

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2014-2015**

**COMMITTEE:  
AUDIT**

<b>AGENDA ITEM NO. 5</b>
<b>DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2014</b>

**15<sup>th</sup> September 2014**

**REPORT OF THE CORPORATE SERVICES GROUP DIRECTOR**

**Author : Barrie Davies (01443) 680559**

**1.0 PURPOSE OF REPORT**

1.1 This report provides the Audit Committee with the opportunity to consider the certified draft Statements of Account for 2013/14 financial year in respect of the Council, Llwydcoed Crematorium Joint Committee and Central South Consortium Joint Education Service Joint Committee, along with an update of the audit process being undertaken by the Wales Audit Office.

**2.0 RECOMMENDATIONS**

It is recommended that Members ;

- (a) Note the Council's certified draft Statement of Accounts for the financial year 2013/2014 (Appendix 1);
- (b) Note the Llwydcoed Crematorium Joint Committee certified draft Statement of Accounts for the financial year 2013/14 (Appendix 2);
- (c) Note the Central South Consortium Joint Education Service Joint Committee certified draft Statement of Accounts for the financial year 2013/14 (Appendix 3);
- (d) Consider the impact, if any, upon the Statement of Accounts of issues and audit reports brought before the committee during the year.

**3.0 STATUTORY APPROVAL PROCESS**

- 3.1 The Accounts and Audit (Wales)(Amendment) Regulations 2010 require that Councils make arrangement to approve their **audited** Statement of Accounts by the 30<sup>th</sup> September. The Council meeting scheduled for the 24<sup>th</sup> September 2014 is due to receive these.
- 3.2 The regulations require the Responsible Financial Officer to certify unaudited accounts by 30<sup>th</sup> June following financial year end. This Council complied with the regulations in this respect and the unaudited accounts were certified by the Corporate Services Group Director on 30<sup>th</sup> June 2014.
- 3.3 The Authority has administrative responsibility for the production of accounts for Llwydcoed Crematorium Joint Committee. These draft accounts have been presented to the Joint Committee (19<sup>th</sup> June 2014) and the audited accounts are due to be presented to the meeting scheduled for the 25<sup>th</sup> September 2014.
- 3.4 The Authority also has administrative responsibility for the production of accounts for Central South Consortium Joint Education Service Joint Committee. The audited accounts are due to be presented to the meeting scheduled for the 25<sup>th</sup> September 2014.
- 3.5 The Statutory Guidance from the Local Government Measure 2011 was published in June 2012 and provided clarity on the role of Audit Committees in the approval process of a Council's Statement of Accounts. The relevant excerpt is shown below.

***Financial statements***

*9.21 Before their approval by the authority, the audit committee should consider and comment on the authority's certified draft financial statements. They will want to see to what extent the statements take cognisance of audit reports during the year, and changes in accounting policy and internal control mechanisms. Audit committees may approve the financial statements themselves where local authorities have delegated that power to them under regulation 9 of the Accounts and Audit Regulations (Wales) 2005 (as amended).*

*9.22 CIPFA's "toolkit" should be used to assist in the proper scrutiny of these statements.*

*9.23 Reports and recommendations by the audit committee should be considered by full council in particular, as well as the executive.*

- 3.6 As Members will be aware, full Council has been determined in our constitution as the body with responsibility for the approval of our Statement of Accounts. The Llwydcoed Crematorium Joint Committee has the respective responsibility for its Statement of Accounts. Similarly, the Central South Consortium Joint Education Service Joint Committee has responsibility for approval of its Statement of Accounts.
- 3.7 The Guidance (at para 9.22) refers to the use of the CIPFA toolkit for local authority audit committees. Section 5 of the “toolkit” deals with “Financial reporting and regulatory matters”, and attached at Appendix 4 is the full narrative from this section of the toolkit.

#### **4.0 EXTERNAL AUDIT PROCESS**

- 4.1 Since the date of certification of the draft accounts, the Wales Audit Office has been carrying out their external audit upon them.
- 4.2 In line with previous years, the External Auditor is required to provide a report on the accounts to "those charged with governance", in order to communicate relevant matters relating to the audit of the financial statements. The report is to be provided to those charged with governance, as distinct from management, before an opinion is given on the financial statements. The WAO report will be reported to Council on the 24th September 2014, the Llwydcoed Crematorium Joint Committee on the 25<sup>th</sup> September 2014 and the Central South Consortium Joint Education Service Joint Committee on the 25<sup>th</sup> September 2014.
- 4.3 An update on the progress of the audit and any issues arising will be provided verbally at this meeting by the Wales Audit Office.

#### **5.0 CONCLUSION**

- 5.1 The certification of all draft Statements of Accounts by 30<sup>th</sup> June demonstrates the continued effective financial management arrangements at this Council.
- 5.2 The role of the Audit Committee in the approval process for the Statements of Account of the Council, Llwydcoed Crematorium Joint Committee and the Central South Consortium Joint Education Service

Joint Committee is defined in the Statutory Guidance from the Local Government Measure 2011 and this report provides the opportunity for this committee to discharge these responsibilities.

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*Appendix 1*

**RHONDDA CYNON TAF  
COUNTY BOROUGH COUNCIL**

**STATEMENT OF ACCOUNTS**

**2013/14**

*Draft, Subject to Audit*

# Rhondda Cynon Taf County Borough Council

## Statement of Accounts 2013/14

<b>Contents</b>	<b>Page</b>
Explanatory Foreword	5
Statement of Responsibilities for the Statement of Accounts	13
Certificate of the Group Director - Corporate Services	14
 <i>The Core Financial Statements</i>	
Movement in Reserves Statement	15
Comprehensive Income and Expenditure Statement	19
Balance Sheet	22
Cash Flow Statement	25
 <i>Notes to the Core Financial Statements</i>	
1. Accounting Policies	27
2. Accounting Standards Issued, Not Adopted	42
3. Critical Judgements in Applying Accounting Policies	43
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	44
5. Material Items of Income and Expense	45
6. Events After the Balance Sheet Date	45
7. Property, Plant and Equipment	46
8. Heritage Assets	49
9. Intangible Assets	49

10. Financial Instruments	50
11. Short-Term Debtors	57
12. Cash and Cash Equivalents	57
13. Assets Held for Sale	57
14. Short-Term Creditors	58
15. Provisions	58
16. Other Long-Term Liabilities	60
17. Usable Reserves	60
18. Unusable Reserves	64
19. Cash Flow Statement – Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	69
20. Cash Flow Statement – Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	69
21. Cash Flow Statement – Interest within Operating Activities	69
22. Cash Flow – Investing Activities	70
23. Cash Flow – Financing Activities	70
24. Amounts Reported for Resource Allocation Decisions	71
25. Acquired and Discontinued Operations	72
26. Trading Operations	72
27. Agency Services	73
28. Road Charging Schemes	73
29. Pooled Budgets	73
30. Members' Allowances	74

31. Officers' Remuneration	74
32. Severance Costs	77
33. External Audit Costs	77
34. National Non-Domestic Rates	78
35. Council Tax	78
36. Grant Income	79
37. Related Parties	79
38. Capital Expenditure and Capital Financing	84
39. Leases	84
40. Private Finance Initiative	86
41. Impairment Losses	87
42. Retirement Benefits – Defined Benefit Schemes	88
43. Retirement Benefits – Defined Contribution Schemes	93
44. Contingent Liabilities	94
45. Trust Funds	95
<i>The Supplementary Financial Statements – Group Accounts</i>	96
Statement of Group Accounting Policies	98
Group Movement in Reserves Statement	99
Group Comprehensive Income and Expenditure Statement	104
Group Balance Sheet	106
Group Cash Flow Statement	108



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*Notes to the Supplementary Financial Statements*

G1. Segmental Analysis (Subsidiary Companies)	109
G2. Long-Term Assets	109
G3. Group Companies Reserve	111
G4. Subsidiary Companies Statutory Accounts	111
G5. Associate Company Statutory Accounts	112
G6. Consolidation Adjustments	112
G7. Cash Flow Statement – Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	113
G8. Cash Flow Statement – Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	113
G9. Cash Flow Statement – Interest within Operating Activities	113
G10. Cash Flow Statement – Investing Activities	114
G11. Cash Flow Statement – Financing Activities	114
G12. Adjustments Between Group Accounts and Council Accounts in the Group Movement in Reserves Statement	114
G13. Debtors	115
G14. Creditors	115
G15. Provisions	116
Summary Pension Fund Accounts	118
Annual Governance Statement	131
Independent Auditor's Report	157
Glossary of Terms	160

## Explanatory Foreword

### 1. Introduction

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

Rhondda Cynon Taf is the third largest Council in Wales with a population of 234,410 (2011 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 2013/14 have been prepared in accordance with:

- Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 based on International Financial Reporting Standards (IFRS).
- Local Government Act 2003.
- Service Reporting Code of Practice for Local Authorities 2013/14 (SeRCOP).
- Accounts and Audit (Wales) Regulations 2005 (as amended).
- Sections 41 and 42 of the Local Government and Housing Act 1989.

The accounts set out on pages 5 to 156 comply with the above.

### 2. Impact of Current Economic Climate

The impact of the recent economic climate continues to be a significant challenge for this and all other local authorities. Welsh Government settlements have reduced year on year to unprecedented levels and reflect the impact of the global economic crisis and severe economic downturn. Council officers and Members continue to take their fiduciary duty extremely seriously and this has been demonstrated by the setting of prudent and fair budgets. The financial results and position demonstrated in this Statement of Accounts reflect sound financial stewardship despite continuing financial pressures.

It is the Group Director – Corporate Services' view that the Council should continue to maintain a minimum of £10m as a working balance, as has been the case for a number of years. This is reflected in the Balance Sheet which demonstrates Council Fund Balances of £10.271m. This is set in the context of the need for strong financial management being essential to ensure the Council maintains financial flexibility and stability going forward.

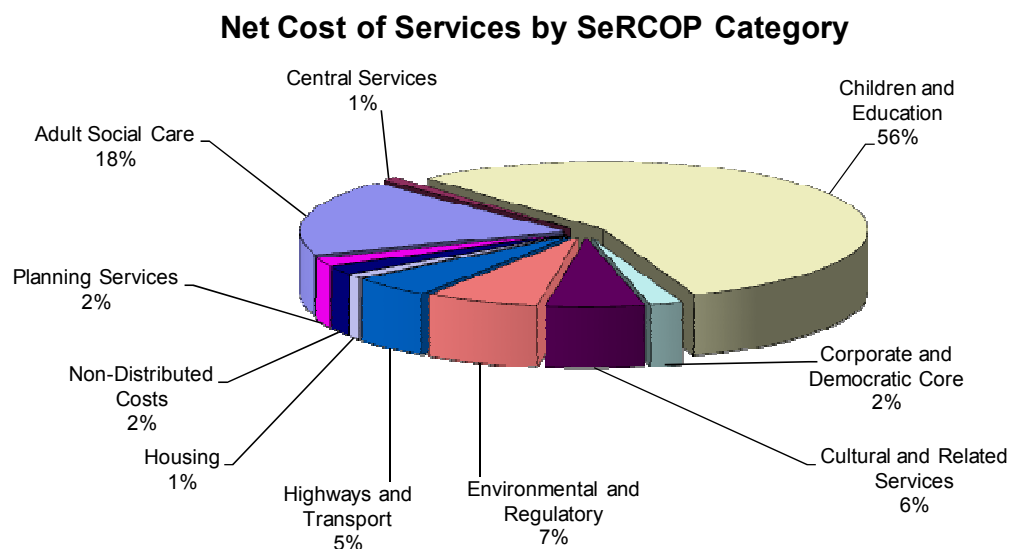
### 3. Explanation of Core Financial Statements

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

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

### 4. Comprehensive Income and Expenditure Statement 2013/14

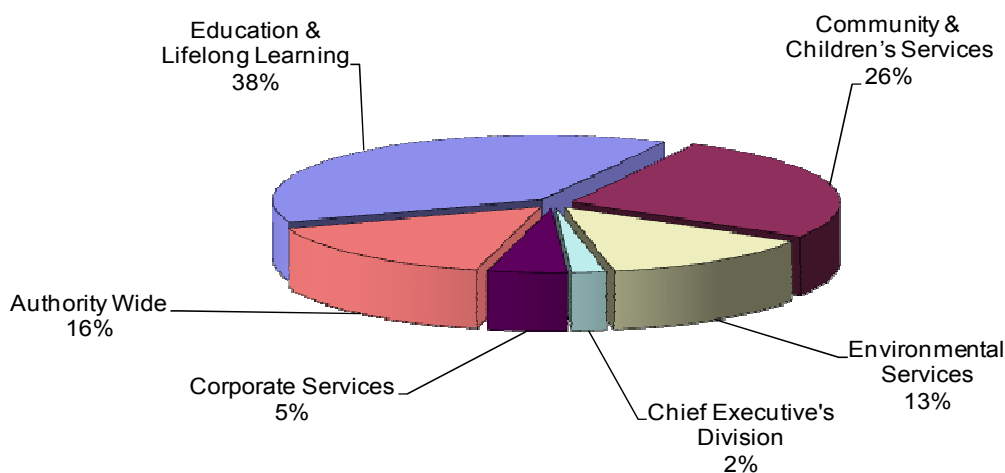
The Comprehensive Income and Expenditure Statement provides an analysis of the Council's gross revenue expenditure and income in accordance with International Financial Reporting Standards. The chart below provides an analysis of the Net Cost of Services (£469m) by Service Reporting Code of Practice (SeRCOP) Service Expenditure Analysis Area.



The Council monitors performance in terms of service groups as opposed to the SeRCOP service expenditure analysis. The following table details each of the service groups' actual net expenditure and budget during 2013/14. 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	178,742	178,727	(15)
Community & Children's Services	124,178	123,731	(447)
Environmental Services	61,310	61,380	70
Chief Executive's Division	9,852	9,770	(82)
Corporate Services	22,508	22,335	(173)
Authority Wide	72,613	72,993	380
<b>Total</b>	<b>469,203</b>	<b>468,936</b>	<b>(267)</b>

**Net Expenditure by Service Group**



	£'000
<b>Council Fund Reserves as at 31<sup>st</sup> March 2013</b>	<b>(11,204)</b>
Revenue Budget Out-turn (Variance as above)	(267)
Transfer from Council Fund Balance to Earmarked Reserves	1,200
<b>Council Fund Reserves as at 31<sup>st</sup> March 2014</b>	<b>(10,271)</b>

Gross Expenditure on Services amounted to £742m, this can be analysed over the following expenditure categories:

Type of Expenditure	£'m	%
Employees	297	40
Premises	29	4
Transport	27	4
Supplies and Services	92	12
Payments to Third Parties	98	13
Transfer Payments	102	14
Capital Charges	72	10
Other Operating Costs (e.g. Support Services)	25	3
<b>Total Gross Expenditure</b>	<b>742</b>	<b>100</b>

Income during the year totalled £767m and came from the following sources:

<b>Income Analysis</b>	<b>£'m</b>	<b>%</b>
<u>Direct Service Income</u>		
Specific Grants	172	22
Sales, Fees & Charges	41	5
Other Income	60	8
<b>Sub-Total Direct Service Income</b>	<b>273</b>	<b>35</b>
<u>Other Income</u>		
Council Tax	105	14
National Non-Domestic Rates	72	9
Non-Ringfenced Government Grants	289	38
Capital Grants and Contributions	28	4
<b>Total Income</b>	<b>767</b>	<b>100</b>

## **5. Summary of Future Revenue and Capital Plans**

During 2013/14, the Single Integrated Plan (S.I.P.) “Delivering Change” was the key strategic plan setting out the plans and ambitions for the future of the County Borough. The S.I.P. is owned by the Local Service Board which brings together various organisations from public, community and voluntary sectors, of which this Council is one. “Delivering Change” outlines priorities (Safety, Health and Prosperity) and defines outcomes for Rhondda Cynon Taf.

For the Council specifically, these ambitions and strategic plans drive the production of our Corporate Plan. The Corporate Plan identifies where we will focus our activities and resources (our improvement priorities) and how these contribute to the delivery of the Single Integrated Plan.

The Council's improvement priorities are:

- Public Health & Protection
- Education
- Children and Family Centred Services
- Maintaining People's Independence
- Regeneration of our Communities
- Streetcare Services and the Natural Environment
- Medium Term Service Planning

All of these plans and ambitions need to be underpinned by robust financial management. The UK Governments' deficit reduction plan means unprecedented year on year reductions to funding levels. Forward looking financial and service planning arrangements are critical in ensuring the Council's priorities are affordable and to lead the work to become more efficient and transform services.

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

A summary of the latest Capital Programme agreed by Members in March 2014 is as follows:

Group	2014/15	2015/16	2016/17	Total
	£'000	£'000	£'000	£'000
Chief Executive's Division	6,426	1,002	800	8,228
Corporate Services	1,120	900	900	2,920
Corporate Initiatives	1,701	930	930	3,561
Education & Lifelong Learning Services	36,610	7,606	5,212	49,428
Community & Children's Services	6,763	6,658	6,658	20,079
Environmental Services	18,833	6,167	3,918	28,918
<b>Total</b>	<b>71,453</b>	<b>23,263</b>	<b>18,418</b>	<b>113,134</b>

A summary of the Council's revenue budget for 2014/15 (agreed in February 2014) is outlined below:

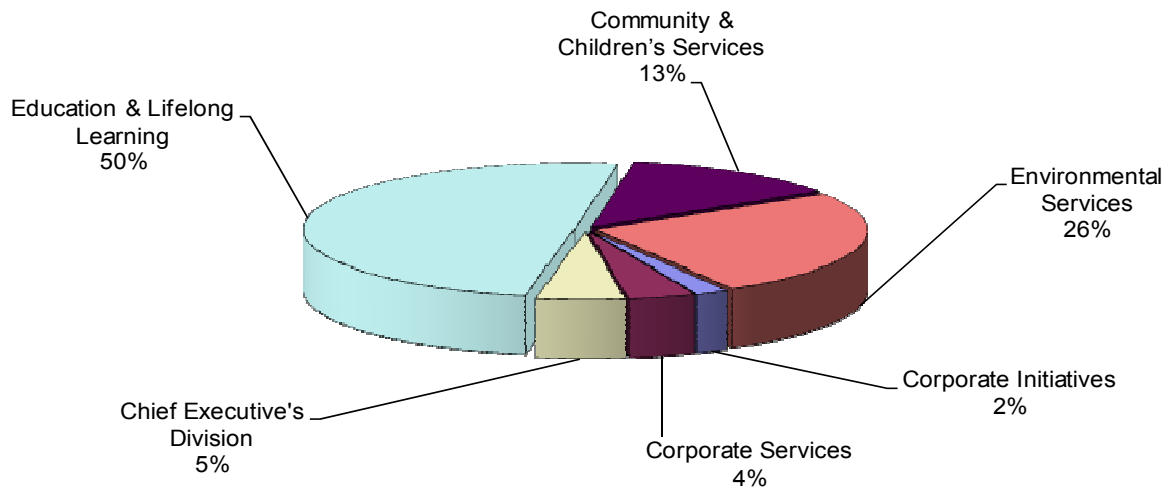
Service Area	£'000
Authority Wide	68,463
Individual Schools Budget	140,371
Community & Children's Services	125,450
Corporate Services and Chief Executive's Division	32,571
Education & Lifelong Learning Services	35,160
Environmental Services	63,588
<b>Total</b>	<b>465,603</b>

## 6. Capital Expenditure and Income 2013/14

During the year the Council spent £67.5m on capital, as summarised below:

Group	£'000	%
Corporate Initiatives	1,304	2
Corporate Services	2,736	4
Chief Executive's Division	3,561	5
Education & Lifelong Learning Services	33,473	50
Community & Children's Services	8,974	13
Environmental Services	17,450	26
<b>Total</b>	<b>67,498</b>	<b>100</b>

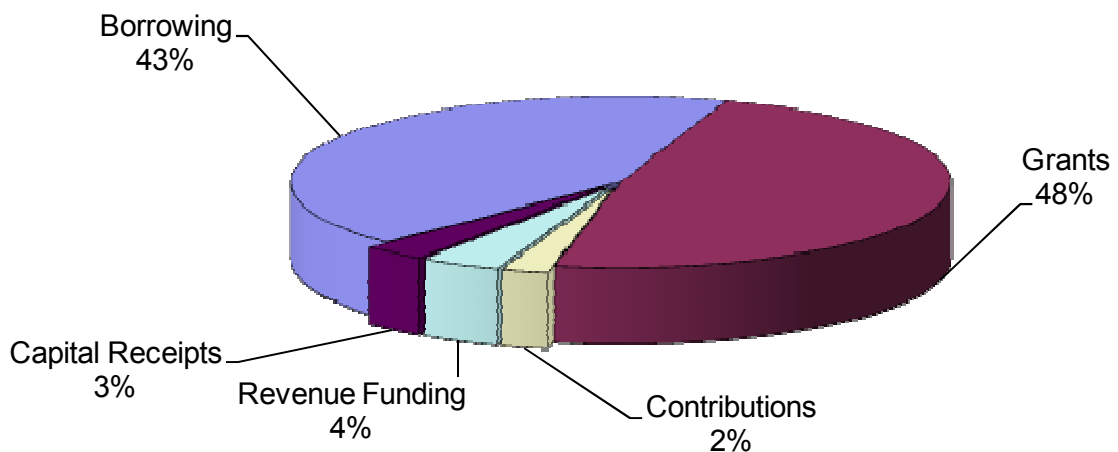
This is represented by the following graph:



In addition, the Council's share of capital expenditure incurred by Joint Committees in which it has an interest was £7k. The type of capital expenditure incurred during the year is summarised below:

Capital Expenditure	RCT	Joint Committees	Totals
	£'000	£'000	£'000
Tangible Long-Term Assets	56,709	7	56,716
Intangible Long-Term Assets	1,129	0	1,129
Revenue Expenditure Funded from Capital under Statute	9,660	0	9,660
<b>Total</b>	<b>67,498</b>	<b>7</b>	<b>67,505</b>

This expenditure was financed as follows:



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

- Disabled Facilities Grants/Adaptations (DFGs)
- Highways Improvements
- Cwmbach Community Primary School
- Abercynon Community Primary School
- Ynysboeth Community Primary School
- Aberdare School & Sports Centre

As at 31<sup>st</sup> March 2014, major capital commitments over the next three years (per the Capital Programme 2014 – 2017) include the following schemes:

Scheme	31/03/14
	£'000
Disabled Facilities Grants/Adaptations (DFGs)	12,000
Maintenance Repair Assistance (MRAs)	2,610
Home Improvement Zones/Renovation Grants	1,500
Community Regeneration	2,214
Aberdare School & Sports Centre	28,554
Fleet Vehicles	13,579
Highways Improvements	5,577
Drainage Improvements	2,763
Structures	2,200
Pontypridd Lido	5,146
Legionella Remediation Works & Management	1,590
Asbestos Remediation Works & Management	10,388

The Council is also contracted to a Private Finance Initiative (PFI) scheme - a Lifelong Learning Campus at Garth Olwg. The commitment is for £113.8m over a period of 25 years. See note 40.0 to the Core Financial Statements for further details.

## 7. **Borrowing Arrangements and Sources of Funds**

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

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

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

<b>Authorised borrowing limit</b>	£360.0m
<b>Interest Rate Exposure – Borrowing</b>	<b>Range</b>
Limits on total % of borrowing at fixed interest rates	55% - 90%
Limits on total % of borrowing at variable interest rates	10% - 45%



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

The Council's borrowing totals £199.6m, of which £196.3m is long-term and £3.3m is short-term. The majority of external borrowing was from the Public Works Loan Board (PWLB) (£111.1m). The remaining balance comprises £87.6m from market loans and £0.9m from other sources.

The Council also has PFI liabilities of £26.1m, £25.0m is a Long-Term Liability and £1.1m is due within one year. In addition there are Finance Lease liabilities of £0.6m in Other Long-Term Liabilities.

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

## **8. 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 18.4 and 42.0 to the Core Financial Statements for further details.

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

	<b>£'000</b>
Net Assets excluding Pensions Reserve	750,385
Net Assets as per Balance Sheet	227,419

## **9. Prior Period Adjustment**

Changes in the accounting policy for pensions costs within the Employee Benefits policy have required a Prior Period Adjustment to the Comprehensive Income and Expenditure Statement and Cash Flow Statement. Therefore, the 2012/13 comparators are noted as "Restated". There is no impact upon the 2012/13 Balance Sheet. The changes in policy are a result of the Code of Practice on Local Authority Accounting adopting the 2011 amendments to IAS 19 Employee Benefits.

The changes relate to:

- Interest Cost and Expected Return on Asset being replaced by a single Net Interest item calculated at the discount rate.
- Administration expenses previously deducted from Expected Return on Assets now being included within Current Service Cost.

Please refer to Accounting Policies for further details.

## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required:

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

I confirm that these accounts were approved by Council on 24<sup>th</sup> September 2014.

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

**Cllr. John Watts**

**Mayor**

Civic Offices, Municipal Buildings  
Gelliwastad Road  
Pontypridd  
CF37 2DP

### The Group Director - Corporate Services' Responsibilities

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

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

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

The Group Director has also throughout the financial year:

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



## **Movement in Reserves Statement (MiRS)**

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

### Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2014

	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
<b>Notes:</b>	17.1	17.2	17.2	17.3	17.4	17.5	17.6		18.0	
<b>Balance at 1<sup>st</sup> April 2013</b>	(11,204)	(22,548)	(75,822)	(5,379)	(50)	(2,290)	(474)	<b>(117,767)</b>	28,502	<b>(89,265)</b>
<b>Movement in reserves during 2013/14:</b>										
(Surplus) or deficit on the provision of services (accounting basis)	50,466	0	(4,736)	0	0	0	0	<b>45,730</b>	(11)	<b>45,719</b>
Other comprehensive income and expenditure	0	0	0	0	0	0	0	<b>0</b>	(183,873)	<b>(183,873)</b>
<b>Total comprehensive income and expenditure</b>	50,466	0	(4,736)	0	0	0	0	<b>45,730</b>	(183,884)	<b>(138,154)</b>
<b>Adjustments between accounting basis and funding under regulations:</b>										
<b>Adjustments primarily involving the Capital Adjustment Account:</b>										
<b>Reversal of items debited/credited to CI&amp;ES:</b>										
Charges for depreciation and impairment of non-current assets	(39,611)	0	(23)	0	0	0	0	<b>(39,634)</b>	39,634	<b>0</b>
Revaluation losses on property, plant & equipment	(25,554)	0	0	0	0	0	0	<b>(25,554)</b>	25,554	<b>0</b>
Amortisation of intangible assets	(1,379)	0	0	0	0	0	0	<b>(1,379)</b>	1,379	<b>0</b>
Revenue expenditure funded from capital under statute	(9,660)	0	0	0	0	0	0	<b>(9,660)</b>	9,660	<b>0</b>
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(2,714)	0	0	0	(2,083)	0	0	<b>(4,797)</b>	4,797	<b>0</b>
<i>Continued Overleaf...</i>										

<b>Insertion of items not debited/ credited to CI&amp;ES:</b>												
Statutory provision for the financing of capital investment	14,874	0	9	0	0	0	0	0	<b>14,883</b>	(14,883)	<b>0</b>	
Capital expenditure charged against the Council Fund Balances	2,669	0	7	0	0	0	0	0	<b>2,676</b>	(2,676)	<b>0</b>	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>												
Capital grants and contributions unapplied credited to CI&ES	33,675	0	0	0	0	(33,675)	0	0	<b>0</b>	0	<b>0</b>	
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	33,995	0	0	<b>33,995</b>	(33,995)	<b>0</b>	
<b>Adjustments involving the Capital Receipts Reserve:</b>												
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	<b>0</b>	0	<b>0</b>	
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	2,082	0	0	0	<b>2,082</b>	(2,082)	<b>0</b>	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	(53)	0	0	0	<b>(53)</b>	53	<b>0</b>	
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>												
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	56	0	0	0	0	0	0	0	<b>56</b>	(56)	<b>0</b>	
<b>Adjustments involving the Pensions Reserve:</b>												
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(65,940)	0	4,229	0	0	0	0	0	<b>(61,711)</b>	61,711	<b>0</b>	
Employer's pensions contributions and direct payments to pensioners payable in the year	31,200	0	185	0	0	0	0	0	<b>31,385</b>	(31,385)	<b>0</b>	
<b>Continued Overleaf...</b>												

<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>										
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	4,721	0	0	0	0	0	0	4,721	(4,721)	0
<b>Adjustment involving the Accumulated Absences Account:</b>										
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	(1,445)	0	5	0	0	0	0	(1,440)	1,440	0
<b>Other adjustments include:</b>										
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Depreciation of non-current asset revaluation gains	0	0	0	0	0	0	0	0	0	0
<b>Net (increase) or decrease before transfers to Earmarked Reserves</b>	(8,642)	0	(324)	0	(54)	320	0	(8,700)	(129,454)	(138,154)
<b>Transfers to or from Earmarked Reserves</b>	9,575	(11,490)	1,294	1,428	0	0	(807)	0	0	0
<b>(Increase) or decrease in the year</b>	933	(11,490)	970	1,428	(54)	320	(807)	(8,700)	(129,454)	(138,154)
<b>Balance at 31<sup>st</sup> March 2014</b>	<b>(10,271)</b>	<b>(34,038)</b>	<b>(74,852)</b>	<b>(3,951)</b>	<b>(104)</b>	<b>(1,970)</b>	<b>(1,281)</b>	<b>(126,467)</b>	<b>(100,952)</b>	<b>(227,419)</b>

## **Comprehensive Income and Expenditure Statement (CI&ES)**

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



## Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup> March 2014

2012/13 Restated			Note:	2013/14			
Gross Exp	Gross Income	Net Exp		Gross Exp	Gross Income	Net Exp	
£'000	£'000	£'000		£'000	£'000	£'000	
31,678	(27,185)	4,493	Central Services to the Public	30,994	(26,497)	4,497	
35,716	(8,290)	27,426	Cultural and Related Services	37,977	(7,924)	30,053	
55,116	(22,750)	32,366	Environmental and Regulatory Services	52,887	(21,760)	31,127	
16,683	(10,554)	6,129	Planning Services	15,501	(7,946)	7,555	
311,895	(73,662)	238,233	Children's and Education Services	339,661	(75,211)	264,450	
44,350	(13,063)	31,287	Highways and Transport Services	43,530	(17,819)	25,711	
90,349	(80,040)	10,309	Housing Services	85,113	(79,574)	5,539	
119,543	(38,642)	80,901	Adult Social Care	119,324	(35,231)	84,093	
14,713	(1,312)	13,401	Corporate and Democratic Core	8,115	(1,117)	6,998	
3,921	(107)	3,814	Non-Distributed Costs	8,809	(64)	8,745	
<b>723,964</b>	<b>(275,605)</b>	<b>448,359</b>	<b>Cost of Services</b>	<b>741,911</b>	<b>(273,143)</b>	<b>468,768</b>	
			<b>Other Operating Expenditure</b>				
13,919	0	13,919	Precepts	37.3	14,746	0	14,746
11,835	0	11,835	Levies	37.3	11,900	0	11,900
1,034	0	1,034	(Gains) or Losses on Disposal of Non-Current Assets		2,769	0	2,769
			<b>Financing and Investment Income and Expenditure</b>				
10,803	0	10,803	Interest Payable and Similar Charges	10.2	10,712	0	10,712
64,598	(36,723)	27,875	Net Interest on Net Defined Liability (Asset)	42.0	28,763	0	28,763
0	(129)	(129)	Interest Receivable and Similar Income	10.2	0	(265)	(265)
14,347	(13,537)	810	Trading Operations	26.0	14,802	(13,080)	1,722
			<b>Taxation and Non-Specific Grant Income</b>				
0	(100,203)	(100,203)	Council Tax Income	35.0	0	(104,918)	(104,918)
0	(63,406)	(63,406)	NNDR Distribution	34.0	0	(71,961)	(71,961)
0	(287,666)	(287,666)	Non-Ringfenced Government Grants		0	(289,101)	(289,101)
0	(30,418)	(30,418)	Capital Grants and Contributions		0	(27,416)	(27,416)
<b>840,500</b>	<b>(807,687)</b>	<b>32,813</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>825,603</b>	<b>(779,884)</b>	<b>45,719</b>

Continued Overleaf...

3,227	0	3,227	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	0	(1,794)	(1,794)
42,814	0	42,814	Remeasurement of the Net Defined Benefit Liability	0	(182,079)	(182,079)
<b>46,041</b>	<b>0</b>	<b>46,041</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(183,873)</b>	<b>(183,873)</b>
<b>886,541</b>	<b>(807,687)</b>	<b>78,854</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>825,603</b>	<b>(963,757)</b>	<b>(138,154)</b>

## Balance Sheet

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

## Balance Sheet as at 31<sup>st</sup> March 2014

31/03/13				31/03/14	
£'000			Note:	£'000	£'000
	<b>Long-Term Assets</b>	Property, Plant & Equipment:	7.0		
547,867		Other Land & Buildings		533,761	
423,260		Infrastructure		424,288	
9,664		Vehicles, Plant & Equipment		8,511	
4,124		Community Assets		3,943	
19,675		Assets Under Construction		25,227	
145		Heritage Assets	8.0	145	
2,423		Intangible Assets	9.0	2,384	
1,015		Long-Term Investments	10.1	1,015	
3,206		Investment in Subsidiaries		3,055	
986		Long-Term Debtors		965	
<b>1,012,365</b>			<b>TOTAL LONG-TERM ASSETS</b>		
	<b>Current Assets</b>	Short-Term Investments	10.1	4,241	
725		Assets Held for Sale	13.0	4,274	
6,902		Inventories		1,097	
970		Short-Term Debtors	11.0	49,410	
60,921		Cash and Cash Equivalents	12.0	4,528	
4,545					
<b>74,063</b>		<b>TOTAL CURRENT ASSETS</b>			<b>63,550</b>
	<b>Current Liabilities</b>	Cash and Cash Equivalents	12.0	(13,399)	
(11,057)		Short-Term Borrowing	10.1	(3,341)	
(3,479)		Short-Term Provisions	15.0	(3,363)	
(10,646)		Short-Term Creditors	14.0	(54,379)	
(56,081)					
<b>(81,263)</b>		<b>TOTAL CURRENT LIABILITIES</b>			<b>(74,482)</b>
	<b>Long-Term Liabilities</b>	Long-Term Provisions	15.0	(9,101)	
(8,539)		Long-Term Borrowing	10.1	(196,245)	
(196,391)		Other Long-Term Liabilities	16.0	(558,539)	
(709,912)		Donated Asset Account	36.3	(1,058)	
(1,058)					
<b>(915,900)</b>		<b>TOTAL LONG-TERM LIABILITIES</b>			<b>(764,943)</b>
<b>89,265</b>	<b>NET ASSETS</b>				<b>227,419</b>

*Continued Overleaf...*

(11,204)	<b>Usable Reserves</b>	Council Fund Balance	17.1	(10,271)	
		Earmarked Reserves:	17.2		
(22,548)		Capital, Treasury and Insurance Reserves	17.2	(34,038)	
(75,822)		Other Revenue Related Reserves	17.2	(74,852)	
(5,379)		Delegated Schools Reserve	17.3	(3,951)	
(50)		Usable Capital Receipts Reserve	17.4	(104)	
(2,290)		Capital Grant Unapplied Account	17.5	(1,970)	
(474)		MGCC Insurance Reserve	17.6	(1,281)	
<b>(117,767)</b>			<b>TOTAL USABLE RESERVES</b>		
(183,726)	<b>Unusable Reserves</b>	Revaluation Reserve	18.1	(178,834)	
(100)		Deferred Capital Receipts Reserve		(67)	
(476,209)		Capital Adjustment Account	18.2	(455,498)	
5,924		Financial Instruments Adjustment Account	18.3	5,868	
674,719		Pensions Reserve	18.4	522,966	
4,850		Unequal Pay Back Pay Account	18.5	129	
3,044		Short-Term Accumulating Compensated Absence Account	18.6	4,484	
<b>28,502</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>(100,952)</b>
<b>(89,265)</b>	<b>TOTAL RESERVES</b>				<b>(227,419)</b>

## **Cash Flow Statement**

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

## Cash Flow Statement 2013/14

2012/13 Restated			2013/14	
			£'000	£'000
32,813	Net (Surplus) or Deficit on the Provision of Services		45,719	
(93,059)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	19.0	(108,362)	
29,384	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	20.0	29,499	
<b>(30,862)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(33,144)</b>
20,455	Investing Activities	22.0	34,713	
9,208	Financing Activities	23.0	790	35,503
<b>(1,199)</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>2,359</b>
7,711	Cash and Cash Equivalents at the Beginning of the Reporting Period	12.0		6,512
<b>6,512</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	12.0		<b>8,871</b>

## Notes to the Core Financial Statements

### 1.0 Accounting Policies

#### 1.1 Change to Accounting Policy

The Code of Practice on Local Authority Accounting has adopted 2011 amendments to IAS 19 Employee Benefits. This is a change in accounting policy. The impact of the revised IAS 19 on the financial statements is as follows:

- Interest Cost and Expected Return on Asset being replaced by a single Net Interest item calculated at the discount rate.
- Administration expenses previously deducted from Expected Return on Assets now being included within Current Service Cost.

The changes in Accounting Policy have required a Prior Period Adjustment to the Comprehensive Income and Expenditure and Cash Flow Statement. Therefore, the 2012/13 comparators are noted as "Restated". There is no impact upon the 2012/13 Balance Sheet.

Please refer to the specific "Employee Benefits" accounting policy for further details.

#### 1.2 Accruals of Expenditure and Income

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

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

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

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

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

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



### **1.3 Back Pay Arising from Unequal Pay Claims**

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

### **1.4 Cash and Cash Equivalents**

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

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

### **1.5 Contingent Assets**

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

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

### **1.6 Contingent Liabilities**

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

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

Material contingent liabilities are disclosed in Notes to the Core Financial Statements at note 44.

### **1.7 Employee Benefits**

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

## Termination Benefits

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

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

## Pensions

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

Teachers - This is an unfunded scheme administered by 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 1997 (as amended), under which contribution rates are set by the fund's actuary based on triennial actuarial valuations. Under the regulations, contribution rates are set in order to lead to full funding of the overall liability of the Fund over time. The Local Government Scheme is accounted for as a Defined Benefit Scheme.

- The liabilities of the Rhondda Cynon Taf Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (4.4% in 2012/13).
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 

Quoted Securities	–	Current Bid Price
Unitised Securities	–	Current Bid Price
Property	–	Market Value
- The change in the net pensions liability is analysed into seven components:
  - Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure

Statement to the services for which the employees worked 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 as part of Non-Distributed Costs.
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
- Expected Return On Assets – the annual investment return on the fund assets attributable to the Council based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
- Gains or Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their 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 Absences**

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

## **1.8 Events after the Balance Sheet Date**

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

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

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

Two types of events can be identified;

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

## **1.9 Exceptional Items**

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

## **1.10 Prior Period Adjustments**

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

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

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

## 1.11 Financial Instruments

Financial Instruments consist of Financial Liabilities and Financial Assets.

### **Financial Liabilities**

Financial Liabilities are carried at amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Where a loan has a single rate of interest over its term, it results in the amount presented in the Balance Sheet being the outstanding principal repayable, and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable in the loan agreement. Where loans have a rate that is lower in the initial years, the effective interest rate charge to the Comprehensive Income and Expenditure Statement “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 current assets or liabilities. This is the case even if the financial asset or liability it relates to is a long-term instrument.

### **1.12 Foreign Currency Translation**

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

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

### **1.13 Intangible Assets**

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

Purchased or internally developed intangible assets are capitalised at cost and are amortised over their economic lives which are reviewed at the end of each reporting period and revised if necessary.

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

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

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

### **1.14 Inventories**

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

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

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

## **1.15 Leases**

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

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

### **Finance Leases**

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

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

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

### **Operating Leases**

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

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

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

## 1.16 Property, Plant and Equipment

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

### 1.16.1 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 zero 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 with the exception of capital expenditure on assets held under Operating Leases whereby the expenditure is amortised over the remaining life of the lease term.

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

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

### 1.16.2 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 incurred whilst assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income



section of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Tangible Long-Term assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Property, Plant and Equipment assets are generally valued on the basis of existing use value (EUV) which is deemed to be "fair value". Specialist items are valued on a depreciated replacement cost basis (DRC). 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.

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

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

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

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

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

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

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

### 1.16.3 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.

### 1.16.4 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.

### 1.16.5 Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is

posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

Amounts received for a disposal in excess of £10k are categorised as capital receipts. Receipts are required to be credited to the 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.

## **1.17 Reserves**

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

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

### **1.18 Revenue Expenditure Funded from Capital Under Statute**

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

### **1.19 Government Grants and Other Contributions**

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

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

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

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

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

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

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

### **1.20 Charges to Revenue for Non-Current Assets**

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

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

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

### **1.21 Minimum Revenue Provision/Provision for the Repayment of Debt**

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

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

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

- charge in equal instalments (or to match the benefits derived) over the life of the asset created (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.

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

### **1.22 Private Finance Initiative (PFI)**

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

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

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

Long-Term Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

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

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

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

### **1.23 Cost of Support Services**

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

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

- Corporate and Democratic Core.
- Non-Distributed Costs.

### **1.24 Value Added Tax**

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

### **1.25 Provisions**

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

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

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

## **1.26 Interests in Companies and Other Entities**

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

Amgen Cymru Ltd. and Amgen Rhondda Ltd. meet the criteria of subsidiaries and are consolidated within the Group Accounts financial statements on this basis, and also are represented within Long-Term Assets in the Balance Sheet of the single entity financial statements.

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

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

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

- Llwydcoed Crematorium
- Glamorgan Archives
- Coychurch Crematorium
- Catalogue Supplies Service
- Central South Consortium Joint Education Service (CSCJES)
- South East Wales Transport Alliance (SEWTA)
- ESIS (non-operational from September 2012)

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

Local Authorities are required to disclose details of accounting standards issued but not yet adopted by the Code of Practice. For the 2013/14 accounts, the relevant standards are:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- IAS 1 Presentation of Financial Statements
- IFRS 13 Fair Value Measurement

### **3.0 Critical Judgements in Applying Accounting Policies**

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

#### **3.1 Private Finance Initiative**

The Council is deemed to control the services provided under a Private Finance Initiative arrangement for the provision of a Lifelong Learning Campus at Garth Olwg. The value of the assets of the scheme is held within Property, Plant & Equipment and valued at £23.9m. The value of liabilities for the term of the contract is also within long-term and current liabilities on the Balance Sheet.

#### **3.2 Municipal Mutual Insurance (MMI)**

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

During April 2013, the Council received correspondence from MMI stating the initial clawback levy of 15%. This meant that the former authorities were obligated to pay 15% of the value of claims (less £50k) paid out by MMI back to the company. This liability was paid during February 2014.

Any future claim settlements by MMI will be made at a level of 85% with the funding of the remaining 15% being met from the former authorities' funds.

Correspondence from the scheme administrator states that it is not possible to guarantee the initial levy 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.

Due to the ongoing uncertainty, the Council will continue to closely monitor the situation and accordingly a contingent liability continues to be disclosed.

#### **3.3 Grants and Contribution Conditions**

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



### **3.4 Voluntary Aided and Voluntary Controlled Schools**

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

In May 2013 a Joint Working Group of HM Treasury and CIPFA/LASAAC was formed to consider the accounting treatment of local authority maintained schools in England and Wales. The results of this Working Group and the CIPFA consultation in March 2014 are likely to affect the 2014/15 Statement of Accounts.

For 2013/14, there are no valuations in the Balance Sheet for the eight voluntary aided schools within Rhondda Cynon Taf, as the Council does not own the assets and does not have control over the economic benefits of the schools. Exceptions are land at St Margaret's Catholic School and playing fields at both St John Baptist Church in Wales High School and Cardinal Newman Catholic Comprehensive School, whereby ownership lies with the Council. When reviewing the existing criteria, the Council does not consider it has any voluntary controlled schools.

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

This Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31<sup>st</sup> March 2014 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 2013/14, AON Hewitt advised that the funded proportion of the Council's net pensions liability had decreased by £17.13m due to estimates being corrected as a result of experience and decreased by £92.87m attributable to updating of assumptions. Refer to note 42.0 for further details.

#### **4.2 Insurance Provision**

The Council makes provision for all claims received (but not yet paid) according to the "reserve" value attached to that claim. The reserve value represents the most likely value to settle the claim, not taking into account probability of settlement. Reserve values are provided by the Council's in-house insurance team, claims handlers and loss

adjusters depending on the claim type and estimated value of the claim. Motor and property claims are provided for at 100% of the reserve value. Liability claims are provided for at 70% of the reserve value. This reflects that not all claims received are paid. Some are successfully repudiated. Refer to note 15.2 for further details.

The risks attached to misstatement are that existing claims will change in value (increase or decrease) or be successfully repudiated. An earmarked reserve is established to meet the additional costs relating to the impact of these potential changes in estimates. The earmarked reserve also funds claims or incidents that have occurred but claims are yet to be received. Refer to note 17.2 for further details.

#### **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 "fair value". Valuations are undertaken in accordance with guidance issued by the Royal Institute of Chartered Surveyors (RICS). Within the computation of the fair 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 Services, as Chief Finance Officer, on 30<sup>th</sup> June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events that took place after 31<sup>st</sup> March 2014 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 2013/14:**

	Other Land & Buildings	Infrastructure	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 <sup>st</sup> April 2013	713,227	524,684	35,951	4,691	21,137	<b>1,299,690</b>	26,880
Joint Committees Opening Balance	997	0	166	0	6	<b>1,169</b>	0
Additions	18,500	13,950	5,656	31	18,579	<b>56,716</b>	0
Donations	0	0	33	0	0	<b>33</b>	0
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	(6,742)	0	32	0	0	<b>(6,710)</b>	2,889
Revaluation Increases/ (Decreases) Recognised in the (Surplus)/Deficit on the Provision of Services	(30,233)	0	(22)	(205)	0	<b>(30,460)</b>	(3,832)
Derecognition – Disposals	(2,550)	0	(1,889)	0	0	<b>(4,439)</b>	0
Derecognition - Other	(34,946)	0	(6,010)	0	(1,468)	<b>(42,424)</b>	(1,621)
Assets Reclassified (to)/from Held for Sale	10,919	0	0	0	0	<b>10,919</b>	0
Other Reclassifications	(1,360)	1,360	0	(20)	(13,027)	<b>(13,047)</b>	0
<b>At 31<sup>st</sup> March 2014</b>	<b>667,812</b>	<b>539,994</b>	<b>33,917</b>	<b>4,497</b>	<b>25,227</b>	<b>1,271,447</b>	<b>24,316</b>

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<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2013	(166,226)	(101,424)	(26,294)	(567)	(1,468)	<b>(295,979)</b>	(4,180)
Joint Committees Opening Balance	(131)	0	(159)	0	0	<b>(290)</b>	0
Depreciation Charge	(12,135)	(14,282)	(4,119)	0	0	<b>(30,536)</b>	(427)
Depreciation written out of the Revaluation Reserve	3,246	0	0	0	0	<b>3,246</b>	1,001
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1,349	0	22	0	0	<b>1,371</b>	132
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	4,651	0	0	0	0	<b>4,651</b>	1,311
Impairment (Losses)/Reversals Recognised in the (Surplus)/Deficit on the Provision of Services	(3,031)	0	(2,590)	0	0	<b>(5,621)</b>	115
Derecognition – Disposals	746	0	1,724	0	0	<b>2,470</b>	0
Derecognition - Other	34,958	0	6,010	0	1,468	<b>42,436</b>	1,621
Assets Reclassified (to)/from Held for Sale	2,522	0	0	0	0	<b>2,522</b>	0
Other Reclassifications	0	0	0	13	0	<b>13</b>	0
<b>At 31<sup>st</sup> March 2014</b>	<b>(134,051)</b>	<b>(115,706)</b>	<b>(25,406)</b>	<b>(554)</b>	<b>0</b>	<b>(275,717)</b>	<b>(427)</b>
<b>Net Book Value:</b>							
<b>At 31<sup>st</sup> March 2014</b>	<b>533,761</b>	<b>424,288</b>	<b>8,511</b>	<b>3,943</b>	<b>25,227</b>	<b>995,730</b>	<b>23,889</b>
<b>At 31<sup>st</sup> March 2013</b>	<b>547,867</b>	<b>423,260</b>	<b>9,664</b>	<b>4,124</b>	<b>19,675</b>	<b>1,004,590</b>	<b>22,700</b>

An adjustment has been made in the table above for assets that have a brought forward Gross Book Value equal to the brought forward depreciation and impairment charge (i.e. Net Book Value is nil). This adjustment is shown in the "Derecognition - Other" lines. The Net Book Value of these assets remains unchanged.

## 7.2 **Depreciation**

Depreciation is charged on a straight-line basis on most tangible assets with a finite useful life (refer to note 1.16), excluding non-depreciable land. Asset lives have been identified on an individual basis.

## 7.3 **Capital Commitments**

At 31<sup>st</sup> March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years, budgeted to cost £60.8m. Similar commitments at 31<sup>st</sup> March 2013 were £25.0m.

The total contract values as at 31<sup>st</sup> March 2014 are:

<b>Scheme</b>	<b>£'000</b>
Ynysboeth Community Primary School	4,084
Cwmbach Community Primary School	4,714
Abercynon Community Primary School	7,829
Aberdare School & Sports Centre	44,158

## 7.4 **Revaluations**

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

The significant assumptions applied in estimating the fair values are:

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

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

	<b>Other Land and Buildings</b>
	<b>£'000</b>
Valued at Fair Value as at:	
31 <sup>st</sup> March 2014	44,080
31 <sup>st</sup> March 2013	127,110
31 <sup>st</sup> March 2012	147,051
31 <sup>st</sup> March 2011	358,914
31 <sup>st</sup> March 2010	32,216
<b>Total Cost or Valuation</b>	<b>709,371</b>

## 8.0 Heritage Assets

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

There are two Heritage Assets in the 2013/14 Balance Sheet. These are the Unity Ship in Pontypridd and the Gateway Monument, "Confluence", in Porth. These are classed as Heritage Assets as they are intended to be preserved for future generations because of their cultural and historical associations. They have been valued at historical cost as they are recent build projects. These assets are not subject to annual depreciation, but will be part of the Council's impairment review.

### 8.2 Other Heritage Assets

The Council holds other non-material Heritage Assets such as war memorials and civic regalia. These are not recognised in the Balance Sheet as they are not material, neither is there an open market value for such assets.

## 9.0 Intangible Assets

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

The Council pays for licences and software in respect of three key financial systems being the payroll system, the accounting system and the revenues systems. The cost of these systems is written off over five years. The annual amortisation of these costs ranges from £7k to £176k and is not considered material for individual disclosure purposes.

All software and licences are given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charge for intangible assets during 2013/14 was £1.2m.

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

	2012/13	2013/14		
	Total	Purchased Software Licences	Licences, Trade Marks and Artistic Originals	Total
	£'000	£'000	£'000	£'000
Balance at start of year				
Gross Carrying Amounts	8,436	4,547	5,102	9,649
Accumulated Amortisation	(6,080)	(4,075)	(3,151)	(7,226)
<b>Net carrying amount at start of year</b>	<b>2,356</b>	<b>472</b>	<b>1,951</b>	<b>2,423</b>
Additions: Purchases	1,213	191	937	1,128
Amortisation for the Period	(1,146)	(217)	(950)	(1,167)
<b>Net Carrying Amount at end of year</b>	<b>2,423</b>	<b>446</b>	<b>1,938</b>	<b>2,384</b>
Gross Carrying Amounts	9,649	4,738	6,039	10,777
Accumulated Amortisation	(7,226)	(4,292)	(4,101)	(8,393)
<b>Total</b>	<b>2,423</b>	<b>446</b>	<b>1,938</b>	<b>2,384</b>

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

## 10.0 Financial Instruments

### 10.1 Categories of Financial Instruments

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

Assets	Long-Term		Current	
	31/03/13	31/03/14	31/03/13	31/03/14
	£'000	£'000	£'000	£'000
Investments: Loans and Receivables	1,015	1,015	725	4,241
Debtors: Financial Assets Carried at Contract Amounts	986	965	60,921	49,410
<b>Total</b>	<b>2,001</b>	<b>1,980</b>	<b>61,646</b>	<b>53,651</b>

Liabilities	Long-Term		Current	
	31/03/13	31/03/14	31/03/13	31/03/14
	£'000	£'000	£'000	£'000
Borrowings: Financial Liabilities at Amortised Cost	196,391	196,245	3,479	3,341
Other Liabilities: PFI and Finance Lease liabilities	26,671	25,521	1,105	1,150
Creditors: Financial Liabilities at Amortised Cost	0	0	15,700	11,070
<b>Total</b>	<b>223,062</b>	<b>221,766</b>	<b>20,284</b>	<b>15,561</b>

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

## 10.2 Income, Expense, Gains and Losses

	2012/13			2013/14		
	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	10,771	0	10,771	10,682	0	10,682
Impairment Losses	0	32	32	0	30	30
<b>Total Expense in (Surplus) or Deficit on the Provision of Services</b>	<b>10,771</b>	<b>32</b>	<b>10,803</b>	<b>10,682</b>	<b>30</b>	<b>10,712</b>
Interest Income	0	(90)	(90)	0	(76)	(76)
Interest Income Accrued on Impaired Financial Assets	0	(39)	(39)	0	(189)	(189)
<b>Total Income in (Surplus) or Deficit on the Provision of Services</b>	<b>0</b>	<b>(129)</b>	<b>(129)</b>	<b>0</b>	<b>(265)</b>	<b>(265)</b>
<b>Net Gain/(Loss) for the Year</b>	<b>10,771</b>	<b>(97)</b>	<b>10,674</b>	<b>10,682</b>	<b>(235)</b>	<b>10,447</b>

## 10.3 Fair Value of Assets and Liabilities

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

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



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

The fair values calculated are as follows:

	31/03/13		31/03/14	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	111,060	151,811	111,061	143,427
Market Debt	87,574	121,389	87,568	114,484
Other Debt	1,236	1,236	957	779
PFI and Finance Lease	27,777	27,777	26,671	26,672
Trade Creditors	15,700	15,700	11,070	11,070
<b>Total</b>	<b>243,347</b>	<b>317,913</b>	<b>237,327</b>	<b>296,432</b>

	31/03/13		31/03/14	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	1,740	1,740	5,256	5,256

#### 10.4 Nature and Extent of Risks Arising from Financial Instruments

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

##### Key Risks

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

#### 10.5 Overall Procedures for Managing Risk

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

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

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

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

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

## **10.6 Credit Risk**

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

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

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

	<b>31/03/14</b>	<b>Historical Experience of Default</b>	<b>Adjustment for Market Conditions at 31/03/14</b>	<b>Estimated Maximum Exposure to Default at 31/03/14</b>	<b>Estimated Maximum Exposure to Default at 31/03/13</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(a*c)</b>	
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Deposits with Government Departments & Local Authorities	5,256	0	0	0	0
Trade Debtors	7,868	0.80	0.80	63	67

The 0.80% Historical Experience of Default represents debt written off in 2013/14 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, £2.4m of the £7.8m balance is debt greater than 30 days old. This debt can be analysed as follows:

	<b>31/03/13</b>	<b>31/03/14</b>
	<b>£'000</b>	<b>£'000</b>
Less than 3 months	949	922
3 – 6 months	235	253
6 months to 1 year	196	261
More than 1 year	1,322	939
<b>Total</b>	<b>2,702</b>	<b>2,375</b>

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

## 10.7 Liquidity Risk

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

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

## 10.8 Refinancing and Maturity Risk

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

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

This includes;

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

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

	31/03/13	31/03/14
	£'000	£'000
Less than 1 year	1,873	1,792
Between 1 and 2 years	1,277	1,323
Between 2 and 5 years	6,026	6,051
Between 5 and 10 years	7,829	8,120
More than 10 years	208,804	207,159
<b>Total</b>	<b>225,809</b>	<b>224,445</b>

The maturity analysis of financial assets is as follows:

	31/03/13	31/03/14
	£'000	£'000
Maturity greater than one year	1,015	1,015
Maturity less than one year	725	4,241

Trade Debtors are not included in the table above.

## 10.9 Market Risk

### Interest Rate Risk

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

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

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

	£'000
Increase in interest payable on variable rate borrowings	8
Increase in interest receivable on variable rate investments	N/A
Impact on Comprehensive Income and Expenditure Statement	8
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	24,506

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

**11.0 Short-Term Debtors**

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

<b>31/03/13</b>		<b>31/03/14</b>
<b>£'000</b>		<b>£'000</b>
35,802	Central Government Bodies	27,981
3,057	Other Local Authorities	3,223
421	NHS Bodies	20
83	Public Corporations and Trading Funds	252
21,558	Other Entities and Individuals	17,934
<b>60,921</b>	<b>Total</b>	<b>49,410</b>

**12.0 Cash and Cash Equivalents**

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

<b>31/03/13</b>		<b>31/03/14</b>
<b>£'000</b>		<b>£'000</b>
4,545	Cash held by the Council	4,528
(11,057)	Bank Current Accounts	(13,399)
<b>(6,512)</b>	<b>Total Cash and Cash Equivalents</b>	<b>(8,871)</b>

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 31<sup>st</sup> March 2014 adjusted for un-presented cheques.

**13.0 Assets Held for Sale**

The movement on Assets Held for Sale is as follows:

	<b>Current</b>	
	<b>2012/13</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1<sup>st</sup> April</b>	<b>3,993</b>	<b>6,902</b>
Assets Newly Classified as Held for Sale:		
Property, Plant and Equipment	5,755	818
Revaluation Gains	1,710	605
Impairment Losses	(1,563)	(630)
Assets Declassified as Held for Sale:		
Property, Plant and Equipment	(2,309)	(1,224)
Assets Sold	(684)	(2,197)
<b>Balance at 31<sup>st</sup> March</b>	<b>6,902</b>	<b>4,274</b>

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.

**14.0 Short-Term Creditors**

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

<b>31/03/13</b>		<b>31/03/14</b>
<b>£'000</b>		<b>£'000</b>
(4,623)	Central Government Bodies	(12,693)
(2,524)	Other Local Authorities	(3,977)
(269)	NHS Bodies	(296)
(153)	Public Corporations and Trading Funds	(260)
(48,512)	Other Entities and Individuals	(37,153)
<b>(56,081)</b>	<b>Total</b>	<b>(54,379)</b>

**15.0 Provisions**

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

Movements in provisions during the year were:

<b>Short-Term Provision</b>	<b>Land Purchases and Part 1 Claims</b>	<b>Equal Pay</b>	<b>Joint Committees</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1<sup>st</sup> April 2013</b>	<b>5,784</b>	<b>4,850</b>	<b>12</b>	<b>10,646</b>
Additional provisions made in 2013/14	3,222	6,300	0	<b>9,522</b>
Amounts used in 2013/14	(5,784)	(6,171)	0	<b>(11,955)</b>
Unused amounts reversed in 2013/14	0	(4,850)	0	<b>(4,850)</b>
<b>Balance at 31<sup>st</sup> March 2014</b>	<b>3,222</b>	<b>129</b>	<b>12</b>	<b>3,363</b>

Long-Term Provision	Land Purchases and Part 1 Claims	Insurance Claims	Total
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2013</b>	<b>1,748</b>	<b>6,791</b>	<b>8,539</b>
Additional provisions made in 2013/14	2,456	236	<b>2,692</b>
Amounts used in 2013/14	(1,748)	(382)	<b>(2,130)</b>
Unused amounts reversed in 2013/14	0	0	<b>0</b>
<b>Balance at 31<sup>st</sup> March 2014</b>	<b>2,456</b>	<b>6,645</b>	<b>9,101</b>

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

The provision represents amounts set aside to fund the cost of Land Purchases and Part 1 Claims relating to transport schemes. Part 1 of the Land Compensation Act 1973 allows people to claim compensation where their property has been reduced in value by the use of a new or altered road. The final cost is unknown as at 31<sup>st</sup> March 2014. Given the degree of uncertainty regarding both the timing and the value of future payments, a provision has been established in the Balance Sheet.

### 15.2 Insurance Claims

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

An earmarked reserve is set aside to contribute towards the cost of claims incurred but not yet received. See note 17.2 for further details.

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

31/03/13		31/03/14
£'000		£'000
6,070	Rhondda Cynon Taf	5,954
721	Mid Glamorgan	691
<b>6,791</b>	<b>Insurance Provision</b>	<b>6,645</b>



**15.3 Equal Pay**

A provision has been set aside to meet the cost of Unequal Pay settlements. The Council has utilised statutory measures to defer the impact upon the Council Fund balance until payments are made. Please refer to note 18.5.

**16.0 Other Long-Term Liabilities**

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

<b>31/03/13</b>		<b>31/03/14</b>
<b>£'000</b>		<b>£'000</b>
674,719	Pension Liability (IAS19)	522,966
26,110	PFI	24,960
5	Local Authority Mortgage Scheme	11
562	Finance Leases	562
8,516	Tower Colliery Redevelopment	10,040
<b>709,912</b>	<b>Total</b>	<b>558,539</b>

**17.0 Usable Reserves**

<b>31/03/13</b>			<b>31/03/14</b>
<b>£'000</b>			<b>£'000</b>
(11,204)	Council Fund Balance	17.1	(10,271)
(22,548)	Capital, Treasury and Insurance Reserves	17.2	(34,038)
(75,822)	Other Revenue Related Reserves	17.2	(74,852)
(5,379)	Delegated Schools Reserve	17.3	(3,951)
(50)	Usable Capital Receipts Reserve	17.4	(104)
(2,290)	Capital Grant Unapplied Account	17.5	(1,970)
(474)	MGCC Insurance Reserve	17.6	(1,281)
<b>(117,767)</b>	<b>Total Usable Reserves</b>		<b>(126,467)</b>

**17.1 Council Fund Balance**

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

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

	<b>£'000</b>
Balance as at 31 <sup>st</sup> March 2013	<b>(11,204)</b>
Revenue Budget Outturn	(267)
Transfer from Council Fund Balance to Earmarked Reserves	1,200
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>(10,271)</b>

**17.2 Earmarked Reserves**

This note sets out the amounts set aside from the Council Fund Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure in 2013/14. All earmarked reserves are deemed to be revenue reserves.

**Capital, Treasury and Insurance Reserves**

Reserve	Purpose	Balance at 31/03/13	Transfers Out	Transfers In	Balance at 31/03/14
		£'000	£'000	£'000	£'000
<b>Capital Developments</b>	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme	<b>11,069</b>	(28)	9,647	<b>20,688</b>
<b>Treasury Management Reserve</b>	Funding for known and potential future pressures upon the Capital Financing budget	<b>2,349</b>	0	21	<b>2,370</b>
<b>Insurance Reserve</b>	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received	<b>9,130</b>	(1,150)	3,000	<b>10,980</b>
<b>Total</b>		<b>22,548</b>	<b>(1,178)</b>	<b>12,668</b>	<b>34,038</b>

**Other Revenue Related Reserves**

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/13	Out	In	31/03/14
		£'000	£'000	£'000	£'000
<b>Private Finance Initiative</b>	Balance of excess Welsh Government support over unitary charge payments to reflect the differing expenditure and income profiles	7,495	0	789	8,284
<b>Revenue Budget Strategy 2013/14</b>	Earmarked Reserves released in line with 2013/14 Budget Setting Risk Assessment	2,439	(2,439)	0	0
<b>Revenue Budget Strategy 2014/15</b>	Earmarked Reserves to be released in line with 2014/15 Budget Setting Risk Assessment	0	0	5,216	5,216
<b>Joint Committee Reserve</b>	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest	1,887	0	324	2,211
<b>Revenue Grant Reserves (IFRS)</b>	Carry forward of Revenue Grants not yet applied to spend, required accounting treatment to comply with International Financial Reporting Standards	6,305	(6,305)	6,321	6,321
<b>E-Government/ Service Re-engineering</b>	Delivery of the Council's E-Government Strategy, system replacements and service re-engineering	339	0	0	339
<b>Financial Management and Human Resources Risk Management</b>	Resources set aside as cover for future liabilities relating to various risks identified and being managed	34,958	(10,472)	8,959	33,445
<b>Development Fund</b>	To support improvement in the delivery of the Council's business in line with key priorities.	757	(44)	0	713
<b>Social Inclusion</b>	To fund activities and projects carried out to improve social inclusion	131	0	0	131
<b>Prior Year Commitments</b>	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year	9,891	(2,750)	2,555	9,696
<b>Medium Term Financial Planning and Service Transformation</b>	Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements	8,847	(5,295)	3,200	6,752
<b>Other Specific Reserves</b>	Represents a number of reserves held for specific and identified purposes	2,773	(1,369)	340	1,744
<b>Total</b>		<b>75,822</b>	<b>(28,674)</b>	<b>27,704</b>	<b>74,852</b>

### 17.3 Delegated Schools Reserve

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

At the end of 2013/14, 17 of the Council's 135 schools were in deficit. In accordance with Section 4.5 and Section 4.8 of the Schools Standards and Framework Act 1998, each of these schools has financial plans illustrating how the deficit will be recovered. The 118 remaining schools have surplus funds, which are to be managed as part of ongoing budgetary control.

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

Type of School	31/03/13	2013/14 Movement	31/03/14
	£'000	£'000	£'000
Primary	4,364	(278)	4,086
Secondary	378	(1,042)	(664)
Special	632	(103)	529
Nursery	5	(5)	0
<b>Total</b>	<b>5,379</b>	<b>(1,428)</b>	<b>3,951</b>

### 17.4 Usable Capital Receipts Reserve

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

The movements on the reserve are as follows:

2012/13		2013/14
£'000		£'000
<b>0</b>	<b>Balance as at 1<sup>st</sup> April</b>	<b>(50)</b>
	<u>Receipts During the Year:</u>	
(581)	Sale of assets	(2,083)
(47)	Mortgage repayments	(20)
(39)	Repayment of discount (Right to Buys)	(33)
	<u>Application during the Year:</u>	
617	Financing of capital expenditure	2,082
<b>(50)</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>(104)</b>

### 17.5 Capital Grant Unapplied Account

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

2012/13		2013/14
£'000		£'000
(3,397)	Balance at 1 <sup>st</sup> April	(2,290)
(34,065)	Grants received	(33,642)
35,172	Grants utilised to fund capital expenditure	33,962
(2,290)	Balance at 31 <sup>st</sup> March	(1,970)

### 17.6 MGCC Insurance Reserve

This reserve is to fund the cost of insurance claims not yet received and movement in the value of received claims. These claims relate to the period when Mid Glamorgan County Council was in existence, prior to Local Government Reorganisation in 1996. Please refer to note 15.0 for details of claims received.

2012/13		2013/14
£'000		£'000
(1,040)	Balance at 1 <sup>st</sup> April	(474)
566	(Increase)/Decrease in Reserve	(807)
(474)	Balance at 31 <sup>st</sup> March	(1,281)

### 18.0 Unusable Reserves

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

31/03/13			31/03/14
£'000			£'000
(183,726)	Revaluation Reserve	18.1	(178,834)
(100)	Deferred Capital Receipts Reserve		(67)
(476,209)	Capital Adjustment Account	18.2	(455,498)
5,924	Financial Instruments Adjustment Account	18.3	5,868
674,719	Pensions Reserve	18.4	522,966
4,850	Unequal Pay Back Pay Account	18.5	129
3,044	Short-Term Accumulating Compensated Absence Account	18.6	4,484
<b>28,502</b>	<b>Total Unusable Reserves</b>		<b>(100,952)</b>

### 18.1 Revaluation Reserve

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

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

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

2012/13		2013/14	
£'000		£'000	£'000
(192,197)	<b>Balance at 1<sup>st</sup> April</b>	(183,726)	
(13,234)	Upward revaluation of assets	(17,269)	
16,479	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	15,475	
(188,952)	<b>Surplus or Deficit on revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services</b>		(185,520)
4,392	Difference between Fair Value Depreciation and Historical Cost Depreciation	4,423	
834	Accumulated Gains on Assets sold or scrapped	2,263	
<b>5,226</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>6,686</b>
(183,726)	<b>Balance at 31<sup>st</sup> March</b>		(178,834)

## 18.2 Capital Adjustment Account

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

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

2012/13 £'000		2013/14	
		£'000	£'000
<b>(463,572)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(476,209)</b>	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
49,358	Charges for depreciation and impairment of Non-Current Assets	39,634	
0	Revaluation losses on Property, Plant and Equipment	25,543	
1,451	Amortisation of Intangible Assets	1,379	
15,079	Revenue Expenditure Funded from Capital Under Statute	9,660	
1,616	Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,797	
(5,229)	Adjusted items written out of the Revaluation Reserve	(6,686)	
<b>(401,297)</b>	<b>Net written out amount of the cost of Non-Current Assets consumed in the year</b>		<b>(401,882)</b>
	Capital Financing Applied in the Year:		
(618)	Use of the Capital Receipts Reserve to finance new Capital Expenditure	(2,082)	
(34,063)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(33,675)	
(1,107)	Application of grants to capital financing from the Capital Grants Unapplied Account	(320)	
(14,617)	Statutory provision for the financing of capital investment charged against the Council Fund	(14,883)	
(24,554)	Capital Expenditure charged against the Council Fund	(2,676)	
47	Private mortgage repayments	20	
<b>(74,912)</b>			<b>(53,616)</b>
<b>(476,209)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(455,498)</b>

**18.3 Financial Instruments Adjustment Account**

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

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
<b>5,969</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>5,924</b>
(45)	Difference between finance costs charged in the Comprehensive Income and Expenditure Statement and finance costs to be charged against the Council Fund Balance in accordance with statutory requirements	(56)
<b>5,924</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>5,868</b>

**18.4 Pensions Reserve**

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

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
<b>603,440</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>674,719</b>
53,418	Actuarial gains or losses on Pensions Assets and Liabilities	(182,079)
48,155	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	61,711
(30,294)	Employer's pensions contributions and direct payments to pensioners payable in the year	(31,385)
<b>674,719</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>522,966</b>



**18.5 Unequal Pay Back Pay Account**

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

2012/13		2013/14	
£'000		£'000	£'000
<b>616</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>4,850</b>
4,234	Increase in Provision for Back Pay in relation to Equal Pay cases	1,450	
0	Cash settlements paid in the year	(6,171)	
4,234	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		<b>(4,721)</b>
<b>4,850</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>129</b>

**18.6 Short-Term Accumulating Compensated Absence Account**

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

2012/13		2013/14	
£'000		£'000	£'000
<b>5,524</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>3,044</b>
(5,524)	Settlement or cancellation of accrual made at the end of the preceding year	(3,044)	
3,044	Amounts accrued at the end of the current year	4,484	
(2,480)	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		<b>1,440</b>
<b>3,044</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>4,484</b>

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

<b>2012/13</b>		<b>2013/14</b>
<b>Restated</b>		
<b>£'000</b>		<b>£'000</b>
(49,355)	Depreciation & Impairment	(65,188)
(1,450)	Amortisation	(1,379)
(15,600)	(Increase)/Decrease in Creditors	4,310
18,441	Increase/(Decrease) in Debtors	(11,532)
(59)	Increase/(Decrease) in Stock	127
(17,845)	Movement in Pension Liability	(22,783)
(7,964)	Contribution to Provisions	(7,216)
(2,480)	Short-Term Accumulated Absence Accrual	1,440
6,305	Revenue Grant Earmarked Reserves	6,321
(1,617)	Carrying amount of Non-Current Assets and Non-Current Assets Held For Sale, sold or derecognised	(4,797)
1,107	Capital Grants Unapplied	320
(15,079)	Revenue Expenditure Funded from Capital Under Statute	(9,660)
(7,463)	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	1,675
<b>(93,059)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(108,362)</b>

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

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
(1,034)	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	2,083
30,418	Any other items for which the cash effects are investing or financing cash flows	27,416
<b>29,384</b>		<b>29,499</b>

**21.0 Cash Flow Statement – Interest within Operating Activities**

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

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
(80)	Interest received	(49)
10,717	Interest paid	10,665
<b>10,637</b>	<b>Interest within Operating Activities</b>	<b>10,616</b>

**22.0 Cash Flow Statement - Investing Activities**

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
78,365	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	70,088
(29,205)	Purchase and Redemption of Short-Term and Long-Term Investments	3,327
(667)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,083)
(28,038)	Other receipts from Investing Activities	(36,619)
<b>20,455</b>	<b>Net Cash Flows from Investing Activities</b>	<b>34,713</b>

**23.0 Cash Flow Statement - Financing Activities**

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
0	Cash receipts of Short and Long-Term Borrowing	(460)
1,063	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases and on Balance Sheet PFI contracts	1,105
8,145	Repayments of Short and Long-Term Borrowing	145
<b>9,208</b>	<b>Net Cash Flows from Financing Activities</b>	<b>790</b>

## 24.0 Amounts Reported for Resource Allocation Decisions

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

Service Information for 2013/14	Education & Lifelong Learning Services	Community & Children's Services	Environmental Services	Chief Executive's Division	Corporate Services	Authority Wide	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	(70,370)	(61,409)	(47,991)	(9,155)	(36,882)	(80,963)	(306,770)
Costs							
Employees	171,621	71,688	37,450	9,595	22,480	4,787	317,621
Premises	21,906	4,166	5,923	230	4,593	(1,825)	34,993
Transport	1,398	3,452	23,308	103	164	(269)	28,156
Supplies & Services	49,004	17,785	24,573	3,008	6,530	15,642	116,542
Third Party Payments	2,483	86,034	14,677	620	14	12,089	115,917
Transfer Payments	399	962	42	6	0	100,315	101,724
Other Costs e.g. Support Services	69	772	2,403	5,020	24,454	(94)	32,624
Capital Charges	2,218	282	994	342	982	23,311	28,129
<b>Net Controllable Costs</b>	<b>178,728</b>	<b>123,732</b>	<b>61,379</b>	<b>9,769</b>	<b>22,335</b>	<b>72,993</b>	<b>468,936</b>
<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>							
Add amounts included in Comprehensive Income and Expenditure Statement Net Cost of Services but not included as reported controllable costs							77,211
Remove amounts included within reported controllable costs but not included within Comprehensive Income and Expenditure Statement							(77,379)
<b>Net Cost of Services</b>							<b>468,768</b>

Reconciliation to Subjective 2013/14	Service Analysis	Not Reported to Management	Not Included in C1&ES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(110,771)	0	0	33,263	(77,508)	(13,080)	(90,588)
Surplus or Deficit on Associates and Joint Ventures	0	(4,580)	0	0	(4,580)	0	(4,580)
Interest and Investment Income	(263)	0	263	0	0	(265)	(265)
Income from Council Tax	(3,697)	0	3,697	0	0	(104,918)	(104,918)
Government Grants and Contributions	(192,039)	(28,336)	2,834	0	(217,541)	(388,478)	(606,019)
<b>Total Income</b>	<b>(306,770)</b>	<b>(32,916)</b>	<b>6,794</b>	<b>33,263</b>	<b>(299,629)</b>	<b>(506,741)</b>	<b>(806,370)</b>
Employee Expenses	317,621	33,923	(31,200)	0	320,344	35,186	355,530
Other Service Expenses	402,661	9,660	(15,507)	0	396,814	7,230	404,044
Support Service Recharges	32,624	0	0	(33,263)	(639)	639	0
Depreciation, Amortisation and Impairment	0	66,544	0	0	66,544	510	67,054
Interest Payments	10,711	0	(25,377)	0	(14,666)	10,712	(3,954)
Precepts & Levies	12,089	0	(12,089)	0	0	26,646	26,646
Gain/Loss on Disposal of Long Term Assets		0	0	0	0	2,769	2,769
<b>Total Operating Expenses</b>	<b>775,706</b>	<b>110,127</b>	<b>(84,173)</b>	<b>(33,263)</b>	<b>768,397</b>	<b>83,692</b>	<b>852,089</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>468,936</b>	<b>77,211</b>	<b>(77,379)</b>	<b>0</b>	<b>468,768</b>	<b>(423,049)</b>	<b>45,719</b>

## 25.0 Acquired and Discontinued Operations

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

## 26.0 Trading Operations

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

Trading Operations	2012/13	2013/14		
	(Surplus) /Deficit Restated	Exp	Income	(Surplus) /Deficit
	£'000	£'000	£'000	£'000
Highways Maintenance	349	5,622	(5,145)	477
Building Cleaning	148	1,190	(981)	209
Education and Welfare Catering	84	7,212	(6,396)	816
Other Catering	63	338	(249)	89
Carelink/Out of Hours	166	440	(309)	131
<b>Total</b>	<b>810</b>	<b>14,802</b>	<b>(13,080)</b>	<b>1,722</b>

In accordance with the SeRCOP, surplus/deficits on trading operations should be re-apportioned across clients for total cost reporting purposes if a failure to do so would result in a material misstatement at division of service level or in a performance indicator (national or local). It is considered that reappportionment of trading operation surplus/deficits would be unwieldy, due to multiple users of the services. It is also considered that it would not have a material restatement of current expenditure levels (this treatment is consistent with the Council's Annual Improvement Plan).

IAS 19 "Employee Benefits" applies to trading activities. Excluding IAS 19, the deficit was £1,577k.

## 27.0 Agency Services

The Council collects National Non-Domestic Rates (NNDR) on an agency basis for the Welsh Government. These monies are then redistributed to all Welsh Local Authorities. Please refer to note 34.0 for further details on NNDR.

## 28.0 Road Charging Schemes

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

## 29.0 Pooled Budgets

The Council has entered into a pooled budget with Cwm Taf Local Health Board, Abertawe Bro Morgannwg University Local Health Board, Merthyr Tydfil CBC and Bridgend CBC for the integrated provision of community equipment services. The Council and its partners have an agreement in place for funding these services that will run for five years from 1<sup>st</sup> April 2012, with the Council contributing funds to an agreed budget equal to 53%. The same proportion is used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year. The pooled budget is hosted by the Council on behalf of the other partners to the agreement.

2012/13			2013/14	
£'000	£'000		£'000	£'000
		<b>Funding provided to the pooled budget:</b>		
(1,141)		Rhondda Cynon Taf CBC	(1,200)	
(993)		Other Partners	(1,036)	
	<b>(2,134)</b>			<b>(2,236)</b>
		<b>Expenditure met from the pooled budget:</b>		
1,136		Rhondda Cynon Taf CBC	1,276	
1,007		Other Partners	1,131	
	<b>2,143</b>			<b>2,407</b>
	<b>9</b>	<b>Net (Surplus)/Deficit arising on the pooled budget during the year</b>		<b>171</b>
	<b>5</b>	<b>Rhondda Cynon Taf CBC share of 53% of net (Surplus)/Deficit arising on the pooled budget</b>		<b>91</b>

### 30.0 Members' Allowances

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

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

	2012/13	2013/14
	£'000	£'000
Allowances	1,284	1,294
Expenses	24	26
<b>Total</b>	<b>1,308</b>	<b>1,320</b>

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

### 31.0 Officers' Remuneration

Under the Accounts and Audit (Wales) Regulations 2005 (as amended), local authorities must disclose in their accounts the number of employees whose remuneration in the year fell in each bracket of a scale in multiples of £5,000 commencing at £60,000 (excluding employer pension contributions). The disclosure includes redundancy payments.

During 2013/14 the Council paid 12,472 employees (12,458 2012/13), paying total salaries of £250m (excluding employer's national insurance and pension contributions) (£247m 2012/13). Within this, the following salary payments were made within the categories specified:

Remuneration Band	2012/13	2013/14		
	No. of Employees	No. of Employees		
	Total	At 31/03/14	Left in Year	Total
£60,000 - £64,999	33	38	4	42
£65,000 - £69,999	21	24	3	27
£70,000 - £74,999	6	4	1	5
£75,000 - £79,999	10	6	2	8
£80,000 - £84,999	9	12	2	14
£85,000 - £89,999	6	3	1	4
£90,000 - £94,999	1	3	1	4
£95,000 - £99,999	2	2	3	5
£100,000 - £104,999	1	0	0	0
£105,000 - £109,999	1	0	0	0
£110,000 - £114,999	0	0	1	1
£115,000 - £119,999	0	0	1	1
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	1	0	0	0
£135,000 - £204,999	0	0	0	0
£205,000 - £209,999	1	0	0	0
<b>Total</b>	<b>92</b>	<b>92</b>	<b>19</b>	<b>111</b>

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

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



Post Holder Information (Post Title)	2012/13			2013/14				
	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				
Chief Executive to 24/03/14	142	30	172	139	0	139	29	168
Chief Executive – Returning Officer to 24/03/14	20	5	25	1	0	1	0	1
Chief Executive from 25/03/14	N/A	N/A	N/A	3	0	3	1	4
Group Director Corporate Services (Deputy Chief Executive) to 24/03/14	122	25	147	120	0	120	25	145
Group Director Corporate Services (Deputy Chief Executive) from 25/03/14	N/A	N/A	N/A	2	0	2	0	2
Group Director Environmental Services	113	24	137	113	0	113	24	137
Group Director Community & Children's Services	113	24	137	113	0	113	24	137
Director of Legal & Democratic Services	92	19	111	92	0	92	19	111
Director of Legal & Democratic Services – Returning Officer	6	0	6	0	0	0	0	0
Director of Human Resources	92	19	111	92	0	92	19	111
Director of Education & Lifelong Learning	113	24	137	113	0	113	24	137

### 32.0 Severance Costs

This note provides details of the cost of severance to the Council in respect of employees who have left the employment of the Council during the financial year (costs do not reflect payments made to individuals). All costs incurred are in line with the 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.

During 2013/14, the cost to the Council of terminating employee contracts amounted to £7,722k (£3,052k 2012/13) with a reduction in annual payroll costs of £4,068k (£2,413k 2012/13).

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

Severance Cost Band £	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Cost of Severance £'000	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	6	14	134	207	140	221	646	1,547
£20,001 - £40,000	1	4	33	90	34	94	965	2,640
£40,001 - £60,000	0	0	6	29	6	29	287	1,440
£60,001 - £80,000	0	0	5	13	5	13	343	907
£80,001 - £100,000	0	0	2	6	2	6	180	506
£100,001 - £150,000	0	0	5	6	5	6	631	682
<b>Total</b>	<b>7</b>	<b>18</b>	<b>185</b>	<b>351</b>	<b>192</b>	<b>369</b>	<b>3,052</b>	<b>7,722</b>

### 33.0 External Audit Costs

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

	2012/13 £'000	2013/14 £'000
<b>Fees Payable to Wales Audit Office</b>		
External audit services carried out by the Appointed Auditor for the year	260	260
Statutory Inspections	142	126
Certification of Grant Claims and Returns for the year	151	150
Other services provided by Wales Audit Office during the year	0	0
<b>Total</b>	<b>553</b>	<b>536</b>

### 34.0 National Non-Domestic Rates

The level of National Non-Domestic Rates (NNDR) is based on a “multiplier” set nationally by the Welsh Government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year. The multiplier for 2013/14 was 46.4p (45.2p for 2012/13). The total rateable value as at 31<sup>st</sup> March 2014 was £136.8m (£137.3m as at 31<sup>st</sup> March 2013).

The Council is responsible for collecting the business rates in its area and pays the proceeds into the NNDR pool administered by the Welsh Government. The Welsh Government redistributes total collections back to local authorities on the basis of a fixed amount per head of population. Total NNDR collected from ratepayers in respect of 2013/14 rates is £48.9m (£48.1m in 2012/13). The contribution back to the Council from the pool in the year amounted to £72.0m (£63.4m in 2012/13) and the amount paid to the pool amounted to £51.7m (£50.1m in 2012/13). As the Council acts as an agent collecting income on behalf of the Welsh Government, the income collected is not recognised as income in the Comprehensive Income and Expenditure Statement.

### 35.0 Council Tax

Council Tax income derives from charges raised according to the value of residential properties. Charges are calculated by taking the amount of income required for Rhondda Cynon Taf CBC, the 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 2013/14 was calculated to be £72,409.07 (compared with £72,780.36 for 2012/13). This represents the anticipated yield for every £1 of council tax levied.

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

Band	A*	A	B	C	D	E	F	G	H	I
No. of Properties	255	37,966	21,138	13,978	7,817	5,433	2,879	1,024	168	25
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 2013/14 was 96.5%.

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

<b>Council Tax Analysis</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax Collectable	100,203	104,918
<b>Net Proceeds from Council Tax</b>	<b>100,203</b>	<b>104,918</b>
Less Payable:		
Police and Crime Commissioner for South Wales	(12,330)	(13,126)
Community Councils	(1,589)	(1,620)
<b>Total</b>	<b>86,284</b>	<b>90,172</b>

### 36.0 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

#### 36.1 Credited to Services

A number of grants and contributions have been recognised as income within Net Cost of Services. This income amounts to £172m in 2013/14 (in 2012/13 these grants and contributions amounted to £173m).

#### 36.2 Capital Grants Receipts in Advance

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

#### 36.3 Donated Asset Account

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

	<b>31/03/13</b>	<b>31/03/14</b>
	<b>£'000</b>	<b>£'000</b>
Noddfa House Day Centre	681	681
Other Donations	377	377
<b>Total</b>	<b>1,058</b>	<b>1,058</b>

### 37.0 Related Parties

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

### 37.1 Welsh Government

The Welsh Government 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).

	2012/13	2013/14
	£'000	£'000
Non-Ringfenced Government Grants	(287,666)	(289,101)
Capital Grants and Contributions	(30,418)	(27,416)
Credited to Services	(172,900)	(171,922)
<b>Total</b>	<b>(490,984)</b>	<b>(488,439)</b>

### 37.2 Chief Officers and Members

Details of Members allowances and Officers' remunerations are provided in the Core Financial Statements notes 30.0 and 31.0 respectively.

Interests of Members are maintained in a register. The register is available for public inspection by appointment. Members are nominated to represent Rhondda Cynon Taf Council on various bodies, for example, RCT Homes and Cwm Taf Local Health Board. The following organisations are related parties (by virtue of Member interest in them) with whom the Council has had dealings. There were no Chief Officer Related Party transactions.

Category of Organisation	2012/13	2013/14	Outstanding Balance as at 31/03/14
	£'000	£'000	£'000
Charitable Organisations	2,374	1,919	(2)
Community Councils, Associations & Services	2,660	760	(156)
Educational & Cultural Establishments	(174)	227	(212)
Government Bodies, Associations & Staff	(239)	673	(287)
National Health Service Bodies & Support Groups	(110)	4,631	(9)
Private Companies	(490)	485	(22)
Public Houses, Halls & Institutes	12	61	0
Sports & Social Clubs	57	(10)	(690)

### 37.3 Precepts and Levies

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

An analysis of precepts is given in the following table:

	2012/13	2013/14
	£'000	£'000
Police and Crime Commissioner for South Wales	12,330	13,126
Community Councils	1,589	1,620
<b>Total</b>	<b>13,919</b>	<b>14,746</b>

An analysis of levies is given in the following table:

	2012/13	2013/14
	£'000	£'000
South Wales Fire and Rescue Service	11,349	11,442
Coroner	429	400
Brecon Beacons National Park	57	58
Glamorgan Archives Joint Committee	0	0
<b>Total</b>	<b>11,835</b>	<b>11,900</b>

### **37.4 Rhondda Cynon Taf Pension Fund**

The Group Director - Corporate Services is also the responsible Finance Officer to the Rhondda Cynon Taf Pension Fund. The Council charged the Pension Fund an amount of £1.3m (£1.3m in 2012/13) in respect of administration and support during financial year 2013/14. The amount owed from the Council to the Pension Fund as at 31<sup>st</sup> March 2014 is £556k (£500k in 2012/13).

### **37.5 Associated and Subsidiary Companies**

The Council has an interest in three companies, namely; Amgen Cymru Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd. Further details are given in the Group Accounts section of this document. During 2013/14 the following related party transactions took place with these companies.

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

Royalties of £406k (£455k in 2012/13) were billed by the Council to Amgen Cymru. At 31<sup>st</sup> March 2014 £128k (£122k in 2012/13) was outstanding.

The Council paid Amgen Cymru £8,931k (£6,731k in 2012/13) in respect of waste management and waste disposal charges, with £42k (£1,386k in 2012/13) due to the company at the year-end.

Amgen Cymru paid the Council £1,074k (£535k in 2012/13) in respect of goods and services, with £180k (£94k in 2012/13) due to the Council at the year-end.

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

The Council paid Amgen Rhondda £50k (£50k in 2012/13) in respect of site management fees, with nil (nil in 2012/13) outstanding at 31<sup>st</sup> March 2014.

## **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 2013/14, the Council was charged £1,365k (£2,606k in 2012/13) in respect of goods, services and capital works. The balance owed to Capita Glamorgan Consultancy Ltd at 31<sup>st</sup> March 2014 was £110k (£383k in 2012/13).

Capita Glamorgan Consultancy Ltd paid the Council £7k (£1k in 2012/13) in respect of goods and services, with nil (nil in 2012/13) due to the Council at the year-end.

## **37.6 Joint Committees**

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

### **Glamorgan Archives Joint Committee**

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee has 19 members in total, of which 16 are elected members with voting rights. There are 4 Rhondda Cynon Taf CBC Members on the Joint Committee. The Council consolidates 25% of the assets, liabilities and transactions of Glamorgan Record Office into its financial statements.

During 2013/14, the Council contributed to the Joint Committee an amount of £189k (£191k in 2012/13). This was calculated proportionately based upon population. As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated.

### **Llwydcoed Crematorium**

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

During 2013/14, the Council charged Llwydcoed Crematorium £22k (£23k in 2012/13) in respect of central establishment charges. As at 31<sup>st</sup> March 2014 the Council held cash balances relating to the Crematorium of £1,383k (£704k in 2012/13). As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated.

### **Education School Improvement Service (ESIS)**

ESIS became non-operational from 1<sup>st</sup> 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 Consortium is split into two distinct units:

- School Improvement Service – Provides the statutory school monitoring function on behalf of each local authority.
- Learning & Innovation Network for Schools – Offers support services and courses to schools to support their individual improvement plans.

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

During 2013/14, the Council incurred expenditure of £1,731k with CSCJES (£1,094k in 2012/13) in respect of advisory and training services. The Council also charged CSCJES £95k (£66k in 2012/13) in respect of central establishment charges. As at 31<sup>st</sup> March 2014 the Council held net overdrawn cash balances relating to CSCJES of £3,314k (£1,366k in 2012/13). As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated.

## **Catalogue Supplies Service**

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

During 2013/14, the Council purchased goods of £2,205k (£2,239k in 2012/13) from Catalogue Supplies Service. At year-end, the Council owed £220k (£232k in 2012/13) to the Joint Committee. These transactions have been eliminated from the financial statements.

## **Coychurch Crematorium**

The Council consolidates 18% of the assets, liabilities and transactions of Coychurch Crematorium into its financial statements. At year-end the Council owed £2k to the Joint Committee. These transactions have been eliminated from the financial statements.

## **South East Wales Transport Alliance (SEWTA)**

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



### 38.0 Capital Expenditure and Capital Financing

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

	<b>2012/13</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Opening Capital Financing Requirement	349,912	356,333
<b>Capital Investment:</b>		
Property, Plant & Equipment	68,518	56,709
Intangible Assets	1,214	1,129
Revenue Expenditure Funded from Capital Under Statute	11,634	9,660
	<b>81,366</b>	<b>67,498</b>
<b>Sources of Finance:</b>		
Capital Receipts	(618)	(2,082)
Government Grants and Other Contributions	(35,172)	(33,962)
	<b>(35,790)</b>	<b>(36,044)</b>
<b>Sums Set Aside from Revenue:</b>		
Direct Revenue Contributions	(24,548)	(2,669)
Minimum Revenue Payment	(14,607)	(14,874)
<b>Closing Capital Financing Requirement</b>	<b>356,333</b>	<b>370,244</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	(2,502)	(3,885)
Increase in underlying need to borrowing (unsupported by government financial assistance)	9,987	18,902
Finance Leases	(1)	(1)
Private Finance Initiative (PFI)	(1,063)	(1,105)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>6,421</b>	<b>13,911</b>

### 39.0 Leases

The following disclosures relate to the Council as a lessee.

#### 39.1 Finance Leases

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

	31/03/13	31/03/14
	£'000	£'000
Other Land and Buildings	375	362

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:

	31/03/13	31/03/14
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Non-Current	561	561
Finance costs payable in future years	1,810	1,780
<b>Minimum Lease Payments</b>	<b>2,372</b>	<b>2,342</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/13	31/03/14	31/03/13	31/03/14
	£'000	£'000	£'000	£'000
Less than 1 year	30	30	1	1
1 to 5 years	152	152	5	5
Greater than 5 years	2,190	2,160	556	556
<b>Total</b>	<b>2,372</b>	<b>2,342</b>	<b>562</b>	<b>562</b>

### 39.2 Operating Leases

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

	31/03/13			31/03/14		
	Other Land & Buildings	Vehicles, Plant & Equip.	Totals	Other Land & Buildings	Vehicles, Plant & Equip.	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year	16	405	421	26	94	120
1 to 5 years	1,337	950	2,287	2,698	3,862	6,560
Greater than 5 years	2,998	1,499	4,497	2,870	1,439	4,309
<b>Total</b>	<b>4,351</b>	<b>2,854</b>	<b>7,205</b>	<b>5,594</b>	<b>5,395</b>	<b>10,989</b>

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

	<b>31/03/13</b>	<b>31/03/14</b>
	<b>£'000</b>	<b>£'000</b>
Minimum Lease Payments	2,044	2,283

### **39.3 Sub-Leases**

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

	<b>2012/13</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Less than 1 year	266	266
1 to 5 years	1,064	1,067
Greater than 5 years	269	0
<b>Total</b>	<b>1,599</b>	<b>1,333</b>

### **40.0 Private Finance Initiative**

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

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

<b>PFI Assets</b>	<b>Property, Plant &amp; Equipment</b>
	<b>£'000</b>
<b>Cost or Valuation</b>	
At 1 <sup>st</sup> April 2013	26,880
Revaluations	(2,564)
<b>At 31<sup>st</sup> March 2014</b>	<b>24,316</b>
<b>Depreciation and Impairments</b>	
At 1 <sup>st</sup> April 2013	(4,180)
Charge for 2013/14	(427)
Revaluations	4,180
<b>At 31<sup>st</sup> March 2014</b>	<b>(427)</b>
<b>Net Book Value At 31<sup>st</sup> March 2014</b>	<b>23,889</b>
<b>Net Book Value At 31<sup>st</sup> March 2013</b>	<b>22,700</b>

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

<b>PFI Liabilities</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Liability as at 1<sup>st</sup> April</b>	<b>28,277</b>	<b>27,214</b>
Repayments during the year	(1,063)	(1,104)
<b>Liability as at 31<sup>st</sup> March</b>	<b>27,214</b>	<b>26,110</b>

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

<b>Period</b>	<b>Principal</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within 1 year	1,149	1,042	2,245	4,436
2 – 5 years	5,073	3,690	9,555	18,318
6 – 10 years	7,567	3,387	13,351	24,305
11 – 15 years	9,201	1,753	15,105	26,059
16 – 20 years	3,120	166	4,918	8,204
<b>Total</b>	<b>26,110</b>	<b>10,038</b>	<b>45,174</b>	<b>81,322</b>

The Council meets the costs of the Unitary Charge from its own resources and funding from the Welsh Government. The profile of funding from the Welsh Government reduces annually until the expiry of the contract term whereas the unitary charge payable by the Council increases annually over the same period. This results in a "surplus" of resources for PFI when compared to payments for the initial period of the contract. These surplus amounts are set-aside in an earmarked reserve to fund the later part of the contract period where annual payments are greater than annual resources. As at 31<sup>st</sup> March 2014 the balance on the PFI equalisation earmarked reserve is £8.3m.

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

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

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

#### **41.0 Impairment Losses**

During 2013/14, the Council has recognised an impairment loss of £14.2m (a loss of £34.4m in 2012/13) in relation to its Long-Term Assets. The impairment is analysed between categories of Long-Term Assets in note 7.1.

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

### **42.1 Participation in Pension Schemes**

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

The Council participates in two pension schemes:

- Teachers - Please refer to note 43.0.
- Other employees and Members - The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit final salary scheme, meaning that the Council and participants pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Council's accounts are defined by IAS 19 "Employee Benefits".

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

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

### **42.2 Transactions Relating to Post-Employment Benefits**

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

	2012/13	2013/14		
	Restated	RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
Cost of Services:				
Current Service Cost	30,242	35,930	266	36,196
Past Service Cost	642	1,270	7	1,277
Discontinued Joint Committee	0	0	(4,525)	(4,525)
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest Expense	27,875	28,739	24	28,763
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>58,759</b>	<b>65,939</b>	<b>(4,228)</b>	<b>61,711</b>
<b>Remeasurement of the Net Defined Benefit Liability Comprising:</b>				
Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	(64,033)	(39,130)	(90)	<b>(39,220)</b>
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	(31,540)	(112)	<b>(31,652)</b>
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	108,956	(93,510)	(260)	<b>(93,770)</b>
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(2,109)	(17,580)	143	<b>(17,437)</b>
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>101,573</b>	<b>(115,821)</b>	<b>(4,547)</b>	<b>(120,368)</b>
<b>Movement in Reserves Statement:</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(58,759)	(65,939)	4,228	(61,711)
Actual amount charged against the Council Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	(30,284)	31,200	185	31,385

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2014 is a gain of £182.1m (£42.8m restated loss in 2012/13).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the year ending 31<sup>st</sup> March 2014 is a loss of £133.3m.

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

	2012/13 Restated	2013/14		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>1,160,989</b>	<b>1,309,360</b>	<b>13,795</b>	<b>1,323,155</b>
Current Service Cost	30,242	35,930	266	36,196
Interest Cost on Defined Obligation	54,546	56,950	137	57,087
Contributions by scheme participants	8,528	8,590	72	8,662
<b>Remeasurement (Gains) and Losses</b>				
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	(31,540)	(112)	(31,652)
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	108,957	(93,510)	(260)	(93,770)
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(2,109)	(17,580)	143	(17,437)
Benefits paid	(38,638)	(37,890)	255	(37,635)
Past service costs	641	1,270	7	1,277
Business combinations	0	0	0	0
Discontinued Joint Committee	0	0	(4,526)	(4,526)
<b>Balance at 31<sup>st</sup> March</b>	<b>1,323,156</b>	<b>1,231,580</b>	<b>9,777</b>	<b>1,241,357</b>

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

	2012/13 Restated	2013/14		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>557,549</b>	<b>639,790</b>	<b>8,646</b>	<b>648,436</b>
Interest Income	26,670	28,210	113	28,323
<b>Remeasurement (Gains) and Losses:</b>				
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	64,032	39,130	90	39,220
Employer contributions	30,294	31,200	185	31,385
Contributions by scheme participants	8,529	8,590	72	8,662
Benefits paid	(38,638)	(37,890)	255	(37,635)
<b>Balance at 31<sup>st</sup> March</b>	<b>648,436</b>	<b>709,030</b>	<b>9,361</b>	<b>718,391</b>

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £67.5m (£88.5m gain in 2012/13).

#### 42.5 Scheme History

	2009/10	2010/11	2011/12	2012/13	2013/14
	Inc Joint Comm's	Inc Joint Comm's	Inc Joint Comm's	Inc Joint Comm's Restated	Inc Joint Comm's
	£'000	£'000	£'000	£'000	£'000
Present Value of the Defined Obligation	(1,137,650)	(1,022,784)	(1,160,989)	(1,323,155)	(1,241,357)
Fair Value of Plan Assets	531,395	539,437	557,549	648,436	718,391
<b>Restated Surplus/(Deficit)</b>	<b>(606,255)</b>	<b>(483,347)</b>	<b>(603,440)</b>	<b>(674,719)</b>	<b>(522,966)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £523.0m has a substantial impact on the Net Worth of the Council as recorded in the Balance Sheet.

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

#### 42.6 Local Government Pension Scheme Assets

The Local Government Pension Scheme Assets comprised of:

	Fair Value of Scheme Assets	
	2012/13	2013/14
	£'000	£'000
UK Equities	413,777	462,816
Overseas Equities	991,347	1,112,695
UK Fixed Interest Gilts	210,907	176,791
UK Index Linked Gilts	5,646	13,111
UK Corporate Bonds	227,990	240,655
Overseas Corporate Bonds	5,383	18,378
Property	119,871	130,201
Cash and Net Current Assets	68,499	65,050
<b>Total</b>	<b>2,043,420</b>	<b>2,219,697</b>

#### 42.6 Basis for Estimating Assets and Liabilities

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



expected return for each asset class over the actual asset allocation for the Fund as 31<sup>st</sup> March 2014.

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

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

	31/03/13	31/03/14
Long-Term Expected Rate of Return on Assets in the Scheme:		
Equity investments	7.8%	N/A*
Property	7.3%	N/A*
Government bonds	2.8%	N/A*
Corporate bonds	3.8%	N/A*
Other	0.9%	N/A*
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	23.3	22.9
Women	24.7	25.8
Longevity at 65 for future pensioners:		
Men	25.2	25.1
Women	26.6	28.2
Rate of inflation (RPI)	3.7%	3.4%
Rate of inflation (CPI)	2.8%	2.4%
Rate of increase in salaries	4.7%	3.9%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.4%	4.3%
Take-up of option to convert annual pension into retirement lump sum:		
Post-2010 Service	75%	75%
Pre-2010 Service	50%	75%

\*Please note that from 2013/14 the "expected return on assets" item (which is a credit to the Comprehensive Income & Expenditure Statement) will no longer be calculated based on the best estimate of the expected returns on the investments held, but will instead be calculated using the assumption adopted for the discount rate.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have 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, ie 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)	1,246	(1,190)	3	(3)	1,249	(1,187)
Rate of Increase in Salaries (Increase or Decrease by 1%)	1,222	(1,213)	3	(3)	1,225	(1,216)
Rate of Increase in Pensions (Increase or Decrease by 1%)	1,235	(1,201)	3	(3)	1,238	(1,204)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 1%)	(1,196)	1,240	(3)	3	(1,199)	1,243

#### **42.7 Contributions for the Accounting Period ending 31<sup>st</sup> March 2014**

The Employer's regular contributions to the Fund for the accounting period 31<sup>st</sup> March 2014 are estimated to be £31.4m. 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 Services, Bronwydd House, Porth, Rhondda, CF39 9DL.

#### **43.0 Retirement Benefits - Defined Contribution Schemes**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by 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 2013/14, the Council paid £11.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £11.6m and 14.1%. There were no contributions remaining payable at the year-end. In addition, the Council is responsible for all pension payments relating to added

years that it has awarded, together with related increases. In 2013/14 these amounted to £885k (£893k in 2012/13).

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

#### **44.0 Contingent Liabilities**

##### **44.1 Insurance**

The Council is liable for insurance claims made against it in respect of certain events. A provision is made in respect of claims received as at 31<sup>st</sup> March 2014. There is a further contingent liability in respect of events which will have occurred but which have not resulted in a claim being made as at the date of the accounts. The "statute of limitation" sets out the timescale by which a claim will have to be made in respect of such past events. An earmarked reserve has been set up to provide towards the costs of these incidents.

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

Insurance claims are also referenced in note 4.2.

##### **44.2 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 was an insurer of the former authorities and ceased to write new insurance business from 30<sup>th</sup> September 1992. A Scheme of Arrangement was put in place in January 1994 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.

During April 2013, the Council received correspondence from MMI stating the initial clawback levy of 15%. This meant that the former authorities were obligated to pay 15% of the value of claims (less £50k) paid out by MMI back to the company. This liability was paid during February 2014.

Any future claim settlements by MMI will be made at a level of 85% with the funding of the remaining 15% being met from the former authorities funds.

Correspondence from the scheme administrator states that it is not possible to guarantee the levy 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 dependant upon the resources of MMI, the insurer.

Note 3.2, Critical Judgements in applying Accounting Policies also refers.

## 45.0 Trust Funds

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31<sup>st</sup> March 2014 are shown as follows and are not included in the Council's Balance Sheet. The 2013/14 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council's Internal Audit Department for the other Funds).

	Description	31/03/13	31/03/14
		£'000	£'000
Education & Miscellaneous	Various funds established for educational and community benefits	104	105
Rhondda Cynon Taf Charity for the Visually Impaired	Fund established for the benefit of visually impaired citizens	213	184
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	11,496	11,406

The Council also participates on the Board of Trustees for "The Rhondda Trust". This is a charity established by a manufacturing company following the closure of its factory in the Rhondda valleys. The charity's aims are to improve skills and education in the area. The Council has administrative responsibility for the fund. However, decisions are made by the Board of Trustees. The balance held on behalf of the trustees by the Council at 31<sup>st</sup> March 2014 is £254k (£203k at 31<sup>st</sup> March 2013). The Rhondda Trust is independently audited by RH Jeffs and Rowe Ltd.

## Group Accounts

### 1. Introduction

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

The Group Accounts Statements comprise:

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

### 2. Basis of Consolidation

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

- Implementation of IAS 19 (Employee Benefits) within accounting statements.
- Long-term asset valuations should be based on the measurement principles given in the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 based on International Financial Reporting Standards, which generally means assets are carried at a current valuation.

### 3. Bodies Consolidated

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

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

remediation and long-term stewardship of the facility in conjunction with the shareholder.

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

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

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

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

## **Statement of Group Accounting Policies**

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

### **1. Long-Term Assets (Subsidiary Companies)**

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

### **2. Basis of Charges for use of Long-Term Assets**

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

### **3. Pensions**

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

### **4. Basis of Consolidation**

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

### **5. Accounting Periods**

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

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

## **Group Movement in Reserves Statement (MiRS)**

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



### Group Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2014

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council	Council's share of Reserves of Subsidiaries, Associates & Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2013</b>	(11,204)	(22,548)	(75,822)	(5,379)	(50)	(2,290)	(474)	<b>(117,767)</b>	25,925	<b>(91,842)</b>	176	<b>(91,666)</b>
<b>Movement in reserves during 2013/14:</b>												
(Surplus) or deficit on the provision of services (accounting basis)	43,785	0	(4,736)	0	0	0	0	<b>39,049</b>	(11)	<b>39,038</b>	7,178	<b>46,216</b>
Other comprehensive income and expenditure	0	0	0	0	0	0	0	<b>0</b>	(183,873)	<b>(183,873)</b>	74	<b>(183,799)</b>
Total comprehensive income and expenditure	43,785	0	(4,736)	0	0	0	0	<b>39,049</b>	(183,884)	<b>(144,835)</b>	7,252	<b>(137,583)</b>
<b>Adjustments between Group Accounts and Authority Accounts:</b>	6,530	0	0	0	0	0	0	<b>6,530</b>	0	<b>6,530</b>	(6,530)	<b>0</b>
<b>Net Increase or decrease before transfers</b>	50,315	0	(4,736)	0	0	0	0	<b>45,579</b>	(183,884)	<b>(138,305)</b>	722	<b>(137,583)</b>
<b>Adjustments between accounting basis and funding under regulations:</b>	0	0	0	0	0	0	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>												
<b>Reversal of items debited / credited to CI&amp;ES:</b>												
Charges for depreciation and impairment of non-current assets	(39,460)	0	(23)	0	0	0	0	<b>(39,483)</b>	39,483	<b>0</b>	0	<b>0</b>

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Revaluation losses on property, plant & equipment	(25,554)	0	0	0	0	0	0	0	(25,554)	25,554	0	0	0
Amortisation of intangible assets	(1,379)	0	0	0	0	0	0	0	(1,379)	1,379	0	0	0
Revenue expenditure funded from capital under statute	(9,660)	0	0	0	0	0	0	0	(9,660)	9,660	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(2,714)	0	0	0	(2,083)	0	0	0	(4,797)	4,797	0	0	0
<b>Insertion of items not debited / credited to CI&amp;ES:</b>													
Statutory provision for the financing of capital investment	14,874	0	9	0	0	0	0	0	14,883	(14,883)	0	0	0
Capital expenditure charged against the General Fund Balances	2,669	0	7	0	0	0	0	0	2,676	(2,676)	0	0	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>													
Capital grants and contributions unapplied credited to CI&ES	33,675	0	0	0	0	(33,675)	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	33,995	0	0	33,995	(33,995)	0	0	0
<b>Adjustments involving the Capital Receipts Reserve:</b>													
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	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	2,082	0	0	0	2,082	(2,082)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	(53)	0	0	0	(53)	53	0	0	0

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<b>Adjustments involving the Financial Instruments Adjustment Account:</b>													
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	56	0	0	0	0	0	0	0	56	(56)	0	0	0
<b>Adjustments involving the Pensions Reserve:</b>													
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(65,940)	0	4,229	0	0	0	0	0	(61,711)	61,711	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	31,200	0	185	0	0	0	0	0	31,385	(31,385)	0	0	0
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>													
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	4,721	0	0	0	0	0	0	0	4,721	(4,721)	0	0	0
<b>Adjustment involving the Accumulated Absences Account:</b>													
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	(1,445)	0	5	0	0	0	0	0	(1,440)	1,440	0	0	0

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<b>Other adjustments include:</b>												
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation of non-current asset revaluation gains	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net increase or decrease before transfers to Earmarked Reserves</b>	(8,642)	0	(324)	0	(54)	320	0	(8,700)	(129,605)	(138,305)	722	(137,583)
<b>Transfers to or from Earmarked Reserves</b>	9,575	(11,490)	1,294	1,428	0	0	(807)	0	0	0	0	0
<b>Increase or decrease in the year</b>	933	(11,490)	970	1,428	(54)	320	(807)	(8,700)	(129,605)	(138,305)	722	(137,583)
<b>Balance as at the end of the current reporting period</b>	(10,271)	(34,038)	(74,852)	(3,951)	(104)	(1,970)	(1,281)	(126,467)	(103,680)	(230,147)	898	(229,249)

## Group Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup> March 2014

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

2012/13 Restated			Note:	2013/14		
Gross Exp	Gross Income	Net Exp		Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
31,678	(27,185)	4,493	Central Services to the Public	30,994	(26,497)	4,497
35,716	(8,290)	27,426	Cultural and Related Services	37,977	(7,924)	30,053
55,737	(23,306)	32,431	Environmental and Regulatory Services	53,839	(22,213)	31,626
16,683	(10,554)	6,129	Planning Services	15,501	(7,946)	7,555
311,895	(73,662)	238,233	Children's and Education Services	339,661	(75,211)	264,450
44,350	(13,063)	31,287	Highways and Transport Services	43,530	(17,819)	25,711
90,349	(80,040)	10,309	Housing Services	85,113	(79,574)	5,539
119,543	(38,642)	80,901	Adult Social Care	119,324	(35,231)	84,093
14,713	(1,312)	13,401	Corporate and Democratic Core	8,115	(1,117)	6,998
3,921	(107)	3,814	Non-Distributed Costs	8,809	(64)	8,745
<b>724,585</b>	<b>(276,161)</b>	<b>448,424</b>	<b>Cost of Services</b>	<b>742,863</b>	<b>(273,596)</b>	<b>469,267</b>
			<b>Other Operating Expenditure</b>			
13,919	0	13,919	Precepts	14,746	0	14,746
11,835	0	11,835	Levies	11,900	0	11,900
1,034	0	1,034	(Gains) or Losses on Disposal of Non-Current Assets	2,769	0	2,769
			<b>Financing and Investment Income and Expenditure</b>			
10,806	0	10,806	Interest Payable and Similar Charges	10,713	0	10,713
64,598	(36,723)	27,875	Net Interest on Net Defined Liability (Asset)	28,763	0	28,763
0	(134)	(134)	Interest Receivable and Similar Income	0	(268)	(268)
14,347	(13,537)	810	Trading Operations	14,802	(13,080)	1,722

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			<b>Taxation and Non-Specific Grant Income</b>				
0	(100,203)	(100,203)	Council Tax Income		0	(104,918)	(104,918)
0	(63,406)	(63,406)	NNDR Distribution		0	(71,961)	(71,961)
0	(287,666)	(287,666)	Non-Ringfenced Government Grants		0	(289,101)	(289,101)
0	(30,418)	(30,418)	Capital Grants and Contributions		0	(27,416)	(27,416)
<b>841,124</b>	<b>(808,248)</b>	<b>32,876</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>826,556</b>	<b>(780,340)</b>	<b>46,216</b>
0	(81)	(81)	<b>Associates and Joint Ventures Accounted for on an Equity Basis</b>		46	0	46
			<b>Tax Expenses</b>				
9	0	9	Taxation of Group Entities		38	0	38
21	0	21	Share of Taxation of Associates and Joint Ventures		0	(10)	(10)
<b>841,154</b>	<b>(808,329)</b>	<b>32,825</b>	<b>Group (Surplus) or Deficit</b>		<b>826,640</b>	<b>(780,350)</b>	<b>46,290</b>
3,227	0	3,227	<b>(Surplus) or Deficit on Revaluation of Property, Plant &amp; Equipment Assets</b>		0	(1,794)	(1,794)
42,814	0	42,814	<b>Remeasurment of the Net Defined Benefit Liability</b>		0	(182,079)	(182,079)
<b>46,041</b>	<b>0</b>	<b>46,041</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>0</b>	<b>(183,873)</b>	<b>(183,873)</b>
<b>887,195</b>	<b>(808,329)</b>	<b>78,866</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>826,640</b>	<b>(964,223)</b>	<b>(137,583)</b>

## Group Balance Sheet as at 31<sup>st</sup> March 2014

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

31/03/13			31/03/14
£'000		Note:	£'000      £'000
	<b>Long-Term Assets</b>	Property, Plant & Equipment	G 2.0
550,077		Other Land & Buildings	535,693
423,260		Infrastructure	424,288
11,678		Vehicles, Plant & Equipment	10,232
164		Landfill Cells	976
4,124		Community Assets	3,943
20,087		Assets Under Construction	25,227
145		Heritage Assets	145
2,423		Intangible Assets	2,384
1,015		Long-Term Investments	1,015
231		Investment in Associates and Joint Ventures	196
986		Long-Term Debtors	965
<b>1,014,190</b>		<b>TOTAL LONG-TERM ASSETS</b>	<b>1,005,064</b>
	<b>Current Assets</b>	Short-Term Investments	4,241
725		Assets Held for Sale	4,274
6,902		Inventories	1,097
970		Short-Term Debtors	G 13.0      50,723
62,048		Cash and Cash Equivalents	5,488
6,127		<b>TOTAL CURRENT ASSETS</b>	<b>65,823</b>
<b>76,772</b>			
	<b>Current Liabilities</b>	Cash and Cash Equivalents	(11,677)
(10,408)		Short-Term Borrowing	(3,341)
(3,479)		Short-Term Provisions	G 15.0      (3,363)
(10,646)		Short-Term Creditors	G 14.0      (57,220)
(57,748)		<b>TOTAL CURRENT LIABILITIES</b>	<b>(75,601)</b>
<b>(82,281)</b>			
	<b>Long-Term Liabilities</b>	Long-Term Provisions	G 15.0      (10,136)
(9,494)		Long-Term Borrowing	(196,245)
(196,391)		Other Long-Term Liabilities	(558,539)
(709,912)		Government Grants Deferred	(59)
(160)		Donated Asset Account	(1,058)
(1,058)		<b>TOTAL LONG-TERM LIABILITIES</b>	<b>(766,037)</b>
<b>(917,015)</b>			
<b>91,666</b>	<b>NET ASSETS</b>		<b>229,249</b>

(11,204)	<b>Usable</b>	Council Fund Balance		(10,271)	
	<b>Reserves</b>	Earmarked Reserves:			
(22,548)		Capital, Treasury and Insurance Reserves		(34,038)	
(75,822)		Other Revenue Related Reserves		(74,852)	
(5,379)		Delegated Schools Reserve		(3,951)	
(50)		Usable Capital Receipts Reserve		(104)	
(2,290)		Capital Grant Unapplied Account		(1,970)	
(474)		MGCC Insurance Reserve		(1,281)	
<b>(117,767)</b>		<b>TOTAL USABLE RESERVES</b>			<b>(126,467)</b>
(183,726)	<b>Unusable</b>	Revaluation Reserve		(178,834)	
(100)	<b>Reserves</b>	Deferred Capital Receipts Reserve		(67)	
(478,786)		Capital Adjustment Account	G 6.0	(458,226)	
5,924		Financial Instruments Adjustment Account		5,868	
674,719		Pensions Reserve		522,966	
4,850		Unequal Pay Back Pay Account		129	
3,044		Short-Term Accumulating Compensated Absence Account		4,484	
176		Group Companies Reserve	G 3.0	898	
<b>26,101</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>(102,782)</b>
<b>(91,666)</b>	<b>TOTAL RESERVES</b>				<b>(229,249)</b>



## Group Cash Flow Statement 2013/14

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

2012/13 Restated		Note:	2013/14	
			£'000	£'000
32,876	Net (Surplus) or Deficit on the Provision of Services		46,216	
(93,723)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	<i>G 7.0</i>	(110,262)	
29,384	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	<i>G 8.0</i>	29,499	
<b>(31,463)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(34,547)</b>
21,368	Investing Activities	<i>G 10.0</i>	35,665	
9,208	Financing Activities	<i>G 11.0</i>	790	36,455
<b>(887)</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>1,908</b>
5,168	Cash and Cash Equivalents at the Beginning of the Reporting Period			4,281
<b>4,281</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>			<b>6,189</b>

## Notes to the Group Accounts

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

### G 1.0 Segmental Analysis (Subsidiary Companies)

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

### G 2.0 Long-Term Assets

#### G 2.1 Property, Plant and Equipment

Movements in Long-Term Assets during the year were as follows:

	Other Land & Buildings	Infrastructure	Vehicles, Plant & Equipment	Landfill Cells	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>							
At 1 <sup>st</sup> April 2013	718,273	524,684	40,220	1,414	4,691	21,549	<b>1,310,831</b>
Joint Committees Opening Balance	997	0	166	0	0	6	<b>1,169</b>
Additions	18,500	13,950	5,790	0	31	19,398	<b>57,669</b>
Donations	0	0	33	0	0	0	<b>33</b>
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	(6,742)	0	32	0	0	0	<b>(6,710)</b>
Revaluation Increases/ (Decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(30,233)	0	(22)	0	(205)	0	<b>(30,460)</b>
Derecognition – Disposals	(2,550)	0	(2,142)	0	0	0	<b>(4,692)</b>
Derecognition - Other	(34,946)	0	(6,010)	0	0	(1,468)	<b>(42,424)</b>
Assets reclassified (to)/from held for Sale	10,919	0	0	0	0	0	<b>10,919</b>
Other reclassifications	(1,360)	1,360	147	1,084	(20)	(14,258)	<b>(13,047)</b>
<b>At 31<sup>st</sup> March 2014</b>	<b>672,858</b>	<b>539,994</b>	<b>38,214</b>	<b>2,498</b>	<b>4,497</b>	<b>25,227</b>	<b>1,283,288</b>

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<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2013	(169,062)	(101,424)	(28,549)	(1,250)	(567)	(1,468)	<b>(302,320)</b>
Joint Committees	(131)	0	(159)	0	0	0	<b>(290)</b>
Opening Balance							
Depreciation charge	(12,413)	(14,282)	(4,571)	(272)	0	0	<b>(31,538)</b>
Depreciation written out of the Revaluation Reserve	3,246	0	0	0	0	0	<b>3,246</b>
Depreciation written out to the (Surplus) / Deficit on the Provision of Services	1,349	0	22	0	0	0	<b>1,371</b>
Impairment (Losses) / Reversals recognised in the Revaluation Reserve	4,651	0	0	0	0	0	<b>4,651</b>
Impairment (Losses) / Reversals recognised in the (Surplus)/Deficit on the Provision of Services	(3,031)	0	(2,590)	0	0	0	<b>(5,621)</b>
Derecognition – disposals	746	0	1,855	0	0	0	<b>2,601</b>
Derecognition - Other	34,958	0	6,010	0	0	1,468	<b>42,436</b>
Assets reclassified (to)/from held for Sale	2,522	0	0	0	0	0	<b>2,522</b>
Other reclassifications	0	0	0	0	13	0	<b>13</b>
<b>At 31<sup>st</sup> March 2014</b>	<b>(137,165)</b>	<b>(115,706)</b>	<b>(27,982)</b>	<b>(1,522)</b>	<b>(554)</b>	<b>0</b>	<b>(282,929)</b>
<b>Net Book Value:</b>							
<b>At 31<sup>st</sup> March 2014</b>	<b>535,693</b>	<b>424,288</b>	<b>10,232</b>	<b>976</b>	<b>3,943</b>	<b>25,227</b>	<b>1,000,359</b>
<b>At 1<sup>st</sup> April 2013</b>	<b>550,077</b>	<b>423,260</b>	<b>11,678</b>	<b>164</b>	<b>4,124</b>	<b>20,087</b>	<b>1,009,390</b>

## G 2.2 Valuation of Long-Term Assets

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

<b>Asset Type</b>	<b>Date of Last Valuation</b>	<b>Basis of Valuation</b>
Other Land & Buildings (Excl. Amgen)	Rolling Programme	EUV
Amgen Land & Buildings	N/A	DHC
Specialist Building	Rolling Programme	DRC
Vehicles, Plant & Equip	N/A	DHC
Infrastructure	N/A	DHC
Community Assets	N/A	DHC
Landfill Cells	N/A	DHC

EUV - Existing Use Value

DHC - Depreciated Historic Cost

DRC - Depreciated Replacement Costs

**G 3.0 Group Companies Reserve**

Movements in the Group Companies Reserve are summarised as follows:

	<b>Amgen Cymru</b>	<b>Amgen Rhondda</b>	<b>Capita Glamorgan</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>(2,170)</b>	<b>2,577</b>	<b>(231)</b>	<b>176</b>
(Increase)/Decrease 2013/14	536	151	35	722
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>(1,634)</b>	<b>2,728</b>	<b>(196)</b>	<b>898</b>

**G 4.0 Subsidiary Companies Statutory Accounts**

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

	<b>Amgen Cymru</b>		<b>Amgen Rhondda</b>	
	<b>March 2013</b>	<b>March 2014 Draft</b>	<b>March 2013</b>	<b>March 2014 Draft</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shareholding	2,806	2,806	400	249
Net Current Assets	1,411	994	266	159
Total Assets less Current Liabilities	6,077	5,534	400	249
Net Assets	4,938	4,441	400	249
(Loss)/Profit Before Tax	(50)	(498)	(135)	(151)
(Loss)/Profit After Tax	(88)	(498)	(135)	(151)
Registration No.	2660628		3687641	
Registered Office/Location of Accounts	Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX		Bryn Pica Landfill Site Llwydcoed Aberdare CF44 0BX	
Auditors	KTS Owens Thomas Ltd		KTS Owens Thomas Ltd	
Audit Opinion	Not yet given for year ended 31 <sup>st</sup> March 2014		Not yet given for year ended 31 <sup>st</sup> March 2014	

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

**G 5.0 Associate Company Statutory Accounts**

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

	<b>Capita Glamorgan Consultancy Ltd</b>	
	<b>31<sup>st</sup> December 2012</b>	<b>31<sup>st</sup> December 2013 Draft</b>
	<b>£'000</b>	<b>£'000</b>
Shareholding	27.93%	27.93%
Net Current Assets	676	568
Total Assets less Current Liabilities	831	701
Net Assets	828	701
(Loss)/Profit Before Tax	291	(163)
(Loss)/Profit After Tax	217	(127)
Registration No.	6638751	
Registered Office/Location of Accounts	17 Rochester Row London SW1P 1QT	
Auditors	KPMG Audit Plc	
Audit Opinion	Not yet given for year ended 31 <sup>st</sup> December 2013	

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

	<b>£'000</b>
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>(478,786)</b>
(Gains)/Losses during the year	20,560
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>(458,226)</b>

In the Council's accounts the value of the shareholding in Amgen Rhondda Ltd. is written down to the value of the net assets of the company. To allow consolidation of the accounts the value of shareholding must be reinstated, which results in a credit to the Capital Adjustment Account of £2,728k.

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

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
(50,466)	Depreciation & Impairment	(66,189)
(1,450)	Amortisation	(1,379)
(15,948)	(Increase)/Decrease in Creditors	3,136
18,484	Increase/(Decrease) in Debtors	(11,346)
(59)	Increase/(Decrease) in Stock	127
(17,845)	Movement in Pension Liability	(22,783)
(7,451)	Contribution to Provisions	(7,272)
(2,480)	Holiday Pay Accrual	1,440
6,305	Revenue Grant Earmarked Reserves	6,321
(1,617)	Carrying Amount of Non-Current Assets and Non-Current Assets Held For Sale, Sold or Derecognised	(4,797)
1,107	Capital Grants Unapplied	320
(15,079)	Revenue Expenditure Funded from Capital Under Statute	(9,660)
(7,224)	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	1,820
<b>(93,723)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(110,262)</b>

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

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
(1,034)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	2,083
30,418	Any Other Items for which the Cash Effects are Investing or Financing Cash Flows	27,416
<b>29,384</b>		<b>29,499</b>

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

The cash flows for operating activities include the following items:

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
(83)	Interest received	(52)
10,724	Interest paid	10,666
<b>10,641</b>	<b>Interest within Operating Activities</b>	<b>10,614</b>

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

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
79,278	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	71,040
(29,205)	Purchase and Redemption of Short-Term and Long-Term Investments	3,327
(667)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,083)
(28,038)	Other receipts from Investing Activities	(36,619)
<b>21,368</b>	<b>Net Cash Flows from Investing Activities</b>	<b>35,665</b>

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

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
0	Cash Receipts of Short-Term and Long-Term Borrowing	(460)
1,063	Cash Payments for the reduction of the outstanding liabilities Relating to Finance Leases and on Balance Sheet PFI Contracts	1,105
8,145	Repayments of Short-Term and Long-Term Borrowing	145
<b>9,208</b>	<b>Net Cash Flows from Financing Activities</b>	<b>790</b>

**G 12.0 Adjustments Between Group Accounts and Council Accounts in the Group Movements in Reserves Statement**

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

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
(50)	Amgen Rhondda supplies to the Council	(50)
(6,731)	Amgen Cymru supplies to the Council	(7,496)
959	Council supplies to Amgen Cymru	1,016
<b>(5,822)</b>	<b>Net Expenditure</b>	<b>(6,530)</b>

**G 13.0 Debtors**

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

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
35,802	Central Government Bodies	27,981
1,569	Other Local Authorities	1,127
421	NHS Bodies	20
83	Public Corporations and Trading Funds	252
24,173	Other Entities and Individuals	21,343
<b>62,048</b>	<b>Total</b>	<b>50,723</b>

**G 14.0 Creditors**

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

<b>2012/13</b>		<b>2013/14</b>
<b>£'000</b>		<b>£'000</b>
(5,950)	Central Government Bodies	(14,229)
(1,685)	Other Local Authorities	(3,603)
(269)	NHS Bodies	(296)
(153)	Public Corporations and Trading Funds	(260)
(49,691)	Other Entities and Individuals	(38,832)
<b>(57,748)</b>	<b>Total</b>	<b>(57,220)</b>



**G 15.0 Provisions**

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

Movements in provisions during the year were:

Short-Term Provision	Land Purchases and Part 1 Claims	Equal Pay	Joint Committees	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2013</b>	<b>5,784</b>	<b>4,850</b>	<b>12</b>	<b>10,646</b>
Additional provisions made in 2013/14	3,222	6,300	0	9,522
Amounts used in 2013/14	(5,784)	(6,171)	0	(11,955)
Unused amounts reversed in 2013/14	0	(4,850)	0	(4,850)
<b>Balance at 31<sup>st</sup> March 2014</b>	<b>3,222</b>	<b>129</b>	<b>12</b>	<b>3,363</b>

Long-Term Provision	Land Purchases and Part 1 Claims	Insurance Claims	Amgen Cymru – Landfill Aftercare	Amgen Cymru – Deferred Tax	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2013</b>	<b>1,748</b>	<b>6,791</b>	<b>903</b>	<b>52</b>	<b>9,494</b>
Additional provisions made in 2013/14	2,456	236	192	24	2,908
Amounts used in 2013/14	(1,748)	(235)	(136)	0	(2,119)
Unused amounts reversed in 2013/14	0	(147)	0	0	(147)
<b>Balance at 31<sup>st</sup> March 2014</b>	<b>2,456</b>	<b>6,645</b>	<b>959</b>	<b>76</b>	<b>10,136</b>

**G 15.1 Amgen Cymru – Landfill Aftercare**

The Company is required by the shareholders agreement to provide for future aftercare cost such as landfill capping and restoration. During the year the Company provided £2 per tonne (2012/13 £2 per tonne).

**G 15.2 Amgen Cymru – Deferred Tax**

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

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## Rhondda Cynon Taf Pension Fund Accounts

### **Background to the Fund**

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

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

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

### **Fund Administration**

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

### **Fund Investments**

Investment strategy is considered and agreed by the Pension Fund Investments Panel, which is chaired by the Rhondda Cynon Taf Group Director Corporate Services and consists of two Rhondda Cynon Taf Council Members, two independent investment advisors and other senior finance officers.

The Panel meets quarterly to determine policy in 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 seven Investment Managers carrying out the actual day-to-day investment management of the Fund's assets:

Baillie Gifford (Equities and High Alpha Equities)  
Newton (High Alpha Equities)  
BlackRock (UK Equities)  
Invesco (UK Equities)  
Legal & General (Passive Equities)  
F & C (Bonds)  
CBRE (Property)

**Fund Account**

2012/13 £'000		Note	2013/14	
			£'000	£'000
	<b>Contributions</b>			
(93,606)	Employer contributions	8.0	(85,906)	
(26,267)	Member contributions	8.0	(27,122)	
<b>(119,873)</b>				<b>(113,028)</b>
(7,521)	Transfers in from other pension funds		(15,216)	
(2,743)	Other income		(5,467)	
<b>(10,264)</b>				<b>(20,683)</b>
	<b>Benefits</b>			
86,135	Pensions		89,430	
18,784	Commutation of pensions and lump sum retirement benefits		17,248	
2,010	Lump sum death benefits		2,409	
<b>106,929</b>		8.0		<b>109,087</b>
	<b>Payments to and on account of leavers</b>			
4,830	Transfers out to other pension funds		6,805	
8	Other payments		11	
<b>4,838</b>				<b>6,816</b>
<b>1,862</b>	<b>Administrative expenses</b>	9.0		<b>1,740</b>
<b>(16,508)</b>	<b>Net (additions)/withdrawals from dealings with members</b>			<b>(16,068)</b>
	<b>Investment income</b>			
(26,117)	Income from fixed interest securities		(23,557)	
(24,871)	Dividends from equities		(25,795)	
(162)	Income from index-linked securities		(470)	
(6,916)	Income from pooled investment vehicles		(7,519)	
(85)	Interest on cash deposits		(126)	
<b>(58,151)</b>				<b>(57,467)</b>
(226,374)	<b>(Profits) and losses on disposal of investments and changes in the value of investments</b>		(91,515)	
				<b>(91,515)</b>
5,392	Investment management expenses	9.0		5,935
1,331	Taxes on income			1,339
<b>(277,802)</b>	<b>Net Returns on Investments</b>			<b>(141,708)</b>
<b>(294,310)</b>	<b>Net (increase)/decrease in net assets available for benefits during the year</b>			<b>(157,776)</b>
<b>(1,785,026)</b>	<b>Opening Net Assets</b>			<b>(2,079,336)</b>
<b>(2,079,336)</b>	<b>Closing Net Assets</b>			<b>(2,237,112)</b>

**Net Assets Statement**

31/03/2013		Note	31/03/2014	
			£'000	£'000
	<b>Investment Assets</b>			
	<b>Fixed interest securities</b>			
210,907	Public sector		176,791	
233,373	Corporate bonds		259,033	
		4.0		<b>435,824</b>
1,092,600	<b>Equities</b>	4.0		<b>1,197,709</b>
	<b>Index linked securities</b>			
5,646	Public sector		13,111	
		4.0		<b>13,111</b>
	<b>Pooled investment vehicles</b>			
61,546	Open ended investment companies		65,569	
250,978	Managed funds		312,233	
119,871	Property		130,201	
		4.0		<b>508,003</b>
<b>67,682</b>	<b>Cash deposits</b>			<b>71,969</b>
	<b>Other investment balances</b>			
6,393	Accrued interest		6,236	
5,897	Investment debtors		13,917	
1,261	Tax recoverable		1,431	
				<b>21,584</b>
<b>2,056,154</b>				<b>2,248,200</b>
	<b>Investment Liabilities</b>			
(1,231)	Investment creditors			<b>(17,355)</b>
<b>2,054,923</b>	<b>Net investment assets</b>			<b>2,230,845</b>
	<b>Current Assets</b>			
5,054	Contributions due from employers	10.0	5,618	
196	Cash balances		1,780	
500	Amount owed from RCTCBC		556	
21,475	Other current assets		2,215	
				<b>10,169</b>
	<b>Current Liabilities</b>			
(2,812)	Current liabilities		(3,902)	
				<b>(3,902)</b>
<b>2,079,336</b>	<b>Net assets of the scheme available to fund benefits at period end</b>			<b>2,237,112</b>

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

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

There have been no significant post Balance Sheet events.

## **1.0 Introduction**

These accounts have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2013/14 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 Corporate Service Group Director.

## **2.0 Accounting Policies**

### **2.1 Accruals Concept**

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

### **2.2 Investment Valuation 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 31<sup>st</sup> March 2014 obtained from recognised Stock Exchanges. Fixed interest securities are valued "clean", excluding accrued interest. Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31<sup>st</sup> March 2014.

Pooled Property Funds are valued 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 1998.

The amount of AVC contributions paid during the year amounted to £1,069k (£1,022k in 2012/13) and the market value of separately invested AVCs at the Balance Sheet date was £6,324k (£5,276k in 2012/13).

## **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 2013/14 amounted to £0.6m (£0.6m in 2012/13).

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 31<sup>st</sup> March 2013 in compliance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

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

The funding policy of the scheme is to ensure that:

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

The result of the 2013 valuation is shown in the table below.

	31/03/2013	31/03/2010
	£'m	£'m
Funding Target	2,665.40	2,229.00
Market Value of Assets	2,080.40	1,568.90
Funding Deficit	585	660.1
Funding Ratio	78%	70%

The aggregate employer future service contribution rate is 13.8% of pensionable pay. To restore the funding ratio to 100% using a recovery period of 25 years the aggregate employer contribution rate is calculated to be 20.6%.

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 6 years. Full details are available in the actuarial report.

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

Assumption	2013 Valuation	2010 Valuation
	% p.a.	% p.a.
Average in service discount rate	5.6%	7.0%
Average left service discount rate	5.4%	6.8%
RPI inflation	3.3%	3.8%
CPI inflation	2.4%	3.3%
Pensionable Pay increases	3.9%	5.3%
Post-retirement mortality assumption - base table	SAPS Normal tables with scaling factors Men 100% Women 95%	SAPS Normal tables with scaling factors Men 90% Women 100%
Post-retirement mortality assumption - future improvements	CMI 2012 core projections with long-term improvement rate of 1.5% pa	CMI 2012 core projections with long-term improvement rate of 1.25% pa

The CIPFA Code of Practice on Local Authority Accounting also requires the disclosure of the actuarial present value of promised retirement benefits for the whole fund under IAS 26.

	Value as at 31/3/2013	Value as at 31/3/2010
	£'m	£'m
Fair Value of net assets	2,079	1,508
Actuarial present value of promised retirement benefits	3,200	3,103
Surplus / (deficit) in the Fund as measured for IAS 26 purposes	(1,121)	(1,595)



**4.0 Analysis of Investments at Fair Value**

	2012/13		2013/14	
	£'000	£'000	£'000	£'000
<b><u>Equities</u></b>				
UK	292,406		324,216	
Overseas	800,194		873,493	
		<b>1,092,600</b>		<b>1,197,709</b>
<b><u>Fixed interest</u></b>				
UK	438,897		417,446	
Overseas	5,383		18,378	
		<b>444,280</b>		<b>435,824</b>
<b><u>Index linked</u></b>				
UK	5,646		13,111	
Overseas	0		0	
		<b>5,646</b>		<b>13,111</b>
<b><u>Pooled investments</u></b>				
UK - property	100,682		114,103	
Overseas - property	19,189		16,098	
UK – other	121,371		138,599	
Overseas - other	191,153		239,203	
		<b>432,395</b>		<b>508,003</b>
<b>Total long-term investments</b>		<b>1,974,921</b>		<b>2,154,647</b>

The Investments Panel has decided that the Fund will not enter into any stock lending arrangements. All investments held are quoted investments, and no assets were reclassified. Carrying Values of assets held in the Balance Sheet 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".

## 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	
	31/03/2013 £'000	31/03/2014 £'000	31/03/2013 %	31/03/2014 %
Baillie Gifford (Equities)	405,627	445,289	19.9	20.1
Baillie Gifford (High Alpha Equities)	364,727	410,975	17.8	18.5
Newton (High Alpha Equities)	306,361	326,311	15.0	14.7
Invesco (UK Equities)	101,020	115,614	4.9	5.2
BlackRock (UK Equities)	97,258	105,847	4.8	4.8
L&G (Passive Equities)	149,958	196,619	7.3	8.9
F&C (Bonds)	460,396	460,541	22.5	20.7
CBRE (Property)	123,774	131,242	6.1	5.9
Internal	34,179	27,209	1.7	1.2
<b>Total</b>	<b>2,043,300</b>	<b>2,219,647</b>	<b>100</b>	<b>100</b>

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

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

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

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

## 6.0 Contingencies

There is a contingent liability of £350k (£344k in 2012/13) 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.

Fund Manager	Market Value 01/04/13	Purchases	Sales	Change in Market Value	Market Value 31/03/14
	£'000	£'000	£'000	£'000	£'000
Baillie Gifford (Equities)	401,549	53,758	(29,666)	16,396	442,037
Baillie Gifford (High Alpha Equities)	356,942	80,860	(48,899)	16,003	404,906
Newton (High Alpha Equities)	300,277	80,636	(67,480)	(576)	312,857
Invesco (UK Equities)	101,020	1,345	0	13,249	115,614
BlackRock (UK Equities)	95,378	25,057	(17,140)	180	103,475
L&G (Passive Equities)	149,958	35,000	0	11,661	196,619
F&C (Bonds)	449,926	509,697	(493,280)	(17,406)	448,937
CBRE (Property)	119,871	14,586	(6,470)	2,215	130,202
<b>Total</b>	<b>1,974,921</b>	<b>800,939</b>	<b>(662,935)</b>	<b>41,722</b>	<b>2,154,647</b>

## 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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	8,465	8,596	28,385	28,966	22,982	24,444
Admitted	2,824	2,828	20,412	12,417	10,529	10,465
Scheduled	14,978	15,698	44,809	44,523	73,418	74,178
<b>Total</b>	<b>26,267</b>	<b>27,122</b>	<b>93,606</b>	<b>85,906</b>	<b>106,929</b>	<b>109,087</b>

Included in employer contributions are £9,099k of deficit funding contributions (£18,877k in 2012/13) and £27k of augmented contributions (£18k in 2012/13).

## 9.0 Administration Expenses

The administration costs borne by the Fund in 2013/14 are set out below:

	2012/13	2013/14
	£'000	£'000
Fund management expenses	5,195	5,671
Investment administration expenses	197	264
Pensions administration expenses	1,862	1,740
<b>Total</b>	<b>7,254</b>	<b>7,675</b>

This represents 0.34% (0.35% in 2012/13) of the value of the Pension Fund as at 31<sup>st</sup> March 2014.

## 10.0 Transactions with Related Parties

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.3m (£1.3m in 2012/13). 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 £5.6m (£5.1m in 2012/13), of which £4.2m related to employer contributions and £1.4m to employee contributions.

## 11.0 Membership of the Fund

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

	2013	2014
Active Employers	42	43
Contributors	25,195	27,484
Pensioners	14,726	15,285
Dependants	2,631	2,625
Deferred Beneficiaries	17,096	18,846

## 12.0 Group Transfers

The Fund received cash transfers in respect of the Wales Probation Trust amounting to £26.8m during 2013/14. There were no group transfers out of the scheme.

After the Balance Sheet date, the University of South Wales transferred into the Fund, but the amount of the transfer payment has not yet been agreed. There is also a transfer out of the Fund in respect of the Probation Service expected in 2014/15, negotiations of transfer values are underway.

### **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 31<sup>st</sup> March 2014 amounted to £27.13m with the institutions shown in the table below.

<b>Institution</b>	<b>Balance at 31/03/14 £'000</b>	<b>Maturity Date</b>
Blaenau Gwent County Borough Council	2,000	02/04/2014
Glasgow City Council	2,520	01/04/2014
Glasgow City Council	5,000	02/04/2014
Merthyr Tydfil County Borough Council	1,000	03/04/2014
Newport City Council	4,860	04/04/2014
Plymouth City Council	2,000	01/04/2014
Plymouth City Council	3,250	01/04/2014
West Yorkshire Police	3,000	04/04/2014
Wrexham County Borough Council	3,500	01/04/2014
<b>Total</b>	<b>27,130</b>	

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

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

### **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 market movements for the 2014/15 financial year. The possible impact of movements is shown in the following tables:

Asset type	31/03/14 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
UK Equities	462,816	11.5	516,040	409,592
Overseas Equities	1,112,695	11.6	1,241,768	983,622
Bonds	448,935	4.8	470,484	427,386
Property	130,201	2.7	133,716	126,686
Cash	73,749	0.1	73,823	73,675
<b>Total</b>	<b>2,228,396</b>		<b>2,435,831</b>	<b>2,020,961</b>

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

A movement in interest rates of 1% for the 2014/15 financial year would have the following effect:

Asset type	31/03/14 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Fixed interest securities	448,935	453,424	444,446
Cash deposits & balances	66,780	67,448	66,112
<b>Total</b>	<b>515,715</b>	<b>520,872</b>	<b>510,558</b>

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

A movement in currency exchange rates of 5.4% would have the following effect:

Asset type	31/03/14 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Equities	1,112,695	1,172,781	1,052,609
Overseas Fixed Interest	18,378	19,370	17,386
Overseas Pooled Property	16,098	16,967	15,229
<b>Total</b>	<b>1,147,171</b>	<b>1,209,118</b>	<b>1,085,224</b>

**RHONDDA CYNON TAF**  
**ANNUAL GOVERNANCE STATEMENT**  
**ANNUAL GOVERNANCE STATEMENT**

<b>1.</b>	<b>Scope of Responsibility</b>
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- 1.1 Rhondda Cynon Taf County Borough Council (The Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In addition, the introduction of the Local Government (Wales) Measure 2009 identifies that the Authority has a 'general duty to improve'.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.
- 1.3 The Council's Annual Governance Statement aims to provide an accurate representation of the governance arrangements in place for financial year ending 31<sup>st</sup> March 2014 and to highlight those areas where improvement is needed.

<b>2.</b>	<b>The Purpose of the Governance Framework</b>
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- 2.1 The governance framework comprises the systems and processes, and cultural values, by which the 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.
- 2.2 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.
- 2.3 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.
- 2.4 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 aims and objectives, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.



2.5 The governance framework outlined below has been in place at Rhondda Cynon Taf County Borough Council for the year ended 31<sup>st</sup> March 2014 (and up to the date of approval of the 2013/14 annual Statement of Accounts).

<b>3.</b>	<b>The Governance Framework</b>
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3.1 The Council has used the Chartered Institute of Public Finance and Accounting / Society of Local Authority Chief Executives (CIPFA / SOLACE) 'Delivering Good Governance in Local Government Framework' in compiling its Annual Governance Statement. This framework illustrates best practice and recommends that local authorities must be able to demonstrate compliance with the six principles of good governance:

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Making informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of Members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

3.2 The Council has applied these principles to structure its Annual Governance Statement for financial year ending 31<sup>st</sup> March 2014.

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

Developing and promoting the Council's purpose and vision for its citizens and service users

3.3.1 **Single Integrated Plan "Delivering Change"**

3.3.2 During 2013/14, the Council adopted the Rhondda Cynon Taf Local Service Board Single Integrated Plan ([www.rctcbc.gov.uk/singleplan](http://www.rctcbc.gov.uk/singleplan)), "Delivering Change" (hereinafter 'The SIP'). In accordance with Welsh Government guidance, "[Shared Purpose, Shared Delivery](#)," the SIP immediately replaced a number of different partnership plans previously in place, including the:

- Community Strategy;
- Children & Young People's Plan;
- Health Social Care and Well Being Strategy;
- Community Safety Plan;
- Local Housing Strategy.

3.3.3 The joint vision of the Local Service Board is stated within the Single Integrated Plan "Delivering Change" as follows:

*"People in Rhondda Cynon Taf are safe, healthy and prosperous."*

- 3.3.4 In agreeing the SIP on the 19<sup>th</sup> March 2013 (in line with the Welsh Government deadline of 1<sup>st</sup> April), the Local Service Board communicated and set the strategic direction for organisations in Rhondda Cynon Taf. The SIP was subsequently reported to and adopted by the Full Council at its meeting held on 22<sup>nd</sup> May 2013.
- 3.3.5 The SIP is now used as the strategic driver for the Corporate Plan<sup>1</sup> within the Local Authority, and to shape the University Health Board's corporate priorities and the Police & Crime Commissioner's Crime Reduction Plan.
- 3.3.6 **Rhondda Cynon Taf County Borough Council's Corporate Plan 2013/14-2015/16**
- 3.3.7 In accordance with the underpinning guidance set out in the Local Government (Wales) Measure 2009, the Council produced a Corporate Plan 2013/14 – 2015/16. The Corporate Plan was presented and approved at the Full Council meeting held on 26<sup>th</sup> June 2013 ([Full Council – Approval of Corporate Plan](#)).
- 3.3.8 The Corporate Plan includes the following improvement priorities for 2013/14:
- Public health and protection – protecting people from harm and tackling anti social behaviour
  - Children and family centred services - keeping all children and young people safe and improving the life chances of vulnerable children
  - Maintaining people's independence - supporting adults and older people to live independently
  - *Education* – a top quality education for all
  - Regeneration of our communities
    - Physical Regeneration - town centre enhancement; helping the private sector bring land back to productive use and supporting local business, to benefit the local economy
    - Social Regeneration - Income maximisation initiatives, help with employability, skills training and tackling labour market disadvantage
  - Streetcare services and the natural environment – a cleaner greener County Borough
  - Medium term service planning – delivering within our means
- 3.3.9 The improvement priorities for 2013/14 were informed by the Outcomes in the Single Integrated Plan (“Delivering Change”); an assessment of performance levels; recommendations reported by external regulators; legislative changes; the increasingly difficult financial climate; feedback from stakeholders; and Welsh Government national priorities as set out within ‘Programme for Government’.
- 3.3.10 A copy of the Corporate Plan 2013/14 – 2015/16 can be found at the following link: [Corporate Plan 2013/14 – 2015/16](#)
- 3.3.11 During 2013/14, the Council's external auditor, the Wales Audit Office, reviewed the Council's Corporate Plan in line with their statutory responsibilities. A full

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<sup>1</sup> Corporate Plan – a public document produced annually and approved by the Full Council of RCTCBC each year, setting out its improvement priorities for the financial year ahead

copy of the report was presented to Council on 27<sup>th</sup> November 2013 (Item 7 - [WAO Improvement Assessment](#)). In summary, their conclusion was that:

*'.....the Council's improvement objectives and its annual improvement plan, the Corporate Plan 2013-14 – 2015-16, (the Plan), met the requirements of the Measure for 2013-14.*

*The Council published its Plan in June 2013, setting out the Council's seven priorities for improvement over the next three years. The Plan has a clear structure, and uses plain language to outline the improvement priorities and the detail of them. The Plan explains the rationale for the selection of improvement priorities, the outcomes the community can expect if they are achieved, and illustrates the information that will be used to measure the impact. The Plan sets out the activities designed to help achieve the specified outcomes that include critical improvement actions, milestones and measures of performance.'*

3.3.12 The WAO Improvement Assessment did provide feedback where the Council has scope to improve in this aspect of its work as follows:

*'My audit and assessment work has identified scope to strengthen the Plan in one important aspect. Where the Council is using performance indicators (whether statutory, standard or local) as measures of success in achieving its improvement objectives, baseline and targeted performance data is needed to clearly express the scale of the Council's improvement ambitions. In the current version of the Plan, this necessary data is missing from a significant proportion of success measures. I describe this issue in more detail in the next section of this letter.*

*The Council should also act more in accordance with Welsh Government guidance to publish its improvement plans and performance information in ways which facilitate wider engagement with those it serves and to stimulate dialogue on its priorities and progress towards meeting them. The Council considers the Corporate Plan to be a technical document, and therefore of limited public interest. However, the two-page summary does not contain sufficient information to provide a general readership with a fair and balanced overview of the Council's priorities and improvement objectives, and how these are intended to improve outcomes for citizens.'*

### **Rhondda Cynon Taf County Borough Council's Annual Delivery Report**

3.3.13 In October 2013, the Council produced a document called an Annual Delivery Report that assessed the Council's performance against its improvement priorities for the 2012/13 financial year.

3.3.14 The Annual Delivery Report used the Council's Performance Indicators in order to measure progress and delivery. Within the Improvement Assessment letter from the Wales Audit Office dated 16<sup>th</sup> October 2013, reference was made to the Council's performance management arrangements:

*'.....the Council's ability to monitor and evaluate progress in achieving its improvement priorities may be compromised:*

- *For some improvement priorities, whilst measures of success are defined the Council has chosen not to set targets for achievement but rather to monitor direction of travel over time.*

- *In improving its Plan this year the Council has introduced some new local success measures. For these new measures, reliable baseline data will not be available until the end of 2013-14, so the Council has been reluctant to set targets.*
- *In some instances where targets have been set in relation to specific measures of success the rationale for that target is not set out in the Plan. A clear rationale would be helpful in understanding the scale of the Council's improvement ambition in the context of the challenges it faces, particularly where future targets represent a maintenance or reduction in performance over time.*
- *My audit of a sample of local success measures identified instances where their definition was unclear and, in some cases, inconsistent with the data being collected. Also, there are no routine quality assurance processes in place for checking the accuracy of some local measures.*

*The Council recognises that it needs to address these important issues. Accordingly, it has commissioned Internal Audit to undertake an urgent review of a wider sample of its locally defined success measures in order to gain assurance as to their quality and accuracy, and to identify the rationale for any associated targets. The findings of this work will be used to inform member scrutiny of the Council's Annual Review and Evaluation of Performance 2012-2013 prior to its publication in October 2013.'*

3.3.15 Internal Audit undertook a review of 28 local performance indicators in September 2013, the outcome of the review resulted in assurance being provided for 20 of the performance indicators with recommendations made to strengthen the controls in place around the Council's performance management arrangements. The findings of the Internal Audit work resulted in 8 performance indicators not being included/referred to in the Annual Delivery Report.

3.3.16 In an effort to increase scrutiny of key documents such as the Annual Delivery Report, each Scrutiny Committee was asked to 'review and challenge' the draft assessment prior to submission to Full Council. Following this process, the Annual Delivery Report was reported to and approved by Full Council on 30<sup>th</sup> October 2013 (Item 6 - [Annual Delivery Report](#)).

Ensuring that users receive a high quality of service by working in collaboration

3.3.17 The Council works in partnership with a number of organisations in order to provide services to users that are of the highest possible quality. Examples of such arrangements include the Cwm Taf Safeguarding Children Board, the Central South Consortium Joint Education Service and the Joint Waste Procurement Project.

*Cwm Taf Safeguarding Children Board*

3.3.18 The Cwm Taf Safeguarding Children Board (CTSCB) is the operating title of the former Rhondda Cynon Taf Local Safeguarding Children Board and Merthyr Tydfil Local Safeguarding Children Board which merged in June 2012 to form the Cwm Taf Board. It is a multi-agency partnership which coordinates the safeguarding of children in the area. It is made up of the following statutory partners: Cwm Taf University Health Board, South Wales Police, Wales Probation Trust, Rhondda Cynon Taf and Merthyr Tydfil County Borough

Council's Children's Services, Education, Youth Offending Service, Housing Services and the Voluntary Sector.

- 3.3.19 The primary responsibility of the CTSCB is to co-ordinate the work of partners to safeguard and promote the welfare of children and ensure its effectiveness. It monitors how well agencies and other partnerships undertake their work with regard to safeguarding and ensures safeguarding is embedded in all working practices.
- 3.3.20 The Cwm Taf Safeguarding Children Board aims to meet its statutory requirements as prescribed in section 32(1); of The Children Act 2004 by ensuring the following are met:
- to coordinate what is done by each person or body represented on the Board for the purposes of safeguarding and promoting the welfare of children in the area of the authority by which it is established ; and
  - to ensure the effectiveness of what is done by each such persons or body for those purposes.
  - to ensure that partner members fulfil their obligations for disseminating the Board's information to their own organisation
- 3.3.21 The Cwm Taf Safeguarding Children Board's aim is to ensure that policies and procedures are in place to protect children and that they are properly co-ordinated under Section 28 of the Children Act 2004.
- 3.3.22 The first annual report of the CTSCB for 2012/13 was presented to the Council's Community & Children's Service Scrutiny Committee on the 28<sup>th</sup> January 2014 ([CTSCB - Annual Report 2012/13](#)).
- Central South Consortium Joint Education Service*
- 3.3.23 The Central South Consortium Joint Education Service (CSC) replaced the Education & School Improvement Service (ESIS) with effect from 1<sup>st</sup> September 2012 and serves:
- Bridgend County Borough Council;
  - Cardiff Council;
  - Merthyr Tydfil County Borough Council;
  - Rhondda Cynon Taf County Borough Council; and
  - Vale of Glamorgan County Borough Council.
- 3.3.24 The responsibilities of the CSC, combined, cover the needs of approximately 426 schools and 144,000 pupils in the region of the Central South Consortium Joint Education Service.
- 3.3.25 The CSC aims to work alongside schools to enable headteachers to lead improvement within and across schools, to develop and share practice and increase opportunities for constructive challenge and disciplined support.
- 3.3.26 The CSC is hosted by Rhondda Cynon Taf County Borough Council for the purposes of an employing authority and provision of back office functions (HR, finance, legal and IT). The legal agreement sets out the financial agreements that the host may enter into for the provision of services in the delivery of host

functions. All staff are employed under Rhondda Cynon Taf County Borough Council's terms and conditions and the main operating procedures (HR, Financial Procedure Rules and Contract Procedure Rules for example) belong to that of the host.

- 3.3.27 The CSC has a Joint Committee the terms of reference for which are included within the Legal Agreement. The Joint Committee consists of two elected Members from each Council from the consortium together with one senior officer representative with responsibility for Education from each Council.

*Joint Waste Procurement Project*

- 3.3.28 Tomorrow's Valley Joint Waste Procurement Project is a partnership process between Rhondda Cynon Taf, Merthyr Tydfil and Newport Councils.
- 3.3.29 The first strand of the partnership has been delivering a waste treatment solution that will deal with all food waste collected by the partner authorities and create green energy for 1,500 homes.
- 3.3.30 The results of the procurement exercise means a processing plant has been designed, and is currently being built at the Council's Bryn Pica site. The three authorities will provide guaranteed tonnages to the facility and will pay a gate fee for every tonne of material they each supply.
- 3.3.31 As lead Authority for the project the Council has entered into a legal contract with the contractor. A separate inter-authority legal agreement sets out the terms and conditions governing the relationship between the three authorities including governance arrangements overseen by a Project Board.

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

Setting out clear roles and responsibilities

- 3.4.1 The Council's Constitution was adopted in May 2002 and sets out how it should operate, how decisions need to be made and the procedures to be followed to ensure they are efficient, transparent and available to local people. Since that time, amendments have been made with the aim of ensuring the document remains fit for purpose.
- 3.4.2 An overview is provided in Part 1 of the Constitution (Summary and Explanation) and Part 2, Articles of the Constitution explain the right of citizens and how key parts of the Constitution operate including the roles and responsibilities of Council, the Executive, the Overview and Scrutiny Committee, the four Service Scrutiny Committees, Regulatory Committees (Planning & Licensing), Democratic Services Committee; and the roles and responsibilities of senior officers, specifically the Head of Paid Service (Chief Executive), Chief Finance Officer (Corporate Services Group Director) and Monitoring Officer (the Director of Legal and Democratic Services).

- 3.4.3 Terms of reference are in place for Council, Standing Committees and other committees, these being last updated in May 2012. In addition, terms of reference were established for a new committee, the Corporate Governance & Constitution Committee, that met for the first time on 10<sup>th</sup> October 2013 ([Corporate Governance & Constitution Committee](#)). During 2013/14 the Corporate Governance & Constitution Committee began the process of reviewing the 'All Wales Modular Constitution', the recommendations thereafter will be presented to Council during 2014/15.
- 3.4.4 Forward work programmes for Cabinet, the Overview and Scrutiny Committee and the four Service Scrutiny Committees are available on the Council's internet site. Each work programme set out the specific meetings that would consider financial and operational performance information together with other key themes within the terms of reference of each scrutiny committee.
- 3.4.5 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Corporate Management Team. The Corporate Management Team also consisted of:
- The Corporate Services Group Director (the position designated to fulfil the statutory role of Section 151 officer i.e. the Chief Finance Officer)
  - The Director of Legal and Democratic Services (the Monitoring Officer)
  - The Group Director for Community and Children's Services
  - The Director of Education and Lifelong Learning
  - The Group Director of Environmental Services
  - The Director of Human Resources
- 3.4.6 During September 2013 the Chief Executive announced his intention to retire on the 24<sup>th</sup> March 2014. Following the required recruitment process, the Council's Appointments Committee resolved to appoint a successor (the then Group Director Corporate Services within Rhondda Cynon Taf County Borough Council) at their meeting dated 18<sup>th</sup> October 2013 with the decision being ratified by Full Council on the 30<sup>th</sup> October 2013.
- 3.4.7 As a direct result of the appointment of the 'new' Chief Executive and as part of the Council's workforce planning arrangements, a review was undertaken of the Council's Senior Financial Management Team. The outcome of the review was presented to the Appointments Committee held on the 19<sup>th</sup> November 2013. The Appointments Committee resolved to recommend to Council the appointment to the posts of Group Director Corporate Services (Section 151 Officer) and Director of Financial Services. The posts were filled with existing senior officers.
- 3.4.8 The recommendations of the Appointments Committee were ratified by Full Council on the 27<sup>th</sup> November 2013.
- 3.4.9 During 2013/14 and in accordance with best practice, the statutory role of Section 151 officer within Rhondda Cynon Taf County Borough Council (Chief Financial Officer) complied with the principles outlined in the CIPFA document 'The Role of the Chief Financial Officer' as follows:

- 1 is 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;
- 2 is 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
- 3 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:

1. leads and directs a finance function that is resourced to be fit for purpose; and
- 5 is professionally qualified and suitably experienced.

- 3.4.10 At an officer level, a scheme of delegation framework was in place setting out the levels of authority assigned to pre-determined posts. During February 2014 a review of the Scheme of Delegation template commenced, the template was updated and a team put in place tasked with ensuring the contents of the new template were being consistently applied across the Council.

#### Effective communication between elected Councillors and officers

- 3.4.11 A protocol is in place, 'Protocol for Member/Officer Relations' to promote the effective communication between elected Councillors and officers. More specifically, an elected Councillor has been allocated specific responsibility to review, in consultation with the Council's Director of Financial Services, each quarterly Performance Report and summarise financial and operational performance results, areas of positive performance and also where improvements were required. The outcome of these reviews were quarterly Exception Reports for the five Overview and Scrutiny Committee and each of the four Service Scrutiny Committees to help elected Councillors focus on the most important issues at each meeting. Full copies of quarterly Performance Reports were also made available via the website.

#### Terms and conditions of elected councillors and officers

- 3.4.12 Every elected Councillor has signed up to his/her individual Role Description which is published on the Council's website and inserted into the Constitution (Part 8). A 'Record of Payments to Members' for the 2012/13 financial year was published in the September 2013 edition of the Council's newspaper, Outlook.
- 3.4.13 Employees have contracts of employment and competency based job descriptions which set out grade, roles and responsibilities. The Human Resources Service oversees terms and conditions of employment and the Council has a suite of policies and procedures that are available on the internal Intranet for officers to access.
- 3.4.14 In line with the Accounts and Audit (Wales) Regulations 2005 (as amended), local authorities must disclose in their accounts the number of employees whose remuneration in the year fell in each bracket of a scale in multiples of £5,000 commencing at £60,000 (excluding employer pension contributions). This requirement was met within the Council's Statement of Accounts for 2013/14



### Clarity of roles for partnership working

- 3.4.15 Following publication and adoption of the SIP, the structure of Strategic Partnership Boards in Rhondda Cynon Taf was refreshed and refocused to reflect the outcomes the Local Service Board are aiming to achieve. It was agreed to establish three Strategic Partnership Boards, 'Safety'; 'Health' and 'Prosperity'.
- 3.4.16 In line with the Audit Commission report, "Governing partnerships" (2005), the revised partnerships agreed new Terms of Reference in 2013, outlining key principles to inform, promote and manage collaborative arrangements and help ensure that these operate efficiently and effectively. It was agreed that each quarterly meeting of the Local Service Board would focus on one outcome of "Delivering Change", with the final meeting of the year serving as an annual review.
- 3.4.17 Alongside revised partnership arrangements, a Local Service Board scrutiny function was also introduced in 2013/14. The [function and Terms of Reference](#) of this group were approved by the Council's Overview & Scrutiny Committee in April 2013.
- 3.4.18 A regional board, the Cwm Taf Regional Collaboration Board, which consists of public service leaders across Merthyr Tydfil and Rhondda Cynon Taf also exists to facilitate public service reform and collaboration, through focussing on national deliverables and a set of key partnership projects to drive forward improvement in public services at a regional level (Terms of Reference as agreed in March 2012). The Board met five times during 2013/14.

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

3.5.1 Good governance flows from a shared ethos and culture, as well as from systems and structures. As a public body, Rhondda Cynon Taf County Borough Council expects all representatives (i.e. Members and Officers) to conduct their duties with the highest levels of honesty and integrity. Policies underpin the culture in place.

3.5.2 The Council has a series of codes, protocols and policies in place including:

#### **Codes and Protocols**

- Members' Code of Conduct
- Protocol Standard of Conduct expected by members
- Officers' – 'Basic Rules' Booklet
- Protocol for Member/Officer Relations

#### **Policies**

- Financial Procedure Rules;
- Contract Procedure Rules;
- Anti-Fraud, Bribery & Corruption Policy and Procedure;
- Whistleblowing Policy;
- Human Resources policies
- Gifts and Hospitality Policy

3.5.3 Where Members and/or Officers do not undertake their duties in accordance with the expected standards then the Council's governance arrangements are in place to manage this process in an equitable, fair and transparent manner.

Defined standards of behaviour for elected councillors

3.5.4 A Members' code of conduct is in place setting out the standards that are expected by elected Councillors in fulfilling their roles. All elected Councillors signed up to the code following the local government elections in May 2012.

3.5.5 In addition, a 'Standard of Conduct Expected by Members' is in place, setting out the expected conduct of elected Councillors when dealing with each other. The Terms of Reference for the Council's Standards Committee ([Standards Committee - TOR Page 62](#)) has a key responsibility in ensuring that Councillors have undergone the necessary Code of Conduct training, this is also monitored by the Democratic Services Committee.

3.5.6 The Council's Standards Committee met on 5 occasions throughout 2013/14, a primary responsibility being to monitor the conduct of Members and also investigate allegations of misconduct by Members (that fall below the threshold for investigation by the Public Services Ombudsman Wales).

3.5.7 All complaints relating to the conduct of elected members are referred to the Public Services Ombudsman. The Public Services Ombudsman is currently investigating two cases.

Defined standards of behaviour for officers

3.5.8 The Council has a number of recruitment and selection Policies in place that help to ensure that new recruits have the integrity and ethical values of the organisation and also the competencies to undertake the duties required of them.

3.5.9 Each new recruit is provided with the 'Basic Rules – A Guide For Employees' booklet that gives each employee information in relation to (amongst other things) expected behaviour, use of social media, appearance and attendance. The expectations of each employee are set out from the very outset.

Procedures for monitoring compliance with the Gifts & Hospitality Policy

3.5.10 A gifts and hospitality register is maintained by the Director of Legal and Democratic Services for elected Councillors and by each Group Director at an officer level.

**Customer Care Charter**

3.5.11 The Council has a Customer Care Charter in place that sets out the standards the Council seeks to achieve when dealing with customers on a day to day basis. The Charter includes key aims and also includes a suite of measurable 'Service Standards' by which customers can assess the Council in terms of the service it has delivered. This is implemented through its key contact arrangements.

- 3.5.12 Compliments received are acknowledged and brought to the attention of the manager and staff member(s) concerned. Comments received should be acknowledged and once evaluated, used to improve service delivery (if possible).
- 3.5.13 Beyond this a separate [Complaints & Concerns Policy](#) was established in March 2013. The Policy sets out the protocols in place when the Council receives and investigates any complaint made against its officers. Complaints are dealt with in two stages. In the event that the customer is dissatisfied, customers are advised to refer the matter to the Public Services Ombudsman for Wales.
- 3.5.14 The Complaints & Concerns Policy does not apply to, for example, complaints relating to Social Services. These are dealt with separately by the Representation and Complaints Unit (within the Community and Children's Services Group) and provide an opportunity for service users and carers to:
- Make complaints, comments and representations about the nature, quality, availability or delivery of a service
  - Suggest improvements
  - Challenge decisions.
- 3.5.15 There are separate sets of regulations for services to children and adults and these were brought together into a common framework and one body of guidance called 'Listening and Learning'. The Representations and Complaints Unit policy reflects the key themes and principles contained in the 'Listening and Learning' guidance.
- 3.5.16 On the 4<sup>th</sup> December 2013, the Community and Children's Services Scrutiny Committee considered a Social Services Annual Complaints Report for 2012/13 ([Annual Complaints Report](#)). The conclusion from the annual report was that: *'Social Services continue to provide a robust and effective complaints procedure in line with the statutory requirements. Complaints are seen as providing valuable customer feedback, with the information from complaints providing valuable lessons learnt when planning and improving services to meet the needs of our customers.'*
- 3.6 **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**
- 3.6.1 The [Council's Constitution](#) sets out how the Council must operate and the process for policy and decision-making.
- 3.6.2 Full Council is made up of seventy five elected Councillors. The Cabinet consists of ten elected Councillors:
- A leader
  - A deputy leader
  - Eight Cabinet members
- 3.6.3 Full Council is required by law to approve, amongst other things, the Council's annual revenue budget, three year capital programme, annual Treasury Management Strategy and the formal Council Tax resolutions each year – these being reported to and approved by Council during February and March 2013 for the 2013/14 financial year. Other decisions are the responsibility of the Executive

(Cabinet). Cabinet meetings are open to the public except where items are exempt under the Access to Information Procedure Rules.

Develop and maintain open and effective mechanisms for documenting evidence for decisions

3.6.4 All committee agendas and reports were made public on the Council's internet site 5 working days prior to the meeting (excluding special / extraordinary meetings).

3.6.5 Where decisions were taken by Council and / or Cabinet throughout 2013/14, these have been based on written reports that set out key information (including Equality Impact Assessments where appropriate, and financial and legal implications) and options for elected Councillors to consider. The meetings were open to the public except for those exempt under the Access to Information Procedure Rules. Where decisions were made, Decision Notices were published on the Council's internet site.

Develop and maintain an effective scrutiny function which encourages constructive challenge

3.6.6 The Council's Constitution allows a decision made by the Cabinet or a Committee of the Cabinet to come into force and may then be implemented on the expiry of 5 clear working days following publication of the decision unless any 3 Scrutiny Members (from at least 2 political groups) objects to the decision. Following receipt, by the Monitoring Officer of the Call-in form duly signed by the 3 Scrutiny Members setting out the reason for the call-in, the appropriate Scrutiny Chair is informed and he/she shall convene a meeting of the Overview and Scrutiny Committee or relevant Service Scrutiny Committee on such a date as he/she may determine and the meeting will be held within 5 clear working days of the decision to call-in.

3.6.7 There may be occasions, in exceptional/reasonable circumstances, whereby a decision of the Cabinet or a Committee of the Cabinet is considered urgent and not to be the subject of any call-in. In such instances, the reasons are set out in the Decision Notice and signed by the Proper Officer and also the Mayor.

3.6.8 For the 2013/14 financial year, there were 2 call-ins.

- Medium term service planning – service change proposals Phase 1 – school admission arrangements.
- Review of School Catchment Area.

Both call-ins were considered by the Education & Lifelong Learning Scrutiny Committee. The Education & Lifelong Learning Scrutiny Committee upheld the original decision made by Cabinet.

3.6.9 The Overview and Scrutiny Committee and the four service scrutiny committees, scrutinised areas as set out in their agreed work programmes for the year 2013/14. A Scrutiny Annual Report summarising the work undertaken for 2012/13 was reported to Council on 24<sup>th</sup> July 2013 ([O&S Annual Report 2012.13](#)).

Develop and maintain an effective Audit Committee

3.6.10 Revisions were made to the membership of Audit Committee in line with the Local Government (Wales) Measure 2011 during 2012 which resulted in the appointment of a layperson to the committee who was subsequently appointed as Chairperson. This arrangement remained in place during 2013/14. The Council's Audit Committee met on 8 occasions during 2013/14.

3.6.11 The Audit Committee made specific recommendations throughout the year based on information presented. The key recommendations were:

- That the 2012/13 Annual Governance Statement be certified by the Chief Executive and Leader of the Council.
- Reviewed and commented upon the Council's draft financial statements prior to approval by Council.
- As part of a continued programme to develop the knowledge of audit committee members, they received briefings on governance, the process involved in administering DBS checks, an overview of the Financial Procedure Rules and they approved the revised Anti-fraud, Bribery and Corruption Policy and Procedure.
- The audit committee received the updated Risk Management Strategy.
- Following concerns raised by Audit Committee they requested a full review of all staff commencing duties within a school environment in order to receive assurance that the appropriate DBS processes had been followed ([Item 3 - DBS Checks](#)).

#### Arrangements to safeguard elected councillors against conflicts of interest

3.6.12 For all committee meetings held, a standard agenda item for each meeting is 'Declarations of Interest', whereby members of the committee declare any personal interests in accordance with the code of conduct. This information is recorded, appropriate action taken (for example, the declaration 'noted' and if a declaration is of a prejudicial nature then member leaves the meeting at the point of discussing the specific agenda item) is included in the publicly available minutes of each meeting.

3.6.13 During 2013/14 a new declaration form was introduced and members were given the opportunity to attend training sessions (37 members attended these sessions). Over and above this, a training session was delivered at a meeting of Full Council (where 60 members attended) on the 15<sup>th</sup> January 2014.

#### Embedding risk management into the culture of the Council

3.6.14 The Council has in place a range of processes and procedures to identify, manage and mitigate risk as far as are reasonably practicable in the delivery of its services. These include asset, financial, human resource and performance management arrangements together with an Internal Audit function, and play a central role in helping the Council deliver, in general, positive performance results.

3.6.15 As part of an on-going review of these activities, the Council's revised Risk Management Strategy setting out the overall purpose and framework of risk management within the Council was approved by Cabinet on the 19<sup>th</sup> March 2014 ([Item 6 - Risk Management Strategy](#)).

- 3.6.16 At this meeting, Cabinet resolved that a programme of work commences to update existing governance arrangements to comply with the strategy, as follows:
- Report the approved Risk Management Strategy to Audit Committee;
  - Establish a suite of Strategic Risks linked to the Council's improvement priorities; and
  - Establish arrangements to publicly report updates on Strategic Risks linked to the Council's improvement priorities.

3.6.17 The Risk Management Strategy was reported to the Council's Audit Committee on 31<sup>st</sup> March 2014. Work to devise the strategic risk register along with developing the reporting arrangements of the strategic risks will take place during the early part of 2014/15.

3.6.18 The absence of a formal risk management strategy and risk register was identified as a significant governance issue facing the Council during 2013/14. Considerable work has been undertaken in order to address these issues and progress is well underway to embed risk management within the Council. The risk management toolkit will also help Managers during 2014/15 to identify and manage risks.

### 3.7 **Developing the capacity and capability of members and officers to be effective**

3.7.1 The Council aims to ensure that Members and employees of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well-trained and competent people in effective service delivery.

#### Elected Councillor Training & Development

3.7.2 The Authority has in place a Member Development Strategy which has been adopted by the Democratic Services Committee. The Strategy aims to demonstrate the Council's commitment to Member development and highlights that Members have the ability to determine their own unique path of learning throughout their terms of office, by ensuring continual dialogue with officers responsible for delivering and facilitating learning opportunities.

3.7.3 Together with the criteria as set by the WLGA, the Strategy is used as a tool for maintaining the Advanced Charter in Member Support Wales. The Authority attained the first level of the Charter in 2007 and the Advanced Charter in 2010.

3.7.4 Members are consulted on an annual basis on development opportunities that may be incorporated into the 'Elected Member Development Programme'. The programme aims to include a diverse range of courses for members.

3.7.5 Training sessions for Members were delivered in a range of ways from formal sessions to one-to-one sessions.

3.7.6 Personal Development Reviews are the way for a Member and/or officer to mutually assess a Member's personal development needs (set within the context of the role of the Member), his/her aspirations for what he/she hopes to achieve, the purpose and aspirations of the Council and the needs of the Community.

- 3.7.7 The purpose of the PDR is to enable Members to build confidence, develop skills and knowledge and improve their own performance and contribution to the Council and the Community.
- 3.7.8 All Members and co-opted Members to other Committees such as Overview and Scrutiny have a Role Description and are given the opportunity to undergo a PDR.
- 3.7.9 PDR's are not performance reviews or appraisals or indeed an assessment of how well or how bad a Member has conducted their duties. It is purely a review of training and development needs and is held in the strictest of confidence between the reviewer and the reviewee.
- 3.7.10 Whilst the systems are in place that aim to ensure Members can be effective in their role, the take up for some courses during 2013/14 was lower than anticipated and this matter is being monitored by the Democratic Services Committee and through the PDR process. Member Development Conferences are held on a quarterly basis prior to meetings of the Council to try and achieve a higher level of Member attendance and Members receive presentations on, for example, Welfare Reform, Affordable Warmth and training on Corporate Parenting.

#### Workforce Development

- 3.7.11 The Council has a Workforce Development Strategy that aims to ensure it develops a motivated, appropriately skilled, diverse and outward-looking workforce capable of delivering high quality services to the Community it serves. Workforce planning also formed a key part of the Council's Medium Term Service Planning improvement priority area.
- 3.7.12 To support the Workforce Development strategy, a Managing People and Performance Managers Guide and a separate Employee Booklet is in place. These documents aim to support managers and employees to get the most from workforce development discussions via a performance focused, flexible approach. The Human Resources Service is working to help ensure these processes are embedded into the culture of services. During 2013/14 the Human Resources Service held a number of sessions with Managers in order to receive feedback on the approach with the aim of providing help and advice and also to ensure that the corporate framework is being implemented.
- 3.7.13 A range of training and development activities have taken place during the year together with specific initiatives to develop the workforce over the longer term.

#### Statutory officers have the skills, resources and support necessary to perform their roles effectively

- 3.7.14 Business and budget planning arrangements ensured that necessary resources and plans were in place to meet the responsibilities of statutory officers. This included the resource levels to maintain robust financial management arrangements and the timely closure of accounts.

Ensuring an organisation structure is in place to encourage development

3.7.15 The organisation structure for the Council is in line with the revised pay and grading arrangements introduced in June 2011. A number of approved temporary positions and honorarium arrangements have been in place during the year to support specific projects and allocation of additional responsibilities. Where this is the case, it has provided officers with opportunities to learn new skills with the aim of further enhancing future employment prospects.

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

3.8.1 As part of the SIP, a cross-partnership public engagement strategy, 'Involving People', was published for consultation during September – December 2012 and approved by the Local Service Board on 19<sup>th</sup> March 2013. This sets out four key principles for the Council and partner organisations to encourage individuals from all sections of the community to engage with the work of the Council and its partners. These include:

- A consistent approach to public engagement;
- ensuring engagement is core business;
- promoting and publicising engagement opportunities and;
- developing better ways of communicating

3.8.2 'Involving People' aims to increase meaningful engagement within the planning and implementation of service delivery within Local Authority, Health, Police and Voluntary services. 'Involving People' underpins the engagement for the SIP which sets the strategic direction for partnership working in Health, Safety and Prosperity.

3.8.3 In addition to the 'Involving People' strategy, during May 2013 the Council adopted the National Principles for Public Engagement in Wales.

3.8.4 The Council has a joint Citizen Panel with Merthyr Tydfil County Borough Council who can take part in consultation and engagement activity as and when required.

3.8.5 A collaborative arrangement commenced during 2012/13 with Merthyr Tydfil County Borough Council to establish a joint consultation and engagement project to enable a coordinated partnership approach to consultation activity across the Local Service Boards of both areas, under the lead of the Cwm Taf Regional Collaboration Board.

3.8.6 This project runs until December 2014 and in 2013/14 delivered the following;

- Development of an online consultation Hub to enable the public to view all engagement activity from partners in one place and for partners to be able to join up and deliver projects directly through the hub. Alongside the main project is the development of a young person's version.
- The Joint Citizen's Panel.
- A programme of training in consultation and engagement for staff in all partner organisations.
- The first steps to the introduction of a joint engagement strategy, building on the work already undertaken in Rhondda Cynon Taf.



- Investigated the use of social media as a method to engage with the community.
- 3.8.7 In order to maximise opportunities to collaborate and to also reduce duplication, an annual consultation and engagement audit is undertaken across Council services and its partners to establish what activity is planned for the year ahead.
- 3.8.8 In 2013/14 the Council undertook a wide range of consultation, activity included:
- Budget Consultation 2014/15
  - Service Changes Phase 1
  - Service Changes Phase 2
  - Empty Property Survey
- 3.8.9 The Council feeds back the results of consultation and engagement using a variety of methods including online, the Cwm Taf Consultation Hub and newsletters.
- 3.8.10 Results of specific consultation activities are reported to service managers and where appropriate the reports may be fed back to the Council's Corporate Management Team and/or Cabinet. For example, the results of the Council's annual revenue budget consultation process and the service change consultation phases were reported to Cabinet.
- 3.8.11 To help ensure robust public accountability the Council also has a Publication Scheme which is issued in accordance with its responsibilities under the Freedom of Information Act 2000.
- 3.8.12 The Council's Information Management plan sets out a framework for Information Management. It provides a comprehensive and corporate approach to all aspects of information management and assurance. It seeks to apply consistent, corporate policies and standards of information management across all Council held electronic and paper based information, provide awareness and training to employees and enable effective information sharing across our wider collaboration and partnership agenda. In doing so, it reflects the increasing legal framework that is now imposed on public sector bodies through legislation such as the Data Protection Act (1998), Freedom of Information Act (2000), Computer Misuse Act (1990) and the requirements for respect for private life and freedom of expression under the Human Rights Act 1998. In addition, the arrangements seek to embrace good practice standards by the Information Commissioners Office and the Wales Accord for the Sharing of Personal Information (WASPI).
- 3.8.13 During April 2013 the Wales Audit Office undertook a review of information management and concluded that *"Good progress has been made on all six proposals for improvement, strengthening and broadening the Council's arrangements for the governance and management of its information asset."*
- 3.8.14 A key component of the Council's arrangements is to ensure 'accreditation' to the Public Service Network (PSN) on an annual basis. The 'PSN' is the Council's connection to the wider public sector network (Council to Council. Council to Government e.g. DWP etc) to enable the Council to communicate and share

data securely across all public bodies. The Council must meet rigorous compliance requirements and attain re-accreditation in September 2014.

#### **4 Group Companies**

- 4.1.1 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.
- 4.1.2 The directors of the companies are responsible for ensuring there are sound governance arrangements including a robust system of internal control.
- 4.1.3 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.
- 4.1.4 During 2013/14, there have been no significant governance issues that have been identified by the Amgen Company directors, internal auditors or external auditors.

#### **5. Pension Fund**

- 5.1.1 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;
- Statement of Investment Principles which details how Fund investments are managed;
- Funding Strategy Statement which provides a summary of how we will fund our pension liabilities.

All of these documents can be found at the following link:

[www.rctpensions.org.uk](http://www.rctpensions.org.uk)

During 2013/14 no significant governance issues have been identified with regard to the Pension Fund.

<b>6.</b>	<b>Review of Effectiveness</b>
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- 6.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work conducted by external agencies, internal arrangements as well as performance management arrangements.
- 6.2 Throughout 2013/14 the Council's system of internal control has been continuously reviewed and monitored in a number of ways. Examples of inspections from key regulators include:

**Wales Audit Office (the Council's appointed External Auditor)**  
Improvement Assessment

- 6.3 The Wales Audit Office issued its Improvement Assessment Letter on the 16<sup>th</sup> October 2013. The Letter was reported to [Council on the 27th November 2013](#) with the high level feedback being:
- The Council has discharged its improvement planning duties under the Measure. However, it should ensure that it acts more in accordance with Welsh Government guidance.
    - the Council's improvement objectives and its annual improvement plan, the *Corporate Plan 2013-14 – 2015-16*, (the Plan), met the requirements of the Measure for 2013-14.
    - .....scope to strengthen the Plan in one important aspect. Where the Council is using performance indicators (whether statutory, standard or local) as measures of success in achieving its improvement objectives, baseline and targeted performance data is needed to clearly express the scale of the Council's improvement ambitions.
    - The Council should.....publish its improvement plans and performance information in ways which facilitate wider engagement with those it serves and to stimulate dialogue on its priorities and progress towards meeting them.
  - .....the Council is likely to comply with the requirement to make arrangements to secure continuous improvement during this financial year.
    - The Council continues to make good progress in addressing the proposals for improvement identified in previous assessments.
    - The Council is taking action to strengthen its arrangements to monitor, evaluate and report progress against its improvement objectives
    - In general, the intended direction of travel is clear.....however; in combination, the following issues mean that the scale of and rationale for the Council's ambition is unclear and/or, more crucially, that the Council's ability to monitor and evaluate progress in achieving its improvement priorities may be compromised:
      - For some improvement priorities, whilst measures of success are defined the Council has chosen not to set targets for achievement but rather to monitor direction of travel over time.
      - .....the Council has introduced some new local success measures.....reliable baseline data will not be available until

- the end of 2013-14, so the Council has been reluctant to set targets.
- In some instances where targets have been set in relation to specific measures of success the rationale for that target is not set out in the Plan. A clear rationale would be helpful in understanding the scale of the Council's improvement ambition in the context of the challenges it faces, particularly where future targets represent a maintenance or reduction in performance over time.
  - My audit of a sample of local success measures identified instances where their definition was unclear and, in some cases, inconsistent with the data being collected. Also, there are no routine quality assurance processes in place for checking the accuracy of some local measures.
  - This is the first year that the Council will use scrutiny committees to examine and challenge the content of its public performance report prior to its approval by full Council. This challenge process is good practice and should remain a permanent fixture in the Council's forward planning calendar. My staff have agreed to facilitate 'post-project' learning with Council officers and members later this year. The Council also intends to subject its target setting arrangements to member scrutiny in order to facilitate clear expression of its improvement ambitions within next year's *Corporate Plan*.
- The Council continues to have a robust approach to achieving efficiency and resourcing planned improvements in services but is facing an unprecedented financial challenge over the medium term.
    - The Council continues to focus on stability and sustainability in terms of its finances through an effective financial management framework. It has maintained robust in-year and medium-term financial management arrangements which have supported delivery of a balanced revenue budget for 2013-14 whilst retaining a prudent level of general reserve balances.
    - further work is still required to complete the review of the current Risk Management Strategy and, in the circumstances, the Council should prioritise its work in this area.
    - The Council engaged well with other councils in Mid and West Wales and with the Wales Audit Office during our recent Improvement Study into the effectiveness of scrutiny

The WAO recommended one Proposal for Improvement, as follows:

*'P1 In order to facilitate wider engagement with those it serves and to stimulate dialogue on its priorities, the Council should provide sufficient information within its Summary Improvement Plan to provide a general readership with a fair and balanced overview of the Council's priorities and improvement objectives, and how these are intended to improve outcomes for citizens.'*

- 6.4 The Council has a proven track record of responding positively to proposals for improvement made by the Wales Audit Office and during 2014/15 this will continue to be the case.

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Statement of Accounts - report of the Appointed External Auditor

6.5 Annual Financial Audit outline

- Presented to audit committee May 2013
- Details financial audit work required to enable the Appointed Auditor to provide an opinion on the Statement of Accounts

6.6 Audit of Financial Statements Report (ISA260)

- Presented to those charged with governance (Council) by 30<sup>th</sup> September 2013 after the end of the financial year it relates to.
- The report presented on the 25<sup>th</sup> September 2013 stated that the auditor issues an unqualified audit opinion but is however unable to formally conclude and issue an audit certificate as there was an enquiry raised by a member of the public that hadn't been resolved.
- The matter was subsequently concluded and the audit certificate issued on 29<sup>th</sup> January 2014.

6.7 Annual Audit Letter

- Dated 29<sup>th</sup> November 2013
- Purpose to summarise key messages from the Appointed Auditors statutory responsibilities
- Key messages – unqualified audit opinion on the Statement of Accounts / satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness.

**Estyn**

Estyn Follow-Up Inspection January 2014

6.8 Following an inspection on the quality of the Council's education services for children and young people in March 2012, the authority was identified as requiring follow-up through Estyn monitoring visits. In November 2013, Estyn revisited the Council and reviewed the progress made against two recommendations made in the initial Estyn inspection report (2012). The two recommendations were:

- use the full powers available to the authority to improve leadership and management in schools
- reduce surplus places

6.9 The first follow up visit was positive and recognised that the Council has made a concerted effort to address the recommendations made by Estyn. The report was presented to Cabinet on the 19<sup>th</sup> February 2014 ([Estyn Follow-up Report - Cabinet](#))

6.10 Estyn fed back that since the inspection in 2012, the local authority has:

- made better use of the powers it has available for the improvement in leadership and management in its schools
- more robustly challenged its schools to improve
- reduced the number of primary schools with significant surplus capacity from 68 to 42 and reduced the number of surplus places in primary schools by 1864

6.11 Estyn confirmed that surplus places in secondary schools had increased since their previous inspection however; they recognised that the closure of three

secondary schools and a new school building in Aberdare, which is planned to open in April 2015, should reduce surplus places by approximately 900.

- 6.12 Whilst Estyn's follow-up visit has been positive there is still considerable work to be completed to ensure that the Council, working with schools, continues to raise educational standards and remove surplus places across the County Borough.

#### Estyn – Summary of Routine Visits to Schools

- 6.13 In addition to the follow-up review undertaken by Estyn November 2013, individual schools are also subject to Estyn Inspections.

- 6.14 At their meeting of 29<sup>th</sup> January 2014, the Education & Lifelong Learning Scrutiny Committee received a detailed analysis of the reports undertaken by Estyn during the Summer Term and early Autumn Term 2013 ([Estyn Summary Report](#)).

- 6.15 The report concluded:

*The Council still have too many schools that are placed in a follow-up activity following an Estyn inspection. One of the main reasons for this is the number of schools that do not compare favourably with similar schools across Wales. The position is improving as evidenced by the progress made in 2013 across all key stages and this progress needs to be sustained.*

*Many of our schools have pupils that start school with low levels of communication and social skills. Our best schools take this into account, developing effective interventions and rigorously tracking the pupils' progress evidencing improvement and the impact the school has had on these young people.*

*To improve the current levels of performance:*

- *Senior leaders need to develop their understanding of tracking of pupil progress and ensure that robust evidence is available to support this process. Inspection judgements are positive in schools where headteachers and senior leaders do this as a matter of course;*
- *Schools need to develop better ways of learning from each other and to share good practice from school to school.*

#### **Care and Social Services Inspectorate Wales**

##### Annual Review & Evaluation of Performance 2012/13

- 6.16 The CSSIW Annual Review and Evaluation of Performance 2012/13 was reported to the Community & Children's Scrutiny Committee on 28<sup>th</sup> January 2014 ([CSSIW - Annual Report 2012/13](#)).

- 6.17 In their summary, the key messages from the CSSIW report included:  
*"Staff and members who work in the council have a strong sense of pride delivering a high level of services that are appreciated by local people. There is evidence of the positive value that preventative services bring to children and families in the authority from an inspection that looked at preventative and early intervention services"*

- 6.18 CSSIW identified potential risks for the Council going forward including:

- *The ability to manage frontline services as well as ensuring budgets are met overall and, in particular, the financial impact on the council of the high numbers of children on the child protection register and in the looked after system.*
- *The ability to continue to offer support to people at all levels of eligibility criteria given the demand on services.*
- *instances of children on the child protection register not being allocated a social worker.*
- *Looked after children not being allocated and supported by a social worker.”*

6.19 The report identified good practice including:  
*‘Child appreciation days where sibling groups who are adopted can share their histories as a family and ongoing work with carers around involvement in shaping services for the future.’*

6.20 It also identifies areas for follow up by CSSIW this year including:  
*“Safeguarding arrangements in both children and adult services, the impact and development of the revised operating model in adult services, proposed development of services to support a preventative strategy in children’s services and the authority’s review of services for children with a disability.”*

6.21 The Group Director Community & Children’s Services concluded that  
*‘There were no surprises in the report. We know where we need to continue to make improvement but we also need to acknowledge areas of genuine progress and innovation. These will be key elements of the next Director of Social Services Annual Report.*

*Overall the report is a fair reflection of the position of the Council at the end of the last financial year i.e. the year ending 31<sup>st</sup> March 2013 and a useful source of reference for Officers in considering the annual self assessment undertaken as part of the process in the development of the 2013/14 Director of Social Services Annual Report.’*

#### **Internal Audit**

6.22 Internal Audit completed a programme of work reviewing the Council’s internal control environment. Internal Audit also undertook investigative work in respect of fraud / irregularity with the exception of Housing Benefit related fraud and irregularity, which is investigated within the Operational Finance Service of the Financial Services Division.

6.23 The Head of Internal Audit considered that, based on the combination of planned and unplanned assurance and consultancy work undertaken by Internal Audit during 2013/14, the overall System of Internal Control within the Council operated effectively during this period.

<b>7.</b>	<b>Significant Governance Issues</b>
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7.1 **Definition of Governance:** A series of policies, roles, responsibilities and processes that set the way an organisation is directed, administrated and controlled.

7.2 **Definition of a Significant Governance Issue:** A specific area of the Council's work that requires Senior Management attention to ensure that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner, to support improved outcomes for local people.

7.3 The reduction in revenue and capital funding from the Welsh Government represents the most significant challenge to the Council in its drive to help improve outcomes for local people – this will remain the Council's most significant governance issue during 2014/15.

7.4 More specifically, from an evaluation of the Council's governance arrangements for 2013/14, the following areas are deemed to be significant governance issues for 2014/15:

7.5 **Managing Service Changes**

7.6 In order to meet the challenge of delivering the savings required to bridge the projected budget gap over the medium term, the Council began a process of devising a programme of Phased Service Changes during 2013/14. As such the following will need to be carefully managed:

- The ability to deliver the Council's 7 Improvement Priorities for 2014/15 whilst delivering the required service changes and bridging the gap will be challenging for the Council during 2014/5 and beyond.
- The Phase 1 changes are due to become effective during 2014/15. Managing the impact of the Phase 1 Service Changes on citizens and its workforce during 2014/15 and onwards.
- Developing future service change proposals for Cabinet's consideration.
- The requirement for service changes is essential however; ensuring relationships with key stakeholders and partners are maintained will be important.

7.7 **Improving Education**

7.8 Continuing to deliver the stepped improvements in the Council's Education Service identified by Estyn.

**Adult & Children's Services**

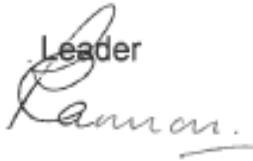
7.9 Ensuring the risks identified within the CSSIW Annual Review are managed.

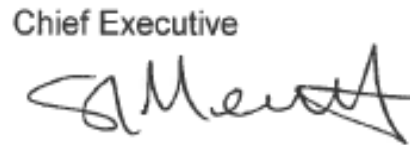
**Concluding Comments & Monitoring**

The Council's governance arrangements throughout 2013/14 have helped the Council to deliver key services to our citizens. Our external regulators and internal quality assurance systems have identified robust systems of control and areas of good practice. They have however; identified areas for improvement



and strengthening and we are committed to embracing their recommendations and observations. We propose over the coming year to take steps to address the recommendations of our external regulators and also ensure that the significant governance issues identified are managed appropriately. The Council is committed to enhancing its governance arrangements further.

Leader  


Chief Executive  


## **Independent auditor's report to the Members of Rhondda Cynon Taf County Borough Council**

I have audited the accounting statements and related notes of:

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

For the year ended 31 March 2014 under Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 based on International Financial Reporting Standards (IFRSs)

### **Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13, the responsible financial officer is responsible for the preparation of the statement of accounts, including Rhondda Cynon Taf County Borough Council Group accounting statements and Rhondda Cynon Taf Pension Fund accounting statements, which gives a true and fair view.

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

### **Scope of the audit of the accounting statements**

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

by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes 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.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Rhondda Cynon Taf County Borough Council as at 31 March 2014 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 2013-14.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Rhondda Cynon Taf county Borough Council as at 31 March 2014 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 2013-14.

### **Opinion on the accounting statements of Rhondda Cynon Taf Pension Fund**

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

- give a true and fair view of the financial transactions of Rhondda Cynon Taf Pension Fund during the year ended 31 March 2014 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

## **Opinion on other matters**

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

## **Matters on which I report by exception**

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

## **Certificate of completion of audit**

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

**Anthony Barrett**  
**Appointed Auditor**  
**Wales Audit Office, 24 Cathedral Road, Cardiff, CF11 9LJ**

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## 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 and pension premiums and liabilities.

### **Agency Services**

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

### **Amortisation**

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

### **Audit**

An audit is an independent examination of activities.

### **Budget**

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

### **Capital Expenditure**

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

### **Capital Receipt**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is responsible for issuing financial guidance to public bodies.

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

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

### **Creditor**

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

### **Current Assets**

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

### **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. The funds of these schools are held outside of the Council Fund balances.

### **Depreciated Historic Cost**

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

### **Depreciated Replacement Cost (DRC)**

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

### **Depreciation**

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

### **Earmarked Reserves**

These are reserves set aside for a specific purpose.

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**Financial Reporting Standard (FRS)**

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

**Financial Year**

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

**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).

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### **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.

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

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

### **Net Realisable Value**

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

### **Non-Distributed Costs (NDC)**

NDC is a category of costs defined by the Service Reporting Code of Practice. It includes;

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

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

OMVEU is a basis for valuation of long-term assets.

### **Operating Leases**

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

### **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.



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### **Projected Unit Method**

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

### **Provision**

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

### **Public Works Loan Board (PWLB)**

This is a Government agency that provides loans to local authorities for periods between 1 and 50 years.

### **Related Party**

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

### **SeRCOP**

The Service Reporting Code of Practice for Local Authorities 2013/14.

### **Strain on Funds**

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

### **Sub-Lessor**

A 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.

*Appendix 2*

**LLWYDCOED CREMATORIUM  
JOINT COMMITTEE**

**STATEMENT OF ACCOUNTS**

**2013/14**

**Draft subject to audit**

<b>Contents</b>	<b>Page</b>
Explanatory Foreword	2
Statement of Responsibilities for the Statement of Accounts	7
Certificate of the Group Director - Corporate Services	8
Movement in Reserves Statement	9
Comprehensive Income and Expenditure Statement	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Core Financial Statements	13
Annual Governance Statement	31
Independent Auditor's Report	37

## Explanatory Foreword

### 1. Introduction

Llwydcoed Crematorium is situated just outside Aberdare, at the head of the Cynon Valley. Set in a rural landscape, Llwydcoed Crematorium serves the residents of the Cynon Valley, Merthyr Tydfil and other surrounding valleys.

Llwydcoed Crematorium is managed and administered by the Llwydcoed Crematorium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of nine members, five from Rhondda Cynon Taf CBC and four from Merthyr Tydfil CBC. Rhondda Cynon Taf CBC became the Host Authority for the Joint Committee in 1996, taking over from the Urban District of Aberdare and the County Borough of Merthyr Tydfil.

The information contained in these accounts allows the user to see the nature of the transactions for the year to 31<sup>st</sup> March 2014 and its financial composition as at that date.

These accounts will present;

- the financial statements legally required and their supporting notes;
- the accounting policies that have been applied when preparing the accounts;
- a summary of the Crematorium's financial performance over recent years;

### 2. Summary of Financial Performance

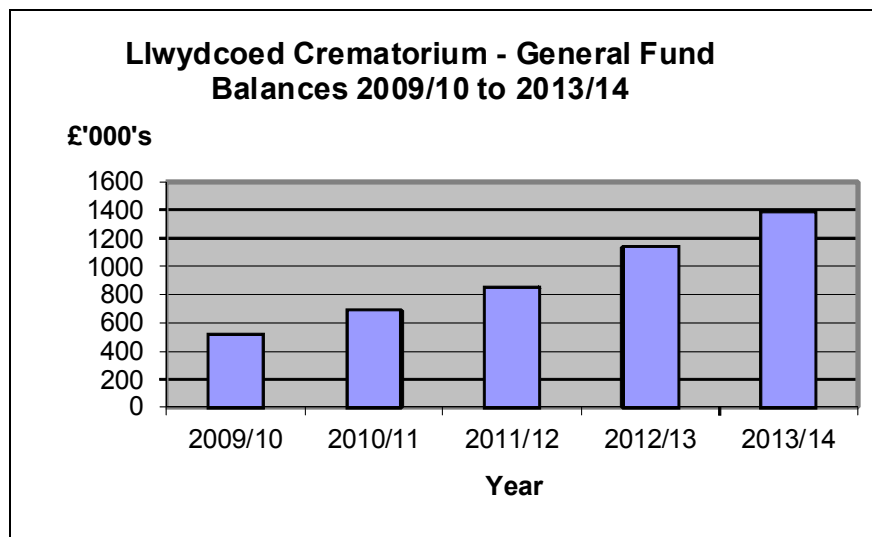
The table below shows the budgeted controllable income and expenditure against the actual controllable income and expenditure for 2013/14:

	<b>Budget</b> £	<b>Actual</b> £	<b>Variance</b> £
<b>Expenditure</b>			
Employees	222,580	217,554	(5,026)
Premises	153,290	131,522	(21,768)
Transport	3,000	3,634	634
Supplies & Services	138,340	168,926	30,586
	<b>517,210</b>	<b>521,636</b>	<b>4,426</b>
<b>Income</b>			
Receipts/Fees	(720,200)	(774,955)	(54,755)
<b>Total</b>	<b>(202,990)</b>	<b>(253,319)</b>	<b>(50,329)</b>

The reasons for the variances between budgeted and actual expenditure were;

- employees' costs were underspent mainly due to employers NI contributions;
- premises costs were lower than budgeted mainly due to the rebate received on NNDR following a decrease in the rateable value of the property;
- supplies & services overspent mainly due to IT costs associated with connecting Llwydcoed Crematorium to the RCT network
- income received was higher than anticipated, mainly due to an increase in the number of cremations.

The table below shows Llwydcoed Crematorium's level of General Fund Balances for the last five years. It can be seen that the level of the Crematorium's reserves has grown steadily since 2009/10, largely due to the fact that there has been little expenditure on capital works.



### 3. Capital Expenditure 2013/14

During the year Llwydcoed Crematorium spent £14k on assets under construction. This was financed from the General Fund Balances.

**4. 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 note 16.0 to the Core Financial Statements for further details.

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

	£
Net Assets excluding Pensions Reserve	2,180,972
Net Assets as per Balance Sheet	1,833,972

**5. Prior Period Adjustment**

Changes in the accounting policy for Pensions costs within the Retirement Benefits policy have required a Prior Period Adjustment to the Comprehensive Income and Expenditure Statement. Therefore, the 2012/13 comparators are noted as “Restated”. There is no impact upon the 2012/13 Balance Sheet. The changes in policy are a result of the Code of Practice on Local Authority Accounting adopting the 2011 amendments to IAS19 “Employee Benefits”.

The changes relate to :

- Interest Cost and Expected Return on Asset being replaced by a single Net Interest item calculated at the discount rate.
- Administration expenses previously deducted from Expected Return on Assets now being included within Current Service Cost.

Please refer to Accounting Policies for further details.

**6. Introduction to Accounting Statements****Statement of Accounting Policies**

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

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

This sets out the responsibilities of the Council as the administering Authority and the Group Director - Corporate Services for the preparation of the Statement of Accounts. The Statement has to be signed and dated by

the presiding member at the Joint Committee meeting at which the Accounts are approved.

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

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

### **Movement in Reserves Statement (MiRS)**

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' (i.e. those reserves that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

### **Comprehensive Income and Expenditure Statement (CI&ES)**

This statement is prepared to record income and expenditure on an accruals basis. It includes items such as salaries and wages, running costs of the service and income received. The statement is based upon International Financial Reporting Standards (IFRS).

### **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee. Reserves are reported in two categories. The first category of reserves, are usable reserves. The second category of reserves are those that the Joint Committee are not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve).

### **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows into operating and investing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded from the recipients of services provided there. Investing activities represent the



extent to which cash outflows have been made for resources which are intended to contribute to the Joint Committee's future service delivery.

### **Annual Governance Statement**

This statement sets out the framework within which Rhondda Cynon Taf CBC, as administering authority, manages and reviews internal control. It outlines the main components of the framework, including the arrangements for Internal Audit.

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

### **The Council's Responsibilities**

The Council is required;

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

### **The Joint Committee's Responsibilities**

The Joint Committee is required;

- To approve the accounts.

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

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

### **Chair of Llwydcoed Crematorium Joint Committee**

Civic Offices  
Municipal Buildings  
Gelliwastad Road  
Pontypridd  
CF37 2DP

## **The Group Director - Corporate Services' Responsibilities**

The Group Director is responsible for the preparation of the Statement of Accounts. In terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain, the Statement of Accounts is required to give a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2014.

### **In preparing the Statement of Accounts, the Group Director has;**

- selected suitable accounting policies, and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

### **The Group Director has also throughout the financial year;**

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

## **Certificate of the Group Director – Corporate Services as Treasurer of the Joint Committee**

I certify that the statement of accounts give a true and fair view of the financial position of the Joint Committee at 31<sup>st</sup> March 2014 and its income and expenditure for the year then ended.

**Signed:** \_\_\_\_\_

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

**Christopher D. Lee**

**Group Director – Corporate Services**

Bronwydd House  
Porth  
CF39 9DL

### Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2014

	General Fund Balance	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Total Unusable Reserves	Total Reserves of the Joint Committee
	£	£	£	£	£	£	£
<i>Note</i>	15.1		15.3	15.4	15.2		
<b>Balance at 31<sup>st</sup> March 2013</b>	(1,139,993)	(1,139,993)	(82,937)	(729,351)	508,000	(304,288)	(1,444,281)
<b>Movement In Reserves During 2013/14</b>							
(Surplus) or deficit on the provision of services (accounting basis)	(193,691)	(193,691)	0	0	0	0	(193,691)
Other comprehensive income and expenditure	0	0	0	0	(196,000)	(196,000)	(196,000)
<b>Total Comprehensive Income and Expenditure</b>	<b>(193,691)</b>	<b>(193,691)</b>	<b>(0)</b>	<b>(0)</b>	<b>(196,000)</b>	<b>(196,000)</b>	<b>(389,691)</b>
<b>Adjustments between accounting basis and funding under regulations:</b>							
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited / credited to CI&amp;ES:</b>							
Charges for depreciation and impairment of non-current assets	(28,187)	(28,187)	0	28,187	0	28,187	0
<b>Insertion of items not debited / credited to CI&amp;ES:</b>							
Capital expenditure charged against the General Fund Balances	13,848	13,848	0	(13,848)	0	(13,848)	0
<b>Adjustments involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits (debited) or credited to the Comprehensive Income and Expenditure Statement	(68,000)	(68,000)	0	0	68,000	68,000	0
Employer's pensions contributions and direct payments to pensioners payable in the year	33,000	33,000	0	0	(33,000)	(33,000)	0
<b>Other adjustments include:</b>							
Adjustments between the Capital Adjustment Account and the Revaluation Reserve	0	0	3,072	(3,072)	0	0	0
<b>Increase or decrease in the year</b>	<b>(243,030)</b>	<b>(243,030)</b>	<b>3,072</b>	<b>11,267</b>	<b>(161,000)</b>	<b>(146,661)</b>	<b>(389,691)</b>
<b>Balance at 31<sup>st</sup> March 2014</b>	<b>(1,383,023)</b>	<b>(1,383,023)</b>	<b>(79,865)</b>	<b>(718,084)</b>	<b>347,000</b>	<b>(450,949)</b>	<b>(1,833,972)</b>

## Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup> March 2014

2012/13 Restated £		2013/14 £	Note
	<b>Expenditure</b>		
239,233	Employees	231,554	2.0
91,147	Premises	131,522	3.0
2,184	Transport	3,634	4.0
124,110	Supplies and Services	168,926	5.0
113,662	Depreciation and Impairment	28,187	10.0
<b>570,336</b>		<b>563,823</b>	
	<b>Income</b>		
(739,390)	Fees and Charges	(774,955)	6.0
<b>(169,054)</b>	<b>Net Cost of Services</b>	<b>(211,132)</b>	
	<b>Financing and Investment Income and Expenditure</b>		
(3,012)	Interest Receivable and Similar Income	(3,559)	
21,000	Net Interest on Net Defined Liability	21,000	16.2
<b>17,988</b>		<b>17,441</b>	
<b>(151,066)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(193,691)</b>	
(86,010)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	0	
8,000	Actuarial (Gains) or Losses on Pension Assets & Liabilities	(196,000)	16.2
<b>(78,010)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(196,000)</b>	
<b>(229,076)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(389,691)</b>	

**Balance Sheet at 31<sup>st</sup> March 2014**

<b>31/03/13</b> <b>£</b>		<b>31/03/14</b> <b>£</b>	<b>Note</b>
	<b>Long-Term Assets</b>		
789,718	Property, Plant & Equipment:	766,136	10.0
11,951	Other Land & Buildings	7,346	10.0
	Vehicles, Plant, Furniture & Equipment		
10,619	Assets Under Construction	24,467	10.0
<b>812,288</b>		<b>797,949</b>	
	<b>Current Assets</b>		
3,650	Inventories	7,427	12.0
342,223	Investments	0	11.0
816,009	Debtors	1,429,741	13.0
0	Cash and Bank	0	
<b>1,161,882</b>	<b>Total Current Assets</b>	<b>1,437,168</b>	
	<b>Current Liabilities</b>		
(21,889)	Creditors	(54,145)	14.0
<b>1,139,993</b>	<b>Net Current Assets</b>	<b>1,383,023</b>	
<b>1,952,281</b>	<b>Total Assets Less Current Liabilities</b>	<b>2,180,972</b>	
	<b>Long-Term Liabilities</b>		
(508,000)	Defined Benefit Pension Scheme Liability	(347,000)	16.5
<b>1,444,281</b>	<b>Net Assets</b>	<b>1,833,972</b>	
	<b>Represented by:</b>		
	<b>Usable Reserves</b>		
(1,139,993)	General Fund Balances	(1,383,023)	15.1
	<b>Unusable Reserves</b>		
(82,937)	Revaluation Reserve	(79,865)	15.3
(729,351)	Capital Adjustment Account	(718,084)	15.4
508,000	Pensions Reserve	347,000	15.2
<b>(1,444,281)</b>		<b>(1,833,972)</b>	

**Cash Flow Statement for the year ended 31<sup>st</sup> March 2014**

<b>2012/13</b> £		<b>2013/14</b> £
	<b>Operating Activities</b>	
	Cash Outflows	
(226,233)	Cash Paid to and on Behalf of Employees	(217,554)
(201,786)	Other Operating Cash Payments	(275,602)
(428,019)	Cash Outflows generated from Operating Activities	(493,156)
	Cash Inflows	
450,705	Cash Received for Goods & Services	839,908
3,012	Interest Received	3,559
453,717	Cash Inflows generated from Operating Activities	843,467
<b>25,698</b>	<b>Net Cash Flow from Operating Activities</b>	<b>350,311</b>
	<b>Investing Activities</b>	
	Cash Outflows	
(23,994)	Purchase of Fixed Assets	(13,848)
	Cash Inflows	
0	Other Capital Cash Receipts	0
<b>(23,994)</b>	<b>Net Cash Flow from Investing Activities</b>	<b>(13,848)</b>
<b>1,704</b>	<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>336,463</b>
	<b>Analysis of Changes in Cash and Cash Equivalents</b>	
340,519	Balance as at 1 <sup>st</sup> April 2013	342,223
0	Allocation of RCT Debtor as cash equivalent	704,377
1,704	Net Cash Inflows/(Outflows)	336,463
<b>342,223</b>	<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>1,383,063</b>

*All cash transactions are administered by Rhondda Cynon Taf CBC as Llwydcoed Crematorium does not operate its own bank account.*

## Notes to the Core Financial Statements

### 1.0 Accounting Policies

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 based on International Financial Reporting Standards (IFRS) and the Service Reporting Code of Practice for Local Authorities 2013/14.

#### 1.1 Change to Accounting Policy

The Code of Practice on Local Authority Accounting has adopted 2011 amendments to IAS19 "Employee Benefits". This is a change in accounting policy. The impact of the revised IAS 19 on the financial statements is as follows:

- Interest Cost and Expected Return on Asset being replaced by a single Net Interest item calculated at the discount rate.
- Administration expenses previously deducted from Expected Return on Assets now being included within Current Service Cost.

The changes in Accounting Policy have required a Prior Period Adjustment to the Comprehensive Income and Expenditure. Therefore, the 2012/13 comparators are noted as "Restated". There is no impact upon the 2012/13 Balance Sheet.

Please refer to the specific "Retirement Benefits" accounting policy for further details.

#### 1.2 Accruals of Expenditure and Income

The accounts of the Joint Committee 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 Joint Committee 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 Joint Committee.

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

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



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

### **1.3 Cash and Cash Equivalents**

Cash and Cash Equivalents are sums of money available for immediate use by the Joint Committee. Such items are deemed to be cash balances held in the Joint Committee's bank accounts, any overdrawn bank balance, petty cash balances and balances held by the host authority in lieu of cash.

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

### **1.4 Inventories**

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

### **1.5 Value Added Tax**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to Her Majesty's Revenue and Customs and all VAT paid is recoverable from them.

### **1.6 Property, Plant and Equipment**

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

#### **Recognition**

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

## 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 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 Joint Committee). 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 Joint Committee.

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), (fair value).

Land and buildings (excluding the cremators) are revalued at five-yearly intervals, with the latest valuation being March 2013. The method used for land and buildings revaluations is “discounted replacement cost”.

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> April 2007 only, the date of its formal implementation to comply with the Code of Practice on Local Authority Accounting requirements

introduced in 2007. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## **Impairment**

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

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

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

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

## **Depreciation**

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

Exceptions are made for;

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical

cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

## **1.7 Reserves**

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

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

## **1.8 Income**

Income is credited to the year of account to which it relates, regardless of when that income was actually received.

## **1.9 Retirement Benefits**

IAS19 requires the Joint Committee to recognise the annual increase in employees' entitlements to retirement benefits within the revenue cost of services, rather than the employer's contributions paid during the year, based on the calculations of an actuary.

This change has had the following effect in 2013/14:

- Employer contributions of £33,000 (£34,000 in 2012/13) have been removed from the 'Net Cost of Services' and been replaced with £47,000 (£47,000 in 2012/13) annual service costs.
- In addition, the net effect of interest due on Pension Fund future liabilities and return on assets results in additional costs of £21,000 (£21,000 in 2012/13).
- The overall effect is a £68,000 charge (£68,000 charge in 2012/13) in the Comprehensive Income and Expenditure Statement, which is matched by a contribution from the Pension Fund Reserve.

Please refer to note 16.0 for further details.

### **1.10 Cost of Support Services**

The cost of overheads and support services have been allocated to service areas (in accordance with SERCOP) based on a projected out-turn basis. During 2013/14, Llwydcoed Crematorium was charged £22,000 by Rhondda Cynon Taf CBC in respect of Central Establishment Charges.

### **1.11 Employee Benefits**

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

### **1.12 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 Joint Committee 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 Joint Committee's Balance Sheet at 31<sup>st</sup> March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### **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 Joint Committee with advice about the assumptions to be applied.

### **1.13 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 "fair value". Valuations are undertaken in accordance with guidance issued by the Royal Institute of Chartered Surveyors (RICS). Within the computation of the fair value valuation, assumptions are made upon the useful lives of assets which could be subject to change in future years.

**2.0 Officers' Emoluments**

	<b>2012/13</b> £	<b>2013/14</b> £
Salaries & Wages	226,233	217,554
IAS 19 adjustments	13,000	14,000
<b>Total</b>	<b>239,233</b>	<b>231,554</b>

The average weekly number of management and operational staff employed during the year was as follows:

Management and Secretarial	4
Cremator Operators/Gardeners	5

Under the Accounts and Audit (Wales) Regulations 2010, the Joint Committee 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 pension contributions). The disclosure includes redundancy payments.

No Llwydcoed Crematorium employee's remuneration for the financial year to the 31<sup>st</sup> March 2014 exceeded £60,000.

**3.0 Premises Costs**

	<b>2012/13</b> £	<b>2013/14</b> £
Repair and Maintenance	65,841	61,404
Electricity and Gas	43,704	43,388
Cleaning Materials	966	935
Fixtures and Fittings	1,423	2,117
Rates and Water Charges	(26,092)	18,214
Premises Insurance	5,305	5,464
<b>Total</b>	<b>91,147</b>	<b>131,522</b>

**4.0 Transport**

	<b>2012/13</b> £	<b>2013/14</b> £
Plant and Vehicles	650	2,151
Car Allowances	1,534	1,483
<b>Total</b>	<b>2,184</b>	<b>3,634</b>

**5.0 Supplies and Services**

	<b>2012/13</b>	<b>2013/14</b>
	<b>£</b>	<b>£</b>
Urns and Caskets	3,380	6,227
Book of Remembrance	2,092	1,551
Memorial Plaques	14,679	11,308
Establishment Expenses	22,871	22,187
Analyst Fees	4,608	6,107
Audit Fees	1,967	6,924
Consultants Fees	4,652	1,432
Subscriptions	749	796
Clothing	1,627	1,472
Training General	112	375
Employer's Liability & Public Liability Insurance	925	915
Hire of Equipment	6,397	6,485
Medical Expenses	23,784	21,395
Other Hired Services	21,015	20,040
CAMEO Environmental Surcharge	9,142	31,546
IT Costs	0	24,556
Miscellaneous	6,110	5,610
<b>Total</b>	<b>124,110</b>	<b>168,926</b>

**6.0 Receipts/Fees**

	<b>2012/13</b>	<b>2013/14</b>
	<b>£</b>	<b>£</b>
Caskets and Urns	5,820	7,628
Memorial Plaques	23,977	29,128
Cremation Fees	707,404	735,485
Inscriptions in Book of Remembrance	1,446	2,037
Miscellaneous	743	677
<b>Total</b>	<b>739,390</b>	<b>774,955</b>

**7.0 Related Party Transactions**

In accordance with IAS 24, the Joint Committee has a duty to disclose any material transactions with a "related party". This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taf CBC and Merthyr Tydfil CBC. The Host Authority holds cash balances of £1,383,000 relating to the Crematorium as at 31<sup>st</sup> March 2014. The Council paid interest of £4,000 on these balances during the year. During 2013/14, the Council charged Llwydcoed Crematorium £22,000 (£23,000 in 2012/13) in respect of central establishment charges. Please refer to note 1.9.

Details of Officers' emoluments are provided in the Core Financial Statements note 2.0. There are no Chief Officer related party transactions in 2013/14.

## 8.0 Audit Fees

	2012/13 £	2013/14 £
Wales Audit Office Fees Relating to External Audit and Inspection	1,967	6,924

## 9.0 Leases

There are no rentals payable in respect of operating leases in 2013/14.

## 10.0 Movements in Long Term Assets

	Other Land & Buildings	Vehicles, Plant, & Equipment	Assets Under Construction	Total
	£	£	£	£
<b>Cost or Valuation</b>				
As at 1 <sup>st</sup> April 2013	813,300	308,037	10,619	1,131,956
Additions	0	0	13,848	13,848
Revaluation Increases / (Decreases) Recognised in the Revaluation Reserve	0	0	0	0
Revaluation Increases / (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0
Impairments	0	0	0	0
<b>As at 31<sup>st</sup> March 2014</b>	<b>813,300</b>	<b>308,037</b>	<b>24,467</b>	<b>1,145,804</b>
<b>Accumulated Depreciation &amp; Impairment</b>				
As at 1 <sup>st</sup> April 2013	(23,582)	(296,086)	0	(319,668)
Charge for 2013/14	(23,582)	(4,605)	0	(28,187)
Revaluation Depreciation/Impairment		0	0	
<b>As at 31<sup>st</sup> March 2014</b>	<b>(47,164)</b>	<b>(300,691)</b>	<b>0</b>	<b>(347,855)</b>
<b>Net Book Value at 31<sup>st</sup> March 2014</b>	<b>766,136</b>	<b>7,346</b>	<b>24,467</b>	<b>797,949</b>
<b>Net Book Value at 31<sup>st</sup> March 2013</b>	<b>789,718</b>	<b>11,951</b>	<b>10,619</b>	<b>812,288</b>



Expenditure of a capital nature is charged to the Comprehensive Income and Expenditure Account if cost is less than £3,000. The value of all buildings, plant, machinery and equipment is based on a written down value after taking account of the assets remaining life and estimated cost of replacement.

### **11.0 Investments**

The former investment balance has been transferred to the personal account and is disclosed on the balance sheet within debtors. The interest earned on this balance amounts to £1,713.

### **12.0 Inventories**

Inventories consist of urns, caskets, scatter tubes, flower containers and concrete blocks.

### **13.0 Debtors**

<b>31/03/13</b> <b>£</b>		<b>31/03/14</b> <b>£</b>
704,377	Other Local Authorities	1,383,063
111,632	Other Entities and Individuals	46,678
<b>816,009</b>	<b>Total</b>	<b>1,429,741</b>

### **14.0 Creditors**

<b>31/03/13</b> <b>£</b>		<b>31/03/14</b> <b>£</b>
21,889	Other Entities and Individuals	54,145
<b>21,889</b>	<b>Total</b>	<b>54,145</b>

### **15.0 Movement on Reserves**

	<b>Balance</b> <b>B/Fwd</b> <b>£</b>	<b>(Gains)/</b> <b>Losses for</b> <b>the Year</b> <b>£</b>	<b>Balance</b> <b>C/Fwd</b> <b>£</b>
General Fund Balance	(1,139,993)	(243,030)	(1,383,023)
Revaluation Reserve	(82,937)	3,072	(79,865)
Capital Adjustment Account	(729,351)	11,267	(718,084)
Pensions Reserve	508,000	(161,000)	347,000
<b>Total</b>	<b>(1,444,281)</b>	<b>(389,691)</b>	<b>(1,833,972)</b>

### 15.1 General Fund

The General Fund is a distributable revenue reserve, which consists of the accumulated surpluses of the Crematorium's operations.

This can be apportioned between Cynon Valley and Merthyr Tydfil CBC in the ratio of respective populations (2011 Census Data) as follows:

	<b>Merthyr Tydfil</b>	<b>Cynon Valley</b>	<b>Total</b>
Relevant Population	58,802	63,238	122,040
Balance at 1 <sup>st</sup> April 2013	(541,604)	(598,389)	(1,139,993)
(Surplus)/Loss for the Year	(117,098)	(125,932)	(243,030)
<b>Balance at 31<sup>st</sup> March 2014</b>	<b>(658,702)</b>	<b>(724,321)</b>	<b>(1,383,023)</b>

### 15.2 Pension Reserve

The Pension Reserve is the balancing account to offset the inclusion of Pension Liability in the Balance Sheet as required by IAS 19 "Employee Benefits". See note 16.0 for further information.

### 15.3 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;
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1<sup>st</sup> April 2007, the date of its formal implementation to comply with the Code of Practice on Local Authority Accounting requirements introduced in 2007. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>2012/13</b>			<b>2013/14</b>	
<b>£</b>	<b>£</b>		<b>£</b>	<b>£</b>
		<b>Balance at 1<sup>st</sup> April</b>		<b>(82,937)</b>
(86,010)		Upward revaluation of assets	0	
	<b>(86,010)</b>	<b>Surplus or Deficit on revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>0</b>
3,073		Difference between Fair Value Depreciation and Historical Cost Depreciation	3,072	
	<b>3,073</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>3,072</b>
	<b>(82,937)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(79,865)</b>

## **15.4 Capital Adjustment Account**

The Capital Adjustment Account represents the difference between the cost of fixed assets used by the Joint Committee and the capital financing set-aside to pay for them.

<b>2012/13</b> <b>£</b>		<b>2013/14</b> <b>£</b>
(829,321)	Balance at 1 <sup>st</sup> April	(729,351)
113,662	Depreciation & Impairment	28,187
(3,073)	Adjusted items written out of the Revaluation Reserve	(3,072)
(10,619)	Capital Expenditure financed from General Fund Balances	(13,848)
<b>(729,351)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(718,084)</b>

## **16.0 Retirement Benefits – Defined Benefit Schemes**

### **16.1 Participation**

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

The employees contribute towards the Local Government Pension Scheme (LGPS) administered by Rhondda Cynon Taf CBC. The LGPS is a funded defined benefit final salary scheme, meaning that the Joint Committee 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 Joint Committees' accounts are defined by IAS 19 "Employee Benefits".

### **16.2 Transactions Relating to Post-Employment Benefits**

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statement when earned by employees, rather than when benefits are actually paid as pensions. However, the charge required to be made to the Comprehensive Income and Expenditure Account is based on the cash payable in the year. The cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been posted in the year:

<b>Comprehensive Income and Expenditure Statement</b>	<b>2012/13 Restated £</b>	<b>2013/14 £</b>
Cost of Services:		
Current Service Cost	47,000	47,000
Past Service Cost	0	0
Financing and Investment Income and Expenditure:		
Net Interest Expense	21,000	21,000
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>68,000</b>	<b>68,000</b>
Remeasurement of the Net Defined Liability comprising:		
Return on Plan Assets (excluding the amount included in the Net Interest Expense)	(97,000)	11,000
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	(25,000)
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	106,000	(133,000)
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(1,000)	(49,000)
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>76,000</b>	<b>(128,000)</b>
<b>Movement in Reserves Statement</b>		
Reversal of Net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the code	(68,000)	(68,000)
<b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>		
Employers' Contributions Payable to Scheme	34,000	33,000

### **16.3 Reconciliation of Present Value of the Scheme Liabilities**

	<b>2012/13 Restated £</b>	<b>2013/14 £</b>
Brought Forward as at 1 <sup>st</sup> April	1,308,000	1,501,000
Current Service Cost	47,000	47,000
Interest Cost on Defined Obligation	61,000	64,000
Contributions by Scheme Participants	11,000	11,000
Remeasurement (Gains) and Losses:		
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	(25,000)
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	106,000	(133,000)
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(1,000)	(49,000)
Benefits Paid	(31,000)	(29,000)
Past Service Costs	0	0
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>1,501,000</b>	<b>1,387,000</b>

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

	<b>2012/13 Restated £</b>	<b>2013/14 £</b>
Brought Forward as at 1 <sup>st</sup> April	842,000	993,000
Interest Income	40,000	43,000
Remeasurement (Gains) and Losses:		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	97,000	(11,000)
Employer Contributions	34,000	33,000
Contributions by Scheme Participants	11,000	11,000
Benefits Paid	(31,000)	(29,000)
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>993,000</b>	<b>1,040,000</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £32,000 (2012/13: £137,000 gain).

**16.5 Scheme History**

	<b>2012/13 £</b>	<b>2013/14 £</b>
Present Value of the Defined Obligation	(1,501,000)	(1,387,000)
Fair Value of Plan Assets	993,000	1,040,000
<b>Surplus/(Deficit)</b>	<b>(508,000)</b>	<b>(347,000)</b>

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total liability of £347,000 has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Joint Committee remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Joint Committee in the year to 31<sup>st</sup> March 2015 is £34,000.

## 16.6 Local Government Pension Scheme Assets

Local Government Pension Scheme Assets (full scheme not Llwydcoed Crematoriums' element) are comprised as follows:

	Fair Value of Scheme Assets	
	2012/13 £'000	2013/14 £'000
UK Equities	413,777	462,816
Overseas Equities	991,347	1,112,695
UK Fixed Interest Gilts	210,907	176,791
UK Index Linked Gilts	5,646	13,111
UK Corporate Bonds	227,990	240,655
Overseas Corporate Bonds	5,383	18,378
Property	119,871	130,201
Cash and net current assets	68,499	65,050
<b>Total</b>	<b>2,043,420</b>	<b>2,219,697</b>

## 16.7 Basis for Estimating Assets & Liabilities

The Rhondda Cynon Taf Pension Fund 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.

Liabilities have been estimated 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 Hewitt Associates Ltd, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2013.

The principal assumptions used by the actuary have been:

	31/03/13	31/03/14
Long-Term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.8%	N/A*
Property	7.3%	N/A*
Government Bonds	2.8%	N/A*
Corporate Bonds	3.8%	N/A*
Cash	0.9%	N/A*
Other	7.8%	N/A*
Mortality Assumptions:		
Longevity at 65 for:		
Men	23.3	22.9
Women	24.7	25.8
RPI Inflation	3.6%	3.3%
CPI Inflation	2.7%	2.3%
Rate of Increase in Salaries	4.6%	3.8%
Rate of Increase in Pensions	2.7%	2.3%
Discount Rate	4.3%	4.3%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum:		
Post-2010 Service	75%	-
Pre-2010 Service	50%	-
Post-2008 Service	-	75%
Pre-2008 Service	-	75%

\* Please note that from 2013/14 the “expected return on assets” item (which is a credit to the Comprehensive Income & Expenditure Statement) will no longer be calculated based on the best estimate of the expected returns on the investments held, but will instead be calculated using the assumption adopted for the discount rate.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have 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:

	<b>Increase in Assumption</b> £	<b>Decrease in Assumption</b> £
Longevity (Increase or Decrease in 1 Year)	1,420,000	1,354,000
Rate of Increase in Salaries	1,393,000	1,381,000
Rate of Increase in Pensions	1,404,000	1,371,000
Rate for Discounting Scheme Liabilities	1,365,000	1,410,000

### **16.8 Impact on the Joint Committee's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31<sup>st</sup> March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31<sup>st</sup> March 2014 (or service after 31<sup>st</sup> March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Joint Committee anticipated to pay £34,000 expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 16.5 years for 2013/14 (15.2 years for 2012/13).

### **17.0 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Joint Committee on (Date to be added). Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events that took place after 31<sup>st</sup> March 2014 requiring disclosure providing information that is relevant to an understanding of Llwydcoed Crematorium's financial position.



### **18.0 Reconciliation of (Surplus) / Deficit on the Provision of Services to Net Cashflow from Operating Activities**

<b>2012/13</b> £		<b>2013/14</b> £
(151,066)	(Surplus) / Deficit on Provision of Services	(193,691)
(36,014)	Depreciation	(28,187)
(77,648)	Impairment	0
(13,814)	(Increase)/Decrease in Creditors	(32,256)
288,686	Increase/(Decrease) in Debtors	(64,954)
(1,842)	Increase/(Decrease) in Inventories	3,777
(34,000)	IAS 19 Transactions	(35,000)
<b>(25,698)</b>	<b>Cash (Inflow)/Outflow from Operating Activities</b>	<b>(350,311)</b>

## LLYWDCOED CREMATORIUM

### ANNUAL GOVERNANCE STATEMENT

<b>1.</b>	<b>Scope of Responsibility</b>
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- 1.1 Llwydcoed Crematorium is managed and administered by the Llwydcoed Crematorium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of nine members, five from Rhondda Cynon Taf CBC and four from Merthyr Tydfil CBC. Rhondda Cynon Taf CBC became the Host Authority for the Joint Committee in 1996, taking over from the Urban District of Aberdare and the County Borough of Merthyr Tydfil.
- 1.2 In discharging its overall responsibility, the Joint Committee is responsible for putting in place proper governance arrangements.
- 1.3 Rhondda Cynon Taf County Borough Council is responsible for ensuring that its business and that of the Joint Committee, for which it has administrative responsibility, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and is used economically, efficiently and effectively.
- 1.4 Rhondda Cynon Taf County Borough Council and Llwydcoed Crematorium have several policies and processes that are consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.
- 1.5 This Annual Governance Statement explains how the Llwydcoed Crematorium has complied with the various elements of 'The Framework'.

<b>2.</b>	<b>The purpose of the governance framework</b>
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- 2.1 The governance framework comprises the systems, processes, and cultural values, by which an organisation is directed and controlled. It enables an organisation to monitor the achievement of its objectives and to consider whether those objectives have led to the delivery of appropriate services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks to the achievement of objectives so can therefore only provide reasonable and not absolute assurance of effectiveness.

- 2.3 The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of aims and objectives, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 The following paragraphs summarise the overall governance framework and the system of internal control, which has been in place for Llwydcoed Crematorium for the year ended 31<sup>st</sup> March 2014.

<b>3.</b>	<b>The Governance Framework</b>
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- 3.1 The CIPFA/SOLACE governance framework sets out six fundamental principles of corporate governance:-
- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
  - Developing the capacity and capability of members and officers to be effective.
  - Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.2 This Governance Statement has used these principles to demonstrate how the overall governance arrangements at Llwydcoed Crematorium during 2013/14 were deemed to be satisfactory. The Governance Statement does not document policies, procedures and working practices under each of the six principles, but instead provides an overview of the governance and internal control processes and systems.
- 3.3 **Rhondda Cynon Taf County Borough Council's Constitution**  
The Constitution of Rhondda Cynon Taf County Borough Council, which has the financial stewardship of the Joint Committee, allocates functions and responsibility within the Authority. It also regulates the behaviour of individuals (Members & Officers) and groups through codes of conduct, protocols and rules of procedures.
- 3.4 **Joint Committee's Constitution**  
Llwydcoed Crematorium operates under a Memorandum of Agreement between the former County Borough of Merthyr Tydfil and the former Urban District Council of Aberdare signed on 31<sup>st</sup> May 1969. Although these organisations have been superseded by Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council,

the constitution of the committee has remained largely unchanged; the two Councils taking on the responsibilities of their predecessors.

3.5 The Memorandum of Agreement covers the constitution of a committee, the "Llwydcoed Crematorium Joint Committee", which has the overall responsibility for the operation, management and finance of the Crematorium. Both Councils have delegated their functions as Burial Authorities to the Joint Committee.

3.6 The Joint Committee's Constitution sets out how the Committee operates, how decisions are made and the procedures which are followed. The Joint Committee has adopted the Financial Procedure Rules and Contract Procedure Rules of Rhondda Cynon Taf County Borough Council.

### 3.7 **Officer & Member Conduct**

3.8 All Officers at Llwydcoed Crematorium are subject to Rhondda Cynon Taf County Borough Council's Terms and Conditions of Employment.

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

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

*NOTE: All of the above policies apply to staff working at the Llwydcoed Crematorium.*

3.10 The conduct of Officers at Llwydcoed Crematorium is also dictated and monitored via the Institute of Cemetery & Crematorium Management 'Charter for the Bereaved'.

3.11 Members of the Joint Committee are governed by the Code of Conduct of their relevant Council.

3.12 The Public Service Ombudsman and the relevant Councils' Standards Committee investigate allegations of misconduct by Members and monitor the conduct of Members.

### 3.13 **Financial Management**

Section 4(ii) of the Joint Committee's Constitution requires the Committee to hold regular meetings throughout the year. The Joint Committee has determined to hold quarterly meetings. Standard agenda items include a report from the Treasurer to the Crematorium and also a performance/statistical report from the Superintendent and Registrar.

3.14 The Rhondda Cynon Taf County Borough Council's Financial Procedure Rules provide clear guidance in relation to all financial matters. As stated, the Joint Committee has adopted Rhondda Cynon Taf's Financial Procedure Rules and Contract Procedure Rules.

3.15 The Wales Audit Office audits Llwydcoed Crematorium's annual statement of accounts, the report of which is presented to the Joint Committee.

### 3.16 **Roles & Responsibilities – Members & Officers**

The Joint Committee has overall responsibility for the provision and maintenance of the crematorium. In discharging its responsibility the Joint Committee:

- Receives information regarding the performance of the Crematorium, including statistics on services provided, financial statements and any proposals for major capital schemes / investment and direct the Superintendent and Registrar accordingly.
- Determines the fees & charges for services provided following receipt of a report and recommendation from the Superintendent and Registrar.
- Receives any audit reports and recommendations contained therein and instruct the Superintendent and Registrar accordingly.
- Receives an annual report on service complaints, comments and feedback and instruct the Superintendent and Registrar accordingly.
- Is consulted on any significant policy or procedural change that materially affects the provision of services at the Crematorium.

3.17 In order to strengthen further the internal control environment in place at the Crematorium, in March 2012 the Joint Committee approved a scheme of delegation for the Superintendent and Registrar. There is a clear and transparent record of roles and responsibilities at the Crematorium.

### 3.18 **Scrutiny**

The terms of reference of the Llwydcoed Crematorium Joint Committee is set out in the Crematorium's Constitution. The Joint Committee comprises of five members from Rhondda Cynon Taf County Borough Council and four Members of Merthyr Tydfil County Borough Council.

3.19 The Crematorium's financial and operational performance is monitored and scrutinised by the Joint Committee. The Joint Committee receives quarterly reports from:

- The Treasurer to the Crematorium, and;
- The Superintendent and Registrar.

In addition to these regular reports, the Joint Committee also receives ad-hoc reports relevant to the operation of the Service.

## Review of Effectiveness

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of Internal Audit and Chief Officers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates. The requirement to undertake an annual review also extends to Joint Ventures where this Council has lead responsibility.
- 4.2 **Reports of the Superintendent and Registrar**  
Regular 'Superintendent and Registrar' reports were provided to the Joint Committee during 2013/14 providing Members of the Committee with updates on performance and statistical information.
- 4.3 In addition to these 'standard' agenda items, items specific to the operational running of the site were also reported to the Joint Committee throughout the year.
- 4.4 **Financial Management**  
During 2013/14 the Joint Committee received regular finance reports from the Treasurer to Llwydcoed Crematorium.
- 4.5 During 2013/14 the role of the Chief Financial Officer at Rhondda Cynon Taf County Borough Council was compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.
- 4.6 **Llwydcoed Crematorium Joint Committee**  
During 2013/14 the Joint Committee received regular finance reports from the Treasurer to Llwydcoed Crematorium and in addition to this; they received regular performance reports from the Superintendent and Registrar. The Committee also received reports relevant to the service being provided at the Crematorium.
- Internal Audit**
- 4.7 Internal Audit has not undertaken a specific review of the internal control environment at Llwydcoed Crematorium during 2013/14 however; Internal Audit has reviewed the reports provided to the Joint Committee along with the Constitution.
- External Audit**
- 4.8 In September 2013 the External Auditor issued an unqualified Auditor's Report on the financial statements and related notes of Llwydcoed Crematorium for the 2012/13 statement of accounts.

**4.9 Institute of Cemetery & Crematorium Management (ICCM)**

Llwydcoed Crematorium holds the ICCM Gold Standard in the Charter for the Bereaved Assessment Process for Cremation.

**Significant Governance Issues**

To the best of our knowledge, no significant governance issues have been identified in relation to Llwydcoed Crematorium during 2013/14.

Certification of Annual Governance Statement

Chair of Llwydcoed Crematorium  
Joint Committee

Superintendent and Registrar

## **Independent Auditor's Report to the Members of Llwydcoed Crematorium Joint Committee**

I have audited the accounting statements and related notes of Llwydcoed Crematorium Joint Committee for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004. Llwydcoed Crematorium Joint Committee's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, set out on pages 7 to 8, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

### **Scope of the audit of the accounting statements**

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes 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.



## **Opinion on the accounting statements of Llwydcoed Crematorium Joint Committee**

In my opinion the accounting statements and related notes;

- give a true and fair view of the financial position of Llwydcoed Crematorium Joint Committee as at 31<sup>st</sup> March 2014 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 2013/14.

## **Opinion on other matters**

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

## **Matters on which I report by exception**

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

## **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Llwydcoed Crematorium Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

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

**Anthony Barrett**  
**Wales Audit Office**  
24 Cathedral Road  
Cardiff  
CF11 9LJ

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*Appendix 3*

**CENTRAL SOUTH  
CONSORTIUM  
JOINT EDUCATION SERVICE  
JOINT COMMITTEE**

**STATEMENT OF ACCOUNTS**

**2013/14**

Draft subject to audit

<b>Contents</b>	<b>Page</b>
Explanatory Foreword	2
Statement of Responsibilities for the Statement of Accounts	7
Certificate of the Group Director - Corporate Services	8
Movement in Reserves Statement	9
Comprehensive Income and Expenditure Account	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Core Financial Statements	13
Annual Governance Statement	35
Independent Auditor's Report	45

## **Explanatory Foreword**

### **1. Introduction**

The Central South Consortium Joint Education Service was created on 1<sup>st</sup> September 2012 to provide 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 Consortium is split into two distinct units:

- School Improvement Service (SIS) – Provides the statutory school monitoring function on behalf of each local authority.
- Learning & Innovation Network for Schools (LiNKS) – Offers support services and courses to schools to support their individual improvement plans.

The Central South Consortium is managed and administered by the Central South Consortium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of ten members, two from each Local Authority. Rhondda Cynon Taf CBC became the Host Authority upon formation of the Joint Committee.

The information contained in these accounts allows the user to see the nature of the transactions from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014 and its financial composition as at that date.

These accounts will present:

- the financial statements legally required and their supporting notes,
- the accounting policies that have been applied when preparing the accounts.

### **2. Summary of Financial Performance**

The table overleaf shows the budgeted controllable income and expenditure against the actual controllable income and expenditure for the period 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014:

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Expenditure</b>			
Employees	5,785	5,514	(271)
Premises	656	567	(89)
Transport	126	90	(36)
Supplies & Services	1,004	887	(117)
Third Party Payments	600	667	67
Support Services	160	95	(65)
	<b>8,331</b>	<b>7,820</b>	<b>(511)</b>
<b>Income</b>			
Local Authority Contributions	(4,417)	(4,417)	0
Grants & Other Income	(4,007)	(3,427)	580
	<b>(8,424)</b>	<b>(7,844)</b>	<b>580</b>
<b>Net Expenditure</b>	<b>(93)</b>	<b>(24)</b>	<b>69</b>

The reasons for the variances between budgeted and actual expenditure were:

- Employees – The budget was prepared based on the estimated resource requirements identified in the original consortium business case. The service has managed its staffing based on the actual requirements during the year.
- Premises – In 2012/13 the building used by the consortium was bought by Rhondda Cynon Taf CBC and the agreed rental charge was lower than budgeted.
- Supplies & Services - A commissioning budget held by LiNKS to provide flexibility to resource to service demand levels was partly used during the year to procure external support and training packages. This was not matched by a corresponding increase in income, contributing towards the overall deficit on the LiNKS service.
- Third Party Payments – The School Improvement Service incurred additional commissioning costs on specific school improvement packages. These costs partly offset the underspend on the Employees category.
- Support Services – Some costs included within the original ICT SLA were paid for directly by the consortium and are included within the Supplies and Services category.
- Income -
  - Additional grants were received during the year for specific projects.
  - The use of the LiNKS commissioning budget was not matched by an increase in income (see Supplies and Services category).

In addition, the following categories of income and expenditure relating to specific grants were processed through the consortium accounts:

	<b>Actual £'000</b>
<b>Expenditure</b>	
Employees	1,608
Premises	38
Transport	14
Supplies & Services	1,195
	<b>2,855</b>
<b>Income</b>	
Grants & Other Income	(2,855)
	<b>(2,855)</b>
<b>Net Expenditure</b>	<b>0</b>

As at 31<sup>st</sup> March 2014, the Central South Consortium held General Reserves of £534k. Movements on reserves are detailed within the Movement in Reserves Statement on Page 9.

### **3. Capital Expenditure 2013/14**

No expenditure this financial year.

### **4. 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 note 17.0 to the Core Financial Statements for further details.

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

	<b>£'000</b>
Net Assets/(Liabilities) excluding Pensions Reserve	664
Net Assets/(Liabilities) as per Balance Sheet	(152)

### **5. Introduction to Accounting Statements**

#### **Statement of Accounting Policies**

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

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

This sets out the responsibilities of the Council as the administering Authority and the Group Director - Corporate Services for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the presiding member at the Joint Committee meeting at which the Accounts are approved.

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

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

## **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' (i.e. those that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and 'unusable reserves'. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

## **Comprehensive Income and Expenditure Account**

This statement is prepared to record income and expenditure on an accruals basis. It includes items such as salaries and wages, running costs of the service and income received. The statement is based upon International Financial Reporting Standards (IFRS).

## **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee.

## **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows into operating and investing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded from the



recipients of services provided there. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint Committee's future service delivery.

### **Annual Governance Statement**

This statement sets out the framework within which Rhondda Cynon Taf CBC, as administering authority, manages and reviews internal control. It outlines the main components of the framework, including the arrangements for Internal Audit and how the consortium has complied with the various elements of the framework.

## **6. Prior Period Adjustment**

Changes in the accounting policy for Pensions costs within the Employee Benefits policy have required a Prior Period Adjustment to the Comprehensive Income and Expenditure Statement. Therefore, the 2012/13 comparators are noted as "Restated". There is no impact upon the 2012/13 Balance Sheet. The changes in policy are a result of the Code of Practice on Local Authority Accounting adopting the 2011 amendments to IAS19 Employee Benefits.

The changes relate to:

- Interest Cost and Expected Return on Asset being replaced by a single Net Interest item calculated at the discount rate.
- Administration expenses previously deducted from Expected Return on Assets now being included within Current Service Cost.

Please refer to Accounting Policies for further details.

## **Statement of Responsibilities for the Statement of Accounts Central South Consortium Joint Education Service**

### **The Council's Responsibilities**

The Council is required:

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

### **The Joint Committee's Responsibilities**

- To approve the accounts.

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

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

### **Chair of Central South Consortium Joint Education Service Joint Committee**

Cllr Christopher Elmore  
Vale of Glamorgan Council  
Civic Offices  
Holton Road  
Barry  
CF63 4RU

## **The Group Director - Corporate Services' Responsibilities**

The Group Director is responsible for the preparation of the Statement of Accounts. In terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Statement of Accounts is required to give a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the period ended 31<sup>st</sup> March 2014.

### **In preparing the Statement of Accounts, the Group Director has:**

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

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

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

## **Certificate of the Group Director – Corporate Services as Treasurer of the Joint Committee**

I certify that the statement of accounts give a true and fair view of the financial position of the Joint Committee at 31<sup>st</sup> March 2014 and its income and expenditure for the period then ended.

**Signed:** \_\_\_\_\_

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

**Chris Lee**

**Group Director – Corporate Services**  
Bronwydd House  
Porth  
CF39 9DL

### Movement in Reserves Statement for the Period ended 31<sup>st</sup> March 2014

	CSEC General Reserves £'000	Earmarked Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total CSEC Reserves £'000
<b>Notes:</b>	15.1	15.2		16.0	
<b>Balance as at 1<sup>st</sup> April 2013</b>	<b>(509)</b>	<b>(7)</b>	<b>(516)</b>	<b>1,285</b>	<b>769</b>
<b>Movement in reserves during 2013/14</b>					
(Surplus) or deficit on the provision of services (accounting basis)	138	0	138	0	138
Other comprehensive income and expenditure	0	0	0	(755)	(755)
<b>Total comprehensive income and expenditure</b>	<b>138</b>	<b>0</b>	<b>138</b>	<b>(755)</b>	<b>(617)</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>					
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CI&ES	(919)	0	(919)	919	0
Employer's pensions contributions and direct payments to pensioners payable in the year	591	0	591	(591)	0
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
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	12	0	12	(12)	0
<b>Net increase or decrease before transfers to Earmarked Reserves</b>	<b>(178)</b>	<b>0</b>	<b>(178)</b>	<b>(439)</b>	<b>(617)</b>
Transfers to or from Earmarked Reserves	153	(153)	0	0	0
<b>Increase or decrease in the Year</b>	<b>(25)</b>	<b>(153)</b>	<b>(178)</b>	<b>(439)</b>	<b>(617)</b>
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>(534)</b>	<b>(160)</b>	<b>(694)</b>	<b>846</b>	<b>152</b>

## Comprehensive Income and Expenditure Statement for the Period ended 31<sup>st</sup> March 2014

7 Months ended 31/03/13 Restated £'000		Year ended 31/03/14  £'000	Note
	<b>Continuing Operations</b>		
	<b>Expenditure</b>		
3,252	Employees	7,395	3.0
323	Premises	605	4.0
35	Transport	104	5.0
430	Supplies & Services	2,082	6.0
118	Third Party Payments	667	
66	Support Services	95	
<b>4,224</b>		<b>10,948</b>	
	<b>Income</b>		
(2,588)	Local Authority Contributions	(4,417)	
(2,022)	Grants & Other Income	(6,435)	
<b>(4,610)</b>		<b>(10,852)</b>	7.0
<b>(386)</b>	<b>Net Cost of Services</b>	<b>96</b>	
0	Interest Receivable and Similar Income	(1)	23.0
25	Pensions Interest Cost and Expected Returns on Pensions Assets	43	17.2
<b>(361)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>138</b>	
1,130	Actuarial (Gains)/Losses on Pension Fund Assets & Liabilities	(755)	17.2
<b>769</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(617)</b>	

**Balance Sheet at 31<sup>st</sup> March 2014**

<b>31/03/13</b>		<b>31/03/14</b>	<b>Note</b>
<b>£'000</b>		<b>£'000</b>	
	<b>Current Assets</b>		
1	Inventories	2	11.0
1,953	Debtors	4,303	12.0
<b>1,954</b>	<b>Total Current Assets</b>	<b>4,305</b>	
	<b>Current Liabilities</b>		
(1,480)	Creditors	(3,641)	13.0
<b>474</b>	<b>Net Current Assets</b>	<b>664</b>	
<b>474</b>	<b>Total Assets Less Current Liabilities</b>	<b>664</b>	
	<b>Long-Term Liabilities</b>		
(1,243)	Defined Benefit Pension Scheme Liability	(816)	17.5
<b>(769)</b>	<b>Net Assets/(Liabilities)</b>	<b>(152)</b>	
	<b>Represented by:</b>		
	<b>Usable Reserves</b>		
(371)	School Improvement Service General Reserves	(550)	15.1
(138)	LiNKs General Reserves	16	15.1
(7)	Earmarked Reserves	(160)	15.2
	<b>Unusable Reserves</b>		
1,243	Pensions Reserve	816	17.5
42	Short-Term Accumulating Compensated Absence Account	30	16.2
<b>769</b>	<b>Total Reserves</b>	<b>152</b>	

## Cash Flow Statement for the Period ended 31<sup>st</sup> March 2014

7 Months ended 31/03/13 £'000		Year ended 31/03/14 £'000
	<b>Operating Activities</b>	
	Cash Outflows	
3,122	Cash Paid to and on Behalf of Employees	7,122
901	Other Operating Cash Payments	3,329
	Cash Inflows	
(2,657)	Cash Received for Goods & Services	(8,502)
0	Interest received	(1)
<b>1,366</b>		<b>1,948</b>
<b>1,366</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>1,948</b>
	<b>Analysis of Changes in Cash and Cash Equivalents</b>	
0	Balance as at 1 <sup>st</sup> April	1,366
1,366	Net Cash (Inflows)/Outflows	1,948
<b>1,366</b>	<b>Cash Balance Owed To/(From) Host Authority</b>	<b>3,314</b>

*All cash transactions are administered by Rhondda Cynon Taf CBC as Central South Consortium does not operate its own bank account.*

## Notes to the Core Financial Statements

### 1.0 Accounting Policies

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2013/14 based on International Financial Reporting Standards (IFRS) and the Service Reporting Code of Practice for Local Authorities 2013/14 (SeRCOP).

#### 1.1 Change to Accounting Policy

The Code of Practice on Local Authority Accounting has adopted 2011 amendments to IAS19 Employee Benefits. This is a change in accounting policy. The impact of the revised IAS 19 on the financial statements is as follows:

- Interest Cost and Expected Return on Asset being replaced by a single Net Interest item calculated at the discount rate.
- Administration expenses previously deducted from Expected Return on Assets now being included within Current Service Cost.

The changes in Accounting Policy have required a Prior Period Adjustment to the Comprehensive Income and Expenditure. Therefore, the 2012/13 comparators are noted as "Restated". There is no impact upon the 2012/13 Balance Sheet.

Please refer to the specific "Employee Benefits" accounting policy for further details.

#### 1.2 Accruals of Expenditure and Income

The accounts of the Joint Committee 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 Joint Committee 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 Joint Committee.

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



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

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

### **1.3 Cash and Cash Equivalents**

All cash transactions are administered by Rhondda Cynon Taf CBC as Central South Consortium does not operate its own bank account.

### **1.4 Inventories**

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

### **1.5 Value Added Tax**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to Her Majesty's Revenue and Customs and all VAT paid is recoverable from them.

### **1.6 Reserves**

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

Certain reserves are kept to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the Joint Committee.

### **1.7 Income**

Income is credited to the year of account to which it relates, regardless of when that income was actually received.

## **1.8 Cost of Support Services**

The costs of support services have been charged to the Consortium in line with agreed Service Level Agreements.

## **1.9 Employee Benefits**

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

### **Pensions**

The Joint Committee participates in two separate pension schemes.

Staff on Teachers Terms & Conditions - This is an unfunded scheme administered by the Teachers' Pension Agency. The Agency sets contribution rates on the basis of a notional fund. Whilst this is a defined benefit scheme, the Teachers Pensions Agency is unable to identify the Joint Committee's share of the underlying assets and liabilities and accordingly, the Joint Committee has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Other employees - Rhondda Cynon Taf CBC administer a fund on behalf of employees under the Local Government Pension Scheme Regulations 1997 (as amended), under which contribution rates are set by the fund's actuary based on triennial actuarial valuations. Under the regulations, contribution rates are set in order to lead to full funding of the overall liability of the Fund over time. The Local Government Scheme is accounted for as a Defined Benefit Scheme.

- The liabilities of the Rhondda Cynon Taf Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit credit 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 4.3%. (4.5% 2012/13)
- The Rhondda Cynon Taf Pension fund is a multi-employer scheme. The assets of the Fund are not formally allocated to any employer within the fund, and are not the legal property of any employer within the Fund. For the purpose of completing the calculations for each triennial valuation of the Fund, the actuary calculates a notional allocation of assets for each employer. The assets of the pension fund notionally attributed to the Joint Committee are included in the Balance Sheet at their fair value:

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

- The change in the net pensions liability is analysed into the following components:
  - Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked 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.
  - Net Interest – interest on the present value of liabilities and interest on the net changes in those liabilities over the period, calculated using the discount rate at the start of the period, offset by interest applied to assets and the net changes in the assets over the period using the discount rate at the start of the period – represented in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
  - Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - 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 Joint Committee Fund Balance to be charged with the amount payable by the Joint Committee 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 General Reserves 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 Joint Committee is able to make discretionary awards of retirement benefits in the event of early retirements. Any such liabilities arising are accrued in the year of decision to make the award.

### **Accumulated Absences**

The Joint Committee 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. This Joint Committee has taken advantage of the regulations and charged the additional costs to the Short-Term Accumulating Compensated Absences Account in Unusable Reserves.

## **1.10 Government Grants and Other Contributions**

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

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

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

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

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

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

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

## **1.11 Leases**

Whether a lease is a finance or operating lease depends upon the substance of the transaction rather than the legal form. Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

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

### **Finance Leases**

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

Where the Joint Committee 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 Joint Committee. The liability reduces as lease payments are made.

### **Operating Leases**

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

Where the Joint Committee 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.

## **1.12 Events after the Balance Sheet Date**

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

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

Regulations require the audited Statement of Accounts to be published by 30<sup>th</sup> September. The published Statement of Accounts shall reflect events after the reporting period up to the date the accounts were

authorised for issue. This is the date the Responsible Finance Officer re-certifies the accounts.

Two types of events can be identified;

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

## **2.0 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 Joint Committee 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 Joint Committee's Balance Sheet at 31<sup>st</sup> March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **2.1 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 Joint Committee 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.

**3.0 Officers' Emoluments**

<b>2012/13 (7 months) Restated £'000</b>		<b>2013/14  £'000</b>
	<b>Salaries &amp; Wages</b>	
2,296	Advisors	4,365
242	Administration	642
240	Management	302
141	Finance Team	148
27	Catering Staff	50
21	Site Staff	39
11	Cleaning Staff	17
134	Agency	1,485
28	Employee Insurance	46
24	Employee Advertising	16
<b>3,164</b>	<b>Sub Total</b>	<b>7,110</b>
88	IAS 19 adjustments	285
<b>3,252</b>	<b>Total</b>	<b>7,395</b>

**4.0 Premises Costs**

<b>2012/13 (7 months) £'000</b>		<b>2013/14  £'000</b>
173	Rent	313
21	Repair and Maintenance	66
28	Electricity and Gas	54
3	Cleaning Materials	5
98	Rates and Water Charges	167
<b>323</b>	<b>Total</b>	<b>605</b>

**5.0 Transport**

<b>2012/13 (7 months) £'000</b>		<b>2013/14  £'000</b>
35	Car Allowances	100
0	Vehicle Hire	4
<b>35</b>	<b>Total</b>	<b>104</b>

**6.0 Supplies and Services**

<b>2012/13 (7 months) £'000</b>		<b>2013/14 £'000</b>
113	Office Expenses	350
75	Consultants Fees	775
0	Grants & Subscriptions	344
54	Office Equipment	119
48	Computer Costs	60
37	Catering Costs	57
30	Photocopying	81
18	Printing	15
12	Subscriptions	2
10	Marketing	49
9	Audit Fees	9
6	Clothing	8
6	Telephones	18
5	Postage	17
4	Training	174
3	Provision for Bad Debt	4
<b>430</b>	<b>Total</b>	<b>2,082</b>

**7.0 Income**

<b>2012/13 (7 months) £'000</b>		<b>2013/14 £'000</b>
	<b>Contributions</b>	
(894)	Cardiff Council	(1,535)
(733)	Rhondda Cynon Taf CBC	(1,237)
(406)	Bridgend CBC	(698)
(382)	Vale of Glamorgan Council	(653)
(173)	Merthyr Tydfil CBC	(294)
<b>(2,588)</b>	<b>Total Contributions</b>	<b>(4,417)</b>
	<b>Other Income</b>	
(634)	School Income	(1,074)
(457)	Other	(917)
(796)	Grants	(4,252)
(135)	Catering	(192)
<b>(2,022)</b>	<b>Total Other Income</b>	<b>(6,435)</b>
<b>(4,610)</b>	<b>Total Income</b>	<b>(10,852)</b>

**8.0 Related Party Transactions**

In accordance with IAS 24, the Joint Committee has a duty to disclose any material transactions with a "related party". This is to ensure that



financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

All cash transactions are administered by the host authority as the consortium does not operate its own bank account. At 31<sup>st</sup> March 2014 the consortium owes the Council £3,314k relating to these cash transactions. During 2013/14, Central South Consortium was charged £95k by Rhondda Cynon Taf CBC in respect of Central Establishment Charges.

The Joint Committee provides advisory and inspection services to the Local Authorities and its Schools within the Consortium. During the year, transactions with related parties arose as follows:

<b>2012/13 (7 months) £'000</b>	<b>Local Authority</b>	<b>2013/14 £'000</b>
1,345	Cardiff Council	1,907
1,283	Rhondda Cynon Taf CBC	1,731
692	Bridgend CBC	917
541	Vale of Glamorgan Council	736
321	Merthyr Tydfil CBC	418

Pension contributions are made to both the Rhondda Cynon Taf CBC Pension Fund and the Teachers Pension Agency, in respect of Joint Committee employees. See notes 17.0 and 18.0 for further information.

## **9.0 Audit Fees**

<b>2012/13 (7 months) £'000</b>		<b>2013/14 £'000</b>
9	Wales Audit Office Fees Relating to External Audit	9

## **10.0 Leases**

The Joint Committee uses general office equipment which is financed under the terms of an operating lease. Operating lease rentals paid to lessors in 2013/14 totalled £12k.

There are no long-term lease agreements at the balance sheet date.

The Joint Committee holds no assets on Finance Leases.

**11.0 Inventories**

Inventories consist of food stock in respect of the Restaurant.

<b>31/03/13 £'000</b>		<b>31/03/14 £'000</b>
<b>0</b>	<b>Balance as at 1<sup>st</sup> April</b>	<b>1</b>
39	Purchases	61
(38)	Recognised as an expenses in the year	(60)
0	Written off balances	0
<b>1</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>2</b>

**12.0 Debtors**

<b>31/03/13 £'000</b>		<b>31/03/14 £'000</b>
1	Host Authority	14
1,774	Local Authorities and Schools	160
107	Central Government Bodies	4,065
74	Other Entities and Individuals	71
<b>1,956</b>		<b>4,310</b>
(3)	Provision for Bad Debt	(7)
<b>1,953</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>4,303</b>

**13.0 Creditors**

<b>31/03/13 £'000</b>		<b>31/03/14 £'000</b>
(1,366)	Host Authority	(3,314)
(20)	Local Authorities and Schools	(104)
(52)	Other	(193)
(42)	Employee Absences Accrual	(30)
<b>(1,480)</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>(3,641)</b>

**14.0 Amounts Reported for Resource Allocation Decisions**

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

<b>Service Information for 2013/14</b>						
	<b>School Improvement Service</b>	<b>Athrawon Bro</b>	<b>LiNKS</b>	<b>Grants</b>	<b>Total</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>	<b>(4,526)</b>	<b>(1,077)</b>	<b>(2,241)</b>	<b>(2,855)</b>	<b>(10,699)</b>	
<b>Costs</b>						
Employees	3,226	865	1,423	1,608	7,122	
Premises	188	40	339	38	605	
Transport	48	24	18	14	104	
Supplies & Services	169	129	589	1,195	2,082	
Third Party Payments	667	0	0	0	667	
Support Services	50	19	26	0	95	
<b>Net Controllable Costs</b>	<b>(178)</b>	<b>0</b>	<b>154</b>	<b>0</b>	<b>(24)</b>	
<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>						
Add amounts included in Comprehensive Income and Expenditure Statement Net Cost of Services but not included as reported controllable costs						711
Remove amounts included within reported controllable costs but not included within Comprehensive Income and Expenditure Statement						(591)
<b>Net Cost of Services</b>						<b>96</b>
<b>Reconciliation to Subjective 2013/14</b>						
	<b>Service Analysis</b>	<b>Not Reported to Management</b>	<b>Not Included in CI&amp;ES</b>	<b>Net Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, Charges & Other Service Income	(6,282)	(153)	0	(6,435)		(6,435)
Local Authority Contributions	(4,417)	0	0	(4,417)	0	(4,417)
Interest and Investment Income	0	0	0	0	(1)	(1)
<b>Total Income</b>	<b>(10,699)</b>	<b>(153)</b>	<b>0</b>	<b>(10,852)</b>	<b>(1)</b>	<b>(10,853)</b>
Employee Expenses	7,122	864	(591)	7,395	43	7,438
Other Service Expenses	3,553	0	0	3,553	0	3,553
<b>Total Operating Expenses</b>	<b>10,675</b>	<b>864</b>	<b>(591)</b>	<b>10,948</b>	<b>43</b>	<b>10,991</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(24)</b>	<b>711</b>	<b>(591)</b>	<b>96</b>	<b>42</b>	<b>138</b>

**15.0 Movement on Usable Reserves**

	<b>General Reserves £'000</b>	<b>Earmarked Reserves £'000</b>	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2013	(509)	(7)	(516)
(Increase)/Decrease	(25)	(153)	(178)
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>(534)</b>	<b>(160)</b>	<b>(694)</b>

**15.1 CSEC General Reserves**

The Fund Balance is a distributable revenue reserve, which consists of the accumulated surpluses of the Consortium's operations.

	<b>SIS £'000</b>	<b>LiNKs £'000</b>	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2013	(371)	(138)	(509)
(Increase)/Decrease	(179)	154	(25)
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>(550)</b>	<b>16</b>	<b>(534)</b>

**15.2 Earmarked Reserves**

This note sets out the amounts set aside from the General Reserves balance in earmarked reserves to provide financing for future expenditure. All earmarked reserves are deemed to be revenue reserves.

<b>Revenue Grant Reserves</b>	<b>SIS £'000</b>	<b>LiNKs £'000</b>	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2013	0	(7)	(7)
(Increase) / Decrease	0	(153)	(153)
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>0</b>	<b>(160)</b>	<b>(160)</b>

**16.0 Movements on Unusable Reserves**

<b>Reserve</b>	<b>Pension Reserve £'000</b>	<b>Short-Term Acc Comp Absence Account £'000</b>	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2013	1,243	42	1,285
(Increase) / Decrease	(427)	(12)	(439)
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>816</b>	<b>30</b>	<b>846</b>

**16.1 Pension Reserve**

The Pension Reserve is the balancing account to offset the inclusion of Pension Liability in the Balance Sheet as required by IAS 19 "Employee Benefits". See note 17.0 for further information.

**16.2 Short-Term Accumulating Compensated Absences Account**

The Short-Term Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on CSEC Reserves from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31<sup>st</sup> March 2014.

	<b>2013/14 £'000</b>
<b>Balance as at 1<sup>st</sup> April 2013</b>	<b>42</b>
Settlement or cancellation of accrual made at the end of the preceding year	(42)
Amounts accrued at the end of the current year	30
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>30</b>

**17.0 Retirement Benefits – Defined Benefit Schemes****17.1 Participation in Pension Schemes**

As part of their terms and conditions, the employees of Central South Consortium are offered retirement benefits by the Joint Committee. Although these benefits will not be payable until retirement, the Joint Committee has a commitment to make these payments. The liability for these payments needs to be accounted for at the time future entitlement is earned.

The Joint Committee participates in two pension schemes:

- Teachers – Please refer to note 18.0.
- Other employees – The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit salary scheme, meaning that the Joint Committee 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 Joint Committees' accounts are defined by IAS 19 "Employee Benefits".

**17.2 Transactions Relating to Post-Employment Benefits**

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Account when earned by employees, rather

than when benefits are actually paid as pensions. However, the charge required to be made to the Comprehensive Income and Expenditure Account is based on the cash payable in the year. The cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been posted in the year:

<b>Comprehensive Income and Expenditure Account</b>	<b>2012/13 Restated £'000</b>	<b>2013/14 £'000</b>
Cost of Services:		
Current Service Cost	342	852
Past Service Cost	0	24
Settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	25	43
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>367</b>	<b>919</b>
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>		
Return on Plan Assets (Excluding the Amount included in the Net Interest Expense)	(579)	(339)
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	0	(347)
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	544	(668)
Actuarial (Gains) and Losses Arising on Liabilities – Experience	0	599
Actuarial (Gains) and Losses Arising on inherited pension and assets and liabilities	1,165	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>1,497</b>	<b>164</b>
<i>Movement in Reserves Statement</i>		
Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in Accordance with the Code	(367)	(919)
<i>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</i>		
Employers' Contributions Payable to Scheme	254	591

2012/13 (restated) includes a loss of £1,165k relating to the inherited pension assets and liabilities transferred into the consortium on its formation. Whilst all liabilities were transferred 'fully funded', the differing accounting assumptions required under IAS19 have resulted in an accounting loss. Due to accounting rules this has no impact on the

General Reserves of the joint committee as the costs are reversed in the Movement in Reserves Statement.

The total actuarial gains and losses recognised in Other Comprehensive Income and Expenditure to the 31st March 2014 is a gain of £755k. (£35k gain in 2012/13 (restated) plus the inherited loss of £1,165k gives a total loss of £1,130k in 2012/13 (restated)).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure statement to the year ending 31<sup>st</sup> March 2014 is a loss of £375k.

The figures above do not include allowance for any membership (or associated assets) relating to members who have joined the employer but have not yet exercised their option to link their past service rights to their current employment.

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

### 17.3 Reconciliation of Present Value of the Scheme Liabilities

	<b>2012/13 Restated £'000</b>	<b>2013/14 £'000</b>
Opening balance at 1 <sup>st</sup> April	6,426	7,440
Current Service Cost	342	852
Interest Cost on Defined Obligation	157	362
Contributions by Scheme Participants	106	235
<i>Remeasurement (Gains) and Losses:</i>		
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	0	(347)
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	544	(668)
Actuarial (Gains) and Losses Arising on Liabilities – Experience	0	599
Benefits Paid	(135)	956
Past Service Costs	0	24
Entity combinations	0	0
Curtailments	0	0
Settlements	0	0
<b>Carried Forward at 31<sup>st</sup> March</b>	<b>7,440</b>	<b>9,453</b>

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

	<b>2012/13 Restated £'000</b>	<b>2013/14 £'000</b>
Opening balance at as at 1 <sup>st</sup> April	5,261	6,197
Interest Income	132	319
<i>Remeasurement (Gains) and Losses</i>		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	579	339
Other	0	0
Employer Contributions	254	591
Contributions by Scheme Participants	106	235
Benefits paid	(135)	956
Entity Combinations	0	0
Settlements	0	0
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>6,197</b>	<b>8,637</b>

**17.5 Scheme History**

	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
Present Value of Defined Obligation	(7,440)	(9,453)
Fair Value of Plan Assets	6,197	8,637
<b>Surplus / (Deficit)</b>	<b>(1,243)</b>	<b>(816)</b>

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total liability of £816k has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Joint Committee remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

**17.6 Local Government Pension Scheme Assets**

Local Government Pension Scheme Assets (full scheme not JES element) are comprised as follows:

	<b>Fair Value of Scheme Assets</b>	
	<b>2012/13</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
UK Equities	413,777	462,816
Overseas Equities	991,347	1,112,695
UK Fixed Interest Gilts	210,907	176,791
<b>Continued Overleaf...</b>		



UK Index Linked Gilts	5,646	13,111
UK Corporate Bonds	227,990	240,655
Overseas Corporate Bonds	5,383	18,378
Property	119,871	130,201
Cash and net current assets	68,499	65,050
<b>Total</b>	<b>2,043,420</b>	<b>2,219,697</b>

### 17.7 Basis for Estimating Assets & Liabilities

The Rhondda Cynon Taf Pension Fund 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.

Liabilities have been estimated 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 Ltd, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2013.

The principal assumptions used by the actuary have been:

	31/03/13	31/03/14
Long-Term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.8%	N/A*
Property	7.3%	N/A*
Government Bonds	2.8%	N/A*
Corporate Bonds	3.8%	N/A*
Cash	0.9%	N/A*
Other	7.8%	N/A*
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	23.3	22.9
Women	24.7	25.8
Longevity at 65 for future pensioners:		
Men	25.2	25.1
Women	26.6	28.2
RPI Inflation	3.7%	3.4%
CPI Inflation	2.8%	2.4%
Rate of Increase in Salaries	4.7%	3.9%
Rate of Increase in Pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.5%	4.3%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum:		
Post-2010 Service	75%	-
Pre-2010 Service	50%	-
Post-2008	-	75%
Pre-2008	-	75%

\*Please note that from 2013/14 the “expected return on assets” item (which is a credit to the Comprehensive Income & Expenditure Statement) will no longer be calculated based on the best estimate of the expected returns on the investments held, but will instead be calculated using the assumption adopted for the discount rate.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have 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.

	<b>Increase in Assumption £'000</b>	<b>Decrease in Assumption £'000</b>
Longevity (Increase or Decrease in 1 Year)	195	(195)
Rate of Increase in Salaries (increase or decrease by 0.1%)	75	(76)
Rate of Increase in Pensions (increase or decrease by 0.1%)	132	(132)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	(208)	208

## **17.8 Impact on Joint Committee’s Cash Flow**

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £551k expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is X years, 2013/14 (Y years 2012/13).

## **18.0 Retirement Benefits – Defined Contribution Scheme**

Staff employed on Teachers terms and conditions are members of the Teachers' Pension Scheme. The scheme provides teachers with specified benefits upon their retirement, and the Joint Committee contributes towards the costs by making contributions based upon a percentage of members' pensionable salary.

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 2013/14, the Joint Committee paid £74k to the Teachers' Pension Fund in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. There were no contributions remaining payable at the year-end.

## **19.0 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Joint Committee on 25<sup>th</sup> September 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31<sup>st</sup> March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events that took place after 31<sup>st</sup> March 2014 requiring disclosure providing information that is relevant to an understanding of the Central South Consortium Joint Education Service's financial position.

**20.0 Reconciliation of Comprehensive Income and Expenditure Account to Cash flow**

<b>2012/13 (7 months) £'000</b>		<b>2013/14 £'000</b>
(361)	(Surplus)/Deficit on the Provision of Services	138
(114)	(Increase)/Decrease in Creditors	(213)
1,953	Increase/(Decrease) in Debtors	2,350
1	Increase/(Decrease) in Inventories	1
(113)	IAS 19 Transactions	(328)
<b>1,366</b>	<b>Cash (Inflow)/Outflow from Revenue Items</b>	<b>1,948</b>

**21.0 Officer's Remuneration**

Under the Accounts and Audit (Wales) Regulations 2010, the Joint Committee 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 pension contributions). The disclosure includes redundancy payments.

<b>Remuneration Band</b>	<b>2012/13 Part year</b>	<b>2013/14</b>		
	<b>No. of Employees</b>	<b>No. of Employees</b>		
	<b>Total</b>	<b>At 31/03/14</b>	<b>Left in Year</b>	<b>Total</b>
£60,000 - £64,999	0	7	0	7
£65,000 - £69,999	0	0	0	0
£70,000 - £74,999	0	0	0	0
£75,000 - £79,999	0	1	1	2
£80,000 - £84,999	0	0	0	0
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	0	0	0	0
<b>Total</b>	<b>0</b>	<b>8</b>	<b>1</b>	<b>9</b>

**22.0 Severance Costs**

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Severance Cost	
							£000s	
	12/13	13/14	12/13	13/14	12/13	13/14	12/13	13/14
£0 - £20,000	0	0	0	1	0	1	0	6
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>6</b>

**23.0 Interest**

Interest is paid daily on the personal account balance due to/from Rhondda Cynon Taf CBC.

2012/13 (7 months) £'000	2012/13 Interest rate %		2013/14 £'000	2013/14 Interest rate %
0	0.26	Interest on Personal Account Balance	(1)	0.26
<b>0</b>			<b>(1)</b>	

## RHONDDA CYNON TAF

### CENTRAL SOUTH CONSORTIUM 2013/14 ANNUAL GOVERNANCE STATEMENT

<b>1.</b>	<b>Scope of Responsibility</b>
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**1.1** The Central South Consortium serves:

- Bridgend County Borough Council;
- Cardiff Council;
- Merthyr Tydfil County Borough Council;
- Rhondda Cynon Taf County Borough Council; and
- Vale of Glamorgan County Borough Council.

The responsibilities of the Central South Consortium, combined, cover the needs of over 400 schools and approximately 144,000 pupils in the region of the Central South Consortium Joint Education Service.

**1.2** The pledge of the Central South Consortium is as follows:

*“We want our education system to compare with what the best systems in the world are doing.*

*Together we are committed to giving all learners the best possible start in life. We want to equip our learners with the knowledge and skills they need to match the standards of the rest of the world so they can flourish as individuals and succeed in a global economy.”*

**1.3** Rhondda Cynon Taf County Borough Council is responsible for ensuring that its business and that of the Joint Committee, for which it has administrative responsibility, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and is used economically, efficiently and effectively.

**1.4** Rhondda Cynon Taf County Borough Council and the Central South Consortium have several policies and processes that are consistent with the principles of the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’.

**1.5** This Annual Governance Statement explains how the Central South Consortium has complied with the various elements of the framework.

<b>2.</b>	<b>The purpose of the governance framework</b>
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- 2.1** The governance framework comprises the systems and processes, and cultural values, by which an organisation is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables an organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2** The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3** The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of aims and objectives, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4** The following paragraphs summarise the overall governance framework and the system of internal control, which has been in place for the Central South Consortium for the period covering 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014.

<b>3.</b>	<b>The Governance Framework</b>
-----------	---------------------------------

- 3.1** The CIPFA/SOLACE governance framework sets out six fundamental principles of corporate governance:-
- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
  - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
  - Developing the capacity and capability of members and officers to be effective.
  - Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.2** This Governance Statement has used these principles to demonstrate how the overall governance arrangements at the Central South

Consortium for the period covering 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014 are deemed to be satisfactory. The Governance Statement does not document policies, procedures and working practices under each of the six principles, but instead provides an overview of the governance and internal control processes and systems.

### **3.3 Legal Agreements**

**3.4** The Interim Legal Agreements (accompanied by draft terms of references and governance principles) in place at the commencement of the Joint Education Service and the Learning and Innovation Network for Schools ('Links') Service was in place for the majority of the 2013/14 financial year. On the 4<sup>th</sup> December 2013 all parties formally signed the two legal agreements (identified as the Central South Consortium's significant governance issue in the Annual Governance Statement 2012/13). There were no significant amendments to the Legal Agreement documents between the status of 'Interim' (accompanied by draft terms of references and governance principles) and 'Final'. On the basis of there being no significant amendments to the Interim Legal Agreement, from this point forwards in the Annual Governance Statement, reference will be made to the 'Legal Agreement'.

**3.5** The Legal Agreement for the Joint Education Service provides the governance framework within which the Service operates and allocates responsibility and accountability, as follows:

- The Host Authority
- The Executive Board
- Operational Management Group & The Director
- Central South Consortium Joint Education Committee
- Financial Management

The Legal Agreement for the Learning and Innovation Network for Schools Service provides the governance framework within which the service operates and allocates responsibility and accountability, as follows:

- The Host Authority
- The Executive Board
- Board of Management
- Central South Consortium Joint Education Committee
- Financial Management

### **3.6 The Host Authority**

The Legal Agreements formally assigns Rhondda Cynon Taf County Borough Council as the Host Authority for the Central South Consortium. Rhondda Cynon Taf County Borough Council provides all support services (save for the day to day administration undertaken by staff in accordance with their duties) required, including but not limited to:

- Financial (Section 151 Officer as defined by section 151 of the



Local Government Act 1972, Accounts, Payroll, Creditors, Debtors, Insurance)

- Human Resources,
- Health & Safety,
- Legal,
- ICT
- Estates,
- PR/Marketing,
- Information Management,
- Internal Audit and;
- Procurement

The costs of which are charged to the CSC Joint Education Committee through Service Level Agreements.

- 3.7** The Constitution of Rhondda Cynon Taf County Borough Council, which has the financial stewardship of the Central South Consortium, allocates functions and responsibility within the Authority. It also regulates the behaviour of individuals (Members & Officers) and groups through codes of conduct, protocols and rules of procedures. All functions undertaken by the Central South Consortium should be done so in accordance with all relevant Policies and Procedure Rules of Rhondda Cynon Taf County Borough Council.

**3.8 Member Conduct**

Members of the Joint Education Committee are governed by the Code of Conduct of their relevant Council.

- 3.9** The Public Service Ombudsman and the relevant Council's Standards Committee investigate allegations of misconduct by Members and monitor the conduct of Members.

**3.10 Officer Conduct**

To ensure a consistent approach to working practices and processes, all officers are subject to the terms and conditions of employment (which are based on RCT operating terms and conditions) as follows:

1. Staff appointed to undertake responsibilities on behalf of the JES since October 2012, are employed / contracted on the standard terms and conditions of employment of the Host.
2. Staff appointed who were previously employed by any of the five partner local authorities prior to October 2012, were upon appointment transferred onto the standard terms and conditions of the Host or if matched to a role, given the option if they so wished to retain the terms and conditions of their home authority.

Regardless of which terms and conditions officers are employed upon, all officers are subject to a common set of operating Employment Policies based on the Host's operating policies and procedures.

**3.11 The Executive Board**

The purpose of the Executive Board is to support the Director in ensuring that the strategies of the CSC align themselves with the needs of all Parties to raise educational standards.

**3.12** The membership, decision making process, meetings and the terms of reference for the Executive Board are documented within Schedule 2 of each Legal Agreement.

**3.13 Joint Education Service:  
Operational Management Group & The Director**

The Operational Management Group comprises the Director, the JES Heads of Service and each Parties respective Head of School Improvement. The objective of the group is to deliver school improvement activities with the aim of raising educational standards.

**3.14** The membership, decision making process, meetings and the terms of reference for the Operational Management Group are documented within Schedule 3 of the Joint Education Service Legal Agreement.

**3.15** In May 2013 the Interim Director left his role at the CSC Joint Education Service. Contingency arrangements were put in place to cover for the duties of the outgoing Interim Director until a further interim appointment was made in October 2013. Following a recruitment process in March/April 2014 the CSC Joint Education Service failed to appoint a permanent Director. Efforts to appoint a permanent Director will continue during 2014, but the current Interim arrangement will continue until such time as the review of the permanent position is completed.

**3.16 Learning and Innovation Network for Schools:  
Board of Management & The Director**

The Board of Management comprises the Director, Head of Links, at least 10 but no more than 15 nominated representative Headteachers from Nursery, Primary, Secondary and Special Co-Founder Schools. The objective of the Board is to provide a steer for the strategic direction of the service. To influence, by representing the views of Headteachers, the offer and delivery of the service provided by the Links services.

**3.17** The membership, decision making process, meetings and the terms of reference for the Board of Management are documented within Schedule 3 of the Learning and Innovation Network for Schools Legal Agreement.

**3.18 Central South Consortium Joint Education Committee**

The Central South Consortium Joint Education Committee (hereinafter called the 'Joint Education Committee') comprises of two elected Members from each Council and one officer representative with

responsibility for Education from each Council.

The Joint Education Committee is the joint committee for both the Joint Education Service and the Learning and Innovation Network for Schools ('Links').

The Joint Education Committee has the powers of each Council with reference to the provision of a Joint Education Service and its performance.

The purpose of the Joint Education Committee is to support effective Central South Consortium arrangements which raise education standards across the Consortium.

The membership, decision making process, meetings and the terms of reference for the Joint Education Committee are documented within Schedule 4 of each Legal Agreement.

### **3.19 Financial Management**

Schedule 5 of the Legal Agreements provides the framework within which the finances of the Joint Education Service and the Learning and Innovation Network for Schools Services operate. The Financial Protocol provides the financial framework and relationship between the Parties (the councils), the Host and the Central South Consortium. The following areas of business are documented in each of the two Legal Agreements:

- General principles
- Contributions and charging mechanisms
- Payment arrangements
- Budgetary control & monitoring
- Capital Expenditure & long term contracts
- Annual Accounts & Audit
- Financial insolvency

**3.20** The Legal Agreements require the Joint Education Committee to hold at least termly meetings throughout the year. Standard agenda items include a report from the Treasurer.

**3.21** The Rhondda Cynon Taf County Borough Council's Financial Procedure Rules provide clear guidance in relation to all financial matters. The Central South Consortium has adopted Rhondda Cynon Taf's Financial & Contract Procedure Rules – as confirmed in Section 17 (Schedule 4) of the Legal Agreements:

**"Rules and Procedure**

*For the avoidance of doubt the CSC Joint Education Committee shall, where relevant and subject to the provisions of this Agreement, operate in accordance with the Hosts schemes of delegation, Rules of Procedure and policies from time to time."*

**3.22** The Wales Audit Office audits the Central South Consortium's annual

statement of accounts. The 2012/13 statement of accounts were audited by the WAO and approved at the meeting of the Joint Committee on 27<sup>th</sup> September 2013.

**3.23** The Central South Consortium's financial and operational performance is monitored and scrutinised by the Joint Education Committee.

The Joint Education Committee receives reports from:

- The Treasurer, and;
- The Interim Regional Director.

In addition to these regular reports, the Joint Education Committee also receives ad-hoc reports relevant to the operation of the organisation.

## Review of Effectiveness

**4.1** The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of Internal Audit and Chief Officers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates. The requirement to undertake an annual review also extends to Joint Ventures where this Council has lead responsibility.

**4.2 Report of the Interim Regional Director**

Since the inception of the organisation the Interim Regional Director (or designated representative) provided members of the Joint Education Committee with updates on performance and statistical information.

**4.3** In addition to these 'standard' agenda items, issues specific to the operational running of the organisation were also reported to the Joint Education Committee.

**4.4** In the Draft Central South Consortium Business Plan (March 2014) the Interim Director reflected upon the performance and delivery of the service during 2013/14 and concluded that  
*'In 2013, whilst some improvements have been shown, they need to be significantly more marked.'*

*A transformation is needed. Our ambition is to work alongside schools to enable Headteachers to lead improvement in schools' banding positions, in literacy and numeracy, in performance against the level 2+ threshold and most crucially in closing the attainment gap for disadvantaged pupils.'*

In order to address the transformation required, the Business Plan proposes a change in delivery:

*'Over the next three to five years moving to a fully school-led system will involve significant cultural change from all parts of the system in order to build the capacity, confidence and behaviours of schools to lead improvement.'*

The Business Plan proposes the previous model of the Joint Education Service and the Learning and Innovation Network for Schools ('Links') to cease during the Spring of 2014 with the model being replaced with a strategy which is led by Headteachers from within the region.

**4.5 Financial Management**

During 2013/14 the Joint Education Committee received regular

finance reports from the Treasurer.

**4.6** During 2012/13 the role of the Chief Financial Officer at Rhondda Cynon Taf County Borough Council was compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.

**4.7 Joint Education Committee**

During 2013/14 the Joint Education Committee received regular finance reports from the Treasurer and also regular performance reports from the Interim Regional Director. The Joint Education Committee also received reports relevant to the operation and governance of the organisation.

**4.8** In accordance with their terms of reference, the Joint Education Committee also considered the recruitment of a permanent Director during April 2014 the outcome of which was unsuccessful and leaves the Joint Education Service with an Interim Director for the foreseeable future.

**4.9 Internal Audit**

During 2013/14 Internal Audit reviewed the core financial systems of the CSC Joint Education Service and concluded there to be no material weaknesses. Internal Audit also reviewed the reports provided to the Joint Education Committee and the Legal Agreements (which incorporates the Terms of Reference for the Executive Board, Operational Management Group, Board of Management and the Joint Education Committee).

**4.10 External Audit**

The Wales Audit Office audits the Central South Consortium's annual statement of accounts. The 2012/13 statement of accounts were audited by the WAO and approved at the meeting of the Joint Committee on 27<sup>th</sup> September 2013.

### Significant Governance Issues

- 5.1 Definition of Governance:** A series of policies, roles, responsibilities and processes that set the way an organisation is directed, administrated and controlled.
- 5.2 Definition of a Significant Governance Issue:**  
A specific area of the Organisation's work that requires Senior Management attention to ensure that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner, to support improved outcomes for local people.
- 5.3** The following areas are deemed to be significant governance issues during 2014/15:
- 5.4** The need to appoint a permanent Director.
- 5.5** Managing the cultural change required to implement the proposed new model of delivery as outlined within the Draft Central South Consortium Business Plan (March 2014) – subject to approval.

### Certification of Annual Governance Statement

Chair

Interim Director

## **Independent Auditor's Report to the Members of Central South Consortium Joint Committee**

I have audited the accounting statements and related notes of Central South Consortium Joint Education Service Joint Committee for the year ended **31 March 2013** under the Public Audit (Wales) Act 2004.

Central South Consortium Joint Education Service Joint Committee accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the responsible financial officer is responsible for the preparation of the statement of accounts for Central South Consortium Joint Education Service Joint Committee, which gives a true and fair view.

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

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Central South Consortium Joint Education Service Joint Committee circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

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



### **Opinion on the accounting statements of the Central South Joint Education Service Consortium Joint Committee**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Central South Consortium Joint Education Service Joint Committee as at **31 March 2013** 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 2012-13.

### **Opinion on other matters**

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

### **Matters on which I report by exception**

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

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of Central South Consortium Joint Education Service Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

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

**Anthony Barrett**  
**Wales Audit Office**  
24 Cathedral Road  
Cardiff  
CF11 9LJ

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## Appendix 4

*A toolkit for local authority audit committees*

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# Section 5 – Financial reporting and regulatory matters

## Compliance with the law and regulations governing local authorities

Changes in legislation occur regularly within the sector and it is imperative that the authority establishes a mechanism to ensure that its audit committee members are aware of relevant topical legal issues.

To keep the audit committee up to date, it is worth considering including the following on the audit committee's agenda:

- an update of relevant circulars and correspondence from government departments etc
- relevant minutes and papers from council meetings (these are especially helpful for co-opted members)
- relevant reports from the Audit Commission, National Audit Office and other relevant regulators

## Financial Statements

The Audit Committee should review the Financial Statements before submission to the full Council, focusing particularly on:

- the outcome of reviews of the effectiveness of the internal control arrangements including internal audit
- the wording in the Statement on Internal Control and other disclosures relevant to the Terms of Reference of the Committee
- changes in, and compliance with, accounting policies and practices
- unadjusted mis-statements in the financial statements
- major judgemental areas
- significant adjustments resulting from the audit
- any relevant issues raised in the external auditor's report to those charged with governance

The Committee should also ensure that the systems for financial reporting to the full Council, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the full Council and its committees.

The timetable for preparing the financial statements is normally tight. If the audit committee is to play an effective role in the process, it needs to hold a meeting before the financial statements are formally approved. The role of the audit

committee in the approval, and the purpose of the meeting should be made absolutely clear. If there are any delays in preparing and auditing the financial statements the audit committee should find out why, as they may be due to underlying problems within the finance department or audit process.

However, the audit committee needs to ensure it does not become involved in any details that should be dealt with more properly by the director of finance, designated office holder or other relevant committee.

**QUESTIONS FOR AUDIT COMMITTEE MEMBERS – REVIEW OF THE FINANCIAL STATEMENTS**

- Which significant items in the accounts are based on accounting estimates? Which accounting policies followed by the authority required an element of judgment in their application? How does the approach taken this year to these items and policies compare with the previous year?
- Have there been any developments in accounting standards or generally accepted accounting practice of relevance to the authority since the audit committee last reviewed the authority's accounting policies and practices?
- Do the financial statements satisfy all statutory and other regulatory disclosure requirements to which the authority is subject?