of up dated legislation that will require all local authorities in Wales to prepare their draft Statement of Accounts earlier and for the external audit of these to also be completed earlier; and
- The Council had sound medium term financial planning arrangements that robustly forecasted future spending and funding levels, and published an up date during the year.

Proposals for improvement

- 5.10.19 Review the Council's Risk Management Strategy document to assess whether it remains fit for purpose. Where revisions are deemed required, these should be reported to elected Councillors for review and sign off before being re-published.
- 5.10.20 Review, and where required, up date the Council's Financial Procedure Rules and report revisions to elected Councillors for consideration / approval.

5.11 IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

Implementing good practice in transparency and reporting

5.11.1 The Council has implemented an open and consistent approach to reporting its business, as set out in earlier sections of this Annual Governance Statement, with the aim of helping to ensure information is understandable to stakeholders and that they have the opportunity to challenge the Council's performance, plans and decisions.

5.11.2 A review of a sample of information reported to Council, Cabinet, Scrutiny Committees and Audit Committee has revealed that:

- Annual Reports and Plans are reported publicly, providing an overview of performance either on a council wide basis or in relation to specific areas of business, for example:
 - The Council's audited Statement of Accounts 2016/17 reported and approved by Council on 20th September 2017 in line with the statutory timeframe;
 - The Corporate Performance Report setting out an assessment of the Council's performance for 2016/17 and plans for 2017/18, these being reported to Council on 19th July 2017. The Wales Audit Office has a statutory duty to review the Council's arrangements in this area and issued a 'certificate of compliance' In November 2017;
 - Annual Reports / Plans presented to Cabinet: Cwm Taf Carer's Annual Report 2016/17, Corporate Parenting Board - Annual Report, National Adoption Annual Report and Annual Equality Report.
- The minutes of meetings confirm that designated officers attended Committee meetings to orally present reports and answer questions, and a number of occasions were noted where updates were delivered via presentations.

Proposal for Improvement

5.11.3 As part of the above review, it was noted that the Council's Annual Governance Statement was incorporated within the Statement of Accounts and was not a stand alone document. To increase the prominence / awareness of the Annual Governance Statement, this should be a stand alone document on the Council's website.

Assurance and effective accountability

Internal Audit

- 5.11.4 The Council's Internal Audit Service was subject to an external assessment during 2016/17 to determine conformance or otherwise with the Public Sector Internal Audit Standards. The external assessment (required to be done once every 5 years) concluded that the service '*complies with the Standards in all significant areas, the impact of the non-conformances identified is not considered to be significant*'. The outcome of the external assessment was presented in full to the Audit Committee held on 20th March 2017 (Appendices 3A and B).
- 5.11.5 The Council's Internal Audit Service also had an Internal Audit Charter for the 2017/18 financial year that was approved by Audit Committee on 20th March 2017 and sets out the Service's position within the organisation, for example, its authority to access records, personnel and physical properties relevant to the performance engagements. From a review of Audit Committee reports during the year, the Internal Audit Service was delivered in line with the requirements set out in the Charter.

Wales Audit Office recommendations

- 5.11.6 The Council has a process in place for agreeing and monitoring the implementation of recommendations / proposals for improvement made by the Wales Audit Office. It was noted that Wales Audit Reports were reported to Cabinet and then to Audit Committee and the Overview and Scrutiny Committee during the year, with the responsibilities of the role of both Committees set out in covering reports.
- 5.11.7 During 2017/18 the Council also developed a section on its internet site that set out all regulatory reports received by the Council since December 2015.

5.12 OTHER KEY GOVERNANCE ARRANGEMENTS

Amgen Cymru Ltd

- 5.12.1 Rhondda Cynon Taf CBC holds 100% of the voting rights of Amgen Cymru Ltd., who in turn hold 100% of the voting rights of Amgen Rhondda. The Council also holds 100% of the allotted preference shares in Amgen Rhondda Ltd. The principal activities of Amgen Cymru is to provide waste management services and waste disposal facilities. Amgen Rhondda is responsible for the stewardship of the Nant y Gwyddon landfill site.
- 5.12.2 The directors of the companies are responsible for ensuring there are sound governance arrangements including a robust system of internal control.

5.12.3 The Council removed the “arms length” status of the companies during 2009/10, therefore many of the aspects of the Council’s governance arrangements such as policies, processes and controls apply to the companies.

5.12.4 During 2017/18 there have been no significant governance issues that have been identified by the Amgen Company directors, internal auditors or external auditors.

Pension Fund

5.12.5 Rhondda Cynon Taf County Borough Council is the Administering Authority for the Rhondda Cynon Taf Pension Fund. Whilst the governance arrangements detailed in this statement apply equally to the Council’s responsibilities to the Pension Fund there are further specific requirements for Pension Funds which are detailed in a number of key documents:

- Governance Statement of Compliance which indicates the Fund’s position against the Government’s best practice standards;
- Governance Policy Statement which provides an overview of the management structure, decision making and employer engagement;
- Communication Policy Statement which details the communication and information services to participating employers and scheme members;
- Pension Fund Administration Strategy which seeks to improve efficiency in the delivery of agreed standards of quality and to ensure compliance with statutory requirements;
- Investment Strategy Statement which details how Fund investments are managed;
- Funding Strategy Statement which provides a summary of how we will fund our pension liabilities.

5.12.6 All of these documents can be found at the following link:
www.rctpensions.org.uk

5.12.7 The Public Service Pensions Act 2013 introduced a number of changes to public service pension schemes, including some significant changes for the governance of such schemes. In accordance with the Act, the Council established a Local Pension Board to assist Rhondda Cynon Taf County Borough Council in its role of Administering Authority ('Scheme Manager' in):

- Securing compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Ensuring the effective and efficient governance and administration of the LGPS by the Scheme Manager.

5.12.8 The Pension Board is made up of two employer representatives and two member representatives.

- 5.12.9 In 2016/17 the Council established a formal Pension Fund Committee (subject to the provisions of Section 101 of the Local Government Act 1972) to oversee its responsibilities with regard to the administration of the RCT Pension Fund. The Pension Fund Committee consists of 5 elected members and is politically balanced.
- 5.12.10 The Committee is responsible for the strategic management of the RCT Pension Fund with all operational matters continuing to be delegated to the Group Director Corporate and Frontline Services (as the Section 151 Officer or in his absence the Deputy Section 151 Officer) who are supported by an Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support.
- 5.12.11 The Pension Fund Committee met 4 times during the Municipal Year 2017/18.
- 5.12.12 In early 2017, a Joint Governance Committee (JGC) was established in accordance with an inter-authority agreement, responsible for oversight of the Wales Pension Partnership (WPP) investment pooling collaboration of the eight LGPS funds in Wales. The eight Welsh Pension Fund Committee Chairs or their nominated deputy (elected member) attend the JGC and are supported by an officer working group. In January 2018, the WPP appointed an 'Operator' to establish and run a collective investment vehicle for the sole use of the Local Government Pension Scheme (LGPS) funds in Wales.

A summary of the pooling objectives of the WPP are:

- Generate consistent net of fee excess returns;
- Diversify manager risk;
- Reduce average manager fees;
- Achieve tax efficiency by reclaiming withholding tax on dividends (for non-UK equity sub-funds);
- Meet the Government deadlines by establishing one sub fund submission to the FCA; and
- Equitably share the costs of transitioning into sub-funds.

6. **OVERALL ASSESSMENT OF THE COUNCIL'S ARRANGEMENTS**

6.1 Based on the assessment undertaken, it is considered that the Council's governance arrangements were fit for purpose and publicly demonstrated how the Council's work and resources have contributed to the delivery of Corporate Plan priorities and outcomes. This overall conclusion is supported by:

- Sound arrangements to support elected Councillors and Officers in the effective discharge of their responsibilities and also in maintaining high standards of conduct when undertaking business on behalf of the Council;
- Processes in place to up date governance related documents, such as the 'Anti-fraud, Bribery and Corruption Strategy' and 'Whistle-blowing' arrangements, raise awareness of these documents within the Council and also publicly reporting on the Council's performance in such areas;
- An open approach to engaging with stakeholders and planning and delivering services, a number of which being in partnership with others;
- Clear arrangements for decision making that were: supported by robust service management, financial management and scrutiny arrangements; informed by consultation feedback where appropriate; and tested against the requirements of the Well-being of Future Generations Act;
- The continued reporting of understandable priorities and ambition, as set out in the Council's Corporate Plan, with progress reports demonstrating generally improving outcomes and performance at the same time as maintaining financial stability;
- Regular reporting of the Council's performance, with examples of 'exceptions' being reviewed and challenged by Scrutiny Committees;
- A medium term approach to financial planning that helped inform strategic decision making and prioritisation of resources through on-going public sector austerity; and
- The Council having a track record of implementing Annual Governance Statement recommendations in previous years.

6.2 Notwithstanding this overall position, the assessment has identified areas where improvements are deemed necessary to further reinforce the effectiveness of the Council's current arrangements. These are set out in Section 7.

7. **PROPOSALS FOR IMPROVEMENT**

7.1 Further to completing the assessment of the Council's governance arrangements, Table 4 sets out proposals for improvement.

Table 4 – Proposals for Improvement

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer
The Governance Framework	4.3	The Council's governance arrangements comprise a number of codes and documents and are not brought together to form a local code of governance as set out in the national framework.	In line with the national framework, the Council should document and publish its arrangements within a local code of governance, following review and approval by elected Councillors.	Qtr 2 2018/19	Service Director – Performance and Improvement
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	5.5.18	A number of actions were taken to raise awareness of policies and strategies within the Council; however, no information is collected around the extent of understanding.	Policies and Strategies - undertake engagement within the Council to assess the level of awareness and understanding of the Whistle-blowing Policy, Anti-fraud, Bribery and Corruption Strategy, Gifts and Hospitality Policy and induction arrangements.	Qtr 3 2018/19	Head of Organisational Development
	5.5.19	Complaints and Comments - no regular analysis is produced and provided to Services to support performance	Comments, compliments and complaints (non-social services) – introduce arrangements to enable regular complaint analysis to be	Qtr 2 2018/19	Head Of Legal - Corporate

		management arrangements, for example, the number and type of complaints, and recurring themes.	provided to Services.		And Democratic Services
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Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer
Defining outcomes in terms of sustainable economic, social, and environmental benefits	5.7.4	Draft Corporate Plan priority action plans were not subject to pre-scrutiny in 2017/18.	Draft Corporate Plan priority action plans for 2018/19 should be subject to pre-scrutiny to assess, amongst other things, the basis of performance indicator targets and whether the actions included will help to deliver defined outcomes.	Qtr 1 2018/19	Service Director – Performance & Improvement and Performance Manager
Developing the entity's capacity, including the capability of its leadership and individuals within it	5.9.10	Although evaluation forms are in place to gauge the value of training and development activities, feedback is limited.	In view of the limited level of training feedback provided, engage with attendees to identify alternative methods of obtaining feedback to ensure that training resources provide maximum benefit.	Qtr 1 2018/19 onwards	Head of Organisational Development
Managing risks and performance through robust internal control and strong public financial management	5.10.19	The Council's risk management processes were reviewed in 2017/18 and improvements introduced to further strengthen arrangements. However, the Risk Management Strategy document was not reviewed / up dated.	Review the Council's Risk Management Strategy document to assess whether it remains fit for purpose. Where revisions are deemed required, these should be reported to elected Councillors for review and sign off before being re-published.	Qtr 3 2018/19	Head of Internal Audit and Procurement Development Programmes

	5.10.20	The Council's Financial Procedure Rules document has not been reviewed for 2 years.	Review, and where required, up date the Council's Financial Procedure Rules and report revisions to elected Councillors for consideration / approval.	Qtr 2 2018/19	Service Director – Performance & Improvement

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer
Implementing good practices in transparency, reporting and audit to deliver effective accountability	5.11.3	The Annual Governance Statement is not a stand alone document on the Council's website.	To increase the prominence / awareness of the Annual Governance Statement, this should be a stand alone document on the Council's website.	Qtr 2 2018/19	Head of Internal Audit and Procurement Development Programmes
<u>PROPOSALS FOR IMPROVEMENT TO BE CARRIED FORWARD FROM 2016/17</u>					
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	2016/17 AGS	Complaints and Comments - no update is produced on a periodic basis to summarise the non-social services related complaints and concerns received and action taken.	In line with the timescale set in the 2016/17 Annual Governance Statement, this action is scheduled for completion by 30 th June 2018.	Qtr 1 2018/19	Head Of Legal - Corporate And Democratic Services
Managing risks and performance through robust internal control and strong public financial management	2016/17 AGS	Audit Committee – no self assessment has been undertaken against the standards set out in the CIPFA document 'Audit Committees: Practical Guidance for Local Authorities and Police - 2013	The Council's Audit Committee, in consultation with the Head of Internal Audit, should undertake a self assessment against the Standards as set out in the CIPFA document 'Audit Committees: Practical Guidance for Local Authorities and Police. 2013	To be completed on receipt of up dated guidance	Head of Internal Audit and Procurement Development Programmes

		Edition'. This has been delayed due to awaiting receipt of up dated guidance.	Edition'.		
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7.2 The Council's Senior Leadership Team has accepted the proposals for improvement and is committed to their implementation during 2017/18. The Senior Leadership Team has also confirmed that an update on progress will be reported to the Council's Audit Committee during the year to enable Councillors to review and scrutinise the extent of progress being made.

Leader: A. Morgan

Chief Executive W. Brindley

APPENDIX A**POSITION STATEMENT ON PROGRESS MADE TO IMPLEMENT 2016/17 PROPOSALS FOR IMPROVEMENT**

Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer	Position Statement
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	The 'Anti-Fraud, Bribery and Corruption Policy and Procedure' was last up dated in 2013.	The Council's Anti-Fraud, Bribery and Corruption Policy and Procedure should be reviewed and up dated where relevant and reported to the appropriate Committee for scrutiny and sign-off. Thereafter, the up dated document should be used to inform awareness raising throughout the Council.	Qtr 3 2017/18	Service Director – Operational Finance	Completed (reported to Audit Committee 27/11/17 – link to the report)
	Complaints and Comments - no update is produced on a periodic basis to summarise the non-social services related complaints and concerns received and action taken.	A periodic up date, for example annually, of all non-social services complaints and comments received by the Council should be produced, along with action taken / lessons learned, and reported to an appropriate Committee for review and where relevant further action.	Qtr 1 2018/19	Head Of Legal - Corporate And Democratic Services	On Target
Defining	The MTFP does	As part of updating the MTFP in	Qtr 2 2017/18	Service	Completed

outcomes in terms of sustainable economic, social, and environmental benefits	not allocate the Council's Capital Programme over Corporate Plan priority areas	2017/18, the Council's Capital Programme resources should be allocated / categorised over Corporate Plan priorities to demonstrate or otherwise the prioritisation of resources.		Director – Performance & Improvement	(reported to <u>Cabinet 18/7/17</u> as part of the Council's updated Medium Term Financial Plan)
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Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer	Position Statement
Developing the capability of the entity's leadership and other individuals	Councillor / employee development / training – where operational training is delivered, its impact / benefit is not always captured.	Where Councillor and employee development / training activity takes place, information should be collected on an on-going basis to help demonstrate the longer term effectiveness of the training and also help inform future needs.	Qtr 3 2017/18	Head of Organisational Development	Partly Completed. Questionnaire in place however limited feedback. To be carried forward into 2018/19.

<p>Managing risks and performance through robust internal control and strong public financial management</p> <p>Managing risks and performance through robust internal control and strong public financial management</p>	<p>Risk Management – the Council's Risk Management Strategy has not been reviewed / up dated since 2014.</p>	<p>The Council's Risk Management Strategy should be reviewed, and where relevant updated, and reported to an appropriate Committee for review and sign off.</p>	<p>Qtr 3 2017/18</p>	<p>Head of Internal Audit</p>	<p>Complete.</p> <p>The Council's risk management arrangements were reviewed and up dated in consultation with the Group Director, Corporate & Frontline Services and the Chief Executive during the first quarter of 2017/18.</p>
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Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer	Position Statement
<p>Managing risks and performance through robust internal control and strong public financial management</p> <p>Managing risks and performance through robust internal control and strong public financial management</p>	<p>Audit Committee – no self assessment has been undertaken against the standards set out in the CIPFA document ‘Audit Committees: Practical Guidance for Local Authorities and Police - 2013 Edition’.</p>	<p>The Council’s Audit Committee, in consultation with the Head of Internal Audit, should undertake a self assessment against the Standards as set out in the CIPFA document ‘Audit Committees: Practical Guidance for Local Authorities and Police. 2013 Edition’.</p>	<p>Qtr 4 2017/18</p>	<p>Head of Internal Audit</p>	<p>To be carried forward into 2018/19.</p> <p>The CIPFA ‘Audit Committees: Practical Guidance for Local Authorities and Police. 2013 Edition’ was due to be updated and re-published during quarter 4 of 2017/18. However, at the time of this annual governance statement, an update had not been released. As a result, this work will take place during 2018/19 (further to receipt of up dated guidance). issued).</p>

Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer	Position Statement
<p>Managing risks and performance through robust internal control and strong public financial management</p> <p>Managing risks and performance through robust internal control and strong public financial management</p>	<p>Information Management – no update is reported setting out the Council’s work and performance in this area.</p>	<p>The Council should report on a periodic basis, for example, annually, its work and performance around Information Management and provide opportunity for review and scrutiny.</p>	<p>Qtr 4 2017/18</p>	<p>Head of I.T</p>	<p>Completed.</p> <p>An overview of the Council’s Information Management function / governance arrangements was reported to the Overview and Scrutiny Committee at its meeting held on <u>14th November 2017</u>.</p> <p>Following receipt of the report, the Committee resolved to receive an annual report in respect of the Council’s overall Information Management arrangements and this is due to be presented to the Overview & Scrutiny Committee early in the new Municipal Year.</p>

Rhondda Cynon Taf Pension Fund Accounts

Background to the Fund

The Rhondda Cynon Taf Pension Fund was established with effect from 1st April 1996, upon the reorganisation of Local Government in Wales under the Local Government Pension Scheme (Local Government Reorganisation in Wales) Regulations, 1995. The Local Government Pension Scheme (LGPS) is open to all employees in Local Government apart from teachers, who have their own scheme. It is also open to employees of other organisations that have been accepted into the Fund.

The Rhondda Cynon Taf Pension Fund provides pension benefits for employees of Rhondda Cynon Taf, Bridgend and Merthyr Tydfil County Borough Councils, together with employees from around 40 other bodies. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Fund Administration and Investments

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

The Pension Fund Committee is responsible for the strategic management of the RCT Pension Fund in accordance with its term of reference.

The Group Director Corporate and Frontline Services (in their capacity as S151 officer) supported by an Investment and Administration Advisory Panel, has delegated responsibility for all day to day operational matters.

The Pension Fund Investment and Administration Panel, is chaired by the Group Director Corporate & Frontline Services, and consists of two independent investment advisors and other Senior Finance Officers.

The Panel meets quarterly to consider both administration and investment issues and determine policy in light of market movements and to question and challenge the Investment Managers on their activities and performance. At the Net Assets Statement date there were six Investment Managers carrying out the day-to-day investment management of the Fund's assets:

- Baillie Gifford (Global Equities and High Alpha Equities)
- Newton (High Alpha Equities)
- BlackRock (UK Equities and Passive Equities)

- Invesco (UK Equities)
- BMO Global Asset Management (Bonds)
- CBRE (Property)

The Pensions Board was established in accordance with the Public Service Pensions Act 2013 to assist Rhondda Cynon Taf CBC as 'scheme manager' with achieving effective and efficient governance and administration of the Rhondda Cynon Taf Pension Fund.

Wales Pension Partnership

On the 15th March 2017, the Council approved the establishment of a Joint Governance Committee to oversee the pooling of the investments of the eight Local Government Pension Scheme (LGPS) funds in Wales. The Wales Pension Partnership has appointed Link Fund Solutions Ltd. (Link) to establish and run a collective investment vehicle for the sole use of the LGPS Funds in Wales. This will enable the pooling of assets across a range of asset classes. The LGPS Funds will retain full control over strategic asset allocation decisions.

As at the 31st March 2018 no assets have yet transferred into the new collective investment vehicle.

Fund Account

2016/17			2017/18	
£'000		Note:	£'000	£'000
	Contributions			
(83,216)	Employer contributions	8.0	(93,945)	
(25,388)	Member contributions	8.0	(26,052)	
(108,604)				(119,997)
	Transfers in from other Pension Funds			
0	Group Transfers in from other schemes or funds		(17,545)	
(3,939)	Individual Transfers from other schemes or funds		(4,246)	
				(21,791)
(3,599)	Other income		(2,960)	
				(2,960)
(116,142)				(144,748)
	Benefits			
97,391	Pensions		100,162	
18,504	Commutation of pensions and lump sum retirement benefits		16,736	
2,573	Lump sum death benefits		2,846	
118,468		8.0		119,744
	Payments to and on account of leavers			
244	Refunds to members leaving Scheme or Fund		221	
101	Payments to members joining State Scheme or Fund		37	
0	Group Transfers to other schemes		1,088	
8,094	Individual transfers to other schemes		6,680	
8,439				8,026
126,907				127,770
10,765	Net Addition/(Withdrawals) from Dealings with Members		(16,978)	
				(16,978)
11,499	Management Expenses	9.0	10,779	
				10,779
22,264	Net Additions/(Withdrawals) Including Fund Management Expenses			(6,199)
	Investment income			
(32,203)	Dividends from equities		(36,566)	
(20,067)	Income from bonds		(20,128)	
(2,539)	Income from pooled investment vehicles		(2,944)	
(7,230)	Income from pooled property investments		(6,541)	
(38)	Interest on cash deposits		(41)	
(62,077)				(66,220)
			Continued Overleaf...	

(477,314)	(Profits) and losses on disposal of investments and changes in the value of investments		(135,030)	
				(135,030)
744	Taxes on income		886	
				886
(538,647)	Net Returns on Investments			(200,364)
(516,383)	Net (increase)/decrease in net assets available for benefits during the year			(206,563)
(2,483,148)	Opening Net Assets			(2,999,531)
(2,999,531)	Closing Net Assets			(3,206,094)

Net Assets Statement

31/03/2017			31/03/2018	
£'000		Note:	£'000	£'000
	Investment Assets	4.0		
1,823,693	Equities		1,973,190	
566,144	Bonds		581,747	
81,025	Pooled Investment Vehicles - Open Ended investment companies		117,649	
280,565	Pooled Investment Vehicles - Managed funds		276,219	
169,498	Pooled Property Investments		167,831	
2,920,925				3,116,636
63,023	Cash deposits			80,192
	Other investment balances			
6,284	Accrued interest		6,331	
11,113	Investment debtors		7,093	
2,575	Tax recoverable		1,871	
19,972				15,295
3,003,920				3,212,123
	Investment Liabilities			
(10,220)	Investment creditors			(8,498)
2,993,700	Net Investment Assets			3,203,625
	Current Assets			
5,209	Contributions due from employers and employees	10.0	5,750	
3,055	Cash balances		0	
20	Amount owed from RCTCBC		0	
1,300	Other current assets		479	
9,584				6,229
	Current Liabilities			
(3,753)	Current liabilities			(3,760)
2,999,531	Net assets of the scheme available to fund benefits at period end			3,206,094

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

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

1.0 Introduction

These accounts have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2017/18 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. A more detailed Pension Fund Annual Report is available on request from the Group Director Corporate & Frontline Services.

2.0 Accounting Policies

2.1 Accruals Concept

Where material, accruals are made for employee and employer contributions, investment income, benefits paid, administration costs, investment management fees and advisors fees. Transfer values are accounted for on a cash basis, with the exception of material group transfers, which are accounted for during the year of effective date of transfer or the year in which the actuary values the transfer if later.

2.2 Investment Valuation of Financial Instruments

In terms of "Fair Value", all investments have quoted prices in active markets, with the exception of Pooled Property Funds. Listed securities are valued in accordance with IAS 39 – Financial Instruments, using bid prices as at 31st March 2018 obtained from recognised Stock Exchanges. Fixed interest securities are valued "clean", excluding accrued interest. Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31st March 2018.

Pooled Property Funds are valued by Fund Managers using reliable valuation techniques to determine Fair Value. Property valuations are represented by unit prices, based on underlying independent professional valuations. No assets require significant judgements or assumptions to determine Fair Value.

2.3 Additional Voluntary Contributions (AVCs)

Scheme members may elect to make additional voluntary pension contributions from their salaries. These AVCs are not included in the Pension Fund Accounts in accordance with regulation 5(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016.

The amount of AVCs paid during the year amounted to £1,245k (£1,210k in 2016/17) and the market value of separately invested AVCs at the Balance Sheet date was £7,604k (£8,094k in 2016/17).

There are two AVC providers, one of which was only able to provide interim figures.

2.4 Acquisition and Disposal Costs

Transaction costs incurred in acquiring or disposing of investments are included as part of the purchase cost or netted off against sales proceeds, as appropriate. Transaction costs include fees, commissions and duties. Transaction costs incurred during 2017/18 amounted to £0.7m (£0.7m in 2016/17).

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

2.5 Taxation

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

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

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

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

3.0 Actuarial Position

The Fund's Actuary, AON Hewitt carried out an actuarial valuation of the Fund as at 31st March 2016 in compliance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2013. Actuarial valuations take place on a triennial basis with a number of key assumptions being made.

The methodology to calculate the pension fund liability reflects assumptions and estimates depending on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on Pension Fund assets.

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

The funding policy of the scheme is to ensure that:

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

The result of the 2016 valuation is shown in the table below:

	31/03/2016	31/03/2013
	£'m	£'m
Funding Target	3,064	2,665
Market Value of Assets	2,485	2,080
Funding Deficit	579	585
Funding Ratio	81%	78%

The aggregate employer future service contribution rate is 17.1% of pensionable pay. To restore the funding ratio to 100% using a recovery period of 22 years the aggregate employer contribution rate is calculated to be 24.3%.

Contribution rates payable by each scheme employer will vary depending on their particular circumstances. Some employers will also phase in contribution increases over a maximum period of 3 years. Further details are available in the actuarial report.

Contribution rates have been calculated using the Projected Unit Method for most employers. The Attained Age Method has been used for some employers who do not permit new employees to join the Fund. The key assumptions made are listed in the following table:

Assumption	2016 Valuation	2013 Valuation
	% p.a.	% p.a.
Average in service discount rate	4.5%	5.6%
Average left service discount rate	4.5%	5.6%
RPI inflation	3.1%	3.3%
CPI inflation	2.0%	2.4%
Pensionable Pay increases	3.25%	3.9%
Post-retirement mortality assumption - base table	SAPS Normal tables with scaling factors Men 100% Women 100%	SAPS Normal tables with scaling factors Men 100% Women 95%
Post-retirement mortality assumption - future improvements	CMI 2014 core projections with long-term improvement rate of 1.5% pa	CMI 2012 core projections with long-term improvement rate of 1.5% pa

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes.

The actuary has also used valued ill health and death benefits in line with IAS 19.

The CIPFA Code of Practice on Local Authority Accounting also requires the disclosure of the relationship between the actuarial present value of promised retirement benefits and the net assets.

	Value as at 31/03/2016	Value as at 31/03/2013
	£'m	£'m
Fair Value of net assets	2,485	2,079
Actuarial present value of promised retirement benefits	3,471	3,200
Surplus / (deficit) in the Fund as measured for IAS 26 purposes	(985)	(1,121)

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

4.0 Analysis of Investments at Fair Value

	2016/17		2017/18	
	£'000	£'000	£'000	£'000
<u>Equities</u>				
UK	446,452		473,325	
Overseas	1,377,241		1,499,865	
		1,823,693		1,973,190
<u>Bonds</u>				
UK	504,792		552,838	
Overseas	61,352		28,909	
		566,144		581,747
<u>Index linked</u>				
UK	0		0	
Overseas	0		0	
		0		0
<u>Pooled funds</u>				
UK	164,456		156,755	
Overseas - other	197,134		237,113	
		361,590		393,868
<u>Pooled funds - property</u>				
UK – other	162,407		165,342	
Overseas - other	7,091		2,489	
		169,498		167,831
Total long-term investments		2,920,925		3,116,636

The Fund does not participate in any stock lending arrangements. All investments held are quoted investments with the exception of property, which is valued at Fair Value and no assets reclassified. Carrying values of assets held in the Net Assets Statement are the same as the Fair Values shown above.

All investments above are deemed to be Financial Instruments designated "Fair Value through Profit and Loss". All investment income, profits/losses on disposals of investments, and changes in the value of investments recognised in the Fund Account arise from Financial Instruments designated "Fair Value through Profit and Loss", with the exception of interest on cash deposits. Cash deposits are deemed to be Financial Instruments designated "Loans and Receivables".

Quoted equities and cash are classed as fair value hierarchy level 1. Bond and pooled property are classified as fair value hierarchy level 2.

5.0 Fund Manager Asset Allocation

The market values of investments held by the Fund Managers employed by the Fund are detailed in the following table:

Fund Manager	Market Value		Proportion of Fund	
	31/03/2017 £'000	31/03/2018 £'000	31/03/2017 %	31/03/2018 %
Baillie Gifford (Equities)	656,126	734,706	22.0	22.9
Baillie Gifford (High Alpha Equities)	661,065	748,744	22.2	23.4
Newton (High Alpha Equities)	493,328	502,347	16.5	15.7
Invesco (UK Equities)	146,034	137,544	4.9	4.3
BlackRock (UK Equities)	138,748	139,837	4.7	4.4
BlackRock (Passive Equities)	134,531	138,755	4.5	4.3
BMOgam (Bonds)	573,558	589,971	19.2	18.4
CBRE (Property)	173,373	174,860	5.8	5.4
Internal	7,005	36,861	0.2	1.2
Total	2,983,768	3,203,625	100	100

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

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

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

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

6.0 Contingencies

There is a contingent liability of £555k (£449k in 2016/17) in respect of refundable contributions for leavers who have not yet claimed refunds.

7.0 Reconciliation of Investment Asset Valuation

A reconciliation of the opening and closing investment valuations is given below.

	Market Value 01/04/17	Purchases	Sales at Historic Book Cost	Change in Market Value	Market Value 31/03/18
	£'000	£'000	£'000	£'000	£'000
Bonds	566,144	575,712	(540,066)	(20,043)	581,747
Equities	1,823,693	399,348	(247,229)	(2,622)	1,973,190
Pooled Investments	361,590	27,061	(428)	5,645	393,868
Pooled Property	169,498	9,134	(21,846)	11,045	167,831
	2,920,925	1,011,255	(809,569)	(5,975)	3,116,636
Cash Deposits	63,023			141,005	80,192
Investment Debtors	19,972				15,295
Investment Creditors	(10,220)				(8,498)
Total	2,993,700			135,030	3,203,625

8.0 Contributions Receivable and Benefits Payable

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

Type of Body	Member Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	8,018	8,197	28,285	33,402	31,017	31,034
Admitted	3,376	3,442	14,076	13,907	13,654	13,776
Scheduled	13,994	14,413	40,855	46,636	73,797	74,934
Total	25,388	26,052	83,216	93,945	118,468	119,744

Included in employer contributions are £9,649k of deficit funding contributions (£8,179k in 2016/17). There are no augmented contributions.

9.0 Management Expenses

The management expenses borne by the Fund in 2017/18 are set out below:

	2016/17	2017/18
	£'000	£'000
Administrative Costs	1,748	1,828
Investment Management Expenses	9,456	8,642
Oversight and Governance Costs	295	309
Total	11,499	10,779

Management Expenses represents 0.27% (0.33% in 2016/17) of the value of the Pension Fund as at 31st March. 2018.

The investment management expenses borne by the fund in 2017/18 are set out below:

	2016/17	2017/18
	£'000	£'000
Management Fees	6,479	6,265
Performance Related Fees	2,033	1,452
Custody Fees	264	201
Transaction Costs	680	724
Total	9,456	8,642

10.0 Transactions with Related Parties

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.6m (£1.5m in 2016/17). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

At the year-end, contributions outstanding from the Employing Bodies in the Fund amounted to £5.8m (£5.2m in 2016/17), of which £4.4m related to employer contributions and £1.4m to employee contributions.

There are members of the Pension Fund Investment and Administration Panel, the Pensions Board and the Pension Fund Committee who are also members of the Rhondda Cynon Taf Pension Fund.

The administration of the Rhondda Cynon Taf Pension Fund is a function of full Council, with responsibility for day to day decisions being delegated to the Group Director-Corporate and Frontline Services. As such, the Group Director is required to declare any interests with related parties. The disclosure can be found in the main accounts of Rhondda Cynon Taf County Borough Council.

Officer remuneration and Members allowances can be found in the main accounts of Rhondda Cynon Taf County Borough Council.

11.0 Membership of the Fund

Fund membership at 31st March is as follows:

	2017	2018
Active Employers	49	49
Contributors	23,918	24,109
Pensioners	16,315	16,609
Dependants	2,640	2,653
Deferred Beneficiaries	24,641	25,956

12.0 Group Transfers

The Fund transferred £1.1m to Cardiff and Vale of Glamorgan Pension Fund in respect of the Glamorgan Record Office.

The Fund received £7.8m from Greater Gwent (Torfaen) Pension Fund in respect of the University of South Wales and also £9.7m from Cardiff and Vale of Glamorgan Pension Fund in respect of Central South Consortium Joint Education Services.

13.0 Nature and Extent of Risks Arising From Financial Instruments

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

13.1 Credit Risk

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

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

The Pension Fund has had no experience of counterparty default in the last five years. Cash deposits held by the Administering Authority for the Pension Fund as at 31st March 2018 amounted to £30.8m with the institutions shown in the table below.

Institution	Balance at 31/03/18 £'000	Maturity Date
Stockport Council	2,200	03/04/2018
Debt Management Office	3,300	04/04/2018
Wakefield Metropolitan District Council	5,000	05/04/2018
Debt Management Office	5,000	06/04/2018
Office of the Police and Crime Commissioner for Humberside Police	4,000	09/04/2018
Debt Management Office	5,000	10/04/2018
Bournemouth Council	1,000	11/04/2018
Debt Management Office	5,330	11/04/2018
Total	30,830	

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

13.2 Liquidity Risk

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

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

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

13.3 Market Risk

Market risk is the risk of a loss in the value of investment assets from movements in investment markets e.g. asset prices, interest rates and currency exchange rates. This risk is managed by ensuring that the Fund invests in a broad range of assets diversified by Investment Manager, asset class and geographical region.

Following analysis of historic data, State Street, the Fund's custodian, have provided a view of potential market movements for the 2018/19 financial year. The possible impact of movements is shown in the following table:

Asset type	31/03/18 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
Core Equity Mandate	873,461	9.41	955,654	791,268
Global Equity Mandate	1,251,091	9.71	1,372,572	1,129,610
UK Equity Mandate	277,381	8.73	301,596	253,166
Bond Mandate	589,971	5.67	623,422	556,520
Property Mandate	174,860	2.43	179,109	170,611
Internal Mandate	36,861	0	36,861	36,861
Total	3,203,625		3,469,214	2,938,036

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

Assuming that all other variables, particularly exchange rates, remain unchanged, a movement in interest rates of 1% for the 2018/19 financial year would have the following effect:

Asset type	31/03/18 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Bond securities	581,747	587,564	575,930
Cash deposits & balances	86,989	87,859	86,119
Total	668,736	675,423	662,049

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

A movement in currency exchange rates of 9.8% would have the following effect:

Asset type	31/03/18 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Equities	1,736,978	1,907,202	1,566,754
Overseas Bonds	28,909	31,742	26,076
Overseas Pooled Property	2,489	2,733	2,245
Total	1,768,376	1,941,677	1,595,075

The independent auditor's report of the Auditor for Wales to the Members of Rhondda Cynon Taf County Borough Council

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Rhondda Cynon Taf County Borough Council

for the year ended 31 March 2018 under Public Audit (Wales) Act 2004.

Rhondda Cynon Taf County Borough Council's (RCTCBC) financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs)

In my opinion the financial statements:

- give a true and fair view of the financial position of RCTCBC as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom in 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of RCTCBC in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about RCTCBC's ability to continue to adopt the going concern basis of accounting for a period of at

least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on page 15], the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
[Date]

24 Cathedral Road
Cardiff
CF11 9LJ

25/9/18

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

The independent auditor's report of the Auditor General for Wales to the members of Rhondda Cynon Taf County Borough Council as administering authority for Rhondda Cynon Taf Pension Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Rhondda Cynon Taf Pension Fund for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004. Rhondda Cynon Taf Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-2018 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31st March 2018, and of the amount and disposition at that date of its assets and liabilities
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the

financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Rhondda Cynon Taf Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements [set out on page 15], the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing as

applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

ASR H

Anthony J Barrett

For and on behalf of the Auditor General for Wales

[Date] 25/9/18

24 Cathedral Road

Cardiff

CF11 9LJ

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

Glossary of Terms

Accrual

An accrual is a sum shown in the accounts representing income or expenditure relating to the accounting period, which had not actually been received or paid as at the date of the Balance Sheet.

Actuary

An actuary is an individual or organisation that calculates insurance premiums and liabilities and pension obligations.

Agency Services

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

Amortisation

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

Attained Age Method

An Actuarial method of calculating a contribution rate to the Pension Fund. It calculates the present value of the benefits estimated to accrue to members over their expected remaining membership, expressed as a percentage of their expected future pensionable pay.

Audit

An audit is an independent examination of activities.

Budget

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

Capital Expenditure

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

Capital Receipt

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

CCRCD – Cardiff Capital Region City Deal

The Cardiff Capital Region within the City Deal is comprised of 10 local authorities; Blaenau Gwent; Bridgend; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda-Cynon-Taf; Torfaen; and the Vale of Glamorgan.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is responsible for issuing financial guidance to public bodies.

Creditor

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

Current Assets

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

Current Liabilities

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

Debtor

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

Debt Management Office (DMO)

The DMO is an Executive Agency of Her Majesty's Treasury. Its responsibilities include debt and cash management for the UK Government, lending to Local Authorities and managing certain public sector funds.

Defined Benefit Scheme

A defined benefit pension scheme is one that bases retirement benefits upon Career Average Re-valued Earnings.

Defined Contribution Scheme

A defined contribution scheme is a type of retirement plan in which the amount of the employer's annual contribution is specified. Benefits are based on the amounts credited to these accounts (through employer contributions and, if applicable, employee contributions) plus any investment earnings. Only employer contributions to the account are guaranteed, not the future benefits.

Delegated Schools

A delegated school is one managed independently by its Governing Body. The funds of these schools are held outside of the Council Fund balances.

Depreciated Historic Cost (DHC)

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

Depreciated Replacement Cost (DRC)

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

Depreciation

Depreciation is the estimated loss in value of tangible long-term assets that are presented in the Balance Sheet.

Earmarked Reserves

These are reserves set aside for a specific purpose.

Fair Value Hierarchy

Level 1 – Assets and liabilities at level 1 are those where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Assets and liabilities at level 2 are those where quoted market prices are not available.

Financial Year

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

HMRC

Her Majesty's Revenue and Customs.

Impairment

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

International Accounting Standard (IAS)

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Leasing

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

Lessee

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

Lessor

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

Liability

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

Long-Term Asset

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

Minimum Revenue Provision (MRP)

MRP is a charge against revenue resources representing a repayment of debt. It is a method of paying for Capital Expenditure which was funded by borrowing.

Modern Equivalent Valuation (MEV)

Modern Equivalent Valuation is a method of valuation that calculates the cost of constructing modern equivalent buildings and structures, depreciating them to account for the age and future economic life

Non-Domestic Rates (NDR)

The NDR, or Business Rate, is the charge to occupiers of business premises. NDR 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-Recurring Fair Values

These relate to assets that are measured at fair value due to particular circumstances. The assets which meet the criteria for assets held for sale are valued at the lower of non-recurring value less cost to sell, and its carrying value.

Operating Leases

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

Pooled Budget

A pooled budget is a financial mechanism, in which partners, normally statutory public sector bodies, consolidate funding to form a discrete shared fund or 'pool'. This pool is then used to pay for goods, services and activities for a defined client group.

Post Balance Sheet Events

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

Precepts

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

Prior Year Adjustment

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

Projected Unit Method

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

Provision

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

Public Works Loan Board (PWLB)

This is a Government agency that provides loans to local authorities for periods between 1 and 50 years.

Recurring Fair Value

These relate to assets that are measured at the end of each accounting period, within the rolling programme of valuations.

Related Party

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

Strain on Funds

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

Sub Lease

A sub-lease is a lease between a tenant who already holds a lease to a commercial space or property and someone (the sub-lessee) who wants to use part or all of the tenant's space. The tenant is deemed to be a sub-lessor.

Trust Fund

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

Voluntary Aided School

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

Voluntary Controlled School

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

Welsh Government (WG)

The Welsh Government is the devolved Government for Wales. The Welsh Government consists of the First Minister, Welsh Ministers, the Counsel General and Deputy Ministers. They are supported by Civil Servants who work across devolved areas of public life such as health, education and the environment.