

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2015-2016**

**AUDIT COMMITTEE**

7<sup>th</sup> September 2015

**REPORT OF THE GROUP DIRECTOR,  
CORPORATE AND FRONTLINE  
SERVICES**

<b>AGENDA ITEM NO.5</b>
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<b>DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2015</b>
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**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 2014/15 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 2014/2015 (Appendix 1);
- (b) Note the Llwydcoed Crematorium Joint Committee certified draft Statement of Accounts for the financial year 2014/15 (Appendix 2);
- (c) Note the Central South Consortium Joint Education Service Joint Committee certified draft Statement of Accounts for the financial year 2014/15 (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) Regulations 2014 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 30<sup>th</sup> September 2015 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 Group Director Corporate & Frontline Services on 30<sup>th</sup> June 2015.
- 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 (26<sup>th</sup> June 2015) and the audited accounts are due to be presented to the meeting scheduled for the 25<sup>th</sup> September 2015.
- 3.4 The Authority also has administrative responsibility for the production of accounts for Central South Consortium Joint Education Service Joint Committee. These draft accounts have been presented to the Joint Committee (25<sup>th</sup> June 2015) and the audited accounts are due to be presented to the meeting scheduled for the 24<sup>th</sup> September 2015.
- 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).\**

*\* The Statutory Guidance referred to above references regulation 9 of the Accounts and Audit Regulations (Wales) 2005 (as amended). However, this has now been replaced by regulation 10 of the Accounts and Audit Regulations (Wales) 2014. Welsh Government have advised that references to the 2005 regulations in subordinate legislation and statutory guidance will be replaced with the 2014 regulation references in due course.*

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 30<sup>th</sup> September 2015, the Llwydcoed Crematorium Joint Committee on the 25<sup>th</sup> September 2015 and the Central South Consortium Joint Education Service Joint Committee on the 24<sup>th</sup> September 2015.

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.

\*\*\*\*\*

# Statement of Accounts 2014/15



STRONG HERITAGE | STRONG FUTURE  
**RHONDDA CYNON TAF**  
TREFTADAETH GADARN | DYFODOL SICR

## Rhondda Cynon Taf County Borough Council

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## Explanatory Foreword

### 1. Introduction

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

Rhondda Cynon Taf is the 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 2014/15 have been prepared in accordance with:

- Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 based on International Financial Reporting Standards (IFRS).
- Local Government Act 2003.
- Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP).
- Accounts and Audit (Wales) Regulations 2014.
- 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 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 UK Government's deficit reduction plan. 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.

Given the continuing financial pressures the Council is working under, the continuing growth in the quantum of our budget and the potential risks that lie ahead, it remains the view of the Section 151 Officer that the council should hold a minimum of £10m as General Fund Balances (i.e. its working balance). This is at a level held for some years, although this minimum is set in the context of the need for continued strong financial management that is felt to be essential to ensure that the Council maintains financial flexibility and stability going forward. This is reflected in the Balance Sheet which demonstrates Council Fund Balances of £10.793m.

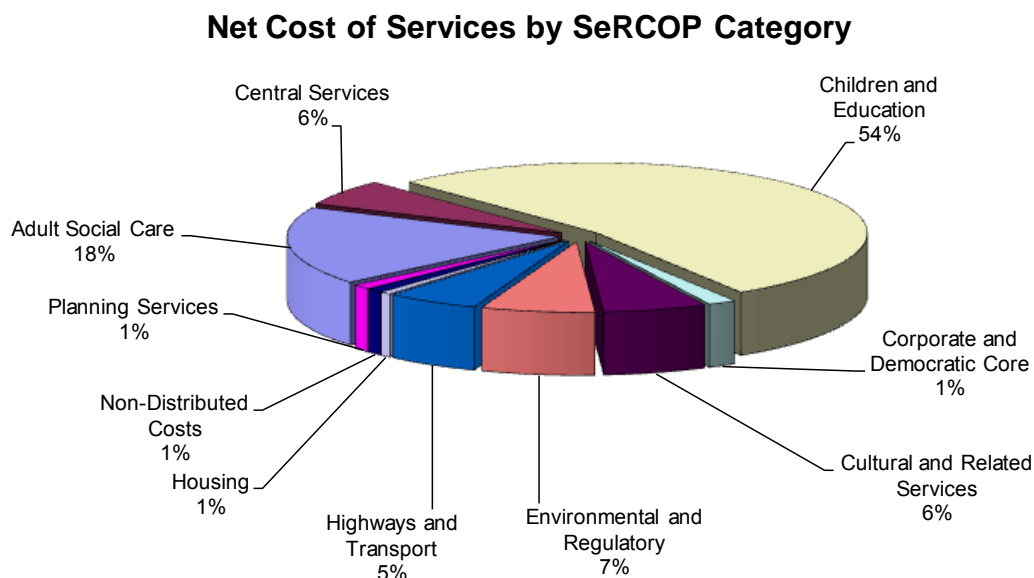
### 3. Explanation of Core Financial Statements

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

- **Movement in Reserves Statement (MiRS)** – represents the movement in usable and unusable reserves.
- **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 2014/15

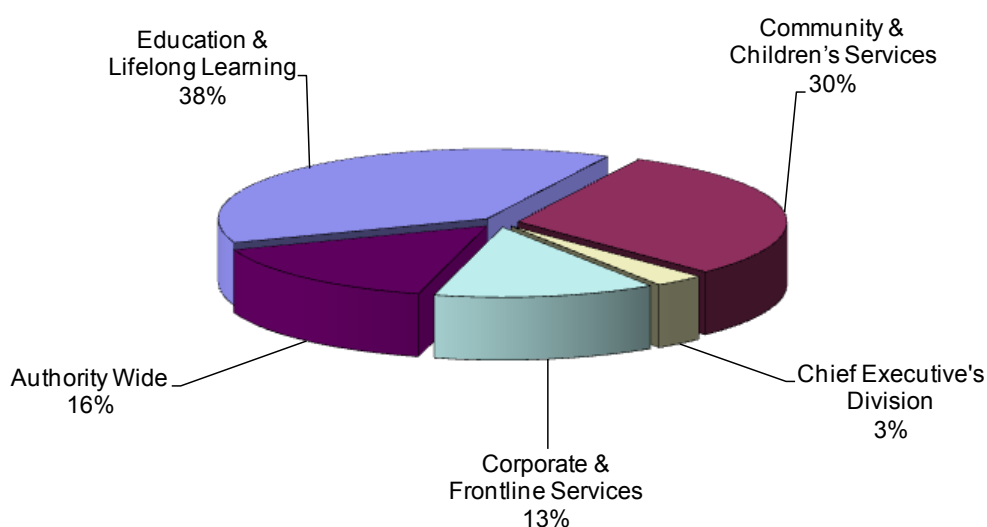
The Comprehensive Income and Expenditure Statement provides an analysis of the Council’s gross revenue expenditure and income in accordance with International Financial Reporting Standards. The chart below provides an analysis of the Net Cost of Services (£450m) by Service Reporting Code of Practice (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 2014/15. 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	176,841	176,931	90
Community & Children's Services	141,208	141,334	126
Chief Executive's Division	14,078	14,024	(54)
Corporate & Frontline Services	62,279	62,077	(202)
Authority Wide	72,373	71,602	(771)
<b>Total</b>	<b>466,779</b>	<b>465,968</b>	<b>(811)</b>

### Net Expenditure by Service Group



	£'000
<b>Council Fund Reserves as at 31<sup>st</sup> March 2014</b>	<b>10,282</b>
Revenue Budget Out-turn (Variance as above)	811
Transfer from Council Fund Balance to Earmarked Reserves	(300)
<b>Council Fund Reserves as at 31<sup>st</sup> March 2015</b>	<b>10,793</b>

Gross Expenditure on Services amounted to £684m, this can be analysed over the following expenditure categories:

Type of Expenditure	£'m	%
Employees	292	42
Premises	26	4
Transport	20	3
Supplies and Services	69	10
Payments to Third Parties	103	15
Transfer Payments	102	15
Capital Charges	40	6
Other Operating Costs (e.g. Support Services)	32	5
<b>Total Gross Expenditure</b>	<b>684</b>	<b>100</b>

Income during the year totalled £734m and came from the following sources:

<b>Income Analysis</b>	<b>£'m</b>	<b>%</b>
<u>Direct Service Income</u>		
Specific Grants	154	21
Sales, Fees & Charges	37	5
Other Income	43	6
<b>Sub-Total Direct Service Income</b>	<b>234</b>	<b>32</b>
<u>Other Income</u>		
Council Tax	110	15
Non-Domestic Rates	74	10
Non-Ringfenced Government Grants	296	40
Capital Grants and Contributions	20	3
<b>Total Income</b>	<b>734</b>	<b>100</b>

## 5. Summary of Future Revenue and Capital Plans

During 2014/15, 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 and 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:

- Protecting people from harm and tackling anti-social behaviour
- Providing a top quality education for all – “Every School a Great School”
- Keeping all children and young people safe
- Supporting vulnerable adults and older people to live independently
- Improving our communities
- Keeping Rhondda Cynon Taf clean and ‘green’
- Making the best use of our Budget

All of these plans and ambitions need to be underpinned by robust financial management. The UK Government’s 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 2015 is as follows:

Group	2015/16	2016/17	2017/18	Total
	£'000	£'000	£'000	£'000
Chief Executive's Division	8,736	6,702	760	16,198
Corporate & Frontline Services	12,466	4,227	4,622	21,315
Corporate Initiatives	1,750	850	850	3,450
Education & Lifelong Learning Services	27,239	19,694	5,659	52,592
Community & Children's Services	8,561	6,718	6,468	21,747
<b>Total</b>	<b>58,752</b>	<b>38,191</b>	<b>18,359</b>	<b>115,302</b>

A summary of the Council's revenue budget for 2015/16 (agreed in March 2015) is outlined below:

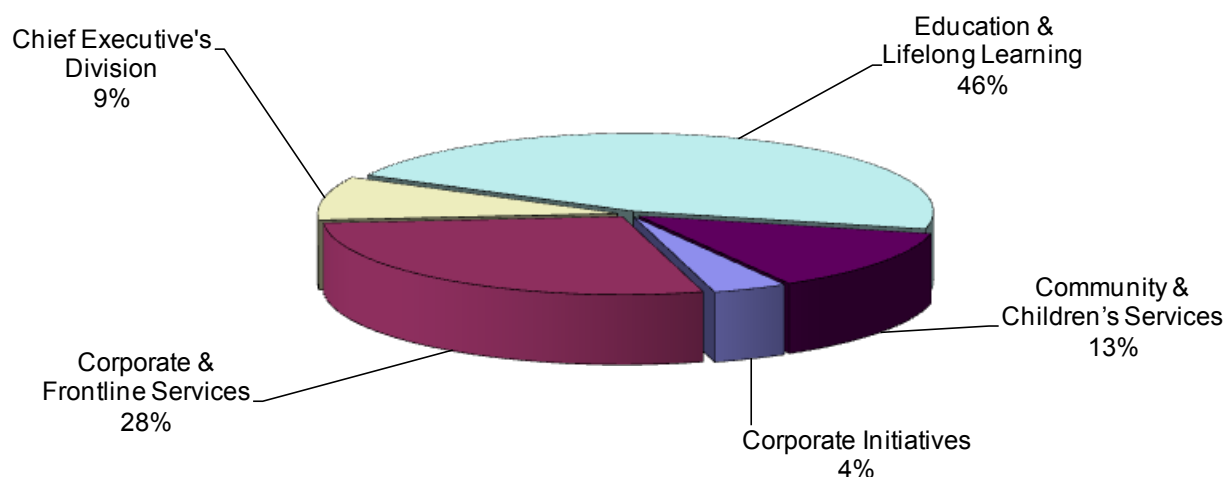
Service Area	£'000
Authority Wide	70,846
Individual Schools Budget	142,718
Community & Children's Services	138,037
Corporate & Frontline Services and Chief Executive's Division	72,985
Education & Lifelong Learning Services	31,908
<b>Total</b>	<b>456,494</b>

## 6. Capital Expenditure and Income 2014/15

During the year the Council spent £71.5m on capital, as summarised below:

Group	£'000	%
Corporate Initiatives	2,769	4
Corporate & Frontline Services	19,751	28
Chief Executive's Division	6,195	9
Education & Lifelong Learning Services	33,127	46
Community & Children's Services	9,685	13
<b>Total</b>	<b>71,527</b>	<b>100</b>

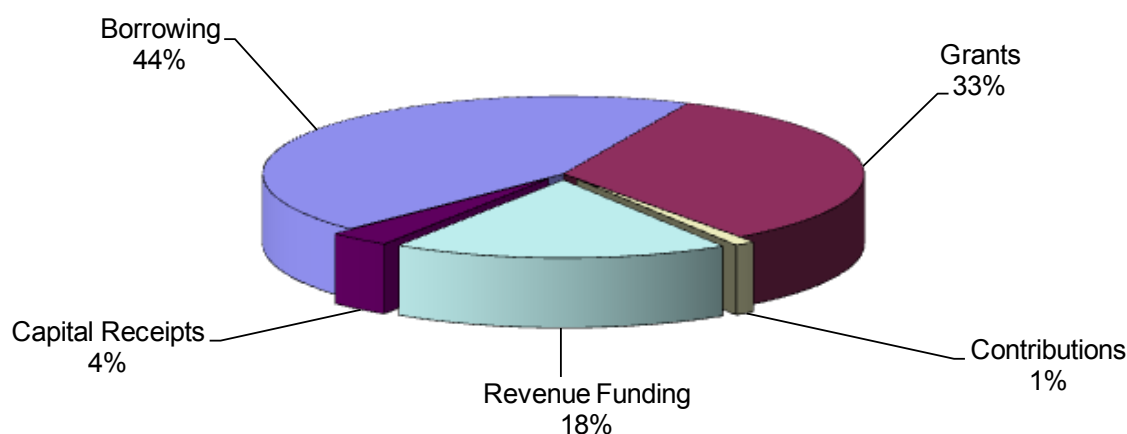
This is represented by the following graph:



In addition, the Council's share of capital expenditure incurred by Joint Committees in which it has an interest was £188k. 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	62,870	188	63,058
Intangible Long-Term Assets	1,083	0	1,083
Revenue Expenditure Funded from Capital under Statute	7,574	0	7,574
<b>Total</b>	<b>71,527</b>	<b>188</b>	<b>71,715</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
- Aberdare School & Sports Centre
- Fleet Replacement
- Pontypridd Lido

As at 31<sup>st</sup> March 2015, major capital commitments over the next three years (per the Capital Programme 2015 – 2018) include the following schemes:

Scheme	31/03/15
	£'000
Disabled Facilities Grants/Adaptations (DFGs)	11,700
Vibrant & Viable Places Programme	13,342
Y Pant Comprehensive School	23,004
Llwyncrwn Primary School	4,300
Fleet Vehicles	9,109
Highways Improvements	4,046
Asbestos Remediation Works & Management	6,950

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 39.0 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>	£380.0m
<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 £211.2m, of which £196.1m is long-term and £15.1m is short-term. The majority of external borrowing was from the Public Works Loan Board (PWLB) (£111.1m). The remaining balance comprises £87.5m from market loans, £11.8m Local Authority Debt and £0.8m from other sources.

The Council also has PFI liabilities of £25.0m, £23.8m is a Long-Term Liability and £1.2m 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 & Frontline 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 41.0 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	(389,699)
Net Assets as per Balance Sheet	198,190

## 9. **Prior Period Adjustment**

A change to the treatment of trading operations transactions has required a Prior Period Adjustment to the Comprehensive Income and Expenditure Statement. Therefore the 2013/14 comparators are noted as 'Restated'. There is no impact upon the 2013/14 Balance Sheet or Cash Flow Statement.

The changes in policy are due to Code of Practice guidance that only significant trading operations need to be disclosed separately. None of the Council's trading operations are considered to be significant and all transactions are therefore now included in Net Cost of Services.

This change to accounting policy results in a nil overall effect on Total Comprehensive Income and Expenditure.

## Statement of Responsibilities for the Statement of Accounts

### The Council's Responsibilities

The Council is required:

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

I confirm that these accounts were approved by Council on 30<sup>th</sup> September 2015.

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

**Cllr. Barry Stephens**

#### Mayor

Civic Offices, Municipal Buildings  
Gelliwastad Road  
Pontypridd  
CF37 2DP

### The Group Director Corporate & Frontline Services' Responsibilities

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

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

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

The Group Director has also throughout the financial year:

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



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

This statement shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and “unusable reserves”. The (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 2015

	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 2014</b>	10,282	34,038	74,918	3,951	104	2,524	1,281	<b>127,098</b>	100,398	<b>227,496</b>
<b>Movement in reserves during 2014/15:</b>										
(Surplus) or deficit on the provision of services (accounting basis)	(10,676)	0	(42)	0	0	0	0	<b>(10,718)</b>	0	<b>(10,718)</b>
Other comprehensive income and expenditure	0	0	0	0	0	0	0	<b>0</b>	(18,588)	<b>(18,588)</b>
<b>Total comprehensive income and expenditure</b>	<b>(10,676)</b>	<b>0</b>	<b>(42)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,718)</b>	<b>(18,588)</b>	<b>(29,306)</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 long-term assets	(21,520)	0	29	0	0	0	0	<b>(21,491)</b>	21,491	<b>0</b>
Revaluation losses on property, plant & equipment	55,436	0	(8)	0	0	0	0	<b>55,428</b>	(55,428)	<b>0</b>
Amortisation of intangible assets	1,144	0	0	0	0	0	0	<b>1,144</b>	(1,144)	<b>0</b>
Movement in the Donated Assets Account	(681)	0	0	0	0	0	0	<b>(681)</b>	681	<b>0</b>
Revenue expenditure funded from capital under statute	8,586	0	0	0	0	0	0	<b>8,586</b>	(8,586)	<b>0</b>

Continued Overleaf...

Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	0	0	0	0	0	0	0	0	0	0
<b>Insertion of items not debited/ credited to CI&amp;ES:</b>										
Statutory provision for the financing of capital investment	(15,356)	0	(9)	0	(158)	0	0	(15,523)	15,523	0
Capital expenditure charged against the Council Fund Balances	(12,893)	0	(188)	0	0	0	0	(13,081)	13,081	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>										
Capital grants and contributions unapplied credited to CI&ES	(26,837)	0	0	0	0	26,837	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(24,557)	0	(24,557)	24,557	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	1,102	0	0	0	4,409	0	0	5,511	(5,511)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(2,389)	0	0	(2,389)	2,389	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	44	0	0	44	(44)	0
<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	(52)	0	0	0	0	0	0	(52)	52	0
<b>Adjustments involving the Pensions Reserve:</b>										
Reversal of items relating to retirement benefits debited or credited to the CI&ES	54,200	0	246	0	0	0	0	54,446	(54,446)	0
<i>Continued Overleaf...</i>										

Employer's pensions contributions and direct payments to pensioners payable in the year	(34,350)	0	(247)	0	0	0	0	(34,597)	34,597	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	487	0	0	0	0	0	0	487	(487)	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	50	0	8	0	0	0	0	58	(58)	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 long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0
<b>Net (increase) or decrease before transfers to Earmarked Reserves</b>	(1,360)	0	(211)	0	1,906	2,280	0	2,615	(31,921)	(29,306)
<b>Transfers to or from Earmarked Reserves</b>	1,871	(2,834)	1,364	(240)	0	0	(161)	0	0	0
<b>(Increase) or decrease in the year</b>	511	(2,834)	1,153	(240)	1,906	2,280	(161)	2,615	(31,921)	(29,306)
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>10,793</b>	<b>31,204</b>	<b>76,071</b>	<b>3,711</b>	<b>2,010</b>	<b>4,804</b>	<b>1,120</b>	<b>129,713</b>	<b>68,477</b>	<b>198,190</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 2015

2013/14 Restated				Note:	2014/15		
Gross Exp	Gross Income	Net Exp			Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
30,584	(4,026)	26,558	Central Services to the Public		30,988	(4,042)	26,946
36,828	(6,775)	30,053	Cultural and Related Services		34,279	(6,544)	27,735
49,133	(17,795)	31,338	Environmental and Regulatory Services		43,670	(13,252)	30,418
14,850	(7,295)	7,555	Planning Services		13,438	(8,527)	4,911
326,591	(61,315)	265,276	Children's and Education Services		307,004	(67,197)	239,807
32,736	(6,547)	26,189	Highways and Transport Services		34,458	(9,540)	24,918
89,511	(83,972)	5,539	Housing Services		87,525	(84,648)	2,877
119,016	(34,924)	84,092	Adult Social Care		119,602	(38,609)	80,993
10,233	(3,104)	7,129	Corporate and Democratic Core		9,180	(1,625)	7,555
8,809	(64)	8,745	Non-Distributed Costs		4,341	(2)	4,339
<b>718,291</b>	<b>(225,817)</b>	<b>492,474</b>	<b>Cost of Services</b>		<b>684,485</b>	<b>(233,986)</b>	<b>450,499</b>
			<b>Other Operating Expenditure</b>				
14,746	0	14,746	Precepts	36.3	15,473	0	15,473
11,900	0	11,900	Levies	36.3	11,450	0	11,450
2,769	0	2,769	(Gains) or Losses on Disposal of Non-Current Assets		1,103	0	1,103
			<b>Financing and Investment Income and Expenditure</b>				
10,712	0	10,712	Interest Payable and Similar Charges	10.2	10,728	0	10,728
28,763	0	28,763	Net Interest on Net Defined Liability (Asset)	41.0	21,742	0	21,742
0	(265)	(265)	Interest Receivable and Similar Income	10.2	0	(29)	(29)
			<b>Taxation and Non-Specific Grant Income</b>				
0	(104,918)	(104,918)	Council Tax Income	34.0	0	(110,002)	(110,002)
0	(71,961)	(71,961)	NDR Distribution	33.0	0	(73,533)	(73,533)
0	(311,162)	(311,162)	Non-Ringfenced Government Grants		0	(296,318)	(296,318)
0	(27,416)	(27,416)	Capital Grants and Contributions		0	(20,395)	(20,395)
<b>787,181</b>	<b>(741,539)</b>	<b>45,642</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>744,981</b>	<b>(734,263)</b>	<b>10,718</b>
0	(1,794)	(1,794)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets		(26,486)	0	(26,486)
0	(182,079)	(182,079)	Remeasurement of the Net Defined Benefit Liability		45,074	0	45,074
<b>0</b>	<b>(183,873)</b>	<b>(183,873)</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>18,588</b>	<b>0</b>	<b>18,588</b>
<b>787,181</b>	<b>(925,412)</b>	<b>(138,231)</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>763,569</b>	<b>(734,263)</b>	<b>29,306</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 2015

31/03/14				31/03/15		
£'000			Note:	£'000	£'000	
	<b>Long-Term Assets</b>	Property, Plant & Equipment:	7.0			
533,761		Other Land & Buildings		561,240		
424,288		Infrastructure		421,308		
8,511		Vehicles, Plant & Equipment		11,415		
3,943		Community Assets		4,418		
24,673		Assets Under Construction		47,515		
145		Heritage Assets	8.0	145		
2,384		Long-Term Intangible Assets	9.0	2,913		
1,015		Long-Term Investments	10.1	1,000		
3,055		Investment in Subsidiaries		2,940		
965		Long-Term Debtors		924		
<b>1,002,740</b>		<b>TOTAL LONG-TERM ASSETS</b>				<b>1,053,818</b>
		<b>Current Assets</b>	Short-Term Investments	10.1	7,669	
4,241	Assets Held for Sale		13.0	2,751		
4,274	Short-Term Intangible Assets			967		
0	Inventories			933		
1,097	Short-Term Debtors		11.0	55,020		
51,912	Cash and Cash Equivalents		12.0	4,517		
4,528						
<b>66,052</b>	<b>TOTAL CURRENT ASSETS</b>				<b>71,857</b>	
	<b>Current Liabilities</b>	Cash and Cash Equivalents	12.0	(13,619)		
(13,399)		Short-Term Borrowing	10.1	(15,124)		
(3,341)		Other Short-Term Liabilities		(499)		
0		Short-Term Provisions	15.0	(2,991)		
(3,363)		Short-Term Creditors	14.0	(65,895)		
(56,250)						
<b>(76,353)</b>	<b>TOTAL CURRENT LIABILITIES</b>				<b>(98,128)</b>	
	<b>Long-Term Liabilities</b>	Long-Term Provisions	15.0	(4,902)		
(9,101)		Long-Term Borrowing	10.1	(196,109)		
(196,245)		Other Long-Term Liabilities	16.0	(627,969)		
(558,539)		Donated Asset Account	35.3	(377)		
(1,058)						
<b>(764,943)</b>	<b>TOTAL LONG-TERM LIABILITIES</b>				<b>(829,357)</b>	
<b>227,496</b>	<b>NET ASSETS</b>				<b>198,190</b>	

*Continued Overleaf...*

10,282	<b>Usable Reserves</b>	Council Fund Balance	17.1	10,793	
		Earmarked Reserves:	17.2		
34,038		Capital, Treasury and Insurance Reserves	17.2	31,204	
74,918		Other Revenue Related Reserves	17.2	76,071	
3,951		Delegated Schools Reserve	17.3	3,711	
104		Usable Capital Receipts Reserve	17.4	2,010	
2,524		Capital Grant Unapplied Account	17.5	4,804	
1,281		MGCC Insurance Reserve	17.6	1,120	
<b>127,098</b>			<b>TOTAL USABLE RESERVES</b>		
178,834	<b>Unusable Reserves</b>	Revaluation Reserve	18.1	199,047	
67		Deferred Capital Receipts Reserve		35	
454,944		Capital Adjustment Account	18.2	468,257	
(5,868)		Financial Instruments Adjustment Account	18.3	(5,816)	
(522,966)		Pensions Reserve	18.4	(587,889)	
(129)		Unequal Pay Back Pay Account	18.5	(616)	
(4,484)		Short-Term Accumulating Compensated Absence Account	18.6	(4,541)	
<b>100,398</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>68,477</b>
<b>227,496</b>		<b>TOTAL RESERVES</b>			<b>198,190</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 2014/15

2013/14			2014/15	
£'000		Note:	£'000	£'000
45,642	Net (Surplus) or Deficit on the Provision of Services		10,718	
(108,285)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	19.0	(76,267)	
29,499	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	20.0	24,804	
<b>(33,144)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(40,745)</b>
34,713	Investing Activities	22.0	51,471	
790	Financing Activities	23.0	(10,495)	40,976
<b>2,359</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>231</b>
6,512	Cash and Cash Equivalents at the Beginning of the Reporting Period	12.0		8,871
<b>8,871</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	12.0		<b>9,102</b>

## Notes to the Core Financial Statements

### 1.0 Accounting Policies

#### 1.1 Change to Accounting Policy

There has been one change to accounting policy relating to Carbon Reduction Commitment. Please refer to note 1.14 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 unpresented cheques), any overdrawn bank balance and petty cash balances.

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

#### **1.5 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 43.0.

#### **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 3.2% (4.3% in 2013/14).
- 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) 2014. 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 “smoothes” the interest rate differential. The difference between

the effective interest rate charge and actual interest paid is adjusted in the Movement in Reserves Statement.

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

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

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

## **Financial Assets**

Financial Assets are classified into two types:

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

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

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

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

### **1.12 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.

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

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

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

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

### **1.14 Carbon Reduction Commitment (CRC)**

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme (CRC). This scheme is currently in the initial year of its second phase, which ends 31<sup>st</sup> March 2019. The Council has purchased CRC allowances in advance, showing as short-term and long-term intangible assets in the Balance Sheet, and will surrender them in the future on the basis of carbon dioxide emissions. A short-term liability has been set up in the Balance Sheet for the 2014/15 charge which will be paid in 2015/16. The cost to the Council is recognised in the net cost of services.

### **1.15 Inventories**

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

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

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

## **1.16 Leases**

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

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

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

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

### **Finance Leases**

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

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

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

### **Operating Leases**

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

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

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

## **1.17 Property, Plant and Equipment**

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

### 1.17.1 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	10
Plant & Equipment	10
Infrastructure	20
Community Assets	Nil

### 1.17.2 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 (e.g. schools and cemeteries) are valued on a depreciated replacement cost basis (DRC). This method of valuation calculates the cost of constructing modern equivalent buildings and structures, depreciating them to account for the age and future economic life. This cost calculation is known as Modern Equivalent Valuation (MEV). Investment properties are generally valued on the basis of open market value (OMV). Infrastructure assets are included at historic cost, and adjusted to reflect depreciation. Adopted roads, built by private developers, are deemed to have zero historical cost to the Council and therefore are not recognised in the Statement of Accounts.

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.

### 1.17.3 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.

#### **1.17.4 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.

#### **1.17.5 Disposals and Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. 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 long-term assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations), and their recoverable amount at the date of the decision not to sell.

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

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

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

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

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

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

## **1.18 Reserves**

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

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

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

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

### **1.20 Government Grants and Other Contributions**

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

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

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

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

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

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

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

### **1.21 Charges to Revenue for Long-Term Assets**

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. Therefore these charges to the Comprehensive

Income and Expenditure Statement are reversed in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement (Children's and Education Services).

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

Profit from any third party income is shared equally between the Council and the private contractor once the minimum guaranteed amount (which is set in the contract) is exceeded each year.

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

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

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

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

### **1.25 Value Added Tax**

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

### **1.26 Provisions**

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

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

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

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

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

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

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

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

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

- Llwydcoed Crematorium
- Glamorgan Archives
- Coychurch Crematorium
- Catalogue Supplies Service
- Central South Consortium Joint Education Service (CSCJES)
- South East Wales Transport Alliance (SEWTA) (non-operational from April 2014)
- Education School Improvement Service (ESIS) (non-operational from September 2012)
- Welsh Purchasing Consortium

## **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 2014/15 accounts, the relevant standards are:

- IFRS 13: Fair Value Measurement
- IFRIC 21: Levies

The issues included in the Annual Improvements to IFRSs 2011-2013 cycle are:

- IFRS 1: Meaning of effective IFRSs
- IFRS 3: Scope Exceptions for Joint Ventures
- IFRS 13: Scope of Paragraph 52 (Portfolio Exception)
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner occupied property.

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

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

#### **3.1 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 £23.5m. 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.

Currently, 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 that the initial levy, paid in February 2014, 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. Refer to note 43.2.

#### **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 the Capital Grants Unapplied Account until they are used to fund the Capital Programme. Similarly, revenue grants received with no expected return obligation that are to be used to fund future years' expenditure are reflected in Earmarked Reserves in the Balance Sheet.

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

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. As a result of the findings of this working group, CIPFA have agreed that long-term assets that are not owned by the Council but by another legal body, such as the Diocese, are not to be shown on the Balance Sheet.

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

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

This Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31<sup>st</sup> March 2015 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 2014/15, AON Hewitt advised that the funded proportion of the Council's net pensions liability had increased by £7.3m due to estimates being corrected as a result of experience and decreased by £125.1m attributable to updating of assumptions. Refer to note 41.0 for further details.

#### **4.2 Insurance Provision**

The Council makes provision for all claims received (but not yet paid) according to the "reserve" value attached to that claim. The reserve value represents the most likely value to settle the claim, not taking into account probability of settlement. Reserve values are provided by the Council's in-house insurance team, claims handlers and loss adjusters depending on the claim type and estimated value of the claim. Motor and property claims are provided for at 100% of the reserve value. Liability claims are provided for at a percentage based on the length of time a claim remains unresolved. This reflects that not all claims received are paid. Some are successfully repudiated. Refer to note 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 & Frontline Services, as Chief Finance Officer, on 30<sup>th</sup> June 2015. 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 2015, 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 2015 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 2014/15:**

	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
At 1 <sup>st</sup> April 2014	666,870	539,994	33,752	4,497	24,663	<b>1,269,776</b>	24,316
Joint Committees Opening Balance	942	0	165	0	10	<b>1,117</b>	0
Additions	17,202	11,618	9,894	364	23,150	<b>62,228</b>	0
Donations	0	0	0	0	0	<b>0</b>	0
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	(710)	0	0	0	0	<b>(710)</b>	(414)
Revaluation Increases/ (Decreases) Recognised in the (Surplus)/Deficit on the Provision of Services	(55,234)	0	0	(34)	0	<b>(55,268)</b>	0
Derecognition – Disposals	(4,029)	0	(3,778)	0	0	<b>(7,807)</b>	0
Derecognition - Other	0	0	(2,369)	0	0	<b>(2,369)</b>	0
Assets Reclassified (to)/from Held for Sale	(771)	0	0	(50)	0	<b>(821)</b>	0
Other Reclassifications	1	0	0	(1)	0	<b>0</b>	0
Other Movements in Cost or Valuation	5,332	0	308	196	(308)	<b>5,528</b>	0
<b>At 31<sup>st</sup> March 2015</b>	<b>629,603</b>	<b>551,612</b>	<b>37,972</b>	<b>4,972</b>	<b>47,515</b>	<b>1,271,674</b>	<b>23,902</b>

*Continued Overleaf...*

<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2014	(133,967)	(115,706)	(25,245)	(554)	(2)	<b>(275,474)</b>	(427)
Joint Committees	(84)	0	(161)	0	2	<b>(243)</b>	0
Opening Balance							
Depreciation Charge	(13,045)	(14,598)	(4,929)	0	0	<b>(32,572)</b>	(434)
Depreciation written out of the Revaluation Reserve	20,526	0	0	0	0	<b>20,526</b>	422
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	5,900	0	0	0	0	<b>5,900</b>	0
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	6,460	0	0	0	0	<b>6,460</b>	0
Impairment (Losses)/Reversals Recognised in the (Surplus)/Deficit on the Provision of Services	50,255	0	(2,369)	0	0	<b>47,886</b>	0
Derecognition – Disposals	758	0	3,778	0	0	<b>4,536</b>	0
Derecognition - Other	0	0	2,369	0	0	<b>2,369</b>	0
Assets Reclassified (to)/from Held for Sale	383	0	0	0	0	<b>383</b>	0
Other Reclassifications	0	0	0	0	0	<b>0</b>	0
Other Movements in Cost or Valuation	(5,549)	0	0	0	0	<b>(5,549)</b>	0
<b>At 31<sup>st</sup> March 2015</b>	<b>(68,363)</b>	<b>(130,304)</b>	<b>(26,557)</b>	<b>(554)</b>	<b>0</b>	<b>(225,778)</b>	<b>(439)</b>
<b>Net Book Value:</b>							
<b>At 31<sup>st</sup> March 2015</b>	<b>561,240</b>	<b>421,308</b>	<b>11,415</b>	<b>4,418</b>	<b>47,515</b>	<b>1,045,896</b>	<b>23,463</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>24,673</b>	<b>995,176</b>	<b>23,889</b>

## 7.2 Depreciation

Depreciation is charged on a straight-line basis on most tangible assets with a finite useful life (refer to note 1.17), excluding non-depreciable land. Asset lives have been identified on an individual basis.

## 7.3 Capital Commitments

At 31<sup>st</sup> March 2015 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years, budgeted to cost £57.9m. Similar commitments at 31<sup>st</sup> March 2014 were £60.8m.

The total contract values as at 31<sup>st</sup> March 2015 are:

<b>Scheme</b>	<b>£'000</b>
Aberdare School & Sports Centre	48,015
Llwyncrwn Primary School	2,928
Treorchy Primary School	2,261
Pontypridd Lido	4,694

#### **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 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 2015	412,099
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
<b>Total Cost or Valuation</b>	<b>1,089,254</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 2014/15 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 annual impairment review.

## 8.2 Other Heritage Assets

The Council holds other non-material Heritage Assets such as war memorials and civic regalia. These assets are not recognised in the Balance Sheet as they are not material and, in addition, do not have an open market value.

## 9.0 Long-Term Intangible Assets

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

The Council pays for licences and software in respect of three key financial systems: 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 £6k to £191k 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 Long-Term Intangible Assets is amortised on a straight-line basis. The amortisation charge for Long-Term Intangible Assets during 2014/15 was £1.1m.

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

	2013/14		2014/15		
	Total	Purchased Software Licences	Licences, Trade Marks and Artistic Originals	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000	£'000
Balance at start of year					
Gross Carrying Amounts	9,649	4,738	6,039	0	10,777
Accumulated Amortisation	(7,226)	(4,292)	(4,101)	0	(8,393)
<b>Net carrying amount at start of year</b>	<b>2,423</b>	<b>446</b>	<b>1,938</b>	<b>0</b>	<b>2,384</b>
Additions: Purchases	1,128	278	804	591	1,673
Amortisation for the Period	(1,167)	(201)	(943)	0	(1,144)
<b>Net Carrying Amount at end of year</b>	<b>2,384</b>	<b>523</b>	<b>1,799</b>	<b>591</b>	<b>2,913</b>
Gross Carrying Amounts	10,777	5,016	6,843	591	12,450
Accumulated Amortisation	(8,393)	(4,493)	(5,044)	0	(9,537)
<b>Total</b>	<b>2,384</b>	<b>523</b>	<b>1,799</b>	<b>591</b>	<b>2,913</b>

It is not practicable to analyse amortisation of Long-Term Intangible Assets over SeRCOP service expenditure analysis levels due to support services recharges. There are no items of capitalised Long-Term 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:

<b>Assets</b>	<b>Long-Term</b>		<b>Current</b>	
	<b>31/03/14</b>	<b>31/03/15</b>	<b>31/03/14</b>	<b>31/03/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments: Loans and Receivables	1,015	1,000	4,241	7,669
Debtors: Financial Assets Carried at Contract Amounts	965	924	51,912	55,020
<b>Total</b>	<b>1,980</b>	<b>1,924</b>	<b>56,153</b>	<b>62,689</b>

<b>Liabilities</b>	<b>Long-Term</b>		<b>Current</b>	
	<b>31/03/14</b>	<b>31/03/15</b>	<b>31/03/14</b>	<b>31/03/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowings: Financial Liabilities at Amortised Cost	196,245	196,109	3,341	15,124
Other Liabilities: PFI and Finance Lease liabilities	25,521	24,325	1,150	1,196
Creditors: Financial Liabilities at Amortised Cost	0	0	11,070	13,626
<b>Total</b>	<b>221,766</b>	<b>220,434</b>	<b>15,561</b>	<b>29,946</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**

	2013/14			2014/15		
	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	10,712	0	10,712	10,728	0	10,728
Impairment Losses	0	0	0	0	0	0
<b>Total Expense in (Surplus) or Deficit on the Provision of Services</b>	<b>10,712</b>	<b>0</b>	<b>10,712</b>	<b>10,728</b>	<b>0</b>	<b>10,728</b>
Interest Income	0	(76)	(76)	0	(29)	(29)
Interest Income Accrued on Impaired Financial Assets	0	(189)	(189)	0	0	0
<b>Total Income in (Surplus) or Deficit on the Provision of Services</b>	<b>0</b>	<b>(265)</b>	<b>(265)</b>	<b>0</b>	<b>(29)</b>	<b>(29)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>10,712</b>	<b>(265)</b>	<b>10,447</b>	<b>10,728</b>	<b>(29)</b>	<b>10,699</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:

	31/03/14		31/03/15	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	111,061	143,427	111,061	183,368
Market Debt	87,568	114,484	87,561	136,685
Local Authority Debt	0	0	11,790	11,790
Other Debt	957	779	821	790
PFI and Finance Lease	26,671	26,671	25,521	25,521
Trade Creditors	11,070	11,070	13,626	13,626

	31/03/14		31/03/15	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	5,256	5,256	8,610	8,669

#### 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.

	31/03/15	Historical Experience of Default	Adjustment for Market Conditions at 31/03/15	Estimated Maximum Exposure to Default at 31/03/15	Estimated Maximum Exposure to Default at 31/03/14
	(a)	(b)	(c)	(a*c)	
	£'000	%	%	£'000	£'000
Deposits with Government Departments & Local Authorities	8,669	0	0	0	0
Trade Debtors	6,203	0.71	0.71	44	63

The 0.71% Historical Experience of Default represents debt written off in 2014/15 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, £2.1m of the £6.2m balance is debt greater than 30 days old. This debt can be analysed as follows:

	31/03/14	31/03/15
	£'000	£'000
Less than 3 months	922	535
3 – 6 months	253	273
6 months to 1 year	261	354
More than 1 year	939	963
<b>Total</b>	<b>2,375</b>	<b>2,125</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:

	31/03/14	31/03/15
	£'000	£'000
Less than 1 year	1,792	13,603
Between 1 and 2 years	1,323	1,359
Between 2 and 5 years	6,051	6,094
Between 5 and 10 years	8,120	8,422
More than 10 years	207,159	205,451
<b>Total</b>	<b>224,445</b>	<b>234,929</b>

The maturity analysis of financial assets is as follows:

	31/03/14	31/03/15
	£'000	£'000
Maturity greater than one year	1,015	1,000
Maturity less than one year	4,241	7,610

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	4
Increase in interest receivable on variable rate investments	N/A
Impact on Comprehensive Income and Expenditure Statement	4
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	34,361

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:

31/03/14		31/03/15
£'000		£'000
27,182	Central Government Bodies	31,678
3,207	Other Local Authorities	3,185
20	NHS Bodies	363
252	Public Corporations and Trading Funds	655
21,251	Other Entities and Individuals	19,139
<b>51,912</b>	<b>Total</b>	<b>55,020</b>

## 12.0 Cash and Cash Equivalents

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

31/03/14		31/03/15
£'000		£'000
4,528	Cash Held by the Council	4,517
(13,399)	Bank Current Accounts	(13,619)
<b>(8,871)</b>	<b>Total Cash and Cash Equivalents</b>	<b>(9,102)</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 2015 adjusted for unpresented cheques.

## 13.0 Assets Held for Sale

The movement on Assets Held for Sale is as follows:

	Current	
	2013/14	2014/15
	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>6,902</b>	<b>4,274</b>
Assets Newly Classified as Held for Sale:		
Property, Plant and Equipment	818	1,698
Revaluation Gains	605	278
Impairment Losses	(630)	(5)
Assets Declassified as Held for Sale:		
Property, Plant and Equipment	(1,224)	(1,254)
Assets Sold	(2,197)	(2,240)
<b>Balance at 31<sup>st</sup> March</b>	<b>4,274</b>	<b>2,751</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>31/03/14</b>		<b>31/03/15</b>
<b>£'000</b>		<b>£'000</b>
(12,693)	Central Government Bodies	(14,315)
(3,116)	Other Local Authorities	(5,188)
(296)	NHS Bodies	(302)
(260)	Public Corporations and Trading Funds	(255)
(39,885)	Other Entities and Individuals	(45,835)
<b>(56,250)</b>	<b>Total</b>	<b>(65,895)</b>

## 15.0 Provisions

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

Movements in provisions during the year were:

<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 2014</b>	<b>(3,222)</b>	<b>(129)</b>	<b>(12)</b>	<b>(3,363)</b>
Additional provisions made in 2014/15	(2,375)	(753)	0	<b>(3,128)</b>
Amounts used in 2014/15	3,222	137	12	<b>3,371</b>
Unused amounts reversed in 2014/15	0	129	0	<b>129</b>
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>(2,375)</b>	<b>(616)</b>	<b>0</b>	<b>(2,991)</b>

<b>Long-Term Provision</b>	<b>Land Purchases and Part 1 Claims</b>	<b>Insurance Claims</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1<sup>st</sup> April 2014</b>	<b>(2,456)</b>	<b>(6,645)</b>	<b>(9,101)</b>
Additional provisions made in 2014/15	(471)	(125)	<b>(596)</b>
Amounts used in 2014/15	2,456	190	<b>2,646</b>
Unused amounts reversed in 2014/15	0	2,149	<b>2,149</b>
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>(471)</b>	<b>(4,431)</b>	<b>(4,902)</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. Given the degree of uncertainty regarding both the timing and the value of future payments, a reasonable estimate has been used to establish a provision 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.

31/03/14		31/03/15
£'000		£'000
(5,954)	Rhondda Cynon Taf	(3,768)
(691)	Mid Glamorgan	(663)
<b>(6,645)</b>	<b>Insurance Provision</b>	<b>(4,431)</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:

31/03/14		31/03/15
£'000		£'000
(522,966)	Pension Liability (IAS19)	(587,889)
(24,960)	PFI	(23,764)
(11)	Local Authority Mortgage Scheme	(9)
(562)	Finance Leases	(560)
(10,040)	Opencast Works Redevelopment Bonds	(15,747)
<b>(558,539)</b>	<b>Total</b>	<b>(627,969)</b>

**17.0 Usable Reserves**

<b>31/03/14</b>			<b>31/03/15</b>
<b>£'000</b>			<b>£'000</b>
10,282	Council Fund Balance	17.1	10,793
34,038	Capital, Treasury and Insurance Reserves	17.2	31,204
74,918	Other Revenue Related Reserves	17.2	76,071
3,951	Delegated Schools Reserve	17.3	3,711
104	Usable Capital Receipts Reserve	17.4	2,010
2,524	Capital Grant Unapplied Account	17.5	4,804
1,281	MGCC Insurance Reserve	17.6	1,120
<b>127,098</b>	<b>Total Usable Reserves</b>		<b>129,713</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>
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>10,282</b>
Revenue Budget Outturn	811
Transfer from Council Fund Balance to Earmarked Reserves	(300)
<b>Balance as at 31<sup>st</sup> March 2015</b>	<b>10,793</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 2014/15. All earmarked reserves are deemed to be revenue reserves.

**Capital, Treasury and Insurance Reserves**

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/14	Out	In	31/03/15
		£'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>20,688</b>	(6,980)	4,651	<b>18,359</b>
<b>Treasury Management Reserve</b>	Funding for known and potential future pressures upon the Capital Financing budget.	<b>2,370</b>	0	29	<b>2,399</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>10,980</b>	(1,584)	1,050	<b>10,446</b>
<b>Total</b>		<b>34,038</b>	<b>(8,564)</b>	<b>5,730</b>	<b>31,204</b>

**Other Revenue Related Reserves**

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/14	Out	In	31/03/15
		£'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.	8,284	0	250	8,534
<b>Revenue Budget Strategy 2014/15</b>	Earmarked Reserves released in line with 2014/15 Budget Setting Risk Assessment.	5,216	(5,216)	0	0
<b>Revenue Budget Strategy 2015/16</b>	Medium Term Financial Planning & Service Transformation (transitional funding) released to fund the 2015/16 budget.	0	0	4,396	4,396
<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.	2,277	(2,277)	2,065	2,065
<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.	6,321	(6,321)	5,379	5,379
<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.	33,445	(9,117)	10,003	34,331
<b>Development Fund</b>	To support improvement in the delivery of the Council's business in line with key priorities.	713	0	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.	9,696	(1,238)	3,968	12,426
<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.	6,752	(4,827)	3,202	5,127
<b>Other Specific Reserves</b>	Represents a number of reserves held for specific and identified purposes.	1,744	(150)	1,036	2,630
<b>Total</b>		<b>74,918</b>	<b>(29,146)</b>	<b>30,299</b>	<b>76,071</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 2014/15, 17 of the Council's 128 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 111 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.

Type of School	31/03/14	2014/15 Movement	31/03/15
	£'000	£'000	£'000
Primary	4,086	250	4,336
Secondary	(664)	(413)	(1,077)
Special	529	(66)	463
Nursery	0	(11)	(11)
<b>Total</b>	<b>3,951</b>	<b>(240)</b>	<b>3,711</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:

2013/14		2014/15
£'000		£'000
<b>50</b>	<b>Balance as at 1<sup>st</sup> April</b>	<b>104</b>
	<u>Receipts During the Year:</u>	
2,083	Sale of assets	4,409
20	Mortgage repayments	12
33	Repayment of discount (Right to Buys)	32
	<u>Application during the Year:</u>	
(2,082)	Financing of capital expenditure	(2,389)
0	Financing of historical capital expenditure	(158)
<b>104</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>2,010</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.

2013/14		2014/15
£'000		£'000
2,290	Balance at 1 <sup>st</sup> April	2,524
33,642	Grants received	26,837
(33,408)	Grants utilised to fund capital expenditure	(24,557)
2,524	Balance at 31 <sup>st</sup> March	4,804

### 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.

2013/14		2014/15
£'000		£'000
474	Balance at 1 <sup>st</sup> April	1,281
807	Increase/(Decrease) in Reserve	(161)
1,281	Balance at 31 <sup>st</sup> March	1,120

### 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.

31/03/14			31/03/15
£'000			£'000
178,834	Revaluation Reserve	18.1	199,047
67	Deferred Capital Receipts Reserve		35
454,944	Capital Adjustment Account	18.2	468,257
(5,868)	Financial Instruments Adjustment Account	18.3	(5,816)
(522,966)	Pensions Reserve	18.4	(587,889)
(129)	Unequal Pay Back Pay Account	18.5	(616)
(4,484)	Short-Term Accumulating Compensated Absence Account	18.6	(4,541)
100,398	<b>Total Unusable Reserves</b>		<b>68,477</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.

2013/14		2014/15	
£'000		£'000	£'000
<b>183,726</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>178,834</b>	
17,269	Upward revaluation of assets	39,810	
(15,475)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(13,325)	
<b>185,520</b>	<b>Surplus or Deficit on revaluation of Long-Term Assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>205,319</b>
(4,423)	Difference between Fair Value Depreciation and Historical Cost Depreciation	(5,022)	
(2,263)	Accumulated Gains on Assets sold or scrapped	(1,250)	
<b>(6,686)</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>(6,272)</b>
<b>178,834</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>199,047</b>

## 18.2 Capital Adjustment Account

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

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

2013/14		2014/15	
£'000		£'000	£'000
<b>476,209</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>454,944</b>	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(39,634)	Charges for depreciation and impairment of Non-Current Assets	21,491	
(25,543)	Revaluation losses on Property, Plant and Equipment	(55,428)	
(1,379)	Amortisation of Intangible Assets	(1,144)	
(9,660)	Revenue Expenditure Funded from Capital Under Statute	(8,586)	
(4,797)	Amounts of Long-Term Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,511)	
6,686	Adjusted items written out of the Revaluation Reserve	6,272	
<b>401,882</b>	<b>Net written out amount of the cost of Long-Term Assets consumed in the year</b>		<b>412,038</b>
	Capital Financing Applied in the Year:		
2,082	Use of the Capital Receipts Reserve to finance new Capital Expenditure	2,389	
33,675	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	26,837	
(234)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,280)	
14,883	Statutory provision for the financing of capital investment charged against the Council Fund	15,523	
2,676	Capital Expenditure charged against the Council Fund	13,081	
(20)	Private mortgage repayments	(12)	
<b>53,062</b>			<b>55,538</b>
<b>0</b>	Movement in the Donated Assets Account Credited to the Comprehensive Income and Expenditure Statement		<b>681</b>
<b>454,944</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>468,257</b>

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

### 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.

2013/14		2014/15
£'000		£'000
<b>(5,924)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(5,868)</b>
56	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	52
<b>(5,868)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(5,816)</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 credit 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.

2013/14		2014/15
£'000		£'000
<b>(674,719)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(522,966)</b>
182,079	Actuarial gains or losses on Pensions Assets and Liabilities	(45,074)
(61,711)	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	(54,446)
31,385	Employer's pensions contributions and direct payments to pensioners payable in the year	34,597
<b>(522,966)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(587,889)</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.

2013/14 £'000		2014/15	
		£'000	£'000
<b>(4,850)</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>(129)</b>
(1,450)	Increase in Provision for Back Pay in relation to Equal Pay cases	(624)	
6,171	Cash settlements paid in the year	137	
4,721	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>(487)</b>
<b>(129)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(616)</b>

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

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

2013/14 £'000		2014/15	
		£'000	£'000
<b>(3,044)</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>(4,484)</b>
3,044	Settlement or cancellation of accrual made at the end of the preceding year	4,484	
(4,484)	Amounts accrued at the end of the current year	(4,541)	
(1,440)	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>(57)</b>
<b>(4,484)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(4,541)</b>

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

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
(65,188)	Depreciation and Impairment	(33,937)
(1,379)	Amortisation	(1,331)
4,310	(Increase)/Decrease in Creditors	(11,633)
(11,532)	Increase/(Decrease) in Debtors	3,067
127	Increase/(Decrease) in Stock	(164)
(22,763)	Movement in Pension Liability	(23,622)
6,721	Contribution to Provisions	4,571
1,440	Short-Term Accumulated Absence Accrual	58
6,321	Revenue Grant Earmarked Reserves	5,379
(4,797)	Carrying amount of Long-Term Assets and Assets Held For Sale, sold or derecognised	(5,511)
320	Capital Grants Unapplied	2,280
(9,660)	Revenue Expenditure Funded from Capital Under Statute	(8,586)
(12,205)	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	(6,838)
<b>(108,285)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(76,267)</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>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
2,083	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	4,409
27,416	Any other items for which the cash effects are investing or financing cash flows	20,395
<b>29,499</b>		<b>24,804</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>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
(49)	Interest received	(14)
10,665	Interest paid	8,643
<b>10,616</b>	<b>Interest within Operating Activities</b>	<b>8,629</b>

**22.0 Cash Flow Statement - Investing Activities**

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
70,088	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	73,860
3,327	Purchase and Redemption of Short-Term and Long-Term Investments	3,413
(2,083)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(4,409)
(36,619)	Other receipts from Investing Activities	(21,393)
<b>34,713</b>	<b>Net Cash Flows from Investing Activities</b>	<b>51,471</b>

**23.0 Cash Flow Statement - Financing Activities**

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
(460)	Cash receipts of Short and Long-Term Borrowing	(48,323)
1,105	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases and on Balance Sheet PFI contracts	1,150
145	Repayments of Short and Long-Term Borrowing	36,678
<b>790</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(10,495)</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 2014/15	Education & Lifelong Learning Services	Community & Children's Services	Corporate and Frontline Services	Chief Executive's Division	Authority Wide	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income	(50,342)	(78,346)	(59,428)	(11,357)	(78,932)	(278,405)
Costs:						
Employees	165,835	93,852	32,346	14,279	9,081	315,393
Premises	20,220	7,759	5,935	449	(1,703)	32,660
Transport	1,114	4,288	20,363	135	0	25,900
Supplies & Services	35,377	18,614	20,897	2,575	(2,158)	75,305
Third Party Payments	2,362	93,406	12,176	605	11,620	120,169
Transfer Payments	648	696	216	5	100,355	101,920
Other Costs e.g. Support Services	146	484	26,586	7,139	(155)	34,200
Capital Charges	1,572	581	2,986	194	33,493	38,826
<b>Net Controllable Costs</b>	<b>176,932</b>	<b>141,334</b>	<b>62,077</b>	<b>14,024</b>	<b>71,601</b>	<b>465,968</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						70,437
Remove amounts included within reported controllable costs but not included within Comprehensive Income and Expenditure Statement						(85,906)
<b>Net Cost of Services</b>						<b>450,499</b>

Reconciliation to Subjective 2014/15	Service Analysis	Not Reported to Management	Not Included in CI&ES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(77,951)	0	0	34,200	(43,751)	0	(43,751)
Surplus or Deficit on Associates and Joint Ventures	0	203	0	0	203	0	203
Interest and Investment Income	(26)	0	26	0	0	(29)	(29)
Income from Council Tax	(3,978)	0	3,978	0	0	(110,002)	(110,002)
Government Grants and Contributions	(196,450)	(5,736)	15	0	(202,171)	(390,246)	(592,417)
<b>Total Income</b>	<b>(278,405)</b>	<b>(5,533)</b>	<b>4,019</b>	<b>34,200</b>	<b>(245,719)</b>	<b>(500,277)</b>	<b>(745,996)</b>
Employee Expenses	315,393	33,006	(34,350)	0	314,049	21,742	335,791
Other Service Expenses	372,432	9,049	(17,845)	0	363,636	0	363,636
Support Service Recharges	34,200	0	0	(34,200)	0	0	0
Depreciation, Amortisation and Impairment	0	33,915	0	0	33,915	0	33,915
Interest Payments	10,728	0	(26,110)	0	(15,382)	10,728	(4,654)
Precepts & Levies	11,620	0	(11,620)	0	0	26,923	26,923
Gain/Loss on Disposal of Long Term Assets	0	0	0	0	0	1,103	1,103
<b>Total Operating Expenses</b>	<b>744,373</b>	<b>75,970</b>	<b>(89,925)</b>	<b>(34,200)</b>	<b>696,218</b>	<b>60,496</b>	<b>756,714</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>465,968</b>	<b>70,437</b>	<b>(85,906)</b>	<b>0</b>	<b>450,499</b>	<b>(439,781)</b>	<b>10,718</b>

## 25.0 Acquired and Discontinued Operations

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

## 26.0 Agency Services

The Council collects Non-Domestic Rates (NDR) on an agency basis for the Welsh Government. These monies are then redistributed to all Welsh Local Authorities. Please refer to note 33.0 for further details on NDR.

## 27.0 Road Charging Schemes

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

## 28.0 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 47%. 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.

2013/14			2014/15	
£'000	£'000		£'000	£'000
		<b>Funding provided to the pooled budget:</b>		
(1,200)		Rhondda Cynon Taf CBC	(1,245)	
(1,036)		Other Partners	(1,407)	
	<b>(2,236)</b>			<b>(2,652)</b>
		<b>Expenditure met from the pooled budget:</b>		
1,276		Rhondda Cynon Taf CBC	1,261	
1,131		Other Partners	1,425	
	<b>2,407</b>			<b>2,686</b>
	<b>171</b>	<b>Net (Surplus)/Deficit arising on the pooled budget during the year</b>		<b>34</b>
	<b>91</b>	<b>Rhondda Cynon Taf CBC share of 47% of net (Surplus)/Deficit arising on the pooled budget</b>		<b>16</b>

## 29.0 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).

	2013/14	2014/15
	£'000	£'000
Allowances	1,294	1,265
Expenses	26	21
<b>Total</b>	<b>1,320</b>	<b>1,286</b>

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

### 30.0 Officers' Remuneration

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

Rhondda Cynon Taf's remuneration ratio is 1:7.

This is the ratio between the Chief Executive's pay and the median earnings of the workforce within the Council, using current pay levels.

Under the Accounts and Audit (Wales) Regulations 2014, 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 2014/15 the Council paid 11,781 employees (12,472 2013/14), paying total remuneration of £251m (excluding employer's national insurance and pension contributions) (£250m 2013/14). Within this, the following remuneration payments were made within the categories specified:

Remuneration Band	2013/14	2014/15		
	Restated	No. of Employees		
	No. of Employees	No. of Employees		
	Total	At 31/03/14	Left in Year	Total
£60,000 - £64,999	42	43	7	50
£65,000 - £69,999	26	18	4	22
£70,000 - £74,999	5	5	6	11
£75,000 - £79,999	8	5	1	6
£80,000 - £84,999	14	8	4	12
£85,000 - £89,999	4	9	1	10
£90,000 - £94,999	3	0	1	1
£95,000 - £99,999	5	1	0	1
£100,000 - £104,999	0	2	0	2
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	1	0	1	1
£115,000 - £119,999	1	0	4	4
<b>Total</b>	<b>109</b>	<b>91</b>	<b>29</b>	<b>120</b>

Officers employed by Voluntary Aided Schools have been excluded.

In addition, two officers who report directly to the Chief Executive have been removed from the table above and included in the table below. The 2013/14 figures have been restated to reflect these changes.

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)	2013/14 Restated			2014/15				
	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	142	30	172	142	0	142	30	172
Chief Executive – Returning Officer	1	0	1	7	0	7	0	7
Group Director Corporate Services to 31/10/2014	122	25	147	66	0	66	14	80
Group Director Corporate & Frontline Services from 01/11/2014	0	0	0	47	0	47	10	57
Group Director Environmental Services to 03/09/2014	113	24	137	81	0	81	10	91
Group Director Community & Children's Services to 30/11/2014	113	24	137	57	0	57	16	73
Group Director Community & Children's Services from 01/09/2014	0	0	0	66	0	66	14	80
Director of Education & Lifelong Learning	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 - Deputy Returning Officer	0	0	0	1	0	1	0	1
Director of Human Resources	92	19	111	73	0	73	15	88
Director of Regeneration & Planning	85	18	103	85	0	85	18	103
Head of Public Relations & Strategy to 31/10/2014	61	13	74	36	0	36	7	43
Service Director - Cabinet Office & Public Relations from 01/11/2014	0	0	0	27	0	27	6	33

### 31.0 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 2014/15, the cost to the Council of terminating employee contracts amounted to £15,845k (£7,722k 2013/14) with a reduction in annual payroll costs of £14,438k (£4,068k 2013/14).

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

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Cost of Severance	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£							£'000	
£0 - £20,000	14	36	207	624	221	660	1,547	4,382
£20,001 - £40,000	4	40	90	154	94	194	2,640	5,240
£40,001 - £60,000	0	2	29	53	29	55	1,440	2,729
£60,001 - £80,000	0	0	13	18	13	18	907	1,205
£80,001 - £100,000	0	0	6	10	6	10	506	904
£100,001 - £150,000	0	0	6	9	6	9	682	1,090
£150,001 - £200,000	0	0	0	1	0	1	0	295
<b>Total</b>	<b>18</b>	<b>78</b>	<b>351</b>	<b>869</b>	<b>369</b>	<b>947</b>	<b>7,722</b>	<b>15,845</b>

### 32.0 External Audit Costs

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

	2013/14	2014/15
	£'000	£'000
<b>Fees Payable to Wales Audit Office</b>		
External audit services carried out by the Appointed Auditor for the year	260	258
Statutory Inspections	126	100
Certification of Grant Claims and Returns for the year	150	105
Other services provided by Wales Audit Office during the year	0	4
<b>Total</b>	<b>536</b>	<b>467</b>

### 33.0 Non-Domestic Rates

The level of Non-Domestic Rates (NDR) is based on a “multiplier” set nationally by the Welsh Government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year. The multiplier for 2014/15 was 47.3p (46.4p for 2013/14). The total rateable value as at 31<sup>st</sup> March 2014 was £135.6m (£136.8m as at 31<sup>st</sup> March 2014).

The Council is responsible for collecting the business rates in its area and pays the proceeds into the NDR pool administered by the Welsh Government. The Welsh Government redistributes total collections back to local authorities on the basis of a fixed amount per head of population. Total NDR collected from ratepayers in respect of 2014/15 rates is £49.2m (£48.9m in 2013/14). The contribution back to the Council from the pool in the year amounted to £73.5m (£72.0m in 2013/14) and the amount paid to the pool amounted to £52.6m (£51.7m in 2013/14). 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.

### 34.0 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 2014/15 was calculated to be £72,557.42 (compared with £72,409.07 for 2013/14). 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	251	37,677	21,130	14,028	7,928	5,536	2,914	1,029	173	27
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 2014/15 was 96.5%.

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

<b>Council Tax Analysis</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax Collectable	104,918	110,002
<b>Net Proceeds from Council Tax</b>	<b>104,918</b>	<b>110,002</b>
Less Payable:		
Police and Crime Commissioner for South Wales	(13,126)	(13,811)
Community Councils	(1,620)	(1,662)
<b>Total</b>	<b>90,172</b>	<b>94,529</b>

### 35.0 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

#### 35.1 Credited to Services

A number of grants and contributions have been recognised as income within Net Cost of Services. This income amounts to £154m in 2014/15 (in 2013/14 these grants and contributions amounted to £172m).

#### 35.2 Capital Grants Receipts in Advance

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

#### 35.3 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>31/03/14</b>	<b>31/03/15</b>
	<b>£'000</b>	<b>£'000</b>
Noddfa House Day Centre	681	0
Other Donations	377	377
<b>Total</b>	<b>1,058</b>	<b>377</b>

### 36.0 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.

### 36.1 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).

	2013/14	2014/15
	£'000	£'000
Non-Ringfenced Government Grants	(311,162)	(296,318)
Capital Grants and Contributions	(27,416)	(20,395)
Credited to Services	(171,922)	(153,954)
<b>Total</b>	<b>(510,500)</b>	<b>(470,667)</b>

### 36.2 Chief Officers and Members

Details of Members allowances and Officers' remunerations are provided in the Core Financial Statements notes 29.0 and 30.0 respectively.

Interests of Members are maintained in a register. The register is available for public inspection by appointment or can be viewed on the Council's website. Members are nominated to represent Rhondda Cynon Taf CBC 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 during 2014/15.

Category of Organisation	2013/14	2014/15	Outstanding Balance as at 31/03/15
	£'000	£'000	£'000
Charitable Organisations	1,919	1,257	(46)
Community Councils, Associations & Services	760	1,111	(87)
Educational & Cultural Establishments	227	88	(132)
Government Bodies, Associations & Staff	673	742	(716)
National Health Service Bodies & Support Groups	4,631	5,328	(1)
Private Companies	485	264	(19)
Public Houses, Halls & Institutes	61	30	(5)
Sports & Social Clubs	(10)	0	0

### 36.3 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:

	2013/14	2014/15
	£'000	£'000
Police and Crime Commissioner for South Wales	13,126	13,811
Community Councils	1,620	1,662
<b>Total</b>	<b>14,746</b>	<b>15,473</b>

An analysis of levies is given in the following table:

	2013/14	2014/15
	£'000	£'000
South Wales Fire and Rescue Service	11,442	10,941
Coroner	400	456
Brecon Beacons National Park	58	53
Glamorgan Archives Joint Committee	0	0
<b>Total</b>	<b>11,900</b>	<b>11,450</b>

### **36.4 Rhondda Cynon Taf Pension Fund**

The Group Director Corporate & Frontline Services is also the responsible Finance Officer to the Rhondda Cynon Taf Pension Fund. The Council charged the Pension Fund an amount of £1.4m (£1.3m in 2013/14) in respect of administration and support during financial year 2014/15. The amount owed from the Council to the Pension Fund as at 31<sup>st</sup> March 2015 is £1.8m (£556k as at 31<sup>st</sup> March 2014).

### **36.5 Associated and Subsidiary Companies**

The Council has an interest in three companies, namely; Amgen Cymru Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd. Officers of the Council are directors of Amgen Cymru Ltd and Amgen Rhondda Ltd. Further details are given in the Group Accounts section of this document. During 2014/15 the following related party transactions took place with these companies.

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

The Council paid Amgen Cymru £9,158k (£8,931k in 2013/14) in respect of waste management and waste disposal charges, with £220k (£42k in 2013/14) due to the company at the year-end.

Amgen Cymru paid the Council £969k (£1,074k in 2013/14) in respect of goods and services, with £26k (£180k in 2013/14) due to the Council at the year-end.

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

The Council paid Amgen Rhondda £50k (£50k in 2013/14) in respect of site management fees, with nil (nil in 2013/14) outstanding at 31<sup>st</sup> March 2015.

## **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 2014/15, the Council was charged £708k (£1,365k in 2013/14) in respect of goods, services and capital works. The balance owed to Capita Glamorgan Consultancy Ltd at 31<sup>st</sup> March 2015 was £84k (£110k in 2013/14).

Capita Glamorgan Consultancy Ltd paid the Council £1k (£7k in 2013/14) in respect of goods and services, with nil (nil in 2013/14) due to the Council at the year-end.

## **36.6 Joint Committees**

The Council participates in the following Joint Committees.

### **Glamorgan Archives Joint Committee**

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee has 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 2014/15, the Council contributed to the Joint Committee an amount of £170k (£189k in 2013/14). 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 2014/15, the Council charged Llwydcoed Crematorium £26k (£22k in 2013/14) in respect of central establishment charges. As at 31<sup>st</sup> March 2015 the Council held cash balances relating to the Crematorium of £1,438k (£1,383k in 2013/14). 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 Council consolidates 28.32% of the assets, liabilities and transactions of CSCJES into its financial statements.

During 2014/15, the Council incurred expenditure of £993k with CSCJES (£1,511k in 2013/14 - restated) in respect of advisory and training services. The Council also charged CSCJES £91k (£95k in 2013/14) in respect of central establishment charges. As at 31<sup>st</sup> March 2015 the Council held net cash balances relating to CSCJES of £94k (£3,314k overdrawn in 2013/14). As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated. CSCJES distributes grants to participating authorities on behalf of Welsh Government.

## **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 2014/15, the Council purchased goods of £2,114k (£2,205k in 2013/14) from Catalogue Supplies Service. At year-end, the Council owed £134k (£220k in 2013/14) 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)**

SEWTA became non-operational from 1<sup>st</sup> April 2014 and was administered by a Joint Committee comprising 10 local authorities in the South East Wales region.

Exit agreement negotiations are ongoing.

## **Welsh Purchasing Consortium (WPC)**

The Welsh Purchasing Consortium is administered by Cardiff City & County Council and is a collaborative procurement organisation made up of 19 unitary local Authorities from South, Mid, North East and West Wales. Contracting activity within the WPC is undertaken by individual member authorities on behalf of the whole membership on a reciprocal basis. The Council consolidates 5.26% of the assets, liabilities and transactions of Welsh Purchasing Consortium into its financial statements.

During 2014/15, the Council contributed £12k (£13.5k in 2013/14) to the Welsh Purchasing Consortium. This transaction has been eliminated from the financial statements.

2014/15 is the first year for WPC's inclusion in RCT's Statement of Accounts. The WPC will be disbanding on 31<sup>st</sup> March 2016.

### 37.0 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.

	2013/14	2014/15
	£'000	£'000
Opening Capital Financing Requirement	356,333	370,244
<b>Capital Investment:</b>		
Property, Plant & Equipment	56,155	62,233
Intangible Assets	1,129	8,399
Revenue Expenditure Funded from Capital Under Statute	9,660	1,083
	<b>66,944</b>	<b>71,715</b>
<b>Sources of Finance:</b>		
Capital Receipts	(2,082)	(2,389)
Government Grants and Other Contributions	(33,408)	(24,557)
	<b>(35,490)</b>	<b>(26,946)</b>
<b>Sums Set Aside from Revenue:</b>		
Direct Revenue Contributions	(2,669)	(13,081)
Minimum Revenue Payment	(14,874)	(15,523)
	<b>(17,543)</b>	<b>(28,604)</b>
<b>Closing Capital Financing Requirement</b>	<b>370,244</b>	<b>386,409</b>
<b>Explanation of Movements in Year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	(3,885)	(4,136)
Increase in underlying need to borrowing (unsupported by government financial assistance)	18,902	21,451
Finance Leases	(1)	(1)
Private Finance Initiative (PFI)	(1,105)	(1,149)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>13,911</b>	<b>16,165</b>

**38.0 Leases**

The following disclosures relate to the Council as a lessee.

**38.1 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:

	31/03/14	31/03/15
	£'000	£'000
Other Land and Buildings	362	157

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:

	31/03/14	31/03/15
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Long-Term	561	559
Finance costs payable in future years	1,780	1,751
<b>Minimum Lease Payments</b>	<b>2,342</b>	<b>2,311</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/14	31/03/15	31/03/14	31/03/15
	£'000	£'000	£'000	£'000
Less than 1 year	30	30	1	1
1 to 5 years	152	152	5	5
Greater than 5 years	2,160	2,129	556	554
<b>Total</b>	<b>2,342</b>	<b>2,311</b>	<b>562</b>	<b>560</b>

**38.2 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.

	31/03/14			31/03/15		
	Other Land & Buildings	Vehicles, Plant & Equip.	Totals	Other Land & Buildings	Vehicles, Plant & Equip.	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year	26	94	120	27	41	68
1 to 5 years	2,698	3,862	6,560	2,057	3,362	5,419
Greater than 5 years	2,870	1,439	4,309	2,967	1,428	4,395
<b>Total</b>	<b>5,594</b>	<b>5,395</b>	<b>10,989</b>	<b>5,051</b>	<b>4,831</b>	<b>9,882</b>

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

	31/03/14	31/03/15
	£'000	£'000
Minimum Lease Payments	2,283	2,378

### 38.3 Sub-Leases

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

	2013/14	2014/15
	£'000	£'000
Less than 1 year	266	266
1 to 5 years	1,067	801
Greater than 5 years	0	0
<b>Total</b>	<b>1,333</b>	<b>1,067</b>

### 39.0 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 that value is as follows:

PFI Assets	Property, Plant & Equipment
	£'000
<b>Cost or Valuation</b>	
At 1 <sup>st</sup> April 2014	24,316
Revaluations	(414)
<b>At 31<sup>st</sup> March 2015</b>	<b>23,902</b>
<b>Depreciation and Impairments</b>	
At 1 <sup>st</sup> April 2014	(427)
Charge for 2014/15	(434)
Revaluations	422
<b>At 31<sup>st</sup> March 2015</b>	<b>(439)</b>
<b>Net Book Value At 31<sup>st</sup> March 2015</b>	<b>23,463</b>
<b>Net Book Value At 31<sup>st</sup> March 2014</b>	<b>23,889</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 movement is as follows:

PFI Liabilities	2013/14	2014/15
	£'000	£'000
<b>Liability as at 1<sup>st</sup> April</b>	<b>27,214</b>	<b>26,110</b>
Repayments during the year	(1,104)	(1,149)
<b>Liability as at 31<sup>st</sup> March</b>	<b>26,110</b>	<b>24,961</b>

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

Period	Principal	Interest	Service Charges	Total
	£'000	£'000	£'000	£'000
Within 1 year	1,195	996	2,301	<b>4,492</b>
2 – 5 years	5,275	3,488	9,794	<b>18,557</b>
6 – 10 years	7,869	3,085	13,685	<b>24,639</b>
11 – 15 years	9,569	1,385	15,483	<b>26,437</b>
16 – 20 years	1,053	42	1,666	<b>2,761</b>
<b>Total</b>	<b>24,961</b>	<b>8,996</b>	<b>42,929</b>	<b>76,886</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 2015 the balance on the PFI equalisation earmarked reserve is £8.5m.

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.

#### **40.0 Impairment Losses**

During 2014/15, the Council has recognised an impairment loss of £10.3m (a loss of £14.2m in 2013/14) in relation to its Long-Term Assets. This impairment charge is included within the Long-Term Asset note 7.1, which also includes reversal of impairment from previous years.

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

##### **41.1 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 42.0.
- Other Employees and Members - The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit career average scheme. The Council and participants pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Council's accounts are defined by IAS 19 "Employee Benefits".

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 Funds. However, where the employees of the Joint Committee contribute to the Rhondda Cynon Taf CBC pension fund, the resultant assets and liabilities are included within the Rhondda Cynon Taf CBC accounts.

##### **41.2 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:

	2013/14	2014/15		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
Cost of Services:				
Current Service Cost	36,196	28,140	214	28,354
Past Service Cost	1,277	4,330	20	4,350
Discontinued Joint Committee	(4,525)		0	0
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest Expense	28,763	21,730	12	21,742
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>61,711</b>	<b>54,200</b>	<b>246</b>	<b>54,446</b>
<b>Remeasurement of the Net Defined Benefit Liability Comprising:</b>				
Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	(39,220)	(73,290)	(310)	(73,600)
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(31,652)	0	0	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(93,770)	125,580	403	125,983
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(17,437)	(7,300)	(9)	(7,309)
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(120,368)</b>	<b>99,190</b>	<b>330</b>	<b>99,520</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	(61,711)	(54,200)	(246)	(54,446)
Actual amount charged against the Council Fund Balance for pensions in the year:			0	
Employers' contributions payable to scheme	(31,385)	(34,350)	(247)	(34,597)

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2015 is a gain of £45.1m (£182.1m gain in 2013/14).

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 2015 is a loss of £88.2m.

#### 41.3 Reconciliation of Present Value of the Scheme Liabilities

	2013/14	2014/15		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>1,323,155</b>	<b>1,231,580</b>	<b>9,777</b>	<b>1,241,357</b>
Current Service Cost	36,196	28,140	214	28,354
Interest Cost on Defined Obligation	57,087	52,140	141	52,281
Contributions by scheme participants	8,662	8,540	81	8,621
<b>Remeasurement (Gains) and Losses</b>				
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(31,652)	0	0	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(93,770)	125,580	403	125,983
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(17,437)	(7,300)	(9)	(7,309)
Benefits paid	(37,635)	(47,150)	(352)	(47,502)
Past service costs	1,277	4,330	20	4,350
Business combinations	0	0	0	0
Discontinued Joint Committee	(4,526)	0	0	0
<b>Balance at 31<sup>st</sup> March</b>	<b>1,241,357</b>	<b>1,395,860</b>	<b>10,275</b>	<b>1,406,135</b>

#### 41.4 Reconciliation of Fair Value of the Scheme Assets

	2013/14	2014/15		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>648,436</b>	<b>709,030</b>	<b>9,361</b>	<b>718,391</b>
Interest Income	28,323	30,410	129	30,539
<b>Remeasurement (Gains) and Losses:</b>				
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	39,220	73,290	310	73,600
Employer contributions	31,385	34,350	247	34,597
Contributions by scheme participants	8,662	8,540	81	8,621
Benefits paid	(37,635)	(47,150)	(352)	(47,502)
<b>Balance at 31<sup>st</sup> March</b>	<b>718,391</b>	<b>808,470</b>	<b>9,776</b>	<b>818,246</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 £104.1m (£67.5m gain in 2013/14).

#### 41.5 Scheme History

	2010/11 Inc Joint Comm's	2011/12 Inc Joint Comm's	2012/13 Inc Joint Comm's	2013/14 Inc Joint Comm's	2014/15 Inc Joint Comm's
	£'000	£'000	£'000	£'000	£'000
Present Value of the Defined Obligation	(1,022,784)	(1,160,989)	(1,323,155)	(1,241,357)	(1,406,135)
Fair Value of Plan Assets	539,437	557,549	648,436	718,391	818,246
<b>Surplus/(Deficit)</b>	<b>(483,347)</b>	<b>(603,440)</b>	<b>(674,719)</b>	<b>(522,966)</b>	<b>(587,889)</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 £587.9m has a substantial impact on the Net Worth of the Council as recorded in the Balance Sheet.

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

#### 41.6 Local Government Pension Scheme Assets

The Local Government Pension Scheme Assets comprised of:

Fair Value of Scheme Assets		
	2013/14	2014/15
	£'000	£'000
UK Equities	462,816	500,938
Overseas Equities	1,112,695	1,147,728
UK Fixed Interest Gilts	176,791	208,144
UK Index Linked Gilts	13,111	0
UK Corporate Bonds	240,655	242,101
Overseas Government Bonds	0	22,526
Overseas Corporate Bonds	18,378	37,577
Property	130,201	134,011
Cash and Net Current Assets	65,050	95,942
<b>Total</b>	<b>2,219,697</b>	<b>2,388,967</b>

## 41.7 Basis for Estimating Assets and Liabilities

Rhondda Cynon Taf CBC employs a “building block” approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as 31<sup>st</sup> March 2015.

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 2013.

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:

	31/03/14	31/03/15
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	5.6%	5.6%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.9	23.0
Women	25.8	25.9
Longevity at 65 for future pensioners:		
Men	25.1	25.2
Women	28.2	28.3
Rate of inflation (RPI)	3.4%	2.9%
Rate of inflation (CPI)	2.4%	1.8%
Rate of increase in salaries	3.9%	3.3%
Rate of increase in pensions	2.4%	1.8%
Rate for discounting scheme liabilities	4.3%	3.2%
Take-up of option to convert annual pension into retirement lump sum:		
Post-2010 Service	75%	75%
Pre-2010 Service	75%	75%

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

	RCT		Joint Committes		Total	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£'000	£'000	£'000	£'000	£'000	£'000
Longevity (Increase or Decrease in 1 Year)	(1,417,810)	(1,345,320)	(4,018)	(3,813)	(1,421,828)	(1,349,133)
Rate of Increase in Salaries (Increase or Decrease by 0.1%)	(1,387,980)	(1,375,290)	(3,945)	(3,886)	(1,391,925)	(1,379,176)
Rate of Increase in Pensions (Increase or Decrease by 0.1%)	(1,401,710)	(1,361,800)	(3,968)	(3,863)	(1,405,678)	(1,365,663)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 0.1%)	(1,354,690)	(1,409,040)	(3,837)	(3,995)	(1,358,527)	(1,413,035)

#### **41.8 Contributions for the Accounting Period ending 31<sup>st</sup> March 2016**

The Employer's regular contributions to the Fund for the accounting period 31<sup>st</sup> March 2016 are estimated to be £31.8m. In addition, "strain on fund" contributions may be required.

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

#### **42.0 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 2014/15, the Council paid £11.5m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £11.7m and 14.1%. There were no contributions remaining payable at the year-end. In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with related increases. In 2014/15 these amounted to £884k (£885k in 2013/14).

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.

#### **43.0 Contingent Liabilities**

##### **43.1 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 2015. 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.

##### **43.2 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.

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 that the levy, paid in February 2014, 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.

#### **44.0 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 2015 are shown as follows and are not included in the Council's Balance Sheet. The 2014/15 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council's Internal Audit Section for the other Funds).

	Description	31/03/14	31/03/15
		£'000	£'000
Education & Miscellaneous	Various funds established for educational and community benefits	105	181
Rhondda Cynon Taf Charity for the Visually Impaired	Fund established for the benefit of visually impaired citizens	184	156
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	11,406	12,021

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 2015 is £286k (£254k at 31<sup>st</sup> March 2014). 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 2014/15 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 recycling 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 2015

	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 2014</b>	10,282	34,038	74,918	3,951	104	2,524	1,281	<b>127,098</b>	103,126	<b>230,224</b>	(898)	<b>229,326</b>
<b>Movement in reserves during 2014/15:</b>												
(Surplus) or deficit on the provision of services (accounting basis)	(18,462)	0	(42)	0	0	0	0	<b>(18,504)</b>	0	<b>(18,504)</b>	7,844	<b>(10,660)</b>
Other comprehensive income and expenditure	0	0	0	0	0	0	0	<b>0</b>	(18,587)	<b>(18,587)</b>	41	<b>(18,546)</b>
Total comprehensive income and expenditure	(18,462)	0	(42)	0	0	0	0	<b>(18,504)</b>	(18,587)	<b>(37,091)</b>	7,885	<b>(29,206)</b>
<b>Adjustments between Group Accounts and Authority Accounts:</b>	7,901	0	0	0	0	0	0	<b>7,901</b>	0	<b>7,901</b>	(7,901)	<b>0</b>
<b>Net Increase or decrease before transfers</b>	(10,561)	0	(42)	0	0	0	0	<b>(10,603)</b>	(18,587)	<b>(29,190)</b>	(16)	<b>(29,206)</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 long-term assets	(21,635)	0	29	0	0	0	0	<b>(21,606)</b>	21,606	<b>0</b>	0	<b>0</b>

Continued Overleaf...

Revaluation losses on property, plant & equipment	55,436	0	(8)	0	0	0	0	0	55,428	(55,428)	0	0	0
Amortisation of intangible assets	1,144	0	0	0	0	0	0	0	1,144	(1,144)	0	0	0
Movement in the Donated Assets Account	(681)	0	0	0	0	0	0	0	(681)	681	0	0	0
Revenue expenditure funded from capital under statute	8,586	0	0	0	0	0	0	0	8,586	(8,586)	0	0	0
Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Insertion of items not debited / credited to CI&amp;ES:</b>													
Statutory provision for the financing of capital investment	(15,356)	0	(9)	0	(158)	0	0	0	(15,523)	15,523	0	0	0
Capital expenditure charged against the Council Fund Balances	(12,893)	0	(188)	0	0	0	0	0	(13,081)	13,081	0	0	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>													
Capital grants and contributions unapplied credited to CI&ES	(26,837)	0	0	0	0	26,837	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(24,557)	0	0	(24,557)	24,557	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	1,102	0	0	0	4,409	0	0	0	5,511	(5,511)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(2,389)	0	0	0	(2,389)	2,389	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	44	0	0	0	44	(44)	0	0	0
<i>Continued Overleaf...</i>													

<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	(52)	0	0	0	0	0	0	(52)	52	0	0	0	0
<b>Adjustments involving the Pensions Reserve:</b>													
Reversal of items relating to retirement benefits debited or credited to the CI&ES	54,200	0	246	0	0	0	0	54,446	(54,446)	0	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(34,350)	0	(247)	0	0	0	0	(34,597)	34,597	0	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	487	0	0	0	0	0	0	487	(487)	0	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	50	0	8	0	0	0	0	58	(58)	0	0	0	0
<i>Continued Overleaf...</i>													

<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 long-term 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>	(1,360)	0	(211)	0	1,906	2,280	0	2,615	(31,805)	(29,190)	(16)	(29,206)
<b>Transfers to or from Earmarked Reserves</b>	1,871	(2,834)	1,364	(240)	0	0	(161)	0	0	0	0	0
<b>Increase or decrease in the year</b>	511	(2,834)	1,153	(240)	1,906	2,280	(161)	2,615	(31,805)	(29,190)	(16)	(29,206)
<b>Balance as at the end of the current reporting period</b>	<b>10,793</b>	<b>31,204</b>	<b>76,071</b>	<b>3,711</b>	<b>2,010</b>	<b>4,804</b>	<b>1,120</b>	<b>129,713</b>	<b>71,321</b>	<b>201,034</b>	<b>(914)</b>	<b>200,120</b>

## Group Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup> March 2015

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.

2013/14 Restated			Note:	2014/15		
Gross Exp	Gross Income	Net Exp		Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
30,584	(4,026)	26,558	Central Services to the Public	30,988	(4,042)	26,946
36,828	(6,775)	30,053	Cultural and Related Services	34,279	(6,544)	27,735
50,085	(18,248)	31,837	Environmental and Regulatory Services	43,327	(12,964)	30,363
14,850	(7,295)	7,555	Planning Services	13,438	(8,527)	4,911
326,591	(61,315)	265,276	Children's and Education Services	307,004	(67,197)	239,807
32,736	(6,547)	26,189	Highways and Transport Services	34,458	(9,540)	24,918
89,511	(83,972)	5,539	Housing Services	87,525	(84,648)	2,877
119,016	(34,924)	84,092	Adult Social Care	119,602	(38,609)	80,993
10,233	(3,104)	7,129	Corporate and Democratic Core	9,180	(1,625)	7,555
8,809	(64)	8,745	Non-Distributed Costs	4,341	(2)	4,339
<b>719,243</b>	<b>(226,270)</b>	<b>492,973</b>	<b>Cost of Services</b>	<b>684,142</b>	<b>(233,698)</b>	<b>450,444</b>
			<b>Other Operating Expenditure</b>			
14,746	0	14,746	Precepts	15,473	0	15,473
11,900	0	11,900	Levies	11,450	0	11,450
2,769	0	2,769	(Gains) or Losses on Disposal of Long-Term Assets	1,103	0	1,103
			<b>Financing and Investment Income and Expenditure</b>			
10,713	0	10,713	Interest Payable and Similar Charges	10,728	0	10,728
28,763	0	28,763	Net Interest on Net Defined Liability (Asset)	21,742	0	21,742
0	(268)	(268)	Interest Receivable and Similar Income	0	(32)	(32)
			<b>Taxation and Non-Specific Grant Income</b>			
0	(104,918)	(104,918)	Council Tax Income	0	(110,002)	(110,002)
0	(71,961)	(71,961)	NDR Distribution	0	(73,533)	(73,533)
0	(311,162)	(311,162)	Non-Ringfenced Government Grants	0	(296,318)	(296,318)
0	(27,416)	(27,416)	Capital Grants and Contributions	0	(20,395)	(20,395)
<b>788,134</b>	<b>(741,995)</b>	<b>46,139</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>744,638</b>	<b>(733,978)</b>	<b>10,660</b>

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46	0	46	<b>Associates and Joint Ventures Accounted for on an Equity Basis</b>	0	(2)	(2)
			<b>Tax Expenses</b>			
38	0	38	Taxation of Group Entities	0	(39)	(39)
0	(10)	(10)	Share of Taxation of Associates and Joint Ventures	0	(1)	(1)
<b>788,218</b>	<b>(742,005)</b>	<b>46,213</b>	<b>Group (Surplus) or Deficit</b>	<b>744,638</b>	<b>(734,020)</b>	<b>10,618</b>
0	(1,794)	(1,794)	<b>(Surplus) or Deficit on Revaluation of Property, Plant &amp; Equipment Assets</b>	0	(26,486)	(26,486)
0	(182,079)	(182,079)	<b>Remeasurement of the Net Defined Benefit Liability</b>	45,074	0	45,074
<b>0</b>	<b>(183,873)</b>	<b>(183,873)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>45,074</b>	<b>(26,486)</b>	<b>18,588</b>
<b>788,218</b>	<b>(925,878)</b>	<b>(137,660)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>789,712</b>	<b>(760,506)</b>	<b>29,206</b>

## Group Balance Sheet as at 31<sup>st</sup> March 2015

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.

31/03/14			Note:	31/03/15	
£'000				£'000	£'000
	<b>Long-Term</b>	Property, Plant & Equipment	G 2.0		
535,693	<b>Assets</b>	Other Land & Buildings		562,894	
424,288		Infrastructure		421,308	
10,232		Vehicles, Plant & Equipment		12,789	
976		Landfill Cells		626	
3,943		Community Assets		4,418	
24,673		Assets Under Construction		47,515	
145		Heritage Assets		145	
2,384		Long-Term Intangible Assets		2,913	
1,015		Long-Term Investments		1,000	
196		Investment in Associates and Joint Ventures		198	
965		Long-Term Debtors		924	
<b>1,004,510</b>		<b>TOTAL LONG-TERM ASSETS</b>			<b>1,054,730</b>
4,241	<b>Current</b>	Short-Term Investments		7,669	
4,274	<b>Assets</b>	Assets Held for Sale		2,751	
0		Short-Term Intangible Assets		967	
1,097		Inventories		933	
53,225		Short-Term Debtors	G 13.0	56,079	
5,488		Cash and Cash Equivalents		5,987	
<b>68,325</b>		<b>TOTAL CURRENT ASSETS</b>			<b>74,386</b>
(11,677)	<b>Current</b>	Cash and Cash Equivalents		(13,027)	
(3,341)	<b>Liabilities</b>	Short-Term Borrowing		(15,124)	
0		Other Short-Term Liabilities		(499)	
(3,363)		Short-Term Provisions	G 15.0	(2,991)	
(59,091)		Short-Term Creditors	G 14.0	(67,417)	
<b>(77,472)</b>		<b>TOTAL CURRENT LIABILITIES</b>			<b>(99,058)</b>
(10,136)	<b>Long-Term</b>	Long-Term Provisions	G 15.0	(5,483)	
(196,245)	<b>Liabilities</b>	Long-Term Borrowing		(196,109)	
(558,539)		Other Long-Term Liabilities		(627,969)	
(59)		Government Grants Deferred		0	
(1,058)		Donated Asset Account		(377)	
<b>(766,037)</b>		<b>TOTAL LONG-TERM LIABILITIES</b>			<b>(829,938)</b>
<b>229,326</b>		<b>NET ASSETS</b>			<b>200,120</b>

10,282	<b>Usable</b>	Council Fund Balance		10,793	
	<b>Reserves</b>	Earmarked Reserves:			
34,038		Capital, Treasury and Insurance Reserves		31,204	
74,918		Other Revenue Related Reserves		76,071	
3,951		Delegated Schools Reserve		3,711	
104		Usable Capital Receipts Reserve		2,010	
2,524		Capital Grant Unapplied Account		4,804	
1,281		MGCC Insurance Reserve		1,120	
<b>127,098</b>		<b>TOTAL USABLE RESERVES</b>			<b>129,713</b>
178,834	<b>Unusable</b>	Revaluation Reserve		199,047	
67	<b>Reserves</b>	Deferred Capital Receipts Reserve		35	
457,672		Capital Adjustment Account	G 6.0	471,101	
(5,868)		Financial Instruments Adjustment Account		(5,816)	
(522,966)		Pensions Reserve		(587,889)	
(129)		Unequal Pay Back Pay Account		(616)	
(4,484)		Short-Term Accumulating Compensated Absence Account		(4,541)	
(898)		Group Companies Reserve	G 3.0	(914)	
<b>102,228</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>70,407</b>
<b>229,326</b>	<b>TOTAL RESERVES</b>				<b>200,120</b>

## Group Cash Flow Statement 2014/15

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

2013/14			2014/15	
£'000		<i>Note:</i>	£'000	£'000
46,139	Net (Surplus) or Deficit on the Provision of Services		10,660	
(110,185)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	<i>G 7.0</i>	(75,691)	
29,499	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>	24,804	
<b>(34,547)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(40,227)</b>
35,665	Investing Activities	<i>G 10.0</i>	51,573	
790	Financing Activities	<i>G 11.0</i>	(10,495)	41,078
<b>1,908</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>851</b>
4,281	Cash and Cash Equivalents at the Beginning of the Reporting Period			6,189
<b>6,189</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>			<b>7,040</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 2014	671,917	539,994	38,049	2,498	4,497	24,661	1,281,616
Joint Committees Opening Balance	941	0	165	0	0	12	1,118
Additions	17,202	11,618	9,996	0	364	23,150	62,330
Donations	0	0	0	0	0	0	0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	(710)	0	0	0	0	0	(710)
Revaluation Increases/ (Decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(55,234)	0	0	0	(34)	0	(55,268)
Derecognition – Disposals	(4,029)	0	(3,779)	0	0	0	(7,808)
Derecognition - Other	0	0	(2,369)	0	0	0	(2,369)
Assets reclassified (to)/from held for Sale	(771)	0	0	0	(50)	0	(821)
Other reclassifications	1	0	0	0	(1)	0	0
Other Movements in Cost or Valuation	5,332	0	308	(1,414)	196	(308)	4,114
<b>At 31<sup>st</sup> March 2015</b>	<b>634,649</b>	<b>551,612</b>	<b>42,370</b>	<b>1,084</b>	<b>4,972</b>	<b>47,515</b>	<b>1,282,202</b>

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<b>Accumulated Depreciation and Impairment</b>							
At 1 <sup>st</sup> April 2014	(137,082)	(115,706)	(27,821)	(1,522)	(554)	0	<b>(282,685)</b>
Joint Committees	(83)	0	(161)	0	0	0	<b>(244)</b>
Opening Balance							
Depreciation charge	(13,323)	(14,598)	(5,376)	(350)	0	0	<b>(33,647)</b>
Depreciation written out of the Revaluation Reserve	20,526	0	0	0	0	0	<b>20,526</b>
Depreciation written out to the (Surplus) / Deficit on the Provision of Services	5,900	0	0	0	0	0	<b>5,900</b>
Impairment (Losses) / Reversals recognised in the Revaluation Reserve	6,460	0	0	0	0	0	<b>6,460</b>
Impairment (Losses) / Reversals recognised in the (Surplus)/Deficit on the Provision of Services	50,255	0	(2,369)	0	0	0	<b>47,886</b>
Derecognition – Disposals	758	0	3,777	0	0	0	<b>4,535</b>
Derecognition - Other	0	0	2,369	0	0	0	<b>2,369</b>
Assets reclassified (to)/from held for Sale	383	0	0	0	0	0	<b>383</b>
Other reclassifications	0	0	0	0	0	0	<b>0</b>
Other Movements in Cost or Valuation	(5,549)	0	0	1,414	0	0	<b>(4,135)</b>
<b>At 31<sup>st</sup> March 2015</b>	<b>(71,755)</b>	<b>(130,304)</b>	<b>(29,581)</b>	<b>(458)</b>	<b>(554)</b>	<b>0</b>	<b>(232,652)</b>
<b>Net Book Value:</b>							
<b>At 31<sup>st</sup> March 2015</b>	<b>562,894</b>	<b>421,308</b>	<b>12,789</b>	<b>626</b>	<b>4,418</b>	<b>47,515</b>	<b>1,049,550</b>
<b>At 1<sup>st</sup> April 2014</b>	<b>535,693</b>	<b>424,288</b>	<b>10,232</b>	<b>976</b>	<b>3,943</b>	<b>24,673</b>	<b>999,805</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:

	Amgen Cymru	Amgen Rhondda	Capita Glamorgan	Total
	£'000	£'000	£'000	£'000
<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>
Increase/(Decrease) 2014/15	99	(116)	1	(16)
<b>Balance as at 31<sup>st</sup> March 2015</b>	<b>1,733</b>	<b>(2,844)</b>	<b>197</b>	<b>(914)</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.

	Amgen Cymru		Amgen Rhondda	
	March 2014	March 2015 Draft	March 2014	March 2015 Draft
	£'000	£'000	£'000	£'000
Shareholding	2,806	2,806	249	133
Net Current Assets	833	1,532	159	66
Total Assets less Current Liabilities	5,374	5,121	249	133
Net Assets	4,480	4,540	249	133
(Loss)/Profit Before Tax	(498)	59	(151)	(115)
(Loss)/Profit After Tax	(458)	59	(151)	(115)
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 2015		Not yet given for year ended 31 <sup>st</sup> March 2015	

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

**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 2013</b>	<b>31<sup>st</sup> December 2014 Draft</b>
	<b>£'000</b>	<b>£'000</b>
Shareholding	27.93%	27.93%
Net Current Assets	484	593
Total Assets less Current Liabilities	617	710
Net Assets	616	710
(Loss)/Profit Before Tax	(273)	117
(Loss)/Profit After Tax	(212)	93
Registration No.	6638751	
Registered Office/Location of Accounts	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Auditors	KPMG LLP	
Audit Opinion	Not yet given for year ended 31 <sup>st</sup> December 2014	

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

	<b>£'000</b>
<b>Balance as at 31<sup>st</sup> March 2014</b>	<b>457,672</b>
(Gains)/Losses during the year	13,429
<b>Balance as at 31<sup>st</sup> March 2015</b>	<b>471,101</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 £2,844k.

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

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
(66,189)	Depreciation & Impairment	(35,012)
(1,379)	Amortisation	(1,331)
3,136	(Increase)/Decrease in Creditors	(10,314)
(11,346)	Increase/(Decrease) in Debtors	2,814
127	Increase/(Decrease) in Stock	(164)
(22,763)	Movement in Pension Liability	(23,622)
6,665	Contribution to Provisions	5,025
1,440	Holiday Pay Accrual	58
6,321	Revenue Grant Earmarked Reserves	5,379
(4,797)	Carrying Amount of Long-Term Assets and Assets Held For Sale, Sold or Derecognised	(5,511)
320	Capital Grants Unapplied	2,280
(9,660)	Revenue Expenditure Funded from Capital Under Statute	(8,586)
(12,060)	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	(6,707)
<b>(110,185)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(75,691)</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>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
2,083	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	4,409
27,416	Any Other Items for which the Cash Effects are Investing or Financing Cash Flows	20,395
<b>29,499</b>		<b>24,804</b>

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

The cash flows for operating activities include the following items:

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
(52)	Interest received	(17)
10,666	Interest paid	8,643
<b>10,614</b>	<b>Interest within Operating Activities</b>	<b>8,626</b>

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

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
71,040	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	73,962
3,327	Purchase and Redemption of Short-Term and Long-Term Investments	3,413
(2,083)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(4,409)
(36,619)	Other receipts from Investing Activities	(21,393)
<b>35,665</b>	<b>Net Cash Flows from Investing Activities</b>	<b>51,573</b>

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

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
(460)	Cash Receipts of Short-Term and Long-Term Borrowing	(48,323)
1,105	Cash Payments for the reduction of the outstanding liabilities Relating to Finance Leases and on Balance Sheet PFI Contracts	1,150
145	Repayments of Short-Term and Long-Term Borrowing	36,678
<b>790</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(10,495)</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>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
(50)	Amgen Rhondda supplies to the Council	(50)
(7,496)	Amgen Cymru supplies to the Council	(8,665)
1,016	Council supplies to Amgen Cymru	814
<b>(6,530)</b>	<b>Net Expenditure</b>	<b>(7,901)</b>

**G 13.0 Debtors**

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

2013/14		2014/15
£'000		£'000
27,182	Central Government Bodies	31,678
1,111	Other Local Authorities	2,328
20	NHS Bodies	363
252	Public Corporations and Trading Funds	655
24,660	Other Entities and Individuals	21,055
<b>53,225</b>	<b>Total</b>	<b>56,079</b>

**G 14.0 Creditors**

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

2013/14		2014/15
£'000		£'000
(14,229)	Central Government Bodies	(15,038)
(2,742)	Other Local Authorities	(4,923)
(296)	NHS Bodies	(302)
(260)	Public Corporations and Trading Funds	(255)
(41,564)	Other Entities and Individuals	(46,899)
<b>(59,091)</b>	<b>Total</b>	<b>(67,417)</b>

**G 15.0 Provisions**

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

Movements in provisions during the year were:

Short-Term Provision	Land Purchases and Part 1 Claims	Equal Pay	Joint Committees	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2014</b>	<b>(3,222)</b>	<b>(129)</b>	<b>(12)</b>	<b>(3,363)</b>
Additional provisions made in 2014/15	(2,375)	(753)	0	(3,128)
Amounts used in 2014/15	3,222	137	12	3,371
Unused amounts reversed in 2014/15	0	129	0	129
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>(2,375)</b>	<b>(616)</b>	<b>0</b>	<b>(2,991)</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 2014</b>	<b>(2,456)</b>	<b>(6,645)</b>	<b>(959)</b>	<b>(76)</b>	<b>(10,136)</b>
Additional provisions made in 2014/15	(471)	(125)	0	0	(596)
Amounts used in 2014/15	2,456	190	420	34	3,100
Unused amounts reversed in 2014/15	0	2,149	0	0	2,149
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>(471)</b>	<b>(4,431)</b>	<b>(539)</b>	<b>(42)</b>	<b>(5,483)</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 (2013/14 £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.

## **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 (LGPS) is open to all employees in Local Government apart from teachers, who have their own scheme. It is also open to employees of other organisations that have been accepted into the fund.

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

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

### **Fund Administration**

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 and Administration Panel, which is chaired by the Rhondda Cynon Taf Group Director Corporate & Frontline 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**

2013/14 £'000		Note:	2014/15	
			£'000	£'000
	<b><u>Dealings with members, employers and others directly involved with the fund</u></b>			
	<b>Contributions</b>			
(85,906)	Employer contributions	8.0	(95,017)	
(27,122)	Member contributions	8.0	(26,834)	
<b>(113,028)</b>				<b>(121,851)</b>
(15,216)	<b>Transfers in from other pension funds</b>		(4,068)	
(5,467)	<b>Other income</b>		(10,134)	
<b>(20,683)</b>				<b>(14,202)</b>
	<b>Benefits</b>			
89,430	Pensions		91,700	
17,248	Commutation of pensions and lump sum retirement benefits		25,886	
2,409	Lump sum death benefits		2,855	
<b>109,087</b>		8.0		<b>120,441</b>
	<b>Payments to and on account of leavers</b>			
6,805	Transfers out to other pension funds		169,078	
11	Other payments		220	
<b>6,816</b>				<b>169,298</b>
7,675	Management Expenses	9.0		8,010
<b>(10,133)</b>				<b>161,696</b>
	<b><u>Returns on Investments</u></b>			
	<b>Investment income</b>			
(23,557)	Income from fixed interest securities		(23,865)	
(25,795)	Dividends from equities		(28,935)	
(470)	Income from index-linked securities		2	
(7,519)	Income from pooled investment vehicles		(8,278)	
(126)	Interest on cash deposits		(89)	
<b>(57,467)</b>				<b>(61,165)</b>
(91,515)	<b>(Profits) and losses on disposal of investments and changes in the value of investments</b>		(275,103)	
				<b>(275,103)</b>
1,339	<b>Taxes on income</b>			1,363
<b>(147,643)</b>	<b>Net Returns on Investments</b>			<b>(334,905)</b>
<b>(157,776)</b>	<b>Net (increase)/decrease in net assets available for benefits during the year</b>			<b>(173,209)</b>
<b>(2,079,336)</b>	<b>Opening Net Assets</b>			<b>(2,237,112)</b>
<b>(2,237,112)</b>	<b>Closing Net Assets</b>			<b>(2,410,321)</b>

**Net Assets Statement**

31/03/2014			31/03/2015	
£'000		Note:	£'000	£'000
	<b>Investment Assets</b>			
	<b>Fixed interest securities</b>			
176,791	Public sector		230,670	
259,033	Corporate bonds		279,678	
		4.0		<b>510,348</b>
1,197,709	<b>Equities</b>	4.0		<b>1,385,794</b>
	<b>Index linked securities</b>			
13,111	Public sector		0	
		4.0		<b>0</b>
	<b>Pooled investment vehicles</b>			
65,569	Open ended investment companies		68,830	
312,233	Managed funds		194,041	
130,201	Property		134,011	
		4.0		<b>396,882</b>
<b>71,969</b>	<b>Cash deposits</b>			<b>99,024</b>
	<b>Other investment balances</b>			
6,236	Accrued interest		6,140	
13,917	Investment debtors		6,338	
1,431	Tax recoverable		2,192	
				<b>14,670</b>
<b>2,248,200</b>				<b>2,406,718</b>
	<b>Investment Liabilities</b>			
(17,355)	Investment creditors			<b>(5,297)</b>
<b>2,230,845</b>	<b>Net investment assets</b>			<b>2,401,421</b>
	<b>Current Assets</b>			
5,618	Contributions due from employers	10.0	5,489	
1,780	Cash balances		2,281	
556	Amount owed from RCTCBC		1,820	
2,215	Other current assets		3,255	
				<b>12,845</b>
	<b>Current Liabilities</b>			
(3,902)	Current liabilities		(3,945)	
				<b>(3,945)</b>
<b>2,237,112</b>	<b>Net assets of the scheme available to fund benefits at period end</b>			<b>2,410,321</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 the actuarial valuation 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 2014/15 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. A more detailed Pension Fund Annual Report is available on request from the Group Director Corporate & Frontline Services.

## **2.0 Accounting Policies**

### **2.1 Accruals Concept**

Where material, accruals are made for employee and employer 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 2015 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 2015.

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 £1,200k (£1,069k in 2013/14) and the market value of separately invested AVCs at the Balance Sheet date was £6,909k (£6,324k in 2013/14).

## **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 2014/15 amounted to £0.6m (£0.6m in 2013/14).

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 2009 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 31/03/2013	Value as at 31/03/2010
	£'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**

	2013/14		2014/15	
	£'000	£'000	£'000	£'000
<b><u>Equities</u></b>				
UK	324,216		355,911	
Overseas	873,493		1,029,883	
		<b>1,197,709</b>		<b>1,385,794</b>
<b><u>Fixed interest</u></b>				
UK	417,446		466,233	
Overseas	18,378		44,115	
		<b>435,824</b>		<b>510,348</b>
<b><u>Index linked</u></b>				
UK	13,111		0	
Overseas	0		0	
		<b>13,111</b>		<b>0</b>
<b><u>Pooled investments</u></b>				
UK - property	114,103		123,525	
Overseas - property	16,098		10,486	
UK – other	138,599		145,027	
Overseas - other	239,203		117,844	
		<b>508,003</b>		<b>396,882</b>
<b>Total long-term investments</b>		<b>2,154,647</b>		<b>2,293,024</b>

The Pension Fund Investment and Administration 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 Net Assets Statement are the same as the Fair Values shown above.

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

## 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	
	31/03/2014 £'000	31/03/2015 £'000	31/03/2014 %	31/03/2015 %
Baillie Gifford (Equities)	445,289	500,376	20.1	20.9
Baillie Gifford (High Alpha Equities)	410,975	490,510	18.5	20.5
Newton (High Alpha Equities)	326,311	391,312	14.7	16.4
Invesco (UK Equities)	115,614	133,811	5.2	5.6
BlackRock (UK Equities)	105,847	118,218	4.8	5.0
L&G (Passive Equities)	196,619	60,230	8.9	2.5
F&C (Bonds)	460,541	521,906	20.7	21.9
CBRE (Property)	131,242	136,172	5.9	5.7
Internal	27,209	36,389	1.2	1.5
<b>Total</b>	<b>2,219,647</b>	<b>2,388,924</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 and note 7.0.

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 Pension Fund Investment and Administration 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 £348k (£350k in 2013/14) 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 01/04/14	Purchases	Sales	Change in Market Value	Market Value 31/03/15
	£'000	£'000	£'000	£'000	£'000
Baillie Gifford (Equities)	442,037	53,251	(38,124)	22,187	479,351
Baillie Gifford (High Alpha Equities)	404,906	76,662	(44,643)	48,243	485,168
Newton (High Alpha Equities)	312,857	99,124	(84,061)	47,001	374,921
Invesco (UK Equities)	115,614	1,526	0	16,671	133,811
BlackRock (UK Equities)	103,475	20,674	(17,799)	8,834	115,184
L&G (Passive Equities)	196,619	3,790	(115,289)	(24,890)	60,230
F&C (Bonds)	448,937	433,856	(403,923)	31,478	510,348
CBRE (Property)	130,202	25,045	(24,689)	3,453	134,011
<b>Total</b>	<b>2,154,647</b>	<b>713,928</b>	<b>(728,528)</b>	<b>152,977</b>	<b>2,293,024</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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	8,596	8,541	28,966	29,046	24,444	33,142
Admitted	2,828	3,091	12,417	13,437	10,465	12,258
Scheduled	15,698	15,202	44,523	52,534	74,178	75,041
<b>Total</b>	<b>27,122</b>	<b>26,834</b>	<b>85,906</b>	<b>95,017</b>	<b>109,087</b>	<b>120,441</b>

Included in employer contributions are £16,811k of deficit funding contributions (£9,099k in 2013/14) and £262k of augmented contributions (£27k in 2013/14).

## 9.0 Management Expenses

The management expenses borne by the Fund in 2014/15 are set out below:

	2013/14	2014/15
	£'000	£'000
Fund management expenses	5,671	6,038
Investment administration expenses	264	234
Pensions administration expenses	1,740	1,738
<b>Total</b>	<b>7,675</b>	<b>8,010</b>

This represents 0.33% (0.34% in 2013/14) of the value of the Pension Fund as at 31<sup>st</sup> March 2015.

## 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 £1.4m (£1.3m in 2013/14). 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 £5.5m (£5.6m in 2013/14), of which £4.1m 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:

	2014	2015
Active Employers	43	43
Contributors	27,831	26,400
Pensioners	15,281	15,316
Dependants	2,647	2,578
Deferred Beneficiaries	18,932	19,719

## 12.0 Group Transfers

The Fund transferred £164m of equity investment assets to the Greater Manchester Pension Fund in respect of the Probation Service.

The Fund received £624k from the Welsh Government in respect of the South Wales Sea Fisheries.

### **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 2015 amounted to £36.3m with the institutions shown in the table below.

<b>Institution</b>	<b>Balance at 31/03/15 £'000</b>	<b>Maturity Date</b>
Bournemouth Borough Council	1,870	01/04/2015
Bournemouth Borough Council	2,130	02/04/2015
Blackpool Council	3,000	01/04/2015
Cornwall Council	3,500	08/04/2015
Cornwall Council	11,500	10/04/2015
Calderdale Council	1,600	08/04/2015
Leeds City Council	8,000	01/04/2015
Neath Port Talbot County Borough Council	1,000	01/04/2015
London Borough of Merton	3,710	09/04/2015
<b>Total</b>	<b>36,310</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 cash flow monitoring and forecasting model.
- Ensuring that the Pension Fund has access to cash in the short and medium-term to pay pensions by managing cash flow from money-market investments.
- Taking actuarial advice to set employer contribution rates at triennial valuations in order to meet the long-term funding requirements to pay pensions and other commitments.

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

### **13.3 Market Risk**

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

Following analysis of historic data, State Street, the Fund's custodian, have provided a view of potential market movements for the 2015/16 financial year. The possible impact of movements is shown in the following tables:

Asset type	31/03/15	Change %	Value on	Value on
	Value		increase	decrease
	£'000		£'000	£'000
UK Equities	500,937	9.8	550,029	451,846
Overseas Equities	1,147,728	9.4	1,255,614	1,039,842
Bonds	510,348	5.8	539,948	480,748
Property	134,011	3.1	138,165	129,857
Cash	101,305	0.2	101,508	101,101
<b>Total</b>	<b>2,394,329</b>		<b>2,585,264</b>	<b>2,203,394</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.

Assuming that all other variables, particularly exchange rates, remain unchanged, a movement in interest rates of 1% for the 2015/16 financial year would have the following effect:

Asset type	31/03/15	Value on	Value on
	Value	increase	decrease
	£'000	£'000	£'000
Fixed interest securities	510,348	515,451	505,245
Cash deposits & balances	101,305	102,318	100,292
<b>Total</b>	<b>611,653</b>	<b>617,769</b>	<b>605,537</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 6% would have the following effect:

Asset type	31/03/15	Value on	Value on
	Value	increase	decrease
	£'000	£'000	£'000
Overseas Equities	1,147,728	1,216,592	1,078,864
Overseas Fixed Interest	44,115	46,762	41,468
Overseas Pooled Property	10,486	11,115	9,857
<b>Total</b>	<b>1,202,329</b>	<b>1,274,469</b>	<b>1,130,189</b>

## RHONDDA CYNON TAF

### ANNUAL GOVERNANCE STATEMENT

<b>1.</b>	<b>Scope of Responsibility</b>
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- 1.1 Rhondda Cynon Taf County Borough Council (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 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 2015 and where appropriate recommend areas for improvement.

<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 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 priorities, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.5 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 and internal arrangements, including performance management arrangements.

2.6 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 2015 (and up to the date of approval of the 2014/15 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 2015. The Council's 'review of effectiveness' has been embedded into the main body of the annual governance statement (instead of being presented in a separate section of the AGS). The document now describes the arrangements in place, challenges their effectiveness, and where necessary provides recommendations for improvement.

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

**Single Integrated Plan "Delivering Change"**

3.3.1 The Council has adopted the Rhondda Cynon Taf Local Service Board Single Integrated Plan ([www.rctcbc.gov.uk/singleplan](http://www.rctcbc.gov.uk/singleplan)). The Single Integrated Plan sets the strategic direction for organisations in Rhondda Cynon Taf.

3.3.2 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."*

- 3.3.3 The Single Integrated Plan is used as the strategic driver for the Council's Corporate Plan<sup>1</sup>, shapes the University Health Board's corporate priorities and the Police & Crime Commissioner's Crime Reduction Plan.

#### **Single Integrated Plan – Annual Report 2013/14**

- 3.3.4 Welsh Government guidance for the production of Single Integrated Plans requires the Local Service Board to prepare an annual report. An annual report should reflect on the work undertaken during the period and also 'look forward' with a view of seeing 'what's next'. The Local Service Board approved their first annual report at their meeting held on 26<sup>th</sup> June 2014. A copy of the [Single Integrated Plan - Annual Report 2013/14](#) was presented to Full Council held on 23<sup>rd</sup> July 2014. The Single Integrated Plan Annual Report 'looked back' at delivery during 2013/14 and also 'looked forward' to 2014/15.

- 3.3.5 The Annual Report 2013/14 evaluated the impact that "Delivering Change" had during 2013/14, as follows:

*"The Single Integrated Plan has been successful in some ways: partners have been brought together, encouraging better collaboration and allowing organisations to align their corporate plans to a common vision; efforts have been made to make the partnership structure more effective and focussed on actions; and the performance of services in some areas has been better communicated and discussed.*

*But, despite the good work individuals and organisations have done in 2013/14, this review has suggested that more work is needed to co-ordinate actions across our teams, departments and organisations with the aim of achieving better outcomes for the people of Rhondda Cynon Taf.*

*The challenge of doing this well is reflected by the latest population measures in 'Delivering CHANGE'. Although we recognise that these issues require long-term solutions and some are affected by things outside of our control, we are failing to make the necessary impact on our measures of success. For example, the rates of smoking, mental illness and obesity are getting worse and, when studied on a local area basis, the measures are even more stark.*

*For instance, some communities have high levels of poverty, low educational attainment and low employment prospects, whereas others are prospering. This illustrates the need to get better at collecting relevant local information and engaging with communities, to help us to understand what differences there are across Rhondda Cynon Taf.*

*This review demonstrates that there is a lot of effort and activity going on in Rhondda Cynon Taf to tackle these issues. But collectively, we are not delivering the changes necessary across our outcomes to improve people's lives. This provides us with the opportunity to reflect and decide whether 'delivering the changes' needed requires a different approach."*

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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

3.3.6 In its 'forward look', the Annual Report looked at "What's next for 2014/15":  
*"The information and statistics that we have about Rhondda Cynon Taf suggest that the outcomes ('Safety', 'Health' and 'Prosperity') and priorities of 'Delivering CHANGE' are the right ones and we will continue to focus on achieving success by tackling these over the next few years.*

*This review has shown where we have successfully completed actions in some areas and, therefore, a refreshed set of actions for 'Delivering CHANGE' 2014/15 will be published on our website in Summer 2014. Most of the new actions also appear in our organisation's corporate plans and will therefore continue to be delivered by individuals and teams across Rhondda Cynon Taf.*

*But, to make a significant impact and move closer to achieving our vision that 'People in Rhondda Cynon Taf are safe, healthy and prosperous', a different approach is needed.*

*The way services are delivered, and by whom, has to change over the next few years because, due to the economic climate, Councils, Health Boards, emergency services and the voluntary sector cannot continue to provide the services they have done for so many years. Although this is a difficult time, it also presents us with an opportunity to work differently and work better.*

*Fewer financial resources mean we have to work together and spend money wisely. Although difficult decisions will need to be made, this is an opportunity to make a lasting change in our communities. What may now be short-term investment in prevention and early intervention will have a long-lasting effect, providing sustainable changes for communities now, and in the future, of Rhondda Cynon Taf."*

3.3.7 Over the summer months of 2014, an Operational Steering Group considered how best to move forward with partnership working across Rhondda Cynon Taf and returned to the Local Service Board with proposals in September 2014. Briefly, these were that:

- **'Education & Employability' becomes the outcome that informs strategic partnership working. (Hereby referred to as 'Skills & Jobs')**
- **Subject to appropriate transitional arrangements, the partnerships of Safety, Health, Prosperity and Fframwaith are stood down.**
- **Geographically focussed task and finish work groups are developed when required to support decisions made by the Local Service Board.**
- **The terms of reference of the Local Service Board, Operational Steering Group and any other relevant groups are amended to reflect this approach.**

3.3.8 The members of the Local Service Board agreed to these proposals, but stressed that the operational mechanisms and relationships built up between partners could not come to an end. The Local Service Board concluded that partnership boards were no longer the most effective mechanism by which work could be planned, co-ordinated, delivered and evaluated.

- 3.3.9 Noting the changes in the governance arrangements, during 2014/15 ['Delivering Change'](#) continued to be the strategic document for the Local Service Board.

### **Rhondda Cynon Taf County Borough Council's Corporate Plan 2014/15**

- 3.3.10 In accordance with the underpinning guidance set out in the Local Government (Wales) Measure 2009, the Council produced a Corporate Plan 2014/15.

- 3.3.11 The Corporate Plan 2014/15 identified the following priorities:

<b>The Council's priorities</b>	<b>Key Link To "Delivering Change"</b>
Public health and protection – protecting people from harm and tackling anti social behaviour	Safety
Streetcare services and the natural environment – keeping RCT clean and green	Safety
Maintaining people's independence - supporting adults and older people to live independently	Health
Children and family centred services - keeping all children and young people safe and improving the life chances of vulnerable children	Health
Education – a top quality education for all: "Every School a Great School".	Prosperity
Regeneration of our communities - improving our communities	Prosperity
Medium term service planning – making the best use of our budget	Bringing it all together

- 3.3.12 The priorities for 2014/15 were informed by the Outcomes in the Single Integrated Plan ("Delivering Change"); an assessment of ongoing 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'.

- 3.3.13 To support and strengthen the engagement in and scrutiny of the Council's 2014/15 Priority Plans, they were compiled following both officer and elected Member challenge. The elected Member challenge took place in Scrutiny Working Groups and subsequently the Overview and Scrutiny Committee. The Priority Plans formed the basis of the Council's Corporate Plan which was subsequently agreed at a meeting of Council on 25<sup>th</sup> June 2014 ([Full Council – Approval of Corporate Plan 2014/15](#)).

- 3.3.14 A copy of the Corporate Plan 2014/15 can be found at the following link: [Corporate Plan 2014/15](#).

- 3.3.15 During 2014/15 each Scrutiny Committee received updates in terms of progress made for each priority. The information provided was supported by increased

support for Members to give them the necessary information with which to scrutinise the information in a more informed way.

- 3.3.16 In addition to the 'internal' scrutiny of progress and performance, during 2014/15 the Council was also subject to external inspection from its regulatory bodies, namely the Wales Audit Office, Estyn and the Care and Social Services Inspectorate Wales. These regulators focus on the work undertaken across the Council and link directly with some of the Council's priorities.

### **Wales Audit Office**

#### **ISA260 Report**

- 3.3.17 The Audit of Financial Statements Report ([ISA260](#)) was presented at the Council meeting held on 24<sup>th</sup> September 2014.

- 3.3.18 The auditor issued an unqualified audit opinion and stated (in Appendix 2 to the ISA260 Report):

*"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."*

### **Estyn**

- 3.3.19 Following Estyn's inspection of education services for children and young people in March 2012, the authority was identified as requiring follow-up through Estyn monitoring.

- 3.3.20 Estyn made the following recommendations in its initial inspection dated March 2012:

- **R1** - raise standards in schools particularly in key stage 4;
- **R2** - improve attendance rates in all schools;
- **R3** - improve the evaluation and analyses of data across service areas and partnerships to drive improvements in outcomes for learners;
- **R4** - use the full powers available to the authority to improve leadership and management in schools;
- **R5** - reduce surplus places; and
- **R6** - improve the rigour and the level of scrutiny and challenge across all services and partnerships.

- 3.3.21 The Council's commitment to deliver the stepped improvements required by Estyn was included within its Annual Governance Statement 2013/14 as a significant governance issue and was supported by the detailed priority plan 'Education – a top quality education for all: "Every School a Great School"'.

- 3.3.22 A plan for follow-up visits was agreed with Estyn link inspectors. The Council's progress against recommendations 4 & 5 were reviewed by Estyn during November 2013.

3.3.23 During 2014/15, two follow-up visits took place.

31<sup>st</sup> March 2014 – 2<sup>nd</sup> April 2014

3.3.24 Estyn reviewed the progress made against Recommendations 2 & 3. The outcome of this visit was reported to Cabinet at its meeting held on 23rd June 2014.

30<sup>th</sup> June – 3<sup>rd</sup> July 2014

3.3.25 Estyn reviewed the progress of the Council against Recommendations 1 & 6, and revisited Recommendations 2, 3, 4 & 5 after previously reviewing these recommendations in monitoring visits in November 2013 and April 2014. **This formed a 'full' follow-up of all of the six recommendations made in March 2012.** A copy of Estyn's letter was reported to Cabinet on 2<sup>nd</sup> October 2014 ([Estyn Letter - August 2014](#)).

3.3.26 Based upon the visit that took place between 30<sup>th</sup> June – 3<sup>rd</sup> July 2014, Estyn concluded that:

*"Rhondda Cynon Taf County Borough Council is judged to have made sufficient progress in relation to the recommendations following the inspection of March 2012. As a result, Her Majesty's Chief Inspector of Education and Training in Wales considers that the authority is no longer in need of Estyn monitoring and is removing it from further follow-up activity".*

3.3.27 In response to the Estyn letter dated 1<sup>st</sup> August 2014, in his covering report that presented the letter to Cabinet on 2<sup>nd</sup> October 2014, the Director of Education & Lifelong Learning concluded:

*"Members are aware there is still a considerable amount of work to be completed to ensure every school in the County Borough is at least a good school and that all pupils strive and are supported to achieve their full potential. Estyn recognise this and their recommendation to the Council is to:*

*"The authority should continue to work to raise standards across all key stages, and to improve attendance. It should also continue its work to improve how it undertakes its scrutiny functions, and develop Fframwaith further so that it undertakes its role effectively".*

*The Council's corporate plan already has a series of actions that seek to address Estyn's recommendations, and progress against the plan will continue to be rigorously scrutinised by Cabinet and the Education Scrutiny Committee."*

3.3.28 During 2015/16 the Council will continue to strengthen its arrangements by putting measures in place that all share the objective of improving the educational outcomes for its citizens.

**RECOMMENDATION**

The Council should ensure that 'Education' remains a priority for 2015/16. The priority action plan should (amongst others things) aim to address the outcomes

of the Estyn Report dated 1<sup>st</sup> August 2014.

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

#### **Annual Review & Evaluation of Performance**

3.3.29 The [CSSIW Annual Review and Evaluation of Performance 2013/14](#) was reported to the Community & Children's Scrutiny Committee on 17<sup>th</sup> March 2015.

3.3.30 In their summary, the key messages from the CSSIW report included:  
*"Rhondda Cynon Taf (RCT) council effectively balanced its overall budget for social services in 2013-14. The authority spends more on social care per head than many other Welsh authorities although this is in the context of relatively high levels of deprivation. The council has outlined realistic savings and has demonstrated strategic financial planning to meet current and future budgetary pressures. In adult services, advances have been made in reshaping service provision. Further change in adult service provision plus an anticipated remodelling of children's services are planned for 2015-16. This is planned to align services to the requirements of the Social Services and Wellbeing (Wales) Act ('the Act') and as a response to the current economic challenges.*

*The council has mature relationships with the local health board and the neighbouring council of Merthyr Tydfil. This has allowed for an increase in collaborative working and commissioning in several areas of adult and children's services and will be expanded further in 2014-15 and beyond. This is not without its challenges and the director acknowledges that the pace of change must increase in some areas.*

*The council has a wide ranging strategy to promote the Welsh language and was the locality used for the launch of 'More than just Words'.*

*Workforce capacity issues remain in children's services and this report highlights the continued use of unqualified workers to case manage and complete initial assessments. Children's services has seen an increase in referrals, a relatively high looked after population and the highest recorded number of young people on the child protection register from any council in Wales. The timely completion of assessments in both adult and children's services is poor and will affect the effectiveness of support and preventative work with vulnerable people and families. The council has identified that greater quality assurance of assessment and care management would improve service provision across social services. The assessment and support of carers (young carers and adult carers), deteriorated this year. The council states it will consider these areas for improvement as part of its overall review of services to ensure all change promotes the priorities dictated in the Act. The council has strong corporate parenting arrangements and improvements have been noted in the educational achievement of looked after children leaving school."*

3.3.31 Areas for improvement were identified within the Annual Report.

## RECOMMENDATION

The Council should ensure that services delivered to adults and children across the County Borough remain priorities for 2015/16. The priority action plan(s) should (amongst others things) aim to address the areas for improvement raised within the CSSIW Annual Report.

### CSSIW Inspection of Fostering Services 19 – 21st February 2014

3.3.32 The CSSIW undertook an inspection of Fostering Services between 19<sup>th</sup> – 21<sup>st</sup> February 2014. The outcome of the inspection was reported to the Corporate Parenting Board on [13<sup>th</sup> May 2014](#).

3.3.33 Within the covering report that presented the CSSIW Report to the Corporate Parenting Board, the Service Manager for Placement Services concluded:  
*“Although the Inspection highlighted a number of areas where practice has improved there are still areas where further improvements are needed. There were no areas that needed immediate urgent improvement and no non-compliance notices were issued on the service.*

*A plan will now be developed specifically to deal with the areas that need improvement. It will focus on improving the support to Foster Carers, in particular the support to Kinship Foster Carers, taking into account the increase in numbers in this area of work.”*

3.3.34 In response to the inspection, Officers established an action plan to address the recommendations made. The action plan was reported to the Community & Children’s Services Scrutiny Committee held on [8<sup>th</sup> October 2014](#).

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

3.3.35 In October 2014, the Council produced an Annual Delivery Report that assessed the Council’s performance against its improvement priorities for the 2013/14 financial year.

3.3.36 To enable the production of the Annual Delivery Report, Council officers drafted an evaluation of performance for each improvement priority area for 2013/14; each evaluation was then subject to scrutiny via Member led Scrutiny Working Groups (including engagement with the Older People’s Advisory Group for the Maintaining People’s Independence priority) to determine whether the positions reported were fair, balanced and evidence based. Scrutiny working group meetings took place throughout September and October 2014 and an overall update was reported to the Overview and Scrutiny Committee on 15<sup>th</sup> October 2014.

3.3.37 In parallel with the above process, Council officers updated each performance evaluation in line with scrutiny working group feedback (a summary of which was set out in the Overview and Scrutiny report of the 15<sup>th</sup> October 2014), and

compiled the Annual Delivery Report based on the revised performance evaluations.

3.3.38 Further to the final content of the Annual Delivery Report being approved by Council, the Report was made available on the Council's internet and intranet sites by the statutory deadline of 31<sup>st</sup> October 2014. The Report was produced bilingually and copies made available at public facing Council buildings and on request.

3.3.39 As part of the above process, members of the Overview and Scrutiny Committee were asked to provide feedback on the process. Their feedback was:

**Positives**

- Useful to inform scrutiny work programme
- Provided Members with the opportunity to consider the information
- Information could confirm your impression of a service

**Negatives**

- Timescales
- Too late to inform future priorities
- Need to align priorities with service changes

**RECOMMENDATION:**

From a review of the arrangements applied for the 2013/14 evaluations and taking account of Member feedback, it is recommended that:

- The draft 2014/15 performance evaluations and draft 2015/16 priority plans are considered together by scrutiny working groups;
- A draft 2015 Combined Performance Plan should be produced (based on the performance evaluations and priority plans) for publication and presented to an Overview and Scrutiny Committee for consideration
- Following consideration by the Overview and Scrutiny Committee, a final draft Combined Performance Report should be presented to Council and used to fulfil the Council's statutory responsibilities as set out within the Local Government (Wales) Measure 2009.

Working in collaboration

3.3.40 In the current austere climate within which the Council operates, the potential rewards of working collaboratively with partners could be an avenue by which the Council continues to provide quality services to its citizens. During 2014/15 the Council worked in partnership with a number of organisations in order to provide services to users that are of the highest possible quality (for example, Central South Consortium and the Cwm Taf Safeguarding Children's Board). In addition, plans were put in place for 'new' partnerships to become 'live' during 2015/16 (for example, the establishment of a Cwm Taf Multi Agency Safeguarding Hub and the Regional Adoption collaborative Vale, Valleys and Cardiff).

- 3.3.41 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).
- 3.3.42 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. Department for Work and Pensions) to enable the Council to communicate and share data securely across all public bodies. The Council met rigorous compliance requirements and attained re-accreditation in September 2014.
- 3.3.43 The Council has a dedicated team that investigate all reported instances where the defined protocols may have been breached. All incidents / potential breaches are investigated, reported and where applicable, actions to improve controls are reported in the form of recommendations.
- 3.3.44 In line with the requirement placed upon the Council to raise awareness of the importance of managing the Council's information assets, dedicated training and awareness sessions took place during 2014/15. The sessions were delivered to Headteachers, Members and Officers (identified as Heads of Service or above).
- 3.3.45 A key part of the work is positively supporting the Council's collaborative arrangements, ensuring that information sharing protocols (ISPs) are produced for safe and appropriate sharing of personal information between the Council and other partners. Examples of ISPs developed in the last 6 months include Regional Adoption Service, Youth Offending Team, Multi Agency Safeguarding Hub (Adults), Careers Wales and Mental Health with South Wales Police.
- 3.4 **Members and officers working together to achieve a common purpose with clearly defined functions and roles**
- 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 rights 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 (Group Director Corporate & Frontline Services) 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 are updated as and when appropriate. For example, the terms of reference of the Corporate Governance and Constitution Committee were updated at the Council Meeting held on 10<sup>th</sup> December 2014.

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 considered 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 consists of:

- The Group Director Corporate & Frontline Services (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 Director of Human Resources

3.4.6 During 2014/15 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:*

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

- 3.4.7 At an officer level, a scheme of delegation framework was in place setting out the levels of authority assigned to pre-determined posts.

Effective communication between elected Councillors and officers

- 3.4.8 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 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

- 3.4.9 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 [Schedule of Members Remuneration 2014/15](#) is available on the Council's Internet site.

- 3.4.10 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.

- 3.4.11 In line with the Accounts and Audit (Wales) Regulations 2014, 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 has been met within the Council's Statement of Accounts for 2014/15.

School Governors

- 3.4.12 The roles and responsibilities of all school governors in Wales are formulated and determined by Welsh Government legislation, namely the Government of Maintained Schools (Wales) Regulations 2005. This legislation determines, for example, the structure of a governing body, the limit of responsibility of a governing body and the legal framework in which it must operate. This legislation is summarised for all governors in a widely distributed Welsh Government publication titled 'The Governors Guide to the Law'.

- 3.4.13 The Council offers a Service Level Agreement for governor support services. Primary and Special schools have bought in to this service (albeit at different levels). Governor Support also provides a comprehensive training programme for all school governors covering a wide range of topics including Safeguarding, Attendance, HR matters and Finance. The training programme also includes the mandatory training required by Welsh Government in respect of governor induction, data and Chairperson training. The Council also provides mandatory

training for Clerks to Governing Bodies who are not serving members of the Governor Support Service (a provision for Secondary schools).

- 3.4.14 If any governing body is not acting in accordance with the legislative framework or there are concerns with the way in which a school is being managed, the Council has powers of intervention under part 2 of the School Standards and Organisation (Wales) Act 2013. If such concerns are identified, the Headteacher and governing body will, in the first instance be sent a warning notice outlining the grounds for possible intervention and what action is required to address the concerns raised within a set time period. If the issues raised are not resolved to the satisfaction of the Council, then consideration is given to the sanctions available, which include the ability of the Council to appoint additional governors, to constitute a new governing body of interim executive members or to suspend the right to a delegated budget.

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 & Procedures**

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

- 3.5.3 Where Members and/or Officers do not undertake their duties in accordance with the expected standards then governance arrangements are in place within the Council 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 8 occasions throughout 2014/15, 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 2 cases. Two separate cases have been referred back to the Standards Committee by the Public Services Ombudsman. The first of which resulted in a Member being suspended for a period of six months (which is the maximum penalty that can be imposed by the Standards Committee) and the second of which resulted in a Member being suspended for a period of four months.

#### 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 outset.

#### Procedures for monitoring compliance with the Gifts & Hospitality Policy

3.5.10 During 2014/15 the Standards Committee reviewed the Council's Gifts & Hospitality Policy, the outcome of which was presented at the Council meeting held on 25<sup>th</sup> June 2014.

3.5.11 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

3.5.12 The Council has a Customer Care Charter in place that sets out the standards the Council seeks to achieve when providing a response to customers on a day to day basis through its key customer access arrangements. 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 (contact can be made either via face-to-face, telephone and/or website access channels).

3.5.13 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).

- 3.5.14 Beyond this a separate [Complaints & Concerns Policy](#) is co-ordinated by Legal Services. 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. During 2014/15 one case was investigated and 15 referred back to the Council by the Public Services Ombudsman for Wales.
- 3.5.15 There is no annual complaints and compliments report for non-social services, services.

#### RECOMMENDATION

An annual complaints and compliments report should be prepared for 2014/15 that relates to 'all other' Council business (i.e. with the exception of Social Services complaints which is covered by separate, statutory responsibilities).

The report should be presented early during 2015/16 to Cabinet and then at the relevant scrutiny committee. The report should aim to identify where (if) changes in service provision have occurred due to feedback provided.

- 3.5.16 The Council's Complaints & Concerns Policy does not apply to 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.
- 3.5.17 There are separate sets of regulations for services to children and adults. The Representations and Complaints Unit policy reflects the key themes and principles contained in the Social Services Complaints Procedure (Wales) 2014.
- 3.5.18 The [Social Services Annual Complaints Report 2013/14](#) was presented to Cabinet on 30<sup>th</sup> October 2014 and subsequently to the Community and Children's Services Scrutiny Committee held on 4<sup>th</sup> November 2014. The annual report outlines some of the lessons learned as a result of stage one complaints and the practice recommendations (put into place during 2014/15) arising from stage two complaints. Implementation of the recommendations is monitored by the Complaints Team.
- 3.5.19 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.'*

## RECOMMENDATION

In order to provide a more timely 'look back' at the year to which the social services annual complaints report relates, the report relating to 2014/15 should be prepared and presented for scrutiny as early during 2015/16 as practicable. Reporting earlier will ensure that any lessons learnt are formerly identified, actioned, scrutinised and monitored during the financial year that follows.

3.5.20 In addition to the annual report, the Representations & Complaints Unit provides the Corporate Parenting Board with quarterly reports that give a summary of complaints and compliments received within Children's Services. The information contained within these quarterly reports is not presented to the Community & Children's Services Scrutiny Committee. They provide timely information that could, if presented, allow scrutiny members to analyse and increase challenge in terms of requesting what actions have been taken to address any issues raised (if appropriate). No quarterly update, providing information relating to Adults Services is provided/reported to any forum.

### 3.6 **Making 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 nine elected Councillors:

- A leader
- A deputy leader
- Seven 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 2014 in readiness for the 2014/15 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 2014/15, 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 2014/15 financial year, there were 8 call-ins (including 1 which was rejected by the Council's Monitoring Officer).
- Call-in 1 referred to Medium Term Service Planning – Heritage Services
    - Considered by the Corporate Services Scrutiny Committee on the 4<sup>th</sup> June, 2014, outcome of which was not to refer the matter back to Cabinet for reconsideration.
  - Call-in 2 referred to Coedpenmaen Primary School – Proposed Intervention into the Governance Arrangements of the School.
    - Considered by the Education & Lifelong Learning Scrutiny Committee on the 15<sup>th</sup> July, 2014 outcome of which was not to refer the matter back to Cabinet for reconsideration.
  - Call-in 3 referred to the Review of the Council's Management Structure received on the 29<sup>th</sup> September, 2014 – this Call-in was rejected by the Council's Monitoring Officer as it was deemed not to be valid.
  - Call-in 4 referred to Operating Replacement Services – Opportunities for Community Groups/Individuals – Municipal Hall, Pontypridd
    - Considered by the Corporate Services Scrutiny Committee on the 6<sup>th</sup> November, 2014 outcome of which was not to refer the matter back to Cabinet for reconsideration
  - Call-ins 5 and 6 referred to Improving Primary Education in Wattstown (two separate Call-ins on the same item)
    - Both Call-ins were considered by the Education & Lifelong Scrutiny Committee on the 3<sup>rd</sup> December, 2014 and the outcome of both were referred back to the Cabinet for reconsideration. The matter was dealt with at the meeting of Cabinet on the 8<sup>th</sup> December, 2014 and following further consideration, Members of the Cabinet agreed to uphold the Cabinet decision of the 20<sup>th</sup> November, 2014 to close Aberllechau Primary School on the 31<sup>st</sup> December, 2014.

- Call-in 7 referred to Nursery Provision
    - Considered by the Education & Lifelong Learning Scrutiny Committee on the 24<sup>th</sup> February, 2015 and the outcome of which was not to refer the matter back to Cabinet for reconsideration.
  - Call-in 8 referred to the Music Service
    - Considered by the Education & Lifelong Learning Scrutiny Committee on the 24<sup>th</sup> February, 2015 and the outcome of which was not to refer the matter back to Cabinet for reconsideration.
- 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 2014/15.
- 3.6.10 A Scrutiny Annual Report summarising the work undertaken during 2013/14 was reported to Council on 29<sup>th</sup> October 2014 ([O&S Annual Report 2013/14](#)). Whilst the report related to the financial year previous to this governance statement, it highlighted some key areas where scrutiny added value to the Council but also identified areas where improvement in scrutiny could increase accountability.

#### RECOMMENDATION

In order for the outcomes of the annual scrutiny report to 'feed' the year that directly follows, then the Scrutiny annual report should be presented earlier in the municipal year.

- Develop and maintain an effective Audit Committee
- 3.6.11 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 2014/15. The Council's Audit Committee met on 8 occasions during the 2014/15 Municipal Year.
- 3.6.12 The Audit Committee made specific recommendations throughout the year based on information presented. The key recommendations were:
- That the 2014/15 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.
  - Received the Head of Internal Audit Annual Report 2014/15 which provided the following overall opinion:
    - *"Based on the combination of planned and unplanned assurance and consultancy work undertaken by Internal Audit during 2014/15, and also the work undertaken by the Council's key external regulators (Wales Audit Office, Estyn and the Care and Social Services Inspectorate Wales) I am able to state that, in my view, the system of internal control within the Council operated effectively during 2014/15 with some areas identified for improvement."*
  - The approval of a risk based Internal Audit plan for 2015/16.

- As part of a continued programme to develop the knowledge of audit committee members, they received briefings on Governance and the Council's Control Environment as well as a detailed overview of the Council's responsibilities relating to Information Management.
- The Audit Committee received the Council's revised Strategic Risk Register and the Risk Management Toolkit – which members subsequently requested be circulated to all members of the Council in order to raise awareness.

#### RECOMMENDATION

In accordance with the Terms of Reference for Audit Committee, Audit Committee will receive regular updates on how the recommendations contained within the 2014/15 Annual Governance Statement are being managed.

- Arrangements to safeguard elected councillors against conflicts of interest
- 3.6.13 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.
- 3.6.14 One instance of a Member not declaring a potential conflict occurred during 2014/15 and this was referred to the Standards Committee (in accordance with its Terms of Reference). The outcome of which resulted in the Member being suspended for a period of six months
- Embedding risk management into the culture of the Council
- 3.6.15 The Council has in place a range of processes and procedures to identify, manage and mitigate risk as far as is reasonably practicable in the delivery of its services. These include asset, financial, human resource and performance management arrangements together with an Internal Audit function.
- 3.6.16 The Council's Risk Management Strategy sets out the overall purpose and framework of risk management within the Council. It provides an overview of the regulatory requirements and also describes the Council's approach to risk management – it provides a clear steer when it comes to strategic and operation risk management. Strategic risks are those risks that could impact on the Council's ability to deliver its priorities. Operational risks are those which could impact on a services' ability to achieve objectives set out within business plans.
- 3.6.17 Work to devise the strategic risk register along with developing the reporting arrangements of the strategic risks took place during the compilation of the Council's priorities for 2014/15.
- 3.6.18 Strategic risks are now embedded into the reporting arrangements of quarterly performance reports and quarterly updates are received from risk owners to provide an overview of the work that has taken place during the quarter to manage the risks along with a review of the risk ratings. At this stage the identification of any new or emerging risks is discussed.

- 3.6.19 The inclusion of the strategic risks into the quarterly performance reports is considered a positive step forward; it places the risks at the forefront of the readers mind when considering the overall delivery of priority plans. However the qualitative information that is provided could be strengthened further.

**RECOMMENDATION**

More detailed information in respect of actions taken to manage strategic risks should be incorporated into the quarterly performance reports.

**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 Welsh Local Government Association, 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. At the Council meeting held on 25<sup>th</sup> June 2014, a joint report from the Director of Human Resources and the Democratic Services Manager informed them that the Council had been awarded the Good Practice and Innovation Award for Member Support and Development by the WLGA.

- 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 (PDR) 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 PDRs are not performance reviews or appraisals or indeed an assessment of how well or how badly 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.

#### Workforce Development

- 3.7.10 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 priority area.
- 3.7.11 To support the Workforce Development strategy, a Managing People and Performance Managers Guide and a separate Employee Booklet are 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.
- 3.7.12 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.
- 3.7.13 With continuous demands put on the Council to deliver high quality services to the community, with ever diminishing resources, there has never been a more pertinent time to focus upon workforce development.
- 3.7.14 Changes to structures, staffing and the ways in which services are delivered presents a number of challenges to ensure that all employees know what it is they need to be doing, are well equipped to deliver in their role, have the capabilities and management support to do so, and are motivated to perform effectively.
- 3.7.15 The situation also presents a challenge to management as they, and their employees, face either the prospect of service change, are going through service change, or are managing the consequences of service change.
- 3.7.16 The launch of the Council's approach to Managing People and Their Performance in 2012 aimed to support the Workforce Development Strategy. It provides direction to managers, resources and advice on developing a performance focused approach whilst communicating responsibilities and rights when it comes to managing performance.
- 3.7.17 Human Resources has worked with a number of areas to communicate and develop the approach, and have developed and delivered learning opportunities, briefings and coaching to support managers, teams and employees. The demand for development in areas such as 'having effective performance

conversations', 'change management', 'conflict resolution' and 'managing capability' was high.

- 3.7.18 Coupled with this are the effects of the service changes on managers and employees – whether actual or expected. Managers are managing more and more complex circumstances, including conflict within teams, mental health issues, attendance and low morale. To support this, Human Resources has provided coaching and developed bespoke programmes to support management teams through change, incorporating subjects such as having effective conversations, personal resilience, maximising attendance and dealing with 'survivor syndrome'. This also presents a challenge to Human Resources as it responds to more and more complex requests.
- 3.7.19 The challenge for the Council moving forward is improving management understanding and getting sustained commitment to Workforce Development and Managing Performance. Human Resources continue to support managers and develop ways in which to communicate advice and guidance out to all employees – including the development of a range of e-learning modules for managers and staff to be launched in May 2015.
- 3.7.20 Often, communication with Human Resources only occurs after events have taken place – when the change has happened, or when the capability is a long-term problem. The challenge is changing the culture to involve Human Resources earlier in the process to support the process and help diminish the potential consequences (pro-active rather than reactive).

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

- 3.7.21 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

- 3.7.22 The Council's approach to Managing People and Their Performance communicates to managers and employees the need to be engaging in effective performance conversations at individual and team level, to encourage effective performance, discuss and improve under-performance, communicate team and Council objectives and changing priorities, and identify strengths and areas for development.
- 3.7.23 In a challenging and rapidly changing environment where resources are minimised and efficiencies are sought and where priorities and objectives change, the concept of development may seem off-limits. To respond to the challenges we face, and ensure all employees are confident and capable within their roles, development needs are more pertinent than ever.
- 3.7.24 Effective organisational design facilitates effective communication between managers and employees, so that discussions about development, in line with the managing people and their performance framework can take place. A wide

range of support and expertise is in place to ensure that learning and development needs are addressed in the most cost effective and targeted way.

3.7.25 Approaches such as apprenticeship programmes, graduate programmes and supporting Welsh Government initiatives such as Jobs Growth Wales enable the Council to ensure that capacity and capability for the future are sustained despite ongoing changes in the organisational structure. In addition continuing expansion of work experience placements and targeted interventions for specific categories of young people (such as the 'step in the right direction' programme for young people leaving care) provide a range of opportunities to build organisational capacity whilst supporting the Council to address worklessness within the County Borough.

3.7.26 There is strong evidence of effective succession planning in many parts of the organisation and this is an area that can be built upon and enhanced. The WAVE programme, supported by Human Resources will place a particular emphasis on enhancing mechanisms to support women in the workforce.

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

3.8.1 When the Council consults with the public or other stakeholders on any issue, including service changes, it is important that the process is efficient, effective and lawful. When consulting, the Council takes account of a number of documents when planning and delivering consultation and engagement, including;

- An internal guidance document on service change consultation requirements.
- The National Principles for Public Engagement in Wales (Participation Cymru)
- A Joint Public Engagement Strategy for Rhondda Cynon Taf and Merthyr Tydfil Local Service Boards
- The Children and Young People Participation Standards
- The Council's Welsh Language Scheme
- The Public Sector Equality Duties

3.8.2 The Council has endorsed the National Principles for Public Engagement in Wales. The principles and standards have been developed and endorsed by the Welsh Government to make sure that participation happens in consistent and effective ways.

#### Consultation activity during 2014/15

3.8.3 In 2014/15 the Council undertook a wide range of consultation:

- Consultation(s) in relation to the Council's service change proposals.
- Annual Budget Consultation
- Service Change, Member led drop in sessions and workshops with school councils across the Borough
- Leader Engagement Events
- Improved engagement with Older People, through an SLA with Age Connect Morgannwg

3.8.4 Results of specific consultation activities were reported to service managers and where appropriate the reports were 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 consultations were reported to Cabinet. The feedback received during the consultations for service changes were presented to Cabinet to inform the decision(s) made.

3.8.5 On the 24<sup>th</sup> May 2014, the decision made by Cabinet (8<sup>th</sup> January 2014) in respect of changes to nursery provision was quashed following a legal challenge. Following consideration of the findings of the legal ruling, the Cabinet decided to consult again on amended proposals for the provision of nursery funding during autumn 2014.

*Learning from 'others'*

3.8.6 During the consultation period for the service change proposals associated with the funding of Nursery Education provision and changes associated with the Council's Music Service, judgment was given in the case of Moseley v Haringey LBC by the Supreme Court (the 'Moseley Case'). The Moseley case involved issues concerning common law consultation principles. In response to the Moseley judgment, and the Council's interpretation of its outcome, the Council extended the consultation period and provided consultees with additional information about the service change proposals. Specifically consultees were provided with the detail of the alternative options considered by Cabinet in addition to the preferred option it consulted on. This information was provided by way of a supplementary information leaflet to the original consultation 'pack'. The Council also undertook a series of engagement events associated with the service change proposals consulted upon which were attend by senior officers from the relevant service departments together with Cabinet Members.

Public Engagement

3.8.7 During 2014/15 the Council adopted a new approach to engaging with citizens and stakeholders. A series of public engagement events aimed at increasing accountability with the opportunity to directly meet and challenge the Council's Leader, the Cabinet as well as some of the Council's senior officers around the issues that are important to them took place and they are due to continue in 2015/16.

3.8.8 In addition to the public engagement events, the Council launched '[RCT Together](#)' during March 2015. 'RCT Together' forms the Council's new approach to engaging with its residents and communities about how they can work together to explore alternative delivery models, which could maintain services and facilities in the future.

3.8.9 RCT Challenge 'Opportunities in your community' took place on the 27<sup>th</sup> March.

3.8.10 Under the Cwm Taf Collaboration Board, partners developed a Joint Public Engagement Strategy. The Strategy is underpinned by the National Principles of Public Engagement in Wales.

3.8.11 Adoption of the strategy represents a commitment by all partners that make up the Local Service Boards to build on public engagement in the design, delivery and implementation of services.

#### Publication Scheme

3.8.12 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.

## 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 2014/15, there have been no significant governance issues that have been identified by the Amgen Company directors, internal auditors or external auditors. The company will however, need to respond to the way in which Rhondda Cynon Taf County Borough Council manages its residual waste.

## 5. Pension Fund

5.1 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)

- 5.2 The Public Service Pensions Act 2013 introduces a number of changes to public service pension schemes, including some significant changes for the governance of such schemes. One key change is the requirement for each scheme manager in the Local Government Pension Scheme to create a local Pension Board and for its establishment, composition and terms of reference to have been approved by the 1<sup>st</sup> April 2015.
- 5.3 Internal Audit undertook a review of the preparatory work undertaken in readiness for the establishment of a Pension and concluded:  
*“The preparatory arrangements in relation to the establishment of a Pension Board are considered to be effective.”*

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### Assurance Summary

The Council's governance arrangements throughout 2014/15 have helped the delivery of 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 recommendations identified within this annual governance review are monitored (by the Audit Committee) and implemented. The Council is committed to enhancing its governance arrangements further.

Based on the review, assessment and on-going monitoring work undertaken during 2014/15 we have reached the opinion that sound governance arrangements are in place, key systems are operating as intended and that there are no fundamental weaknesses.

A. Morgan

Leader



Chief Executive

Summary of recommendations:

Ref.	Recommendation
AGS 1	The Council should ensure that 'Education' remains a priority for 2015/16. The priority action plan should (amongst others things) aim to address the outcomes of the Estyn Report dated 1 <sup>st</sup> August 2014.
AGS 2	The Council should ensure that services delivered to adults and children across the County Borough remain priorities for 2015/16. The priority action plan(s) should (amongst others things) aim to address the areas for improvement raised within the CSSIW Annual Report.
AGS 3	<p>From a review of the arrangements applied for the 2013/14 evaluations and taking account of Member feedback, it is recommended that:</p> <ul style="list-style-type: none"> <li>• The draft 2014/15 performance evaluations and draft 2015/16 priority plans are considered together by scrutiny working groups;</li> <li>• A draft 2015 Combined Performance Plan should be produced (based on the performance evaluations and priority plans) for publication and presented to an Overview and Scrutiny Committee for consideration</li> <li>• Following consideration by the Overview and Scrutiny Committee, a final draft Combined Performance Report should be presented to Council and used to fulfil the Council's statutory responsibilities as set out within the Local Government (Wales) Measure 2009.</li> </ul>
AGS 4	<p>An annual complaints and compliments report should be prepared for 2014/15 that relates to 'all other' Council business (i.e. with the exception of Social Services complaints which is covered by separate, statutory responsibilities).</p> <p>The report should be presented early during 2015/16 to Cabinet and then at the relevant scrutiny committee. The report should aim to identify where (if) changes in service provision have occurred due to feedback provided.</p>
AGS 5	In order to provide a more timely 'look back' at the year to which the social services annual complaints report relates, the report relating to 2014/15 should be prepared and presented for scrutiny as early during 2015/16 as practicable. Reporting earlier will ensure that any lessons learnt are formerly identified,

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	actioned, scrutinised and monitored during the financial year that follows.
AGS 6	In order for the outcomes of the annual scrutiny report to 'feed' the year that directly follows, then the Scrutiny annual report should be presented earlier in the municipal year.
AGS 7	More detailed information in respect of actions taken to manage strategic risks should be incorporated into the quarterly performance reports.
AGS 8	In accordance with the Terms of Reference for Audit Committee, Audit Committee will receive regular updates on how the recommendations contained within the 2014/15 Annual Governance Statement are being managed.

## **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 2015 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 2014-15 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 2015 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 2014-15.

### **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 2015 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 2014-15.

### **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 2015 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 2014-15.

## **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword consistent with the accounting statements and related notes.

## **Matters on which I report by exception**

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement contains material misstatements of fact or is 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 Auditor General for Wales' Code of Audit Practice.

**For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
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 premiums and liabilities and pension obligations.

### **Agency Services**

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

### **Amortisation**

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

### **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 Career Average Re-valued Earnings.

### **Defined Contribution Scheme**

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

### **Delegated Schools**

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

### **Depreciated Historic Cost (DRC)**

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

### **Depreciated Replacement Cost (DRC)**

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

### **Depreciation**

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

### **Earmarked Reserves**

These are reserves set aside for a specific purpose.

---

### **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).

### **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.

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## **Modern Equivalent Valuation (MEV)**

Modern Equivalent Valuation is a method of valuation that calculates the cost of constructing modern equivalent buildings and structures, depreciating them to account for the age and future economic life

## **Non-Domestic Rates (NDR)**

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

## **Net Realisable Value**

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

## **Non-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.

## **Operating Leases**

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

## **Pooled Budget**

A pooled budget is a financial mechanism, in which partners, normally statutory public sector bodies, consolidate funding to form a discrete shared fund or 'pool'. This pool is then used to pay for goods, services and activities for a defined client group.

## **Post Balance Sheet Events**

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

## **Precepts**

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

## **Prior Year Adjustment**

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

## **Projected Unit Method**

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

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## **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 2014/15.

## **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.

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**LLWYDCOED CREMATORIUM  
JOINT COMMITTEE**

**STATEMENT OF ACCOUNTS**

**2014/15**

**Draft subject to audit**

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## 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 2015 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

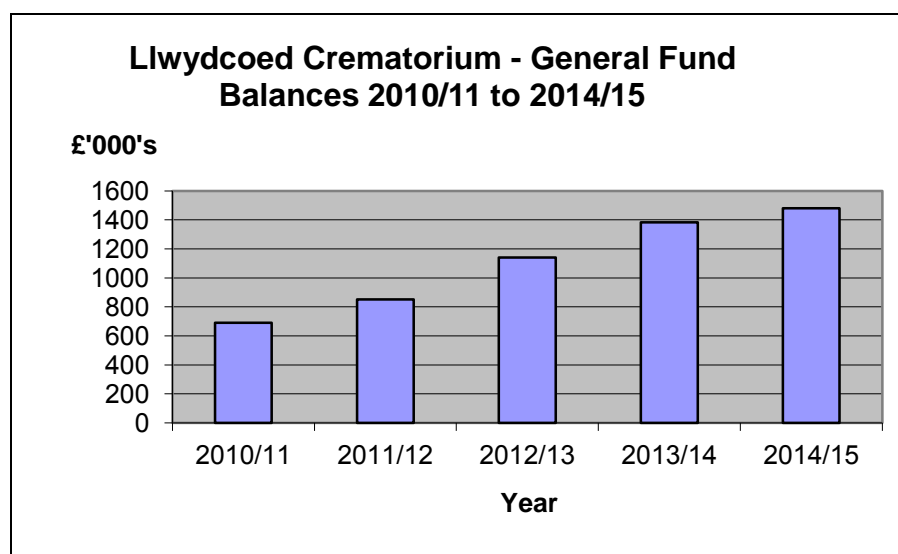
The table below shows the budgeted controllable income and expenditure against the actual controllable income and expenditure for 2014/15:

	<b>Budget</b> £	<b>Actual</b> £	<b>Variance</b> £
<b>Expenditure</b>			
Employees	222,080	216,200	(5,880)
Premises	134,400	115,564	(18,836)
Transport	3,000	1,106	(1,894)
Supplies & Services	147,340	156,851	9,511
	<b>506,820</b>	<b>489,721</b>	<b>(17,099)</b>
<b>Income</b>			
Receipts/Fees	(776,810)	(860,368)	(83,558)
<b>Total</b>	<b>(269,990)</b>	<b>(370,647)</b>	<b>(100,657)</b>

The reasons for the variances between budgeted and actual expenditure were;

- employees' costs were underspent due to a vacancy following the departure of the Superintendent & Registrar, offset by voluntary early retirement costs;
- premises costs were lower than budgeted mainly due to the underspend on maintenance;
- supplies & services overspent mainly due to audit fees and ongoing IT costs being higher than expected;
- 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 2010/11 and these will continue to be used to fund the replacement of the cremators.



### **3. Capital Expenditure 2014/15**

During the year Llwydcoed Crematorium spent £277,756 in relation to the replacement of the cremators, which included an initial payment of £196,732 towards the supply of cremators, mercury abatement and ancillary equipment. 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 notes 1.8 and 15.0 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	2,528,943
Net Assets as per Balance Sheet	2,108,943

#### 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 & Frontline 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 & Frontline Services**

This is the certificate of the true and fair presentation of the accounts by the Group Director – Corporate & Frontline 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;

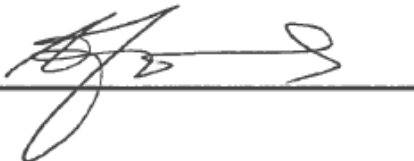
- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Group Director – Corporate & Frontline Services;
- to manage its affairs to ensure 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: \_\_\_\_\_

26.6.15

**Chair of Llwydcoed Crematorium Joint Committee**

The Pavilions  
Cambrian Park  
Clydach Vale  
CF40 2XX



### Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2015

	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>	14.1		14.3	14.4	14.2		
<b>Balance at 31<sup>st</sup> March 2014</b>	1,383,023	<b>1,383,023</b>	79,865	718,084	(347,000)	<b>450,949</b>	<b>1,833,972</b>
<b>Movement In Reserves During 2014/15</b>							
(Surplus) or deficit on the provision of services (accounting basis)	322,971	<b>322,971</b>	0	0	0	<b>0</b>	<b>322,971</b>
Other comprehensive income and expenditure	0	<b>0</b>	0	0	(48,000)	<b>(48,000)</b>	<b>(48,000)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>322,971</b>	<b>322,971</b>	<b>0</b>	<b>0</b>	<b>(48,000)</b>	<b>(48,000)</b>	<b>274,971</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	26,268	<b>26,268</b>	0	(26,268)	0	<b>(26,268)</b>	<b>0</b>
<b>Insertion of items not debited / credited to CI&amp;ES:</b>							
Capital expenditure charged against the General Fund Balances	(277,756)	<b>(277,756)</b>	0	277,756	0	<b>277,756</b>	<b>0</b>
<b>Adjustments involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits (debited) or credited to the Comprehensive Income and Expenditure Statement	52,000	<b>52,000</b>	0	0	(52,000)	<b>(52,000)</b>	<b>0</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(27,000)	<b>(27,000)</b>	0	0	27,000	<b>27,000</b>	<b>0</b>
<b>Other adjustments include:</b>							
Adjustments between the Capital Adjustment Account and the Revaluation Reserve	0	<b>0</b>	(3,072)	3,072	0	<b>0</b>	<b>0</b>
<b>Increase or decrease in the year</b>	<b>96,483</b>	<b>96,483</b>	<b>(3,072)</b>	<b>254,560</b>	<b>(73,000)</b>	<b>178,488</b>	<b>274,971</b>
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>1,479,506</b>	<b>1,479,506</b>	<b>76,793</b>	<b>972,644</b>	<b>(420,000)</b>	<b>629,437</b>	<b>2,108,943</b>

## Comprehensive Income and Expenditure Statement for the year ended 31<sup>st</sup> March 2015

2013/14 £		2014/15 £	Note
	<b>Expenditure</b>		
231,554	Employees	227,200	2.0
131,522	Premises	115,564	3.0
3,634	Transport	1,106	4.0
168,926	Supplies and Services	156,851	5.0
28,187	Depreciation and Impairment	26,268	10.0
<b>563,823</b>		<b>526,989</b>	
	<b>Income</b>		
(774,955)	Fees and Charges	(860,368)	6.0
<b>(211,132)</b>	<b>Net Cost of Services</b>	<b>(333,379)</b>	
	<b>Financing and Investment Income and Expenditure</b>		
(3,559)	Interest Receivable and Similar Income	(3,592)	
21,000	Net Interest on Net Defined Liability	14,000	15.2
<b>17,441</b>		<b>10,408</b>	
<b>(193,691)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(322,971)</b>	
0	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	0	
(196,000)	Actuarial (Gains) or Losses on Pension Assets & Liabilities	48,000	15.2
<b>(196,000)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>48,000</b>	
<b>(389,691)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(274,971)</b>	

## Balance Sheet at 31<sup>st</sup> March 2015

31/03/14 £		31/03/15 £	Note
	<b>Long-Term Assets</b>		
766,136	Property, Plant & Equipment:	742,554	10.0
7,346	Other Land & Buildings	4,660	10.0
	Vehicles, Plant, Furniture & Equipment		
24,467	Assets Under Construction	302,223	10.0
797,949		1,049,437	
	<b>Current Assets</b>		
7,427	Inventories	5,786	11.0
0	Investments	0	
1,429,741	Debtors	1,506,515	12.0
1,437,168	<b>Total Current Assets</b>	1,512,301	
(54,145)	<b>Current Liabilities</b>		
	Creditors	(32,795)	13.0
1,383,023	<b>Net Current Assets</b>	1,479,506	
2,180,972	<b>Total Assets Less Current Liabilities</b>	2,528,943	
(347,000)	<b>Long-Term Liabilities</b>		
	Defined Benefit Pension Scheme Liability	(420,000)	15.5
1,833,972	<b>Net Assets</b>	2,108,943	
	<b>Represented by:</b>		
	<b>Usable Reserves</b>		
1,383,023	General Fund Balances	1,479,506	14.1
	<b>Unusable Reserves</b>		
79,865	Revaluation Reserve	76,793	14.3
718,084	Capital Adjustment Account	972,644	14.4
(347,000)	Pensions Reserve	(420,000)	14.2
1,833,972		2,108,943	

## Cash Flow Statement for the year ended 31<sup>st</sup> March 2015

2013/14 £		2014/15 £
	<b>Operating Activities</b>	
	Cash Outflows	
(217,554)	Cash Paid to and on Behalf of Employees	(216,200)
(275,602)	Other Operating Cash Payments	(293,231)
(493,156)	Cash Outflows generated from Operating Activities	(509,431)
	Cash Inflows	
839,908	Cash Received for Goods & Services	838,754
3,559	Interest Received	3,592
843,467	Cash Inflows generated from Operating Activities	842,346
<b>350,311</b>	<b>Net Cash Flow from Operating Activities</b>	<b>332,915</b>
	<b>Investing Activities</b>	
	Cash Outflows	
(13,848)	Purchase of Fixed Assets	(277,756)
	Cash Inflows	
0	Other Capital Cash Receipts	
<b>(13,848)</b>	<b>Net Cash Flow from Investing Activities</b>	<b>(277,756)</b>
<b>336,463</b>	<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>55,159</b>
	<b>Analysis of Changes in Cash and Cash Equivalents</b>	
342,223	Balance as at 1 <sup>st</sup> April 2014	1,383,063
704,377	Allocation of RCT Debtor as cash equivalent	
336,463	Net Cash Inflows/(Outflows)	55,159
<b>1,383,063</b>	<b>Balance as at 31<sup>st</sup> March 2015</b>	<b>1,438,222</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 2014/15 based on International Financial Reporting Standards (IFRS) and the Service Reporting Code of Practice for Local Authorities 2014/15.

#### 1.1 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.

#### 1.2 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.

### **1.3 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.

### **1.4 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.

### **1.5 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.

## **1.6 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.

## **1.7 Income**

Income is credited to the year of account to which it relates, regardless of when that income was actually received.

## **1.8 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 2014/15:

- Employer contributions of £27,000 (£33,000 in 2013/14) have been removed from the 'Net Cost of Services' and been replaced with £37,000 (£47,000 in 2013/14) annual service costs and £1,000 (£0 in 2013/14) past service costs.
- In addition, the net effect of interest due on Pension Fund future liabilities and return on assets results in additional costs of £14,000 (£21,000 in 2013/14).
- The overall effect is a £52,000 charge (£68,000 charge in 2013/14) in the Comprehensive Income and Expenditure Statement, which is matched by a contribution from the Pension Fund Reserve.

Please refer to note 15.0 for further details.

## **1.9 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 2014/15, Llwydcoed Crematorium was charged £25,654 by Rhondda Cynon Taf CBC in respect of Central Establishment Charges.

## **1.10 Employee Benefits**

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

## **1.11 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 2015 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.

### 1.12 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>2013/14</b> £	<b>2014/15</b> £
Salaries & Wages	217,554	205,389
Severance Costs		10,811
IAS 19 adjustments	14,000	11,000
<b>Total</b>	<b>231,554</b>	<b>227,200</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 2014, 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 2015 exceeded £60,000.

**3.0 Premises Costs**

	2013/14 £	2014/15 £
Repair and Maintenance	61,404	45,382
Electricity and Gas	43,388	44,238
Cleaning Materials	935	1,388
Fixtures and Fittings	2,117	658
Rates and Water Charges	18,214	18,270
Premises Insurance	5,464	5,628
<b>Total</b>	<b>131,522</b>	<b>115,564</b>

**4.0 Transport**

	2013/14 £	2014/15 £
Plant and Vehicles	2,151	572
Car Allowances	1,483	534
<b>Total</b>	<b>3,634</b>	<b>1,106</b>

**5.0 Supplies and Services**

	2013/14 £	2014/15 £
Urns and Caskets	6,227	3,970
Book of Remembrance	1,551	1,635
Memorial Plaques	11,308	11,891
Establishment Expenses	22,187	25,654
Analyst Fees	6,107	2,331
Audit Fees	6,924	7,000
Consultants Fees	1,432	1,193
Subscriptions	796	210
Clothing	1,472	883
Training General	375	0
Employer's Liability & Public Liability Insurance	915	359
Hire of Equipment	6,485	7,420
Medical Expenses	21,395	24,403
Other Hired Services	20,040	21,390
CAMEO Environmental Surcharge	31,546	32,919
IT Costs	24,556	9,135
Miscellaneous	5,610	6,458
<b>Total</b>	<b>168,926</b>	<b>156,851</b>

**6.0 Receipts/Fees**

	<b>2013/14</b>	<b>2014/15</b>
	<b>£</b>	<b>£</b>
Caskets and Urns	7,628	7,814
Memorial Plaques	29,128	25,959
Cremation Fees	735,485	823,160
Inscriptions in Book of Remembrance	2,037	2,624
Miscellaneous	677	811
<b>Total</b>	<b>774,955</b>	<b>860,368</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 £1,438,222 relating to the Crematorium as at 31<sup>st</sup> March 2015. The Council paid interest of £3,592 on these balances during the year. During 2014/15, the Council charged Llwydcoed Crematorium £25,654 (£22,187 in 2013/14) 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 2014/15.

**8.0 Audit Fees**

	<b>2013/14</b>	<b>2014/15</b>
	<b>£</b>	<b>£</b>
Wales Audit Office Fees Relating to External Audit and Inspection	6,924	7,000

**9.0 Leases**

There are no rentals payable in respect of operating leases in 2014/15.

**10.0 Movements in Long Term Assets**

	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, &amp; Equipment</b>	<b>Assets Under Construction</b>	<b>Total</b>
	£	£	£	£
<b>Cost or Valuation</b>				
As at 1 <sup>st</sup> April 2014	813,300	308,037	24,467	1,145,804
Additions	0	0	277,756	277,756
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 2015</b>	<b>813,300</b>	<b>308,037</b>	<b>302,223</b>	<b>1,423,560</b>
<b>Accumulated Depreciation &amp; Impairment</b>				
As at 1 <sup>st</sup> April 2014	(47,164)	(300,691)	0	(347,855)
Charge for 2014/15	(23,582)	(2,686)	0	(26,268)
Revaluation	0	0	0	0
Depreciation/Impairment				
<b>As at 31<sup>st</sup> March 2015</b>	<b>(70,746)</b>	<b>(303,377)</b>	<b>0</b>	<b>(374,123)</b>
<b>Net Book Value at 31<sup>st</sup> March 2015</b>	<b>742,554</b>	<b>4,660</b>	<b>302,223</b>	<b>1,049,437</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>

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 Inventories**

Inventories consist of urns, caskets, scatter tubes, flower containers and concrete blocks.

**12.0 Debtors**

<b>31/03/14</b>		<b>31/03/15</b>
£		£
1,383,063	Cash held at RCT bank account	1,438,222
46,678	Other Entities and Individuals	68,293
<b>1,429,741</b>	<b>Total</b>	<b>1,506,515</b>

**13.0 Creditors**

31/03/14 £		31/03/15 £
54,145	Other Entities and Individuals	32,795
<b>54,145</b>	<b>Total</b>	<b>32,795</b>

**14.0 Movement on Reserves**

	Balance B/Fwd £	(Gains)/ Losses for the Year £	Balance C/Fwd £
General Fund Balance	1,383,023	96,483	1,479,506
Revaluation Reserve	79,865	(3,072)	76,793
Capital Adjustment Account	718,084	254,560	972,644
Pensions Reserve	(347,000)	(73,000)	(420,000)
<b>Total</b>	<b>1,833,972</b>	<b>274,971</b>	<b>2,108,943</b>

**14.1 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:

	Merthyr Tydfil	Cynon Valley	Total
Relevant Population	58,802	63,238	122,040
Balance at 1 <sup>st</sup> April 2014	658,702	724,321	1,383,023
(Surplus)/Loss for the Year	46,488	49,995	96,483
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>705,190</b>	<b>774,316</b>	<b>1,479,506</b>

**14.2 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 15.0 for further information.

**14.3 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.

2013/14			2014/15	
£	£		£	£
	<b>82,937</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>79,865</b>
0		Upward revaluation of assets	0	
	<b>0</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>
(3,072)		Difference between Fair Value Depreciation and Historical Cost Depreciation	(3,072)	
	<b>(3,072)</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>(3,072)</b>
	<b>79,865</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>76,793</b>

#### **14.4 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.

2013/14 £		2014/15 £
729,351	Balance at 1 <sup>st</sup> April	718,084
(28,187)	Depreciation & Impairment	(26,268)
3,072	Adjusted items written out of the Revaluation Reserve	3,072
13,848	Capital Expenditure financed from General Fund Balances	277,756
<b>718,084</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>972,644</b>

#### **15.0 Retirement Benefits – Defined Benefit Schemes**

##### **15.1 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".

## **15.2 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>2013/14 £</b>	<b>2014/15 £</b>
Cost of Services:		
Current Service Cost	47,000	37,000
Past Service Cost	0	1,000
Financing and Investment Income and Expenditure:		
Net Interest Expense	21,000	14,000
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>68,000</b>	<b>52,000</b>
Remeasurement of the Net Defined Liability comprising:		
Return on Plan Assets (excluding the amount included in the Net Interest Expense)	11,000	(104,000)
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(25,000)	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(133,000)	157,000
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(49,000)	(5,000)
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(128,000)</b>	<b>100,000</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)	(52,000)
<b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>		
Employers' Contributions Payable to Scheme	33,000	27,000

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

	2013/14 £	2014/15 £
Brought Forward as at 1 <sup>st</sup> April	1,501,000	1,387,000
Current Service Cost	47,000	37,000
Past Service Cost		1,000
Interest Cost on Defined Obligation	64,000	57,000
Contributions by Scheme Participants	11,000	9,000
Remeasurement (Gains) and Losses:		
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(25,000)	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	(133,000)	157,000
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(49,000)	(5,000)
Benefits Paid	(29,000)	(127,000)
Past Service Costs	0	
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>1,387,000</b>	<b>1,516,000</b>

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

	2013/14 £	2014/15 £
Brought Forward as at 1 <sup>st</sup> April	993,000	1,040,000
Interest Income	43,000	43,000
Remeasurement (Gains) and Losses:		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	(11,000)	104,000
Employer Contributions	33,000	27,000
Contributions by Scheme Participants	11,000	9,000
Benefits Paid	(29,000)	(127,000)
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>1,040,000</b>	<b>1,096,000</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 £147,000 (2013/14: £32,000 gain).

**15.5 Scheme History**

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Present Value of the Defined Obligation	(1,116)	(1,308)	(1,501)	(1,387)	(1,516)
Fair Value of Plan Assets	810	842	993	1,040	1,096
<b>Surplus/(Deficit)</b>	<b>(306)</b>	<b>(466)</b>	<b>(508)</b>	<b>(347)</b>	<b>(420)</b>

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total liability of £420,000 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 2016 is £32,000.

### **15.6 Local Government Pension Scheme Assets**

Local Government Pension Scheme Assets (full scheme not Llwydcoed Crematoriums' element) are comprised as follows:

	<b>Fair Value of Scheme Assets</b>	
	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
UK Equities	462,816	500,938
Overseas Equities	1,112,695	1,147,728
UK Fixed Interest Gilts	176,791	208,144
UK Index Linked Gilts	13,111	0
UK Corporate Bonds	240,655	242,101
Overseas Government Bonds	0	22,526
Overseas Corporate Bonds	18,378	37,577
Property	130,201	134,011
Cash and net current assets	65,050	95,942
<b>Total</b>	<b>2,219,697</b>	<b>2,388,967</b>

### **15.7 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, 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:

	31/03/14	31/03/15
Mortality Assumptions:		
Longevity at 65 for:		
Men	22.9	23.0
Women	25.8	25.9
RPI Inflation	3.3%	2.9%
CPI Inflation	2.3%	1.8%
Rate of Increase in Salaries	3.8%	3.3%
Rate of Increase in Pensions	2.3%	1.8%
Discount Rate	4.3%	3.2%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum:		
Post-2010 Service	-	
Pre-2010 Service	-	
Post-2008 Service	75%	75%
Pre-2008 Service	75%	75%

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:

	Increase in Assumption £	Decrease in Assumption £
Longevity (Increase or Decrease in 1 Year)	1,555,000	1,477,000
Rate of Increase in Salaries	1,524,000	1,508,000
Rate of Increase in Pensions	1,535,000	1,497,000
Rate for Discounting Scheme Liabilities	1,491,000	1,541,000

### 15.8 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 £32,000 expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 16.5 years, which is based on the date of the last full actuarial valuation on 31<sup>st</sup> March 2013.

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

The Statement of Accounts was authorised for issue by the Joint Committee on 26<sup>th</sup> June 2015. 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 2015, 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 2015 requiring disclosure providing information that is relevant to an understanding of Llwydcoed Crematorium's financial position.

## **17.0 Reconciliation of (Surplus) / Deficit on the Provision of Services to Net Cashflow from Operating Activities**

<b>2013/14</b> <b>£</b>		<b>2014/15</b> <b>£</b>
(193,691)	(Surplus) / Deficit on Provision of Services	(322,971)
(28,187)	Depreciation	(26,268)
0	Impairment	0
(32,256)	(Increase)/Decrease in Creditors	21,350
(64,954)	Increase/(Decrease) in Debtors	21,615
3,777	Increase/(Decrease) in Inventories	(1,641)
(35,000)	IAS 19 Transactions	(25,000)
<b>(350,311)</b>	<b>Cash (Inflow)/Outflow from Operating Activities</b>	<b>(332,915)</b>



















































































































